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GENERAL REGULATORY FRAMEWORK IN RASTIN PROFIT AND LOSS SHARING BANKING (PART I-OPERATIONAL CONTEXT)

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Abstract

This paper aims to explain the operational and legal infrastructure of Rastin Profit and Loss Sharing (PLS) Banking. To handle Rastin Banking, the particular theoretical and operational regulatory frameworks and legal context of the contracts should be defined to fulfil the participation operations. We will have a look at the necessary legal environment to setup Rastin Banking. This system requires more elaborations for further practical development and adjustment. In this system, the investment return of the participation is distributed to the parties of financial partnership (depositor, entrepreneur and bank), and it is done by eliminating fixed interest rate, and it is based on the real economy profit (return) of the activity. Rastin Banking can lead to important positive effects on growth and economic welfare through money and capital markets. Interest rate as an essential factor in conventional banking is not usable in Islamic banking and other similar institutions that work based on partnership, such as mutual funds and saving and loan associations. Approach of this system is entirely different from the conventional banking. In addition to removing usury in banking activities, Rastin Banking uses the best practical ethic finance to creating safe and public confidence environment for banking operations.

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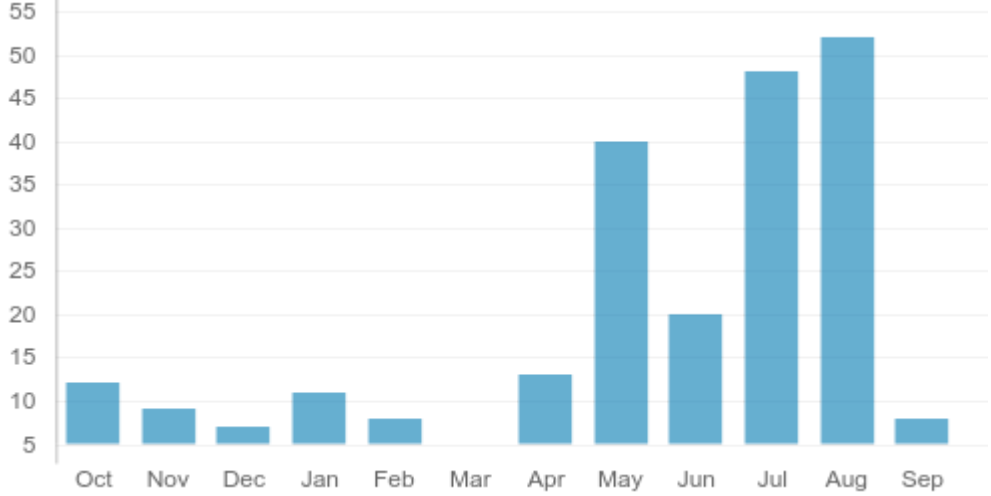

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