Practice of Islamic Banking & Finance
**ifs School of Finance**  
**MODULE SPECIFICATION**

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<tr>
<td>1. Title</td>
<td>Practice of Islamic Banking &amp; Finance (IBF2)</td>
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<tr>
<td>2. Start date</td>
<td>Valid for study sessions commencing from 1 November 2011</td>
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<td>3. Level of module</td>
<td>Level 4 FHEQ</td>
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<td>4. Number of credits</td>
<td>15</td>
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<td>5. Status</td>
<td>Option module within the Professional Certificate in Banking</td>
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<td>6. Compulsory prior modules</td>
<td>Students must have previously studied the module Foundations of Islamic Banking &amp; Finance</td>
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<td>7. Programmes of study to which module contributes</td>
<td>Professional Certificate in Banking</td>
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**8. Intended subject specific learning outcomes**

On completion of this module students will be able to:

a) Understand the key features of Islamic contract law and explain how they influence Islamic finance agreements  
b) Describe the complex structure of Islamic banking products and the main contract types upon which they are based  
c) Compare and contrast Islamic banking products and their conventional western counterparts  
d) Apply their knowledge of the main types of Islamic finance agreements

**9. Intended generic learning outcomes**

On completion of this module students will be able to demonstrate achievement of the following generic learning outcomes:

1. ability to learn through reflection on practice and experience  
2. ability to work with complex material  
3. ability to analyse problems and identify appropriate solutions  
4. ability to work and study independently and utilise resources effectively

These intended generic learning outcomes contribute to the following programme learning outcomes: 1, 2, 4, 6.
10. **Syllabus overview**

The module is designed to ensure that students who have completed the introductory module on Islamic banking and finance are able to understand how the principles learned are applied in practice. Further, it ensures that students are familiar with the contractual principles used in all Islamic finance agreements.

The syllabus provides an introduction to the main Islamic contractual principles and how they developed. It also charts the restrictions which are imposed on all Islamic finance agreements, and the rationale behind these restrictions. Students will be introduced to the following topics: the doctrines of Islamic commercial and contract law, the autonomy of the will and freedom of contract principles from Islamic law perspective.

Then it sets out the main five divisions of Islamic financial alternatives which will be analysed in comparison with the conventional banking products.

Finally the module goes on to consider some of the legal difficulties that the operations of Islamic banking encounter.

11. **Methods of delivery**

There are three approved modes of study for the module: through approved centres and by web supported learning with the option of workshops. Each student enrolled on the module will have access to the MyifsILE environment and the ifs KnowledgeBank learning resources.

**Web supported learners**

Web supported learners will be given access to a web tutor for each module and the ifs learning support team.

**Web supported learning with workshops**

Students can choose to register for two enhancement workshops delivered by ifs approved Associate Lecturer’s at appointed locations (subject to demand).

**Academic centre learners**

Students enrolled for the academic centre mode will be provided with the same access to the general induction and learning materials as distance learners.

**Total learning hours**: 150.
Learning Materials

Students will be provided with access to my ifslearning (our secure learning environment) that provides access to relevant materials and support for each module. Links to appropriate readings are available from ifs KnowledgeBank, our e-library.

Reading
The recommended reading for the module is the ifs text.

12. Assessment

A single two hour examination with 15 minutes reading time made up to two sections:

Section A: One compulsory 15 mark question based upon a case study and four compulsory 5 mark short answer questions.

Section B: One 15 mark question from a choice of two.

The pass mark for this module is 40%

The grade awards are as follows:
- Distinction: 70%-100%
- Pass: 40%-69%

You may use a scientific calculator but it must not be programmable, nor have a wireless-communications capability, nor be capable of storing textual information. It must also not require a mains electricity supply. Calculators with any further functions are not allowed in the examination room.

13. Syllabus

1. An introduction to contracts in Islamic banking

   This section considers in general the rationale behind why Islamic banks rely on a range of sophisticated contracts to provide products and services.

2. The core principles of Islamic law of contract

   This section explores the genesis of contract law within the Islamic legal theory. It deals with some of the key legal issues that arise in this context such as moral obligations, lack of a general theory of contracts. It further explains the four main contracts (sale, loan, gift, hire) which were particularly addressed by Islamic law principles and which eventually have been used to develop the current contractual agreements used by Islamic banks. The discussion will draw on the nature and the feature of these four contracts.
3. Understanding the autonomy of the will and freedom of contract principles in the light of Islamic law

Autonomy of the will and freedom of contract represent the cardinal principles of conventional contract law. This section explores the application of these principles in the light of Islamic law. This section firstly examines the protection of contracting parties’ will under the Islamic law and then continues to expound upon the application of freedom of contract in the context of an Islamic finance agreement taking into consideration the two main Islamic restrictions on the principle of freedom of contract:

(i) restrictions regarding the subject of the contracts
(ii) restrictions regarding the conditions included by the contracts.

Finally, it will look at some of the contractual clauses that parties may use to circumvent the prohibition of interest such as stipulating liquidated damages in an Islamic finance agreement.

4. Islamic models of financing

This section considers a range of modes of financing which underpin the various personal/business products that have been developed to meet customer needs whilst operating within the parameters of Islamic law and Islamic economic theory.

To achieve the same objectives as conventional loans whilst eliminating the interest element, Islamic banks use a range of approaches keeping in mind the distinctive financial intermediate role of Islamic banks in the modern economy. Various main types are explored

(a) Mark up (Murabaha)
(b) Construction finance (manufacturing agreement) (istith’na)
(c) Operational lease with option of purchase (Ijara)
(d) Sale with deferred delivery (Salam)

For each of the above the nature/structure of the contract and the actual role of the Islamic financial institution in the agreements are explored and discussed, and are compared to conventional loans to illustrate the main features of this type of Islamic banking product.

5. Applications of Islamic Financial products

This section considers a range of different product types that have been developed to meet customer needs whilst operating within the parameters of Islamic law and Islamic economic theory. The key features of the product types are considered, such as the contractual basis, as well as exploring how they conform to Islamic requirements yet meet customer needs. Whilst different versions of product types may be considered, specific products are not.
(i) Mudaraba: definition, structure of the product, comparison to a conventional saving account, a highlight of the main characteristics. Further, a comparison with another, similar but not identical, product used by Islamic banks for the same purpose which is Musharaka (partnership).

(ii) Islamic mortgages: two main products used by Islamic banks which are;

   (a) Lease that leads to ownership: the structure of the product and role of an Islamic financial institution, main differences form the conventional hire purchase.

   (b) Lease and diminishing partnership: definition, the structure of the product and role of an Islamic financial institution, main difference from conventional mortgage.

(iii) Takaful: A general explanation of the key points of Takaful, how it works and how it differs from conventional counterparts

(iv) Islamic bonds (Sukuk): A general explanation of the key points of these highly engineered products, how they work and how they differ from conventional counterparts.

(v) Islamic Shares: A general explanation including the concept of filtering criteria for dealing in shares (i.e. ethical issues).

6. Challenges associated with Islamic Financial products

   This section considers some of the challenges associated with the provision of alternative/Islamic products and services in relation to their impact on such issues as corporate governance in relation to some of the Islamic finance products such as ‘investment accounts’.