Islamic Banking and Finance: Contracts, Shariah Governance and Risk Management

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Introduction:

Islamic banking and finance products lose Shariah integrity and margin when contracts are sequenced wrongly, ownership risk is skipped, investment account profits are smoothed without policy, or Shariah review arrives after launch. This Core Concept course takes product, credit, treasury, Shariah and risk staff from the prohibitions of riba, gharar and maysir through murabaha, ijara, mudaraba, musharaka, istisna, salam and wakala, into retail and corporate structuring, deposit and investment accounts, Shariah governance and the risks specific to Islamic banks. Participants produce an Islamic Product Structuring File and Shariah Risk Register.

Course Objectives:

- Test financing and deposit transactions against the riba, gharar and maysir prohibitions and document the Shariah basis of each product
- Select and sequence sale, lease, partnership and agency contracts so that ownership, risk transfer and pricing follow the contract rules
- Structure retail and corporate financing products and deposit and investment accounts with term sheets and contract flow diagrams
- Calculate investment pool profit distribution, mudarib share and reserve movements for investment account holders
- Run Shariah governance routines, from Shariah supervisory board resolutions to internal Shariah review and purification of non-compliant income
- Identify and report displaced commercial risk, rate of return risk and Shariah non-compliance risk in a Shariah Risk Register

Target Audience:

- Managers responsible for designing and launching Islamic financing and deposit products
- Managers who assess, approve or administer Islamic retail and corporate financing
- Managers responsible for Islamic treasury, liquidity placements and investment account pools
- Managers responsible for Shariah compliance, internal Shariah review or Shariah audit
- Managers who measure and report risk and capital for Islamic banks or Islamic windows
- Managers responsible for financial reporting and profit distribution to account holders

CORE CONCEPT

Course Outline:

Day 1: Islamic Banking Principles, Prohibitions and Institutional Landscape

- Riba, Gharar and Maysir Prohibitions: Tests Applied to Financing and Deposit Transactions
- Islamic Bank Balance Sheet Anatomy: Financing Assets, Current Accounts and Investment Account Holders
- Comparison Matrix of Conventional Lending Against Islamic Sale, Lease and Partnership Financing
- Standard-Setting Landscape: AAOIFI Shari'ah, Accounting and Auditing Standards and IFSB Standards
- Product Shelf Current-State Review Template for an Islamic Window or Full-Fledged Islamic Bank

Day 2: Sale, Lease, Partnership and Agency Contracts

- Murabaha and Commodity Murabaha: Asset Purchase, Possession and Deferred Mark-Up Schedule
- Ijara and Ijara Muntahia Bittamleek: Lessor Ownership Duties, Rental Reset and Transfer Undertaking
- Mudaraba and Musharaka: Capital Contribution, Profit-Sharing Ratio and Loss Allocation Rules
- Diminishing Musharaka Unit Buy-Out Schedule for Home and Equipment Financing
- Istisna, Salam and Wakala Mechanics: Parallel Contracts, Delivery Terms and Agency Fee Clauses

Day 3: Retail and Corporate Product Structuring, Deposits and Profit Distribution

- Retail Financing Product Design: Home, Vehicle and Personal Finance Using Murabaha, Ijara and Tawarruq
- Corporate Financing Structures: Working Capital Murabaha, Istisna for Construction and Salam for Commodity Producers
- Deposit Side Design: Qard-Based Current Accounts, Wakala Deposits and Mudaraba Investment Accounts
- Investment Pool Profit Distribution: Asset Allocation, Weightages and Mudarib Share Calculation
- Product Term Sheet and Contract Sequencing Flowchart With Shariah Sign-Off Checkpoints

Day 4: Shariah Governance, Islamic Bank Risks and Capital

- Shariah Governance Structure: Shariah Supervisory Board Mandate, Fatwa Process and Resolutions Register
- Internal Shariah Review Programme, Shariah Audit Checklist and Non-Compliant Income Purification
- Displaced Commercial Risk, Profit Equalisation Reserve and Investment Risk Reserve Policy
- Rate of Return Risk Repricing Gap and Shariah Non-Compliance Risk Event Log
- IFSB-23 Capital Adequacy and IFSB-30 Governance Principles, With Takaful Models and Sukuk in Overview

Day 5: Case Work: Islamic Product Structuring File and Shariah Risk Register

- Case File Brief: Retail Home Finance and Corporate Working Capital Requests From Two Sectors
- Contract Selection Scoring Matrix and Transaction Flow Diagram for Each Financing Request
- Investment Account Pool Profit Distribution Run With Reserve Smoothing Decision
- Shariah Risk Register Build: Non-Compliance, Displaced Commercial and Rate of Return Exposures
- Structuring File Presentation and Shariah Committee Challenge Session

Skills You Will Gain:

- Shariah Screening of Transactions
- Islamic Contract Sequencing
- Financing Product Structuring
- Investment Pool Profit Allocation
- Shariah Review and Purification
- Displaced Commercial Risk Assessment
- Rate of Return Gap Analysis
- Shariah Risk Reporting

Why Attend This Course:

- Return with an Islamic Product Structuring File and Shariah Risk Register built on realistic retail and corporate case files
- Prevent contract sequencing and ownership errors that turn a sale or lease into a disguised loan
- Explain profit rates, reserve smoothing and loss sharing to account holders, auditors and Shariah boards with confidence in the figures
- Compare product and governance practice with peers from Islamic banks, Islamic windows and financing companies in several markets

Conclusion:

Islamic finance holds its integrity only when the contract, the accounting and the governance all tell the same story. Across five days participants move from the core prohibitions and the standard-setting landscape, through sale, lease, partnership and agency contracts, to retail and corporate product structuring, deposit and investment accounts, Shariah governance and the risks particular to Islamic banks. The final day applies these methods to case files and produces an Islamic Product Structuring File and Shariah Risk Register ready for use at work.