

ABSTRACT

This thesis analyses the resolution made by the Shariah Advisory Council of the Malaysian Securities Commission (SAC) which resolves that the crude palm oil futures contract is permissible. This resolution is controversial as it collides with the resolutions of other mainstream or internationally represented organisations of *Shari'ah* scholars. These mainstream resolutions rule that the commodity futures contract transgresses *Shari'ah* principles. However, the SAC contends that it is permissible on the principle of public interest (*maṣlahah*) and on the notion that trading regulations have overcome *Shari'ah* prohibitions; namely, that of *gharar* (uncertainty) and *maysir* (gambling). The focus of this thesis is thus to analyse the adequacy of the SAC resolution in terms of its coherence with the real trading of the crude palm oil futures contract as well as the adequacy of the crude palm oil futures legal framework in overcoming *Shari'ah* prohibitions. This is an area which has not been given adequate attention in the current literature. Apart from the literature on the legality of the commodity futures contract, this thesis examines the legal framework of the Malaysian commodity futures market as well as the American and European markets. To compliment this research, non-structured interviews and discussions have been undertaken. In the final analysis, the data gathered from the interviews and discussions, as well as the relevant literature, evidences that the SAC resolution is not coherent with real trading and that the elements of *gharar* and *maysir* have not been eliminated by the trading regulations. Additionally, the analysis finds that, contrary to the argument of its proponents, the commodity futures market has failed to represent its purpose as a risk management tool as well as a price discovery tool. In summation, an inadequate resolution would inevitably undermine the SAC's position as Malaysia's sole Islamic capital market's *Shari'ah* advisor, and Malaysia's reputation as the international Islamic capital market hub.