

ELEMENT 1 THE BASIS OF ISLAMIC BANKING AND FINANCE

On completion, the candidate should:

1.1.1 *Understand* the ethical underpinning of Islamic finance

- Moral guidance governing property and wealth given through the Quran,
- The obligation to make charitable distributions: Zakat (obligatory) and Sadaqat (voluntary)
- The role of trade and investment in wealth creation
- Why Riba is forbidden

1.2.1 *Understand* the role of the Sharia'a

1.3.1 *Know* the sources of the Sharia'a: Primary Sources (Quran & Sunnah) and Secondary Sources (Ijma', Ijtihad)

1.4.1 *Know* the authorities able to interpret the Quran and Sunnah and their role:

- The Scholars within the Schools of thought
- The Islamic Fiqh Academy
- The Scholars / Sharia'a Boards of Financial Institutions

ELEMENT 2 AN INTRODUCTION TO ISLAMIC BANKING AND FINANCE

On completion, the candidate should:

2.1.1 *Know* the development of Islamic finance and banking:

- The beginnings of Islamic banking
- Islamic banking in the GCC and the Middle East countries
- Islamic banking in Southeast and South Asia and Australasia
- Islamic banking in Europe, the Americas and Africa

2.2.1 *Know* the constraints and challenges on the development of the Islamic banking and finance industry

2.3.1 *Know* the main functions of Islamic banks

2.4.1 *Know* the operating structures and organisational forms adopted by Islamic financial institutions:

- The window model
- Branches
- Subsidiaries
- Fully-fledged banks

2.5.1 *Know* the regulatory and standard setting bodies overseeing Islamic finance and banking:

- The Regulators (central banks or other authorities)
- The standard-setters (AAOIFI and IFSB)
- Other Institutions supporting the development of Islamic finance and banking (IIFM, GCIBFI, IIRA and IRTI)

2.6.1 *Know* other components of the Islamic finance industry:

- The Sharia'a-compliant equity markets
- The market for Sukuk
- Islamic Investment Funds
- The Islamic insurance companies – Takaful
- The Waqf properties (Islamic charitable trust)
- The Zakat funds (funds constituted of charitable obligatory tax)
- Islamic micro finance

ELEMENT 3 ISLAMIC LAW OF CONTRACTS

On completion, the candidate should:

- 3.1.1 *Know* the ethical precepts relating to Islamic business
- 3.2.1 *Know* the Islamic teachings relating to business
- 3.3.1 *Know* the major prohibitions in Islamic Finance (Riba, Gharar)
- 3.4.1 *Understand* the difference between Riba al-Naseeyah and Riba al-Fadl
- 3.5.1 *Understand* the nature of Gharar, its causes and its implications for Islamic finance
- 3.6.1 *Know* the nature of Qimar and Maysir
- 3.7.1 *Understand* the components of Aqd' (contract): the contracting parties, subject matter, price, offer and acceptance
- 3.8.1 *Understand* the Sharia'a options of sale
- 3.9.1 *Understand* the classification of and conditions applied to contracts with respect to their effect:
 - valid (Sahih) contracts
 - voidable (Fasid) contracts
 - invalid (Batil) contracts
- 3.10.1 *Understand* the relationship between form and substance of contracts
- 3.11.1 *Know* the types of contract:
 - unilateral and bilateral with respect to their underlying purpose
- 3.12.1 *Understand* the concept of Wa'd (promise) and the conditions which make a commercial promise binding
- 3.13.1 *Know* the nature of a Muwaada (bilateral promise) agreement
- 3.14.1 *Understand* the elements and conditions of a contract of exchange
- 3.15.1 *Know* the problematic sales contracts

- 3.16.1 *Know* the nature of the security contracts:
- Hawala
 - Kafala
 - Rahn
- 3.17.1 *Know* the nature of the Wakala (agency contract)
- 3.18.1 *Know* the issues associated with the debate regarding Sarf (the purchase and sale of currencies)
- 3.19.1 *Know* AAOIFI's Sharia'a standards on the sale of currencies

ELEMENT 4 FINANCIAL TECHNIQUES APPLIED BY ISLAMIC BANKS

On completion, the candidate should:

- 4.1.1 *Understand* the distinction between a conventional bank intermediary and an Islamic intermediary, including:
- the relationship between the bank and its clients
 - the sources of funds
 - the use of funds
- 4.2.1 *Understand* the operation of current accounts in Islamic banking
- 4.3.1 *Understand* how funds are used by Islamic banks
- 4.4.1 *Understand* the Islamic banking model and the challenges it faces
- 4.5.1 *Be able to apply* the Mudaraba contract in practice
- for the depositing side
 - for the financing side
- 4.6.1 *Understand* the roles of and the returns received by the Rab al Mal and Mudarib under a Mudaraba contract
- 4.7.1 *Be able to apply* the Two-Tier Mudaraba contract
- 4.8.1 *Be able to apply* the partnership contract of Musharaka
- 4.9.1 *Be able to apply* the Diminishing Musharaka contract
- 4.10.1 *Be able to apply* the Murabaha contract

- 4.11.1 *Understand* the use of Murabaha in export finance
- 4.12.1 *Know* the differences between a Murabaha sale and a loan of money
- 4.13.1 *Know* the nature of Murabaha to the Purchase Orderer
- 4.14.1 *Understand* the operation of Tawarruq and Commodity Murabaha
- 4.15.1 *Know* how Arbun is used to synthesise option behaviour
- 4.16.1 *Be able to apply* the Ijara contract
- 4.17.1 *Understand* the redemption of a lease through Ijara wa Iqtina/Ijara Muntahia Bitamleek
- 4.18.1 *Understand* the use of Ijara Mawsoofa Bil Thimma (Forward Lease)
- 4.19.1 *Be able to apply* the Salam contract
- 4.20.1 *Understand* the documentation associated with a Salam contract
- 4.21.1 *Understand* the use of Parallel Salam in managing bank assets acquired under a Salam contract
- 4.22.1 *Be able to apply* the Istisn'a contract
- 4.23.1 *Understand* the reasons for Parallel Istisn'a contracts
- 4.24.1 *Understand* the differences between Istisn'a and Salam contracts
- 4.25.1 *Know* the use of letters of credit and guarantees in Islamic finance contracts

ELEMENT 5 ISLAMIC ASSET AND FUND MANAGEMENT

On completion, the candidate should:

- 5.1.1 *Understand* the Islamic investment guidelines
- 5.2.1 *Understand* the use of Islamic contracts in structuring Islamic investment funds
- 5.3.1 *Understand* the growth in types of Islamic investment products to respond to clients' risk / reward profile
- 5.4.1 *Be able to apply* the Islamic stock selection process through the Industry and Financial Screens
- 5.5.1 *Understand* the approaches used to handle non-compliant stocks in a stock selection
- 5.6.1 *Know* the approaches used to manage the market risk of portfolios and equity funds
- 5.7.1 *Know* the challenges fund managers face in applying liquidity strategies to Islamic funds

- 5.8.1 *Know* the challenges relating to origination and distribution of Islamic investment funds
- 5.9.1 *Know* the functions of the various components of an Islamic mutual fund structure
- 5.10.1 *Know* the role of the Sharia'a Board in Islamic fund management
- 5.11.1 *Understand* the governance aspects of Islamic investment funds
- 5.12.1 *Know* the developments taking place to expand the range of Islamic investment funds

ELEMENT 6 SUKUK MARKET

On completion, the candidate should:

- 6.1.1 *Know* the differences between conventional and Islamic securities
- 6.2.1 *Understand* the responsibilities of the different parties to a Sukuk
- 6.3.1 *Understand* when financial guarantees can be provided for Sukuk
- 6.4.1 *Know* the differences between managing Sukuk and managing conventional securities
- 6.5.1 *Understand* the basic processes involved in the issuance of Sukuk
- 6.6.1 *Be able to apply* the Mudaraba Sukuk
- 6.7.1 *Be able to apply* the Musharaka Sukuk
- 6.8.1 *Be able to apply* the Ijara Sukuk
- 6.9.1 *Be able to apply* the Salam Sukuk
- 6.10.1 *Be able to apply* the Istisn'a Sukuk
- 6.11.1 *Know* the AAOIFI Sukuk standards
- 6.12.1 *Understand* capital market considerations relating to Sukuk:
 - rating the issue
 - distribution

ELEMENT 7 ISLAMIC INSURANCE – TAKAFUL

On completion, the candidate should:

7.1.1 *Understand* the position of Islam regarding insurance

7.2.1 *Understand* the origins of Takaful

- The characteristics of mutual insurance
- The nature of conventional mutual insurance
- The nature of a Takaful undertaking and the need to avoid Gharar (uncertainty) through Tabarru' (donation) and Riba through the use of non-interest bearing assets
- The structure of Takaful undertakings: non-profit and commercial

7.3.1 *Understand* the differences between conventional proprietary insurance, conventional mutual insurance and Takaful

7.4.1 *Know* the two types of Takaful: general and life

7.5.1 *Understand* the structure of Takaful:

- Separation of participants' funds from those of the Takaful operator
- The role of Qard Hassan (interest free loan)

7.6.1 *Understand* the three models for underwriting and managing the investments of the Takaful fund

- Wakala
- Mudaraba
- the combined model

7.7.1 *Know* the Islamic financial contracts used in Takaful

7.8.1 *Understand* the rules on distribution of underwriting surpluses in Takaful:

- The definition of an underwriting surplus
- The nature and allocation of technical provisions
- The rules for distributing underwriting surpluses

7.9.1 *Understand* the risks associated with Takaful claims and their mitigation:

- The nature of technical provisions for general Takaful
- Implications of the size of the risk pool
- The nature of the underwriting and investment fund in Life Takaful
- Internal risk pooling arrangements

7.10.1 *Understand* how Retakaful operates:

- The funding of Retakaful
- The place of Retakaful
- Resorting to reinsurance in the absence of viable Retakaful options

7.11.1 *Know* the responsibility of the Takaful operator for Sharia'a compliance

ELEMENT 8 FINANCIAL STATEMENTS FOR ISLAMIC BANKS

On completion, the candidate should:

8.1.1 *Understand* the conceptual framework of International Financial Reporting Standards (IFRS):

- The aims of IFRS
- The objectives of financial statements
- The qualitative characteristics required of financial statements
- The general principles governing decision making and presentation of financial data
- The fundamental accounting assumptions underpinning financial statements

8.2.1 *Know* the main financial statements prepared by companies to report their financial performance

8.3.1 *Know* the purpose and main contents of the balance sheet

8.4.1 *Know* the purpose and main contents of the income statement

8.5.1 *Understand* the need for Islamic accounting standards

8.6.1 *Know* the role and responsibilities of AAOIFI

8.7.1 *Understand* the conceptual framework of AAOIFI financial accounting statements:

- The qualitative characteristics of accounting information

8.8.1 *Understand* the application of the accrual method of accounting to Islamic banks:

- The conditions from realising recognition of revenue

8.9.1 *Know* the basic accounting treatment of the main Islamic contracts:

- Murabaha
- Mudaraba
- Musharaka
- Salam
- Parallel Salam
- Ijara
- Ijara Muntahia Bitamleek

8.10.1 *Know* the key issues involved in accounting for Islamic Investment Accounts:

- The different accounting interpretations of the IFRS used with Islamic investment accounts

8.11.1 *Know* the methods of calculating Zakat and the accounting treatment

ELEMENT 9 ISLAMIC CORPORATE GOVERNANCE

On completion, the candidate should:

9.1.1 *Know* the origins and nature of Corporate Governance

9.2.1 *Know* the Corporate Governance mechanisms available to stakeholders to exercise their rights

9.3.1 *Know* the different approaches regarding the identities and rights of stakeholders

9.4.1 *Understand* the reasons why banks face special Corporate Governance challenges

9.5.1 *Know* the risks that banks have to manage

9.6.1 *Understand* the reasons why Islamic banks present different Corporate Governance challenges to conventional banks

- 9.7.1 *Know* the different roles of the Sharia'a Supervisory Board in the Corporate Governance of an Islamic bank
- 9.8.1 *Understand* the nature of Restricted and Unrestricted Investment Accounts
- 9.9.1 *Understand* the distinction between information rights, control rights and cash flow rights for RIAH and UIAH
- 9.10.1 Understand the distinction between the rights of shareholders and investment account holders
- 9.11.1 *Understand* the distinction between the rights of Restricted Investment Account Holders (RIAH) and Unrestricted Investment Account Holders (UIAH)
- 9.12.1 *Understand* the Corporate Governance issues facing the Takaful industry