

Islamic Banking

A one-day introductory workshop for bankers and credit risk management professionals wishing to better understand Islamic Banking institutions and practices.
A structured approach to the credit analysis of Islamic Banks.

TARGET AUDIENCE

Credit Risk Management, fixed income and banking professionals. This workshop is targeted at an intermediate level and assumes a basic understanding of bank analysis. This workshop is a follow on from Emerging Market Bank Analysis or Intensive Bank Analysis which offer the core tools of bank analysis..

COURSE OBJECTIVES

The goal of this workshop is to demonstrate how to evaluate a bank operating under Islamic banking rules.

Specifically, participants will learn to:

- Understand the principles of Islamic Finance, Shariah law and the key Islamic products
- Compare and contrast the components of an Islamic financial institution's balance sheet and income statement to those of a non-Islamic financial institution
- Identify the risks particular to Islamic financial Institutions
- Use a structured approach to assess and benchmark the performance of Islamic Banks.

CONTENT

OVERVIEW OF ISLAMIC BANKING

Principles of Islamic finance

- Riba, the objection to usury or interest
- Exclusive asset backed financing
- Profit and loss sharing

Key lending and investment products

- Musharakah or Shirkah
- Mudarabah
- Ijarah
- Salam, Istisana and Murabaha
- Sukuk
- Takaful

ANALYTIC OVERVIEW

- Structured approach - application of purpose payback model to Islamic banks
- Key differences between Islamic and conventional banks
- Structure and seniority in Islamic structures
- Significance of wadia deposits.

OPERATING ENVIRONMENT

Business growth and the significance of Islamic Finance

- What is driving change
- Banks' Islamic windows
- Growth in Islamic and non Islamic countries
- Innovative product developments and Islamic banking strategies
- Implications for counter-party risk and business

Regulation and supervision:

- Arbiters of what is Islamic compliant
- The Islamic Financial Services Board regulation of capital adequacy and the application of Basel II in Islamic banking countries
- Sharia compliance boards and operational risk

FINANCIAL FUNDAMENTALS

Statement logic

- Sources and quality of disclosure
- Accounting issues for Islamic products
- Reviewing an annual report

Business risk

- Evaluating asset quality
- Commission, a proxy for interest income?
- Ratios to measure overall performance
- How Islamic banks performance compares with conventional banks.

Financial risk

- Funding and treasury management
- Managing liquidity without using the interbank market
- Depositor protection and deposit income
- Equity versus debt concept
- Is limited liability Sharia compliant?
- Types of capital in an Islamic institution and capital adequacy.

CHALLENGES FOR ISLAMIC BANKS

- Managing growth
- Standardisation and regulation of Islamic products
- Product innovation and development
- Skills shortage in Islamic finance and Sharia law.

