



Fundamentals of Islamic Banking and Finance

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Bahrain Institute of Banking and Finance

Objective of the Examination

The objective of the examination is to provide candidates with an introduction to the fundamentals of the philosophy of Islamic banking and finance and an overview of the Islamic banking and finance industry, making it the first stepping stone in initiating a career in the Islamic banking and finance industry or furthering studies and research in this field.

The award will test candidates' knowledge and understanding of the following elements:

- Islamic Economics and its Worldview
- The History and Evolution of Islamic Banking and Finance
- Islamic Business Ethics
- Islamic Banking and Finance Features
- Sharia'a and Fiqh Principles
- Islamic Banking and Finance Infrastructure

Syllabus Structure

The unit is divided into **elements**. These are broken down into a series of **learning objectives**.

Each **learning objective** begins with one of the following prefixes: **know** or **understand**. These words indicate the different levels of skill that will be tested.

- **know** requires the candidate to recall information such as facts, rules and principles
- **understand** requires the candidate to demonstrate comprehension of an issue, fact, rule or principle

Candidate Update

Candidates are reminded to visit cisi.org/candidateupdate regularly for updates on industry changes that could affect their examination.

Examination Specification

Each examination paper is constructed from a specification that determines the weightings that will be given to each element. The specification is shown below.

The number of questions quoted in each element may vary slightly from examination to examination as there is some flexibility in order to ensure that each examination has a consistent level of difficulty. However, the number of questions tested in each element should not change by more than plus or minus two.

Examination Specification: 30 multiple choice questions		
Element Number	Element Title	Questions
1	Islamic Economics and its Worldview	4
2	The History and Evolution of Islamic Banking and Finance	6
3	Islamic Business Ethics	5
4	Islamic Banking and Finance Features	9
5	Sharia'a and Fiqh Principles	5
6	Islamic Banking and Finance Infrastructure	1
Total		30

Assessment Structure

Assessment is by a one-hour examination, consisting of 30 multiple choice questions.

Candidates sitting the examination by computer based testing may be asked to answer up to 10% additional trial questions. These will not be separately identified and do not contribute to the result. Candidates who are asked to answer these additional questions are given proportionately more time to complete the test.

Summary Syllabus

Element 1 Islamic Economics and its Worldview

- 1.1 Introduction
- 1.2 Islamic Economics
- 1.3 Evolution of Islamic Economics
- 1.4 Key Concepts in Islamic Economics

Element 2 The History and Evolution of Islamic Banking and Finance

- 2.1 History and Evolution

Element 3 Islamic Business Ethics

- 3.1 Business Ethics

Element 4 Islamic Banking and Finance Features

- 4.1 Fundamentals of Islamic Banking and Finance
- 4.2 Concept of Money
- 4.3 Preferred Transaction Types
- 4.4 Comparison of Conventional and Islamic Financing
- 4.5 Observation and Criticisms

Element 5 Sharia'a and Fiqh Principles

- 5.1 Sharia'a and Fiqh Principles

Element 6 Islamic Banking and Finance Infrastructure

- 6.1 Regulatory Environment
- 6.2 Industry-building Institutions

Element 1 Islamic Economics and its Worldview

1.1 Introduction

On completion, the candidate should:

1.1.1 *know* the basic economic principles

1.2 Islamic Economics

On completion, the candidate should:

1.2.1 *know* the basic economic principles underlying Islamic economics

- Social and economic justice
- Equality
- Fairness
- Balanced actions

1.2.2 *understand* how the economic principles are implemented

- Prohibitions
- Restrictions
- Obligations

1.3 Evolution of Islamic Economics

On completion, the candidate should:

1.3.1 *understand* the evolution of the Islamic economy

1.4 Key Concepts in Islamic Economics

On completion, the candidate should:

1.4.1 *know* the key economic concepts

Element 2 The History and Evolution of Islamic Banking and Finance

2.1 History and Evolution

On completion, the candidate should:

2.1.1 *know* the history of modern Islamic banking

- The early days of Islamic banking and finance in the 1960s
- The rise of the Islamic commercial banks in the 1970s
- The internationalisation of Islamic banking and finance in the 1980s
- The introduction of Islamic financial supporting organisations in the 1990s
- The era of product development: 2000 until now

2.1.2 *understand* how individuals, institutions and countries have assisted in the development of Islamic banking and finance

2.1.3 *know* the Islamic banking operation models

2.1.4 *understand* the different approaches to development and implementation of Islamic banking systems

2.1.5 *know* the role of conventional financial institutions in the development of Islamic banking

2.1.6 *know* about Islamic banking development in selected countries

- Europe
- South East Asia
- North America
- The Middle East

2.1.7 *understand* the notion of interest in other religions and eras

Element 3 Islamic Business Ethics

3.1 Business Ethics

On completion, the candidate should:

- 3.1.1 *know* the definition of ethics
- 3.1.2 *understand* traditional and Islamic business ethics
- 3.1.3 *understand* the difference between contemporary alternative ethical systems and the Islamic ethical system
- 3.1.4 *understand* the basic principles of Islamic business ethics
- 3.1.5 *know* the implications of the various basic principles of Islamic business ethics on Islamic financial institutions (IFIs)
- 3.1.6 *know* the Accounting and Auditing Organisation for Islamic Financial Institutions (AAOIFI) Code of Ethics for Islamic Financial Institutions

Element 4 Islamic Banking and Finance Features

4.1 Fundamentals of Islamic Banking and Finance

On completion, the candidate should:

- 4.1.1 *understand* the role of Islamic banking and finance
- 4.1.2 *understand* the concepts of social responsibility in Islamic finance
- 4.1.3 *understand* the concepts of ownership and redistribution of wealth

4.2 Concept of Money

On completion, the candidate should:

- 4.2.1 *understand* the concept of money in Islam

4.3 Preferred Transaction Types

On completion, the candidate should:

- 4.3.1 *understand* the concept of asset-backed finance
- 4.3.2 *understand* the principle of participatory finance
- 4.3.3 *know* the key nominate contracts in Islamic finance

4.4 Comparison of Conventional and Islamic Financing

On completion, the candidate should:

- 4.4.1 *know* the similarities between Islamic banking and conventional banking
- 4.4.2 *know* the differences between Islamic banking and conventional banking

4.5 Observation and Criticisms

On completion, the candidate should:

- 4.5.1 *know* the basic observations about and criticisms of Islamic banking practices

Element 5 Sharia'a and Fiqh Principles

5.1 Sharia'a and Fiqh Principles

On completion, the candidate should:

- 5.1.1 *know* the meaning of Sharia'a, Fiqh, and Usul al-Fiqh
- 5.1.2 *know* the primary sources of Sharia'a
- 5.1.3 *know* the secondary sources of Sharia'a
- 5.1.4 *know* the objectives of Sharia'a law (Maqasid al Sharia'a) in relation to Islamic finance
- 5.1.5 *know* the categories and definition of Maslahah in Islamic banking and finance
- 5.1.6 *know* the essence and objectives of Maslahah in Islamic banking and finance
- 5.1.7 *know* the basic Sharia'a principles as they apply to commercial transactions
 - Genuine principles of permissibility
 - Matters are determined according to intentions
 - Risk justifies return
 - Bring ease and remove hardships
 - The freedom of contract
 - Ratiocination
 - The role of custom

Element 6 Islamic Banking and Finance Infrastructure

6.1 Regulatory Environment

On completion, the candidate should:

6.1.1 *understand* the regulatory environment

6.2 Industry-building Institutions

On completion, the candidate should:

6.2.1 *know* the major industry-building initiatives and their respective roles in the development of Islamic banking and finance

- Islamic Development Bank (IDB)
- Accounting and Auditing Organisation for Islamic Financial Institutions (AAOIFI)
- International Islamic Financial Market (IIFM)
- Islamic Financial Services Board (IFSB)
- International Islamic Ratings Agency (IIRA)
- International Islamic Liquidity Management (IILM)
- Council for Islamic Banking and Financial Institutions (CIBAFI)