

# NON-INTEREST (ISLAMIC) BANKING DEPOSIT PRODUCTS

**June 2021**



# OUTLINE

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## Overview

- Products
  - Underlying Contracts
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## Deposit Products

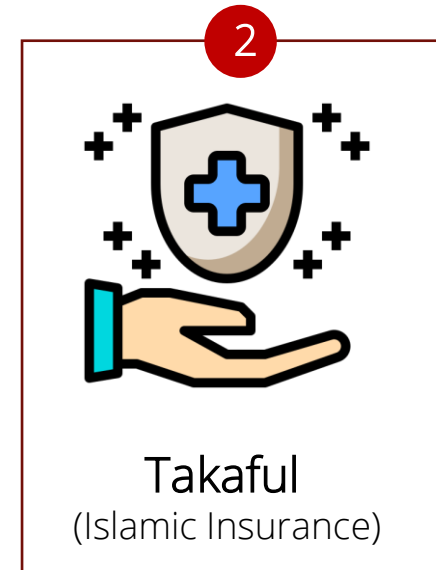
- Current Account
  - Savings Accounts
  - Investment Accounts
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# Overview: System & Products

The Islamic financial system is comprised of **Three (3)** segments.



Islamic Financial System



Each segments have a distinctive set of products and services

# Overview: System & Products

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## Islamic Financial Products

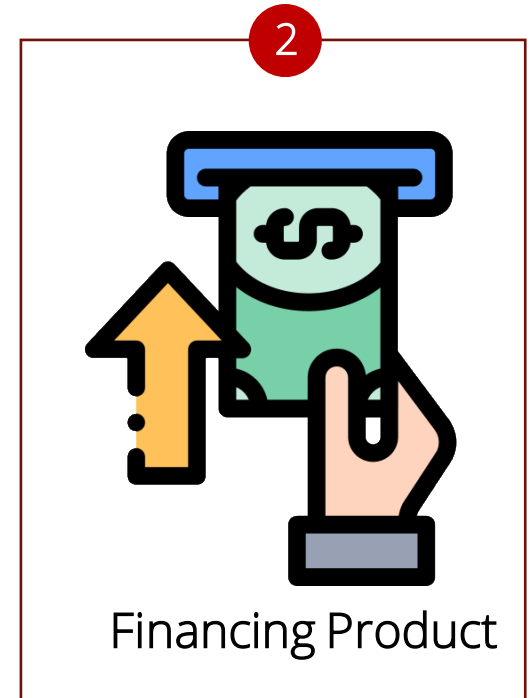
- ❖ Non-interest (Islamic) financial products are designed to meet regulatory, customer and Shariah requirements.
- ❖ The types of Islamic finance products are introduced by examining Shariah principles and contracts (financing, deposits, investment).
- ❖ The elements and conditions of the contracts (product) are also examined.

# Overview: Islamic Banking Products

Islamic banking products and services are broadly categorized into **two (2)** main categories

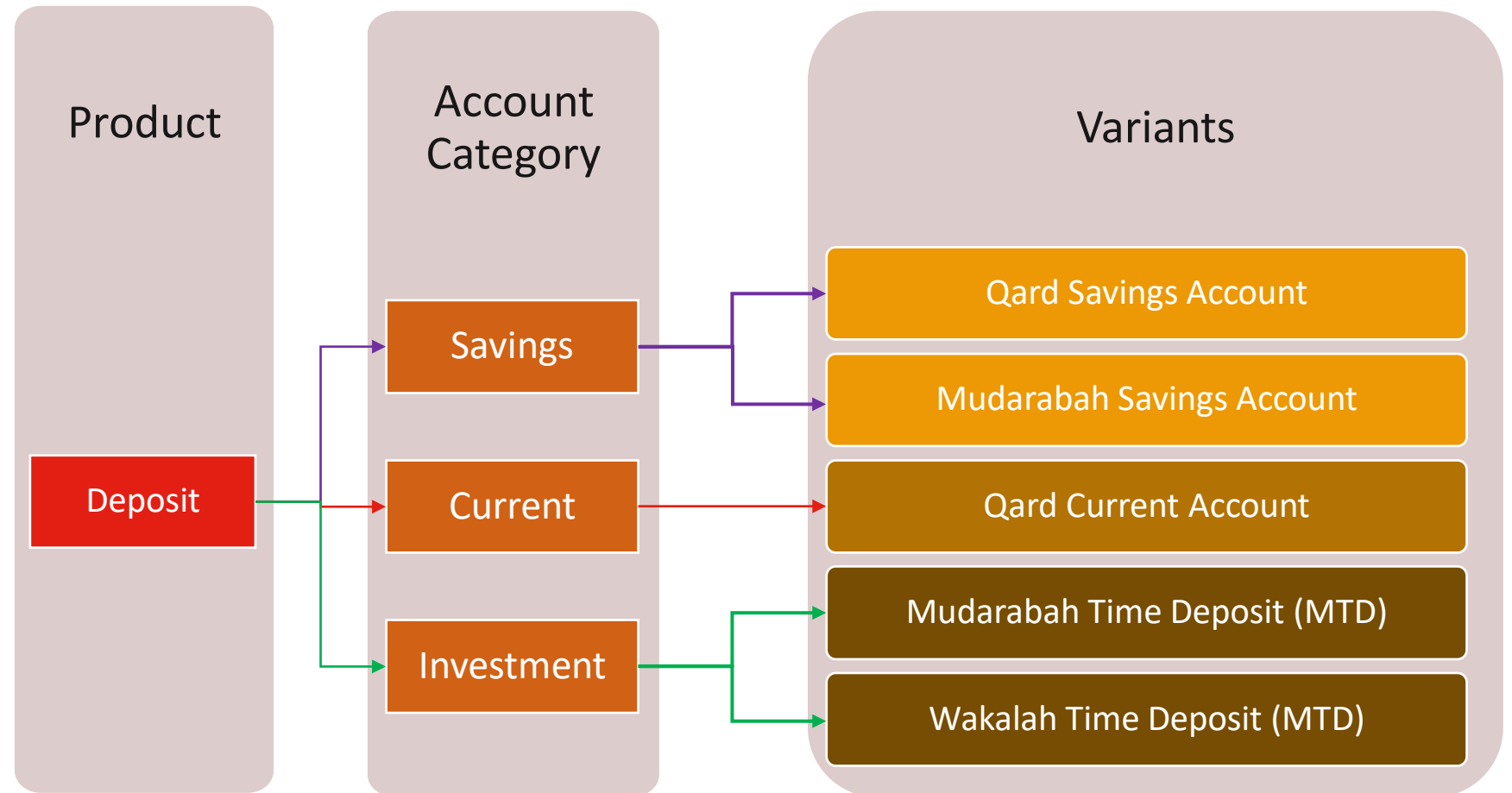


Islamic Financial  
Products



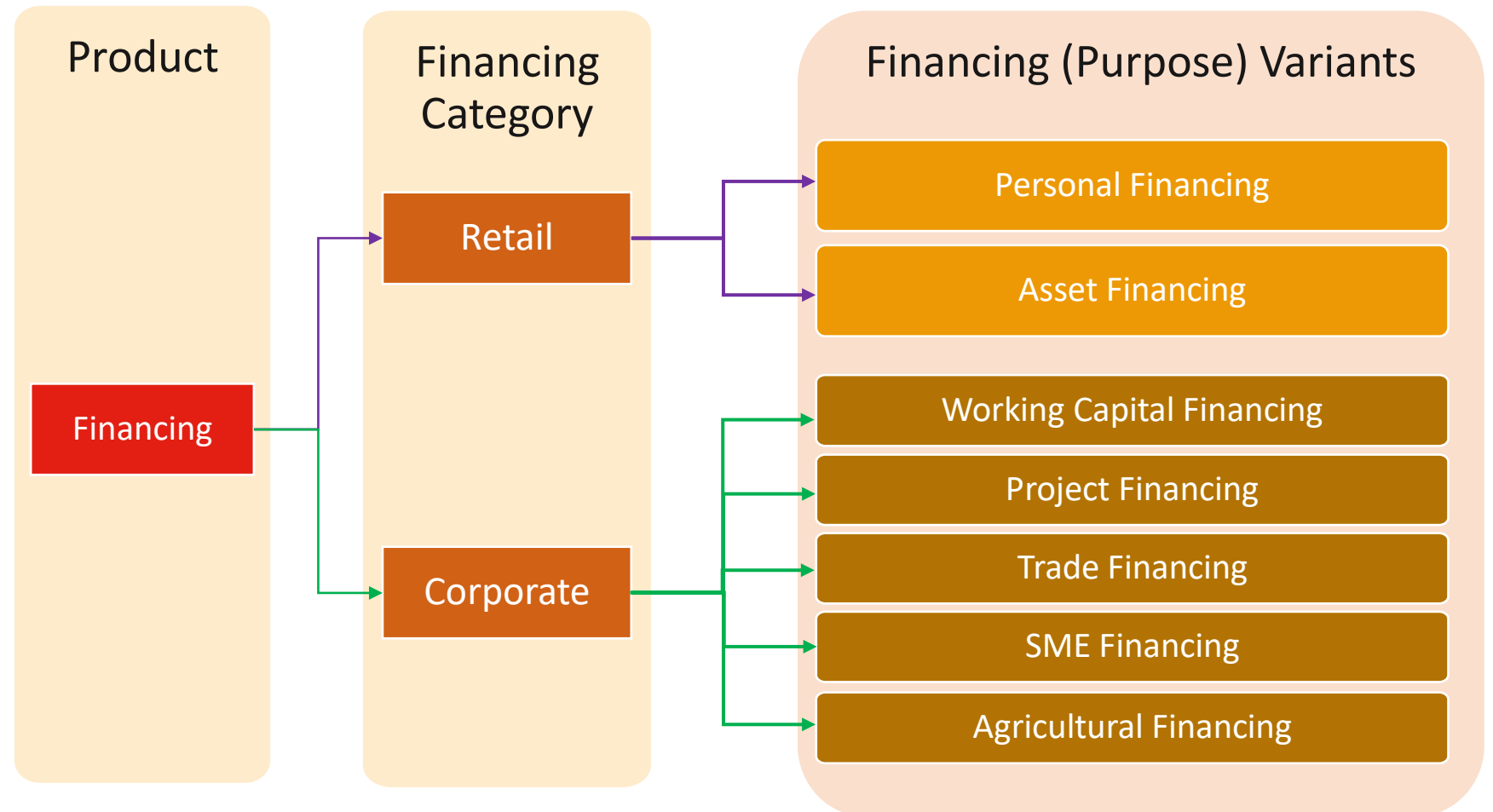
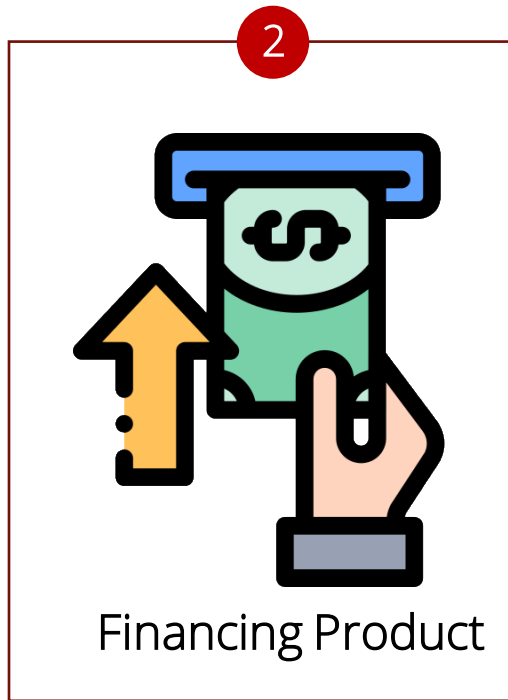
# Overview: Islamic Banking Products [DEPOSIT]

There are three categories of deposit products in our clime



# Overview: Islamic Banking Products [FINANCING]

There are **two (2)** categories of Financing Products in our clime



# Overview

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- ❖ Islamic financial products and services are essentially based on contracts.
- ❖ The importance of contracts is more significant in Islamic finance because it defines the 'transactionary' relationship for various financial products.
- ❖ In conventional financial system, most if not all of the products are simply based on lending and borrowing.
- ❖ The elements of contract in Islamic commercial law consist of six elements comprising of
  - ❖ offer,
  - ❖ acceptance,
  - ❖ offeror,
  - ❖ offeree,
  - ❖ price and
  - ❖ subject matter.
- ❖ A contract is formed where an **offer** is **accepted** in a lawful manner, where all conditions of valid offer and acceptance are observed.
- ❖ The interaction between the offeror and offeree represents the "Majlis" or the "meeting of two minds"
- ❖ The capacity of contracting parties, manner of engagement (offer and acceptance) as well as the purpose and activity of the contract must be lawful from a Shariah perspective.
- ❖ There are essentially two types of contracts, namely bilateral contracts and unilateral contracts.



## Overview – Types of Contract (Initiation Perspective)

FEATURES	BILATERAL	UNILATERAL
Contracting parties	Two parties	One party
Consideration	Requirement	Not a requirement
Acceptance by the offeree	Requirement	Not a requirement
Purpose	Commercial	Gratuity
Element of uncertainty (Gharar)	Prohibited	Tolerated

# Overview

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### Bilateral contract.

- ❖ This type of contract usually takes place between two parties that have the full legal capacity of fulfilling such a contract.
- ❖ The reason for entering into a bilateral contract is for both parties to attain commercial gain out of it.
- ❖ There will be no reason to enter into a bilateral contract when there is no commercial consideration.
- ❖ The primary objective of the parties when entering into a bilateral objective is to benefit from such an arrangement.
- ❖ A dispute will arise when a party have failed to realize a commercial purpose after paying a consideration.
- ❖ under Shariah it is a requirement that all bilateral contracts must be free from gharar to render these contracts valid.

# Overview

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### Unilateral contract.

- ❖ A unilateral contract is effected to accommodate the desire to perform charitable or kind favours to other parties without getting any consideration. E.g. Will, gift
- ❖ Love, care is usually the motive behind a party's action to effect a unilateral contract.
- ❖ The contract does not require the acceptance and consideration from the recipient to make it valid.
- ❖ The presence of any element of uncertainty or gharar in any terms of the contract is tolerated.
- ❖ Among the commonly used unilateral contract in Islamic finance is the contract of waiver (tanazul) A waiver contract (tanazul), is widely used in practice.
- ❖ A waiver reflects the consent of the owner of a particular entitlement to waive whatever is due to him from another party.
- ❖ A waiver could be practiced when the 'donor' wishes to waive his rights.

## POSER

Why may shariah tolerate Gharar in a unilateral contract but not in other type of contracts?

## ANSWER

It is because from the Shariah perspective, certainty is required in any contract where two parties are to benefit.

The reason for not allowing uncertainty is because it will affect the quality of consent of one of the contracting parties.

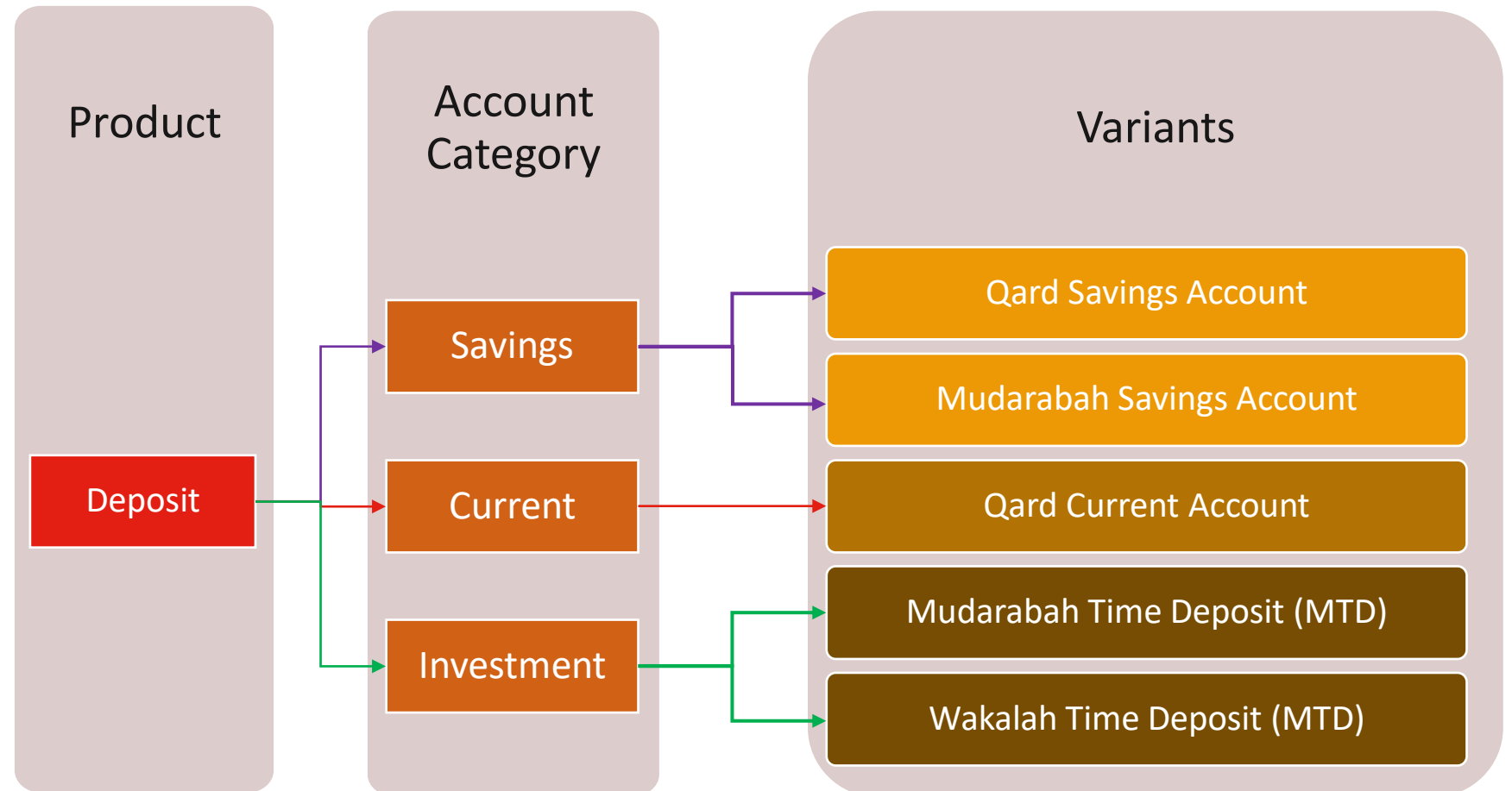
In a unilateral contract, the recipient does not need to accept or pay any counter value or consideration for receiving a benefit from that contract.

# DEPOSIT PRODUCTS



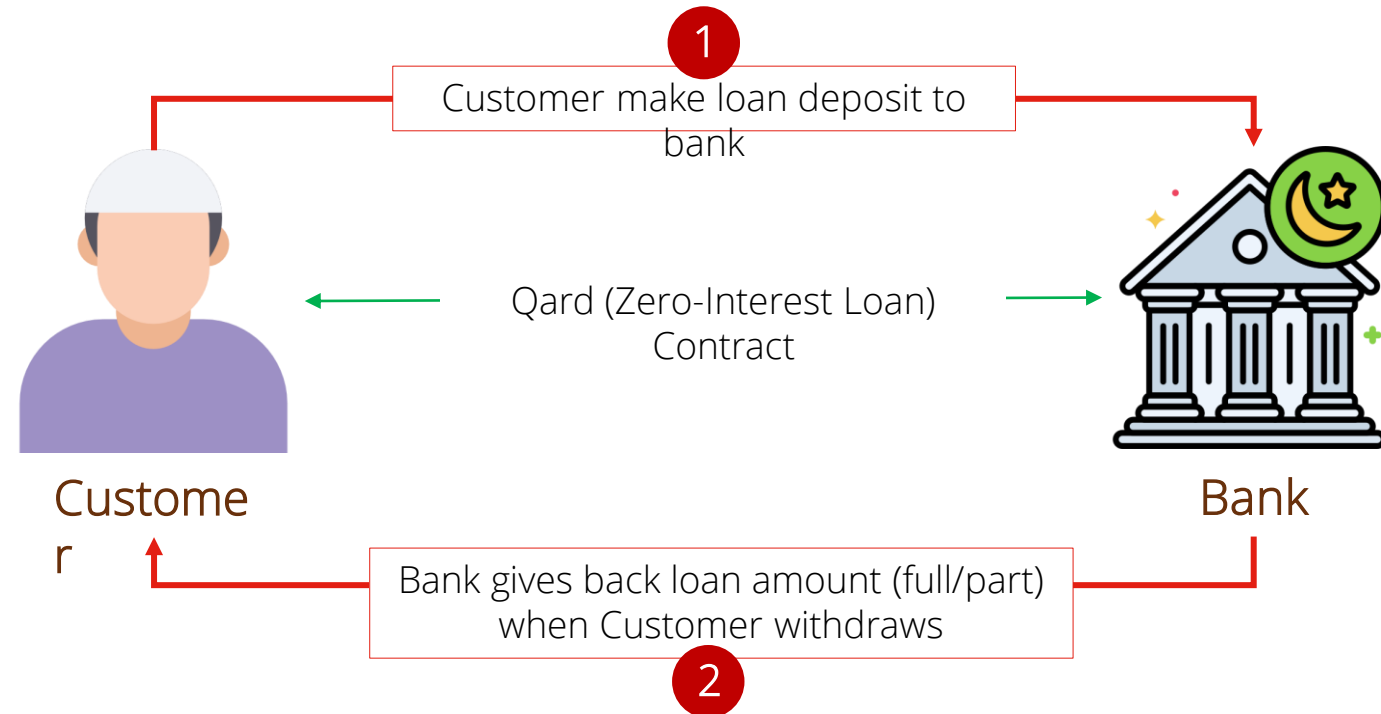
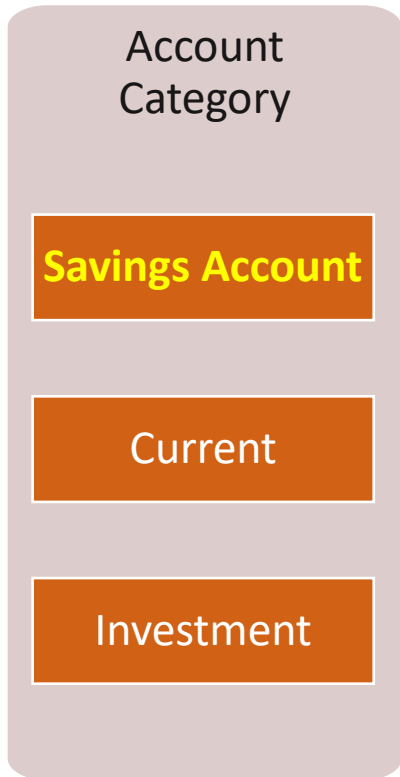
# Overview: Islamic Banking Products [DEPOSIT]

There are three categories of deposit products in our clime



# QARD CURRENT ACCOUNT (QCA)

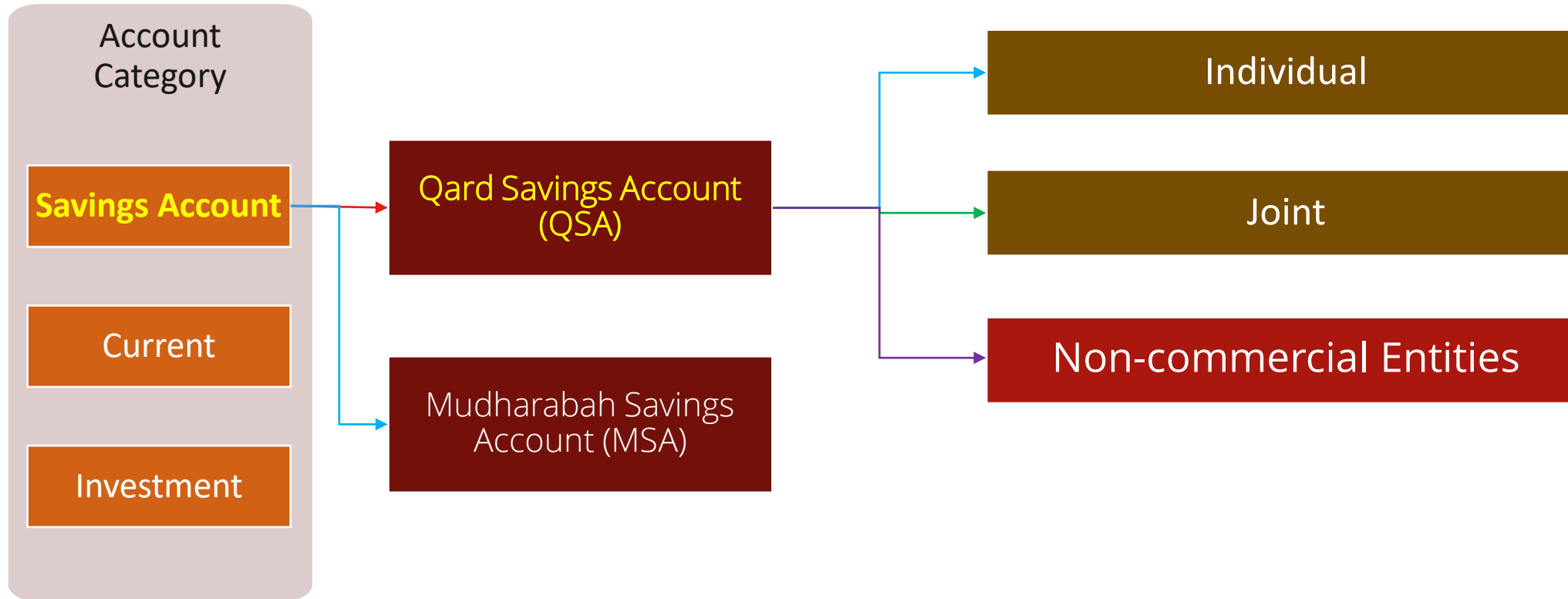
Qard Savings Account (QSA) offers a Shariah-compliant savings account with guaranteed deposits.





## QARD SAVINGS ACCOUNT (QSA)

Qard Savings Account (QSA) offers a Shariah-compliant savings account with guaranteed deposits.



## QARD SAVINGS ACCOUNT

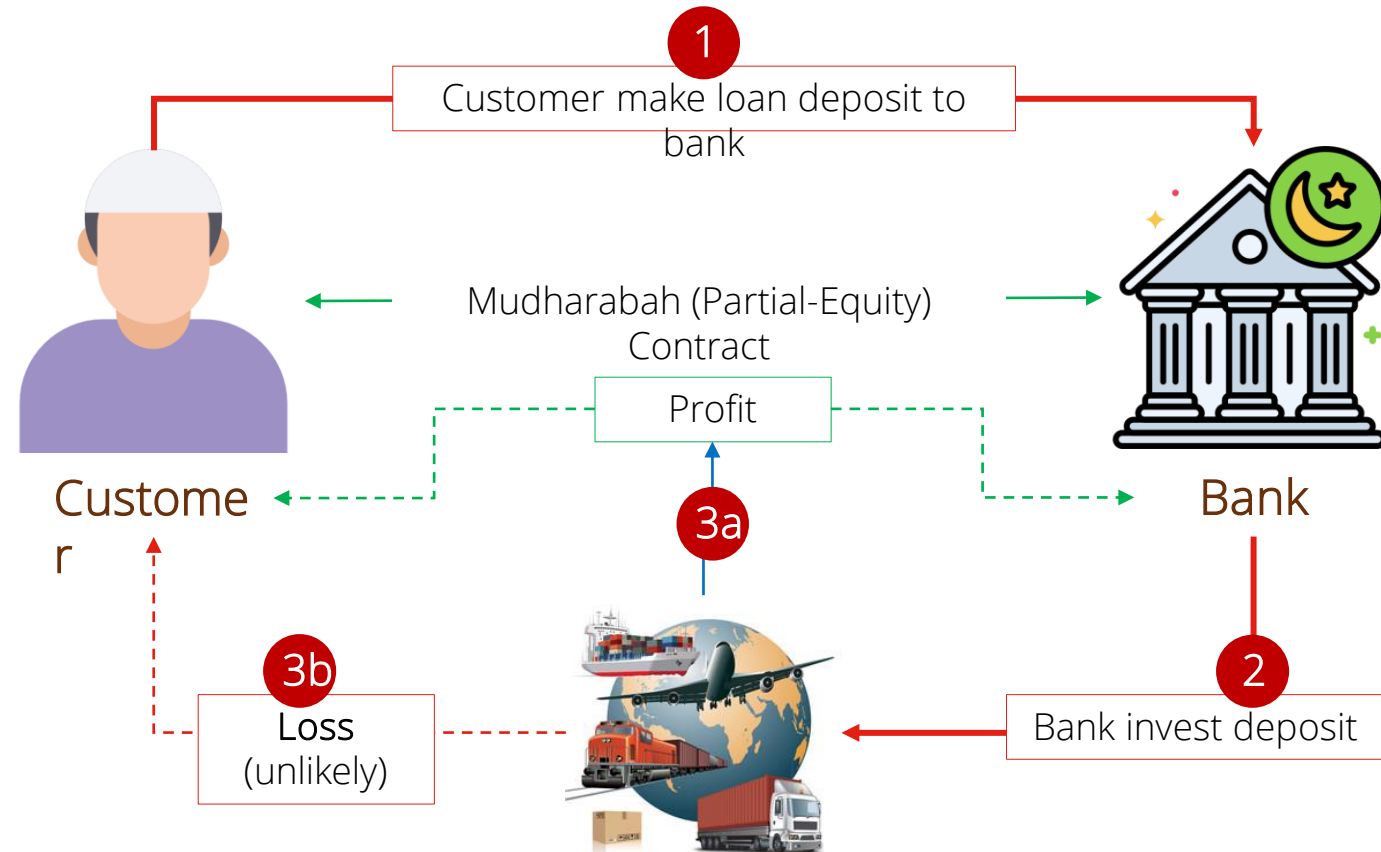
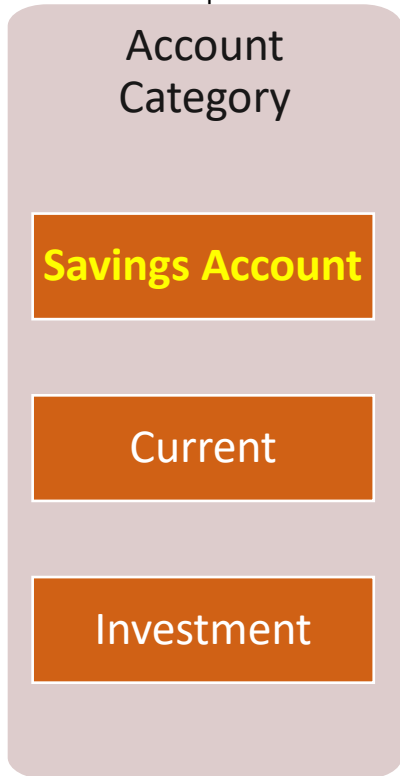
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Qard Savings Account is almost the same as Qard Current Account except for the below stated types of accounts.

<b>Types of Account</b>	<b>Conditions</b>
<b>Individual</b>	Savings account based on Qard will only be offered to individuals who have attained the age of at least 18 years.
<b>Joint</b>	<p>More than one individual who has attained the age of at least 18 years are also eligible for a joint savings account based on Qard.</p> <p>The liability of the joint account holder to the Bank shall be joint and several.</p>
<b>Non-commercial entities e.g. Clubs, Societies, Associations, and Schools</b>	Association and other non-commercial entities are also eligible to open a savings account based on Qard. They are required to provide the relevant resolutions to authorise the opening of the account and to provide specimen signatures for its operations.

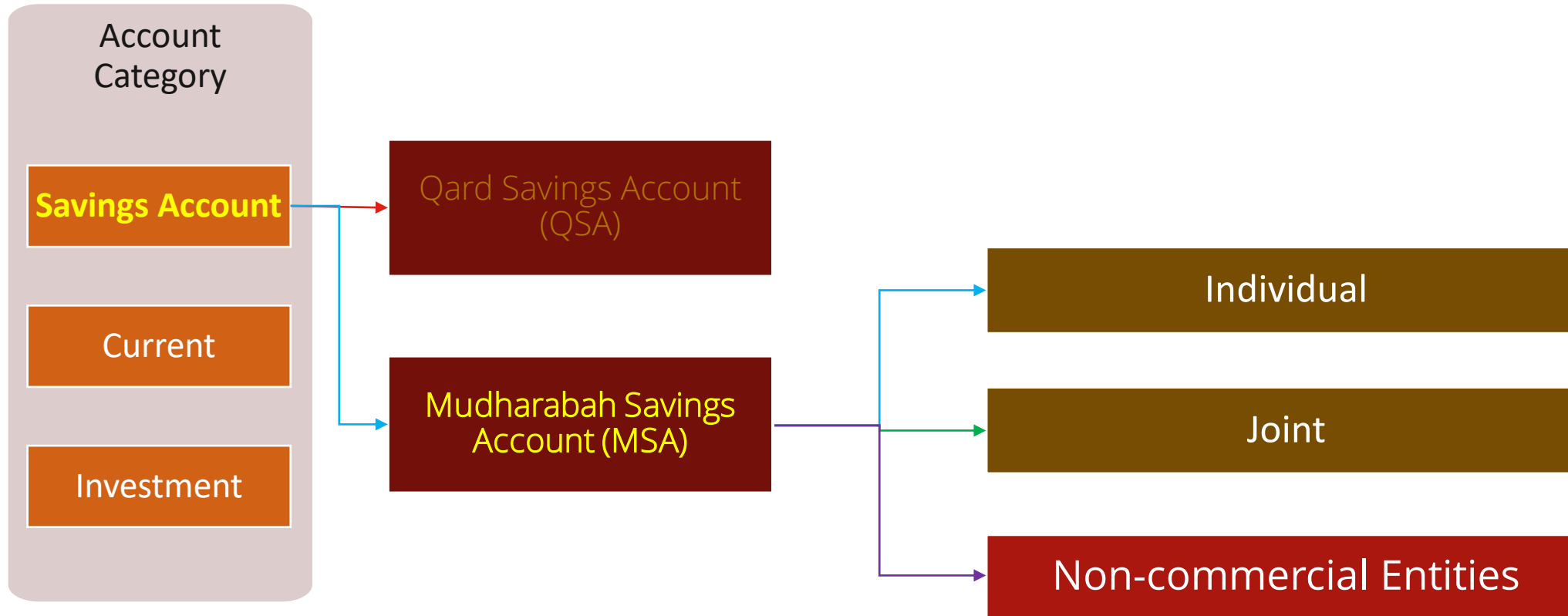
# MUDHARABAH SAVINGS ACCOUNT (MSA)

Mudharabah Savings Account (MSA) offers a Shariah-compliant savings account with unguaranteed deposits and profit.



## QARD SAVINGS ACCOUNT (QSA)

Qard Savings Account (QSA) offers a Shariah-compliant savings account with guaranteed deposits.



## MUDHARABAH SAVINGS ACCOUNT

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- ❖ Mudharabah (trustee profit sharing) is a contract between two parties that is between the owner of capital and the entrepreneur. Both parties must agree on a profit-sharing ratio.
- ❖ Under this contract, a savings account holder (i.e. the owner of capital) places a specified sum of money with the Bank (i.e. the entrepreneur) for the purpose of participating in the profits made from the utilisation of the funds.
- ❖ Any profit generated from the utilisation of the funds is shared between the savings account holder and the Bank according to the predetermined profit-sharing ratio.
- ❖ Losses if any, are to be borne by the savings account holder provided that such losses are not due to the Bank's misconduct or negligence.
- ❖ The contract is automatically renewed on a daily basis as the principal amount has to be determined on daily basis.
- ❖ The profit payment is made on a monthly basis or any other period determined by the Bank.
- ❖ Customers have the option to subscribe to an Automated Teller Machine (ATM) and/or the Bank's debit card, subject to the eligibility criteria set by the Bank.

## MUDHARABAH SAVINGS ACCOUNT

Types of Account	Conditions
<b>Individual</b>	<p>Savings account based on Mudharabah will only be offered to individuals who have attained the age of at least 18 years.</p> <p>Any person below the age of 18 may open MSA with parents or a legal guardian to act as trustee.</p>
<b>Joint</b>	<p>More than one individual who has attained the age of at least 18 years are also eligible for a joint savings account based on Mudharabah.</p> <p>The liability of the joint account holder to the Bank shall be joint and several.</p>
<b>Non-commercial entities e.g. Clubs, Societies, Associations, and Schools</b>	<p>Non-commercial entities e.g. Clubs, Societies, Associations, and Schools are also eligible to open a savings account and is required to provide the relevant resolutions to authorise the opening of the Account and to provide specimen signatures for the operation of the account.</p>

## MUDHARABAH SAVINGS ACCOUNT

Component	Description
1. Contracting Parties	<ul style="list-style-type: none"><li>• The contracting parties in Mudharabah consist of the capital provider i.e. the customer and the entrepreneur i.e. the Bank.</li><li>• The capital provider and the entrepreneur shall have the legal capacity to execute a contract including the capacity to perform agency (Wakalah) contract either as a principal or as an agent.</li><li>• The contracting parties in Mudharabah may be a natural person or a legal person.</li></ul>
2. Capital	<ul style="list-style-type: none"><li>• Capital is the money deposited into MSA in a specific amount and readily available to the Bank.</li><li>• The Bank has the right to manage and utilise the MSA funds in its business ventures.</li><li>• The Bank shall not guarantee the Mudharabah capital except in the case of the Bank's misconduct (ta`addi), negligence (taqsir) or breach of specified terms (mukhalafah al-shurut).</li></ul>

## MUDHARABAH SAVINGS ACCOUNT

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### 3. Management of MSA funds

- Money deposited into MSAs will be pooled as MSA funds. MSA funds will then be pooled in a general customer deposit pool of the Bank.
- The Bank is responsible to ensure proper management of the MSA funds and acts in the interest of the customer(s).
- The customer(s) shall not be involved in managing the MSA funds but shall have a right of access to reasonable information regarding the MSA funds.



## MUDHARABAH SAVINGS ACCOUNT

Component	Description
4. Profit	<ul style="list-style-type: none"><li>• Profit is the value created over and above the Mudharabah capital which is determined based on profit determination method acceptable by market standard or practices.</li><li>• The Bank shall not guarantee any profit.</li><li>• The profit shall be shared between the customer and the Bank based on a mutually agreed ratio.</li><li>• PSR shall be determined at the inception of the contract. Nonetheless, PSR may be revised during the tenure of the Mudharabah subject to the mutual agreement of both parties.</li><li>• Mudarabah contract shall not stipulate a pre-determined fixed amount of profit to one contracting party which deprives the profit share of the other contracting party.</li><li>• The profit in the form of a certain percentage shall not be linked to the Mudharabah capital amount.</li></ul>

## MUDHARABAH SAVINGS ACCOUNT

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Component	Description
4. Profit	<ul style="list-style-type: none"><li>• Profit shall be distributed upon the maturity of the Mudharabah or at an agreed period.</li><li>• Unrealized gains recognized during the Mudharabah tenure shall be recognized as profit and be included in the profit and loss calculation for the Mudharabah.</li><li>• Contracting parties may agree to a condition whereby the customer may be subject to lower or no profit payment if capital is withdrawn before the maturity of the deposit period.</li></ul>

## MUDHARABAH SAVINGS ACCOUNT

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Component	Description
5. Loss	<ul style="list-style-type: none"><li>• A loss is a depletion from the value of capital.</li><li>• Loss shall be borne by the customer up to the capital value.</li></ul>
6. Offer and Acceptance	<ul style="list-style-type: none"><li>• The contract shall be entered into through an offer and acceptance between the contracting parties.</li><li>• The offer and acceptance may be expressed on appropriate documentation such as signing the application form indicating acceptance on the Terms and Conditions of MSA.</li></ul>

## MUDHARABAH SAVINGS ACCOUNT – PROCESS FLOW

Step	Description
1. Opening of Account	<p>(a) The customer makes an application to open a savings account based on Mudharabah.</p> <p>(b) The Bank approves the application based on the customer's eligibility and other requirements of opening a savings account.</p> <p>(c) The account must not be opened for any non-Shariah-compliant activities.</p>
2. Principal amount	<p>The customer places money as an initial principal amount to be deposited into MSA at an agreed profit-sharing ratio.</p> <p>The customer is allowed to make a subsequent deposit into MSA or withdrawal from the MSA at any time he/she requires.</p> <p>Hence, the principal amount is determined based on the MSA end of day balance in the account.</p> <p>The Bank at its discretion may specify a minimum amount of deposit that need to be maintained in the savings account.</p>

# MUDHARABAH SAVINGS ACCOUNT – PROCESS FLOW

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## 3. The utilisation of MSA deposits

The Bank pools the deposited money together with other deposit funds and utilises the funds for the Bank's business.

## MUDHARABAH SAVINGS ACCOUNT – PROCESS FLOW

Step	Description
4. Profit accrual and payment	<ul style="list-style-type: none"><li>Profit will be accrued on daily basis based on the principal balance in the savings account at the end of each day according to the pre-agreed sharing ratio.</li><li>Profit will be paid into the account on a monthly basis or any other period determined by the Bank.</li><li>Profit to be distributed to MSA pool of funds is computed in line with the requirements stipulated in CBN “Framework on Rates of Return” Guidelines.</li><li>The formula to calculate profit to be credited into MSA individually is as follows: <math display="block">\text{Profit} = P \times T \times \text{DR}</math> Where: <math>P</math> = Balance at the end of the day <math>T = 1/365</math> (the number of days is adjusted to 366 days in the case of leap year) <math>\text{DR}</math> = Daily profit rate per annum quoted.</li></ul> <ul style="list-style-type: none"><li>Profit shall be paid up to the last day before the closing date of the savings account.</li><li>Profit is paid to all MSA including inactive and dormant accounts</li></ul>

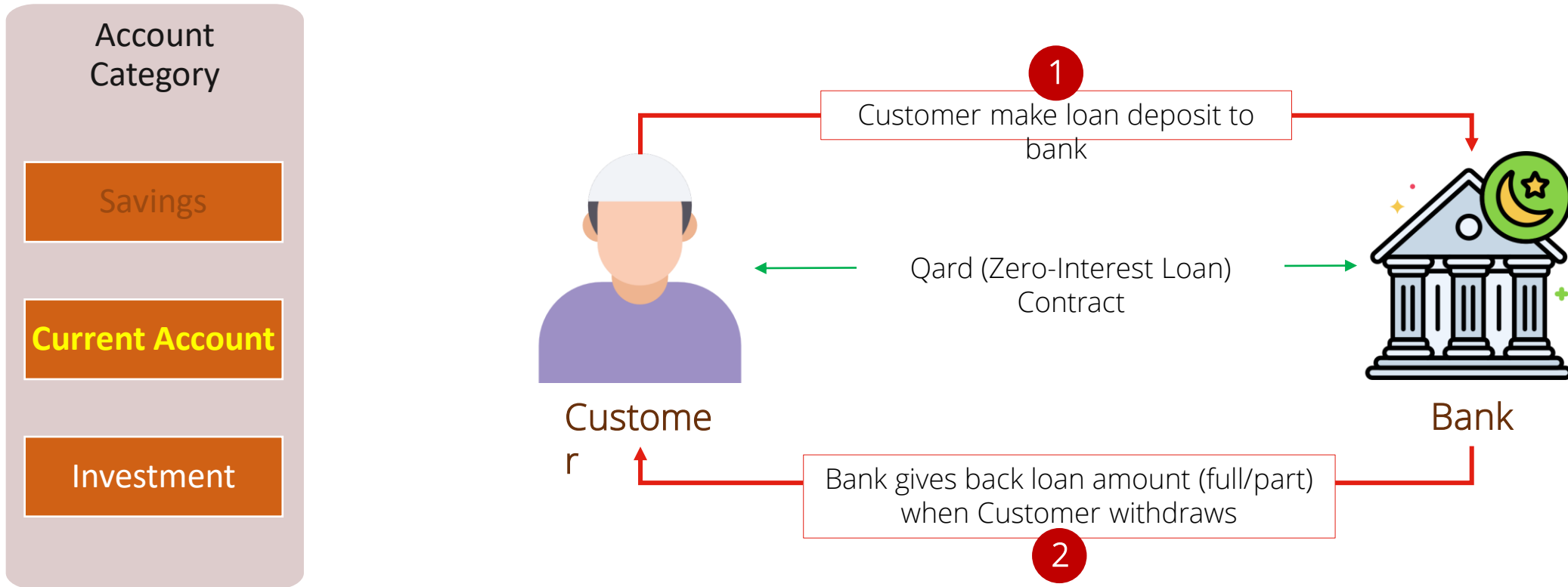
## MUDHARABAH SAVINGS ACCOUNT – PROCESS FLOW

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<b>5. Maturity and renewal</b>	The contract matures and automatically renewed on daily basis.
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## QARD CURRENT ACCOUNT (QCA)

Qard Current Account (QCA) offers a Shariah-compliant current account with guaranteed deposits.





## QARD CURRENT ACCOUNT (QCA)

Qard Current Account (QCA) offers a Shariah-compliant current account with guaranteed deposits.

### Account Category

Savings

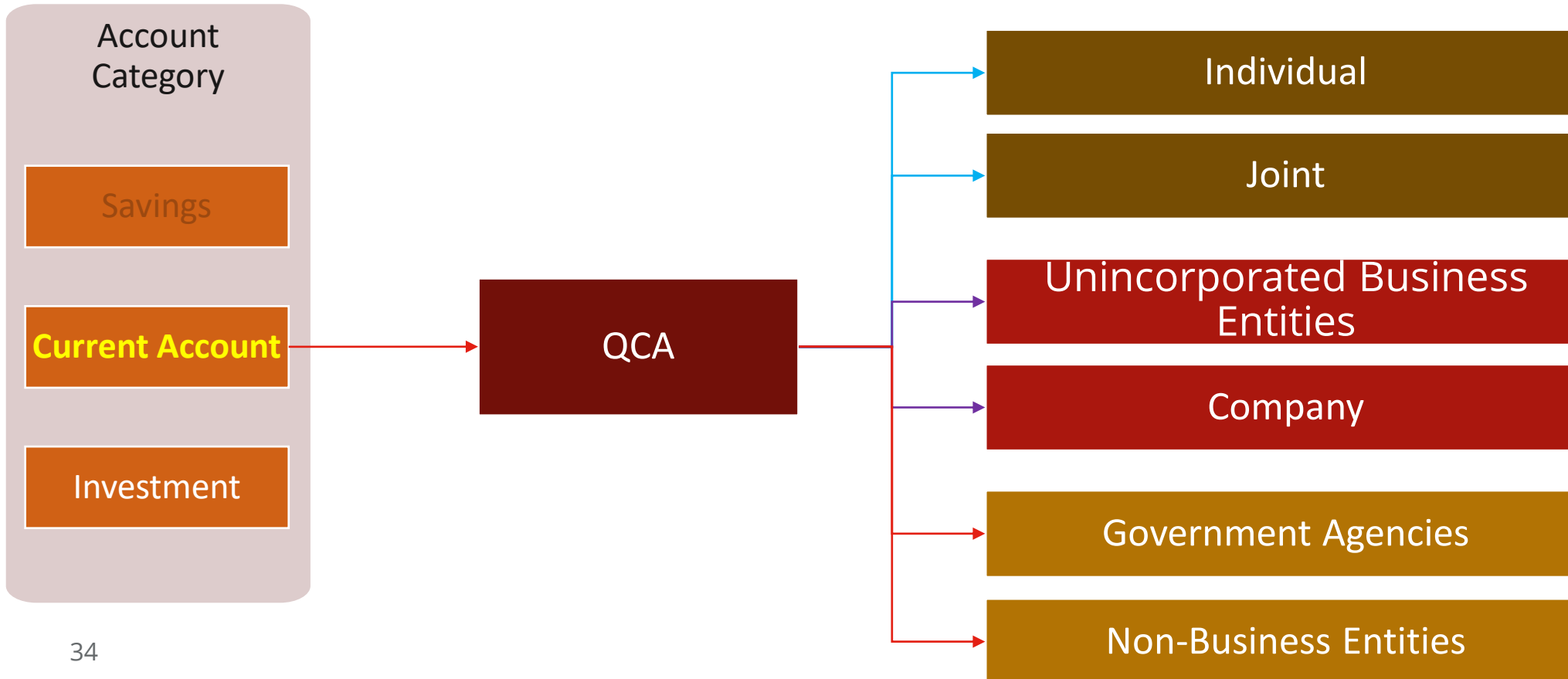
**Current Account**

Investment

- 1 The amount deposited into QCA is the amount of loan to the Bank whereby the Bank as a borrower is obliged to repay the QCA amount whenever demanded.
- 2 Amount lent is the available balance of QCA account at the end of each business day. The balance in the account fluctuates due to withdrawals or deposits by the customer.
- 3 QCA allows customers to enjoy the same convenience which is normally provided for under any current product such as making withdrawals and deposits at any time they require.
- 4 Customers have the option to subscribe to the Bank's Automated Teller Machine (ATM) and/or debit card, subject to the eligibility criteria set by the Bank.
- 5 The QCA deposits are to be insured under the Nigeria Deposit Insurance Corporation (NDIC).

# QARD CURRENT ACCOUNT (QCA)

## Types & Conditions



## QARD CURRENT ACCOUNT (Types & Conditions)

Types of Account		Conditions
Natural entities	<b>Individual</b>	Current account based on Qard will only be offered to individuals who have attained the age of at least 18 years.
	<b>Joint</b>	<p>More than one individual who has attained the age of at least 18 years are also eligible for a joint current account based on Qard.</p> <p>The liability of the joint account-holder to the Bank shall be joint and several.</p>
Business entities	<b>Unincorporated business entities</b>	Unincorporated business entities e.g. sole proprietorship and partnership are also eligible to open a current account. For a partnership, the liability of the partners to the Bank shall be joint and several.
	<b>Company</b>	<ul style="list-style-type: none"> <li>Both private and public companies are eligible to open a current account with the Bank.</li> <li>A company is required to provide the relevant company's resolutions to authorize the opening of the current account and to provide specimen signatures for the operation of the current account. The instructions given by the company for the operation of the current account shall remain in force until revoked in writing.</li> </ul>

## QARD CURRENT ACCOUNT

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Types of Account		Conditions
Gov't	Government bodies and agencies	Government bodies and their agencies are also eligible to open a current account with the Bank subject to relevant resolutions/authorization from their governing bodies.
Non-Biz	Non-commercial entities	Non-commercial entities e.g. clubs, societies, associations and schools that are established under the Corporate Affairs Commission (CAC) and any other relevant body in Nigeria respectively are also eligible to open a current account by providing their resolution in accordance with their respective bylaws.

## QARD CURRENT ACCOUNT (Contractual Components)

Component	Description
<b>Contracting parties (Al-Aqidan)</b>	<ul style="list-style-type: none"><li>• The contracting parties in a Qard contract shall be a lender and a borrower. In the context of QCA, the lender is the customer and the Bank is the borrower.</li><li>• The customer must be the owner of the money to be lent to the Bank under the Qard contract.</li><li>• The contracting parties shall be a natural person or a legal entity that must have the legal capacity to enter into the Qard contract.</li><li>• Any party to the Qard contract may enter into the contract through an agent (wakil)</li></ul>
<b>Offer (ijab) and acceptance (qabul) (Sigah Al-Aqd)</b>	<ul style="list-style-type: none"><li>• The Qard contract must be entered through an offer and acceptance between the contracting parties.</li><li>• The offer and acceptance may be expressed orally, in writing or by any other methods recognised by Shariah. In the context of QCA, the transaction confirmation slips or electronic messages for over the counter or electronic banking channel transactions respectively signifies the offer and acceptance.</li></ul>

## QARD CURRENT ACCOUNT (Contractual Components)

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### Money (Mahl Al-Aqd)

- The subject matter in a Qard contract shall be fungible, deliverable and recognised by Shariah.
- The Bank has the obligation to repay the subject matter in a Qard contract to the lender at all times and in all circumstances.

## QARD CURRENT ACCOUNT – PROCESS

Step	Description
<b>1. Opening of Account</b>	<p>(a) The customer makes an application to open a current account.</p> <p>(b) The Bank approves the application based on the customer's eligibility and other requirements of opening a current account.</p> <p>The account must not be opened for any non-Shariah compliant activities.</p>
<b>2. Deposit</b>	<p>The customer (i.e. the lender) may deposit any amount into the current account either in the form of cash deposit or through any other means of deposit.</p> <p>The Bank at its discretion may specify a minimum amount of deposit that needs to be maintained in the current account.</p>
<b>3. Withdrawal</b>	<p>Upon customer's request of any sum from the current account, the Bank shall repay the amount to the customer as it is obliged to return the money borrowed in full to the customer (i.e. the lender).</p>

## QARD CURRENT ACCOUNT

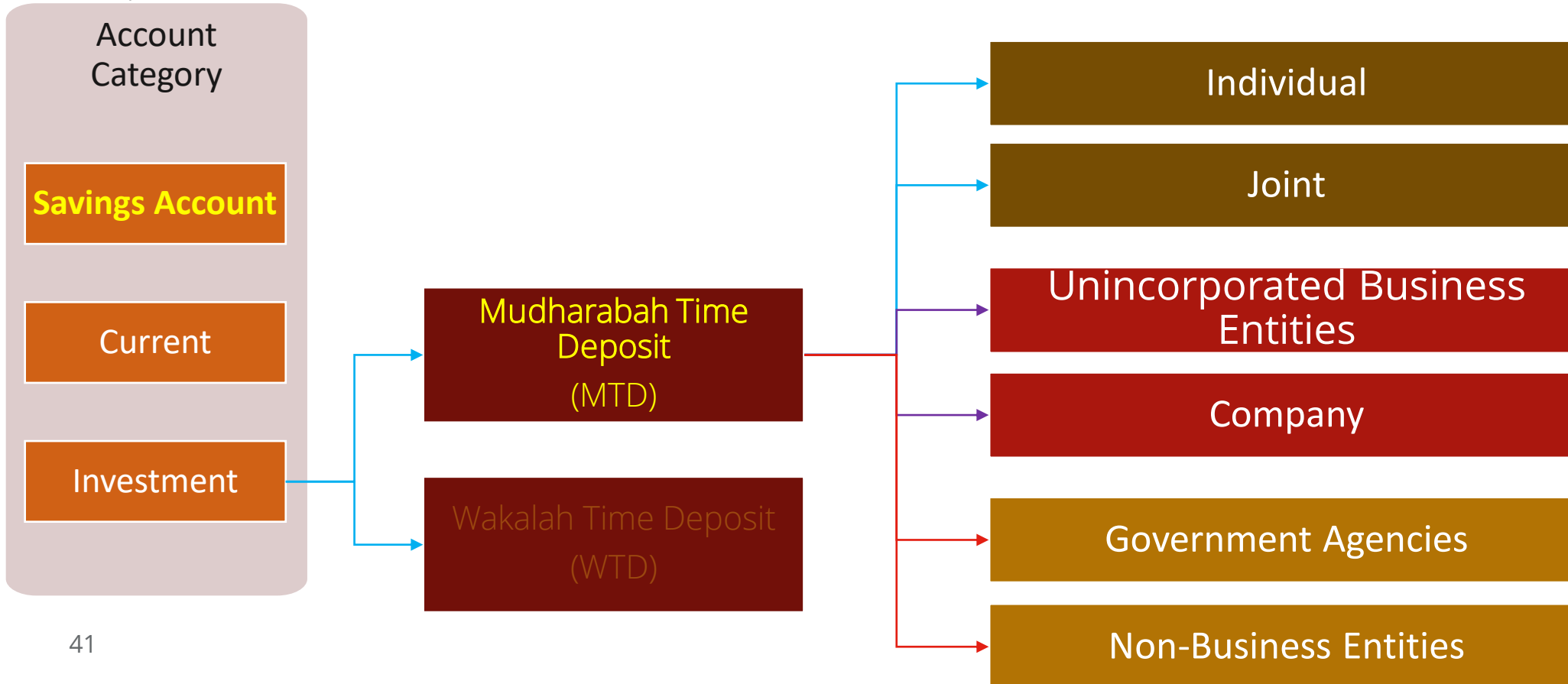
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<b>4. Utilisation of deposit funds</b>	The Bank may pool the deposited money in a customer' deposit pool of funds and utilise the funds for the Bank's business.
<b>5. No promise of dividend or profit</b>	The Bank shall not promise to pay to the customer any dividend or profit in the form of cash, in kind or benefit derived from the use of money in the account.



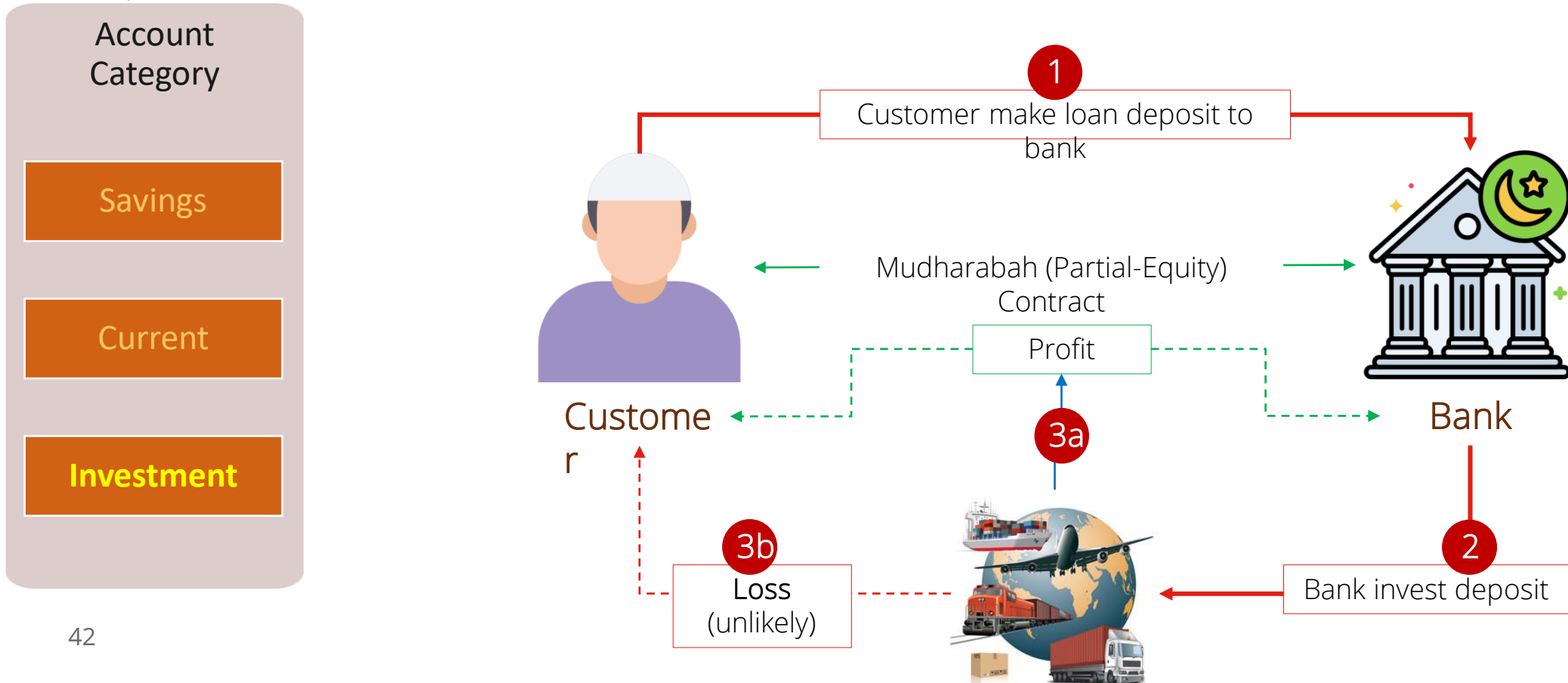
## QARD SAVINGS ACCOUNT (QSA)

Mudharabah time Deposit (MTD) offers a Shariah-compliant deposit account that pays profit on the maturity of the deposit.



# MUDHARABAH TIME DEPOSIT (MTD)

Mudharabah time Deposit (MTD) offers a Shariah-compliant deposit account that pays profit on the maturity of the deposit.



# MUDHARABAH TIME DEPOSIT

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- ❖ MTD offers a Shariah-compliant deposit account that pays profit on the maturity of the deposit. The Bank may agree to pay interim profit every 6 months or any other period as determined by the Bank to MTD of more than 6 months or any other period as determined by the Bank. The interim profit paid is based on the actual 6 months' profit rate or the applicable profit rate of the interim profit period defined by the Bank.
- ❖ MTD is affordable as the minimum deposit is N500,000 or any other amount deemed appropriate by the Bank.
- ❖ Customers shall entrust the Bank to utilise the deposits for its financing and investments activities without any interference.
- ❖ All transactions are it a deposit, withdrawal, and transfer for MTD are made from or to customer's existing account with the Bank respectively. MTD does not involve cash transaction i.e.withdrawal from or deposit into the MTD.
- ❖ The operation of MTD is through a certificate or receipt or any other similar documents as deemed appropriate by the Bank. A certificate or receipt as evidence of the Mudharabah contract between the Bank and the customer is to be issued for every MTD deposit stating the amount of principal, the agreed profit-sharing ratio, the investment period and the maturity date of the deposit.

## MUDHARABAH TERM DEPOSIT

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- ❖ Upon maturity, the profit earned by customers is calculated and paid based on the agreed profit-sharing ratio at the point of making the deposit.
- ❖ Pre-mature withdrawal is allowed. However, no profit is to be paid as the contract is breached upon customer making the pre-mature withdrawal. However, the Bank is at liberty to pay a return based on the actual investment period.
- ❖ Upon maturity the customer is given the option either: -
- ❖ To withdraw both the principal amount and profit earned and the proceeds to be credited into the customer's existing deposit account with the Bank;
- ❖ To withdraw only the profit amount and re-invest the principal amount with the same or different terms;
- ❖ To renew both the principal and profit amount with the same or different terms.
- ❖ The MTD deposits are to be insured under the Nigeria Deposit Insurance Corporation (NDIC).

## MUDHARABAH TERM DEPOSIT

Types of Account	Conditions
<b>Individual</b>	Time deposit based on Mudharabah will only be offered to individuals who have attained the age of at least 18 years.
<b>Joint</b>	<p>More than one individual who has attained the age of at least 18 years are also eligible to a joint Time Deposit based on Mudharabah.</p> <p>The liability of the joint account holder to the Bank shall be joint and several.</p>
<b>Non-commercial entities e.g. Clubs, Societies and Associations</b>	Association and other non-commercial entities are also eligible to open a time deposit and are required to provide the relevant resolutions to authorise the opening of the account and to provide specimen signatures for the operation of the account.
<b>Unincorporated business entities</b>	Unincorporated business entities such as sole proprietorship and partnership are also eligible to open an MTD account and, in the case of a partnership, a liability of the partners to the Bank shall be joint and several.

## MUDHARABAH TERM DEPOSIT

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<b>Company</b>	<ul style="list-style-type: none"><li>• Both private and public companies are eligible to open an MTD account with the Bank.</li><li>• A company is required to provide the relevant company's resolutions to authorize the opening of the MTD account and to provide specimen signatures for the operation of the current account. The instructions given by the company for the operation of the MTD account shall remain in force until revoked in writing.</li></ul>
<b>Government bodies and agencies</b>	Government bodies and their agencies are also eligible to open an MTD account with the Bank subject to relevant resolutions/authorization from their governing bodies.

## MUDHARABAH TERM DEPOSIT

Component	Description
1.Contracting Parties	<ul style="list-style-type: none"><li>• The contracting parties in Mudharabah are the capital provider i.e. the customer and the entrepreneur i.e. the Bank.</li><li>• The capital provider and the entrepreneur shall have the legal capacity to execute a contract including the capacity to perform agency (Wakalah) contract either as a principal or as an agent.</li><li>• The contracting parties in Mudharabah may be a natural person or a legal person.</li></ul>
2. Capital	<ul style="list-style-type: none"><li>• Capital is the money deposited into MTD in a specific amount and readily available to the Bank.</li><li>• The Bank has the right to manage and utilise the MTD funds in its business ventures.</li><li>• The Bank shall not guarantee the Mudharabah capital except in the case of the Bank's misconduct (ta`addi), negligence (taqsir) or breach of specified terms (mukhalafah al-shurut).</li><li>• Money deposited for investment is the principal amount for the calculation of profit.</li></ul>

## MUDHARABAH TERM DEPOSIT

### 3. Management of MTD funds

- Money deposited into MTDs will be pooled as MTD funds. MTD funds will be then be pooled in a general customer deposit pool of the Bank.
- The Bank is responsible to ensure proper management of the MTD funds and acts in the interest of the customer(s).
- The mandate of the Bank shall be provided under the terms and conditions of the contract.
- The customer(s) shall not be involved in managing the MTD funds but shall have a right of access to reasonable information regarding the MTD funds.



## MUDHARABAH TERM DEPOSIT

Component	Description
4. Profit	<ul style="list-style-type: none"><li>• Profit is the value created over and above the Mudharabah capital which is determined based on profit determination method acceptable by market standard or practices.</li><li>• The Bank shall not guarantee any profit.</li><li>• The profit shall be shared between the customer and the Bank based on a mutually agreed ratio.</li><li>• PSR shall be determined at the inception of the contract. Nonetheless, PSR may be revised during the tenure of the Mudharabah subject to the mutual agreement of both parties.</li><li>• Mudharabah contract shall not stipulate a pre-determined fixed amount of profit to one contracting party which deprives the profit share of the other contracting party.</li></ul>

## MUDHARABAH TERM DEPOSIT

Component	Description
4. Profit	<ul style="list-style-type: none"><li>• The profit in the form of a certain percentage shall not be linked to the Mudharabah capital amount.</li><li>• Profit shall be distributed upon the maturity of the Mudharabah or at an agreed period.</li><li>• Unrealized gains recognized during the Mudharabah tenure shall be recognized as profit and be included in the profit and loss calculation for the Mudharabah.</li><li>• Contracting parties may agree to a condition whereby the customer may be subject to lower or no profit payment if capital is withdrawn before the maturity of the deposit period.</li></ul>

## MUDHARABAH TERM DEPOSIT

Component	Description
5. Loss	<ul style="list-style-type: none"><li>• A loss is a depletion from the value of capital.</li><li>• Business loss shall be borne by the customer up to the capital value.</li></ul>
6. Offer and Acceptance	<ul style="list-style-type: none"><li>• The contract shall be entered into through an offer and acceptance between the contracting parties.</li><li>• The offer and acceptance may be expressed on appropriate documentation such as signing the application form indicating agreement to the Terms and Conditions of MTD.</li></ul>

## MUDHARABAH TERM DEPOSIT

Step	Description
<b>1: Opening of Account</b>	<p>(a) The customer makes an application to open an MTD account based on Mudharabah.</p> <p>(b) The Bank approves the application based on the customer's eligibility and other requirements of opening an MTD account.</p> <p>(c) The account must not be opened for any non-Shariah-compliant activities.</p>
<b>2. Creation of contract</b>	<ul style="list-style-type: none"><li>• The customer places a specified amount of money for a specific period of deposit with a pre-agreed profit-sharing ratio.</li><li>• The Mudharabah contract is created every time a deposit is made.</li><li>• The deposit made is in a specific amount and period as determined by the Bank. For example, N1,000,000 for 30 days' investment period, N50,000 for 90 days' investment period and so on.</li><li>• The Bank may offer a list of investment tenure with the required minimum amount of deposit for customers to choose from.</li></ul>

## MUDHARABAH TERM DEPOSIT – PROCESS FLOW

3. The utilisation of MTD funds	The Bank pools the MTD deposit money in a general customers' deposit funds and utilises the funds for the Bank's business.
4. Withdrawal upon maturity	<ul style="list-style-type: none"><li>Any withdrawals to be made from the account may be subject to requirements of the Bank such as proof of identity.</li><li>Unless instructed otherwise, the principal amount plus profit will be automatically withdrawn upon maturity and credited into the customer's deposit account with the Bank. However, the customer may opt to renew his investment on the day of maturity or gives instruction during the creation of the contract for the Bank in the following manner: -<ul style="list-style-type: none"><li>To withdraw only the profit amount and re-invest the principal amount with the same or different terms;</li><li>To renew both the principal and profit amount with the same or different terms.</li></ul></li></ul>
5. Premature withdrawal	Withdrawal made prior to maturity of the time deposit will nullify the Mudharabah contract and hence the customer will not be entitled to any profit. The Bank, however, at its discretion may share the profit earned if any, subject to the minimum period of investment as specified by the Bank.

## MUDHARABAH TERM DEPOSIT – PROCESS FLOW

### 6. Calculation and Payment of profit

- Profit will be distributed based on the pre-agreed sharing ratio, the principal amount and tenor of investment.
- Profit to be distributed to MTD funds is computed in line with the requirements stipulated in CBN “Framework on Rates of Return” Guidelines.
- Profit is calculated and paid upon maturity based on the following formula:

$$\text{Profit} = P \times n/365 \times \text{Gross } r \% \times \text{PSR}$$

Where:

P = Principal amount

n = period of investment (in no. of days)

\* (365 is adjusted to 366 for leap year)

Gross r = Gross profit rate per annum for the period of investment

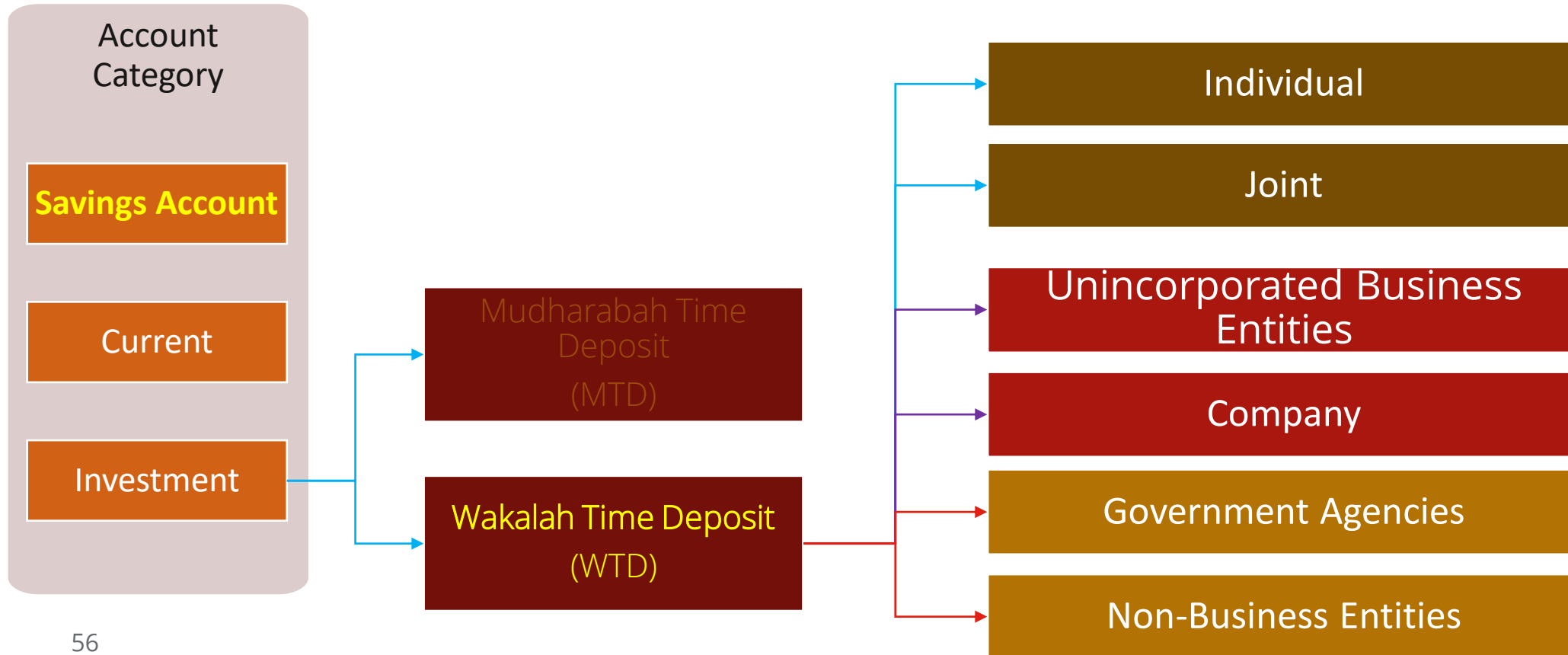
PSR is the profit sharing ratio

## MUDHARABAH TERM DEPOSIT – PROCESS FLOW

<b>6. Calculation and Payment of profit</b>	<ul style="list-style-type: none"><li>• Interim profit is calculated as follows: <math display="block">\text{Interim Profit} = P \times t/365 \times \text{Gross } r\% \times \text{PSR}</math> Where: <b>P</b> = Principal amount <b>t</b> = completed period of investment (in no. of days) <b>Gross r</b> = Gross profit rate per annum quoted for the period of investment Final profit payment upon maturity is equaled to: Actual profit payment less Interim Profit Paid</li></ul>
<b>7. Expiry of contract</b>	The Mudharabah contract will expire upon maturity of the investment and the customer has the option to withdraw or renew the investment.

## WAKALAH TIME DEPOSIT (WTD)

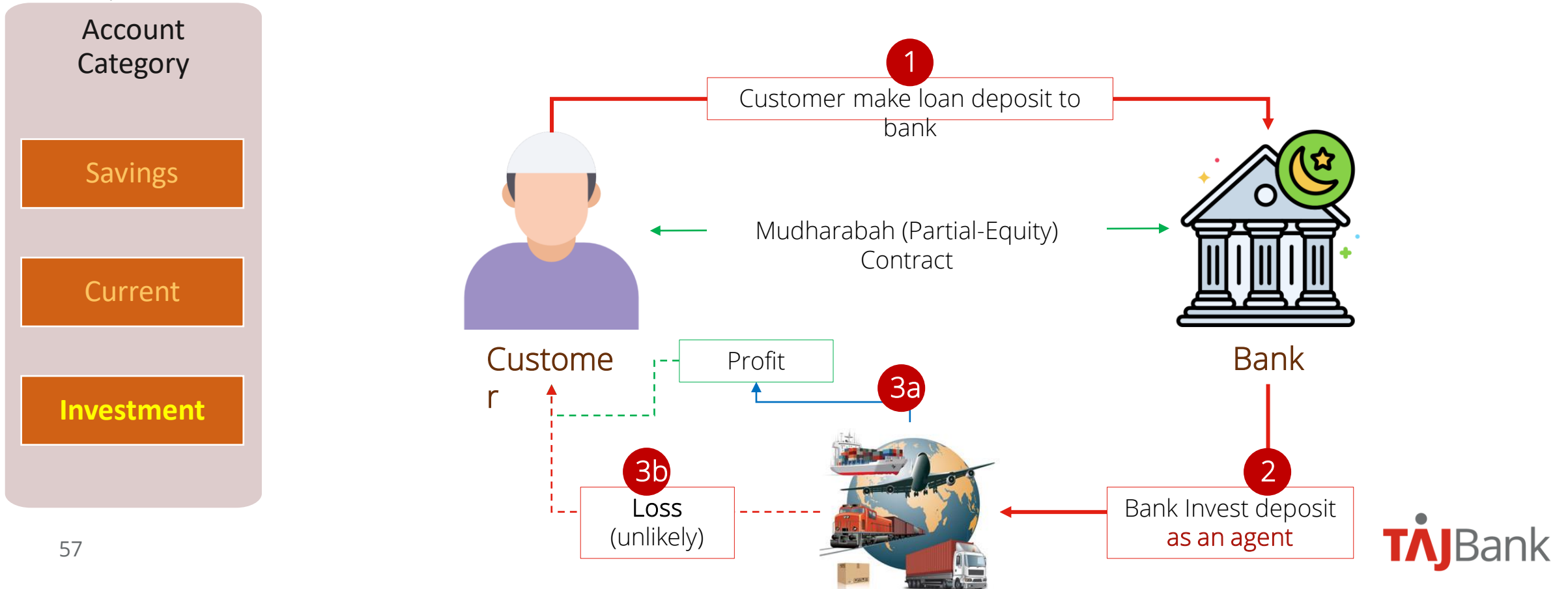
WTD also offers a Shariah-compliant deposit account that pays profit on the maturity of the deposit.





# MUDHARABAH TIME DEPOSIT (MTD)

Mudharabah time Deposit (MTD) offers a Shariah-compliant deposit account that pays profit on the maturity of the deposit.



## WAKALAH TERM DEPOSIT

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- ❖ The Shariah contract which governs this product is Wakalah bi al-Istithmar.
- ❖ Wakalah is defined as the delegation of one person (Principal) for another (Agent) to take his place in a known and permissible dealing. In this regard, the wakil (Agent) deals in the other's property and preserve it.
- ❖ The Depositor ("Muwakkil") enters into a Wakalah Agreement with the Bank ("Wakil") and deposits a certain amount of money to the Bank to be utilized and invested in profitable Shariah-compliant transactions.
- ❖ The Depositor will be offered the expected profit rate from the Investments and the Bank will earn a Wakalah fee for the service rendered.
- ❖ The Depositor also agrees that should the actual return be higher than the expected return; the Depositor will only be paid the expected return and agrees to waive his/her right on the balance of profit to be retained by the Bank as an incentive for managing the fund.

## WAKALAH TERM DEPOSIT

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- ❖ On the other hand, if the actual return is lower than the expected return, the depositor will be paid the actual return only.
- ❖ Nevertheless, the Bank may at its absolute discretion, pay Hibah to the depositor to top up the shortfall. Any amount that the Bank earns in excess of the Depositor's expected profit (after deducting the Wakalah fee) will be retained by the Bank as an incentive.
- ❖ Wakalah contract is essentially similar to the modern contracts of agency and attorneyship. It can be defined as the representation of another on his behalf for a purpose to complete a particular transaction. In this case, the transaction referred to is an investment
- ❖ Customers are given the options to select the period of which to invest their money. The period ranges from 1-365 days or any other structure of the investment period as determined by the Bank.
- ❖ All transaction be it a deposit, withdrawal, and transfer must be from customer's existing account with the Bank. No cash transactions are allowed.

## WAKALAH TERM DEPOSIT

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- ❖ The operation of WTD is through a certificate or receipt or any other similar documents as deemed appropriate by the Bank. A certificate or receipt or statement as evidence of the Wakalah contract between the Bank and the customer is to be issued for every WTD deposit stating the amount of principal, the agreed profit rate, the investment period and the maturity date of the investment.
- ❖ Pre-mature withdrawal is allowed. The Bank is not obliged to pay the customer as the customer has breached the contract when making the pre-mature withdrawal. However, the Bank is at the liberty to pay a return based on the actual investment period.
- ❖ WTD is based on Unrestricted Agency (Wakalah Mutlaqah) i.e. refers to an absolute agency where the agent (the Bank) can perform the authorized act without any restriction.

# WAKALAH TERM DEPOSIT

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- ❖ In cases where agents are to be paid, the amount payable as remuneration for the agency should be known. Alternatives include:
  - lump sum fixed amount
  - the share of a specific amount of income. It may also be defined in terms of an amount of income to be known in the future, as when remuneration is linked to an indicator that may be quoted at the beginnings of different intervals of time.
- ❖ As a trustee in holding the asset, an agent is not bound to indemnify the principal for that asset in case of damage. He shall be held responsible to indemnify only when the damage has resulted from his misconduct, negligence or breach of terms or stipulations of the contract.
- ❖ Upon maturity the customer is given the option either: -
  - To withdraw both the principal amount and profit earned;
  - To withdraw only the profit amount and re-invest the principal amount with the same or different terms;
  - To renew both the principal and profit amount with the same or different terms.

## WAKALAH TERM DEPOSIT

Types of Account	Conditions
<b>Individual</b>	Offered to individuals who have attained the age of at least 18 years.
<b>Joint</b>	More than one individual who has attained the age of at least 18 years.  The liability of the joint account holder to the Bank shall be joint and several.
<b>Non-commercial entities e.g. Clubs, Societies and Associations</b>	Associations are required to provide the relevant resolutions to authorise the opening of the Account and to provide specimen signatures for the operation of the account.
<b>Unincorporated business entities</b>	Unincorporated business entities such as sole proprietorship and partnership and, in the case of a partnership, the liability of the partners to the Bank shall be joint and several.

## WAKALAH TERM DEPOSIT

<b>Company</b>	<ul style="list-style-type: none"><li>• Both private and public companies.</li><li>• A company is required to provide the relevant company's resolutions to authorize the opening of the WTD account and to provide specimen signatures for the operation of the current account. The instructions given by the company for the operation of the WTD account shall remain in force until revoked in writing.</li></ul>
<b>Government bodies and agencies</b>	Government bodies and their agencies, subject to relevant resolutions/authorization from their governing bodies.

## WAKALAH TERM DEPOSIT – PROCESS FLOW

Step	Description
<b>Step 1</b>	<ul style="list-style-type: none"><li>• Either a customer approaches the Bank or the Bank approaches a customer, to deposit an amount of money for a specified number of days.</li><li>• The customer and the Bank agree on the expected return to be paid to customer for the use of the deposit fund.</li><li>• The customer also agrees that should the actual return be higher than the “expected return”; the customer will only be paid the "expected return" and agrees to waive its right on the balance of profit to be retained by the Bank as an incentive for managing the fund.</li></ul> <p>On the other hand, if the actual return is lower than the “expected return”, the customer will be paid the actual return only. Nevertheless, the Bank may at its absolute discretion, pay Hibah to the depositor to top up the shortfall.</p>
<b>Step 2</b>	Upon reaching the agreement on the terms of the Wakalah placement, the customer appoints the Bank as an agent and places fund in WTD.



## WAKALAH TERM DEPOSIT – PROCESS FLOW

<b>Step 3</b>	<p>Taj Bank as the entrepreneur (Wakil) accepts the fund from the IAH based on the contract of Wakalah and invest the fund in Shariah-compliant business activities (i.e. allocated assets of the Bank) to generate income.</p> <p>For WTD, the fund received from the depositor will be pooled together with fund from other depositors in the general fund pool and invested in the Bank's business.</p>
<b>Step 4</b>	<p>On maturity of the placement, actual return generated by the Bank from the utilisation of the fund will be paid to the depositor based on the expected return as agreed prior to the placement of fund. if the actual return is lower than the expected return, the customer will be paid the actual return only. Nevertheless, the Bank may at its absolute discretion, pay Hibah to the depositor to top up the shortfall.</p>



# Thank You!

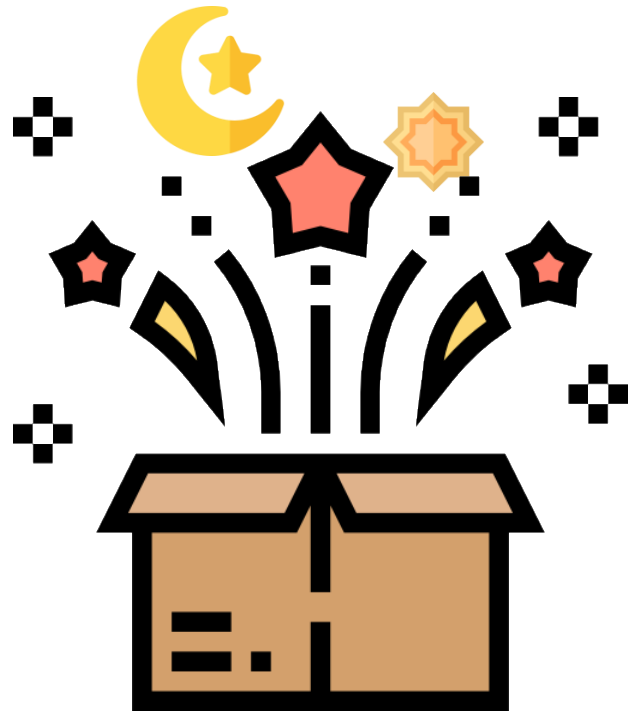
## Overview: System & Products

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- ❖ Non-interest (Islamic) financial products are designed to meet regulatory, customer and Shariah requirements.
- ❖ The types of Islamic finance products are introduced by examining Shariah principles and contracts (financing, deposits, investment).
- ❖ The elements and conditions of the contracts (product) are also examined.
- ❖ The Islamic financial system is represented by banking, takaful and capital market segments.
- ❖ Banking products would be different from takaful and capital market products respectively.
- ❖ Each of these segments must have a distinctive set of products and services.

## Overview: System & Products

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Islamic Financial  
Products

- ❖ Non-interest (Islamic) financial products are designed to meet regulatory, customer and Shariah requirements.
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## QARD CURRENT ACCOUNT

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- ❖ Qard Current Account (QCA) offers a Shariah-compliant current account with guaranteed deposits. The amount deposited into QCA is the amount of loan to the Bank whereby the Bank as a borrower is obliged to repay the QCA amount whenever demanded.
- ❖ Amount lent is the available balance of QCA account at the end of each business day as the balance in the account fluctuates due to withdrawals or deposits made by the customer during the day
- ❖ QCA allows customers to enjoy the same convenience which is normally provided for under any current product such as making withdrawals and deposits at any time they require.
- ❖ Customers have the option to subscribe to the Bank's Automated Teller Machine (ATM) and/or debit card, subject to the eligibility criteria set by the Bank.
- ❖ The QCA deposits are to be insured under the Nigeria Deposit Insurance Corporation (NDIC).

## QARD CURRENT ACCOUNT (Types & Conditions)

Types of Account		Conditions
Natural entities	Individual	Current account based on Qard will only be offered to individuals who have attained the age of at least 18 years.
	Joint	More than one individual who has attained the age of at least 18 years are also eligible for a joint current account based on Qard.  The liability of the joint account-holder to the Bank shall be joint and several.

Business entities		Types of Account	Conditions
	Natural entities	Individual	Current account based on Qard will only be offered to individuals who have attained the age of at least 18 years.
		Joint	More than one individual who has attained the age of at least 18 years are also eligible for a joint current account based on Qard.
			The liability of the joint account-holder to the Bank shall be joint and several.
	Unincorporated business entities		Unincorporated business entities e.g. sole proprietorship and partnership are also eligible to open a current account. For a partnership, the liability of the partners to the Bank shall be joint and several.
			<ul style="list-style-type: none"><li>Both private and public companies are eligible to open a current account with the Bank.</li></ul>

## QARD CURRENT ACCOUNT (Types & Conditions)

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