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Mechanism of Al-Wa'Ad (Promise):

Teory and Application in Islamic Banking in Malaysia

MECANISME D'AL-WA'AD (PROMESSE):

THÉORIE ET APPLICATION DANS LES BANQUES ISLAMIQUES EN MALAISIE

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Abstract: Contract according to Syariah Law can be defined as being "an expression of the matching between a positive proposal made by one of the contractors and the acceptance of the other contractor in a way which has an impact on the subject of the contract"[3]. There are standard requirements provides by the law in order to constitute a valid binding contract namely offer, acceptance, consideration, and intention to create legal relation. This requirement is more or less the same with the Islamic 'aqad' however it comes together with the package the prohibition of any element of uncertainty, interest, etc to make sure it complies with the syariah standard. Most of the conventional contract has ignored few aspects of the Islamic contract such as non-spot in the exchange of ribawi item, unjustified increase of premium, and conditional aqad which are totally prohibited. Therefore Islamic Banking in Malaysia has put strong effort to curb these problems and provides a way out by introducing many syariah compliance products and concepts and one of them is al- wa'ad which is the main concern on this article. As a result, by doing this research, it can help people to discover how far the concept of al-wa'ad had been applied in Islamic Banking in Malaysia by comparing its application among few banks including Islamic Bank as well as conventional banks with Islamic Banking window.

Key words: Al-Wa'ad (promise); Islamic Banking; Teory and application; Islamic transaction

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Résumé: Contrat selon la syariah peut être définie comme étant «une expression de l'adéquation entre une proposition positive faite par l'un des contractants et l'acceptation de l'autre contractant d'une manière qui a une incidence sur l'objet du contrat». Il ya des exigences standard fournit par la loi afin de constituer un contrat valable à savoir offre, l'acceptation, la considération, et l'intention de créer des relations juridiques. Cette exigence est plus ou moins la même chose avec l'Organisation islamique pour «AQAD 'quoi qu'il arrive avec le paquet de l'interdiction de tout élément d'incertitude, intérêts, etc pour s'assurer qu'elle est conforme à la norme de la charia. La plupart du contrat conventionnel a ignoré quelques aspects du contrat islamique comme la non-lieu dans l'échange de point ribawi, l'augmentation injustifiée de la prime, et AQAD conditionnel, qui sont totalement interdites. Par conséquent, les banques islamiques en Malaisie a mis effort sérieux pour mettre fin à ces problèmes et fournit un moyen de sortir par l'introduction de nombreux produits de la charia et le respect des concepts et l'un d'eux est Al-Wa'ad qui est la principale préoccupation de cet article. En conséquence, en effectuant cette recherche, il peut aider les gens à découvrir dans quelle mesure la notion d'al-Wa'ad avait été appliquée dans les banques islamiques en Malaisie, en comparant son application entre quelques banques dont la Banque islamique ainsi que les banques classiques.

Mots-Clés: AL-Wa'ad (promesse); baques islamiques, théorie et applications, transaction islamique

1. DEFINITION

Al- Wa'ad is a term used currently which according to Islamic transaction means 'promise'. It is so interrelated with put option and call option but had been inserted with the element of Syara' and it is very much debated lately. The application of promise can be seen in several Islamic transaction concepts for example in sale and purchase, *murabahah, syirkah mutanaqisah, ijarah, takaful* etc. The Malaysian Accounting Standards Boards in its amendment to the Financial Reporting Standard i-1 2004 had mentioned about al- wa'ad when defining Ijarah Muntahia Bittamleek which reads as follows-

*Ijarah Muntahia Bittamleek is an Ijarah contract with an undertaking by the lessor to sell the Ijarah asset to the lessee and/or an undertaking by the lessee to purchase the Ijarah asset from the lessor by, or at, the end of the Ijarah period. The sale and purchase is affected by a separate contract. 'Undertaking' is translated from the Arabic word "**wa'ad**"*[4].

The promise or al wa'ad has no specific definition of its own however to explain it, it could be said as a commitment made by one person to another to undertake a certain actual or verbal disposal beneficial to the second party. The difference is obvious between the contract, which is initiation, and the promise, which is information. While contract is a legally binding upon the contractual party once it fulfills all the requirements needed, promise on the other hand depends on the acceptance of its applicability and to the opinion of jurists whether they are legally or religiously binding or both or it is a mere a question of morality. The scholars are in agreement on this point[5].

Islamic scholars have different views with regard to the liability imposed to the parties of the promise.

[4] www.**masb.org.my**/masbstd_FRSi-1b

[5] Prof Dr Ala' Eddin Kharofa, *The Loan Contract In Islamic Law (Shariah), A Comparison with Positive Law,* International Islamic University Malaysia, Kuala Lumpur.

The consensus opinion of Jumhur particularly Hanafi, Maliki, Syafie and Hanbali opined that a promise made by a person to the other is religiously binding (*mulzim diyanatan*) but not a legal duty (*mulzim qadha'an*). This is because al- wa'ad is part of a voluntarily contract (*aqad tabarru'at*).

Imam Malik and his followers are of three major opinions:

First, the promise is legally binding. This was reported about some followers of Malik that if that particular promise is bound to a reason although without any commitment from the other side, for instance if a person says that "I will travel to such place for such a time, therefore do lend me a horse". Once the horse has been lent to him he must travel.

Second, the promise is not legally binding. This is the opinion of the majority of faqihs.

Third, the promise must be fulfilled if it was made about a ground of contract. Otherwise fulfillment is not obligatory. This holds true whether the party making the promise has included the second party with the ground of contract or not. If the promise is about ground of contract in which the second party was included, the fulfillment is obligatory on legal grounds. In this case the promise is equally binding like the contract. If a person promises another to pay him a hundred dinars if a certain candidate loses in the elections, and the candidate actually lost, then the promise has to be fulfilled on legal grounds, according to the first opinion. The other opinion says that such promise should not be fulfilled on legal but on religious ground.

Ibnu Qasim of the view that al- wa'ad must be fulfilled once it is bound to a reason and commitment was given by the promisor. For example, a person wants to buy a slave if somebody willingly lends him 1000 dirham. If that somebody says "I will give you a favor by giving you 1000 dirham, therefore, buy yourself a slave", this kind of promise is binding (*lazim*) upon the second person.

This shows that according to the majority of opinions among the Maliki's that the promise has the same weight as the contract, if the first party has included the second party with the ground, or dealt with him on the basis of the promise. This opinion is supported by the holy Quran and the hadith:

"...واوفوا بالعهد إنالعهد كان مسئولا"

"And fulfill the commitment, for the commitment will be inquired into [on the day of Reckoning]"[6]

"يايها الذين آمنوا أوفوا بالعقود....."

" o ye who believe! Fulfill (all) obligation[7]*"*

واوفوا بعهد الله إذا عهدتم....

" Fulfill the covenant of Allah when you have entered into it..[8]*"*

Ibn Syubrumah, Ishak bin Rahawaih and Hassan al- Basri of the view that promise must be enforced and fulfilled legally. This obligation is mentioned in Surah An- Saff, verse 2:

كبرمقتا عند الله أن تقولوا ما لا تفعلون"." يايها الذين آمنوا لم تقولون ما لا تفعلون

"O, ye who believe! Why say ye that which ye do not? Grievously odious is it in the sight of God that ye say that which ye do not." ('Abdullah Yusuf 'Ali, 1994*)*

Besides, who does not keep his promise is considered as a hypocrite as mentioned in Hadith of the Prophet Muhammad S.A.W. that the characteristics of hypocrite person (munafiq) are:

"If he talks, he tells lies, if he promises he does not keep his promise, if he makes a covenant, he betrays it, and if he enters into a quarrel, he is shameless and does not behave fairly[9]*."*

Some of the contemporary jurists by referring to the opinion of the classical jurists opined

Majma' Fiqh Islami in its 5th meeting which was held on 10- 15 December 1988 decided that promise

[6] Surah Al- Isra'- verse 34
[7] Surah Al- Maidah- verse 1
[8] Surah Al- Nahlu verse 91
[9] Hadith narrated by Abi Hurairah r.a.

which is made have to be fulfilled by the promisor based on religious duty and obligation. The same goes to the situation where the promise is subject to a particular thing and requires commitment from the promisee.

The present positive law considers the promise of contract a binding contract to one party, or to both parties if they agree to conclude a contract, after one or both parties express a will to conclude the same within the agreed date. It is a preliminary contract concluded by the agreement of two wills: an offer by the party making the promise and an acceptance by the other party, preparing for a contract to be concluded in the future. This entire process is a preliminary and not final contract.

2. HUKUM AL- WA' AD BIL BAI' AND AL- WA'AD BIL-SYIRA'

Based on research, there is no clear record about the views of the jurists discussing the hukum promise in sale and purchase. Maliki school of thought differentiates between promises which are used in a transaction with a promise in fixing profit rate. If it is merely for a sale transaction, it is permissible. However the hukum is vice versa if it is for fixing the profit rate. It is totally prohibited. On the other hand, Hanafi and Syafie's scholars permit promise to sell and buy and the hukum is permissible (*mubah*).

This is the view of contemporary scholars who do not permit promise in sale and purchase. Their refusal of this concept is because they consider it as similar as *Bai' al- 'inah. Bai' al- 'inah* is prohibited by the muslim scholars because there is a consensus between the buyer and seller.

The ruling (*fatwa*) by Sheikh Abdul Aziz bin Baz, a Saudi Arabia *mufti* decided that al- wa'ad bil-bai' is permissible if the subject matter promised is belonged to the promisor. The conditional sale and purchase contract which requires re- sale and re- purchase of the subject matter is not a valid contract. However, both parties to contract can make a promise to buy or to sell back the asset. If one of them breaks the promise, the other side can claim for damages and the contract is still a valid one.

Maliki's view which says that promise is not binding and cannot be enforced by the court except if the party to whom the promise had been broken(the victim) suffers loss, then the party who breaks the promise must pay damages for the detriment or hardship arise from it.

The ruling ruled in the first 1981 convention of '*Nadwah al- Barakah*" in Madinah al- Munawarah stated that if a promise of transaction mulzim in nature to the parties of promise, it will be falls within prohibited promise because it involves *bai' al- kali' bil- kali'* which is not permissible. (Majmu'ah Dallah Barakah, 1997, p28)

Syariah Bodies (Lembaga) of The Accounting and Auditing Organisation for Islamic Financial Institutions (AAOIFI), an accounting and auditing standards setting body in Bahrain held that *wa'ad* which is '*mulzim'* in nature by both parties is just similar as a contract or aqad, and therefore it is prohibited by consensual fiqh jurists. If the promise made by one party, it is permissible even though it is '*mulzim'* in nature.

Majma' fiqh Islami in its 5th meeting which was held in 10- 15 December 1988 differentiating between a promise made by one parties and the promise made by two parties ss follows:

First, if promise made by one party, then the promise will be considered as '*mulzim diyanatan'* upon the promisor. In the ruling perspective, the promisor has to carry out his promise if such promise related with a specific reason, and there is commitment from the promisee.

Second, promise made by both parties i.e. al- *muwa'adah* is permissible but it does not '*mulzimah'* in nature upon both parties because if the '*muwa'adah'* is *mulzimah* in nature, it will just the same as *aqad*.

Though, the latest ruling by Majma' Fiqh Islami in its 17th meeting stated that:

Frst, Mulzim promise made by both parties is originally 'mulzim diyanatan' or religiously binding and not 'mulzim qadhaan' or legally binding.

Second, Mulzim promise by both parties in a contract is a 'hilah' of riba (interest) like 'inah and promise in 'salaf' transaction. It is prohibited by syara'.

Third, in situation where a sale and purchase transaction cannot be performed because the seller do not have the selling item, but there is public need to ensure that both parties perform the contract in the future based on provision of law or common practice of trade of the state such as providing 'documentary credit' to import, therefore binding promise from both parties is allowed whether through provision of law or by mutual consent of both parties.

Fourth, promise by both parties as mentioned in paragraph iii does not consider the future transaction therefore the ownership of the subject matter will not transfer to the buyer thus create no debt. The sale and purchase will only be executed at the time agreed by both parties after the completion of ijab and qabul.

Fifth, for the situation mentioned in paragraph iii, if one of the parties breaks the promise, thus he is legally bound to perform the contract or to remove the hardship which is borne by both parties due to the breach of the contract.

The ruling laid down by Jordan Islamic Bank was that if the *muwa'adah* is *mulzim* in nature upon both parties, therefore the transaction will falls under the general prohibition ('umum al- nahyi'), *bai' al-kali' bil- kali'* (sale the debt with debt). However if '*muwa'adah mulzimah'* only binds one party, therefore the transaction is permissible.

Dr. Rafi' al Misri mentioned that *bai' al- murabahah li al- amir bil-syira* which is practice in most of Islamic banking in present applies *al- wa'ad* principle. In practice, some banks practicing *wa'ad* which is *mulzim* upon both parties and some other banks only upon one party. With regard to this issue, Dr. Rafiq al- Misri of the view that *wa'ad mulzim* upon both parties is not permissible.

Based on the research there is no specific opinion from traditional jurists who discuss about *wa'ad mulzim* from both parties similar as *aqad*, it is almost a consensual among them. This can be proven by the ruling and writing of modern jurists of fiqh.

3. HUKUM MUWAADAH

Promise In Islamic Banking System In Malaysia.

The application of al- wa'ad had been recognized by the Central Bank of Malaysia and practiced by many banks such as Bank Islam Malaysia Berhad, Bank Muamalat Malaysia Berhad, Citibank, as well as RHB Bank that run the Islamic Banking Business in their products such as Murabahah, Syirkah Mutanaqisah, Sukuk, Foreign Exchange, and ijarah.

Based on the practice of Islamic Banking system, a promise made is normally binding upon parties because:

First, banking system is a system which is systematically monitored and any breach of promise is normally affecting the reputation of the financial institution.

Second, all transaction is normally supported by complete documentation as well as on line computer system in order to minimize any mistake which may lead to misunderstanding.

Third, banking transaction involves properties or big amount of money and therefore it is not proper for that kind of transaction to be done merely based on promise which is not binding.

Fourth, breach of promise in banking transaction is normally involves material loss upon the party whose promise had been breached.

According to Malaysian Islamic Fiqh Academy resolution, al wa'ad does not bind only one party but upon both parties provided there must be two clauses or terms of promise which derive from both parties.

In Bank Muamalat Malaysia Berhad, the application of wa'ad will be adopted in the agreement such as Deed of Covenant which reads as follows:

First, the customer hereby **irrevocably** undertakes and **promises** to purchase from the Bank's Shares pursuant to the Syariah principle of ***Wa'ad Mulzim*** at the Sale Price upon the terms and conditions of the *Musyarakah Mutanaqisah* House Financing- I Facility Agreement, in particular in accordance with Section 3 thereof. The Sale Price for each portion shall be an independent debt of the customer and shall constitute a separate and several sales from the other portions of the sale of the Bank's Shares.

Second, the parties hereby agree that the sale of the Bank's Share herein shall be pursuant to the Shariah principle of *Bay' Al- Mu'atoh*. (Purchase of Bank's Shares)

The title to the bank's Share that is to be acquired over time upon the terms and conditions of the Musyarakah Mutanaqisah House Financing-i Facility Agreement shall pass upon full payment of each portion so acquired. (Transfer of Title, Deed of Covenant)

Here we can see that the word unilaterally had been replaced by the word irrevocably because it involves two different promises i.e. promise to buy the equity in every month from the client and promise to sell the share equity from the financial institution i.e. in this case Bank Muamalat. Besides of syirkah mutanaqisah, the concept is also being used in foreign exchange (FOREX), ijarah, sukuk, murabahah etc.

The term 'al-wa'ad' has not been commercialized in Maybank like Bank Muamalat- since Islamic banking is a mere window to this conventional banking, instead they rely on the ordinary contract in running their banking business. However the concept of 'al-wa'ad' itself is impliedly used in many Maybank products such as Mortgage Reducing Term Takaful (MRTK), Wakalah, Overdraft- Cash line Facilities, and Murabahah which will be elaborated later on how this concept is actually being practiced in Maybank. The application is impliedly inserted in their Master Agreement and it is binding upon parties but subject to the clause which confers the bank right to make any changes to it.

The same goes to RHB Bank Berhad where the terminology itself is not so familiar among them however the application is there especially in the Islamic products which are about to be launched very soon for example Musyarakah Mutanaqisah, Equity Home Financing-i, Mudharabah Overdraft, etc. The term 'purchase undertaking' used in their contract signifies the application of al- wa'ad which they believe that it is basically had been applied in almost all of their products.

4. APPLICATION OF AL- WA'AD IN BANKING PRODUCT

Foreign Exchange

A forward contract in the forex market locks in the price at which an entity can buy or sell a currency on a future date. It is also known as "outright forward currency transaction", "forward outright" of "FX forward".

As a general principle, Maliki's scholar of thought does not permit promise done in currency transaction except on the spot or immediately. This is in parallel to the hadith of the prophet

"gold for gold, silver for silver, wheat for wheat, barley for barley, dates for dates, salt for salt, like for like, equal for equal, and hand-to-hand (spot); if the commodities differ, then you may sell as you wish, provided that the exchange is hand-to-hand or spot transaction."

In this hadith it stated that for the ribawi item, including currency which was originated from the gold and silver, it has to be equal in amount and on spot transaction otherwise it will be constituted as riba.

Imam Syafie permit promise of sale and purchase of currency as stated in Kitab Al- Umm, "If two persons promise on currency there is no restriction for them to buy dirham, then both of them agree upon

one of the price until they execute the sale and purchase agreement…"

Ibnu Hazm permits promise to sell and to buy the currency with the agreed price on that day followed by the real sale and purchase which is executed together. The parties to promise also can refuse to proceed with the promise by not execute the sale and purchase contract. This is because according to Ibnu Hazm the promise is revocable because it is not binding.

Syariah council of AAOIFI had explained that the original hokum for currency transaction is permissible because it includes in the general provision of *syara'* which allow currency transaction. It is one of the sources of income as long as it is not contrary to syariah.

However, Syariah council of AAOIFI also decided that the promise in currency exchange which is *mulzim* in nature is prohibited as proclaimed by the consensus opinion of jurists. This is because the promise which is *mulzim* in nature by both parties is just like a formal contract. Should the promise is done by one party; it is permissible though it is *mulzim* in nature.

Nadwah al Barakah in 1981 stated that the promise of currency exchange transaction which is binding on both parties is prohibited because it involves *bai' al- kali' bil- kali'*. If the promise is not *mulzim*, it is permissible.

As for those who recognized al- wa'ad in currency exchange, the delivery of the exchange can be made within three days after the dealing which is still considered as spot according to the view of Imam Malik, who made an analogy with Salam contract. Any time longer than that will amount to riba as the principle stated before. Therefore to avoid such thing and having a longer period with the fluctuation of the market price, here al- wa'ad will come into the picture where it will take effect from the time the dealing is made without concluding any contract, until the delivery day. Once the delivery is made, then the ordinary contract for currency exchange is concluded. So far in Malaysia, only Bank Islam and Bank Muamalat apply and recognize the application of al- wa'ad in foreign exchange.

5. SYIRKAH MUTANAQISAH

Syirkah literally means 'intermingle' implying the intermingling of properties that form the capital, whereby one cannot be differentiate from the other. Syirkah Mutanaqisah WHICH previously known as Musyarakah Mutanaqisah literally meant declining the share. Syirkah Mutanaqisah is a contract of partnership with declining ownership by a hybrid of three contracts, namely shirkah, ijarah, and bay'.

In Syirkah Mutanaqisah, the bank and the client will participate in the joint ownership (sharikat al-mulk) of a property or equipment, or in a joint commercial enterprise and share the equity portion. The client will be allowed to utilise the property e.g. residing in the house in the house financing and has to pay monthly rental payment against the share ownership of the bank to the house as a promise. The share of the bank is further divided into a number of units and the client will purchase this share periodically thus increasing his share and the share of the financier will be in decreasing as the bank had promised so. At the end of the contract all the share of ownership of that property belongs to the client, making him the sole owner of the property. With that, the title of the property will be transferred to the client. However, to put a condition that the transaction should be on the nominal price is not allowed. According to Dr. Osman Syabir, the parties to Syirkah Mutanaqisah are obliged to the obligation pertaining to the sale and purchase company because he was of the opinion that al- wa'ad elements in shares transaction had automatically confers obligation to the parties to the promise.

6. SALAM

Salam in legal context is a sale of a deferred item in exchange for an immediate (forward) price. It is the sale of liability whose characteristics are described in exchange for a price or capital sum paid in advance. Originally, the purpose of a salam was to meet the needs of small farmers who needed money to grow their crops and feed their family until the time of harvest. For they were not able to take out loans, these farmers were allowed to sell their agricultural products in advance. Lately, salam has become a mode of financing used by Islamic banks, and also suitable as a mechanism to raise fund via asset securitisation. The concept of al- wa'ad can be seen for example in parallel salam where the bank will entered into a contract of salam with client A in a specific date where A will deliver to the bank on a later date the subject matter at a purchase price. The bank then entered into another contract of salam with client C where bank agreed to deliver the same subject matter which was delivered by A at a selling price (purchase price with profit). Here we can see that there are two promises made. Firstly is between the bank and client A and secondly is between the bank and client C.

7. MORTGAGE REDUCING TERM TAKAFUL AGREEMENT (MRTA)

This is one of Maybank product where Maybank ties up with Takaful Company to provide Takaful Personal Accident Scheme to the customer. Here there will be two agreements i.e. between the bank and the Takaful company and secondly is between Customer and the Bank. Bank will offer a package to cover the …..... if anything happens to the customer i.e. the death and total permanent disability (TPD) and the customer will sign.

8. PROBLEMS

It cannot be denied that each and everything which is newly introduced in society has its own pro and cons, advantages and disadvantages. While Islamic Banking system in Malaysia try to overcome or provide the solution for riba, gharar, etc by introducing concept of al- wa'ad but at the same time we still facing some problems and difficulties.

First of all, there is no uniformity in applying the concept of al- wa'ad. Eventough Bank Negara Malaysia had recognized its application, not all financial institution in Malaysia practicing al- wa'ad but only a few such as Bank Islam, Bank Muamalat, Al- Rajhi etc. Among those financial institutions that practicing al- wa'ad, there is no standard guideline on how it could be practiced like an ordinary contract even though AAOIFI had touch about it a little bit. For example to constitute a valid contract, there are well known standard condition and requirements to be fulfilled i.e. offer, acceptance, consideration, and intention to create legal relation. It is quite difficult to determine what constitute wa'ad mulzim, or which mazhab to be followed since bank is mazhabless entity. The banks would defer to one another on its elements and the difficulties also arose in order to explain it to the public on its operation. For the time being, Bank Muamalat had adapted the condition of a valid contract to be attached together with the condition of wa'ad mulzim as a precaution step. As for Maybank and RHB Bank, just like Bank Muamalat, anything which the Islamic Banking is silent about, the conventional element will be adapted to fill in the lacunae.

In connection with the abovementioned problem, we can see that there is no law governing al- wa'ad like a contract. While contract has Contract Act 1950, Civil Law Act 1956 etc. there is no such thing to govern al-wa'ad or to be referred to. For example in the Contract Act 1950[10] provides that those who

[10] Section 10,11, read together with Section 2, Age of Majority Act 1961.

possess legal impediment such as minor, bankrupt, insane, etc cannot enter into contract since they have no capacity to do so, so what about promise made by those people? Can they bring the case to the court of law if there is somehow breach of promise, and whether the court can grant any specific relief for non fulfillment of the promise made? These question leads to the third problem i.e. with regard to the jurisdiction of the court.

The issue here is whether the issue of failure to fulfill the promise is triable in the court and if it does, which court shall have the jurisdiction? Whether it is under the civil court since Civil Law Act 1956 provides that anything related to the commercial matters shall fall within the jurisdiction of civil court or it is under jurisdiction of syariah court as it is one of the Islamic principle and some of the state list exclude the commercial matter as part of civil cout jurisdiction because even in BBA transaction there was dispute about it[11]. Besides, as al- wa'ad is still new in its application in Malaysia, yet there is no default in payment or any major problems arose which need to be dragged to the court, therefore there is no binding precedent, decided cases, or reference to be referred except to the writing of traditional as well as contemporary jurist. Besides since this issue is considered as still new, the parties including the lawyer, have to take some time to study and do some research for their case and as for that it needs some time to be heard. This will contribute to the bad lock of cases in the court.

9. CONCLUSION

From this article, in various financial institutions, even though al- wa'ad concept is still considered as new in Malaysia, in fact the concept has been applied from long time ago with different ways, method, and understanding which carries the same purpose adopted the first opinion of Imam Malik. Even in Malaysia, it is only the matter of terminology whereby many transaction applying al- wa'ad indirectly without highlighting the word al-wa'ad itself. Since Islam promotes on amanah, we are of the opinion that a promise made in the commercial transaction should not only religiously binding but it supposes to be legally binding provided that the principle is well governed and given recognition by proper manner and authority regardless whatever name it is going to be. This is an alternative for the public to enter into any transaction easily, free from element of riba for example if a person wishes to buy something but shortage of money, by applying this concept he may get what he wishes in short period as if he had book the property so that it will not taken or bought by other person. This is as what had been portrayed in Syirkah Mutanaqisah which upholds the maslahah of the public.

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