



Foundations of Islamic Banking & Finance (IPD01)

Course Synopsis:

Objective: To build a foundational understanding of Islamic banking & finance

This course introduces fundamental concepts and principles relating to Islamic banking and finance. It defines the vocabulary and nomenclature of Islamic finance in addition to explaining how the Islamic commercial rules impact banking operations as the character of Islamic finance is rooted in Islamic commercial law as opposed to the concepts of lending money. The course also covers how the Islamic market functions with its unique rules. Candidates solve financing and banking problems based on the core Islamic rules of contract and the rules of sarf or monetary exchange. The main aim of the course is to enable the candidates to compare and contrast how various Islamic toolkit – sale based, lease based and equity based instruments are applied in Islamic banking operation.

This module is suitable for: All banking employees, all persons interested in Islamic finance

- Chapter 1:** Market Context: This introductory session seeks to provide a basic context for the growing importance of Islamic Finance.
- Chapter 2:** Key Sharia'a Concepts: In this segment, we establish the rules of ijihad, riba, gharar, contract and possession. This is the foundation for all later sessions.
- Chapter 3:** Overview of Sharia'a Tools: In this session, we provide a working summary of the main tools of Islamic finance.
- Chapter 4:** Sales Contracts as Financing Tools: Murabaha. In this session, which has four sub sections, we review all practical modern uses of the Murabaha sales contract as a financing tool.
- Chapter 5:** Tawarruq: This session provides a diagrammatic and exercise based overview of the alternative uses of tawarruq in the market.
- Chapter 6:** Ijara: This session provides a diagrammatic and exercise based overview of the three main methods of ijara as applied widely in the market.
- Chapter 7:** Salam: This session provides a diagrammatic and exercise based overview of the best uses for salam in the market.



- Chapter 8:** Istisna'a: This session provides a diagrammatic and exercise based overview of the risks and challenges of istisna'a in the market.
- Chapter 9:** Partnership & Agency: This session provides a diagrammatic and exercise based overview of the alternative uses of widely applied concepts of partnership and agency in the market. This helps us to understand financing, deposits, and sets up wealth management/funds concepts.
- Chapter 10:** Key Ideas for Wealth Management: This session introduces the concepts of screening, purification and defining the simple tools for wealth and fund management.
- Chapter 11:** Sukuk & Capital Markets: This session introduces the concept of sukuk and provides an introduction to the Islamic capital markets.
- Chapter 12:** The Trouble with Derivatives: In this short session, the four main derivative ideas are placed in the context of the rules of sarf. The reason why Islamic scholars struggle with the development of derivatives is made clear.
- Chapter 13:** Understanding the Sharia'a Process: This session wraps up the Foundations course by reviewing the modern Sharia'a process and its current boundaries with respect to product development and implementation.