



Lahore University of Management Sciences

FINN 441 – Islamic Banking and Finance

Fall Semester 2017

(Tentative-Under review)

Instructor	Dr. Syed Aun Raza Rizvi
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Course URL (if any)	Suraj.lums.edu.pk

COURSE BASICS

Credit Hours	3			
Lecture(s)	Nbr of Lec(s) Per Week	2	Duration	
Recitation/Lab (per week)	Nbr of Lec(s) Per Week		Duration	
Tutorial (per week)	Nbr of Lec(s) Per Week		Duration	

COURSE DISTRIBUTION

Core	
Elective	ACF Elective
Open for Student Category	
Close for Student Category	

COURSE DESCRIPTION

Course Description: Beginning with the fundamental guidelines of Islam in the arena of dealings and business transactions, this course covers the application of canonical Islamic laws to modern financial transactions. Although the focus is on commercial banking, other aspects of financial marketplace are also addressed.

Course Focus and Modules: As an applied course, the focus is on: a) distinguishing features of Islamic Economic and Financial system
b) Identification of non-Shariah compliant financial instruments, c) Preparation of basic Shariah compliant financial contracts d) Different aspect of Islamic and non-Islamic equity investments

The course is divided into following four modules:

Module 1: Islamic Economics

Module 2: Islamic Law of Sale, Interest, Murabaha and Ijarah

Module 3: Islamic Bank's Asset and Liability Side Financing

Module 4: Islamic Capital Markets: Sukuk and Equities

COURSE PREREQUISITE(S)

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COURSE LEARNING OUTCOMES (CLO)	
1. 2. 3. 4.	Upon successful completion of the course, students should be able to: Compare Islamic and conventional financial systems Examine modes of financing used in Islamic banks Analyze financial Instruments used in Islamic capital markets Evaluate Shariah compliant equities

UNDERGRADUATE PROGRAM LEARNING GOALS & OBJECTIVES	
	<p>General Learning Goals & Objectives</p> <p>Goal 1 –Effective Written and Oral Communication Objective: Students will demonstrate effective writing and oral communication skills</p> <p>Goal 2 –Ethical Understanding and Reasoning Objective: Students will demonstrate that they are able to identify and address ethical issues in an organizational context.</p> <p>Goal 3 – Analytical Thinking and Problem Solving Skills Objective: Students will demonstrate that they are able to identify key problems and generate viable solutions.</p> <p>Goal 4 – Application of Information Technology Objective: Students will demonstrate that they are able to use current technologies in business and management context.</p> <p>Goal 5 – Teamwork in Diverse and Multicultural Environments Objective: Students will demonstrate that they are able to work effectively in diverse environments.</p> <p>Goal 6 – Understanding Organizational Ecosystems Objective: Students will demonstrate that they have an understanding of Economic, Political, Regulatory, Legal, Technological, and Social environment of organizations.</p> <p>Major Specific Learning Goals & Objectives</p> <p>Goal 7 (a) – Discipline Specific Knowledge and Understanding Objective: Students will demonstrate knowledge of key business disciplines and how they interact including application to real world situations. (including subject knowledge)</p> <p>Goal 7 (b) – Understanding the “science” behind the decision-making process (for MGS Majors) Objective: Students will demonstrate ability to analyze a business problem, design and apply appropriate decision-support tools, interpret results and make meaningful recommendations to support the decision-maker</p>

Indicate below how the course learning objectives/outcomes specifically relate to any program learning goals and objectives.

PROGRAM LEARNING GOALS AND OBJECTIVES	COURSE LEARNING OBJECTIVES	COURSE ASSESSMENT ITEM
Goal 1 –Effective Written and Oral Communication	Students get a number of opportunities to demonstrate their ability to communicate effectively (CLO # 2-3)	CP, Project and Exams
Goal 2 –Ethical Understanding and Reasoning	Ethical perspectives in some of the case studies are highlighted (CLO # 1)	Project and Exams
Goal 3 – Analytical Thinking and Problem Solving Skills	Major Goal: Analytical thinking and problem solving skills are essential for success in this course (CLO #1-4)	CP, Quizzes, Project, and Exams
Goal 4 – Application of Information Technology	Application of information technology in preparing cases analyses and assignments (CLO #2)	Project, Cases
Goal 5 – Teamwork in Diverse and Multicultural Environments	Students work in groups of 3 persons to work on their group project. (CLO# 1-4)	Project



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Goal 6 – Understanding Organizational Ecosystems	Develop students understanding of the impact of financial systems on the economy (CLO # 1)	CP, Quizzes, Assignments, and Exams
Goal 7 (a) – Discipline Specific Knowledge and Understanding (Subject Knowledge)	Major Goal: Comprehensive coverage of topics in Islamic Banking and Finance (CLO # 1-4)	CP, Quizzes, Assignments and Exams
Goal 7 (b) – Understanding the “science” behind the decision-making process	NA	NA

GRADING BREAKUP AND POLICY

The course grade is based on the following criteria:

Source	% of Total
Class Participation + Attendance	10
Quizzes/Assignments	15
Group Project	20
Mid Term	20
Final	35
Total	100

Class Participation and Attendance: Students are expected to attend all classes. If you are not present at the beginning of a class or leave class during the session without instructor’s prior permission, you will be considered absent for the day. You must review the assigned materials in advance of the class in order to contribute meaningfully to class discussions.

Quizzes: quizzes will be given on the assigned material (readings, cases, assignments, etc) during the term. No make-up quizzes will be given. However, the lowest quiz grade including a zero for a missed quiz will be disregarded.

Assigned Case Presentation and Written Report: Students are required to form groups of 3 each.

Examination: The final examination will comprise a blend of MCQs and open-ended questions, caselets, or an integrative case for analysis.

EXAMINATION DETAIL

Midterm Exam	Yes/No: Yes Combine Separate: - Duration: - Preferred Date: - Exam Specifications:
Final Exam	Yes/No: Yes Combine Separate: Combined Duration: 2 Hours Exam Specifications:



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COURSE OVERVIEW			
WEEK/ LECTURE/ MODULE	TOPICS	RECOMMENDED READINGS	SESSION OBJECTIVES
Module 1: Islamic Economics			
1	Preliminaries and Overview		Introduction and preliminary reflection on Islamic Economic and Financial System
2	Introduction to Islamic Economics	MBG Ch. 1-3	Develop building blocks of Islamic Economic and Financial System
3	Comparison of Western and Islamic Economic Systems	MBG Ch. 1-3 Azmat (2009) on Muslim Spain	Understand the distinguishing features of Islamic Economic System and compare them to Capitalism and Communism
Module 2: Islamic Law of Sale, Interest, Murabaha and Ijarah			
4	Islamic Law & Legal Theory	Readings set on Islamic Jurisprudence	Introduce Islamic legal theory and derivation of Islamic law.
5	Canonical Contracts in Islam	VH Ch. 5 (The Nominate Contract Scheme); MBG Ch. 9	Explain the injunctions of Islamic financial transactions and examine rules for conditions and stipulations
6	Understanding Time Value of Money	Handouts	Explain the building blocks of finance and the concept of time value of money.
7 & 8	Riba Al Qard	Pg 25-6 Supreme Court Judgment/	Understand the Islamic concept of Interest and its application to modern day banking.
9	Riba Al Fadl	VH Ch. 4 (Islamic Law of Usury, Risk & Property)	Understand the Islamic concept of Riba Al Fadl and its applications.
10	Sale (Ba'i) in Islam	MTU (Some Basic Rules of Sale) MBG Ch. 10&11	Evaluate the conditions for both binding and void Islamic sales contracts
11 & 12	Murabaha/Bai Muajjal	Guest Speaker	Discuss the distinguishing features of Murabaha and its use on the asset side of Islamic banks
13	Ijarah	MTU p. 157-181;	Discuss the distinguishing features of Islamic leasing
14	Mudarabah/Musharakah	Usmani (1999)	Islamic concept of partnership and its use on both the asset and liability side of Islamic banks
Module 3: Islamic Bank's Asset and Liability Side Financing			
15	MT		
16	Musharkah and the Ideal Islamic Financing Model	Khan (2010); Usmani (2010)	Examine the ideal nature of Musharkah and Mudarbah and analyze the impediments in their implementation.



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17	Diminishing Musharakah; Comparison between MM, Ijarah and DM	MBG Ch. 15	Discuss the distinguishing features of DM and its use in Islamic house financing
18	Salam and Istisna	MTU p. 185-200; Al-Amine (2001)	Examine the distinguishing features of Salam and its use in agriculture financing. Also discuss the characteristics of Istisna and its application to project financing
19	Asset and Liability Side Management of Islamic Banks	Case Study of BankIslami and Meezan Bank	Analyze the asset and liability side features of Islamic banks
20	Islamic Finance in Different Jurisdiction		Discusses about Islamic financial practices across different jurisdictions and key success/failure factors.
Module 4: Islamic Capital Markets: Sukuk and Equities			
21 & 22	Equity Investments and Islamic Equity Funds	Case of DJIM	Understanding Islamic equity screening criteria
23 & 24	Sukuk I (Islamic Bonds):	Ali (2005)	Discuss Issues related to Sukuk structuring Evaluate AAOIFI versus non-AAOIFI compliant Sukuk
25	Islamic Financial Instruments at Macro-Level	TBA	Discuss and understand Islamic financial instruments which can be used at macro level for government financing.
26	Islam on Derivatives	Guest Speaker	Explain Islamic prohibition of derivatives
27	Islamic Finance and the Current Financial Crisis	Usmani (2010) Brunnermeier (2009)	Analyze the impact of the sub-prime financial crisis on the Islamic financial industry
28	Future of Islamic Finance & Group Presentations		Discuss the future direction the Islamic financial industry might take.

TEXTBOOK(S)/SUPPLEMENTARY READINGS

Mufti Taqi Usmani, An Introduction to Islamic Finance (MTU).
 Mufti Imran Usmani, Meezan's Banks Guide to Islamic Banking (MBG)
 Vogel, F. E. and Hayes, S. L. Islamic Law and Finance: Religion, Risk and Return (VH)

RECOMMENDED READING:

Muhammad Ayub, Understanding Islamic Finance