

IFF

THE MECHANICS OF **STRUCTURING ISLAMIC FINANCIAL PRODUCTS**

POSTGRADUATE CERTIFICATE

Delivered by distance
learning over 16 weeks



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In partnership with



**Middlesex
University**
London

COURSE INFORMATION

Delivered by distance learning over 16 weeks

WHAT YOU WILL LEARN

Islamic finance is a rapidly growing form of ethical finance, providing essential financing solutions in key markets. The main aim of the course is to enable you to compare and contrast how various Islamic toolkits – sale-based, lease-based and equity-based instruments - are applied in Islamic finance and ensure you grasp the core rules governing those tools. This flexible distance learning approach has been developed to help you bridge this learning gap wherever you are in the world with the unique opportunity for you to gain a postgraduate certificate from a leading UK university. Introducing the fundamental concepts and principles of Islamic finance, in both banking and capital markets, you will master the distinctive vocabulary and understand how the Islamic commercial rules impact financial market applications.

COURSE LEADERS



Abdulkader Thomas

Based in Kuwait, Abdulkader has over 35 years of diversified financial services experience in major markets including Bahrain, New York, London,

Los Angeles and Washington, D.C. He has worked in trade finance, real estate finance, securities, and alternative finance at various global and regional financial institutions. Abdulkader has worked on projects, including launching regulation, de novo Islamic banks and Islamic banking windows, policies and procedures, Shariah compliance, product development and structuring worldwide. He also has a wealth of Shariah board experience, dating back to 2006.

Abdulkader was the architect of three US regulatory rulings authorising Islamic credit and depository instruments. He has also worked for the successful authorisation of two Islamic home finance instruments at Freddie Mac. He has been involved in Islamic capital market framework design in multiple countries.

He is the co-author of *Interest in Islamic Economics* (Routledge 2006), *Structuring Islamic Finance Transactions* (Euromoney 2005), *Islamic Bonds* (Euromoney 2004), *Sukuk* (Sweet & Maxwell 2009), and *Managing Funds Flow Risks and Derivatives: Applications in Islamic Institutions* (Sweet & Maxwell 2012) and *Housing the Nation* (Cagamas 2013).



Shabnam Mokhtar

Shabnam spearheads research and development activities including financial analysis, strategic & business plan

formulation, design and implementation of customised survey, research and training for different clients. Formerly, she headed up the capital markets research for the International Shariah Research Academy (ISRA), an institution established by the Central Bank of Malaysia.

Her prior positions include a faculty member teaching accounting, finance and bank management courses at University Putra Malaysia. She has conducted various training programs on Islamic banking, sukuk & Islamic capital market products, risk management and financial reporting for clients in the ASEAN region, GCC and the European market.

Shabnam has contributed chapters in *Housing the Nation* (Cagamas 2013), *Managing Fund Flows, Risks and Derivatives: Applications in Islamic Institutions* (Sweet & Maxwell 2012), *Islamic Financial System: Principles & Operations Market* (ISRA, 2011 and 2015), *Sukuk* (Sweet & Maxwell 2009), and *Partnership Accounting, Principles and Practice* (McGraw Hill). Shabnam divides her time between Kuala Lumpur and Kuwait.

STUDYING ONLINE WITH IFF

- **Cost Effective** – Study around your busy schedule with no need to travel
- **100% Online** - Modules released fortnightly via our Virtual Learning Environment
- **Real-life Application** - Apply your new knowledge and skills to your work as the course progresses
- **Content** - Explore a variety of course materials including videos, case studies, and written modules
- **Flexibility** - Access and study when and where convenient for you
- **Interaction** - Meet like-minded students on the online forum
- **Assessment** - Check your understanding with online quizzes

PRICE

Standard Price

£1,999*

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£2,366*

*VAT may be payable depending on your location. See [online booking page](#) for details

How to Apply

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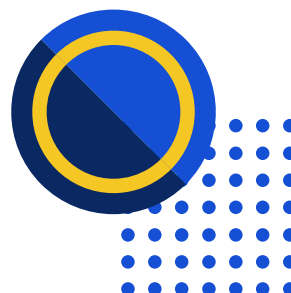


On successful completion of the course, you will be awarded the IFF digital badge. Share your achievement with your colleagues and peers on your LinkedIn profile and other social profiles.

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COURSE AT A GLANCE

CORE TOPICS

UNIT 1

Overview of the market and its principles

UNIT 2

Goods Murabahah - Credit sale of goods

UNIT 3

Tawarruq/Commodity Murabahah -
Application of credit sales to
generate cash

UNIT 4

Salam & Istisna'a

UNIT 5

Ijarah – Leasing

UNIT 6

Musharakah, Mudarabah & Wakalah bil
Istithmar (MMW)

UNIT 7

Islamic deposits & investment accounts

UNIT 8

Institutional risk and analysis

POSTGRADUATE CERTIFICATE

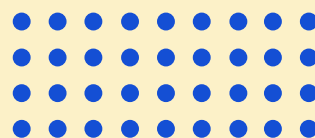
To make your studies more relevant and valuable, the course is validated by the Business School at Middlesex University at a Postgraduate Certificate level.

For those wishing to receive a Postgraduate Certificate from Middlesex University, an additional marked assignment of 5000 words will need to be submitted, based on a continuing case study that runs throughout the duration of the course.



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Unit 1 – OVERVIEW OF THE MARKET AND ITS PRINCIPLES

LEARNING AIMS AND OBJECTIVES:

- Define the market context and business opportunity for Islamic finance
- Describe self-governance institutions
- Discuss the key Shariah rules governing Islamic financial transactions
- Differentiate between various Shariah contracts



UNIT CONTENT:

MARKET CONTEXT

- Brief history of modern Islamic finance
- Current snapshot of the Islamic financial markets
- Where is growth taking place?
- What drives market expansion?

SHARIAH PRINCIPLES

- Riba: Prohibition of interest and its implications
- Gharar: Rules for disclosure and transparency
- Shariah prohibitions: Awareness of moral rulebook - underlying activities, usage of proceeds etc
- Rules of Shariah contracts: Guideline on ownership, possession, promise, contract, price
- Practical framework to understand different Islamic tools: Naturally Certain Contract (NCC) vs Naturally Uncertain Contracts (NUC)

SELF-GOVERNANCE INSTITUTIONS

- Accounting & Auditing Organisation for Islamic Financial Institutions (AAOIFI): Issues Shariah and accounting standards for Islamic Financial Institutions (IFIs)
- Islamic Financial Standards Board (IFSB: issues Basel equivalent standards for IFIs)
- International Islamic Financial Markets (IIFM): Develops standardised documentation for Islamic treasury and markets



CONCEPT ILLUSTRATION

Review of how key Shariah principles affect conventional financial markets

Unit 2 – GOODS MURABAHAH - CREDIT SALE OF GOODS

LEARNING AIMS AND OBJECTIVES:

- Explain Shariah rules governing Murabahah
- Compare and contrast the risk profiles of different Murabahah structures
- Analyse Murabahah applications in different business sectors
- Identify tools used to manage market risks in Murabahah
- Design solutions to solve various scenarios



UNIT CONTENT:

KEY SHARIAH RULES OF MURABAHAH

- Summary requirements relating to assets, price and transactional sequence
- Murabahah structures
 - Classical Murabahah - the financial institution is the vendor
 - Murabahah to Purchase Order (MPO) - the financial institution buys against a customer's purchase order or undertaking
 - Agency Murabahah - MPO with the customer acting as the financial institution's agent to source the goods

RISK PROFILE OF MURABAHAH IN IFSB

- Murabahah (exposed to market risk)
- Non-binding MPO
- Binding MPO (no market risk exposure)
- Sale or return basis (Khiyar al-shart)

APPLICATION OF MURABAHAH

- Retail: Auto Finance
- Corporate: Supply chain financing
- Capital Markets: Shares Murabahah



STRUCTURING EXERCISE

Students propose a solution using goods Murabahah for different clients (retail auto purchase, corporate supply purchase and margin purchase of listed equities) and address various application issues - late payment, restructuring, floating rate, etc.

SUMMARY & TAKE AWAYS

- Tools to manage market risks for Islamic instruments:
 - Purchase Undertaking
 - Khiyar al-Shart
 - Loan vs. Murabahah

Unit 3 – TAWARRUQ/COMMODITY MURABAHAH - APPLICATION OF CREDIT SALES TO GENERATE CASH

LEARNING AIMS AND OBJECTIVES:

- Explain Shariah rules governing Tawarruq
- Compare and contrast the risk profiles of Tawarruq to Murabahah
- Analyse Tawarruq applications in different business sectors
- Design solutions to solve case studies
- Appraise Shariah sensitivity relating to Tawarruq

UNIT CONTENT:

KEY SHARIAH RULES OF COMMODITY MURABAHAH/TAWARRUQ

- What are these and how are they different from Goods Murabahah?
- Bai Al-Inah vs. Tawarruq
- Tawarruq variations
 - Tawarruq Al-Asli
 - Tawarruq Munazzam
 - Reverse Murabahah vs. Commodity Murabahah vs. Tawarruq
 - are there any differences?

RISK PROFILE OF TAWARRUQ IN IFSB

- Compare the risk profile of Tawarruq to Goods Murabahah

APPLICATION OF TAWARRUQ

- Retail: Islamic credit card
- Corporate: Cash line facility
- Capital market: Simple Sukuk Murabahah



STRUCTURING EXERCISE

Students propose a solution using Tawarruq for different clients (credit card, working capital and margin purchase of listed equities to generate cash) and address various application issues - late payment, restructuring, floating rate, etc.

SUMMARY & TAKE AWAYS

Tawarruq Section Summary: Goods Murabahah vs. Tawarruq vs. conventional loan?

Unit 4 – SALAM & ISTISNA'A

LEARNING AIMS AND OBJECTIVES:

- Explain Shariah exceptions that allow Salam and Istisna'a
- Discuss the risk profiles of Salam and Istisna'a structures
- Analyse Salam and Istisna'a applications in different business sectors
- Design solutions to solve various scenarios
- Articulate why Salam and Istisna'a are less common in the market

UNIT CONTENT:

PART A: SALAM - FORWARD SALE

KEY SHARIAH RULES OF SALAM

- Summary requirements relating to asset, price and transactional sequence
 - Salam structures
 - Simple Salam
 - Parallel Salam

SALAM RISK PROFILE IN IFSB

- Simple Salam: Full market risk
- Parallel Salam: Residual market risk due to performance risk
- Salam against Purchase Undertaking: IFSB doesn't discuss this - evaluate the risk profile of this structure

APPLICATION OF SALAM

- Retail: Personal finance trend at some Islamic banks
- Corporate and capital market: Understanding the benefits and reluctance to apply
- Government securities: Why salam is useful for monetary policy



STRUCTURING EXERCISE

Students propose a solution using Salam for different clients (retail cash line, corporate commodity supply and government securities) and address various application issues - late payment, restructuring, floating rate, etc.

PART B: ISTISNA'A - CONSTRUCTION FINANCING CONTRACT

KEY SHARIAH RULES OF ISTISNA'A

- Summary requirement relating to asset, price and transactional sequence
- Istisna'a structures
 - Simple Istisna'a
 - Parallel Istisna'a

ISTISNA'A RISK PROFILE IN IFSB

- Simple Istisna'a: Market risk relating to material and labour cost
- Parallel Istisna'a: No market risk given fixed sale contract, or matched provision to increase price

APPLICATION OF ISTISNA'A

- Construction finance
- Manufacturing finance



STRUCTURING EXERCISE

Students propose a solution using Istisna'a for different clients (home construction and manufacturing) and address various application issues - late payment, restructuring, floating rate, etc.

SUMMARY & TAKE AWAYS

- Asset for the bank
- Rate: Fixed, floating or both
- Salam vs. Istisna'a

Unit 5 – IJARAH - LEASING

LEARNING AIMS AND OBJECTIVES:

- Explain Shariah rules governing Ijarah
- Compare Ijarah and Murabahah risk profiles
- Analyse Ijarah applications in different business sectors
- Design solutions to solve various scenarios
- Diagnose the flexibility of Ijarah in solving client needs



UNIT CONTENT:

KEY SHARIAH RULES OF IJARAH

- Summary requirement relating to asset, price, ownership duties and transactional sequence
- Ijarah structures:
 - Operating Ijarah
 - Ijarah Muntahiyya Bi Tamleek (Islamic “Financial” Leases)
 - Ijarah Mawsoofa Bi Zhimma (Described/ Forward Lease)

RISK PROFILE OF IJARAH IN IFSB

- Operating Ijarah
- Ijarah Muntahiyya Bi Tamleek: binding & non-binding promise
- Compare Binding MPO risk profile to binding IMBT risk profile

APPLICATIONS OF IJARAH

- Retail: Ijarah for services
- Corporate: Ijarah Mawsoofa Bi Zhimma (IMBZ) to minimise construction risk
- Capital Market: Simple Sukuk Ijarah



STRUCTURING EXERCISE

Students propose a solution using leasing for different clients (retail home finance, corporate facilities acquisition and investment securities) and address various application issues - late payment, restructuring, floating rate, etc.

SUMMARY & TAKE AWAYS

- Asset for the bank
- Rate: Fixed, floating or both
- Comparing Murabahah, Salam, Istisna’a & Ijarah

Unit 6 – MUSHARAKAH, MUDARABAH & WAKALAH BIL ISTITHMAR (MMW)

LEARNING AIMS AND OBJECTIVES:

- Explain Shariah rules governing equity like instruments
- Discuss the risk profiles of Musharakah, Mudarabah and Wakalah
- Analyse MMW applications in different business sectors
- Design solutions to solve various scenarios
- Assess how MMW may be structured like debt
- Articulate why MMW are less common in the asset side of banking book

UNIT CONTENT:

KEY SHARIAH RULES OF MMW

- Musharakah: Partnership
- Mudarabah: Profit sharing managed partnership, akin to Limited Partnership
- Wakalah bil Istishmar: Investment agency

RISK PROFILE IN IFSB

- Three types of Musharakah
- Mudarabah including slotting method for Project Finance
- Wakalah bil Istishmar: Compare to Musharakah risk profile

TOOLS USED TO STRUCTURE DEBT – LIKE MMW

- Incentive fee: Cap the return for the investors
- Liquidity facility: Provides a floor on investors' return
- Purchase undertaking at pre-determined price: Assures capital return to the investors
- Note: Some of these tools may face Shariah objections from certain group of Shariah scholars

APPLICATION OF MMW

- Retail: Musharakah Mutanaqisah
- Corporate: Running Musharakah or Mudarabah Working Capital Line
- Capital market: Simple Sukuk Musharakah
- Islamic funds: Application of Wakalah
- Are MMW widely used in the financing activities of IFIs



STRUCTURING EXERCISE

Advising a client about standalone MMW or combining MMW with other contracts

SUMMARY & TAKE AWAYS

- Naturally Certain Contracts (NCC) vs. Naturally Uncertain Contracts (NUC)



Unit 7 – ISLAMIC DEPOSITS & INVESTMENT ACCOUNT

LEARNING AIMS AND OBJECTIVES:

- Explain Shariah rules governing Islamic liability products
- Compute profit allocation for Islamic liability products
- Determine suitability of different products for cash management
- Analyse the relationship between Displaced Commercial Risk and capital Adequacy Requirement of IFIs

UNIT CONTENT:

KEY SHARIAH RULES FOR DEPOSITORY TOOLS

- Qard al-Hassan (interest free loan)
- Wadiah Yad Dhamanah: Guaranteed safekeeping
- Mudarabah: Investment account
- Wakalah: Investment account

IFSB RISKS ISSUES FOR INVESTMENT ACCOUNTS

- Profit Equalisation Reserves: Income smoothing
- Investment Risk Reserves: Covering potential capital loss
- Displaced Commercial Risk (DCR) & capital adequacy

ACCOUNTING FOR UNRESTRICTED INVESTMENT ACCOUNTS

- AAOIFI: Separate line disclosure between liability & equity
- IFRS: Challenges with AAOIFI's approach due to the substance of the unrestricted investment account

APPLICATIONS OF ISLAMIC DEPOSITS

- General liability and cash management
 - Mudarabah investment account
 - Murabahah deposit
- Treasury and Interbank
 - Tawarruq
 - Mudarabah and its issues
 - Wakalah



ANALYTICAL EXERCISE

How are different Islamic deposits likely to affect the capital adequacy of an Islamic bank? When should these deposits be considered more like managed funds than liabilities?

Unit 8 – INSTITUTIONAL RISK AND ANALYSIS

LEARNING AIMS AND OBJECTIVES:

- Examine financial statements of different Islamic financial institutions
- Conclude how an Islamic bank is affected by Basel
- Explain sources of funding and analyse their gaps
- Evaluate Shariah compliance at IFIs

UNIT CONTENT:

FINANCIAL & LIQUIDITY ANALYSIS

- Asset and liability models for Islamic banks and other types of financial institution
- Review financial institutions ICAAP to understand Basel implications of the IFI model

FINANCIAL REPORTING

- Examine financial statements of different Islamic financial institutions
- Compare reporting for Islamic windows in selected jurisdictions:
 - Balance sheet within balance sheet approach - firewall, leakage tracking etc.
 - Segmentised approach - the limitation of this approach

SHARIAH COMPLIANCE REPORTING

- AAOIFI Shariah Governance Framework
- Malaysian Shariah Governance Framework
- Shariah review/compliance vs. Shariah Audit Function
- Comparing Shariah Committee reports from different jurisdictions
- Internal vs. external Shariah compliance reports



EXERCISE

- Examine and discuss the performance of different Islamic banks during the financial crisis
- Contrast the performance of Islamic and conventional banks during the financial crisis

CUSTOMISED TRAINING

IFF's bespoke digital training solutions will help you address your specific key business challenges. The programme is designed for you, with content focusing on the issues you and your teams are facing. The fully branded digital course will be hosted by us, and unlike other online courses, your employees will receive a specialist qualification at the end of the programme from a London university.

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You have the unique opportunity to choose a validated option for this course and receive a postgraduate certificate on completion. This programme is quality assured by Middlesex University and you will receive a Middlesex award on successful completion. However, if university validation isn't a priority to you there is still the opportunity to take the standard non-validated course.

HOW YOU GAIN A POSTGRADUATE CERTIFICATE?

In addition to studying all the units and passing the short self assessment tests after each unit, you will need to submit a 5000 word assignment at the end of the course which will be assessed. The assignment will be a cumulative project that you will work through and build upon during each stage of the course. If you wish to book on the certification course there will be an assessment fee.

ENTRY REQUIREMENTS

Participants wishing to undertake the Postgraduate Certificate are required to have a degree or equivalent qualification (or relevant work experience).

Participants wishing to undertake the course but not receive the Postgraduate Certificate are not required to have any formal qualifications.

ABOUT OUR PARTNER MIDDLESEX UNIVERSITY

Middlesex University is a large London based university with a history in higher education dating from 1878. In 1992 it was granted the Royal Charter making it a university. The university offers a broad range of courses through four academic schools of Arts and Education; Business; Engineering and Information Sciences; Health and Social Sciences and their Institute for Work Based Learning.

Middlesex University has over 41,000 students studying on its courses worldwide, both at its own campuses and also with partner institutions, making it one of the largest providers of British university education to international students. Middlesex University has a long history of successful collaborations with the corporate sector.

INTERNATIONAL REACH

Middlesex University is committed to meeting the needs and ambitions of a culturally and internationally diverse range of students by providing challenging academic programmes. It has a major international business school based in London with overseas campuses in Dubai and Mauritius and a global portfolio of partnerships delivering high quality validated programmes in business and management.

Staff and students come from a wide spectrum of cultures and backgrounds with a common interest in executive education that is world class, modern and applicable. Middlesex University Business School is proud of its dedicated teachers and its rich range of learning resources including distance learning and virtual learning environments.

BENEFITS OF STUDYING FOR A POSTGRADUATE CERTIFICATE WITH US:

A MIDDLESEX POSTGRADUATE CERTIFICATE:


- Is project-based and practical
- Offers networking opportunities during and after the course
- Provides exceptional teaching staff
- Delivers applied learning experiences
- Combines academic rigour with individual support

HOW IS THE COURSE VALIDATED?

This programme is quality assured by Middlesex University and after successfully completing your studies you will receive a Postgraduate Certificate from Middlesex University. Middlesex Certificates are recognised worldwide.

QUALITY

The Quality Assurance Agency (QAA) visited Middlesex in 2015 and noted in its report that its auditors had confidence in the University's current and likely future management of its academic standards and of the learning opportunities available to students.



THE UNIVERSITY IS A MAJOR PROVIDER OF BUSINESS AND MANAGEMENT EDUCATION, WITH AN IMPRESSIVE TRACK RECORD OF WORKING IN PARTNERSHIP WITH THE PUBLIC AND THE PRIVATE SECTOR, AS WELL AS INTERNATIONAL ORGANISATIONS.

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THE MECHANICS OF

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