

Joalah Financial Sharing (JFS)

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Abstract

Joalah Financial Sharing (JFS) paves the way for financing the working capital of productive firms. JFS is a financial subsystem of Rastin Profit and Loss Sharing (PLS) banking system and in this regard, its instructions, organization, working procedures, electronic structure, contracts and forms works under Rastin PLS banking Base System rules and regulations. In JFS, bank by obtaining commission works as monetary intermediate for providing capital management services to productive activities of the firms and his engaged clients.

New financial innovation of “Future Certificate” is proposed in JFS, which can create major developments in increasing efficiency and stability of money and financial markets. The financier of specific project will receive digital “Future Certificate” which can be transacted in Rastin Certificate Market of the bank on internet. Future Certificate prevents un-real paper market formation. At maturity, the latest owner of the certificate will be the owner of produced good of the productive firm, and after deliverance, the corresponding certificate is closed.

Keywords: *Joalah; PLS banking; Future Certificate; Islamic banking; Usury-Free Banking; Rastin Banking*

Introduction and Objective

Many firms plan to receive their input materials or intermediate commodities for their future production. Financing working capital of the firms is a usual need of bank’s clients. In order to finance working capital for productive firms, “Joalah Financial Sharing (JFS)”² as a financial subsystem Rastin PLS banking is introduced. In this system, regardless of bank to be governmental or private, bank works as monetary intermediate or as an attorney or agent for providing capital management services for the buyer of goods and provides financial needs to provide working capital for production of specified goods.

Methodology and Scope

Accordingly, in JFS, bank receives producer’s proposal and financing proposals from two different firms. In this case, the borrower is considered as the seller (producer) of the commodity. In order to provide necessary facilities for expansion of productive activities and specially financing working capital and providing raw material and equipment, JFS is used. Bank manages the financial needs of the producer (seller) of goods according to the request of the buyer by issuing Future Certificate for the buyer. Bank is financial intermediate, and collects necessary fund from the buyers or depositors and pays it to the producer (agent). The agent (producer) is necessarily a legal entity. *Joalah* Financial Sharing (JFS) works under the regulations and general instructions of Rastin PLS banking³.

Based on JFS mechanism, a new financial instrument called “Future Certificate” is defined with general characteristics of Rastin Certificates⁴ and clear differences with prevailing future contracts in global bourse markets. Future Certificate is issued according to *Joalah* contract as a financial instrument

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² بیژن بیدآباد و همکاران. مشارکت مالی جعاله (JFS)، زیرسیستم بانکداری مشارکت در سود و زیان (PLS)، بانک ملی ایران، تهران ۱۳۸۹.

³ - The Persian and English documents of Rastin Banking including detailed explanation of this banking method can be accessed through <http://www.bidabad.ir> in full texts.

⁴ - Rastin certificates are the name for collection of certificates designed for Rastin PLS banking and operate under the supervision of trustee unit of bank and are issued with prefix of certificate.

on the request of the borrower to finance revolving working capital through purchaser or depositor. This certificate is anonym, and can be transacted in Rastin Certificate Market and the latest certificate holder will be the owner of the subject of contract to receive the produced good.

All the activities will be carried out according to the prepared compiled instructions. The structure and organization of PLS banking is used in JFS accordingly.

Joalah

Joalah terminologically means carrying a job for receiving wage, and epithetically is the process of doing something to obtain a benefit in return⁵, or in other words, it is the obligation of superposer (*Jael*) to pay a wage to the agent to perform a Sharia-compliant or wisd-accepted task. *Joalah* is a Sharia-signed commandment, and had been prevailing before the Prophet Muhammad (PBUH)⁷. In *Joalah*, superposer (*Jael*) should propose the job⁸ and it is a revocable contract by the agent. ⁹Civil Law defines *Joalah* as¹⁰: “*Joalah* is obligation of doing a job for a defined bonus, whether the agent is defined or not. One who promises is called superposer (*Jael*), and the other side is called agent and the bonus (wage) is called *Jol*. In *Joalah* it is not necessary to define the bonus for all points of view; therefore, if someone promises to give the agent a share of a lost asset, the *Joalah* is correct. In addition to undefined agent, it is not necessary to define exactly the quality of action. *Joalah* is a breakable commitment and each side can put an end to the contract before it is finished, but if the *Jael* cancels the job, he should compensate the agent proportional to the work agent has done at similar job rates. If the job has different parts, and each part was necessary for the *Jael*, and the contract is cancelled, *Jael* should pay agent proportional to the job the agent has done according to the wage or commission they have had agreed (whether the *Joalah* is cancelled by *Jael*, or by the agent). The agent can claim the total wage (*Jol*) when he has finished the job or delivered the subject of *Joalah*. If different agents have been working on the job, they receive wages proportional to the amount of the work they have done. The commodity that is the subject of *Joalah* is considered as safekeeping in hands of agent, before delivery to the *Jael*. *Joalah* for non-Sharia or irrational work is nullified.¹¹

Joalah Financial Sharing (JFS)

Joalah is the obligation of superposer (*Jael*) to pay some known wage (*Jol*) for conducting a special job according to the contract. The one who carries the job out is “entrepreneur” or “producer”. In JFS, the one who needs resources for working capital offers his proposal to PLS bank. In this case, the person who requests for fund is buyer of commodity and the supplier is regarded as seller (producer/entrepreneur) of the commodity. Meanwhile, bank finances the supplier according to the demand of buyer after receiving the fund (from the buyer or depositor) by issuing Future Certificate for the buyer or depositor. Bank is a financial intermediate in this approach, and collects funds from the

⁵ شهید ثانی، الروضه البهیة، ج ۲، ص ۲۴۹. مصحح: حسن قارویی تبریزی. دارالتقیر قم، چاپ سوم، ۱۳۸۲. و شهید ثانی، مسالک الافهام فی شرح شرایع؛ ج ۱۱، ص ۱۶۳، موسسه نشر معارف اسلامی، چاپ سوم، ۱۴۲۵.

⁶ خمینی، روح الله موسوی، تحریر الوسیله، ج ۱، ص ۵۳۸، موسسه نشر اسلامی، چاپ دوم، ۱۳۶۵.

⁷ - Holy Quran, Josef surah, verse 72: *we have lost king's vas and I guarantee to pay him back a camel of cargo if any one finds it.* «قَالُوا نَفَقْدُ صُوعَ الْمَلِكِ وَلَمَن جَاء بِهِ حِمْلُ بَعِيرٍ وَأَنَا بِهِ زَعِيمٌ». See Tafsir al Mizan, Allameh Saied Muhammad Husain Tabatabaee, Islamic Dar ul Kotob, 4th printing, Vol. 11, P. 2415, Tehran, 1982.

⁸ کاتوزیان، ناصر، حقوق مدنی، درس‌هایی از عقود معین، تهران، گنج دانش، ۱۳۷۸، چاپ دوم، صص ۲۷۰ - ۲۸۰. و امامی، سید حسن، حقوق مدنی، تهران، انتشارات اسلامی، ۱۳۵۲، چاپ چهارم، ص ۱۲۳.

⁹ شهید اول، دروس ج ۳، ص ۱۰۰، موسسه نشر اسلامی، قم، چاپ اول، ۱۴۱۴. شهید ثانی الروضه البهیة، مصحح، حسن قارویی تبریزی، ج ۲، ص ۲۵۱ و ۲۵۲، دارالتقیر، چاپ سوم، ۱۳۸۲.

¹⁰ - Civil Law of Iran, articles: 561-570.

¹¹ - Article 16th of Usury-free banking operations law: Banks can facilitate production and commerce by *Joalah*.

buyers/depositors and pays to producer/entrepreneur.

The agent should necessarily be a legal entity. *Joalah* activities under JFS are defined under the general regulations and standards of Rastin PLS banking in addition to particular own JFS specifications and considerations. The trustee unit of bank's PLS department carries out all supervision to fulfill the commitments of both sides.

The subject of *Joalah* is engaging the capital of buyer by production firm for provision of intermediate and auxiliary internal or imported raw material, spare parts and equipment. Regarding the subject of contract and its conditions, phases of carrying out the working production process and time of deliverance of goods to buyer and by observing the Rastin banking PLS instructions; duration of *Joalah* contract is set.

First, bank signs a preliminary contract with buyer and the latter undertakes to pay the *Jol*. *Jol* is defined by bank by considering the subject of *Joalah* activity and bank services and meanwhile, bank obtains the right to partial or complete turnover right of the *Joalah* activity to a third party by a secondary *Joalah* contract and works as buyer's agent.

***Joalah* Financial Sharing 3 (JFS3) Process**

In this process, we have three parties of bank, agent (producer/entrepreneur) and buyer. That is why it is called JFS3. This process is a simple kind of *Joalah* Financial Sharing (JFS). We have the following phases in this process as shown by figure 1:

1. Bank receives the sources from the buyer, and issues Future Certificate and pays it to the buyer.
2. According to the signed *Joalah* contract with the agent, bank will provide the necessary fund for entrepreneur.
3. The agent (entrepreneur/producer) will produce the commodity and delivers it to the buyer – under the supervision of trustee unit of PLS department of bank.

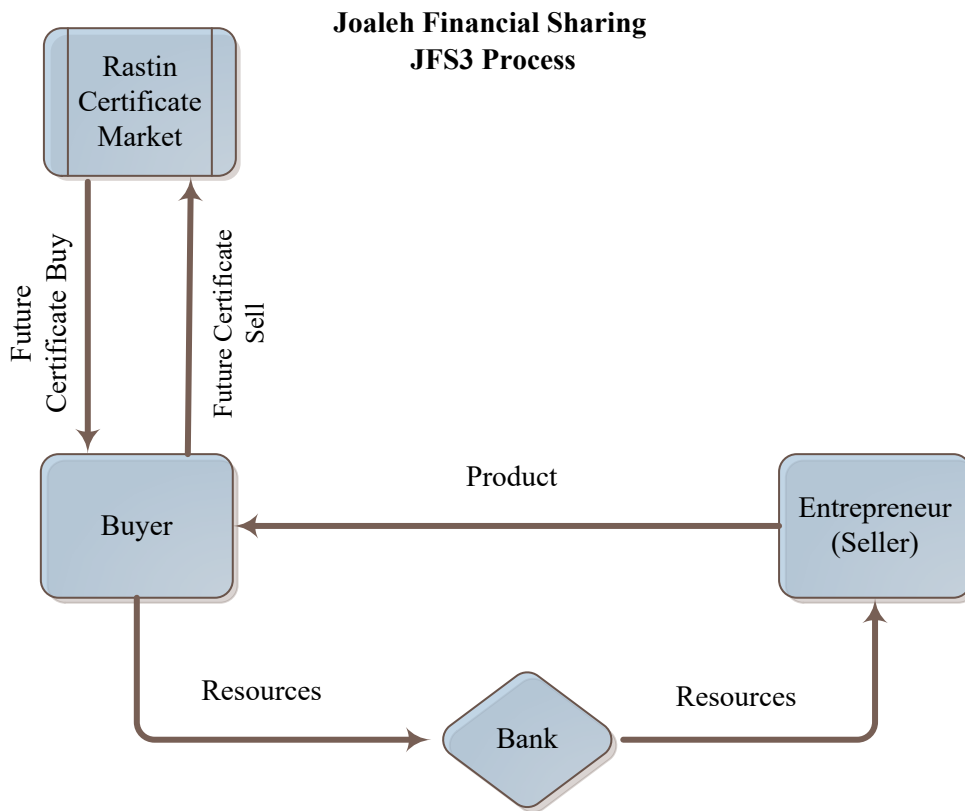


Figure 1

Joalah Financial Sharing 4 (JFS4) Process

In JFS4 process, there are four parties which are: bank, agent (producer/entrepreneur), buyer and depositor and that is why called JFS4. We have the following phases in this process as shown by figure 2:

1. Bank receives funds from depositor and gives Future Certificate to depositor.
2. According to a *Joalah* contract with the agent, bank provides him resources for providing raw material for the firm.
3. According to another contract, the buyer's firm produces the products and sells them in the market under the supervision of trustee unit of PLS department of bank.
4. Buyer pays the selling price to bank.
5. Bank settles with depositor by paying him.

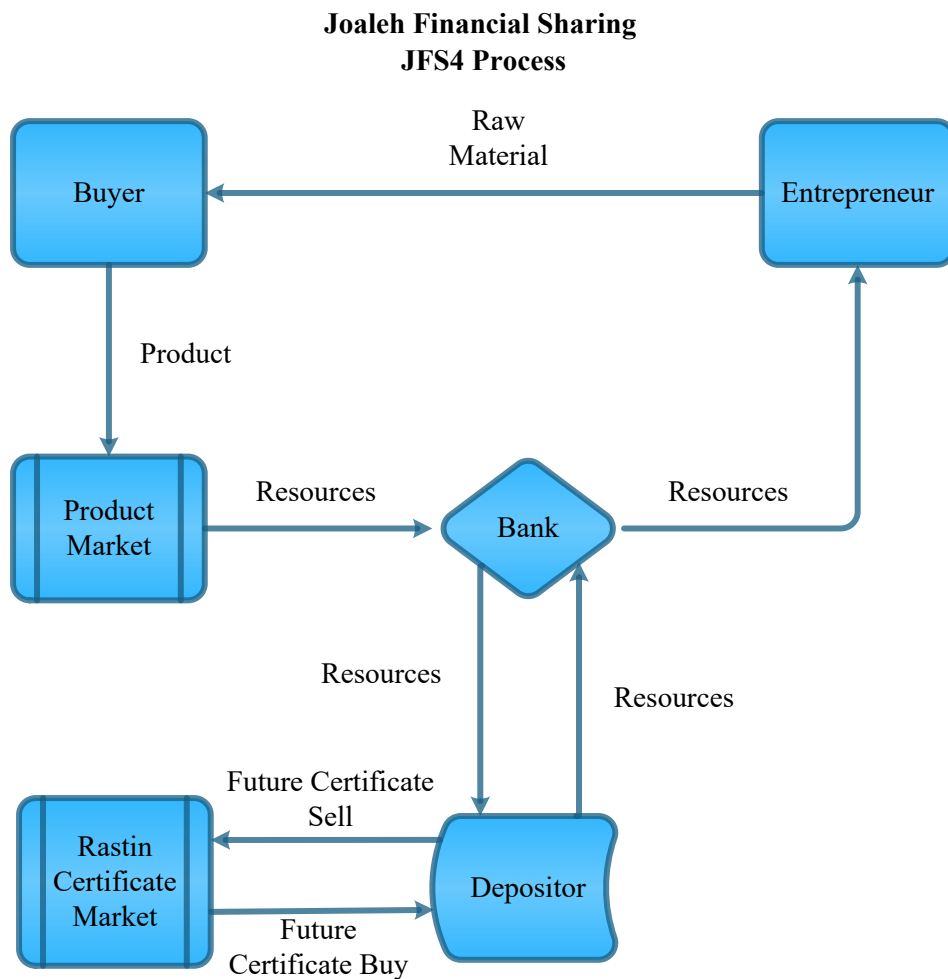


Figure 2

Derivatives in global financial markets

Derivatives are kinds of financial contracts, which explain a kind of value derived from a commodity or asset (base asset) and can be share, commodity, interest rates, foreign exchange or other assets. Derivatives today are defined in forms of Futures, Forwards, Options, and Swaps with particular characteristics.

Future contract: is an agreement for buying or selling a specific asset with a specified price at a specific time in future. Parties in future contract commit to transact a commodity with specific quality at specific price and time and according to the signed contract and thereof, the buyer is not worried about the future price increase, and the seller is not concerned about the future price decrease. Future contracts are made in official markets or bourses and they somehow prevent future price fluctuations. The price of base asset is not paid until the maturity, but the both sides deposit certain amounts at clearing house as a guarantee for goodness of promises. Those who buy future contracts commit to deliver the asset at delivery date or final settlement date, and take a long (selling) position. The position of deliverer of the asset to the buyer is called short (buying) position. Future contracts are usually negotiable in secondary markets.

Forward contract: is similar to future contract with the exception that the future contract can be transacted in bourse, but forward contracts are transacted in over-the-counter (OTC) markets. Over-the-counter market is formed on the neighborhood of bourse markets, and has no specific location and is formed by cable or internet connections of dealers. Because of the credibility of the contract parties, total amount of transaction is paid at the time of delivering goods.

Many believe that selling shares and future contracts by installment in which the interest rate calculation is involved -considering duration- enter the realm of usury (*Reba*). But the other instruments such as “production order papers” or, “*Istisna*” are not included in this category. Of course, those instruments involving interest rate based calculation are considered in the realm of *Reba* in juristic point of view. Therefore, there are two views about future contract. One asserts that future contract is (*Kali-beh-Kali*)¹² transaction of a debt. That is the seller will sell and deliver the commodity at maturity to the buyer and the buyer will obtain the commodity and buy it at maturity. In this contract, money is paid in future at time of delivery. If we consider the future contract under this concept, it can be regarded as *Kali-beh-Kali* transaction and the doubt of transacting *Kali-beh-Kali* or debt-by-debt can be raised in this concept. At present or cash transaction, money and the good are interchanged without involving time. In credit transaction, the commodity is delivered at present time, but the money is paid later. In *Salaf*, the commodity is delivered later, and in *Kali-beh-Kali* transaction, both commodity and money are delivered at maturity. That is why interest might involve in transaction. Therefore, if payment of money and delivery of good are made in future, the transaction might become *Kali-beh-Kali*. In the second view, no transaction takes place, but both parties commit to transact in future time, which means that a seller promises to sell a specified commodity at specified time and price to the buyer. Meanwhile, the other party (buyer) promises to buy the specified commodity at specified time and price from the seller. In other words, they are just transacting their commitments. Sunni jurists believe future contracts and transactions as term selling for term payment, which is a *Kali-beh-Kali* transaction and enters into the realm of *Reba*. But, this would not be true, if interest rate is not involved, that is transaction is of the form of term-buying (*Baye Moajjal*). From legal point of view, future contract is a selling commitment facing a buying commitment and is considered as a purchase order.

Option: generally, option contracts are divided into two groups: “call option” and “put option”. In this contract, option holder or option issuer or option writer has the right to transact (sell or buy) a base asset. The call option holder has the right to buy the subject of contract at certain price up to a certain time, but is not obliged to do so. In addition, a put option holder has the right to sell the subject of contract at certain price up to a certain time, but is not obliged to do so. The written price in the contract is called “strike price” or “exercise price”. The written date in the contract is called “expiration date” or “exercise date” or “maturity”. The “European (call/put) options” permit the action only at the maturity, while “American (call/put) option” allow transaction from the beginning to the maturity period. Another kind of option is called “Bermudan option” which can be carried out a few days before the expiration date of contract. Asian options, also called “Average options”, are settled at the average price of asset in the option period. Option certificate is negotiable at secondary market.

In call option, after paying some specified amount of money to the seller of option, the buyer will

¹² - *Kali-beh-Kali* is a transaction that seller sells specific amount of a commodity to be delivered in future; and buyer purchases the commodity to be received in future.

have the right to buy the specified asset with specified quality before expiration date, but is not obliged to buy. The seller is also obliged to sell and deliver it to him if the buyer applies before contract time is expired. If option holder does not apply his right within the agreed period, his right will be taken away. In put option contract, the buyer of put option will have the right to sell the specified asset with specified price within the specified time to seller of put option after paying him the contracted amount of money. This is just a right or privilege to sell and not obligation to sell. When the buyer of put option uses his right at maturity, the seller of put option is obliged to carry out his commitment according to the context of contract.

Options are applicable in any kind of contract. For example, it is possible to give the right of extending rental period to one who has leased; or an issuer of a valuable paper can give the put option of the papers at special price to buyer for a period of, say, 3 years. In addition, a person can for example buy an option conditioned to sell his own one hundred shares within future six months at certain price.

Islamic jurists have different views about options. Some believe option necessitates a major loss for seller and is not fair and rational.¹³ Since in option paper it is not specified that the buyer or seller is obliged to carry out the action, and we do not know whether price goes up or down until maturity date, this view is not right. Some do not consider option as “transaction”, because in transaction price should be specified, while in option it should not.¹⁴ This criticism is because of narrow description of transaction. In broad description, transaction is a contracts in which any legal condition can be agreed on by counterparties. The view of Islamic jurists about the similarity of option to “*Araboob/Oroban* transaction” has created controversial views. *Araboob* transaction is a transaction in which some money as down payment is prepaid to the owner for buying the commodity. If the buyer buys the commodity at mature date, the down payment will be considered as a part of the total payment; otherwise, the down payment will not be paid back to buyer and will be owned by seller. This type of transaction is prevailing in housing sector of Iran by the title: “written promise” or “preliminary agreement”. Some Sunni jurists believe these agreements are false because of narration reasons.

The probability of deceiving (*Qarar*) and misappropriating of money and the existence of granting and rejection are raised because of dissatisfaction conditions and buying without payments that make the transaction false, because of irrationality. This is because, in signing transaction contract, both parties consider the aptness of each other and sign the contract willingly. Of the conditions of aptness is being sane, and not being bankrupt or unwilling. Therefore, deceiving (*Qarar*) and misappropriating of money and the existence of granting and rejection because of dissatisfaction conditions and buying without payment are canceled and its risk is not more than spot buying. This transaction cannot be compared with unknown cancelation option, which has no dead line. This is because in spite of unknown cancelation option, the conditions for ownership of buyer at the maturity date are explicitly described in the contract.

Some believe option is false, because in this contract, commodity and money is not interchanged, and principles of transaction are not assured, and it cannot be changed to conditional cancelation option. If this is true, forward deal also should be false. In options, goods and money are exchanged, because selling and buying are accompanied with giving and obtaining.

Some others believe options are kind of gamble on future prices and therefore, it is false¹⁵. If this is a true conclusion, all other transactions, especially forward deals should be considered as gamble, because by changing prices, the profit of the parties will change and similarly, trade and commerce looks like a

¹³ - احمد محیی الدین حسن، عمل شرکتات الاستثمار الاسلامیه. نگاه کنید به: عصمت پاشا، عیدالله، فلسفه و سیر تکاملی ابزارهای مالی مشتقه و دیدگاه‌های فقهی، ترجمه علی صالح آبادی، فصلنامه تخصصی اقتصاد اسلامی، شماره ۹، بهار ۱۳۸۲.

عبد الحمید الرضوان، سمیر، اسواق الاوراق المالیه، قاهره المعهد العالمی للفکر الاسلامی الطبعة الاولى ۱۴۱۷ق. ص ۳۶۳-۳۶۱.

البرواری، شعبان محمد اسلام، بورصه الاوراق المالیه من منظور اسلامي. دمشق، دارالفکر، ۲۰۰۲م/۱۴۲۳ق. البرواری، ۲۰۰۲. ص ۳۴.

¹⁴ - الزحیلی، وهبه، المعاملات المالیه المعاصره بحوث و فتاوی و حلول، دمشق، دار الفکر، الطبعة الاولى ۱۴۲۳ق. صص ۵۰۹-۵۰۲.

¹⁵ - البرواری، شعبان محمد اسلام، بورصه الاوراق المالیه من منظور اسلامي. دمشق، دارالفکر، ۲۰۰۲م/۱۴۲۳ق.، ص ۲۳۵.

legitimate gamble. Some others consider this contract illegal because it is included in non-proprietary transactions, conditional benefits for one party is in opposite to option right in contradiction to necessities of contract, and because of including extra expedience with usury doubt and having mortgage nature.¹⁶

Some do not consider transaction on right to be true. While if something is customary considered as fair and the subject of transaction complies with Sharia, and it is not considered as prohibitions, it can legally be transacted. Some others have gone so far to say that this is a new-artificial contract and is not in the domain of *Sharia*-complied contracts.¹⁷ This view is against jurisprudence (*feqh*) dynamism, which is a discussing matter between Sunni and Shiite ways of thinking.

Forward transaction (*Salaf*): is a contract in which both parties commit to transact a commodity with special specifications and with special price at specific future time. Total amount of transaction money is given to seller at beginning and at the end; the commodity is transferred to the buyer. Forward transaction is a kind of future contracts, and even though they are often signed outside the bourse; but have not much difference with futures and their most important difference is the higher amount of down payment.

Istisna: is a kind of future contract in which parties commit to transact a commodity with specific specifications and with specific price at specific future time but the payment is by installments along the contract period.

Swap contract: is a kind of contract in which, parties commit to interchange two specified assets or their yields for a certain period.

Future Certificate in JFS

By implementing JFS, bank offers a new financial instrument of “Future Certificate” which has special specification quite different to prevailing future contracts in global bourse markets. Standard future contracts are issued in bourse transaction markets for selling a certain amount of specific goods in future, in which buyer deposits a percent of total price with a third party (usually bourse organization) and seller commits to render the good to buyer at mature, otherwise, the deposit will be given to buyer. These contracts are negotiable in bourse market and can be changed by an offsetting contract or cancelled by agreement. This is the “scalability” of future/forward contracts. In this contract, buyer and seller agree on the future price of the commodity. Arbitrage operation on buying and selling future contract will change the transaction value of the contracts and future price and spot price of commodity tend to each other. Usually, close out of the contract or offsetting contract in clearing house can put an end to the contract. Commodity future contracts are different from interest rates future contracts on bonds, and to some extent, on foreign exchanges in which interest rate is involved in discount calculation of spot price by considering margin money and good-faith deposited or earnest money for which may include *Reba*. This is because; some of future contracts have specific yield and time will change the discounted spot value equal to the interest of margin money. In other words, it involves *Reba* at least equal to the amount of interest of the deposited money. The more is deposited money, the more *Reba* is involved. Future contracts with different subjects such as grains, meat, metals, edibles and fibers, energy and wood are prevailing in nowadays bourses.

Future contracts are usually have standard definitions, but some of them are defined as “Mini contracts” which is a fraction of a standard future contract and has more applications for contractors or for exchanging with standard future contracts.

Future prices of these contracts involve many considerations such as supply and demand and future price forecasts at maturity, which are different for various commodities and different seasons.

Margin money kept for future contracts does not create any ownership right on the subject of contract and it is just a guarantee for undertaking the committed contract. Future contracts are negotiable in bourse halls and people willing to enter these contracts can announce their wishes. In addition, this activity is carried out on internet easily. In ordering forward deals (purchase order/sell offer), it should be

¹⁶ - عبد الحميد الرضوان ، سمير ، اسواق الاوراق المالية ، قاهره المعهد العالمى للفكر الاسلامى الطبعة الاولى ١٤١٧ق. صص ٣٧٢-٣٦٣.

¹⁷ - الزحيلي، وهبه، المعاملات المالية المعاصره بحوث و فتاوى و حلول، دمشق، دار الفكر، الطبعة الاولى ١٤٢٣ق. ص ٥١٢.

mentioned whether order is for selling or buying, the amount, name and specifications of the commodity, delivery time and price range are considered. Usually bourse dealers carry out the orders.

Future contracts can be carried out on real and absent commodities. Since future contracts are exchangeable, we can see many contracts in bourses without exchanging any commodity and they just indicate some obligation between buyers and sellers. This will increase financial papers in circulation in, and involves them in broad definition of money and have increasing effects on volume of quasi money and therefore, affects the economy through weakening monetary policy in the country. Because monetary authorities do not supervise these transactions; moreover, exchanged physical commodities is less than the exchanged papers. This is one of the defects of these transactions, which can create economic crisis in country.

Differences between future contracts in nowadays bourses and Future Certificates of JFS can put forward as follows:

1. In Future Certificate, 100% of the future price should be submitted to seller at beginning.
2. Each issued Future Certificate is related to a real specific good and cannot be changed with a compensatory or offsetting contract.
3. The seller is a producing firm with a legal personality.
4. Bank works as financial intermediate by absorbing funds and allocating to seller.
5. Good-faith deposit is only taken from the seller (producer) as guarantees or other collaterals.
6. After the end of contract, the subjected commodity will be delivered to buyer according to signed contract and under supervision of bank commodity is delivered and contract is finished.
7. Future Certificate can be transacted in Rastin Certificate Market but has not exchangeable or offsetting properties and therefore, the latest holder of Future Certificate will be the owner of the subjected commodity of contract at maturity.
8. Trustee unit of PLS bank supervises the allocated funds to producer and his production operation to fulfill his commitments.
9. Future Certificate can be used for financing working capital of producing firms and cannot be used to finance firm's fixed capital.

General Executive Mechanism of Future Certificate

PLS bank issues Future Certificates to respond the request of the applicant firm (buyer) to finance working capital of the producing firm according to primary and secondary *Joalah* contracts as a financial instrument based on JFS instructions. The face value of Future Certificate is equal to the price of the real commodity of the *Joalah* contract and has not the offsetting and exchangeable properties similar to conventional futures contracts. Bank obtains guarantee or collaterals for the fund delivered to producer and issues Future Certificate for buyer (or depositor) in substitute of his fund. The maturity date of Future Certificate is determined according to the *Joalah* contract and *Joalah* contract will be terminated after delivery of commodity to buyer.

Future contracts are anonym digital transferable papers and can be transacted in secondary market of Rastin Certificate Market; the latest certificate holder will be the owner of the produced commodity at maturity. The certificate is just used to finance working capital and cannot be used to finance fixed capital of producing firms. Future Certificates are issued at the time of signing *Joalah* contracts and are valid until maturity and delivery date. The maturity date of Future Certificate is the end of *Joalah* contract. Of course, if the *Joalah* contract is extended according to PLS banking instructions and regulations, the maturity date of Future Certificate will be extended accordingly. If producer does not deliver commodity at maturity, the case will be treated according to JFS and PLS banking instructions considering the written agreements of the contracts, regarding instructions of delay and dishonoring. According to general Rastin PLS banking instructions, Future Certificate market price is determined according to supply and demand of certificates in Rastin Certificate Market. By supervising the goodness of activities of producer/entrepreneur, bank will monitor the delivery of commodity and in the case of producer dishonoring; and will seizure the claims through the guarantees and collaterals of entrepreneur according to regulations.

Client Relations Operations

By applying to information portal of Rastin Certificate Market on internet, and studying regulations concerning various products and services, producer and buyer get familiar with JFS facilities and if necessary, consult with PLS banking branch expert. Assessment unit of PLS bank assesses the competency of producer and buyer by and if acceptable, then bank will sign up contract with them. If the applicants' information is already available in the databank of the bank, the procedure of assessment will be shorter. After passing assessment process, producer and buyer should provide all documents concerning their mutual written agreement on price, and amount of commodity, method of providing raw material, packaging and delivery, quality and characteristics of the raw material and final good, obligatory and national standards and buyer's optional standards, controlling method of raw material and final good, production and delivery timing, production procedures and other related instances. Documents and information together with filled forms will be entered into computer system of information desk. The proposed projects, together with information about the clients are saved in "proposed projects" file and a copy will be sent to agents' assessment unit for detailed assessment.

Buyer operations

By agreement with producer and applying to Rastin Certificate Market on internet, or after applying to one of the PLS branches and consulting with the expert at information desk, the buyer will become acquainted with participation products, conditions and JFS. After selecting project, forms will be given to him to be filled, then, the related documents together with related information will be preliminary entered into computer system and the client will be introduced to cashier desk. After receiving the related fees and assessing the registered data, the cashier desk will confirm and finalize the registered data. The follow up code will be issued for client. The related record, including client's code, account number, the amount of his deposit, identity card information ... will be saved simultaneously in bank's integrated core system.

After receiving money and opening an account, the client will be introduced to contract conclusion desk and after uploading the registered code information, contract forms and the method of application of internet Rastin Certificate Market will be provided for the client. After studying the details of the contract, the client will sign it. Meanwhile, information and the disciplinary number of the contract will be saved in the PLS information system. After conclusion of the contract and registering it, the system will automatically issue Future Certificate in the name of depositor.

After the end of project and receiving the information about the calculating profit and loss of the project, the accounting/auditing desk will calculate it by considering the participation period and the kind of commodity. In addition, the profit can be automatically carried into client's account if he wishes. Bank's commission will be deducted according to the related instructions and the mutual contract and will be carried into the bank's account.

Conclusion

The establishment of usury-free banking system can solve many important financial problems such as crisis at global level.¹⁸ The basis of determining interest rate is the Islamic banking is real sector economy rate of return. Future contracts in conventional global bourse markets increase financial papers in circulation, and put the economy to an unstable position through debt leverage. In this context, JFS designed to fulfill some banking services needs that do not suffer from the existing shortages in conventional banking. JFS and its financial instrument of Future Certificate is one of the Rastin PLS banking solution to the problem. JFS is used to finance firms to provide their working capital. Detailed

¹⁸ - Bidabad, Bijan, Fluctuations and Business Cycles Prevention by New Financial Instruments and Banking Structure Reform.

<http://www.bidabad.ir/doc/Fluctuations-and-Cycles.pdf>

Bidabad, Bijan, Stabilizing Business Cycles by PLS Banking and Ethic Economics.

<http://www.bidabad.ir/doc/pls-business-cycles-en.pdf>

characteristics of JFS have been setup, and now are applicable and adaptable by other banks throughout the world.

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