



BANKING TECHNOLOGY. *Redefined.*

SYSTEM ACCESS LIMITED
WHITE PAPER SERIES

**ISLAMIC BANKING AND FINANCE:
CORE BANKING SYSTEM SOLUTIONS AND SHARIAH
COMPLIANCE**

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Contents

1. ISLAMIC BANKING AND FINANCE: A HISTORICAL OVERVIEW.....	3
2. SALIENT FEATURES OF ISLAMIC BANKING AND FINANCE.....	8
2.1 RIBA AND GHARAR: A PRIMER.....	8
2.2 TYPES OF CONTRACTS	11
3. TYPICAL ISSUES TOWARDS <i>SHARI’AH</i> COMPLIANCE OF SYSTEM SOLUTIONS – A SELECTION.....	12
3.1 SELLING PRICE COMPUTATION	12
3.2 REBATE.....	12
3.3 GRACE PERIOD	13
3.4 COMPENSATION CHARGES FOR LATE PAYMENT.....	13
3.5 ISSUES IN ACCOUNTING TREATMENTS.....	13
3.6 RESTRUCTURING AND RESCHEDULING A FACILITY	14
3.7 <i>ZAKAT</i> COMPUTATION	15
3.8 PROFIT COMPUTATION FOR DISTRIBUTION TO DEPOSITORS.....	15
3.9 <i>MUDARABA</i> INVESTMENT ACCOUNT	15
3.10 NON CO-MINGLING OF FUNDS FOR RESTRICTED <i>MUDARABA</i> DEPOSITS.....	16
3.11 RISK MANAGEMENT CONSIDERATIONS.....	16
4. SYMBOLS FOR ISLAMIC BANKING: OUR VALUE PROPOSITION	17
4.1 <i>SHARI’AH</i> COMPLIANT	18
4.2 <i>ZAKAT</i> COMPUTATION CAPABILITY	18
4.3 CAPABLE OF FULL AAOIFI AND IFSB COMPLIANCE	19
4.4 SUBJECT MATTER EXPERTS IN ISLAMIC BANKING.....	19
4.5 INTEGRATED AND FLEXIBLE.....	19
4.6 WORLD CLASS AND EXPERIENCED PROFESSIONAL TEAM.....	20
4.7 INDUSTRY BEST PRACTICES.....	20
4.8 RISK MANAGEMENT CENTRIC	20
4.9 CUSTOMER RELATIONSHIP MANAGEMENT CAPABILITY	20
5. CONCLUSION.....	21

1. ISLAMIC BANKING AND FINANCE: A HISTORICAL OVERVIEW

Islamic banking is a very recent phenomenon. Its roots can be traced back to the early 1960s. In comparison with traditional banking, an operation that it seeks to emulate, whilst stripping off all resonance of usury and other *Shari'ah*-prohibitions, Islamic banking is relatively new.

However, the code of conduct for Muslims on matters related to financial transactions has existed since the gradual revelations of the Holy Book of *Quran*, from which the modern Islamic banking sources for its decrees, dating back to more than 1400 years. Hence, to trace back the historical prevalence of Islamic banking, time should be rolled back to that era, when Muhammad was proclaimed the last Prophet and messenger of God.

Nevertheless, it was only in the early 1960s, that this code of conduct on finance were housed under the roof of a bank and utilized by banking institutions to facilitate economic activities. Hence, the birth of Islamic banking.

The most famously quoted bank in the history notes of Islamic banking, the Myt Ghamr Bank in Egypt, is credited to be the very first embodiment of an Islamic bank. Between 1963 and 1971, Myt Ghamr Bank offered Muslims an avenue to deposit their savings in accordance with *Shari'ah* principles¹. This bank was later transformed into Nasser Social Bank and had served to achieve greater social objectives through their banking activities.

What has been regarded as a major leap in the evolution of Islamic banking was the establishment of Dubai Islamic Bank in 1975, which is the first private Islamic bank set up to achieve profit maximization objectives on a commercial platform. The Islamic Development Bank (IDB), which has a bigger agenda of promoting economic prosperity including finance and banking development, was set up on the same year.

¹ *“Interest-free Commercial banking”*; ALM Abdul Gafoor, 1995

These proved to be the catalyst for the industry. Many more Islamic banks were set up, both on a private equity basis and as a social bank, throughout the remaining 1970s. The next major leap of the industry happened in the early 1980s when Iran, Sudan and Pakistan decided to transform their banking systems wholesale into an Islamic financial system. In Pakistan however, due to loopholes at the practical level, the Shariah Appellate Bench (SAB) in 1992, directed the cease of effect of laws or provisions of laws involving interest and the definition of *Riba'*, and put in place a more stringent structure and framework to build the Islamic banking system². But till this day, the banking systems in Sudan and Iran operate entirely based on *Shari'ah* principles.

One historical development that redefined the landscape of Islamic banking, occurred in Malaysia. With the establishment of Bank Islam Malaysia Berhad (BIMB) in 1983, the South East Asian region not only had its very first Islamic bank but also witnessed the beginning of one of Islamic banking's success stories.

The relative success of the BIMB experiment influenced the Malaysian government to trailblaze the concept of "dual-banking system", where Islamic products were allowed to be offered as a "window" offering within a conventional bank. This happened in 1993 and the size of Islamic banking assets as a ratio of the banking system in Malaysia, witnessed phenomenal growth rates thereafter. In 1993, Islamic banking was a mere 1.1% of total banking assets in Malaysia. Ten years later, the ratio was approximately 10%. The Central Bank of Malaysia has set a larger target for Islamic banking assets to achieve 20% market share by 2010³.

The 1990s saw another major development in Islamic banking. The entrance of major global financial institutions such as HSBC, ABN Amro, Standard Chartered, Citibank and many others, was evidence of the value proposition of Islamic banking and the magnitude of opportunities abound in the industry. These global players entered the

² "*Riba' Put On Trial and Retrial: Pakistan's Case*", www.sbp.gov.pk

³ "*Financial Sector Masterplan*"; www.bnm.gov.my

industry through the “line of least resistance” and which leveraged their global network and wealth of experience – the capital market. It was this explosion in growth of securities, bonds and other private debt certificates structured on Islamic principles, that gave birth to the concept of the Islamic Capital Market (ICM)⁴.

Indonesia, which had since 1992 only one Islamic bank to its record, despite being the most populous Muslim nation in the world, awakened to the realities of Islamic banking following the Asian financial crisis of 1997, which shook their economy to the core. The Central Bank of Indonesia decided to promote the concept of Islamic banking, toying initially with the idea of awarding full-fledged licenses, only to later allow window-based operations like in Malaysia. This has made Indonesia, a major player in Islamic banking at present and going into the future.

At present, in 2005, it is estimated that there are more than 200 financial institutions with Islamic banking operations and the estimated size of assets managed by Islamic banks is approximately US\$200 billion⁵ while the assets managed by Islamic window-based operations is approximately \$300 billion, growing annually at approximately 12% - 15%. This is by and large, a quantum leap and a magnificent achievement for an industry, which is relatively still new.

Islamic Finance Infrastructure Institutions

Over the years, the development of the industry was aligned with the establishment of several infrastructure institutions, which came about as a solution to a need in the industry. For example, the Accounting and Auditing Organisation for Islamic Financial Institutions (AAOIFI) is a body that sets not only accounting standards for Islamic financial instruments, but also standards concerning auditing, governance, ethics and *Shari'ah* standards.

⁴ *“Towards Establishing Malaysia as a Regional Islamic Capital Market: Thesis Proposal”*; Roslily Ramlee, IIUM, March 2005

⁵ *“Regulating Islamic Financial Institutions: Nature of the Regulated”*; Hawary, Iqbal, Grais, World Bank Policy Research Paper 3227, March 2004.

Other infrastructure institutions are International Islamic Financial Market (IIFM) who are responsible to create and develop the Islamic secondary market, International Islamic Rating Agency (IIRA) who are responsible for rating Islamic financial institutions and instruments, Liquidity Management Center (LMC) who effectively play the role of market maker for secondary market instruments and the Islamic Financial Services Board (IFSB) which serves as an international standard setting body of the regulatory and supervisory agencies that have vested interest in ensuring the soundness and stability of the Islamic financial services industry.

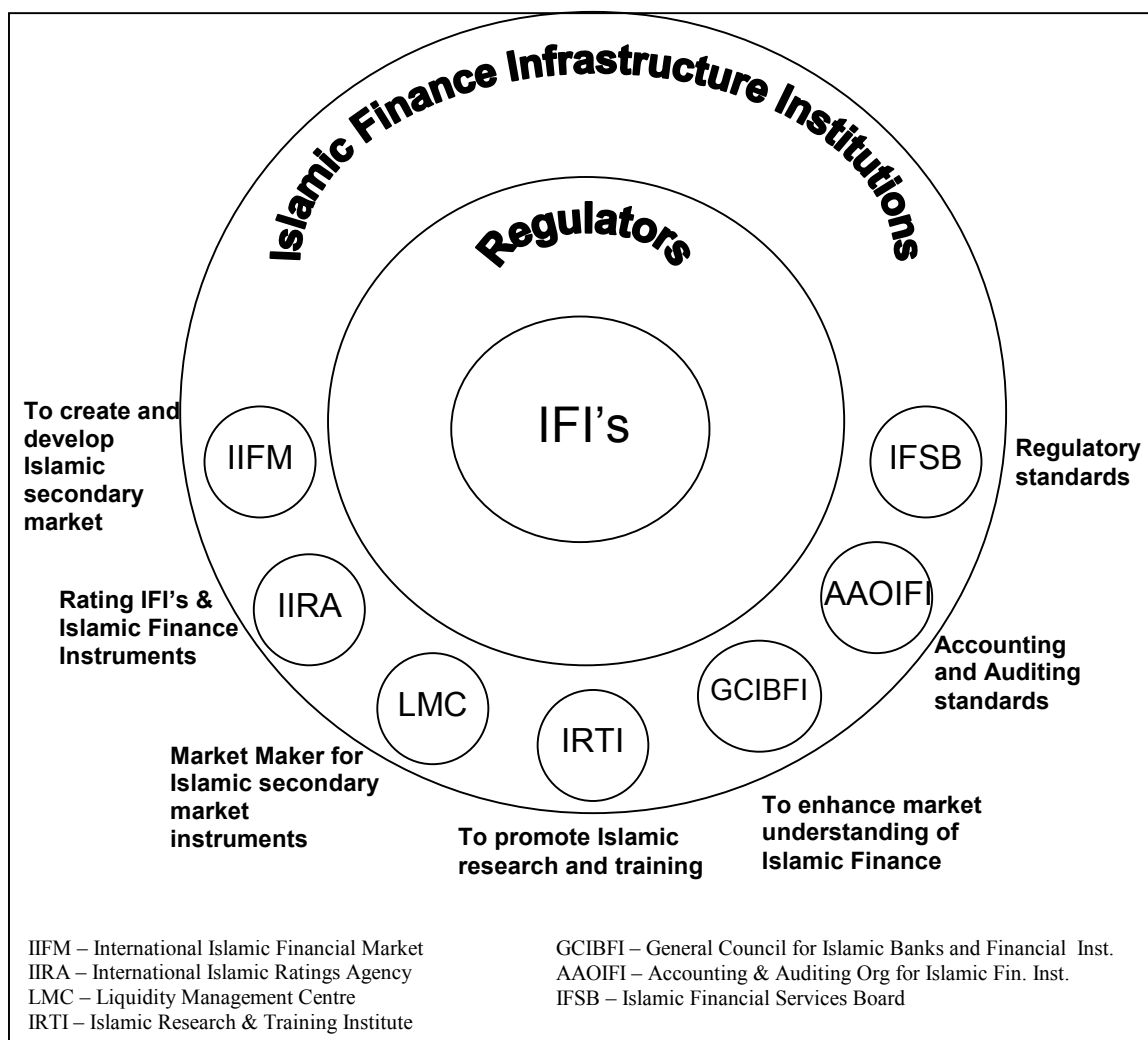


Diagram 1: Islamic Finance Infrastructure Institutions (selection)

Current Developments - 2005

The penetration rate of Islamic banking assets to total banking assets as at 2003⁶ indicates that the industry is still largely unexplored. In Saudi Arabia, Islamic banking assets make up slightly above 20% of total banking assets. Meanwhile in Kuwait, it is 16%, Qatar is at 13% with Malaysia and Bahrain close to 10%.

However, the cumulative average growth rates of the industry, which is around 12% - 15%, provide greater promise of the growth opportunities of the industry in the near future.

Furthermore, recent reports that Muslim investor's funds worth USD\$1.3 trillion which made a capital flight out of the US financial markets and a further USD\$10 trillion from European markets, and looking for a home to invest, is proving to be a catalyst to the industry's growth capacity.

In another development, the central bank of Malaysia (BNM) in 2004 awarded three new licenses to foreign Islamic bankers, which include Al-Rajhi Banking Corporation, Kuwait Finance House (KFH) and a consortium led by Qatar Islamic Bank, to operate full-fledged Islamic banking operations in Malaysia.

In the UK, the Financial Services Authority (FSA) in 2004 gave a go-ahead to Islamic House of Britain Plc's application to provide full-service retail Islamic banking operations through the Islamic Bank of Britain (IBB), which is headquartered in Birmingham. Singapore, meanwhile has articulated its very own ambitions in Islamic finance. In September 2004, Senior Minister and Chairman of the Monetary Authority of Singapore (MAS) announced his plans to promote Islamic financial services in Singapore to add to the repertoire of services offered by the island-city state as a regional financial

⁶ ***“Current Trends & Prospects of the Islamic Banking & Finance Sector”***, Deloitte Preliminary Report at OIC Business Forum, August 2004, Kuala Lumpur.

center. These and many other developments promise an exciting future for the Islamic banking industry.

2. SALIENT FEATURES OF ISLAMIC BANKING AND FINANCE

2.1 Riba and Gharar: A Primer

Riba'

One of the most prominently elaborated distinction of Islamic banking as against conventional banking is the prohibition of *Riba'*. Alas, it is also one of the most frequently misunderstood concepts in Islamic banking knowledge, even among seasoned practitioners, despite the prominence the matter holds. For *Riba'* is typically understood to mean interest and thus many conclude that Islamic banking is in fact interest-free banking. That, in itself is a contradiction - banking without interest! How can that be?

Comprehending the importance of this issue is central, not only to practitioners but also to system solution providers. This is because banking application systems are designed with the traditional banking approach of having to insert an interest rate for all products created, to the extent that it is sometimes made a mandatory requirement during product creation. And now, banking without interest – how can that be?

Firstly, interest income or interest payments are *Riba'*. It is, however, not entirely correct the other way round. *Riba'* is more than just interest returns and expenses. *Riba'* is deeply rooted in the sources of Islamic jurisprudence and is clearly prohibited in financial dealings of Muslims. The Prophet, typically, elaborated in several occasions, what *Riba'* means and how to avoid such practices. In one of the more popularly quoted *Hadith*, the prophet is reported by 'Ubadah bin al-Samit to have said: "*Gold for gold, silver for silver, wheat for wheat, barley for barley, dates for dates, salt for salt, like for like, equal for equal and hand to hand. If the commodities differ, then you (may) sell them as you wish, provided that (the exchange) is hand to hand.*"

The above commodities namely gold, silver, wheat, barley, dates and salt are known as *Ribawi* items, based on classical sources. Later on, Muslim jurists took the liberty to expand the items to include most staple foodstuff and all currencies as part of the contemporary definition of *Ribawi* items. As such, *Riba'* only occurs when *Ribawi* items are exchanged, one for another of the same kind (*like for like*) and where the exchange is unequal and/or not immediate, thus effectively violating the condition of *equal for equal* and *hand to hand*. In such situations, *Riba'* sets in. But what does that mean in the context of banking?

When a bank loans money to a customer, and by virtue of the interest rate, expects the customer to make a payment at a later date which, regardless of it being on instalment or bullet payment, is higher than the actual loan amount, this effectively amounts to an exchange of currency of the same kind (like for like) which is unequal and not immediate. That is *Riba'*!

Thus it is not just the interest amount that is *Riba'*, it is the fact that there was a deferment in the exchange of similar items and that there were different counter values of the exchange of those similar items⁷. Within the grander scheme of things, this type of exchange would potentially and typically result in unfair gains without an adequate performance of productive economic activities. But that is merely among the many rationales of the prohibition of *Riba'*, not the basis⁸.

What is Islam's solution, then? The solution is in Trade or partnership – or other productive economic activities.

Thus the concept of a bank being an intermediary between the surplus suppliers of funds and the deficit seekers of funds, without assuming the magnitude of risks to justify their spread, is alien in the literature of Islamic banking and finance. Islamic banks are

⁷ "*Riba In Islamic Banking*"; Assoc. Prof. Dr. Mohd. Daud Bakar, www.islamicbankingfinance.com

⁸ Ibid

effectively active participants of the economic environment and as such participate in risk and return dynamics of finance. They take part in trade activities or partnership activities and share the profits and bear losses with their shareholders and equity holders. This is what is known as the Profit and Loss Sharing (PLS) method. It is interesting to note that, Islamic banks quote their selling price of a trade activity by benchmarking against prevailing interest rates anyway, just like how conventional banks quote price of a loan. Therein lies another fundamental misconception, interest rate is not *Riba*'.

Gharar

A closely related issue to *Riba*' in Islamic banking and that requires similar seriousness of attention is the concept of *Gharar*. *Gharar* is the ambiguity and uncertainty present in any contractual relationship, to the extent that it might provide one of the parties of the contract with an unfair advantage over the other. *Gharar* has also been interpreted as the degree of information asymmetry and absence of information that can provoke one of the parties to commit deceit or other fraudulent activities. *Gharar*, if exists, will nullify a contract.

In Islamic legal terminology, the sale of goods, which is not present at hand, regardless of its actual existence, is a *Gharar*-laced contract. As another example, the execution of a contract with a minor or a person who has not reached the age of being able to make conscious economic decisions, or even with a person, who at the time of the contract was intoxicated to the level of removing any sense of fair judgement from him, are all contracts laced with elements of *Gharar*, hence null and void.

The prohibition of *Gharar* is central in promoting the principle of fairness and justice in financial transactions. Avoidance of *Gharar* elements would mitigate the risk of litigation and disputes, at the occurrence of unfavourable events to the contractual relationship. There are many approaches in understanding how *Gharar* is defined and one notable approach is in classifying contracts and defining the essential elements and the necessary conditions of each classification of the contracts, as explained in the following section.

2.2 Types of Contracts

Conceptually, there are two broad categories of contracts in Islamic finance; bilateral contracts and unilateral contracts. The latter is more gratuitous in nature and is more tolerant and relaxed in its guidelines. Contracts coming under this banner are gifts, donations, endowment, bequeath through will and others of such nature. However, the bilateral contracts, imposes greater precision to guidelines and rulings on both the contracting parties. In the full spectrum, bilateral contracts in Islamic finance could be classified as follows⁹: (*examples of contracts in italic*)

- i. Contracts of Exchange (*Murabaha, Istisna'*)
- ii. Contracts of Security (*Kafalah*)
- iii. Contracts of Partnership (*Mudaraba, Musyarakah*)
- iv. Contract of Safe Custody (*Wadiah*)
- v. Contracts of Usufruct Utilisation (*Ijarah*)
- vi. Contracts of Agency (*Wakalah, Ju'alah*)

Each of these categories of contracts share a set of essential elements and necessary conditions, which are required to be fulfilled in order to validate the contract. For example, the essential elements of a contract of exchange such as *Murabaha* are; the existence of buyer, seller, the goods or article of sale, price of the article and a contract. This set of essential elements are shared by all contracts that fall under the category of contracts of exchange such as *Istisna'* or *Salam*.

Further, each of these essential element, has a set of necessary conditions attached to it to make it eligible. For example, for a buyer to be eligible for the contract, the conditions are the buyer must have reached the age of majority (is not a minor), possesses an intelligent mind capable of making rational economic decisions and that the customer is not coerced into the contract. As such, a set of essential elements and necessary conditions for each essential element exist for each category of contracts.

⁹ “*Contracts in Islamic Commercial and Their Application In Modern Islamic Financial System*”; Assoc. Prof. Dr. Mohd. Daud Bakar, www.islamicbankingfinance.com

3. TYPICAL ISSUES TOWARDS *SHARI'AH* COMPLIANCE OF SYSTEM SOLUTIONS – A SELECTION

The paradigm shift brought about by Islamic banking, not only required practitioners to reverse engineer their frame of reference of banking operations, it necessitated banking software solutions to undergo a certain degree of alteration as well. Presented here a selection of issues, which required acknowledgment and adaptation to ensure *Shari'ah* compliance of the system solution.

3.1 Selling Price Computation

This is a specific requirement for products utilising the contracts of exchange such as *Murabaha*, *Bay' Bithaman Ajil* (as offered by some Islamic banks) and *Istisna'*, among others. The selling price, in its basic form consists of principal and profit. Where the facility includes a grace period or moratorium for the construction period of the asset, a grace period profit will also form part of the selling price.

The computation of the selling price can be based on a simple Principal-Rate-Tenor (PRT) formula or based on amortisation or constant rate of return methods. It is of utmost importance that once the selling price is computed and contracted, no subsequent fees or charges be capitalised into the selling price or accrued into the outstanding balance. This is a challenge particularly in situations when the customer defaults and a compensatory late payment charge sets in motion (provided it is approved by the *Shari'ah* Council), the compensation for late payment should not form part of the outstanding selling price balance. Likewise for any other subsequent fees or charges that may be levied by the Islamic bank.

3.2 Rebate

One of the inflexibilities noticed with the imposition of selling price computation is that the customer will be at a disadvantage during early settlement or capital prepayment situations.

To overcome such rigidity, Islamic banks introduced the concept of a rebate (*Ibra'*). A rebate is not a physical flow of cash from the bank to the customer. Instead it is an accounting entry to set off the outstanding profit balance against the financing account to acknowledge the capital prepayment or settlement.

3.3 Grace Period

A grace period is normally the period of financing when the asset is still under construction and where the release of the purchase price to the firm undertaking the construction is on progressive basis. As such, the customer would enjoy a moratorium period and not be obliged to pay the full amount of the financing cost.

The issue, however, is to determine the fixed grace period profit to be incorporated into the selling price, in view of the volatilities in actual completion of assets under construction. Flexibilities are required from the system to provide rebates to the customer when the construction is completed earlier than scheduled, while at the same time being able to incorporate the grace period profit as part of the selling price.

3.4 Compensation Charges For Late Payment

Compensation for late payment, as the name suggests, is a charge to compensate Islamic banks for the expenses incurred in maintaining accounts which are past due and delinquent. In Malaysia, the *Shari'ah* Advisory Council has allowed such charges to be capped at 1% of past due payments. While the Accounting and Auditing Organisation for Islamic Financial Institutions (AAOIFI) has required that such amounts be channelled to charity or to whatever other means as approved by the Islamic banks' *Shari'ah* Councils.

3.5 Issues In Accounting Treatments

The accounting function undertakes a great significance in Islamic banking. This is because, it is paramount in Islamic banking to recognise the rights and obligations of the parties to the contract. This requirement is satisfied by the accounting function of Islamic

banking.

It is important in Islamic banking, particularly an issue in window-based operations, that the sources of funds and the applications of funds are not tainted with the returns from the conventional operations. As such, maintaining separate books of accounts, both at the head office level and the branch level, logical separation as it may be, is of paramount importance.

The separate accounting book will also facilitate the recognition of revenues and expenses from the Islamic banking operations, hence determine an appropriate profit distribution across all *Shari'ah* compliant products.

3.6 Restructuring And Rescheduling A Facility

Financing restructuring is to change the customer's basic financing portfolio, which would possibly affect the customer's repayment structure, financing period, expiry date and other related information. This can happen on many situations, one of which is that when the customer faces financial difficulty rendering the customer hardship to continue servicing the financing account.

The challenge arises if it the restructuring or rescheduling occurs within the same account. The contracted selling price, should at all costs, not be compromised. If the restructuring exercise results in a change to the selling price, or the outstanding amount of the selling price, then a new contract should be executed. However, without changing the account and executing a new contract, the system should provide flexibilities to restructure or reschedule the account, therein lies the challenge for system solution providers on restructuring and rescheduling of accounts.

3.7 Zakat Computation

Zakat is a form of compulsory payment on wealth and income for qualifying Muslims. There are several forms of *Zakat* covering the whole spectrum of income and wealth accumulation. Among the condition of qualification is that the wealth or income should exceed the required threshold amount (which varies from jurisdiction to jurisdiction) for a duration of one calendar year. In the context of banking, Muslim customers would want their Islamic bank to automatically compute the amount due for *Zakat*, and as such, placing the onus on the system solution to cater for the *Zakat* requirement intricacies.

3.8 Profit Computation For Distribution To Depositors

Deposit mobilisation products in Islamic banking, demand deposits particularly, are normally based on contracts of safe custody (*Wadiah*) or loan (*Qard al-Hasan*). Both of which are not part of profit and loss sharing. The discretion of distributing profits, in the form of *Hibah*, is entirely up to the Islamic banks. But as competitive pressure and the risk of withdrawal and run-on-deposits have it, Islamic banks more often than not, distribute profits to their depositors at market competitive rates.

The challenge however, is to compute, allocate and distribute an appropriate level of profits to the demand deposit holders, while ensuring the more risk-taking investment account holders are also compensated fairly. All of this within the context of ex-post instead of ex-ante rate of returns determination in Islamic banking operation.

3.9 Mudaraba Investment Account

The General Investment Account (GIA) is the fixed deposit equivalent in Islamic banking product structure. The contract used is *Mudaraba*, which requires the provider of funds (the depositor) to share in the profits with the entrepreneur (the bank) but bear all losses, if any. This would effectively, result in volatile returns with a spike-and-trough pattern of profit returns to the depositors¹⁰. This would not augur well for investors who would

¹⁰ “A Primer on Issues in Corporate Governance and Risk Management in Islamic banking and finance” Syed Alwi, Jan 2005.

typically be expecting a more stabilised rate of return regime, especially as the fixed deposit of conventional banking is able to do so.

Facing the risk of loss of confidence and credibility among investors, the AAOIFI and later on IFSB in its recently released exposure draft (March 2005) provided for the creation of reserves that would smoothen the returns to the investors, while at the same time act as a sinking fund to absorb any investment risks.

3.10 Non Co-Mingling Of Funds For Restricted *Mudaraba* Deposits

Another form of deposits allowed by Islamic banks is the restricted investment account, which also uses the *Mudaraba* contract to function. This is a form of deposit where the investors' funds are specifically utilised to fund a particular project. As such, the returns from the project will have to be specifically channelled to this set of investors, without co-mingling with the rest of the depositors' funds. This type of deposit is also normally reported as an off-balance sheet item.

3.11 Risk Management Considerations

Risk management considerations have taken centre-stage attention in Islamic banking, as of late. This is because, as Islamic banking gains greater prominence and attracts keener interest from the global financial players, there is more scrutiny on the risk management, corporate governance and transparency issues of Islamic banking.

As the industry standard setting bodies such as IFSB and AAOIFI address these issues head-on, the onus will eventually fall on the technology application systems to translate these standard requirements into comprehensible functions and features in the system.

4. SYMBOLS FOR ISLAMIC BANKING: OUR VALUE PROPOSITION

At a generic level, the development of application systems can take on different modes of implementation depending on the level of commitment of the firm, particularly the leadership of the firm. Diagram 2 below describes firms as either “Lagging”, “Mainstream”, “Leading” or “Pioneering” on the basis of their commitment level and mode of implementation adopted.

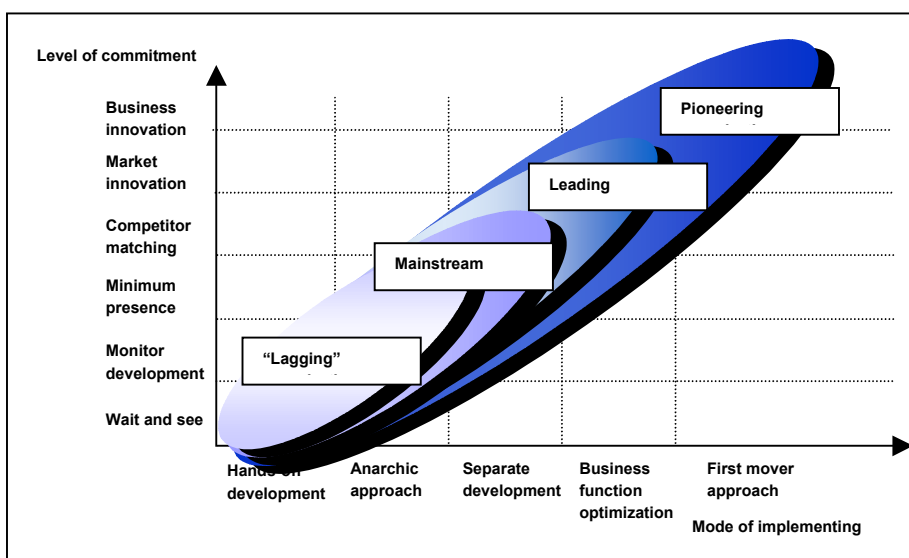


Diagram 2:
Evolution of
Application System
Development

Unfortunately, in Islamic banking application system development, the bulk of firms can be classified as “Lagging”, where the development is anarchic as they attempt to tweak their base systems and incorporate only the critical requirements of Islamic banking at the superficial level. Hence, the bank will have to go through the journey of system implementation with a “chalk and board” to educate the system developers of their requirements, and be prepared for sub-standard deliverables.

In such situations, the customer of the Islamic bank would have to put up with statements of accounts laced with terminologies such as “interest accrued” or “loan outstanding”. Other *Shari’ah* incompliance issues include capitalisation of charges, inability to generate rebates upon capital prepayment and many others. All of which cause inconveniences to



the customer, while posing a clear and present operational and legal risk issue, not to mention exposure to reputation and image risks as well.

At System Access, we are proud to note that we are a “Leading” organisation, and when it came to developing an Islamic banking system solution for our growing and demanding client base, we knew that our credibility and reputation would be called to question, had we adopted any other short cut approach in developing the Islamic banking system.

Symbols is an incorporation of the best practices of the base Symbols solution to allow existing Symbols users with uniformity and ease of adaptation, while it also offers the ability to support core applications of an Islamic banking operation. Symbols is able to support a full-fledged Islamic banking operation and/or a “window-based” Islamic banking operation of a conventional bank. Symbols offers our clients the following value propositions:

4.1 Shari’ah Compliant

Symbols is a *Shari’ah*-compliant system solution. It is able to cater for the entire spectrum of product offering of an Islamic bank and has been subjected to a thorough *Shari’ah* audit exercise. The solution allows the Islamic bank to create products with ease and define product components from a set of *Shari’ah* compliant functionalities. The issue on the different interpretations of *Shari’ah* in different jurisdictions is addressed through the flexible parameter driven structure and user definable codes provided in the system, hence alleviating the issue to a minor concern.

4.2 Zakat Computation Capability

Symbols has been designed to allow *Zakat* computation for the customers of the bank. With the only exception of inserting the *Nisab* amount, or the threshold of *Zakat* qualification amount, the remaining processes are automatically performed. This relieves the bank personnel from undertaking inefficient control and maintenance operations of this function, the cost of which would potentially far exceed the value of providing this



function to the customer. With this function now, the bank can improve their image of being a socially responsive bank, while allowing the customer to perform their *Fard-al Ain* obligation with ease.

4.3 Capable of Full AAOIFI And IFSB Compliance

The system is designed to cater for full compliance of accounting standards for Islamic financial institutions as prescribed by AAOIFI and risk management and capital adequacy standards as prescribed by IFSB. As these standards are still evolving, the system is designed on a parameter and user-definable basis to allow the users to incorporate any new standards that is passed by these standard setting bodies, subsequent to roll out. With the bank having full control of the system setting, it allows the users to gain flexibility and authority of the solution, while removing the hassle and cost of external party dependence.

4.4 Subject Matter Experts In Islamic Banking

Symbols was developed by a team of professionals led and supervised by leading subject matter experts in the area of Islamic banking and finance. Users can benefit from the expertise and experience of our Islamic banking subject matter experts either during the user requirement stages of the project or on a broader level of Islamic banking product development and strategy visioning exercises. These value-added services are the differentiation factor of System Access, as we seek to work with our clients with the bigger picture in mind.

4.5 Integrated And Flexible

Symbols is an integrated system across the various Enterprise Modules at the vertical level as well as across all other application modules on the horizontal level. This provides the users with the ability to have a “bird’s-eye view” of a customer relationship across all asset and liability accounts of the customer. The solution is also parameter-driven with user-definable codes to allow users the flexibility of use.



4.6 World Class And Experienced Professional Team

The professional workforce in System Access has a wealth of experience and world class project management and implementation track record. Our method of working on a collaborative and engaging approach is a key factor to all the project successes. Our clients have always enjoyed the knowledge transfer and the experience sharing benefits of every engagement.

4.7 Industry Best Practices

System Access is an ISO9001:2000 certified firm and follows with strict order the compliance to ISO standards on all aspects of the project management and implementation methodology. We have a 100% success rate on all client installations and our clients will attest to the robustly efficient project management methodology adopted.

4.8 Risk Management Centric

System Access is designed to mitigate operational risk issues, especially the unique operational risks inherent in an Islamic banking operation. The system has been audited against *Shari'ah* compliance measures and incorporates proper control objectives to ensure proper processes and controls exist in the system. The system also allows for the adoption of IFSB standards on risk management and capital adequacy requirements.

4.9 Customer Relationship Management Capability

System Access is designed to allow the bank to improve their customer service capabilities. The system allows for a single-eye-view of a customer's total assets and liabilities, it also allows the ability to link and view customer-to-customer relationships within the bank, among other exceptional features to enhance customer responsiveness.



5. CONCLUSION

Shari'ah compliance is not confined to product development efforts alone. It transcends into all aspects of operations, including technology, or more precisely the application system solutions that support all aspects of the banking operation. It has thus, become pertinent to engage with technology consultants or system providers, not solely with the idea of improving processes and enhancing efficiency, but also to mitigate against operational risks, one of which is compliance to *Shari'ah* requirements.

With that motive in mind, System Access has taken a proactive initiative in its effort to develop a set of Islamic banking solutions, by ensuring *Shari'ah* compliance all the way. This is with the objective of allowing our valued banking clients the ability to improve their performance, while at the same time be assured that risk controls issues have been taken care of.

Symbols is a core banking software solution for the financial services industry and it has been enhanced with the unique capability of handling the entire spectrum of Islamic banking operations i.e. retail, commercial, corporate, treasury, money market, capital market, funds management and wealth management. It has built-in capabilities for customer relationship management functions and is risk management centric. It is rich in content for information capture and is parameter driven allowing greater flexibility and robust efficiency.

But above all, what differentiates Symbols is its *Shari'ah* compliance. Because that is how Islamic banking has redefined the financial landscape.

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