The Eleventh lecture

The *Salam* Contract

Salam means a contract in which advance payment is made for to be delivered at alater date. The seller undertakes to supply some specific goods to the buyer at a future date in exchange for a price fully paid in advance at the time of contract. It is necessary that the quality of the commodity intended to be purchased is fully specified leaving no ambiguity that may lead to dispute. The objects of this sale are goods and cannot be gold, silver or currencies.

Barring the latter examples, Salam covers almost anything that is capable of being accurately described as to quantity, quality and workmanship. It is necessary for the validity of Salam that the buyer pays the price in full to the seller at the time of effecting the sale. This is necessary because, in the absence of full payment by the buyer, it will be tantamount to a sale of debt against debt, which is expressly prohibited.

Salam can be effected only in commodities whose quality and quantity can be specified precisely. Items whose quality or quantity is not determined by the specification cannot be sold through the contract of Salam. For example, precious stones cannot be sold on the basis of Salam, because each stone is normally different from another in quality, size or weight.

QUESTION:

- How does Salam work؟
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ANSWERS:

The bank buys real goods that it can then sell in the market. The bank pays spot and receives the goods in the future.