Abbasids, 5	classes, 255t
Abu Dhabi Commercial Bank, purchases,	risk weightage basis, 256t
338	delivery, 64
Abu Dhabi Sovereign Wealth Fund,	funding, 107
338	income stream, 197t
Abu Hurairah, 160	location, 226t
Accounting and Auditing Organization for	ownership, 36
Islamic Financial Institutions	pooling, Mushrakah, 132-133
(AAOIFI), 21, 151, 154, 169, 338	example, 133f
Accounting entries	price, partial payment, 86
Bai Al Inah contract, 48-49, 49t	sale, 65–66
<i>Ijarah</i> contract, 93–94	special purpose vehicles (SPVs), usag
example, 93t	210t
purchase orderer basis (Murabahah),	seizure, avoidance, 215
47–48, 48t	structure, Islamic bank example, 272t
Accounting treatment	types, 67–68
Ijarah contract, 94t	worth, 218
Istisna, 70	Automobile <i>Takaful</i> plans, 296
Accrued balances, records maintenance,	,,,, ·
312	
Activity-based benchmarks, 175t	Back-to-back guarantees (Kafalah),
Acts of God, 303	148–149
Acts of Nature, 303	Bai (trade)
Afterlife, judgment, 164–165	Islam permission, 29
Ahawwul, 153	Islam recognition, 31
Al-bai trading model, 272	Quran endorsement, 6
Al Ijarah Thumma Al Ber (AITAB), 92,	Bai al Dayn, 79
95–96	contract
Al kali bi al kali, 76	basis, 190
Alpha, risk absorption, 272	sale, 7
Amanah-based contract, 101	debt, 80–81
Asset liability	equity, sale, 82–83
gap, 279f	financial products, 81–82
management, 275, 289t	Hawalah, relationship, 156
Asset products	purchase price, 80–81
Bai al Inah, 19	payment schedule, 80f
Mudharabah, 124–126	receivables, 80–81
Mushrakah, 132	rental payments, 80–81
Tawarruq, 40–42	Bai al Inah, 13
Assets	asset product, 19
agreed purchase price, 14	Bank Negara Malaysia definition, 13
bank brackets, 275-276	contract
buybacks, 224t	accounting entries, 48-49, 49t
buy-back transaction, 13-14	Malaysia acceptance, 18

Bai al Inah (Continued) Bai' 'Inah parties, 15f arrangement, 13 sale, 7 Shariah requirements/optional practices, deferred price (examples) 170 - 171payment, 16f Bai Mu'ajjal, 23, 45 undertaking, 15f Bai Murabahah, 23 definitions, 13–15 Bai Musawamah, 23 documentation, 21 Bai ul wafa financial product, 19-20 contract, 160 International Financial Services Board equities sale, relationship, 60 definition, 13-14 Sukuk, sale, 60-61 legal issues, 17-19 Balance sheet liability product, 19-20 analysis, 247-254 ownership, transfer, 20 bond issue, example, 215t permissibility, 170 examples, 211t, 252t-253t process flow, 15-17 financial assets, 124 repayment promise, example, 17f Islamic bank examples, 46t, 201t, 251t, resolutions, 21 260t-261t Banking Riba contract, 17f sale Hibah applications, 140-142 accounting entries, 48 Musharakan, relationship), 130-131 contract, 20 products Tau arruq applications, spot price, example, 16f 40-43 transactions, 44 Banking business, 105 Bai al Sarf, 75-76 Bank Negara Malaysia (BNM), 9 conditions, freedom, 76 Bai al Inah definition, 13 contract sale, 7 exposure draft, 35 currencies, exchange (nondeferment), 76 instructions, 122 equal for equal transaction, 76 Shariah Advisory Council, 21, 169 forward/futures market, 76 Banks assets, 130f possession, 75-76 rulings, 75-77 comparisons, example, 277t spot exchange rate, 7 core business, 237 Bai al Urbun, 85 funding book, example, 276t grain purchase, 87f joint venture partners, 131f scenarios, 85-86 purchases, 338 Bai al Wafa, 59 Base financing rate (BFR), 158 contract Basel III rules, 47 requirements, 59 Bazaars, Muslim fame, 6 sale, 7 BBA. See Bai Bithman Ajil financial assets, 60 Beneficial ownership, transfer, 96 BFR. See Base financing rate Hibah, relationship, 141-142 process flow, 60f BNM. See Bank Negara Malaysia Bai Bithman Ajil (BBA), 23, 32 Bonafide Murabahah financing, reduction, deferred sales, pricing, 49-53 47 facility, risk weightage, 238 Bonafide true sale (Murabahah), fixed-rate contracts, 259 29 - 31business risk, 30f *Inah*, combination, 32–34 mode, 50 financial risk, 30f purchase price, 33 Bondholders, rights, 214-216 Bai Bithman Bai al Inah contracts, 228 Bonds Bai fawri, 23 coupon payments, 229 Bai hall, 23 issue, example, 215t

Book entries, 107 Constructive liquidation, 116 BRIC index, 10 Corporate family Takaful plan, case study, 323-325 Business operations, bank financing, 210 Corporate medical Takaful plan Business risk, 236 Bonafide true sale, Murabahah, 30f case studies, 319-323 Buy-and-sale trades, experience, 188 data, conclusion, 320t Buy-and-sale transactions, execution, 185 example, 322t medical history table, 320t Buyback arrangement, variant, 223, 227 Buy-back transaction, 13-14 premium/donation calculation, 321t Buyer, asset sale, 65-66 Takaful data, 321t Cost of Goods Sold, 192 Credit analysis, 53 Capital technology, 236 access, 121 Credit-based contracts, 291 adequacy, 237 Credit-based sale, Islamic bank facilitation, charge, Mushrakah mutanaqisah, 137 236 existence, 237 Credit-based sale/markup (Riba), 28-29 provider, full capital, 118 Credit price, 19 raising, 216 Credit risk, 53, 235 regulated capital, equation, 272 absorption, 309 unrealized capital gains, 124 mitigation, 236, 254, 257 Capital adequacy ratio (CAR), 137, 238 premium 193 equations, 137, 238, 272 Credit sale, 45 implications, 238-239 Currency risk, 236 Capital markets (Shariah), 177 Current accounts and savings accounts changes, 10 (CASA), 101 role, 189 depositors, 269 service, 190 deposits, 142, 143 CAR. See Capital adequacy ratio Islamic bank total, 247 CASA. See Current accounts and savings low-cost deposits, raising (problems), 269 accounts Currencies, exchange (nondeferment), 76 Cash flows, fixed deposit (comparison), 42 Customer balances (Wadiah), 103t Cash money, monetary debt (Ribawi sale), reduction, 106t 83 Customer loan (Wadiah), 104t Cash, raising, 225t Customers, joint venture partners, 131f Cash-rich unit, asset possession, 31 CDOs. See Collateralized debt obligations Central banks, policy rate, 192 Da wa ta'ajjal, 82 China, focus (realignment), 337 Dayn, Majelle definition, 79 CIMB Bank, merger, 338 Debt Closing day positions, example, 180t assignment (Hawalah), 79 Closing positions, example, 181t Bai al Dayn, 80-81 debt-based financial intermediaries, 132 Closing trade, example, 179t Collateral, 210 debt-based sale contract, 28, 56 mushrakah mutanaqisah, 137 debt to market cap, 175 seller possession, 53 financing, 115 Collateralized debt obligations (CDOs), 52 lender rights, 210-212 Commercial Takaful plans, 298-299 instrument, 231f Commodity Murabahah, 193, 269 sale, concept (example), 81-82 contract, 152 transfer, 156 liability product, 42-43 Default selection, 122 probability, 240-241 examples, 240t-242t Consequential losses, 296 Constant decrease, example, 286f risk, 235–236

Expenses (E), 308 Deferred delivery sale, 63 Exposure at given default (EAGD), 241 Deferred payment contract, risk weightage, 54, 56 calculation, 54 probability, 241t Deferred payment sale, 45 risk treatment, 53-57 Deferred price Family Takaful, 295, 311-314 calculation process, 50 certificates, types, 312 payment corporate family Takaful plan, case study, examples, 16f 323 - 325modes, 49-50 plans undertaking, 15f features, 311 Deferred profit, 157 income sources, 314 Deferred sales process flows, 312-314, 313f pricing, 49-53 Farmer Sukuk notes, 189-190 transaction, accounting entries, 46t Fatimids, 5 Deposit instrument Fatwas, 168 Mudharabah, 120-121 Fender benders, 304 Qard, 113 FF mutual trade, example, 181t schemes, 147-148 Fiat money economic system, 290 Deposit mobilization, 122, 285 Financial assets financial intermediaries, impact, 235 purchase, 291 Depositor returns sale, subject, 60 example, 204t Financial intermediaries, deposit impairments, 205t mobilization, 235 1 percent impairment charges, 205t Financial loss, 300-301 2 percent impairment charges, 206t Financial products, pricing, 191-194 3 percent impairment charges, 207t Financial risk, bonafide true sale Dow Jones, 173-174 (Murabahah), 30f Dow Jones Islamic Market Index (DJIMI) Financial screening process, 175 financial screening criteria, 175–176 Financial service division sector screening, nonpermissible (manufacturer/retailer), 32 activities, 174t Financing Dripping, concept, 324 contract, discounting receivable, 52 - 53EAGD. See Exposure at given default costs, 191 Early settlement (Ibra), 157f example, 221t-222t Economic capital, (37, 238 Fiqh, 168 Economic theory, basis, 288, 290 Fire Takaful plans, 296 contributions, 300 EL. See Expected loss Emaar, financing offers, 32 family purchase, 302-303 Equities sale Fixed assets, sale, 233 Bai al Dayn, 82-83 Fixed costs, association, 191 Equity-based contracts, 291 Fixed deposit, cash flows (comparison), Equity behavior (Sukuk), 230f 42 Equity holders, rights, 212-214 Fixed income portfolio, 57–58 Fixed profit mechanism, 50-51 Equity injection, 213t Fixed-rate asset (FRA), 259 Equity notes, 189–190 issuance, 216 Fixed-rate liability (FRL), 259 Expected loss (EL), 54-56, 242-244 Floating profit mechanism, 50-51 Floating rate financing product, 158 calculations, 257t equation, 242 Forward rates, 279-281 probability of default (PD), relationship, FTSE, 173-174 243t FTSE 100, 10

Funding debt assignment, 79 book, example, 276t debt transfer, 156 Mudharabah financing, 119t Hibah, combination, 140 scenarios, 281 issues, 155-156 Funding gap transfers, 154f analyses, 280t types, 154–155 funding, 278t unrestricted Hawalah, 154 illustration, 279f Hawalah al-dayn, 154 Hawalah al-haq, 154 limit, 279 Funds Hawalah, Majelle definition, 153 Mudharabah accounting treatment, 127t Hibah, 139 pooling, concept, 114f amount, predetermination, 142 returns (Islamic banks), 204t Bai al Wafa, relationship, 60, 141-142, 143f banking applications, 140-142 Gap. See Funding gap charity, 155 GC. See Gross contribution contract, usage, 26 GCC. See Gulf Cooperation Council enhancements, 142-143 General Takaful, 295-296 ex-ante tabulation 112 business model, 300 corporate medical Takaful plan, case forms, 139 fund, cost, 142-143 studies, 319-323 gift, 112 (fund, 301f Hawalah, combination, 140 observations, 310 *Jiaran*, combination, 140 plans, pricing, 304-310 indicative rate, 194 process flow, 297f Gharar, 79 Juala, combination, 140 Kafalah, combination, 140 presence, 86 payouts, 141, 202 Gl accounts, Wadiah entry, 102t process flow, 143f Global Financial Crises (2008), 82 restrictions, 140 Government, components/function, 232 sale/exchange contracts, Grain purchase, example, 87f 142 Gross contribution (GC), calculation, 306, Wadiah, combination, 140-141 308, 315 Gross Domestic Product (GDP) growth Wakalah, combination, 140 Hisbah, 183 rate, 195 HSBC Amanah, 10 Guarantor, identification, 147-148 Gulf Cooperation Council (GCC), 18 Hussein, Saddam, 8 countries, Murabanah contract, 34 index, 10 Ibnu qudamah, 85 Ibra, 151, 156-158 Hadith, 16, 75 contract, 53 books, availability, 166 usage, 51 filtering, 165 disclosure, 158 law source, 163 early settlement, 157f Hadrat Abu Bakr, 163 equation, 157 mechanism, 51t, 52t Hadrat Ali, 163 Hadrat Umar, 163 representation, 156 Hadrat Uthman, 163 settlement amount, 157 Halal, 174 IDB. See Islamic Development Bank Haram, 164 IFIs. See Islamic Financial Institutions Hawalah, 151, 153-156 IFSB. See Islamic Financial Services Board Bai ul Dayn, relationship, 156 IIMM. See Islamic Interbank Money contract, modern use, 155 Market

Ijarah Interbank borrowing, bank reliance, 275 Al Ijarah Al Thumma Al Bai (AITAB), Interbank Mudharabah 95 - 96funding, 193 Ijarah-based contracts, 196 funds, 247 Hibah, combination placements, 122 inclusion, 136t Interbank rates, 193 lease contracts, 227 Interest rates, 50 normal Ijarah, 92-93 decrease, example, 266t-267t pure Ijarah contract, 92 increase, examples, 262t-265t receivable account, 94 table, example, 287t sale/leaseback, 96 Internal cash general ledger asset account, variants, 91 103 Ijarah contract, 91, 134 International Centre for Education in accounting entries, 93-94 Islamic Finance, 337 accounting treatment, 94t IE 1002 Reporting of Islamic Financial enhancement, 92 Transactions, 207 example, 93t International Financial Services Board, rental payments due, 82 13 - 14International Shariah Research Academy Ijarah muntahiya bi tamleek, 92, 95-96 Ijtihad for Islamic Finance (ISRA), 169 consideration, 166 Investments, follover, 284t scholars, consensus, 164 Investors, private interests (capital market modern day Ijtihad, 165-167 serv.ce), 190 Islamic asset management, 173 Impairments, 205t charges, 205t-207t Islamic Bank Inah eash flows, 57 application, 19 funds transfer, 39 Bai Bithman Ajil (BBA), combination, Hibah, pre-determined rate, 142 32 - 34leverage, 257 contract Over-The-Counter Transaction, 39 permissibility, 20 Islamic banking criticism, 194-195 variant, 19-20 deferred sales, pricing, 49facilitation, 56 inclusion, 32-34 Takaful department, 170-171 Income distribution Islamic Banking Space, 32 example, 254t Islamic banks Islamic banks, 191, 199-207 assets Mudharabah, 207t liability management, 275 Income statement, examples, 200t, assets, income stream, 197t 252t-253t asset structure, 272t Industrial and Commercial Bank of China balance sheet (ICBC), 149 changes, example, 212t Infant mortality risks, 324 examples, 46t, 201t, 251t, 260t-261t Inflation, expected rate, 191 capital adequacy, 237 Initial public offering (IPO) stage, 177-180 car loans, extension (data), 55t closing day positions, 180t credit risk, 235 customers, Wadiah entries, 102t closing trade, example, 179t example, 179t depositor returns, 204t-205t initial buyer, holdings exit, 181 deposits (Wadiah), 101f trades, 180t deposits, segregation, 121 Insurance development (Malaysia), 10 plans, stereotypes, 298 discounts, adjustment, 51 Shariah issues, 292-293 example, 202t

function, 193 Joint venture partners (banks/customers), funds, returns, 204t 131f J.P. Morgan, 11 income distribution, 191, 199-207 Juala origin, examples, 202t, 203t contract, 120 statement, example, 200t Hibah, combination, 140 investment accounts, segregation, 121 leases, 95 Kafalah, 70, 145-146 liabilities, payments, 198t applications, 147 pricing, 191 back-to-back guarantees, 148-149 benchmark, 195 concept, 148 models, criticism, 195-196 contract, 53 profit equalization reserve (PER), guarantor, identification, 147-148 196-199 Hibah, combination, 140 profit rate, 193 indemnity, contract, 146 returns, 204t-207t process flow, 146f risk management, 235 products, 148 risk sharing, 191, 208 Khiyar al shart, 76 short-term deposit reliance, 192 KLCC, 338 Islamic civilization, ethos, 338 Islamic Development Bank (IDB), 10-11, Lambda (λ), 308, 315 169 Leaseback 223-227 impact, 8-9 Ijarah, 26 Islamic finance, 5, 111 Lease-based contracts, 140 capital markets, role, 189 Lease contracts modern phase, 8-11 Ijarah, impact, 227 Islamic Financial Institutions (IFIs), 11 prerequisites, 91 crediting, 41 Lender depositor balances, 104 rights (debt financing), 210-212 discretion, 194 Lenders Islamic financial intermediation, 337–338 power, 215 Islamic financial products, pricing, Liabilities 191-194 bank brackets, 275-276 Islamic Financial Services Act of 2013, 121, coverage, 295 199 payments, 198t Islamic Financial Services Poard (IFSB), product, Bai al Inah, 20 169, 338 Liability Takaful plans, 299-300 Islamic Interbank Money Market (IIMM), LIBOR. See London Interbank Offered Rate 276 Life Takaful, mortality table Islamic SME funds, 11 detail, 325-327 Islamic world economies, focus, 189 example, 325t-327t ISRA. See International Shariah Research Liquid assets to market cap, 176 Academy for Islamic Finance Liquidity risk, 269 Istihsan (juristic preference), 164 example, 270t-271t Istisna, 63, 68-70 Loans accounting treatment, 70 customer funding, 105t contract, 31, 63, 69, 145 disbursement/repayment, 17 accounting, 71t-73t purchase price, 228 location (Wadiah), 105t process (Wadiah), 106t Salaam contract, comparison, 68 parallel Istisna, 68, 70 repayment period, 57f, 58f price, 69 London Interbank Offered Rate (LIBOR), Istisna sukuk, 228-229 195

Long-term assets, funding, 257 Murabahah-based sales, 54 Long-term debts, 211-212 Mubah, 164 Long-term Murabahah facilities, 223 Mudharib Long-term rates, 281-288 action, 152 Loss rate given default (LRGD), 241-242 expertise, 120 calculation, 54 fee, 204, 208 mathematical computation, 242 probability, example, 242t upfront fee, 115 LRGD. See Loss rate given default Mudharabah, 115 Madhab, 17-18 Shafi madhab, 18 123-124 Madina, people (practices), 164 Maiser, 79 Majelle Dayn definition, 79 Hawalah definition, 153 Makruh, 164 Malavsia Bai al Inah contract acceptance, 18 Islamic finance, global hub, 9 deposits SAC, 89 Securities Commission (SC), 173-174 Shariah Advisory Council, 79 thought leader, 10 Mamlukes, 5 Mandub, 164 Manufacturer, financial service division, funding, 119t Magasid shariah, 177 funds Market prices, fluctuation, 67, 87 Market regulation (Shariah), 183-187 Market risk, 193, 257-268 scenarios, 259, 268 Market values, percentage changes (Shariah), 186t Maslahah, 79, 176 Maslahah al murasala (common good), 164 122 Medical history table, 320t Medical Takaful plans, 298 Mejelle, 165 118t Mixed companies, criteria, 176 MM. See Mushrakah mutanagisah Modern day Ijtihad, 165-167 Modified three-year yield curve, example, Modified Wakalah model, 316 Money creation (Wadiah), 104-108 Mortality data, 329t tables, 323, 327-331 Mudi, 101 MPO. See Murabahah to purchase orderer MSCI, 173-174 Muhtasib, 183

Rab ul maal, relationship, 123 account funds, investment, 204 account holders, contribution, 203 accounting treatments, importance, actual earnings, constructive earnings (contrast), 125t application, 117-118, 120 asset product, 124-126 contracts, 107, 118, 276 bank entry, 277-278 misuse, 120-121 sale contract, 30 accounting treatment, 126 function, 120-121 Nolders, earnings, 206 rate of return, 123 disclosure, importance, 123-124 fee, incentive model, 317 accounting treatment, 127t function, 121-122 guidelines, 122 investment, 200 management, Mudharib fee, 208 income distribution, 207t indicative rate of return, 122-123 interbank Mudharabah placements, investors, funds (investment), 124 Mudharabah-backed cash financing, perpetual Mudharabah, 118 process flow, 116f profit sharing ratio (PSR), 123 Re-Mudharabah, 118 restricted Mudharabah, 118-120 transactions, accounting treatment, 126 unrestricted Mudharabah, 118-120 Mudharib, capital provider, 118 Muhammad (prophet), Sunnah, 170

Murahahah, 23 accounting entries, purchase orderer basis, 47-48, 48t bonafide true sale, 29-31 conditions, 23-24 contracts importance, 23 short-term debt/long-term debt, 211 - 212deferred sales, pricing, 49-53 enhancements, 26-28, 31 facility, extension, 103t financing, 45, 103 contract, discounting receivable, 52 - 53implementation, 32 liability product, 42–43 loan, investment scheme, 106 Murabahah-based assets, exposure, 56-57 Murabahah-based contracts, profit rate, 195 - 196by pay orderer sale, 47 purchase orderer process flow, 27f sale asset purchase, 24-25 contracts, scenarios, 24 conventional loan, comparison, 28 sale/credit, 25-26 working capital, 28 Murabahah to purchase orderer (MPQ), 153 Murabahah pricing formula, 191-192 Murabahah-based sales contracts, receivables, 93 Murbahah, contracts sale, 7 Musharakah, 129 banking, relationship, 130-131 concept, application, 129-130 contract, usage (absence), 132, 133 Musharakah action, 153 Musharakah mutanagisah, 82 contracts, 259 Mushrakah asset product, 132 assets, pooling, 132-133 contract, combination, 137 Mushrakah mutanagisah (MM), 133-137 capital charge, 137 collateral, 137 contract, 134 Ijarah, inclusion, 136t payments, 135t Political risk, 236

Muslim diaspora, self-actualization process, 339 Muslim empires/world finance, importance, 5-6Industrial Revolution, absence, 8 isolationist attitude, 8 Mustawda, 101 Muwakkil, 151 Nationalization, risk, 236 Negligence, 303 New York Stock Exchange (NYSE), 183 buy-and-sale transactions, execution, 184 trading volume, 184f, 185f Nikkei 225 index, 10 No loss bonus (NLB), 302 Nonfee wakalah, 152 Nonguaranteed deposits, usage, 239 Normal *Ijarah*, 92–93 OIC Figh Academy, 89 1 percent in pairment charges, 205t Operating lease, 91–92 Organization of Islamic Countries Figh Academy, 169 Ottoman Empire, trade/finance, 6-7 Ottoman Mejelle, 165 Ottomans, 6 Over-The-Counter derivative contracts, nominal value, 188 Over-The-Counter transaction, 39 Ownership Shariah permission, 173 transfer, Bai al Inah, 20 Parallel Istisna, 68, 70 Parallel Salaam, 65 contract, 66 Partnerships, 209-210 PD. See Probability of default PER. See Profit equalization reserve Perbadanan Insurance Deposit Malaysia (PIDM), 122 Permissible asset, 14 Permissible interest, 300-301 Perpetual Mudharabah, 118 Personal accident Takaful plans, 298 Personal Takaful plans, 298-299 PIDM. See Perbadanan Insurance Deposit Malaysia Pledge item, financial assets (usage), 161

Ponzi scheme, 105, 310 Rabb-ul-mal, 152 Premium/donation calculation, 321t Rab ul maal, 115 Price fixing, issue, 37-38 Rab ul mal, 115-117 Price, Shariah (contrast), 194-195 income, recording, 117 Pricing Rahn, 151, 159-161 benchmark, 195 contract, 14, 53, 64, 112 Islamic banks, 191 features, 159–160 Islamic financial products, 191-194 flowchart, 159f models, criticism, 195-196 pledge item, financial assets (usage), 161 risk, importance, 305 settlement amount, 160 Private limited firms, 209-210 Raw materials, variable costs, 191 Probability RC. See Risk contribution calculations, 327-331 Real economic activity, 43-44 examples, 330t, 331t Receivables (Bai al Dayn), 80-81 Probability of claim, 323 Receivables to market cap, 176 Probability of default (PD) Regional Shariah Scholars Dialogue, 21 expected losses, relationship, 243t Regulated capital, equation, 272 scenarios, 246t, 248t-250t Re-kafalah, 149 unexpected losses, relationship, 245t Re-Mudharabah, 118 Probability of event, 320 Rental payments Product menu (Takaful), 295-300 Bai al Dayr. 80-81 Profit equalization reserve (PER), Ijarah contiact, 81 196 - 199Repayment promise, example, 17f deduction, 200 Reportate, 60 Profit mechanism, identification, 50-51 Reserves, maintenance, 309 Profit rates, comparison, 50 Pestricted Mudharabah, 118-120 Profit-sharing investment account (PSIA), contract, 120 269 - 273Restricted Wakalah, 152 Profit Sharing Ratio (PSR), 281 Retailer, financial service division, 32 ex-ante determination, 143 Retakaful Mudharabah, 123 pricing, 319 Prophet Muhammad, Sunnah, 170 provider, 334, 336 Purchase orderer process flow, 27t Return on capital invested, required rate, Purchase price 191 Bai al Dayn, 80-81 Returns, PER deduction, 199 payment schedule, 80f RHB Bank, merger, 338 Bai Bithman Ajil (BEA), 33 Riba, 16, 17, 147 Pure Ijarah contract, 92 contract (Bai al Inah), 17f, 19 Pure Mudharabah fund, 239 credit-based sale/markup, 28-29 Islam ban, 29 rates, 50 Qadaffi, Muammar, 8 Qard, 111, 126 Riba-based structure, 9 contract, applications, 112 term, interpretation, 5 deposit instrument, 113 Ribawi sale, 83 funds, pooling (concept), 114f Ribbh, 13loan, call, 112 comparison, 50 process flow, 112f Rider, usage, 298 recording, 113-114 Risk brackets, 331, 334 Qard contract, 25-26 Qard hasan, 296 business risk, 30f Qatar Holdings, 338 concentration, 56-57 Qiyas (analogy), 164 cost, 320 Quran, usage, 170 credit risk, 53, 235

tax, payment, 39-40 defining, 235 financial risk, 30f transaction liquidity risk, 269, 270t-271t effect, 19 management, 235 sequence, creation, 38 market risk, 257-268 Sale transaction measuring/pricing, 305 condition, 16 financing, bank participation, 31 pricing risk, 305 tax treatment, 39 profiling, 331-336 data, 335t Secondary Sources of Law, 164 sharing, 208 Sector screening, nonpermissible activities, Islamic banks, 191 174t total risk, 292f Securities commission, 183 treatment, impact, 53-57 Securities Commission Malaysia, 9 Risk contribution (RC), 305-306, 308 Seljuks, 5 calculation, 323 Semi-depositors, 126 combined risk contribution, 334t Shafi madhab, 18 examples, 330t-333t Shareholders, funds (commingling), 102 Risk weightage (RW), 239 Shariah, 163 basis, 256t activity-based benchmarks, 175t calculations, 244-247 capital markets, 177 components, 240-244 role, 189 closing positions, 181t scenarios, 244, 247 charges, 54-56 equity notes, 189-190 equation, 240 farmer Sukuk notes, 189-190 Risk-weighted assets, 239 FF mutual trade, 181t initial public offering (IPO) stage, 177 - 180Saad ul dhariah, 18, 164 insurance issues, 292-293 SAC. See Shariah Advisory Council jurisdiction, 177 Safekeeping, contract, 100-101 legal framework, 26 Salaam, 63-68 market integrity, 180-183 asset market regulation, 183-187 types, 67-68 market values, percentage changes, 186t asset, buyer sale, 65-66 New York Stock Exchange (NYSE) contract, accounting, 66t trading volume, 184f, 185f treatment, 65 ownership, 167-170 contracts, 63, 145 prices Istisna contract, comparison, 68 models, application, 67-68 contrast, 194-195 reduction, 182t default scenarios, 66-67 example, 64-65 requirements, 170-171 parallel Salaam, 65 screening, 173 Shariah-compliant alternative, 9 contract, 66 partial purchase price, payment, 67 Shariah-compliant contracts, 11, 108 price, 65 Shariah-compliant equity, behavior, 214 Shariah-compliant index, proposal, 9 third party, asset delivery, 65-66 Sale and leaseback, 96, 223-227 Shariah-compliant securities, offering, 10 shopping, 166 Sale-based contracts, 63 Sale contracts stock screening, 173-176 conditions, 14 study, 167 valuations, 182t, 187-188 scenarios, 24 Sales zero sum game, 188-189 Shariah Advisory Council (SAC), 79, 169 double taxation, involvement, 27 sequence, 36 Sharik, 129

holders, 96 Shia populations, 166 Shia scholars, 166 ownership, 229 rights, 209 Short-term assets, funding, 257 Short-term debts, 211-212 investors, return, 223 Short-term deposits, 192 issuances, 131, 221, 223 Istisna sukuk, 228-229 Short-term Murabahah facilities, 223 Short-term rates, 281–288 sale, 60-61 security, debt (inclusion), 231f Short-term Shariah-compliant securities, simple sukuk, 229-233 sum collection, 309 Simple *sukuk*, 229–233 sovereign Sukuk, 231-233 issuances, 148 Small capitalization (small cap) stocks, special purpose vehicles (SPVs) vulnerability, 183 Social behavior theory, 284 liabilities, 220t Sole proprietorship firms, 209-210 role, 227 special purpose vehicles (SPVs), usage, Sovereign Sukuk, 231-233 216-221 issuances, 148 example, 216t-217t Specialized trading platform, 40 Special purpose vehicles (SPVs) structures, 228 subsidiary companies, usage, 216-221 asset sale, 219t balance sheet, 233 vanilla Sukuk, 230-231 liabilities, 220t extra toppings, 231 toppings, 231 role, 227 Sum assered, 305 usage, 216-221 Sunnah, 170 example, 216t-217t Sunn. populations, 166 Speculative trade practices, evolution, 185 Sug-a-Sila, 42 Speculative traders, time horizons Surplus, calculation, 309t (reduction), 188 Speculative trading, Islam ban, 187 Spot exchange rate (Bai al Sarf), 77f Tabarru Spot market price, 70 contract, 293-295 Spot price, 19 rate, TO revival, 331 example, 16f voluntary contract, 316 payment, modes, 49-Takaful, 291 Spot rates, 279-281 accounting decrease, 283t entries, 314 increase, 282t treatment, example, 315t interest rates, comparison, 279, 281 acts of God, 303 SRR costs, 193 automobile Takaful plans, 296 Standard Chartered Sadiq, 10 calamities, 303-304 Subsidiary companies, usage, 216-221 combined risk calculation, 334t commercial Takaful plans, 298-299 asset sale, special purpose vehicles companies, funds (pooling), 11 (usage), 219t concepts, 300-302 bondholders, rights, 214-216 contract of agency, 291-292 certificate contract renewability, 294-295 behavior, 230 contributions, 309 debt instrument function, 231f cost, 160 debt financing, lender rights, 210-212 data, 321t equity behavior, 230f example, 307t equity holders, rights, 212-214 importance, 306-310 financing deductibles, 302 example, 221t-222t department (Islamic banking), 170-171 process, 221-223 events, frequency/severity, 304

family plan, purchase, 300 pricing risk, importance, 305 family Takaful, 311-314 purposes, 309-310 corporate family Takaful plan, case records maintenance, 312 reserves, maintenance, 309 study, 323–325 process flows, 312-314, 313f responsibility, 311 financial loss, 300-301 reward, 302 fire Takaful plans, 296 role, 298 Wakalah fee, 294 Wakalah model, 315 rights/participant rights, 302-304 strengthening, 309 Wakalah Mudharbah model, 316 general Takaful, 295-296 Tawarruq, 35 applications, 40-43 business model, 300 corporate medical Takaful plan, case deferred sales, pricing, 49-53 studies, 319-323 price fixing, issue, 37-38 fund, 301f real economic activity, 43-44 observations, 310 sales, 40 plans, pricing, 304–310 illustration, 35–37 process flow, 297f sales tax, payment, 39-40 liability Takaful plans, 299-300 specialized trading platform, 40 life Takaful, mortality table (detail), Tawarruq-based sales, 54 title, transfer, 38 325-327 medical Takaful plans, 298 tripartite sale asset product, 41f mortality tables, 327-331 tripartite sale, comparison, 37 multiple plans, 301-302 Tawarrug Munazam, 40 no loss bonus (NLB), 302 sales transactions, sequence, 38 permissible interest, 300-301 Tenor, 244, 279 personal accident Takaful plans, 298 contributing factor, 137 personal Takaful plans, 298-299 range, 287 policies, pricing, 319 Third-party asset delivery, 65-66 principle, 292 Third-party borrowers, default, 101 probability calculations, 327-331 Third-party guarantees, 148 product menu, 295-300 3 percent impairment charges, 207t reserves, maintenance, 309 Three-year yield curve risk example, 285f contribution, 305-306, 330t-333t modified three-year yield curve, example, measuring/pricing, 305 286f profiling, 331 336 Tijarat, 13 profiling data, 335t Time value of money, 288-290 surplus calculation, 309t Title, transfer, 38 underwriting surplus, distribution, Total contribution, calculation, 306 316-317 Total risk, 292f Takaful operator (TO), 293-294, Toyota Financial Services Model, 56 302-306 Trade, Islam permission, 6, 29–30 accident cover purchase, 301 Trading house model, 31 charges, 308 Trailing Twelve Month Average Market claim, family submission, 312 Capitalization (TTMAMC), control, 309 175 - 176data assembly, 307 Tranches, risks/returns, 131 fee, 296 Tripartite basic process flow, 36f income sources, 314 Tripartite sale asset product, 41f misleading, 299 Tripartite sale liability product, 43f models, 315-316 Tripartite sales, execution, 35-37 modified Wakalh model, 316 Trust-based contract, 101

TTMAMC. See Trailing Twelve Month customer loan funding, 105t Average Market Capitalization enhancements, 100-103 2 percent impairment charges, 206t entries Gl accounts, 102t Islamic bank customers, 102t Ufone, 149 forms, 100 Ujr, 147 Hibah, combination, 140-141 Ummah, 9, 176 Islamic bank, deposits, 101f Ummayads, 5 loan funding Umum balwa, 176 location, 105t Underwriting surplus, distribution, process, 106t 316-317 money creation, 104-108 Unexpected loss (UL), 244 Wadiah wakalah model, 106 calculations, 258t Wadiah yad al dhamanah, 100 probability of default (PD), relationship, Wajib, 164 245t Wakalah, 151-153 Unrealized capital gains, 124 agency, contract, 155 Unrestricted Hawalah, 154 application, 152–153 Unrestricted Mudharabah, 118-120 contract, 26, 107 fees cash payment, 86 incentive model, 317 contract, 33 issue, 178 margin sales, contrast, 88-89 service charge, 311 partial asset payment, 86 Takeful operator earning, 294 placement, 88 flow chart, 152f representation, 85 Hibah, combination, 140 Urf (customary practices), 140, 164, 176 legality, derivation, 151 Usul ul Fiqh, 164 model, 315 Usul ul fiqh, 168 nonfee Wakalah, 152 Usul ul Fiqh, methodology, 17-18 restricted Wakalah, 152 Utmost good faith, 299 Wakalah bi qabrh al-dayn, 152 Wakalah bi tadaqhi al-dayn, 152 Value at risk, concept (usage), 268 Wakalah ghayr muaqqatah, 152 Vanilla Sukuk, 230-231 Wakalah Mudharbah model, 316 debt instrument, 231 Wakalah muqayyadah, 152 extra toppings, 231 Wakil, 152 toppings, inclusion, 231 Wakkala, 151 Variable rate asset (VRA), 259 Waqfs, 168 surplus, 268 Wash sale, 180 Variable rate liability (VRL), 259 Working capital (Murabahah), 28 surplus, 268 World Bank, 11 Venture capitalists, role, 189 Yield curve Wadiah, 99, 126 examples, 285f, 288f contract, 99, 140 increase, regular intervals, 287f example, 107t slope, indications, 285-286 reward, 141 counterparty, usage, 100f Zakat funds, 168 customer balances, 103t Zakat rates, 195 reduction, 106t Zimmah, 156 customer loan, 104t