<table>
<thead>
<tr>
<th>Page</th>
<th>Index</th>
<th>Description</th>
</tr>
</thead>
<tbody>
<tr>
<td>163</td>
<td>ABC International Bank</td>
<td>application of funds 60–1</td>
</tr>
<tr>
<td>17, 20</td>
<td>ABN AMRO</td>
<td>sources of funds 59–60</td>
</tr>
<tr>
<td>15, 20, 35, 56, 66, 69, 86, 98, 131, 176, 185, 189, 211, 218</td>
<td>Accounting and Auditing Organization for Islamic Financial Institutions (AAOIFI)</td>
<td>investment accounts 60</td>
</tr>
<tr>
<td>53</td>
<td>adverse selection risk</td>
<td>savings accounts 60</td>
</tr>
<tr>
<td>129</td>
<td>ajr</td>
<td>bank–client relationship 50</td>
</tr>
<tr>
<td>35</td>
<td>Al Azhar</td>
<td>Bank Islam Malaysia 13, 15, 20</td>
</tr>
<tr>
<td>1, 29</td>
<td>Al Khattab, Umar ibn</td>
<td>Bank Islami Bangladesh 20</td>
</tr>
<tr>
<td>250</td>
<td>Al Khawarizimi Colleges and Westford School of Management in the UAE</td>
<td>Bank of England 16</td>
</tr>
<tr>
<td>130</td>
<td>Al Manfaah</td>
<td>Bank of International Settlements (BIS) 66</td>
</tr>
<tr>
<td>156</td>
<td>Al Masnu</td>
<td>Barclays Bank 18, 20</td>
</tr>
<tr>
<td>241</td>
<td>Al Mawdudi, Abul Ala</td>
<td>barter system 2</td>
</tr>
<tr>
<td>35</td>
<td>Al Medini</td>
<td>Basel regulations 68</td>
</tr>
<tr>
<td>156</td>
<td>Al Mustasni</td>
<td>Bedouin 170</td>
</tr>
<tr>
<td>20</td>
<td>Al Rajhi Banking and Investment (Saudi Joint Stock Company)</td>
<td>beneficiary 173, 178, 179</td>
</tr>
<tr>
<td>20</td>
<td>Al Rajhi Trading and Exchange Corporation</td>
<td>bilateral or simple Mudaraba 99</td>
</tr>
<tr>
<td>16, 20</td>
<td>Al Rayan Bank</td>
<td>binding promise 82</td>
</tr>
<tr>
<td>11, 29</td>
<td>Al Siddique, Abu Bakr</td>
<td>BNP Paribas 20</td>
</tr>
<tr>
<td>8</td>
<td>Al-Adl</td>
<td>BOT (build, operate and transfer) financing 65</td>
</tr>
<tr>
<td>8</td>
<td>Al-Ihsan</td>
<td>buy-back condition 88, 147</td>
</tr>
<tr>
<td>63</td>
<td>Alwi, Dr Sharifah Faigah Syed</td>
<td>capital market 205–6</td>
</tr>
<tr>
<td>58, 60, 97</td>
<td>Amanah</td>
<td>Islamic perspective 208–10</td>
</tr>
<tr>
<td>16</td>
<td>Amanah Bank</td>
<td>Shariah-compliant stocks 208–9</td>
</tr>
<tr>
<td>60–1</td>
<td>Ansar Financial and Housing Cooperative</td>
<td>dealing with non-compliant stocks 209–10</td>
</tr>
<tr>
<td>169, 174</td>
<td>Aquila</td>
<td>central bank, relationship with 50–1</td>
</tr>
<tr>
<td>163</td>
<td>Arab Banking Corporation of Bahrain</td>
<td>Centre for Research in Islamic Economics 19</td>
</tr>
<tr>
<td>171</td>
<td>Arab Islamic Insurance Company</td>
<td>Chapra model 253</td>
</tr>
<tr>
<td>63, 84</td>
<td>Arbun</td>
<td>cheque clearing services 51</td>
</tr>
<tr>
<td>4, 5, 242</td>
<td>Aristotle</td>
<td>Christianity</td>
</tr>
<tr>
<td>227</td>
<td>Asset-backed Sukuk</td>
<td>ethics 31</td>
</tr>
<tr>
<td>227</td>
<td>Asset-based Sukuk</td>
<td>on private property 5</td>
</tr>
<tr>
<td>58</td>
<td>Badr al-Islami</td>
<td>prohibition of interest in 241</td>
</tr>
<tr>
<td>15, 185</td>
<td>Bahrain Central Bank</td>
<td>on usury 5</td>
</tr>
<tr>
<td>16, 19, 70, 171</td>
<td>Bahrain Islamic Bank</td>
<td>Citi Islamic Investment Bank, Bahrain 58</td>
</tr>
<tr>
<td>9, 11</td>
<td>Bait-al-Maal</td>
<td>Citibank 17, 20</td>
</tr>
<tr>
<td>59–61</td>
<td>balance sheet</td>
<td>Citigroup 58</td>
</tr>
<tr>
<td>7</td>
<td>classic economic problem</td>
<td>classic economic problem 7</td>
</tr>
<tr>
<td>52</td>
<td>client credit risk</td>
<td>clear financial segregation 173</td>
</tr>
<tr>
<td>4</td>
<td>client selection, prudent</td>
<td>client selection, prudent 4</td>
</tr>
</tbody>
</table>
close-ended fund 211–12
close-ended fund 211–12
command economy 6
Commoda 11
commodity market 206
Conference of Foreign Ministers of Islamic
Countries, Third 19
cost or capital 9
Council for Islamic Banks & Financial
Institutions 20
corporate governance 38
current accounts 49, 59–60

Dallah Albaraka Group 16
Dar Al-Maal Al-Islami Trust 20
Darul Uloom, Deoband 35
Darul Uloom, Karachi 35
Daruriyyat 28
debt-based Sukuk 226
declaratory rulings 27–8
default after delivery 157
default before delivery 157
default risk 53
doing business in Islamic 1–2
dehorting Musharaka 113
Dow Jones Islamic Market Index 210
Dubai Islamic Bank 14, 19, 21, 70, 171, 246
Dururah 29

El-Najjar, Dr Ahmad 13, 19
equity-based Sukuk 226
equity investment risk 53
exchange traded fund (ETF) 212

Faisal Finance House 16
Faisal Islamic Bank of Egypt 19
Faisal Islamic Bank of Sudan 19, 171, 246
Family Takaful 173, 178–9
Fidya 174, 199
financial intermediation 2

financial intermediation 2
conventional 54
conventional vs Islamic 58–9
definition of 54
Islamic 54–5
two-tier Mudaraba 56–7
two-windows model 57–8
Wakala model 58
financial screening 209
Financial Services Authority (UK) 16
Fiqh 28
Fiqh al-Muamalat 61
foreign exchange market 206
FTSC Global Islamic Index 210
Fuqaha 28

GAAP 65
General Council for Islamic Banks and Financial
Institutions (CIBAFI) 71
General Takaful 177
Gharar 31, 32–3, 39, 48, 146,170, 171,
172, 207, 208
Gharar Rahish 33
Gharar Yasir 33
global financial crisis (2007–2008) 68
Global GCC Islamic Index 210
goldsmiths 3
Great Depression 68
Gulf Cooperation Council (GCC) countries 1

Hadith 28, 29
Hajj 13, 17
Haj management bodies 68
Halal 7, 30, 97, 99, 130
Halal trade 7
Hambali 30
Hanafi 30
Hanover Re 176
Haram 28, 30, 207
Hawala 63
Hiba 61
history of banking
conventional 2–3
Islamic 1–2
history of economics 4–7
in ancient times 4–5
modern 5–6
Islamic 6–7
HSBC 17, 20
HSBC Amanah 16, 58
hybrid model (Mudaraba–Wakala) 181, 185
Ibadat 28
Ijab 129
Ijara (leasing) 11, 61, 67, 129–41, 208
Index

documentation 136
   Ijara agreement 136
      undertaking to purchase leased asset 136
   in Islamic banks 130
   practical contract 139
      calculation of lease rentals 139
   Shariah rules and 132–6
      Majur or Ijara asset 132–6
   types of 130–1
   vs conventional lease 136–8
   vs conventional loan contract 138
Ijara fund 213
Ijara Muntahia Bittamleek 130, 131–2
Ijara Sukuk 220–1, 230
Ijara Thumma al Bay 132
Ijara wa Iqtina 130, 131–2
   vs diminishing Musharaka 139
Ijma 29, 39
Ijtihad 11, 28, 29
Ikhtiyar 29
Inan or limited Musharaka 112
income distribution, purification of 210–11
Indemnity 173
Industrial Revolution 3, 5
industry screening 209
initial public offering (IPO) 212
insurable interest 173
insurance
   conventional 191–2, 217
   Islamic 68
insurance claim 174
insurance premium 174
interest rate risk 52
International Accounting Standards Board (IASB) 66, 69
International Association of Islamic Banks, 253
International Centre for Education in Islamic Finance (INCEIF) in Malaysia 250
International Conference on Islamic Economics, First 19
International Financial Reporting Standards (IFRS) 65–6, 68
International Financial Services Board (IFSB) 15
International Institute of Islamic Banking and Finance in London 250
International Islamic Centre for Reconciliation and Commercial Arbitration for Islamic Finance Industry (IICRCA) 71
International Islamic Financial Market (IIFM) 20, 70
International Islamic Fiqh Academy 72
International Islamic Insurance Company 171
International Islamic Liquidity Management (IILM) 70–1
International Islamic Rating Agency (IIRA) 70–1, 229
International Islamic regulatory and standard setting bodies 68–72
International Islamic University, Islamabad 250
International Islamic University, Kuala Lumpur 35, 250
International Organization of Securities Commissions (IOSCO) 66
investment accounts 13, 60
investment markets and products 205–7
investment risk reserve (IRR) 56
Islamic asset and fund management 210–11
Islamic balanced fund 213
Islamic Bank of Asia 16
Islamic Bank of Britain 16, 20
Islamic banking 16, 47–8
   birth of 12
   challenges faced by 67, 248–9
   core objectives 48
   current status 17–18
   definition of 3–4
   development timeline 18–20
   distinctive features 3–4
   future of 254–5
   global achievements 247–8
   global growth of 243–5
   growth of 14–15
   history of 2–3
   in the Middle East and the GCC 246
   and Muslim community 245–6
   in Muslim countries 15–16
   in non-Muslim countries 16
   periods of 14–15
   in South and South-East Asia and beyond 247
   sub-sectors 16–17
   vs conventional banking 3, 4, 12–13, 15, 49–51
Islamic banking products 63–5
   corporate 64–5
      bank guarantees 64
      banker’s acceptance 64
      bill of exchange 64
      letter of credit 64
      project finance 65
      syndication 65
      trade finance 64
   retail 63–4
      credit cards 63–4
      current, savings and investment accounts 63
      home financing 64
      personal loan 64
Islamic banks, challenges faced by 67
   default penalty 67
   global auditing standards 67
   lack of skilled employees 67
   partnership ventures 67
Islamic banks, challenges faced by (Continued)
profit and loss system 67
regulatory issues 67
and Salam and parallel Salam 148–9
Shariah scholar confusion 67
Shariah scholar, multi-skilled, shortage of 67
taxation 67
Islamic capital markets 17, 68
risks and challenges in 216
credit risk 216
fiduciary risk 216
foreign exchange risk 216
liquidity risk 216
market risk 216
Shariah non-compliance risk 216
Islamic commodity fund 212
Islamic cooperative savings bank accounts 13
Islamic debt fund 212
Islamic Development Bank (IDB) 14, 19, 21, 71,
229, 246, 250
Islamic economics 6–7
Islamic equity fund 213
Islamic ETFs (I-ETFs) 212
Islamic finance
challenges faced by 248–9
current status 17–18
definition of 3–4
development timeline 18–20
distinctive features 3–4
future of 254–5
global growth of 243–5
growth of 14–15
and Muslim community 245–6
in Muslim countries 15–16
in non-Muslim countries 16
periods of 14–15
sub-sectors 16–17
Islamic finance, evolution of 11–14
early days 11–12
birth of modern 12
institutional developments 12–13
Islamic finance companies 17
Islamic Finance House, Luxembourg 19
Islamic financial accounting 65–7
Islamic financial institutions (IFIs) 34, 38–9, 40
Islamic Financial Services Act (Malaysia) 2013 176
Islamic Financial Services Board (IFSB) 20,
69–70, 98, 176
Islamic Fiqh Academy of the OIC 211
Islamic Foundation, Leicester 250
Islamic housing cooperatives 17
Islamic insurance 68
Islamic Insurance Company 171
Islamic investments 207–10
types of fund 212–13
vs conventional investments 217
Islamic law 11
Islamic leasing and factoring companies 17
Islamic mercantile law 11
Islamic microfinance 17
Islamic non-bank financial institutions 17, 68
Islamic private equity 213
Islamic Real Estate Investment Trusts 213–14
vs Real Estate Investment Trusts 214–15
Islamic Research and Training Institute
(IRTI) 20, 71, 250
Islamic Shariah scholars 35
Islamic unit trust or mutual fund 211–12
Islamic venture capital 213
Islamic window 14, 16
Ismail model 253
Istisna 29
Istishab 29
Istisna 32, 61, 62, 67, 79, 32
Islamic banks and 159
Istisna and parallel Istisna process 159–60
practical application 163–4
buy, operate, transfer (BOT) 163–4
parallel phased Istisna (PPI) 163
problems related to Istisna and parallel
Istisna 160–1
Shariah rules and 156–8
asset specifications 156
cancellation or termination of contract 157
default 157
after delivery by buyer 157
after delivery by seller 157
before delivery by buyer 157
before delivery by seller 157
delivery 156–7
exception to valid sales contract 156
independent of Istisna and parallel Istisna
contracts 158
insurance of asset 158
material sourcing 156
payment options 157
penalty 157
price 156
secured or collateral 157
vs Ijara 163
vs interest-based finance, Salam and
Ijara 161
vs Salam 162–3
Istisna Sukuk 222
Jaafari 30
Jakarta Islamic Index 210
Jizya 11
Jordan Islamic Bank 19, 171
Judaism
ethics 31
prohibition of interest in 241
junk bonds 229
justice in economic exchange 4
Kafala (kafalah) 63
Keynes, J. M. 68
Kharak 11
Kuala Lumpur Composite Index 210
Kuwait Finance House 19, 70, 246
Lariba 16
lead bank 65
lease and hire purchase 64
lease purchase agreement 64
lender of last resort 50
LIBOR 87, 131, 132
Liquidity Management Centre (LMC) 20, 70–1
liquidity or funding risk 51
Majur 130
Makruh 28
Maliki 30
market economy 6
market price risk 52
market risk 151
markup or profit 82
Masayil Al Maslahah 29
Mashreq Bank, UAE 58
Maslahah 28, 29
Masraf al Rayan of Qatar 16
medium of exchange 2, 3, 5, 7, 9
merchants 3
Merrill Lynch 20
mismatch of quality and quantity 151
Mit Ghamr 2, 13, 19, 21
Mit Ghamr savings project 13
Mit Ghamr Social Bank 246
mixed market economy 6
mixed socialist economy 6
money lenders 3
money market 205–6
Islamic perspective 207–8
money, creation of 2–3
moral hazard risk 53
Morgan Stanley Capital Index (MSCI) 210
Murabaha (deferred payment sale) 64
Muajir (lessor) 129
Muamlat 28
Muawadat 62
Mubah 28
Mudaraba (trust financing) 11, 18, 50, 54–6, 60, 61, 67, 95–104, 112, 208
accounting issues 104
additional conditions related to 101
challenges and problems related to 102
investment risk reserve 98
as a limited recourse debt finance 99
practical applications 102–4
profit calculation 97–8
profit equalization reserve 98
Shariah conditions related to 100–1
two-tier 96
types 99–100
use for financial intermediation of Islamic banks 96–7
Mudaraba al Muqayyadah (restricted Mudaraba) 99
Mudaraba al Mutlaqah (unrestricted Mudaraba) 99
Mudaraba model 181
Mudaraba Sukuk 224–6
Mudarib 55, 56, 57, 95, 96, 98, 99, 183, 185, 186
Mufawada (unlimited Musharaka) 112
Multilateral Mudaraba 100
Munich Re 176
Murabaha (trust sale) 61, 62, 67, 79–89, 208
calculation of profit 83
challenges and problems associated with 86–8
conditions related to 81–2
contract (diagram) 81
ordinary 80
practical applications 85
process 83–4
sale with a promise (Murabaha to the purchase order) 80
Tawarruq (reverse Murabaha) 83 or commodity Murabaha 85–6
vs conventional loans 88–9
Murabaha process 83–4
Murabaha sale with a promise 80
Murabaha Sukuk 223–4
Musawama (bargain sale) 62, 80
Musharaka (joint venture) 11, 50, 55, 60, 61, 67, 111–24
practical uses of 116–21
agriculture finance 118
credit facilities 117
domestic trade 117
import finance 117
letters of credit 117
securitization 121
service sector 119–20
vs interest-based financing 121–2
vs Mudaraba financing 122–3
working capital finance 116–17
problems related to 115–16
Shariah rules and 114
types of 112–13
Musharaka Al Milk 113
Musharaka Muntahiya Bittamleek (diminishing Musharaka) 113, 118
examples of 118–20
house purchase 118–19
service sector 119–20
Musharaka Mutanaqisa 113
Musharaka Sukuk 226–7
hybrid or pooled Sukuk 226
pure Ijara Sukuk 226
Zero-coupon non-tradable Sukuk 226
Muslam 145
Muslam Fihi 145
Muslam Illehi 145
Muslim legal scholars 12, 242
Muslim population 17
Mustahabb 27
Mustajir (lessee) 129
mutual insurance 190–1

Nasr Social Bank 13, 19
Nasser Social Bank in Cairo 246
National Company for Cooperative Insurance 171
non-compliant stocks 209–10
non-tradable Sukuk 226

obligatory rulings 27–8
oil boom and oil embargo 14, 246
open-ended fund 211
operating lease or regular Ijara 130–1
operating risk 52
Ordinary Murabaha 80
Organization of Islamic Cooperation (OIC) 14
Organization of Petroleum Exporting Countries (OPEC) 245
overdrafts 60

Pak Kuwait Takaful Limited 175
Pakistan Meezan Islamic Fund 210
Parallel Istitina 159–60
problems related to 160–1
Parallel Salam 148–9
diagram and process 149–50
participants 170, 171, 172
performance risk of banks 160–1
permanent Musharaka 112
personal loan 64
petrodollars 12
Philippines Amanah Bank 19
planned economy 6
population, Muslim 17
private equity firms 17
private property 5
productive investment 4
profit and loss-sharing (PLS) 3–4, 12, 48, 50

profit equalization reserve (PER) 56, 98
prohibition of interest see Riba
property ownership 8
purification of income distribution 210–11
Qabul 129
Qard Hasan (benevolent loan) 11, 61, 180, 183, 184, 185, 190
Qatar Foundation 250
Qatar Takaful Company 16
Qiyas 29
Quran 3, 6

Rab al Maal 54, 55, 56, 57, 95, 96, 97, 98, 99, 181, 183, 184
Rahn 63
Ras al Maal 145
rate of return risk 53
real assets, link to 3
real estate investment trust (REIT) 213–14
vs Islamic Real Estate Investment Trusts 214–15
regulatory environment 249
reinsurance 197–8
religious basis of islamic finance 3
Religious Board 35
re-Mudaraba 100
Retakaful 190
Riba 9, 31–2, 39, 48, 86, 170, 172, 207
prohibition of 3, 5, 18
Riba al Fadl 32
Riba al Nasiah 32
Ribawi 146
Ribh 83
risk of holding excess liquidity 52
risks of banks
generic 51–2
specific to Islamic banks 52–3
S&P Global Investable Shariah Index 210
Sadaqah 7, 8–9, 11, 21, 207
Salaam Insurance Company 176
Salam (forward contract) 11, 32, 61, 62, 67, 79, 145–52
benefits of 148–9
buy-back condition 147
delivery date and place 146–7
diagram and process 149–50
goods suitable for Salam 146
history of, and Shariah acceptability 147–8
Islamic banks and Salam and parallel Salam 148–9
penalty 147
practical application 150–1
price of Salam contract 146
problems related to 151
Salam and parallel Salam diagram and process 149–50
security and guarantee 147
termination 147
vs conventional banking 151
Salam Sukuk 223
Sarf 62
savings account 13, 60
scarcity of resources 7, 10
seller’s default 151
settlement or payment risk 52
Shafi 30
Shariah Advisory Committee 35
Shariah Board 35
Shariah Committee 35
Shariah compliance risk 53
Shariah Control Committee 35
Shariah Council 35
Shariah governance 38–9, 216–17
Shariah law 1, 2, 3, 27–8
ethics 30
prohibitions and principles 31–4
schools of Islamic jurisprudence 29–30
sources of 28–9
Shariah screening process for stock selection 209
Shariah Supervisory Board (SSB) 34–6, 40
Board of Directors (BOD) 35, 36
Charter 35
formation of 35
functions of 36–8
in Islamic investment 216–17
status within industry 36
Shariah-compliant stocks 208–9
Shiite school of thought 29, 30
short selling 207
Siddiqui, Mohammad Nejatullah 6
Smith, Adam 5, 21
Social responsibilities of Islamic finance 253–4
social welfare 8–9
sources of funds 59–60
Special purpose vehicle (SPV) 218
Standard Chartered Bank 17
Standard Chartered, Pakistan 58
Sudanese Islamic Insurance Company 19, 171
Sukuk 88, 208
characteristics 218–19
controversy related to 227–8
history of 218
investment process 218
manager guarantee 220
ownership 218
parties in 219
payments 219
profit and loss 219
rating 219, 229
restrictions on 220
security 219
Shariah compliance 219
Shariah implications 228
traiding 219
trading on secondary markets 229–30
types of 220–6
underlying asset 218
vs conventional bonds 230–4
vs Shariah-screened shares 234
Sunnah 28, 29
Sunnis schools of thought 29, 30
Swiss Re 176
Taawun 172
Tabarru 172, 173, 183
Tabung Haji (Pilgrims Fund Corporation) 13, 15, 19
Tahsinniyyat 28
Takaful (Islamic insurance) 16, 169–200, 207
as alternative to conventional insurance 170–1
background 169–70
challenges faced by 176–7
conventional mutual insurance and 190–1
development of 174–6
during time of the Prophet 174
18th and 19th centuries 174
20th century 174–5
21st century 175–6
operational structure 180–1
parties in 171–2
pure Wakala model 181–3
pure Mudaraba model 183–4
Retakaful 196–8
Shariah rules and 172–4
clear financial segregation 173
compliance with Shariah law 172–3
indemnity 173
insurance premium and claim 174
key conditions of 173
significant insurable interest 173
Taawun 172
Tabarru 172
utmost good faith 174
types of 177–9
family Takaful 178–9
general Takaful 177
underwriting surplus or deficit and technical provisions 189–90
vs conventional insurance 191–6
Wakala and Mudaraba Combined or hybrid model 185
Waqf-Wakala-Mudaraba model 185–7
Takaful companies 68
Takaful model 181
comparison of 187–8
Takaful operator 181
Takaful scheme 56
Temporary Musharaka 112
 Tradable Sukuk 226
Two-tier Mudaraba 56–7, 100
Two-windows model 57–8

UBS 17, 20
Ujrah 129, 132
Ulama 28
Ummah 27
underwriting deficit 189–90
underwriting surplus 189–90
University Islamic Bank 16
usufruct 221
usury 5
utmost good faith 174

venture capital firms 17

Wad 61
Wadia 60, 62, 117
Wajib 27
Wakala (agency) 11, 18, 60, 62, 208
Wakala model 181
Waqf (charitable endowments) 9, 17, 62, 207
management institutions 57
Waqf model 181
Wassiyat 62
welfare economy 8–10
Wujuh 112
Wujuh Musharaka (partnership of goodwill) 112

Zakat 7, 8–9, 11, 13, 21, 67, 97, 207, 210
management bodies 17, 68