

Islamic Finance Qualification

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Objective of the examination

The objective of the examination is to ensure that candidates are equipped with a practical understanding of Islamic finance and an understanding of the influence of Shariah in a business context, thus enabling them to hold positions in the Islamic finance, investment and Takaful (Islamic insurance) industries.

The examination will test candidates' knowledge and understanding of the following elements:

- The general principles of Islamic finance
- Islamic contracts
- Islamic principles of exchange
- Islamic asset management and Socially Responsible Investing (SRI)
- Sukuk
- Takaful
- Governance in Islamic institutions

Syllabus Structure

The unit is divided into **elements**. These are broken down into a series of **learning objectives**.

Each learning objective begins with one of the following prefixes: **know**, **understand** or **be able to apply**. These words indicate the different levels of skill to be tested.

Learning objectives prefixed:

- **know** require the candidate to recall information such as facts, rules and principles
- **understand** require the candidate to demonstrate comprehension of an issue, fact, rule or principle
- **be able to apply** require the candidate to be able to use their knowledge in a given set of circumstances to present a clear and detailed explanation of a situation, rule or principle

Candidate Update

Candidates are reminded to visit cisi.org/candidateupdate regularly for information on industry changes that could affect their examination.

Examination Specification

Each examination paper is constructed from a specification that determines the weightings that are given to each element. The specification is given below.

It is important to note that as there is some flexibility to ensure that each examination has a consistent level of difficulty, the numbers quoted may vary slightly from examination to examination. However, the number of questions tested in each element should not change by more than plus or minus two.

Candidates should note that in elements 5 and 7 more than one question may be set on certain learning objectives to test that candidates have fully grasped the nature and use of the contracts.

Examination specification		
100 multiple-choice questions		
Element number	Element	Questions
1	The Basis of Islamic Banking and Finance	2
2	An Introduction to Islamic Banking and Finance	3
3	Islamic Principles of Exchange	13
4	Basic Contracts and Their Treatment	15
5	Financial Contracts and Techniques Applied by Islamic Banks	25
6	Islamic Asset Management and Socially Responsible Investing (SRI)	12
7	Sukuk Market	11
8	Islamic Insurance – Takaful	9
9	Islamic Corporate Governance	10
Total		100

Assessment Structure

A two-hour examination of 100 multiple-choice questions.

Candidates sitting the examination by computer-based testing may be asked to answer a small number of additional trial questions. These are not separately identified and do not contribute to the result. Candidates will be given proportionately more time to complete the test.

IFQ wordlist

For the examination, candidates should be familiar with the following Arabic terms:

Ah'd	Qard Hassan
Aqd'	Qimar
Arboon	Qiyas
Fatwa (Fatawa, plural)	Quran
Fiqh	Rab al Mal (Arbab al Mal, plural)
Fiqh al Muamalat	Rahn
Gharar	Retakaful
Hadith (Ahadith, plural)	Riba
Halal	Riba al-Fadl
Haram	Riba al-Naseeyah
Hawala	Sadaqa (Sadaqat, plural)
Ijara	Salam
Ijara Mawsoofa Bil Thimma	Sarf
Ijara wa Iqtina / Ijara Muntahia	Shariah
Bitamleek	Sukuk
Ijma'	Sunnah
Ijtihad	Tabarru'
Istisn'a	Takaful
Kafala	Tawarruq
Maysir	Wa'd
Muamalat	Wadia
Mudaraba	Wakala
Mudarib	Wakil
Murabaha	Waqf
Musharaka	Zakat
Musharik	
Qard	

Summary Syllabus

Element 1 The Basis of Islamic Banking and Finance

- 1.1 The Basis of Islamic Banking and Finance

Element 2 An Introduction to Islamic Banking and Finance

- 2.1 An Introduction to Islamic Banking and Finance

Element 3 Islamic Principles of Transactions

- 3.1 Islamic Principles relating to Business
- 3.2 Riba
- 3.3 Gharar
- 3.4 Rules of Transactions

Element 4 Basic Contracts and Their Treatment

- 4.1 Contract
- 4.2 Contracts of Exchange
- 4.3 Security Contracts
- 4.4 Foreign Exchange
- 4.5 Accounting Treatment

Element 5 Financial Contracts and Techniques Applied by Islamic Banks

- 5.1 Types of Contracts
- 5.2 Funds in Islamic Banking
- 5.3 Wakala
- 5.4 Mudaraba
- 5.5 Musharaka
- 5.6 Murabaha
- 5.7 Ijara
- 5.8 Salam
- 5.9 Istisn'a
- 5.10 Letters of Credit
- 5.11 Wa'd and Ah'd
- 5.12 Arboon

Element 6 Islamic Asset Management and Socially Responsible Investing (SRI)

- 6.1 Comparison of Conventional and Islamic Financing

Islamic Finance Qualification

- 6.2 Islamic Investing
- 6.3 Selecting Shariah-Compliant Investments
- 6.4 Funds
- 6.5 Fund Management
- 6.6 Types of Fund

Element 7 Sukuk Market

- 7.1 Characteristics of Sukuk
- 7.2 Structuring Sukuk
- 7.3 Sukuk Regulations
- 7.4 Capital Market Considerations

Element 8 Islamic Insurance – Takaful

- 8.1 History of Takaful
- 8.2 Types of Takaful
- 8.3 Structure of Takaful
- 8.4 Takaful Industry Considerations

Element 9 Islamic Corporate Governance

- 9.1 Corporate Governance
- 9.2 Shariah Supervisory Board
- 9.3 Corporate Governance Regulations and Standards
- 9.4 Investment Account Holders
- 9.5 Corporate Governance in Takaful

Element 1 The Basis of Islamic Banking and Finance

1.1 The Basis of Islamic Banking and Finance

On completion, the candidate should:

1.1.1 *understand* the ethical underpinning of Islamic finance

- Islamic moral guidance governing property and wealth given through the Quran and Sunnah
- To make charitable distributions: Zakat (obligatory) and Sadaqah (voluntary)
- The role of trade and investment in wealth creation
- Prohibition of Riba, gambling and Gharar

1.1.2 *understand* the role and the purposes of the Shariah

1.1.3 *know* the sources of the Shariah

- Primary Sources (Quran & Sunnah)
- Secondary Sources (Ijma', Qiyas, Ijtihad)

1.1.4 *know* the authorities that are able to interpret the Quran and Sunnah and their role

- The Scholars within the schools of jurisprudence
- The Islamic Fiqh Academy
- The Shariah supervisory boards of regulatory and industry institutions

Element 2 An Introduction to Islamic Banking and Finance

2.1 An Introduction to Islamic Banking and Finance

On completion, the candidate should:

2.1.1 *know* the development of Islamic finance and banking

- The beginnings of Islamic banking

- Islamic banking in the GCC, Africa and the Middle East countries
- Islamic banking in Southeast and South Asia and Australasia
- Islamic banking in Europe and the Americas

2.1.2 *know* the constraints and challenges on the development of the Islamic banking and finance industry

2.1.3 *know* the main functions of Islamic banks

2.1.4 *know* the operating structures and organisational forms adopted by the Islamic financial services industry

- The window model
- Branches
- Subsidiaries
- Fully-fledged banks

2.1.5 *know* the bodies overseeing and / or supporting Islamic banking and finance

- The regulators (central banks and other authorities)
- The standard-setters (AAOIFI and IFSB)
- Other institutions supporting the development of Islamic banking and finance (IIFM, CIBAFI, IIRA, IILM and IDB Group)

2.1.6 *know* other components of the Islamic finance industry

- The Shariah-compliant equity markets
- The market for Sukuk (Islamic capital market instrument)
- Islamic investment funds
- The Islamic insurance companies – Takaful
- The Waqf properties (Islamic charitable trust)
- The Zakat funds (funds constituted of charitable obligatory tax)
- Islamic microfinance
- Purification of non-permissible income (Haram)

2.1.7 *know* the impact of fintech in Islamic Finance

Element 3 Islamic Principles of Exchange

3.1 Islamic Principles relating to Business

On completion, the candidate should:

- 3.1.1 *know* the ethical precepts relating to Islamic business
- 3.1.2 *know* the Islamic teachings relating to business
- 3.1.3 *understand* the general principles governing contracts in Islamic law

3.2 Riba

On completion, the candidate should:

- 3.2.1 *know* the nature of Riba
- 3.2.2 *know* the rationale for the prohibition of Riba
- 3.2.3 *understand* the different types of Riba

3.3 Gharar

On completion, the candidate should:

- 3.3.1 *understand* the nature of Gharar
- 3.3.2 *know* the rationale for the prohibition of Gharar
- 3.3.3 *understand* the different types of Gharar

3.4 Rules of Exchange

On completion, the candidate should:

- 3.4.1 *understand* the concept of profit and liability
- 3.4.2 *know* the rationale for being liable for a good or service
- 3.4.3 *understand* the concept of selling what you have
- 3.4.4 *know* the rationale prohibiting the sale of what you don't have

3.4.5 *understand* the concept of debt for debt

3.4.6 *know* the rationale prohibiting the sale of debt for debt

3.4.7 *understand* the concept of two sales in one

3.4.8 *know* the rationale prohibiting two sales in one

Element 4 Basic Contracts and Their Treatment

4.1 Contract

On completion, the candidate should:

4.1.1 *understand* the fundamentals of Aqd' (contract)

- Contracting parties
- Subject matter
- Consideration
- Offer and acceptance

4.1.2 *understand* Shariah options of sale

4.1.3 *understand* the classification of, and conditions applied to, contracts with respect to their effect

- Valid (Sahih) contracts
- Voidable (Fasid) contracts
- Invalid (Batil) contracts

4.1.4 *know* the types of contracts with respect to their underlying purpose

- Unilateral
- Bilateral

4.1.5 *understand* the concept of Wa'd (promise) and Ah'd (undertakings), the difference between the two concepts, and the conditions which make a commercial promise binding

4.1.6 *know* the nature of a Muwaada (bilateral promise) agreement

4.2 Contracts of Exchange

On completion, the candidate should:

4.2.1 *understand* the elements and conditions of a contract of exchange

4.2.2 *know* the problematic sales contracts

4.3 Security Contracts

On completion, the candidate should:

4.3.1 *know* the nature of the security contracts

- Hawala
- Kafala
- Rahn

4.4 Foreign Exchange

On completion, the candidate should:

4.4.1 *know* the issues associated with the debate regarding Sarf (the purchase and sale of currencies)

4.4.2 *know* AAOIFI's Shariah standards on the sale of currencies

4.5 Accounting Treatment

On completion, the candidate should:

4.5.1 *understand* the IFRS conceptual framework

- The aims of IFRS
- The objectives of financial statements
- The qualitative characteristics required from financial statements
- The general principles governing decision making and presentation of financial data

- The fundamental accounting assumptions underpinning financial statements

4.5.2 *understand* the need for Islamic accounting standards

4.5.3 *know* the role and responsibilities of AAOIFI

4.5.4 *understand* the conceptual framework of AAOIFI financial accounting statements

- The qualitative characteristics of accounting information

4.5.5 *know* the methods of calculating Zakat and the accounting treatment

4.5.6 *understand* the relationship between form and substance of contracts

Element 5 Financial Contracts and Techniques Applied by Islamic Banks

5.1 Types of Contracts

On completion, the candidate should:

5.1.1 *know* the differences between the different types of contracts

- Debt-based contracts
- Equity-based contracts
- Other types of contracts

5.2 Funds in Islamic Banking

On completion, the candidate should:

5.2.1 *understand* the distinction between a conventional bank and an Islamic bank

- The relationship between the bank and its clients
- The sources of funds
- The use of funds

5.2.2 *understand* the operation of current accounts in Islamic banking

5.2.3 *understand* how funds are used by Islamic banks

5.2.4 *understand* the Islamic banking model and the challenges it faces

5.3 Wakala

On completion, the candidate should:

5.3.1 *know* the nature of the Wakala (agency contract)

5.3.2 *be able to apply* the Wakala contract

5.4 Mudaraba

On completion, the candidate should:

5.4.1 *be able to apply* the Mudaraba contract to deposits

5.4.2 *understand* the roles of and the returns received by the Rab al Mal and Mudarib under a Mudaraba contract

5.4.3 *be able to apply* the Two-Tier Mudaraba contract

5.4.4 *understand* the nature of restricted and unrestricted investment accounts

5.5 Musharaka

On completion, the candidate should:

5.5.1 *be able to apply* the partnership contract of Musharaka

5.5.2 *be able to apply* the Diminishing Musharaka contract

5.6 Murabaha

On completion, the candidate should:

5.6.1 *be able to apply* the Murabaha contract

5.6.2 *understand* the use of Murabaha in export finance

5.6.3 *know* the differences between a Murabaha sale and a loan of money

5.6.4 *understand* the operation of Tawarruq and Commodity Murabaha

5.7 Ijara

On completion, the candidate should:

5.7.1 *be able to apply* the Ijara contract

5.7.2 *understand* the redemption of a lease through Ijara wa Iqtina / Ijara Muntahia Bitamleek

5.7.3 *understand* the use of Ijara Mawsoofa Bil Thimma (forward lease)

5.8 Salam

On completion, the candidate should:

5.8.1 *be able to apply* the Salam contract

5.8.2 *understand* the documentation associated with a Salam contract

5.8.3 *understand* the use of Parallel Salam in managing bank assets acquired under a Salam contract

5.9 Istisn'a

On completion, the candidate should:

5.9.1 *be able to apply* the Istisn'a contract

5.9.2 *understand* the reasons for Parallel Istisn'a contracts

5.9.3 *understand* the differences between Istisn'a and Salam contracts

5.10 Letters of Credit

On completion, the candidate should:

5.10.1 *know* the use of letters of credit and guarantees in Islamic finance contracts

5.11 Wa'd and Ah'd

On completion, the candidate should:

5.11.1 *be able to apply* the concept of Wa'd (promise) and the concept of Ah'd, (undertaking) and the conditions which make a commercial promise binding

5.12 Arboon

On completion, the candidate should:

5.12.1 *know* how Arboon is used to synthesise option behaviour

Element 6 Islamic Asset Management and Socially Responsible Investing (SRI)

6.1 Comparison of Conventional and Islamic Financing

6.1.1 *know* the similarities and differences between Islamic Finance and Socially Responsible Investing (SRI)

6.1.2 *understand* the similarities between the UN Sustainability Goals (SDG) and Islamic Finance

6.2 Islamic Investing

On completion, the candidate should:

6.2.1 *understand* the principles of Islamic investing

6.3 Selecting Shariah-Compliant Investments

On completion, the candidate should:

6.3.1 *know* the components of the industry screen

6.3.2 *know* the components of the financial screen

6.3.3 *be able to apply* the industry and financial screens

6.3.4 *understand* what happens when an investment becomes non-compliant

6.4 Funds

On completion, the candidate should:

6.4.1 *know* the definition of a fund

6.4.2 *know* the definition of an Islamic fund

6.4.3 *understand* the difference between a conventional and Islamic fund

6.5 Fund Management

On completion, the candidate should:

6.5.1 *understand* the Mudaraba fund management structure

6.5.2 *understand* the Wakala fund management structure

6.6 Types of Fund

On completion, the candidate should:

6.6.1 *know* the characteristics of fixed-income funds

6.6.2 *know* the characteristics of lease funds

6.6.3 *know* the characteristics of commodity funds

6.6.4 *know* the characteristics of real estate funds

6.6.5 *know* the characteristics of equity funds

6.6.6 *know* the characteristics of exchange-traded funds

6.6.7 *know* the characteristics of hedge funds

Element 7 Sukuk Market

7.1 Characteristics of Sukuk

On completion, the candidate should:

7.1.1 *know* the differences between conventional securities and Sukuk

7.1.2 *understand* the difference between asset-backed and asset-based Sukuk

7.2 Structuring Sukuk

On completion, the candidate should:

7.2.1 *understand* the basic processes and applications involved in the issuance of Sukuk in different jurisdictions

7.2.2 *be able to apply* Sukuk al Ijara

7.2.3 *be able to apply* Sukuk al Musharaka

7.2.4 *be able to apply* Sukuk al Wakala

7.2.5 *understand* the structure of the following

- Sukuk al Murabaha
- Sukuk al Istisna'a
- Sukuk al Salam
- Sukuk al Mudaraba

7.2.6 *understand* how Green Sukuk is emerging to help tackle environmental and climate change concerns

7.3 Sukuk Regulations

On completion, the candidate should:

7.3.1 *understand* the Sukuk regulations

7.4 Capital Market Considerations

On completion, the candidate should:

7.4.1 *understand* the capital market considerations relating to Sukuk

- Rating the issue
- Distribution
- Tradability and non-tradability

Element 8 Islamic Insurance – Takaful

8.1 History of Takaful

On completion, the candidate should:

8.1.1 *understand* the position of Islam regarding insurance

8.1.2 *understand* the origins of Takaful

- The characteristics of mutual insurance
- The nature of conventional mutual insurance
- The nature of a Takaful undertaking and the need to avoid Gharar through Tabarru' (donation) and Riba through the use of non-interest bearing assets
- The structure of Takaful undertakings: non-profit and commercial

8.2 Types of Takaful

On completion, the candidate should:

8.2.1 *understand* the differences between conventional proprietary insurance, conventional mutual insurance and Takaful

8.2.2 *know* the two types of Takaful

- General
- Life

8.3 Structure of Takaful

On completion, the candidate should:

8.3.1 *understand* the structure of Takaful

- Separation of participants' funds from those of the Takaful operator
- The role of Qard Hassan (interest-free loan)

8.3.2 *understand* the three models for underwriting and managing the investments of the Takaful fund

- Wakala
- Mudaraba
- The combined model

8.3.3 *know* the Islamic financial contracts used in Takaful

8.3.4 *understand* the rules on distribution of underwriting surpluses in Takaful

- The definition of an underwriting surplus
- The nature and allocation of technical provisions
- The rules for distributing underwriting surpluses

8.4 Takaful Industry Considerations

On completion, the candidate should:

8.4.1 *understand* the risks associated with Takaful claims and their mitigation

- The nature of technical provisions for general Takaful
- Implications of the size of the risk pool
- The nature of the underwriting and investment fund in life Takaful
- Internal risk pooling arrangements

8.4.2 *understand* how Retakaful operates

- The funding of Retakaful
- The place of Retakaful
- Resorting to reinsurance in the absence of viable Retakaful options

8.4.3 *know* the responsibility of the Takaful operator for Shariah compliance

Element 9 Islamic Corporate Governance

9.1 Corporate Governance

On completion, the candidate should:

- 9.1.1 *know* the origin and nature of Corporate Governance
- 9.1.2 *understand* how Corporate Governance principles are incorporated in Shariah
- 9.1.3 *know* the Corporate Governance mechanisms available to stakeholders to exercise their rights
- 9.1.4 *understand* the reasons why banks face special Corporate Governance challenges

9.2 Shariah Supervisory Board

On completion, the candidate should:

- 9.2.1 *understand* the position, remit and characteristics of the Shariah Supervisory Board
- 9.2.2 *know* the roles of the Shariah Supervisory Board
 - Advisory
 - Approval
 - Audit
- 9.2.3 *understand* the operational issues surrounding the Shariah Supervisory Board
 - Membership
 - Governance
 - Delegated responsibility
 - Reporting
 - Other duties

9.3 Corporate Governance Regulations and Standards

On completion, the candidate should:

9.3.1 *know* the Shariah audit regulations

9.3.2 *know* the governance standards

9.4 Investment Account Holders

On completion, the candidate should:

9.4.1 *understand* the distinction between information rights, control rights and cash flow rights for restricted investment account holders and unrestricted investment account holders

9.4.2 *understand* the distinction between the rights of shareholders and investment account holders

9.4.3 *understand* the distinction between the rights of restricted investment account holders and unrestricted investment account holders

9.5 Corporate Governance in Takaful

On completion, the candidate should:

9.5.1 *understand* the Corporate Governance issues facing the Takaful industry