



## **Overview: Publication Sponsor**

### **Islamic Financial Services in SABB Bank**

Banks have become very important for all people and businesses all over the world. They are the backbone of any financial or economic system at both the local and international levels. Due to their importance, banks are highly regulated by most countries. This is because the country's economy depends totally on the activities of its banks. The stronger and more effective the banks are, the more likely it is that the economic and financial systems may be more stable and effective. All this explains why the countries normally pay much attention to monitoring and regulating systems for their banks and financial institutions as a means to maintain and increase the efficiency of their banking and financial operations.

The increasing number of economic and financial activities and transactions in the world in general and in the Islamic community in particular highlights the need for more Islamic banking services. This is why the Islamic banks, in a highly competing market, do their best to provide their customers with high-quality Islamic banking services that help them manage their financial transactions in a Shariah-compliant way.

The Saudi British Bank (SABB) is one of the banks that offer such Islamic banking services. In 2001, the Bank opened a new section, Amanah, to provide services and products compatible with Shariah standards under the supervision of an independent Shariah Committee. In 2012, the name of this section has been changed to "Islamic Financial Services".

SABB has a network consisting of 102 branches including 18 ladies' section branches. All SABB branches provide Islamic financial services. The bank provides Islamic financial services and solutions as well as treasury services for both personal and corporate customers.

**For Personal Customers:**

**1. Personal finance based on the concept of Tawarruq and Murabahah**

**a) Tawarruq product (MAL)**

MAL is a personal financing product based on Tawarruq. It is one of the sales types compatible with Shariah principles and approved by SABB Shari'ah Committee whereby the bank owns the metal purchased from the international metal market and then sells it to the customer at a fixed profit margin and the value thereof is payable over a maximum period of 5 years.

**b) Murabahah product (SAHAM)**

SAHAM is personal finance product based on Murabaha. It is one of the sales types compatible with Shariah principles and approved by Shariah Committee at SABB whereby the bank purchases Shariah compatible local shares from the Tadawul and then sells it to the customer at a fixed profit margin and the value thereof is payable over a maximum period of 5 years.

**2. Real estate finance**

Real Estate Finance is based on the concept of Ijarah with the promise to transfer ownership. It is a Shariah-compliant transaction whereby SABB purchases the house and then leases it to the customer with the promise to transfer ownership at monthly installment and finance period up to 25 years.

**For Personal and Corporate Customers:**

**1. Murabahah commodity investment account:**

Murabahah Commodity Investment Account is an alternative product for conventional fixed deposits product and it is an investment vehicle for customers wishing to gain attractive returns at low risks in short and medium terms.

**For Corporate Customers:**

**1. Islamic cash line**

Islamic Cash Line is a product approved by Shariah Committee at the Bank as the first alternative solution to the conventional overdraft. The product is structured by combining:

- a) Murabahah liquidity/Tawarruq.
- b) Mudarabah investment account.

**2. Tawarruq**

Tawarruq product provides companies with Shariah-compliant solutions for satisfying liquidity requirements for working capital or expansion projects. The product concept is based on the customer's purchase of metals owned by the bank on deferred payment including agreed profit margin. Upon ownership of the metals, the customer can authorize SABB TSY to sell the goods on his behalf and receive the proceeds accordingly.

**3. Import documentary credits**

Import Documentary Credit is a Shariah-compliant product based on Murabahah concept, i.e., selling at cost price plus profit. The bank, upon the customer's request, opens a D/C and purchases the goods from origin. Upon the bank's taking constructive possession of the goods as per documents (arrival of documents) or physical possession (arrival of goods), it sells the goods to the customer at cost price plus profit.

**Treasury Services Include:**

**1. Islamic rate hedge against fluctuation of finance cost**

Hedging against fluctuations of finance is a treasury tool used to limit or minimize the effects of interest rate/profit margin fluctuation, allowing companies to manage their floating rates obligations against fixed rate through SABB Hedge SWAP.

**2. Promise to exchange**

Promise to Exchange is an alternative Islamic solution to conventional options, which provides protection against the risk of adverse exchange

rates movements in the future and allows the customer to make use of such movements.

To ensure their compliance with Shariah standards, all newly developed or proposed Islamic products are presented first to Shariah Committee. IFS department gathers and classifies all issues that the bank, its customers or employees seeks Shariah opinion thereon.

In addition to arranging the procedures for adopting Islamic products, IFS also monitors/supervises the practical application of products and ensure actual compliance with the Shariah resolutions and regulations by conducting periodic visits to the various departments of the bank that offer Islamic financial products.

The visit reports are then submitted periodically to the Shariah Committee for obtaining its directions and recommendations on the reported issues.





# SHARI'AH STANDARDS

The volume of Shari'ah Standards has become the most prominent compilation of contemporary Fiqh reasoning in the area of Fiqh al-Mua'amalat (Jurisprudence of Financial Transactions) around the globe. The standards cover a large array of Islamic financial contracts and products, including those pertaining to banking, Islamic insurance, investment banking, capital markets, financing, and so on.

These standards are widely popular in the global Islamic finance industry, and are deemed the most outstanding Shari'ah reference for that industry, including legislative bodies, regulatory authorities, and financial institutions, and other professional entities such as law firms, accounting and consultancy firms, in addition to universities, academic institutions and research centers and Fatwa issuing bodies.

Currently, AAOIFI standards are officially adopted by a number of central banks and financial authorities on a mandatory basis or as guidance. Hence, these standards are rightfully a major hallmark for the Islamic finance industry and one of its principal accomplishments.

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