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**RISK MANAGEMENT IN CASH
WAQF LINKED SUKUK
BASED ON THE WAQF CORE
PRINCIPLE:
A PRELIMINARY STUDY**

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Risk Management in Cash Waqf Linked Sukuk

Based on the Waqf Core Principle:

A Preliminary Study

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Abstract

This study aims to examine risk management in Cash Waqf Linked Sukuk (CWLS). CWLS is a new scheme in Indonesia initiated by the Indonesian Waqf Board (BWI) which also acts as Nazir in the CWLS scheme. The CWLS scheme is a new innovation for Cash Waqf in Indonesia which has good prospects in the future. This Risk Management Research is limited to risk identification on the CWLS variable. The risk management used as a reference is Risk Management in the Waqf Core Principles (WCP) which was also recently introduced in 2018 in Bali at the IMF Annual Meeting. Previous research was used to support the WCP version of Risk Management. The method used is descriptive using qualitative approach. The results of this study state that CWLS consists of 2 (two) variables, namely the stakeholder and the sukuk structure, each of which has components related to WCP Risk. Disbursement Risk and Operational & Sharia Compliance Risk are the dominant types of risk associated with the stakeholder variable components. For Sukuk Structure variables, the most dominant WCP Risk that must be identified is Market Risk. From the perspective of cash waqf sustainability, CWLS scheme can be said to be zero risk, because waqf assets in the form of money will be safe, both the principal and the payment of the benefits. This is because the state through the Ministry of Finance guarantees these payments by allocating funds in the Indonesian budget (APBN). However, CWLS does not mean there are no potential risks. CWLS has a potential risk of sharia compliance related to information on the use of waqf funds. Market, counterparty, and reputation risk are also WCP Risks associated with many of the CWLS components in both variables, stakeholder and sukuk structure.

Keywords: Cash Waqf, Sukuk, Risk, Indonesia

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I. Introduction

As a country with the largest Moslem population in the world, Indonesia has enormous potential for waqf. According to data from the Ministry of Religion, the number of waqf land assets registered in Indonesia is 387,955 locations with an area of 51,946 ha.³ Only 38% of the land that has been certified. Development orientation is still dominant for religious facilities (mosques and prayer rooms) around 73%, for educational facilities around 13.3%, and the remaining 13.7% for social purposes (graves and other social).⁴ The possibility of uncertified land is land that is not productive or even abandoned for various reasons. These reasons include not having operational funds to manage waqf assets.⁵

This is due to the understanding of most people who think that waqf can only be done with immovable property. Whereas on the other hand, there is another way of waqf that is far more useful than immovable objects, namely cash waqf. Cash waqf is a strategic step to improve people's welfare by investing in Islamic financial institutions with the principles of profit sharing (*mudharabah* and *musharakah*), rent (*Ijarah*), *murabahah* or by opening a business. The results of cash waqf management are then used for social purposes such as improving Islamic education, building Islamic hospitals, helping community economic empowerment and providing religious facilities and infrastructure.⁶

Cash waqf has been regulated in positive law in Indonesia. Among others, in Law No. 41 of 2004 on Waqf, Government Regulation (PP) No. 42 of 2006 concerning the Implementation of the Waqf Law, Regulation of the Minister of Religion (PMA) No: 4 of 2009 concerning State Administration of Cash Waqf, Fatwa of the Indonesian Ulema Council dated May 11, 2002 concerning Cash Waqf. From these regulations, cash waqf is defined as a legal act of wakif to separate and/or hand over some money to be used forever or for a certain period of time in accordance with its interests for the purposes of worship and or general welfare according to sharia.

So far, cash waqf in Indonesia can only be done in Islamic banks. Islamic banks that are given permission to receive waqf money are called Islamic financial institutions that accept cash waqf (LKSPWU). The number to date is 26 LKSPWU. The cash waqf mechanism that is

³ http://siwak.kemenag.go.id/tabel_jumlah_tanah_wakaf.php

⁴ Nizar, M. A. (2017). *Pengembangan Wakaf Produktif Di Indonesia : Potensi Dan Permasalahan. Bunga Rampai Penguatan Fundamental Sektor Keuangan dalam Mendukung Stabilitas Perekonomian* (pp. 193–250). 1

⁵ Ahmad Furqon, Lc., M.A., 2015, *Mekanisme Pembiayaan Yang Ideal Untuk Pengembangan Aset Wakaf Di Jawa Tengah*, UIN Walisongo.

⁶ Subhan ZA, Moh. Ah. (2017). *Pemberdayaan Wakaf Uang Sebagai Upaya Peningkatan Kesejahteraan Masyarakat. JES (Jurnal Ekonomi Syariah)*, 2(1), 50–68. <https://doi.org/10.30736/jes.v2i1.27>

run with LKS PWU is currently simple, customers come to LKSPWU to deposit their money and donate their savings for a fixed or temporary period. The investment returns from customer deposits are managed by Nazir for various social purposes. Currently, only the Indonesian Waqf Board (BWI) can manage cash waqf.

Each Islamic bank certainly has risks, including strategic risks, namely mismanagement resulting in default. If this happens, the cash waqf which should be preserved will have problems. Therefore, in Indonesia, a new product innovation is emerging, namely Cash Waqf Linked Sukuk (CWLS). CWLS is also a cash waqf, it's just that the investment is not in LKSPWU/ Islamic Bank, but in Sovereign Sukuk. Of course, this is not only one background of the create of CWLS, but also many other things. Therefore, it is important to manage the risk of CWLS by waqf institutions. Some research questions are: i) what are the association between risks from the previous studies and WCP Risks? ii) What are the dominant types of risk associated with the stakeholder variable components? iii) For Sukuk Structure variables, what is the most dominant WCP Risk that must be identified? iv) When the Stakeholder variable and Sukuk Structure are combined, what is the most dominant WCP Risk?

Risk management that will be the main reference is the provisions contained in the Waqf Core Principle which was just launched in 2018 in Bali. Related theories and previous researches will support this study.

II. Literature Review

2.1 Theory of Cash Waqf, Sukuk, Cash Waqf Linked Sukuk, and Risk Management

Starting a study on CWLS, this section will present theories about cash waqf, sukuk, schema cash waqf linked sukuk, and risk management.

2.1.1. Theory of Cash Waqf

In summary, there are two groups of scholars' opinions regarding cash waqf, namely those who disagree and those who agree. The reasons why the scholars do not allow waqf with cash are: (i) The substance of money can run out at one time. Money can only be used and spent until the item is gone. Whereas the essence of waqf is the continuity of the results of fixed capital/assets. That's why there is a condition that the donated goods must be durable and not

wear out when used; (ii) Money is created as a medium of exchange, not for profit by renting out its substance.⁷

The scholars who allow waqf with cash reason as follows: (i) Imam al-Zuhri's opinion which states that donating his legal dinar may, by making the dinar as business capital later the profits go to beneficiaries; (ii) Early Islamic Scholars from the Hanafi school of thought permits waqf money and dinars dirham on the basis of *istihsan bi al-'urf* based on *atsar* Abdullah bin Mas'ud *radhiyallahu 'anhu*: which means: " What is considered good by Muslims is good in the sight of Allah, and what is considered bad by Muslims is also bad in the sight of Allah."⁸

Meanwhile in Indonesia, cash waqf is legally justified by the issuance of Law no. 41 of 2004 concerning Waqf. Government Regulation no. 42 of 2006 concerning the Implementation of Law no. 41 of 2004 can provide legal certainty for the implementation of cash waqf in Indonesia.

Cash waqf in the definition of the Ministry of Religion is waqf that is done by a person, group of people, and institutions or legal entities in the form of money. With thus, cash waqf is a form of waqf which is submitted by a wakif to nazir in the form of cash. This is in line with the definition of waqf issued by the Ulama Council Fatwa Commission Indonesia (MUI) on May 11, 2002 when it released the fatwa about cash waqf. "Withholding property that can be used without the disappearance of the object or the thing, by taking legal action against the object (sell, give, or inherit it), to share the results".

In the definition above, waqf is no longer limited to objects that remain in their form, but waqf can be objects that have fixed value or principal. Money goes inside categories of objects that remain essential. Therefore, The MUI definition above gives legitimacy to Cash Waqf.⁹

Regarding Cash Waqf, Abdul Manan argued: (i) Cash waqf (*waqf al-nuqud*) is waqf what a person, group of people, institution does or legal entity in the form of cash; (ii) Included in the meaning of money are bills valuable; (iii) The legal money waqf is *jawaz* (permissible); (iv) Cash waqf may only be distributed and used for things that are permitted in sharia; and (v) The sustainability of the cash waqf principal value must be guaranteed cannot be sold, gifted or inherited.¹⁰

⁷ Asri, A., Khaerul Aqbar, & Azwar Iskandar. (2020). Hukum dan Urgensi Wakaf Tunai dalam Tinjauan Fikih. BUSTANUL FUQAH: Jurnal Bidang Hukum Islam, 1(1), 79–92. <https://doi.org/10.36701/bustanul.v1i1.132>

⁸ Ibid

⁹ Isfandiar, A. A. (2008). Tinjauan Fiqh Muamalat dan Hukum Nasional tentang Wakaf di Indonesia. *La_Riba*, 2(1), 51–73. <https://doi.org/10.20885/lariba.vol2.iss1.art5>.

¹⁰ M. Anwar Nawawi. (2016). Pengembangan Wakaf Uang Tunai Sebagai Sistem Pemberdayaan Umat Dalam Pandangan Ulama Konvensional. *Sekolah Tinggi Agama Islam (STAI) Tulang Bawang*, 1(1). p. 13.

2.1.2 Theory of Sukuk

Tahmoures (2013) stated that the substance of finance or financial system is to find reasonable solutions for existing practical problems. Both of these financial vehicles, conventional bonds and Sukuk, attempt to mobilize the funds from surplus spending units to shortage spending units. There are fundamental risk/return differences between the two. In the conventional bond, the underlying asset is money (debt) and in the Sukuk the underlying asset is indeed an asset or a service. The two solutions are clearly not identical; the fundamental difference in their structure has great religious difference but virtually no financial differences. The conventional bonds are based on debt instrument while the Sukuk financing is based on equity method.

The scholars have agreed that: “Imams (heads of state, power holders) can carry out policies on state assets for things that are considered to contain benefits (*maslahat*) for them (citizens); Among the benefits are selling a portion of the wealth of the Baitul Mal (state treasury), raising sufficient funds to finance their welfare and general needs. Based on the benefits related to public affairs, the Imam's policies are considered invalid according to Sharia law unless they are in accordance with the benefit; if it is not in accordance with the benefit then the policy is not valid. MUI also mention in the fatwa that "The *Sultan* (head of state) may sell the *Baitul Mal* land because the *Sultan* (head of state, holder of authority) has general power; and he may carry out policies for the benefit Muslims”.

The definition of SBSN in accordance with the SBSN Act No.19/2008 is as follows: Sovereign Sharia Securities, hereinafter abbreviated SBSN, or can be called ‘Sukuk Negara’, is a letter sovereign treasury issued based on sharia principles, as evidence of the participation of SBSN assets, both in Rupiah and foreign currencies. SBSN is issued for the purpose of financing the Indonesian Budget (APBN), including financing development project. The government is obliged to pay rewards and nominal value every SBSN, whether issued directly by government or issued by company, as appropriate with the provisions in the SBSN issuance contract.

Furthermore, in the MUI Fatwa concerning *Sukuk Wakalah bi al istitsmar*, it is sovereign sukuk that are in the form of certificates or proof of ownership which have the same value, after receipt of the sukuk funds, closure ordering and commencement of the use of funds according to their allocation, and representing portions of which cannot be ascertained boundaries ownership (undivided share / *syuyu* ') of the assets underlying. They are either in the form of certain tangible assets (*al-a'yan*), value benefits of tangible assets (*manafi 'al-a'yan*), services (*al-khadmat*), certain project assets (*maujudat masyru' mu'ayyan*) and / or

assets predetermined investment activities (*nasyath istitsmar khashsh*) which obliges the Issuer to pay income to sukuk holders in the form of dividing margin fee income and paying Sukuk funds return at maturity according to the characteristics of the contract.

In line with the definition of Sukuk according to The Accounting and Auditing Organization for Islamic Financial Institutions (AAOIFI), Sukuk is a certificate that represents proof of part undivided ownership of a tangible asset, result of benefit/usufruct, services (services), or ownership of assets from a certain project or investment activity (AAOIFI Sharia Standard No. 17). There are many types of sukuk which are known internationally, including *ijarah sukuk, mudharaba sukuk, musharaka sukuk, and istishna sukuk*'.

Fauziah & Nurwahidin (2020) mentioned at least eight stages that must be passed in proposing infrastructure financing with sovereign sukuk. The financing structure divided into two, namely project financing and underlying projects. While the contract structure used there are 4 types; *Ijarah* asset to be leased, *Ijarah - Sale and lease back*, *Wakalah*, and *Ijarah-al Khadamat*.

Sukuk is one of the instruments used by the government to finance infrastructure. The first sukuk issued by the government was in 2008. In accordance with Law of the Republic of Indonesia Number 19 of 2008 concerning Sovereign Sharia Securities / Sovereign sukuk, the issuance of sukuk aims to finance the Indonesia budget including financing government projects. From 2013 to 2015, the sukuk has financed infrastructure development worth IDR 7.10 trillion. The value of the financing almost doubled to Rp. 13.67 trillion the following year. In 2018, infrastructure financing with sovereign sukuk reached IDR 22.50 trillion (Ministry of Finance, 2019).

2.1.3 Scheme of Cash Waqf Linked Sukuk (CWLS)

Cash Waqf Linked Sukuk (CWLS) is a form of social investment in Indonesia where the cash waqf collected by the Waqf Board Indonesia (BWI) as *Nazdir* through the Sharia Financial Institution Receiving Cash Waqf (LKSPWU) who will managed and placed in the Sovereign Sukuk or SBSN (*Surat Berharga Syariah Negara*) instrument issued by the Ministry of Finance.

The basic concept of a CWLS is as follows: (i) It is a form of strong support and commitment from authorities, in this case BWI, Ministry of Finance, Ministry of Religion, and Bank Indonesia, against development and innovation efforts in Islamic Social finance and investment in Indonesia. (ii) The government issue "Sukuk Waqf" for facilitating BWI and its donors (waqif) to invest cash waqf in safe financial instruments, namely *Sukuk Negara*. (iii)

Through CWLS, cash waqf, both temporary and permanently will be consolidated and optimized to finance various social projects/activities, including: (a) Establishment and development of waqf assets such as madrasas, mosques, health clinics, Islamic boarding schools, and other social infrastructures that are financed from the sukuk waqf discount; (b) implementation of non-physical social programs, such as social services programs for orphans and the poor, free health services for the poor, economic empowerment of low income earners, and other social programs, are financed from a monthly coupon waqf sukuk. (iv) The management and implementation of the project/social activity is carried out by social institutions appointed by BWI, and not government project / activity.

The WCP standard outlines that nazir must be able to take into account risk appetite, risk profile, market and macroeconomics conditions. Risk appetite is a condition where an organization chooses to accept, monitor, defend itself, or maximize itself through existing opportunities. This means that the nazir must be able to see opportunities and take those opportunities to develop waqf assets. In terms of the Risk Profile, CWLS is considered profitable, where nazir's ability to bear an investment risk is very good. The investment risk is very small or may be said to be non-existent. In terms of market and macroeconomic conditions, CWLS is more resistant to shocks.¹¹

2.1.4. Theory of Risk Management

The objective of implementing risk management is to reduce the varying risks associated with the selected areas to a level that is acceptable to the community. This can take the form of various types of threats caused by the environment, technology, people, organizations and politics. On the other hand, the implementation of risk management involves all means available to humans, in particular, for risk management entities (human, staff, and organization).

Risk is related to uncertainty. This uncertainty arises from insufficient information about what will happen. Something that is uncertain can be beneficial or detrimental. According to Wideman, uncertainty that creates a favourable possibility is known as an opportunity, while uncertainty that creates an adverse effect is known as risk.

¹¹ Hendri Tanjung (2020), Ph.D, Ekonomi dan Keuangan Syariah, Isu-isu Kontemporer, Penerbit PT Elex Media Komputindo, Kompas Gramedia, Jakarta, p.100

2.1.4.1 Risk Management Stages

The following are 5 steps or stages of Risk Management that we should know to produce an effective management process.

i. Identify the Risk

The first step in the Risk Management Stage is to identify the Risk. We need to understand and find the risk factors involved in a decision or project. There are several techniques that can be used to find risks in a project or decisions to be taken.

ii. Analyse the Risk

Having found and understanding the risks, we need to analyse the risks. Determine the likelihood and consequences of each these risks. We need to develop an understanding of the potential and nature of the risks that will affect the success of a project or business.

iii. Evaluate the Risk or Risk Rating

Once analysed, these risks need to be assigned a ranking and priority. Most risk management solutions have different risk categories, depending on the severity of the risk. Risks that can only cause some inconvenience are rated low (low risk), while risks that can cause large losses or disasters are rated higher (high risk). This risk determination is very important because it will determine how to handle it and the resources that will be used in handling the risk.

iv. Responding to Risk

This stage is also known as Risk Response Actions. After accounting for each risk, we need to decide how to respond to each risk. There are several risk responses that we can take, including risk avoidance, risk reduction, risk sharing or risk transfer and risk acceptance.

v. Review and Monitor the Risk

Not everything went as planned. Therefore, it is necessary to review and monitor the possibility of changes in other factors that will cause changes in the risks that will be faced, which requires us to change our risk management planning again.

2.1.4.2 The Types of Risk

The types of risk are very diverse. Each type of industry usually has its own risk standards. What is quite comprehensive is the risks of the financial industry, particularly Islamic banking. The type of risk is regulated by the regulator, in this case the Financial Services Authority (OJK) in POJK No 65 /POJK.03/2016 subject Application of Risk Management for Sharia Commercial Banks and Sharia Business Units. These provisions refer

to Basel III with the addition of 2 types of risk for Islamic banks. Islamic banks in Indonesia are required to carry out 10 types of risk, which consist of Credit Risk, Market Risk, Liquidity Risk, Operational Risk, Legal Risk, Reputation Risk, Strategic Risk, Compliance Risk, Rate of Return Risk, Investment Risk, with a description of each risk as follows:

- i. Credit Risk is risk due to customer failure or other parties in fulfilling obligations to the Bank in accordance with the agreed agreement, including Risks Credit due to debtor failure, Credit concentration risk, counterparty credit risk, and settlement risk.
- ii. Market Risk is risk in the balance sheet position and administrative accounts due to changes in market prices, among others, Risks in the form of changes in the value of assets can be traded or leased.
- iii. Liquidity Risk is risk due to Bank inability to meet obligations that are due from funding sources of cash flow and/or from liquid assets collateralized high quality, without disrupt the activities and financial condition of the Bank.
- iv. Operational Risk is the risk of loss caused by inadequate internal processes, internal process failure, human error, failure system, and/or the existence of external events, which can affect Bank operations.
- v. Legal Risk is the risk resulting from legal claims and/or weakness in juridical aspects.
- vi. Reputation Risk is the risk due to a decrease in level stakeholder trust originating from negative perceptions of the Bank.
- vii. Strategic Risk is the risk due to inaccuracies in making and / or implementing a decision strategic and failure to anticipate change business environment.
- viii. Compliance Risk is the risk due to the Bank not comply with and/or do not implement the regulations prevailing laws and regulations as well Sharia Principles.
- ix. Rate of Return Risk is the risk due to changes in the rate of return paid Bank to customers, because there is a change in rate the returns received by the Bank from the distribution of funds, which can affect customer behaviour.
- x. Investment Risk (Equity Investment Risk) is the risk as a result the Bank shares the customer's business losses which is financed in good profit-sharing based financing which uses the net revenue sharing method as well which uses the method of profit and loss sharing

2.1.4.3 Risk Management in Waqf Core Principle¹²

In October 2018 at the annual IMF forum in Bali, Bank Indonesia (BI), the Indonesian Waqf Board (BWI), and the Islamic Development Bank (IDB) jointly launched an international waqf standard called the Waqf Core Principle (WCP) for effective waqf operation and supervision. The Waqf Core Principles (WCP) dissect the elements of supervision related to the operationalization of the waqf system into a systematic arrangement structure as follows: legal foundation, waqf supervision, good waqf governance, risk management, and sharia governance where entirely consists of 29 Core Principles.

WCP is formulated for two purposes, namely: first to provide a brief description of the position and role of waqf management and supervision systems in economic development programs. Second, to provide a methodology that contains the core principles of waqf management and monitoring systems.¹³

In terms of Risk Management, WCP includes 8 types of risk, each of which is regulated as follows: (i) WCP-14 regulates Risk Management (ii) WCP-16 regulates Counterparty Risk, (iii) WCP-20 regulates country & transfer risk, (iv) WCP-21 regulates market risk, (v) WCP-22 regulates reputation and waqf asset loss risk, (vi) WCP-23 regulates revenue/profit loss sharing risk, (vii) WCP-24 regulates disbursement risk, and (viii) WCP-25 regulates operational risk & sharia compliance.

WCP-14 concerning Risk Management, regulates the general principles of risk management that a waqf institution must have and supervised by a supervisor. These general principles govern: a sound risk management culture, policies and processes, risk measurement, appropriate limits, monitor and control all material risks. WCP-14 regulates and asks supervisors to ensure the waqf institution has and carries out risk management strategies, policies, processes, limits, risk model and information systems.

WCP-16 regulates counterparty risk. The waqf supervisor determines that the nazir has an adequate counterparty risk management process that takes into account the risk appetite, risk profile, market and macroeconomic conditions. This includes prudent policies and processes to identify, measure, evaluate, monitor, report, and control or mitigate counterparty risk on a timely basis.

WCP-20 regulates country & transfer risk. The waqf supervisor determines that waqf institutions have adequate policies and processes in place to control country risk in cross-border

¹² Waqf Core Principle (WCP) for effective waqf operation and supervisor.

¹³ Loc.cit, Hendri Tanjung (2020), p.94

waqf activities with essential criteria such as: a scale priority of recipient country, identifying a clear definition and assessment of the beneficiaries, reduce any potential conflict between the donor and recipient country.

WCP-21 regulates market risk. Nazirs must have a standard valuation mechanism for the assets under management that is based on regular changes in their market value. The essential criteria for market risk such as: market risk exposure, approved by the waqf Boards, market risk environment, marked-to-market positions, hold appropriate levels of capital, and stress testing programs.

WCP-22 regulates reputation and waqf asset loss risk. The waqf supervisor determines that waqf institutions have an adequate management framework capable of handling any contagion, reputation, and waqf asset loss risks with essential criteria such as: the overall structure of the waqf institutions in the wider environment, mitigate reputation risk, minimize waqf losses, socialization and education programs, appropriate incentives for the retention of existing waqf and to attract new waqf.

WCP-23 regulates revenue/profit loss sharing risk. The waqf supervisor determines that waqf institutions have an adequate risk management process that takes into account their risk appetite, risk profile, and market and macroeconomic conditions. The waqf supervisors set prudential limits to restrict waqf institution exposures to single counterparty or groups of connected counterparties. WCP-23 essential criteria consist of material sources of revenue/profit-loss sharing risk, revenue/profit-loss sharing rate risk environment, standardized revenue/profit-loss sharing shock in the waqf managing book, and internal capital measurement systems.

WCP-24 regulates disbursement risk. Waqf institutions should be able to mitigate disbursement risks such as an unsound financial position and the mis-allocation of disbursement activities. WCP-24 essential criteria consist of established disbursement strategies, policies, and processes, assessment for each beneficiary, financial management updated, sufficient information, employ the *had al-kifayah* measurement to ensure minimum adequacy.

WCP-25 regulates operational and shariah-compliance risk. The waqf supervisor determines that waqf institutions should have proper operational and shariah compliance risk management processes to minimize potential fraudulent practices, anticipate system breakdown, and any other potential disturbance. WCP-25 essential criteria consist of: methodology operational and shariah compliance risk, covering potential fraud, technical

failure of the IT system, and any other factors, equipped with a good governance structure, have a dedicated unit to take care of operational risk and shariah compliance risk.

2.2 Previous Studies

CWLS (Cash Waqf Linked Sukuk) is a new product that was launched recently in Indonesia. The previous research on CWLS associated with Risk Management can be said to have not existed yet. However, Risk Management as a general discipline can basically be applied to various types of businesses and organizations. Therefore, the research that will be examined in this section is research related to approaching risk management, such as research on risk management associated in non-profit institutions, Islamic institutions, and sukuk.

2.2.1 Non-Profit Organization

Domański (2016) stated the most frequent types of risks are the financial, grant, staff/volunteers, operational, and partnership risks. The emerging picture of strategic risk management in Poland Non-Profit Organization (NPO) is all but clear. Only 47% of organizations take any measures what's over to strategically manage their risks. Domanski found that in Poland, non-profit institutions do a lot of risk management based on the types of risk financial, grants, staff/volunteers, operations, and partnerships.

Sharp & Brock (2012) identified a set of enabling mechanisms for the NPO to overcome organizational resistance in the implementation phase of a strategic process. These adaptive mechanisms and interactive feedback tend to allow the NPO to implement strategy while mitigating the risk involved, thereby protecting the unique values, mission, and human fabric that characterize such organizations. Sharp & Brock emphasized the importance of risk mitigation through a participatory approach for NPO.

Dorminey & Mohn (2007) stated the FRBR (Federal Reserve Bank of Richmond) implementation is successful in assessing the strategic risk of an organization where financial performance targets are not the primary measure of success. Critical to the success of this implementation has been: clear support from the bank's leadership, facilitated sessions, goal/objective orientation, and ownership at the function level.

Tyminski, 1998 emphasized that NPO should mitigate the scarcity of funding sources in the future by carrying out a comprehensive cultural change from relying on government funds to become a source of private funds.

2.2.2 Islamic Institution

Mahyuddin Khalid et al. (n.d.) studies on risk management practices on Islamic institution indicate that risk come across in many different ways; financial, personnel, program and capital expenditure decisions due to interactions with economic, political and social environments. Researching Islamic institutions is impossible without looking at Islamic banking institutions. As is well known, Islamic bank is an Islamic institution that is very strict in implementing risk management practices. Based on study of Rosman & Abdul Rahman (2015), a lack of effective risk management practices was found in relation to liquidity risk, displaced commercial risk and equity investment risk by Islamic banks. However, Islamic banks were comparatively good in managing operational risk/sharia non-compliance risk.

Boumediene (2015) mentioned that the framework, constituting a linkage between Islamic banks' funding capacity and governments' financing needs, is constructed using a money market approach. The volatility is weak for the Sukuk studied; this means that there is stability of the secondary market for Sukuk (sovereign and corporate). The framework includes Islamic banks, public companies, the central bank, Ministry of Finance and the government.

2.2.3 Sukuk

Alswaidan et al. (2017) stated that the main Sukuk structures: debt based, equity based, assets based, agency based and hybrid structures, arise directly from the requirement of Sukuk to conform to the Shariah and to the fundamental ethical principles of Islamic finance and business. Further, Sukuk risk profiles are directly related to Sukuk structures. Thus, Sukuk structure risks are essentially sharia risks.

Almara & Muharam (2015) showed sukuk value has a negative correlation coefficient and no significant effect on last yield sukuk. Sukuk rating has a positive correlation coefficient and no significant effect on the last yield sukuk. Risk of sukuk has a negative correlation coefficient and significant effect on the last yield sukuk.

Al-Sayed (2013) said that unfortunately, the recent trend shows that the new modes of financing introduced by Islamic financial institutions imitate conventional instruments further distancing them from core Islamic principles. As bearing risk in real asset is the feature of Sukuk and it should be a part of any Sukuk structure. Asset risk management practices should be implemented. Steps have to be taken by regulator to product innovation and documentation. Islamic credit rating agencies should be established who will rate the asset according to the Shariah.

Haider and Azhar (2010) mentioned that this bright picture of Sukuk success brings some major risks which are identified as: regulatory risk, Shariah compliance risk, liquidity risk, market risk, credit risk, risk related to underlying asset, third party risk. It is found that risk management practices are very weak at the moment and this risk is not currently well managed. These risks are more and complex and there are no well standardized and documented techniques which can be used to hedge these risks. Sukuk are exposed to these risks. Not much importance has been given to the risk management yet and the main focus remains.

Andreas et al. (2008) said that some critical constraints arising from continued legal uncertainty and regulatory divergences that still need to be overcome. As issuers weigh the costs and benefits of sukuk issuance in a broad policy context, continued efforts will be required to overcome a series of economic, legal and regulatory issues.

III. Methodology

The data referred to is from documents in the form of books, scientific journals, official website. This research was conducted from July to September 2021. The research method used is a qualitative method. The analysis is content analysis of cash waqf linked sukuk and risk management.

IV. Result And Finding

4.1 CWLS Business Model

In the CWLS scheme, we find several parties involved as stake holders, namely: (i) Waqif as the donor who will channel the funds, either temporarily or permanently; (ii) the Ministry of Finance as the Sukuk issuer; (iii) BWI as the Waqf Supervisor and Nazir; (iv) LKSPWU (Islamic Financial Institution Receiving Cash Waqf) is a Sharia Bank selected as a nazir partner in rising funds and cash waqf recipients; (v) BWI Partners in managing Waqf Assets financed from the Sukuk Discount; (vi) BWI Partners in distributing the proceeds of Sukuk investment to beneficiaries regularly. The CWLS model is shown in figure 1.

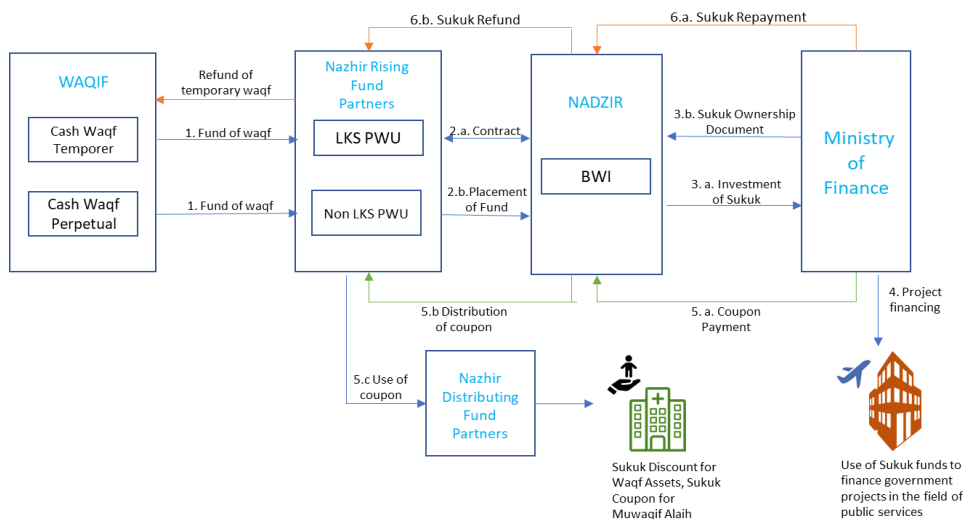


Figure 1: CWLS Scheme

After stakeholders, the authors see several variables that have the potential to cause risk in the CWLS scheme. The variables are Sukuk nominal, Sukuk price / discount, term of period, asset underlying, asset waqf, and contract (*aqad*). This variable will be further identified based on WCP Risk. The authors will first examine how the risks studied by previous researchers and then associated with the 8 risks that are in WCP. The model of the relationship between institutional risk as a result of previous studies, WCP Risk and CWLS is as illustrated in figure 2 below.

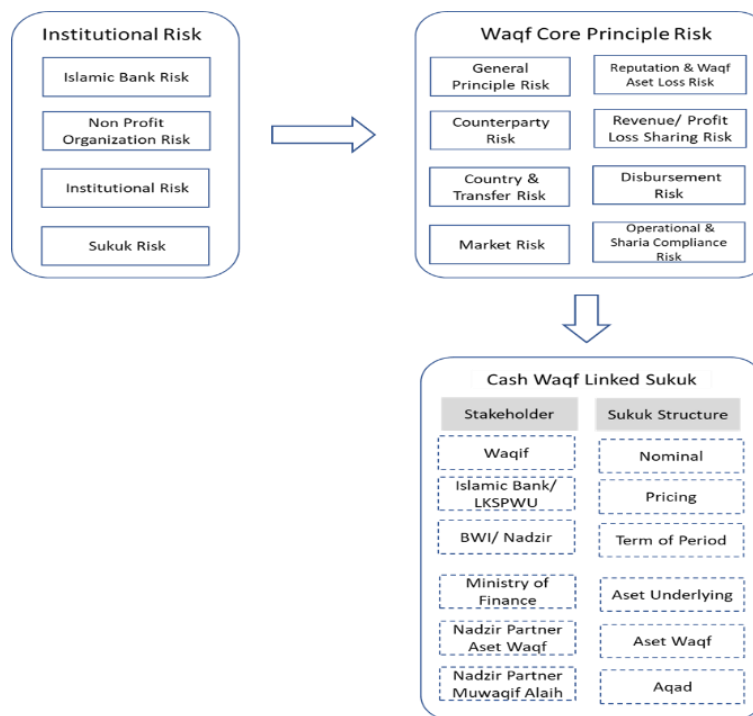


Figure 2: CWLS Risk Identification Relationship Model

4.2. WCP Risk and Its Relation to Other Risks

There are many risks associated with CWLS. Apart from the risks inherent in WCP, the researchers identified several possible risks. This paper examines several research groups, namely: (i) Non-Profit Organizations; This was chosen because the waqf institution is a non-profit institution. In general, the objectives of this institution are almost the same, namely oriented to the socio-human and environmental aspects. Waqf institutions can of course be oriented to social aspects such as education, health, poverty, starvation, natural disasters, water shortages, pollution and other social & environmental aspects. (ii) Islamic institutions; This was chosen because the waqf institution is an institution related to the implementation of one of the Islamic laws. There are many institutions related to Islamic activities, such as the *Amil Zakat* Institution, *Nazir Waqf*, the Mosque Management Board, the Islamic Education Institute, the Islamic Dawah Institute, Sharia Banks, and many other institutions engaged in the Islamic area. In general, these institutions have the same goal, namely to carry out Islamic dawah. (iii) The last one is related to the Sukuk itself. This was chosen because, CWLS is indeed related to the Sukuk. Although CWLS are Sukuk issued by the state (Sovereign Sukuk). Research on Sukuk risk management is expected to be closer to the risk contained in Sovereign Sukuk. That three risk groups in this paper are called Institutional Risk / Other Risks.

The relationship between WCP risk and other risk is as shown in Table 1 below. In the matrix as shown in Table 1, it appears in the left-hand column a collection of the types of risk obtained from previous researchers from the relevant institution. In the upper row are the types of risk according to the WCP. The green colour is the column which according to the author's analysis is interaction of the existence of a relationship between Other Risk and WCP Risk.

Table 1: WCP Risk and Its Relation to Other Risks

Institutional Risk / Other Risk	Waqf Core Principle Risk							
	General Principle Risk	Counterparty Risk	Country & Transfer Risk	Market Risk	Reputation and Waqf Aset Loss Risk	Revenue/Profit Loss Sharing Risk	Disbursement Risk	Operational Risk & Sharia Compliance
Islamic Banking Risk								
Strategic								
Liquidity								
Market								
Reputation								
Legal								
Operasional								
Compliance								
Credit								
Rate of Return								
Investment								
Non Profit Institutions Risk								
Financial								
Grant								
Staff/Volunteers								
Operational								
Partnership								
Participatory approach								
Leadership								
Facilitated sessions								
Goal/objective orientation								
Ownership								
Source of fund								
Islamic Institutions Risk								
Financial								
Operational								
Compliance								
Reputational								
Program								
Others Islamic Bank Risk								
Liquidity								
Commercial								
Investment Equity Base								
Sukuk Risk								
Volatility								
Rating								
Yield								
Regulatory								
Shariah Compliance								
Liquidity								
Market								
Credit								
Underlying Asset								
Thrid Party								
Structure								
Asset Risk								

Furthermore, in more detail, the table explains the following:

- i. The types of risk that exist in Islamic Bank are very logical if they are covered by WCP Risk, because one of the initiating institutions of the WCP is Bank Indonesia, which is an Indonesian central bank which of course is familiar with referring to Bank Core Principles (BCP) in carrying out its functions. For types of risk Islamic Bank institutions mostly intersect with the types of Operation and Compliance Risk from WCP Risk. The other risks spread evenly.
- ii. From the Non-Profit Institution, there were 11 types of risk analysed from previous researchers. All risks, together with WCP Risk. General Principle Risk is the most dominant type of WCP Risk which intersects. Non-profit risk is quite interesting, because there are types of risk that can be said to not appear in other institutions. These types of risk are participatory approach, leadership, facilitating sessions, and institutional objectives. This risk seems very qualitatively typical of managerial. Because there are non-profit

institutions which are usually not large, this type of risk is very relevant to be identified in influencing the sustainability of the institution.

- iii. There are 5 types of risk in the Islamic Institution. The 5 types of risk all coincide with the WCP Risk types. 4 out of 5 risks are very common with the types of risk we are familiar with, namely financial, operations, compliance and reputation. The fifth risk, namely the program, is a type of risk found that is not common but is relevant for Islamic institutions. As an Islamic social institution, it would be very risky if the programs were incorrect and misdirected. We have seen many Islamic institutions that do not develop and we don't even hear any further news.
- iv. Islamic Bank, in managing risk is guided by the Bank Core Principle Basel Series. However, some researchers found that apart from that, there are types of risk that have not been regulated in the BCP, namely commercial risk and investment equity base risk. That risks coincides with WCP Risk. Commercial risk is a bit difficult to find a connection with WCP Risk. This paper classifies commercial risk into market risk in the WCP. Based on market risk variable which consists of exchange rate, Interest rate / equivalent risk of return which can affect the book value of a portfolio, commercial risk can be classified as market risk because the Bank's commercial assets are also basically part of the portfolio in the balance sheet.
- v. Lastly is Sukuk risk. All types of Sukuk risk (total 12 types of risk) can be linked to WCP Risk, of which the most dominant are reputation and waqf asset loss risk and operational risk & sharia compliance. Both WCP Risks can each overlap with 3 types of Sukuk risk. From the dominance of the two types of WCP, it can be explained that reputation, asset waqf, operational and compliance are types of risk that need to be considered in identifying Sukuk risks according to WCP Risk.

In the types of Sukuk risk, there are many types of risk that are unique to other types of institutional risk. These types of risk are volatility, rating, yield, under-assets, third-party, structure, and waqf assets. This type of risk is very unique to securities, especially sharia securities.

Volatility risk is included to the market risk group of WCP Risk. Its character is in line with market fluctuations. Rating risk is included in the reputation risk group, because the determination of rating is usually carried out by a credible independent party, so that the rating assessment will have an impact on the reputation of the Sukuk itself.

Underlying asset risk is included into reputation & waqf asset loss risk, because the underlying asset will affect reputation. In conventional securities, this influence will have

a direct impact on losses. However, in CWLS, whatever happens to the underlying will not actually affect the Sukuk revenue/loss, because the coupons will be paid from the government budget that have been allocated through APBN. As for waqf assets in addition to directly affecting loss assets, in the end it will affect the reputation of the waqf or nazir assets of the managers.

The third-party risk is included in the counterparty risk in WCP Risk, because it is clear that this is related to third parties. Previous research related to third-parties is almost entirely related to counter-party risk related to exchange rates so that companies or institutions have to hedge their portfolios. However, in the authors' understanding, the third party in the WCP is certainly not only there. Sharia does not recognize hedging products. the author understands that third-party risk is the risk that will occur to the partners of nazir, especially waqf fund distributing partners. In this case, the newly launched CWLS is for the Hospital. Thus, it is very important to identify the risks of a third-party/counterparty, because the benefits of waqf will not flow if the partner fails to carry out the contract. Finally, the type of Sukuk risk is structure risk. These risks are grouped under operational & compliance risk in WCP Risk because the Sukuk structure is very close to the contract and the legal aspects that underlie the Sukuk.

Associated Risk between Other Risk and WCP Risk is shown in table 2. Overall, the type of risk operations and compliance risk is the most dominant WCP risk in line with the results of research on other types of risk with the object of Islamic Bank, Non-Profit Institutions, Islamic Institutions and Sukuk. The amount of risk that crosses up to 27%. The second largest group of related types of risk is at 10% to 17%, namely reputation & waqf asset loss risk, disbursement risk, general principle risk, and market risk. While the third group is the lowest group with a connectedness percentage of 7% are counterparty risk, country & transfer risk, and revenue/profit loss sharing risk. The number of interrelations can be considered to calculate the risk weight of each type of risk for WCP Risk. The authors believe that, each type of risk basically has a different weight from one another.

Table 2: Total Associated Risk

Institutional Risk / Other Risk	Waqf Core Principle Risk								Total
	General Principle Risk	Counterparty Risk	Country & Transfer Risk	Market Risk	Reputation and Waqf Aset Loss Risk	Revenue/Profit Loss Sharing Risk	Disbursement Risk	Operational Risk & Sharia Compliance	
Total Risk Associated	5	3	3	4	7	3	5	11	41
Weighted	12%	7%	7%	10%	17%	7%	12%	27%	100,00%

4.3. CWLS Risk Identification

After integrating all research on types of risk from non-profit institutions, Islamic banks, Islamic institutions, and Sukuk into the types of risk in WCP Risk, this paper has a foundation to test CWLS Risk Management based on the recently launched WCP. Although WCP Risk is intended for waqf institutions, considering that the CWLS scheme involves many stake holders and related sovereign Sukuk, the WCP Risk will also be tested on all CWLS stake holders and Sukuk structure. To analyse type of risk, an outline will be seen in terms of stake holders and Sukuk structure. The overall description of WCP Risk associated with CWLS is shown in the matrix at Table 3.

Table 3: CWLS Risk Identification

CWLS Variable	Waqf Core Principle Risk							
	General Principle Risk	Counterparty Risk	Country & Transfer Risk	Market Risk	Reputation and Waqf Aset Loss Risk	Revenue/Profit Loss Sharing Risk	Disbursement Risk	Operational Risk & Sharia Compliance
Stake Holders	2	3	3	3	3	1	4	4
Waqif								
Islamic Bank								
BWI/ Nadzir								
Ministry of Finance								
Nadzir Partner related Aset Waqf								
Nadzir Partner related Muwaqif Alaih								
Sukuk Structure	0	2	0	3	1	1	1	3
Nominal								
Pricing								
Term of Period								
Aset Underlying								
Aset Waqf								
Aqad								
Total	2	5	3	6	4	2	5	7

In more detail, the relationship between WCP risk types and CWLS as Table 3 is described as follows:

4.3.1 Stakeholders

As explained earlier, CWLS stakeholders consist of waqif, Islamic Bank as LKSPWU, BWI as Nazir, Ministry of Finance as the issuer of Sovereign Sukuk, Mitra Nazir who will manage waqf assets, Mitra Nazir who will distribute social funds to beneficiaries. The following is an explanation of each in relation to risk management in accordance with WCP Risk.

- i. Waqif as one of the stakeholders in CWLS, has identified types of WCP Risk, namely country risk and disbursement risk. Country risk needs to be mitigated if BWI/Nazir accepts

donors from other countries. Risk mitigation needs to be done because the policies of each country will be different.

In both WCP Risk and previous research, as in the matrix in Table 1, disbursement risk is related to liquidity, source of funds, and grants. Waqif is closely related to these three things. If the waqif has a problem, the waqf fund disbursement will be disrupted. Waqf or nazir institutions must map and identify all waqifs and potential waqifs. This is done so that risks related to disbursement risk at the CWLS that will be issued can be minimized from the begin.

- ii. Sharia Banks or Islamic Banks acting as LKS PWU (Islamic Financial Institutions Receiving Cash Waqf) have identified at least 4 types of WCP Risk, namely general risk, market risk, disbursement risk and operation & sharia compliance. Banks are very familiar with risk management. The four risks should be identified properly in LKSPWU. From the WCP and the research results in table 1, General Risk includes at least things related to strategic, participatory approach, leadership, facilitated sessions, and objectives. Banks are very familiar with risk management. The four risks should be identified properly in LKSPWU. From the WCP and the research results in table 1, General Risk includes at least things related to strategic, participatory approach, leadership, facilitated sessions, and objectives. This component can be studied by the Waqf Institution in the Bank's Annual Report. Annual reports usually provide complete information. If this is not sufficient, the Waqf Institution can request it from the related bank.

For Islamic Bank, Market Risk is also very important to identify. Moreover, the Bank has a very dominant earning asset portfolio which is generally strongly influenced by market risk. For this, the Waqf Institution can also analyse it through available annual reports which are generally published on the websites of each Bank.

The next WCP Risk is disbursement. This is related to the Bank as LKSPWU. LKSPWU's task is very strategic in collecting waqf funds. Therefore, the Bank must have a clear strategy in collecting the CWLS waqf funds. If the target is not achieved, it will clearly disrupt the disbursement of waqf funds for the development of the planned waqf assets. Waqf institutions can learn how the bank's record is in collecting social funds. The program for CWLS can be requested from the relevant bank. The program should be set up to an adequate standard by the Waqf Institute. The most basic thing, the Bank must be able to convey who and how the bank officer will be appointed to collect the CWLS funds. Waqf institutions must be able to understand that for Banks, Waqf raising funds is not its main

business, especially for appointed officers. Therefore, the assessment and benefit system for the Bank and its officers is the driving force for the success of each CWLS program. For the Bank, in a commercial sense, marketing the CWLS would cannibalize its depositors.

The next risks for Sharia Banks as LKSPWU are related to operations and sharia compliance. In accordance with previous research, this risk is related to operational, legal, compliance, sharia, and program aspects. The Bank will carry out the function of receiving waqf funds, administering, providing certificates, monitoring maturities, paying when they are due, etc. Therefore, waqf institutions must ensure that banks carry out all their functions properly. For example, does the bank have sufficient technology and other resources to carry out these functions? As for the legal and sharia compliance aspects, waqf institutions need to ensure that the contracts made regarding CWLS are in accordance with the plan. Likewise, the aspect of sharia compliance, institutions must ensure that banks run the CWLS scheme according to sharia principles.

- iii. The next CWLS stakeholder is BWI / Nazir. BWI needs to identify itself for all risks in WCP Risk. This is because all CWLS schemes have a very high dependence on BWI / Nazir. These risks are: General Principle Risk, Counterparty Risk, Country & Transfer Risk, Market Risk, Reputation and Waqf Asset Loss Risk, Revenue / Profit Loss Sharing Risk, Disbursement Risk, Operational Risk & Sharia Compliance.

For general risk, waqf / BWI / Nazir institutions must have a strategy, plan and carry out all risk management functions related to measurement, evaluation, monitoring, reporting and supervision or mitigate all material risks on a timely basis and to assess the adequacy of their capital and liquidity in relation to their risk profile, market and macroeconomic conditions.

For counterparty risk, the waqf institution must ensure that partners who are invited to work together, carry out risk management properly. Counterparties are very important to BWI / Nazir, because they are the ones who will run a productive business on the Waqf assets that are financed. The counterparty will also channel social funds to beneficiaries. Counterparty failure will affect BWI / Nazir's reputation in the next CWLS issuance.

The next risks for BWI / Nazir are country & transfer risk. This risk needs to be mitigated if BWI / Nazir accepts donors from other countries. Likewise, in the case of distribution if it is distributed to beneficiaries in another country. Risk mitigation needs to be done because the policies of each country will be different. This should not pose a risk to CWLS

in the future. Of course, this function is very appropriate for BWI / Nazir as a party that can be said to be a CWLS issuer.

For Market Risk, Disbursement Risk and Operational & Sharia Compliance, the identification principle is the same as that of Islamic Bank. Therefore, this paper will not discuss it again.

For Reputation & Waqf Asset Loss Risk, BWI/ Nazir should have an adequate management framework capable of handling any contagion, reputation, and waqf asset loss risks. In accordance with the WCP, these risks include socialization, communication, education and incentive to existing waqf and potential waqf to retain or grab their waqf to the institution. As for Revenue / Profit Loss Sharing Risk, BWI have an adequate risk management process that takes into account their risk appetite, risk profile, market and macroeconomic conditions. BWI/Nazir set prudential limits to restrict waqf exposures to single counterparties or groups of connected counterparties.

- iv. The next stakeholder is Nazir partner to manage waqf assets. For this partner, it is necessary to mitigate at least 3 types of WCP risk, namely counterparty risk, reputation & waqf asset risk, and operational & sharia compliance risk. The 3 types of risk must be carried out because waqf assets are very dependent on their professionalism and trust.
- v. For Nazir Partner distributing social funds to beneficiaries, the risks that need to be identified are the same as Nazir Partner who manages Waqf Asset plus Country Risk. Country risk is needed if Nazir distributes social funds to beneficiaries in other countries. This is because it could be that the country has a different law.

4.3.2 Sukuk Structure

To discuss risk management of Sukuk Structure based on WCP Risk, this paper will discuss it based on WCP Risk. This is because the Sukuk Structure is not a subject as a functional stakeholder. For the Sukuk Structure, according to the matrix in Table 3, 6 (six) WCP risks are identified, namely: counterparty risk, market risk, reputation and waqf asset loss risk, revenue / profit loss sharing risk, disbursement risk, operational & sharia compliance risk. as for the Sukuk Structure consists of nominal, pricing, term of period, underlying assets, waqf assets, and contract (*aqad*).

- i. Counterparty Risk in the sukuk structure is identified in the waqf asset component and *Aqad*. Waqf assets are a very important factor in the management of waqf. Through waqf assets, existing and potential waqf will have the intention to do waqf. Waqif will see whether the waqf assets can provide benefits to the community, especially beneficiaries, continuously or not. From this attention, waqif and potential waqif will decide their involvement in CWLS whose funds are used for the management of the waqf assets. Therefore, BWI / Nazir as a waqf institution must be able to identify how the performance of waqf assets and their managers. Therefore, the determination of waqf assets is very relevant in identifying Counterparty Risk.

The next component of the sukuk structure identified as related to Counterparty Risk is *aqad*. *Aqad* in Sukuk is very clearly related to legal / compliance aspects, which will be discussed in the next section. However, in this section, this study identifies the *aqad* component from the counterparty risk side. *Aqad* regarding cooperation with third parties may create counterparty risks. Once again, counterparty risk here is not at all related to asset hedging as in general, but the counterparty here is meant to be a third party. Every item of cooperation that is in *aqad* will have an impact on third parties which, if not properly mitigated, will eventually have an impact on the waqf institution. The most important thing about *aqad* is the rights and obligations of each party and their implementation.

- ii. The next risk is Market Risk. As securities, of course, sukuk have market risks. The Sukuk components that need to be mitigated are related to nominal, price and time period. These three components are closely related to the market. The nominal value of the Sukuk really depends on the market conditions when the Sukuk is going to be marketed. The consideration of the amount of Sukuk can influence market reactions. However, the economic philosophy applies to Sukuk, namely the rarer an item, the more difficult it will be to find in the market. At that time, the waqf institution will get good momentum to market. Likewise, when the Sukuk is in the institutional portfolio, the greater the amount, the greater the market risk. The opposite is true.

Likewise, for prices, of course it is closely related to Market Risk. Because market risk itself consists of pricing that is reflected in the interest rate in conventional economies or the profit-sharing rate in Islamic economics. As for the time period, this is related to future macroeconomic projections. Investors usually want the longer the maturity of the

securities, the more expensive they are. So that the time period component ultimately boils down to the price which is part of the market risk.

- iii. The next risk is related to Reputation & Asset Waqf Loss Risk. The related Sukuk component is the Waqf Asset itself. As previously explained, Waqf Assets are very important in the Waqf scheme. Because the intention of the waqf runs parallel to the management and benefits of waqf assets. Therefore, waqf institutions need to obtain information and convey it transparently to the waqf and the public. If Nazir has miss in chooses and manages waqf assets, it will create a risk of loss in the future. All matters related to the management of waqf assets need to be properly identified by Nazir, so as not to pose a risk of loss in the future.
- iv. The next risk is Revenue / Profit Loss Sharing Risk. The related Sukuk component is Pricing. Waqf institutions need to monitor Sukuk Pricing so as not to create unnecessary risks for Revenue / Profit Loss Sharing. The mistake of the waqf institution in negotiating pricing with the Sukuk issuer can result in losses for the operation of the waqf institution. As is known, the waqf institution has the right at a certain percentage of the value of the benefits waqf obtained to be used as operational costs. If the operations of the waqf institution are disrupted, the sustainability of CWLS will also be disrupted. Therefore, the Sukuk price structure must be determined based on a review of current and future external and internal conditions. Pricing also needs to be evaluated periodically. With this, it is expected that Revenue / Profit Loss Sharing risk will be properly mitigated.
- v. The next risk is disbursement risk. The related Sukuk component is Sukuk Nominal. This is in line with previously explained, that the nominal value of the Sukuk will have an impact on the risk of disbursement. The determination of the Sukuk Nominal must be in accordance with the calculated need. An error in determining the nominal value of the Sukuk may result in the risk of disbursement. This can happen as a project that is miss in the calculation of financing needs. If it is too small to calculate the nominal value of the Sukuk, it is feared that the Waqf Asset cannot be financed properly.
- vi. Analysis of last WCP Risk is for Operational & Sharia Compliance Risk. This risk is related to the underlying asset components, waqf assets and contracts/ *Aqad* in the waqf structure. The underlying asset is at the Ministry of Finance. These assets are state projects

financed by the state budget with the source of funds from securities, including sukuk. This component is included in the risk of Sharia Compliance because this paper analyses that the waqf funds collected are almost entirely distributed to state projects / assets that have nothing to do with waqf assets. Funds flowing to waqf assets are only the discount value. This state project / asset, because it is not a waqf asset, is certainly not under the control of the waqf institution, but is under the control of the Government. The issue of sharia will arise if the information on the underlying asset is not transparently conveyed to the waqifs. Waqf institutions must explain in advance the underlying assets and waqf assets clearly. For current conditions, of the issued CWLS, only about 5% to 6% of waqf funds of the total value of CWLS are distributed to waqf assets. approximately 95% is distributed to finance underlying assets. Of course, this transparency must also be reflected in the related contracts, especially the contracts between waqf institutions and the ministry of finance, and between waqf institutions and waqif.

For operational risk, only the waqf asset component is attached. Waqf institutions must identify various things for the smooth operation of waqf assets that are supervised by Nazir, the manager of waqf assets. Information on the development of waqf assets must be requested periodically and informed to wakif. Efforts to mitigate things that will hinder the operation of waqf assets must also be made and periodically informed to the waqf institution.

V. Conclusion And Recommendation

Based on the above study, the conclusions are as follows:

- 1) CWLS consists of 2 (two) variables, namely Stakeholders and Sukuk Structure. From previous studies, it was found that these two variables are related to Waqf Core Principle Risk. The association between risks from the previous study results into WCP Risk is carried out because WCP Risk is a new international standard waqf rule that still requires effort to be disseminated internationally and get ratification from the relevant countries.
- 2) Disbursement Risk and Operational & Sharia Compliance Risk are the dominant types of risk associated with the stakeholder variable components. The component most closely related to WCP Risk is Nazir, who in the first CWLS was BWI. Nazir / BWI need to mitigate all WCP Risks as much as 8 (eight) risks.
- 3) For Sukuk Structure variables, the most dominant WCP Risk that must be identified is Market Risk. Meanwhile, the component most related to WCP Risk is Asset Waqf.

- 4) When the Stakeholder variable and Sukuk Structure are combined, the most dominant WCP Risk is Operation & Sharia Compliance Risk. In relation to this risk, the CWLS scheme has risks that really need to be considered, namely information transparency regarding the composition of funds used for Underlying Assets and Waqf Assets. However, Waqif understands that 100% of the funds will be distributed for waqf assets, not for the APBN project.

This study is still limited to risk identification. Risk measurement, risk mitigation, risk monitoring still need further investigation. However, this paper can at least be used as an input to calculate the risk weight of each WCP Risk on CWLS.

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- Fatwa DSN MUI, NO: 69/ DSN-MUI/ VI/ 2008 Subject SBSN & No: 127/ DSN-MUI/ VII/ 2019 Subject Sukuk Wakalah Bi Al-Istitsmar
- Waqf Core Principle (WCP) for effective waqf operation and supervisor.