Course Outline

Islamic Finance Course – 3 Days

Overview

This course provides delegates with a thorough grounding in Islamic finance. The course covers the principles behind Islamic finance and the relationship between Islamic and conventional financing. During the course delegates explore recent history and trends in Islamic finance. Course delegates are also provided with the opportunity to learn how to structure cash flows for Islamic finance.

Session 1 – an introduction to Islamic financial markets

This session establishes the scope of the course within the context of the world’s growing demand for the provision of sharia’a compliant financial services. The session covers the key founding principles of Islamic Finance and its potential for further growth.

- Defining the Islamic financial market
- The rationale for growth in sharia’a compliant financial services
- How has the market evolved to date?
- Islamic finance: its importance, role and relevance for today’s world
- Riba (usury) and its prohibition
- Gharar and maysir (uncertainty and speculation) in Islamic finance

Session 2 – understanding the core principles of Islamic investment and finance

A high-level introduction to the rules that recur in structuring for Islamic finance.

- What is the role of Islamic law?
- Understanding the role and importance of the sharia’a
- Islamic vs. conventional finance
- What is and isn’t permitted under Islamic law?
- The process of structuring a sharia’a compliant product
- Understanding Islamic finance guidelines
- Practice convergence under AAOIFI and IFSB
- Differences in Islamic finance: GCC vs. South East Asia
Session 3 – understanding Islamic finance asset classes

This segment of the course introduces participants to the nominative Islamic financial contracts, in the context of the principles previously discussed on the program.

- Murabaha contracts (sales)
- Defining murabaha contracts
- Murabaha on credit – deferred payment
- Late payment treatment
- Murabaha syndicate trade mechanics
- Revolving murabaha

Case study: discussion of the choice of asset type for specific Islamic finance purposes

Session 4 – Islamic finance products

- Letters of credit and guarantees in Islamic finance
- The sharia’a perspective
- The role of wakala and kafala in developing the structure
- Islamic credit cards
- Rules governing sharia’a compliance for credit card finance
- Credit card features and sharia’a hotspots

Case study: real life applications of Islamic finance products

Session 5 – more Islamic finance asset classes

- Ijara (leasing) in Islamic finance
- Basic operating ijara
- Jara muntahia bi tamleek
- AAOIFI and IFSB standards for Islamic finance
- Applications in modern finance

Session 6 – salam (forward sales) in Islamic finance

- Defining the forward contract
- Parallel salam
- AAOIFI and IFSB standards: how they impact forward sales in Islamic finance
- Applications in the modern financial world
Session 7 – istisna (construction or manufacturing)

- Defining the istisna contract
- Parallel istisna
- AAOIFI and IFSB standards
- Applications in the modern world

Session 8 – organisational structures for Islamic finance

- Profit and loss sharing contracts in Islamic finance: musharaka and mudaraba
- Broad Islamic rules for profit sharing
- The relationship with modern business combinations and special purpose vehicles
- Musharaka (partnership)
- Mudaraba (silent partnership)
- Wakalah (agency)

Session 9 – musharaka and mudaraba defined for financial investment

This section of the course covers the typical applications of these concepts in different retail and wholesale Islamic financial markets

- Key ideas behind Sharia'a compliant business organisation
- The formation of Special Purpose Vehicles (SPVs), syndication financings and other commercial activities
- Turning a partnership concept into a financing structure
- An idealised Islamic musharaka – how free are partners to restrict their financial rights?

Case study: “Islamic Home Financial Co.” – which contract is best?
### Session 10 – review of the whole process for Islamic finance – how are sharia’a decisions made?

This section of the course looks at the process for sharia’a committees. Then course delegates look at the acquisition of a US distributor. How can common western financial practices be treated in a sharia’a context?

- Applications and considerations for wealth management and private banking
- Understanding the application of core Islamic finance principles
- Screening issues
- Considerations for the investment manager working in Islamic finance
- Providing clients with sharia’a compliant financial products
- Islamic finance & advisory services
- Islamic finance fund management challenges
- Stock market funds
- Islamic hedge funds

### Session 11 – Islamic finance capital markets

- Getting to grips with the structure of Islamic finance capital markets
- Defining sukuk
- Deal origination – where and how are financial markets developing?
- The evolution of financial instrument selection
- GCC and South East Asian sukuk convergence
- Sukuk: issues in applying financial contracts
- Syndications under Islamic finance

**Case study of a typical sukuk al ijara: Qatar global sukuk. DP World sukuk al musharaka – an example of innovation in Islamic finance**

### Session 12 – derivatives and sharia’s: Islamic finance principles and challenges

- Understanding financial risk management
- Limitations on derivatives in sharia’a and Islamic finance
- Risk and sharia’a compliance
- Managing profit, yield, market and foreign exchange risks in Islamic finance

### Session 13 – Islamic finance: regulatory and capital issues

- Main regulatory bodies for Islamic finance
- Key regulatory bodies and the international financial system
- Regulatory challenges for Islamic financial institutions
- Profit sharing deposits – equity, debt or quasi-equity
- Displacing commercial risk
- Understanding instrument risk in Islamic finance