

Islamic Banking Foundation Course Information Pack



Islamic Finance Institute of Southern Africa

FOUNDATION COURSE IN ISLAMIC BANKING –
4 Month Part-Time via Distance Learning

Course Semesters :

The 4 month Foundation Course in Islamic Banking takes place as follows:

- 15 June to 14 October 2007

Course Structure

- 1. Introduction to Islamic Economic Principles**
 - **Module 1 : Introduction to Islamic Economics & Islamic Banking Principles**
 - **Module 2 : Riba in Islam**
 - **Module 3 : Islamic Law of Contract**
- 2. Basic Modes of Investments and Financing in Islamic Banking**
 - **Module 4 : Mudharaba**
 - **Module 5 : Murabaha-cost plus financing**
 - **Module 6 : Musharaka**
 - **Module 7 : Ijara, Ijara-Wa Iktina, Ijara Muntahia bit tamleek**
- 3. Intermediate Modes of Investments and Financing in Islamic Banking**
 - **Module 8 : Salam & Parallel Salam**
 - **Module 9 : Istisna & Parallel Istisna**
- 4. Islamic Banking and its International success**
 - **Module 10 : Islamic Banking : The Global Scenario**



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Assessment of Students :

Successful completion of the course is determined by achieving the minimum requirements for the compulsory assignments (**minimum mark of 60%**). There are two assignments. One is made up of theoretical questions that require basic research. The other assignment is a research essay. It is the objective of the Institute to maintain International standards in all course work. Assignments will be assessed on this level even though the Foundation Course is a basic introductory course.

Assignment 1 :	Theory	:	50% weighting
Assignment 2 :	Practical/Research/Essay	:	50% weighting

Admission Criteria :

- Grade 12 (Matriculation Certificate) or equivalent qualification
- Must be fluent in English

Study Period :

The **minimum period of completion is 4 months and the maximum is 8 months**. Students **not completing** the course in a maximum of eight months will have to **re-register**.

Mode of Delivery :

- The course is conducted via distance learning – with non-mandatory workshops
- Workshops will be conducted in respective areas in Southern Africa that have a minimum of 12 students registering for the workshops
- Students can arrange for workshops in their area through the IFISA offices
- Students will receive their **study material** that includes guidelines to the assignments, a study guide and a text book
- The student will have access to the course tutor at any time via e-mail and/or at pre-arranged times for individual contact sessions or telephonic sessions

Programs to be offered by IFISA that will recognise this qualification :

- **Islamic Insurance & Investments** - 3 month distance learning
- **Accounting & Auditing for IFI's** - 3 month distance learning

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COURSE FACT SHEET

Module Name	Outcomes
1. Introduction to Islamic Economics & Islamic Banking Principles	<ul style="list-style-type: none"> • Demonstrate knowledge on the factors of production in Islam • Distinguish between the Capitalist, Socialist and Islamic economies • Familiarity with the sources of law relating to Islamic Economics • Explain the fundamental principles of Islamic financing • Demonstrate knowledge on the distribution of wealth in Islam • Familiarity with the position of the jurisprudence of transactions in the Islamic Law • Demonstrate knowledge on the role of AAOIFI in the setting of standards in Islamic Banking • Identify other standard-setting bodies in Islamic Finance
2. Riba in Islam	<ul style="list-style-type: none"> • Demonstrate knowledge on the concept of riba • Explain the verses in which riba has been discussed in the Quran • Demonstrate knowledge on the position of riba in Islam • Distinguish between the forms of riba • Demonstrate knowledge on the Ahadith(traditions) that discuss riba • Understand the harms of riba • Demonstrate knowledge on the prohibition of riba in other religions • Explain the concept of commercial interest and its relevance to the prohibited riba
3. Islamic Banking Contracts	<ul style="list-style-type: none"> • Demonstrate knowledge on the concept of contracts in Islam • Understand the basic Islamic business principles • Explain the concepts of unilateral and bilateral promises • Identify the elements of a valid contract • Understand the concept of exchange contracts • Understand the nature of the agency contract

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<p>4. Islamic Banking Techniques : Mudaraba</p>	<ul style="list-style-type: none"> • Demonstrate knowledge on the concept of Mudaraba as per the Shariah Standards • Differentiate between Mudaraba & Musharaka • Explain the roles of parties in a Mudaraba • Demonstrate knowledge on profit distribution in a Mudaraba • Demonstrate knowledge on Mudaraba in practical banking application
<p>5. Murabaha-Cost Plus Financing</p>	<ul style="list-style-type: none"> • Demonstrate knowledge on the concept of Murabaha as per the Shariah Standards • Explain the application of Murabaha in contemporary banking practice • Explain the steps necessary for a valid Murabaha financing transaction • Understand the concept of security or guarantee for Murabaha financing • Explain the use of penalty for default of payment in contemporary Islamic banking
<p>6. Musharaka - Partnership</p>	<ul style="list-style-type: none"> • Demonstrate knowledge on the concept of Musharaka as per the Shariah Standards • Demonstrate knowledge on the nature of capital in a Musharaka • Familiarity with the position of Musharaka financing in the concept of Shirkat • Explain the application of Murabaha in contemporary banking practice • Explain how a Musharaka can be terminated
<p>7. Ijara, Ijara-Wa Iktina, Ijara Muntahia bit tamleek</p>	<ul style="list-style-type: none"> • Demonstrate knowledge on the concept of Ijara as per the Shariah Standards • Explain the basic rules for the application of Ijara as a mode of financing • Differentiate between Ijara and Murabahah • Familiarity with the concept of residual & Ijara • Demonstrate knowledge on the penalty for late payment in an Ijara • Explain how an Ijara can be terminated

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<p>8. Salam & Parallel Salam</p>	<ul style="list-style-type: none"> • Demonstrate knowledge on the concept of Salam as per the Shariah Standards • Identify the documentation usually required for a Salam contract • Explain the structure of the Salam contract • Understand the concept of Parallel Salam and its structure
<p>9. Istisna & Parallel Istisna</p>	<ul style="list-style-type: none"> • Understand the concept of Istisna according to the Shariah Standards • Determine the nature of an Istisna contract • Demonstrate knowledge on the use of Istisna contracts • Familiarity with establishing a Parallel Istisna contract • Identify the differences between Istisna and Salam
<p>10. <u>Supplement</u> : Islamic Banking : The Global Scenario</p>	<ul style="list-style-type: none"> • Demonstrate knowledge on the development of Islamic Banking since the 1970's • Familiarity with Islamic Banking in Europe • Demonstrate knowledge on the challenges facing Islamic Banking in Europe • Familiarity with the application of Islamic finance in Malaysia • Familiarity with the application of Islamic Banking in the Middle East • Familiarity with the global outlook on Islamic Banking

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Module Contents Overview :

- **Module 1 : Introduction to Islamic Economic & Islamic Banking Principles**

An overview of the jurisprudence of transactions and its position in Islamic Law. Reasons why riba (interest) has been prohibited and certain impermissible aspects such as Gharar, Riba al Fadl, gambling are discussed. The sources of Islamic Law are also discussed. The AAOIFI standards and their derivation is introduced as this is the standard authority of contemporary Islamic Banking. AAOIFI standards form the basis of all the instruments discussed in the other modules.

- **Module 2 : Riba in Islam**

A detailed account of riba itself is outlined in this module. There are 8 verses in the Noble Qur'an and over 40 ahadeeth(traditions) that warn us against interest. These laws are discussed in detail, classified under two sections : Riba Al Qur'an and Riba Al Hadeeth. Commercial interest and its link to riba is also explained, together with the views of those scholars that have suggested the permissibility of such a riba.

- **Module 3 : Islamic Banking Contracts**

Islamic legal contracts form the foundation of financing techniques used in the Islamic banking industry. A brief overview of Islamic business principles is discussed. The focus of the module is on the exchange contracts, valid contracts and bilateral/unilateral promises that are applied to contracts in modern Islamic banking.

- **Module 4 : Islamic Banking Techniques : Mudharabah**

The terminology surrounding Mudharaba is explained. Conditions for its validity and characteristics that define Mudharaba are explained. The application of the concept in modern banking is discussed. Risks associated with entering into the Mudharaba are outlined.

- **Module 5 : Murabaha-cost plus financing**

Islamic Financing contracts beginning with the popular cost plus mark-up method. Murabaha is the most widely used Islamic finance instrument used in contemporary Islamic banking. However, critical to its acceptance is the following of a specific sequence of events. It is also not the preferred method of *financing* from an Islamic Law perspective. Its conditions and steps are reviewed.

- **Module 6 : Musharaka**

Musharaka is the preferred method of Islamic financing. Its use has been limited in the industry. With thorough understanding, shariah compliant products and deals can be structured through this. The detail in this module includes the types of Musharaka, the conditions of validity and its application in banking. A detailed account of the diminishing musharaka contract and the permanent musharaka are included.

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- **Module 7 : Ijara, Ijara-Wa Iktina, Ijara Muntahia bit tamleek**

Leasing is a common financing technique in the conventional system. Ijara(leasing) has been used successfully in the Islamic banking system as well. Its benefits, both to the lessor and lessee, are discussed together with the conditions that will ensure the validity of the contract.

- **Module 8 : Salam & Parallel Salam**

Forward sales are permissible in Islam, provided that certain conditions are validated. Salam & Parallel Salam are being used more & more frequently in the Middle East as financing technique that is free from interest. The structure of the contract and documentation required are explained.

- **Module 9 : Istisna & Parallel Istisna**

Manufacturing and development requires a unique form of financing. The shariah has covered this type of finance requirement through the use of the Istisna tool. It allows progressive payments that are required for construction and development.

- **Module 10 : Supplement : Islamic Banking : The Global Scenario**

The International finance industry is forced to introduce Islamic Banking in order to remain competitive. With an estimated asset base of \$300 billion, the Islamic Banking sector has become one of the fastest growing sectors in the world. The module seeks to inform learners on the manner in which the major role players have chosen to introduce Islamic Banking and future challenges.

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REGISTRATION FORM : ISLAMIC BANKING IN PRACTICE (FIB/DL0607)

Postal Address : Suite 1601, Nedbank House,
30 Albert Street, Durban, 4000
Tel : (031) 301 6366 **Fax :** (031) 301 0642
Mobile : 082 55 111 84
Website : www.ifisa.co.za **e-mail :** info@ifisa.co.za



**ISLAMIC FINANCE INSTITUTE OF
SOUTHERN AFRICA (IFISA)**

**Training & Advisory Excellence in Ethical
Finance**

Entered into between Islamic Finance Institute of Southern Africa *and* (Please Print Clearly)

Surname _____ **Title** _____
First Name/s _____ **Email address** _____
ID or Passport No _____

Telephone
Code & No(Home) _____ **Code & No(Work)** _____
Fax _____ **Cell Phone** _____

Employer _____
Full Postal Address _____ **Code** _____

I am registering for the 4 Month Foundation Course in Islamic Banking Concepts for the June 2007 semester.

Course Fees : **R1,650** (Early Bird Discount – Expires End May 2007) (Includes Free Textbook – An Introduction to Islamic Finance by Mufti Taqi Usmani) {Enrolment will only be confirmed when payment is made in full.}

Registration fees : **R150 (After May 2007 – R1,850 + R150)**

Method of Payment : Direct Deposit or Internet Transfer

Please pay into the following account : **Name :** Zineryg Consultants cc
Bank : Standard Bank
Account No : 250459582
Branch Code : 040826 (Albert Street)

Please use full name as reference and fax proof of deposit together with Enrolment Form.

Please read carefully :

1. Enrolment will be confirmed after course fees have been paid. Packs will be sent out by 15th June '07.
2. Course notes are only available in English.
3. Workshops can be arranged in your area but are subject to a minimum amount of attendees. There will be a cost in attending the workshops.
4. Assignments are compulsory and not handing in assignments means that you will not complete the course. **Assignment 1** must be handed in by the **10th August 2007** and **Assignment 2** by the **5th October 2007**.
5. I have read and understood the contents of the above contract.
6. A certified **copy of your ID, matric certificate/equivalent and proof of payment** must accompany your registration form.

Signature _____

Date _____



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TERMS & CONDITIONS

Contract entered into between Zinery Consultants cc t/a Islamic Finance Institute of Southern Africa

(NAME OF STUDENT IN FULL)

1. General

It is incumbent upon the student to read the information contained herein carefully. This constitutes a contract between the student and the Islamic Finance Institute of Southern Africa(IFISA).

2. Registration Fees

The student hereby agrees to pay the fees payable for the course/program selected. Such fees payable will include registration fees, tuition fees, course material and/or any other fees applicable to the selected program.

I hereby accept that I will be held liable all legal costs that arise from defaulting in payment for the program from the date of handover by IFISA to their attorneys for the recovery of outstanding fees.

3. Cancellation of registration of course

Course registration cannot be cancelled once material has been despatched. Should a request for cancellation be received after course material has been despatched, the student will be liable for the full fee.

4. Deferrals

Any student intending to defer a course must apply for the deferral. A motivation must be sent to IFISA requesting deferral.

5. Close of Registration

Enrolments and registration will not be accepted after the specified closing date of a respective course. The student will be included on the list of new applicants for the next course opening.

6. Copyright of Material

IFISA holds the copyright of all material provided unless referenced to author's or other institutes. It is illegal to photocopy, give, lend or sell any portion of it to another person or entity.

7. Declaration of Indemnity

IFISA or any of its employees will not be held liable for any damage arising out/of :

- i. Death, bodily harm, loss of health or illness of any student howsoever caused; and
- ii. Any damage or destruction to the property of the student;

8. Declaration

The student hereby declares full conformance to the rules of IFISA. IFISA has the right to change their policies and rules as they deem fit. This includes performance criteria for assessment and successful completion of the course.

I hereby declare that I have read and understood the contract of enrolment with IFISA and I am bound by the rules set herein.

(Name of Student in Full)

Date