

Management of Sharia Mutual Fund in Islamic Economic Law of Indonesia (Study Collective Investment Contract (CIC Mutual Fund)

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**Management of Sharia Mutual Fund in Islamic Economic Law of Indonesia (Study
Collective Investment Contract (CIC) Mutual Fund)**

Nunung Rodliyah and Ade Oktariatas K

Abstract

Investment activity is an activity of placing funds in an instrument aimed at obtaining profits in the future. Investment can be categorized in two parts, namely, investment in real assets and investment in the form of financial assets. One alternative investment included in capital market products is sharia mutual funds that place funds in debtors that do not out from sharia regulations, in the fundamentals and operations of the company in accordance with the guidelines of the Indonesian Ulema Council fatwa. Mutual fund management can take the form of an open and closed company, and can also be in the form of Collective Investment Contract. The problem in research is how is the legal position of Islamic mutual funds in Indonesia and how is CIC-based management in accordance with the principles of Islamic economic law in Indonesia. This research is normative with descriptive research types. Data collection was carried out by literature study and document study especially legal document. The collected data is then analyzed qualitatively into structured and logical sentences. The results of this study explain the regulations that guarantee the legal position of sharia mutual funds in Indonesia realize the guarantee of legal certainty. The regulations that apply are varied among state institutions that issue but still pay attention to the harmonization of rules so as to minimize overlap between the rules that apply. Secondly, the elaboration of the legal position regarding what important matters must be in place to support the smoothness of the transaction. The management is based on the principles of Islamic economics that are applied in Indonesia. The exposure is related to the suitability of the national written rules, sharia rules and practices, and also describes the elements of the settlement of disputes in this transaction viewed from the risk of the transaction.

Keywords : *Capital Market, Sharia Mutual Funds, Regulation, Management*

A. Introduction

Islam as a religion that Rahmatan lil alamin regulates aspects of the life of all humanity without error. Economic aspects which are of course very important in the order of community life are also regulated in Islamic law. Islamic economics in these three decades has progressed quite rapidly, both in academic studies in universities and in operational practices. In the form of teaching, Islamic economics has been developed in several universities in Muslim countries, as well as in western countries, such as the USA, Britain, Australia, and others²¹ in terms of general academic studies and explicit studies such as the scope of investment activities. This development also has an impact on experts in the field of investment have different views on the theoretical concept of investment. Fitzgerald, defines investment as "activities related to efforts to withdraw resources (funds) that are used to hold capital goods at the present time, and with these capital goods will produce new product flows in the future"²². planting money or capital in a company or project for the purpose of obtaining profits.²³ According to Hendry Faisal Noor, investment is to sacrifice current consumption opportunities, to obtain benefits in the future.²⁴ As for the sharia perspective, investment can be interpreted as the placement of a number of funds / capital in an investment instrument for the purpose of obtaining profits and benefits by using sharia principles.

Various kinds of statements related to the investment, it can be concluded that investment is an activity of placing funds / capital in an investment instrument with the hope of obtaining profits in the future. In general, investment can be categorized in two parts, namely, investment in real assets (real assets) and investment in the form of financial assets. The form of real asset investment is opening a business, investing directly in a business, investing in commodities, land, gold and property. While investment in financial assets can be divided into two parts, namely investment in money markets / banking institutions in the form of demand deposits, savings and time deposits, as well as investments in capital markets in the form of stocks, bonds, sukuk, and mutual funds.

²¹Tira Nur Fitria, Kontribusi Ekonomi Islam Dalam Pembangunan Ekonomi Nasional, STIE – AAS Surakarta, Jurnal Ilmiah Ekonomi Islam Vol. 02, No. 03, November 2016

²²Abdul Manan, *Aspek Hukum dalam Penyelenggaraan Investasi di Pasar Modal Syariah Indonesia*, (Jakarta: Kencana, 2009), p.183.

²³Nurul Huda dan Mustafa Edwin Nasution, *Investasi pada Pasar Modal Syariah Syariah*, (Jakarta: Prenada Media Group, 2008), p. 7.

²⁴Hendry Faisal Noor, *Investasi Pengelolaan keuangan bisnis dan Pengembangan Ekonomi Masyarakat*, (Jakarta: PT. Indeks, 2009), p. 4.

The role of the ⁴ Capital Market is a market for various financial instruments or long-term securities that can be traded, both in the form of debt or own capital. The capital market is an effective means of obtaining funds and is used as investment financing through a mechanism for collecting funds from the public and channeling funds to productive sectors. By buying shares, investors hope to receive dividends every year and capital gains when their shares are resold. However, by investing, investors are also expected to risk losses that are directly proportional to the profits earned.²⁵

Alternative investments through sharia mutual funds that place funds on debtors that do not violate sharia boundaries and based on Islamic sharia principles, in the fundamentals and operations of the company in accordance with the guidelines of the Indonesian Ulema Council fatwa. ¹⁷ Islamic mutual funds are an investment vehicle that combines Islamic stocks and bonds in one product managed by an investment manager.

¹ Mutual Funds are a container that is used to raise funds from the public to be invested in the securities portfolio. Mutual fund management can take the form of an open and closed company, and can also take the form of a Collective Investment Contract (CIC). Until now the Financial Services Authority (OJK) as a government agency has granted business licenses to hundreds of mutual fund products using both conventional and sharia.²⁶ Malaysia as a neighboring country Indonesia also develops its investment activities mainly in Islamic mutual funds, the significant growth of the mutual fund industry has been supported by the strong commitment of the local government.²⁷

Sharia mutual fund regulations are prepared, among others, by the form ² of the Financial Services Authority Regulation (POJK), POJK Number 15 / POJK.04 / 2015 concerning Application of Sharia Principles in the Capital Market, POJK Number 19 / POJK.04 / 2015 concerning Issuance of Sharia Mutual Fund Requirements, POJK Number 23 / POJK.04 / 2016 ¹⁶ concerning Mutual Funds in the Form of Collective Investment Contracts, POJK Number 53 / POJK.04 / 2015 concerning Contracts Used in Sharia Securities Issuance in the Capital Market. In addition to several regulations from the Financial Services Authority (OJK), there is a fatwa that also regulates Islamic mutual funds,

²⁵<http://repository.wima.ac.id/2385/2/Bab%201.pdf> pg. 1 access in March 13th 2017 14.12 WIB.

²⁶Depri Liber Sonata, Hubungan Hukum Kontraktual Pada Pengelolaan Reksa Dana Kontrak Investasi Kolektif Di Indonesia, Bagian keempat Hukum Perdata Dalam Berbagai Perspektif.(Bandar Lampung, Harakindo Publishing,2015) p.186.

²⁷Nurasyikin Jamaludin, Malcolm Smith, Paul Gerrans, *Mutual Fund Investment Choice Criteria: A Study In Malaysia*, International Journal of Education and Research, Vol. 1 No. 4 April 2013

namely the Fatwa of the Indonesian Ulema Council (MUI), namely the DSN MUI Fatwa Number 20 / DSN-MUI / IV / 2001 concerning Implementation Guidelines for Sharia Mutual Funds. Sharia Mutual Funds are Mutual Funds that allocate all funds or portfolios into Sharia instruments, such as shares that are incorporated in the Jakarta Islamic Index (JII), Sharia bonds, and various other Islamic financial instruments.²⁸ In managing Sharia Mutual Funds using the wakalah contract. There are reductions and additions related to the rules of the system in Islamic mutual funds. In Sharia Mutual Funds there are additions, namely the screening and cleansing process, the existence of the Sharia Supervisory Board as a supervisor, and in the case of binding to a contract. This was not there before in conventional mutual funds. And the reduction is in terms of investment objectives if in conventional mutual funds seek high profits, Islamic mutual funds prioritize SRI or Socially Responsible Investment, and in sharia mutual fund transactions must be free of interest (*riba*).

Islamic mutual funds comply with sharia principles in the capital market if their contracts, management methods and portfolios do not conflict with sharia principles in the capital market as stipulated in the Financial Services Authority Regulation Number 15 / POJK.04 / 2015 concerning the application of sharia principles in the capital market. From this definition, there are three important elements in Mutual Funds, namely: the existence of pool of funds, investments in securities portfolios, and Investment Managers as fund managers (Limited Offerings).²⁹ The wakalah contract whereby the party giving the power of attorney (*muwakkil*) gives power to the party that receives the power (representative) to take certain actions or actions.³⁰ The contract of wakalah in Sharia Mutual Funds, the statement of Ijab and Qabul must be stated by the parties to show their intention to enter into a contract (*akad*). Wakalah with binding rewards and may not be canceled unilaterally. The Financial Services Authority (OJK) as a regulator continues to be committed to encouraging the Sharia Mutual Fund industry to continue to grow, this is evident from the Financial Services Authority Regulation (POJK) Number 19 / POJK.04 / 2015 concerning Issuance and Requirements of Sharia Mutual Funds.

Sharia mutual funds and conventional mutual funds have different philosophical and management methods. The main difference about conventional Mutual Funds with Sharia

²⁸ Andrian Sutedi, *Pasar Modal Syariah: Sarana Investasi Keuangan Berdasarkan Prinsip Syariah*, (Jakarta: Sinar Grafika, 2011) p. 8.

²⁹ Ni Putu Fanindya Pertiwi, *Pengelolaan Reksadana Kontrak Investasi Kolektif (KIK) Syariah Di Indonesia* (Skripsi), Fakultas Hukum Universitas Lampung, 2017, p. 30

³⁰ Jeni Susyanti, *Pengelolaan Lembaga Keuangan Syariah*, (Malang: Empat Dua, 2016) p.202.

Mutual Funds is at the screening process. In the management of Sharia Mutual Funds there is a screening process as part of the asset allocation process. Sharia mutual funds are only allowed to place shares and other instruments in accordance with Islamic law. This difference in Sharia Mutual Funds affects the allocation and composition of assets in its portfolio. Sharia Mutual Funds perform a cleaning process that intends to clear non-halal income and not in accordance with Islamic law. The thing that causes people to be interested in the Shariah Mutual Fund is that in Indonesia, the majority of cultures and religions are Islam. So that the Sharia Mutual Funds are more developed than Conventional Funds. However, enthusiasts of the Syari'ah Fund are not only limited to the Muslim community, but many non-Muslim communities are also interested in joining the Shariah Funds based on Trust.

Looking at the types of mutual funds that have been arranged, Sharia Mutual Funds that are currently in great demand are open Mutual Funds in the form of Collective Investment Contracts (CIC). The term is the same as the term Mutual Funds invested in the real sector categorized as Limited Participation Funds.³¹ So the most widely issued Mutual Funds are CIC Mutual Funds. Mutual funds owned by the Investment Manager and Custodian Bank rely on the contract according to Law Number 8 of 1995 concerning the capital market which is referred to as "Collective Investment Contract" (CIC).³² In the KIK agreement, the Investment Manager and the Custodian Bank bind the unit holder where the investment manager is authorized to manage the collective investment portfolio and the custodian bank is authorized to carry out collective safekeeping as regulated in the Financial Services Authority Regulation (POJK) Number. 23 / POJK.04 / 2016 concerning Mutual Funds in the Form of Collective Investment Contracts. In Mutual Fund operations, the Custodian Bank will receive instructions from the Investment Manager to complete the investment activities decided by the Investment Manager.³³

Based on this background, the rapid development of Sharia Mutual Funds, and other explanations, the authors are interested in conducting research as outlined by the title

³¹Yulizar D. Sanrego, University of Darussalam Gontor (UNIDA), *The Role Of Islamic Capital Market For Micro, Small, and Medium Enterprises (MSMES) Through Synergy of Mutual Fund And Venture Capital Institution*. Journal of Islamic Monetary Economics and Finance, Vol. 3 No. 1 (2017) e-ISSN : 2460-6618

³² Jeni Susyanti, *Op.cit*, p. 222.

³³*Ibid*.

"Management Of Sharia Mutual Fund In Islamic Economic Law Of Indonesia (Study Collective Investment Contract (Cic) Mutual Fund)".

B. Problems

This paper try to answer two question :

1. Whats the regulation set the Sharia Mutual Fund in Indonesia?
2. How to manage CIC Sharia Mutual Fund in Indonesia?

C. Discussion

1. The Regulation

a. Sharia Capital Market

Sharia capital markets can be interpreted as activities in the capital market as stipulated in the Capital Market Law No. 8 of 1995 concerning Capital Market which does not conflict with Sharia principles. Therefore, the Sharia capital market is not a system that is separate from the overall capital market system. In general, Sharia Capital Market activities do not have differences with conventional capital markets, but there are some special characteristics of the Sharia Capital Market, namely that the products and transaction mechanisms do not conflict with Sharia principles. Sharia Mutual Funds is one example of a form of financial transactions in the Islamic capital market in Indonesia.

Sharia mutual funds are mutual funds that operate according to the provisions and principles of Islamic sharia, both in the form of a contract between the Custodian Bank as the owner of the property (shalib al-mal / rabb al-mal) and the Investment Manager, as well as the management of investment funds as the al-mal vice shalib, as well as between the Investment Manager as the vice al-mal and the unit holders.

1) About Sharia Mutual Fund

According to Fatwa National Sharia Board (DSN) Number 20 / DSN-MUI / IX / 2000, Islamic mutual funds are mutual funds that operate according to Islamic sharia principles and principles, both in the form of a contract between investors as property owners (Sahib al-mal / rabb al- mall) with investment managers as representatives of sahib al-mal, as well as between investment managers as representatives of investment users. Sharia mutual funds will not invest their funds in bonds from companies whose management or

products are contrary to Islamic law, for example: liquor factories, pig industries, financial services that involve usury in its operations and businesses that contain immorality.³⁴

2) Legal Construction Mutual Fund

Based on its legal form (Article 18 paragraph 1 of Law No. 8 of 1995 concerning the Capital Market), Mutual Funds are divided into two:

First, Corporate-shaped Mutual Funds (Types of Companies) In this form of Mutual Funds, the activities of an Investment Fund issuing company are fund raising activities and stock sales. Then, the funds are invested in securities.

Second, Mutual Funds in the form of Mutual Fund Collective Investment Contracts are instruments of fund raising with participation units (UP) to investors and subsequent funds used for various types of money, both in the capital market and money market.³⁵

Other arrangements in the Fatwa of the National Sharia Council Number: 20 / DSN-MUI / IV / 2001 concerning Guidelines for the Implementation of Investment for Syari'ah Mutual Funds The financial instruments in question include:³⁶

- a. Stock instruments that have been through a public offering and dividend distribution are based on the level of operating profit;
- b. Placements in deposits with Sharia Commercial Banks;
- c. Long-term debt that is in accordance with Sharia principles;

Collective Investment Contract (CIC) is a contract made between the Investment Manager and the Custodian Bank which also binds the unit holder as an investor. Through this contract, the Investment Manager is authorized to manage collective portfolios and the Custodian Bank is authorized to carry out safekeeping and collective investment administration.³⁷

The Collective Investment Contract regulates the duties and responsibilities of each party, the purpose and type of investment to be carried out, the procedures for transactions,

³⁴Nur Aini Kandarisa, *Perkembangan Dan Hambatan Reksadana Syariah Di Indonesia: Suatu Kajian Teori*, Universitas Negeri Surabaya, p. 4-5

³⁵*Ibid*, p.4

³⁶Pasal 7 angka 2 Fatwa Dewan Syari'ah Nasional Nomor: 20/DSN-MUI/IV/2001 tentang Pedoman Pelaksanaan Investasi Untuk Reksa Dana Syari'ah

³⁷Pratomo Eko Priyo dan Ubaidillah Nugraha, *Solusi Perencanaan Investasi di Era Modern* (Jakarta : PT. Gramedia Pustaka Utama, 2009), p. 48

costs, the rights of the unit holder as investor and other rules and provisions concerning the management of the CIC Mutual Fund.

The purpose of the establishment of sharia CIC mutual funds is the agreement to carry out a business activity in the established financial sector based on the contract. Sharia CIC mutual funds are established between investment managers and custodian banks based on CIC which also bind the unit holders. Sharia Mutual Fund formation process is not much different from conventional CIC Mutual Funds, Investment Managers (Representin) will take the initiative to issue Mutual Funds through a process of registration statement to the Financial Services Authority in order to sell investment units to public investors, without the need to form a company. Before carrying out the registration statement process, the Investment Manager (w Representin) must first determine the Custodian Bank to be able to determine or make a Collective Investment Contract. Agreement between CIC Mutual Funds and participation unit holders (third parties) was born since the investor as a third party stated his intention to purchase a CIC Mutual Fund participation unit, since then the investment manager and custodian bank have the responsibility to fulfill the rights and interests of third parties .

The name of a ⁸ Mutual Fund in the form of a Sharia Collective Investment Contract (CIC) must describe the name of the Investment Manager, a name that reflects the type of Mutual Fund, add the word "sharia" to the name of the Collective Investment Contract issued,³⁸ and the denomination of foreign currency used when using a currency other than the rupiah.³⁹ For example, the name of a Sharia ⁸ Mutual Fund in the form of a Collective Investment Contract managed by the ABC Sharia Investment Manager with an investment policy in accordance with the provisions of the type of Fixed Income Mutual Fund can be named "Independent ABC Sharia Mutual Income Mutual Fund⁴⁰".

⁸ Mutual Fund names in the form of sharia Collective Investment Contracts (CIC) are prohibited from the same as other Mutual Fund names, containing the expression that Mutual Funds have certain benefits which are not necessarily true, contain the expression Investment Managers have certain advantages which are not necessarily true and inconsistent with

³⁸Republik Indonesia, *Peraturan Otoritas Jasa Keuangan Nomor 19/POJK.04/2015 tentang Penerbitan dan Persyaratan Reksadana Syariah*, Bab III Pasal 15 Ayat 3 huruf f

³⁹Republik Indonesia, *Peraturan Otoritas Jasa Keuangan Nomor 23/POJK.04/2016 tentang Reksadana Berbentuk Kontrak Investasi Kolektif*, Bab II Pasal 3 Ayat 1

⁴⁰Reksadana ABC Syariah Fixed Income Merdeka

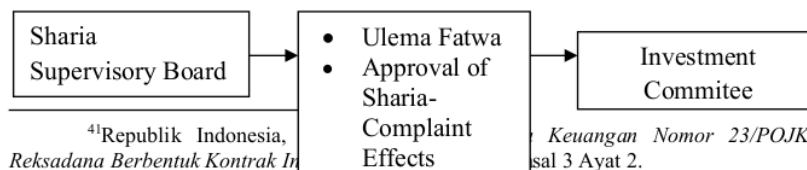
Mutual Fund policies.⁴¹ Sharia Mutual Funds (CIC) Mutual Funds in the form of Collective Investment Contracts must include the Investment Manager and the Custodian Bank as representatives (w Representin) who act for the benefit of the unit holders as the represented party (muwakil) where the Investment Manager is authorized to manage collective investment portfolios and The Custodian Bank is authorized to carry out collective safekeeping. Contracts, management methods, and portfolio of Sharia Mutual Funds in the form of Collective Investment Contracts do not conflict with sharia principles in the capital market.⁴²

Sharia mutual funds in the form of Collective Investment Contracts can invest in sharia securities and / or sharia money market instruments issued by one party no more than 20% (twenty percent) of Net Asset Value Sharia Mutual Funds form a Collective Investment Contract at any time. However, it does not apply to sharia securities in the form of Bank Indonesia Syariah certificates, sharia securities issued by the Government of the Republic of Indonesia and sharia securities issued by international financial institutions where the Government of the Republic of Indonesia is a member.

In terms of sharia mutual fund mutual fund formation process is simpler than PT. Islamic mutual funds. That is why all Sharia Mutual Funds and Mutual Funds in Indonesia are CIC mutual funds. Unlike PT. Sharia Mutual Funds that issue Shares, Sharia CIC Mutual Funds are not a company so they do not issue shares, but issue participation units so that evidence of investor ownership is collectively the owner of sharia mutual funds. The management of CIC mutual funds is based on an agreement / contract between two parties that bind a third party.⁴³ In managing Islamic CIC mutual funds it is not much different only in CIC Sharia Mutual Funds using the Contract between two parties that bind a third party.

b. Managing CIC Sharia Mutual Fund in Indonesia

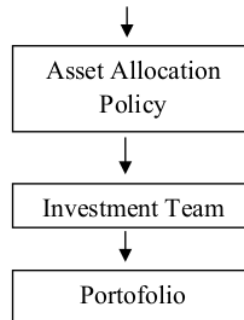
Sharia mutual funds are based on sharia principles, simply the investment management process for Islamic mutual funds can be described as follows:



⁴¹Republik Indonesia, Reksadana Berbentuk Kontrak In Keuangan Nomor 23/POJK.04/2016 tentang sal 3 Ayat 2.

⁴²Republik Indonesia, Peraturan Otoritas Jasa Keuangan Nomor 19/POJK.04/2015 tentang Penerbitan dan Persyaratan Reksadana Syariah, Bab III Pasal 15 Ayat 3 huruf a

⁴³Depri Liber Sonata, Op.Cit. pg. 190



The above chart explains the process of managing Islamic mutual funds, sharia supervisors are the institutions authorized to review, explore and formulate the values and principles of sharia law in the form of fatwas to be used as guidelines in transaction activities that occur in sharia financial institutions and approve the appropriate effects with sharia principles. The guidelines are used by the investment committee to develop investment objectives, policies and strategies which are then carried out by the investment team in the form of securities portfolios in accordance with sharia principles.⁴⁴

In a mutual fund fund contract involves two parties, each of whom has certain rights and obligations. The relationship between the parties in mutual funds is not the relationship between the creditor and the debtor, but the partnership between the investors / investors and the investment manager who acts as the fund manager (mudharib).⁴⁵

In general, operational mechanisms in Islamic mutual funds can be divided into two, namely between investors and investment managers and between investment managers and investment users. The operational mechanism between investors and investment managers is carried out with the wakalah system. While the operational mechanism between investment managers and investment users is carried out with the mudarabah system⁴⁶.

Asset owners in the Sharia Mutual Fund portfolio are carried out through a rigorous screening process based on sharia principles. If a mutual fund buys shares, the shares purchased must be company shares that have been declared in accordance with sharia. Sharia mutual funds are mutual funds that allocate all of their funds or portfolios into sharia

⁴⁴ Nur Aini Kandarisa, *Op.Cit*, p.7

⁴⁵ M. Rasyid Ridha, *Peranan Reksadana Syariah Dalam Peningkatan Investasi Di Indonesia*, Transparency, Jurnal Hukum Ekonomi, Juni 2013, Volume II Nomor 2, p.4

⁴⁶ Hanif, *Reksa Dana Syariah*, Fakultas Syari'ah IAIN Raden Intan Lampung, Vol.2, No.1, Januari 2010 p. 27

¹ instruments, such as stocks that are incorporated in the Jakarta Islamic Index (JII), Islamic bonds, and other sharia financial instruments.

Financial activities, Sharia Mutual Funds will be bound in the mudharabah aqad as Mudharib which manages jointly owned funds from investors. As proof of participation, investors will receive an investment unit (share) from Islamic mutual funds. Sharia mutual fund group funds will be placed back into the activities of the Issuer (other companies) through the purchase of sharia securities. In this case the Sharia Mutual Fund acts as Mudharib and the Issuer acts as Mudharib. Therefore, this kind of relationship can be called a Tier Mudharabah bond.⁴⁷ There is a relationship between rights and obligations between Investors, Investment Managers, and Custodian Banks. The most important party in the Mutual Fund system is the Investment Manager. However, if the Mutual Funds that are operated are Sharia Mutual Funds, then the important parties are the Investment Manager and the sharia supervisory board. If one party ¹³ does not fulfill its obligations or if there is a dispute between the parties, then the settlement is done through the Shariah Arbitration Board after an agreement is not reached through deliberation.⁴⁸

D. Conclusion

¹⁵ Based on the legal form (Article 18 paragraph 1 of Law No. 8 of 1995 concerning the Capital Market), Mutual Funds are divided into two:

First, Corporate-shaped Mutual Funds (Corporate Type) In this form of Mutual Funds, the activities of the Investment Fund issuing company are fund raising activities and stock sales. Then, the share sale fund is invested in the form of various types of shares traded on the stock exchange.

Secondly, Mutual Funds in the form of Mutual Funds Collective Investment Contracts are instruments for collecting funds by issuing unit investments (UP) to investors and then the funds are ⁵ invested in various types of investments, both in the capital market and money market.

⁹ In addition to the regulation of the National Sharia Council Fatwa Number: 20 / DSN-MUI / IV / 2001 concerning Guidelines for the Implementation of Investment for Syari'ah Mutual Funds, determining the investments imposed on Sharia Mutual Funds in

⁴⁷Ali Amin Isfandi ¹⁰ *kad Muamalah Di Pasar Modal Syariah*, Juni, 2009, p.102

⁴⁸Pasal 12 angka 2 Fatwa Dewan Syari'ah Nasional Nomor: 20/DSN-MUI/IV/2001 tentang Pedoman Pelaksanaan Investasi Untuk Reksa Dana Syari'ah

Indonesia can currently run as long as they do not conflict with the principles Sharia is fundamentally as well as ijtihad of the scholars.

Mutual fund funding contracts involve two parties who each have certain rights and obligations. The relationship between the parties in mutual funds is not the relationship between the creditor and the debtor, but the partnership between the investors / investors and the investment manager who acts as the fund manager (mudharib).

In general, operational mechanisms in Islamic mutual funds can be divided into two, namely **between investors and investment managers and between investment managers and investment users**. The operational mechanism between investors and investment managers is carried out with the wakalah system. While the operational mechanism between investment managers and investment users is carried out with the mudarabah system.

Asset owners in the Sharia Mutual Fund portfolio are carried out through a rigorous screening process based on sharia principles. If a mutual fund buys shares, the shares purchased must be company shares that have been declared in accordance with sharia. **Sharia mutual funds are mutual funds that allocate all of their funds or portfolios into sharia instruments, such as stocks that are incorporated in the Jakarta Islamic Index (JII), Islamic bonds, and other sharia financial instruments.**

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