
Professional Certificate in Islamic Finance and ESG Investing

Islamic Banking and Takaful Operations.

Islamic Banking and Takaful Operations

Islamic Banking and Takaful Operations refer to financial activities that comply with Islamic law, also known as Shariah. These operations are based on principles that prohibit the payment or acceptance of interest (riba) and promote risk-sharing, ethical investments, and asset-backed transactions. Islamic Banking and Takaful are crucial components of the Islamic finance industry, offering alternative financial solutions for individuals and businesses seeking Shariah-compliant services.

Islamic Banking

Islamic Banking is a system of banking that operates in accordance with Islamic law, or Shariah. This system prohibits the payment or acceptance of interest (riba) and promotes profit-sharing arrangements based on shared risks and returns. Islamic banks offer a range of products and services, such as Islamic savings accounts, Islamic loans, and Islamic investment funds, designed to meet the financial needs of customers while adhering to Shariah principles.

Takaful

Takaful is a cooperative insurance system based on mutual assistance and solidarity among participants. In Takaful, individuals and businesses contribute funds to a common pool managed by a Takaful operator to protect themselves against specified risks. In the event of a claim, funds from the pool are used to compensate the affected participants. Takaful operates in compliance with Islamic law, or Shariah, and follows principles of transparency, fairness, and risk-sharing.

Shariah

Shariah is the Islamic legal framework derived from the Quran and the teachings of the Prophet Muhammad. It governs all aspects of Muslim life, including social, economic, and political matters. In the context of Islamic finance, Shariah provides guidelines and principles that regulate financial transactions and business activities to ensure compliance with Islamic law. Shariah-compliant products and services must be approved by Shariah scholars to ensure their adherence to Islamic principles.

Riba

Riba refers to the prohibition of interest in Islamic finance. It is considered unethical and exploitative in Islam, as it involves making money from money without bearing any risk. Riba is strictly forbidden in Islamic banking and finance, as it goes against the principles of fairness, justice, and risk-sharing. Instead of charging interest on loans or deposits, Islamic financial institutions use profit-sharing arrangements or service fees to generate revenue.

Mudarabah

Mudarabah is a type of partnership contract in Islamic finance where one party provides capital (rab al-maal) to another party to invest in a business venture. The party investing the capital is known as the mudarib and is responsible for managing the investment. Profits generated from the venture are shared between the two parties based on a pre-agreed profit-sharing ratio, while losses are borne solely by the capital provider. Mudarabah is commonly used in Islamic banking for investment accounts and financing arrangements.

Musharakah

Musharakah is a joint venture partnership in Islamic finance where two or more parties contribute capital to a business venture. In Musharakah, all partners share the profits and losses of the venture based on their respective capital contributions. This form of partnership encourages risk-sharing and fosters a sense of shared responsibility among partners. Musharakah is often used in Islamic banking for project financing, equity investments, and real estate transactions.

Ijarah

Ijarah is an Islamic leasing contract where one party (the lessor) leases an asset or property to another party (the lessee) for a specified period in exchange for rental payments. The lessor retains ownership of the leased asset while the lessee has the right to use it for a fee. Ijarah is commonly used in Islamic banking for vehicle financing, equipment leasing, and property rental agreements. The contract must comply with Shariah principles, such as transparency, fairness, and absence of riba.

Murabaha

Murabaha is a cost-plus sale contract in Islamic finance where a seller sells a commodity to a buyer at a markup price. The buyer agrees to pay the markup price in installments over a specified period, making Murabaha a deferred payment arrangement. This contract is commonly used in Islamic banking for asset purchases, trade finance, and consumer goods financing. Murabaha transactions must comply with Shariah principles, such as transparency, disclosure of cost and profit, and absence of riba.

Istisna

Istisna is a contract in Islamic finance that allows the manufacture and sale of goods or assets to be carried out on a deferred payment basis. In an Istisna contract, the buyer places an order for a specific product with the seller, who agrees to manufacture and deliver the product at a future date. The buyer makes payment in installments as the product is being produced. Istisna is commonly used in Islamic banking for construction projects, manufacturing agreements, and customized goods.

Sukuk

Sukuk are Islamic financial instruments that represent ownership or a share in an underlying asset, project, or investment. Sukuk are structured as certificates of ownership or investment in a specific asset or business

venture, and they entitle the holder to a share of the profits generated by the asset. Sukuk are issued by governments, corporations, and financial institutions to raise funds for various projects and activities. Sukuk are considered Shariah-compliant alternatives to conventional bonds.

Waqf

Waqf is a charitable endowment or trust in Islamic law where a person dedicates a specific asset, property, or income for religious, charitable, or social purposes. The donated asset or property becomes a perpetual endowment that generates income or benefits for the designated beneficiaries. Waqf plays a significant role in Islamic finance and social welfare, providing sustainable funding for mosques, schools, hospitals, and other community projects. Waqf assets are managed by trustees to ensure their proper utilization and preservation.

Hibah

Hibah is a voluntary gift or donation given by one party to another without any obligation or consideration. In Islamic finance, Hibah is commonly used in Takaful operations to distribute surplus funds or profits among participants. Takaful operators may allocate Hibah payments to policyholders based on their contributions or participation in the Takaful fund. Hibah is a form of charitable giving that promotes goodwill, solidarity, and mutual support among members of the Takaful community.

Gharar

Gharar is the Arabic term for ambiguity, uncertainty, or risk in a contract or transaction. In Islamic finance, Gharar is prohibited as it involves excessive uncertainty or ambiguity that may lead to disputes or exploitation. Shariah-compliant contracts must be free from Gharar to ensure transparency, fairness, and mutual consent between parties. Gharar is commonly associated with speculative transactions, gambling, and contracts with unclear terms or conditions.

Qard al-Hasan

Qard al-Hasan is an interest-free loan provided by a lender to a borrower as an act of goodwill or charity. In Islamic finance, Qard al-Hasan is considered a form of benevolent lending that allows individuals or organizations to borrow money without incurring interest or riba. The borrower is obligated to repay the principal amount of the loan at a later date, but no additional charges or fees are imposed. Qard al-Hasan is commonly used in Islamic banking for emergency loans, charitable purposes, and community support.

Mudarabah Deposit

A Mudarabah Deposit is an Islamic savings account offered by Islamic banks that operates on the Mudarabah partnership contract. In a Mudarabah Deposit account, the account holder (rab al-maal) provides funds to the bank for investment purposes, while the bank acts as the mudarib and manages the investment activities. Profits generated from the investment are shared between the account holder and the bank based on a pre-agreed profit-sharing ratio. Mudarabah Deposits offer customers a Shariah-compliant way to earn returns on their savings without involving interest.

Wakalah

Wakalah is an agency or delegation contract in Islamic finance where one party (the principal) appoints another party (the agent) to act on their behalf in a specific matter. The agent is given the authority to carry out certain tasks or responsibilities on behalf of the principal, such as managing investments, conducting transactions, or providing services. Wakalah contracts are commonly used in Islamic banking for investment management, fund administration, and asset management services. The terms of the Wakalah contract must comply with Shariah principles and ensure transparency and accountability.

Shirkah

Shirkah is the Arabic term for partnership or joint ownership in Islamic finance. It refers to a business relationship where two or more parties share ownership, profits, and losses in a specific venture or project. Shirkah contracts can take various forms, such as Mudarabah, Musharakah, or Diminishing Musharakah, depending on the nature of the partnership and the rights and responsibilities of the partners. Shirkah promotes cooperation, risk-sharing, and mutual benefit among partners, in line with Islamic principles of fairness and equity.

Diminishing Musharakah

Diminishing Musharakah is a form of partnership contract in Islamic finance where two parties enter into a joint venture to purchase a property or asset. In Diminishing Musharakah, one party provides the majority of the capital for the purchase, while the other party contributes a smaller amount. The parties own the property jointly, with one party leasing the other party's share over time until full ownership is transferred. Diminishing Musharakah is commonly used in Islamic banking for home financing, real estate transactions, and asset acquisitions.

Islamic Equity Funds

Islamic Equity Funds are investment funds that comply with Islamic principles and invest in Shariah-compliant stocks and equities. Islamic Equity Funds pool funds from investors to invest in a diversified portfolio of halal (permissible) companies listed on stock exchanges. These funds are managed by professional fund managers who select stocks based on Shariah criteria, such as avoiding companies involved in prohibited activities like gambling, alcohol, or interest-based finance. Islamic Equity Funds offer investors the opportunity to participate in the equity markets while adhering to Islamic principles.

Sukuk Issuance

Sukuk Issuance refers to the process of issuing Sukuk, or Islamic bonds, by governments, corporations, or financial institutions to raise funds for various projects or activities. Sukuk represent ownership or a share in an underlying asset, project, or investment and entitle holders to a share of the profits generated by the asset. Sukuk Issuance involves structuring the Sukuk based on Shariah principles, conducting due diligence on the underlying assets, obtaining approval from Shariah scholars, and marketing the Sukuk to investors. Sukuk Issuance plays a vital role in Islamic finance by providing an alternative source of financing for issuers and investment opportunities for investors.

Islamic Microfinance

Islamic Microfinance is a form of financial services that provides Shariah-compliant microloans, savings accounts, and insurance products to low-income individuals and small businesses. Islamic Microfinance institutions operate in accordance with Islamic principles, such as profit-sharing, risk-sharing, and social responsibility. These institutions offer financial inclusion and support to underserved communities, enabling them to access affordable and ethical financial services. Islamic Microfinance aims to alleviate poverty, empower entrepreneurs, and promote economic development while adhering to Islamic values and principles.

Sukuk Al-Ijarah

Sukuk Al-Ijarah are Islamic bonds issued based on Ijarah contracts, or Islamic leasing arrangements. In Sukuk Al-Ijarah, the issuer sells a specific asset or property to investors and leases it back for a rental fee. The rental payments serve as the periodic returns to Sukuk holders, who have a beneficial ownership interest in the leased asset. Sukuk Al-Ijarah are commonly used for infrastructure projects, real estate financing, and asset-backed securities. These Sukuk provide investors with a fixed income stream while complying with Shariah principles.

Islamic Private Equity

Islamic Private Equity refers to investments in private companies or ventures that comply with Islamic principles and values. Islamic Private Equity funds raise capital from institutional investors, high-net-worth individuals, and family offices to invest in private companies through equity or partnership arrangements. These funds focus on Shariah-compliant sectors and industries, such as healthcare, education, technology, and real estate. Islamic Private Equity aims to generate attractive returns for investors while supporting the growth and development of ethical and sustainable businesses.

Islamic Venture Capital

Islamic Venture Capital is a form of financing that provides funding to startups, emerging companies, and entrepreneurs in compliance with Islamic principles. Islamic Venture Capital funds invest in high-growth businesses with innovative ideas and strong growth potential, following Shariah-compliant investment criteria. These funds support entrepreneurial ventures in sectors such as technology, fintech, e-commerce, and renewable energy. Islamic Venture Capital aims to promote entrepreneurship, innovation, and economic growth while adhering to Islamic values and ethical standards.

Shariah Compliance

Shariah Compliance refers to the adherence of financial products, services, and transactions to Islamic law, or Shariah. Shariah-compliant products and services must comply with specific principles and guidelines outlined in the Quran and the teachings of the Prophet Muhammad. Shariah Compliance ensures that financial activities are conducted in a manner that is ethical, transparent, and fair, without involving interest (riba), uncertainty (gharar), or prohibited activities. Shariah Compliance is overseen by Shariah boards or scholars who provide guidance and oversight to ensure the integrity and authenticity of Islamic finance.

practices.

Islamic Social Finance

Islamic Social Finance encompasses a range of financial instruments and mechanisms that promote social welfare, charitable giving, and community development in accordance with Islamic principles. Islamic Social Finance includes Waqf, Zakat, Sadaqah, and other forms of Islamic philanthropy that aim to address social and economic challenges, alleviate poverty, and support vulnerable populations. Islamic Social Finance plays a crucial role in promoting social justice, solidarity, and compassion within Muslim communities and beyond, fostering a culture of giving and sharing resources for the common good.

Islamic Crowdfunding

Islamic Crowdfunding is a fundraising method that allows individuals, businesses, and charitable organizations to raise capital from a large number of people through online platforms while adhering to Islamic principles. Islamic Crowdfunding platforms enable participants to contribute funds to projects, ventures, or causes in exchange for rewards, profit-sharing, or charitable purposes. Islamic Crowdfunding may take various forms, such as reward-based crowdfunding, donation-based crowdfunding, or equity-based crowdfunding. This form of financing provides opportunities for entrepreneurs, startups, and social enterprises to access funding in a Shariah-compliant manner.

Green Sukuk

Green Sukuk are Islamic bonds issued to finance environmentally friendly projects, renewable energy initiatives, and sustainable development activities. Green Sukuk combine Islamic finance principles with environmental sustainability goals to raise funds for projects that have a positive impact on the environment and society. The proceeds from Green Sukuk issuance are used to support green investments, such as solar energy projects, green buildings, waste management, and clean transportation. Green Sukuk play a vital role in promoting sustainability, climate action, and responsible investing within the Islamic finance industry.

Islamic ESG Investing

Islamic ESG Investing combines Islamic finance principles with Environmental, Social, and Governance (ESG) criteria to guide investment decisions that are ethical, sustainable, and socially responsible. Islamic ESG investors consider Shariah compliance, ethical conduct, environmental impact, social responsibility, and corporate governance practices when selecting investments. This approach integrates Islamic values with ESG considerations to promote responsible investing, positive social outcomes, and long-term financial performance. Islamic ESG Investing aligns with the principles of Islamic finance and supports the growth of sustainable and ethical investment practices.

Islamic Impact Investing

Islamic Impact Investing involves making investments that generate positive social or environmental impact alongside financial returns, in line with Islamic principles and values. Islamic Impact Investing focuses on

supporting projects, businesses, and initiatives that address social challenges, promote economic development, and contribute to the well-being of communities. Investors in Islamic Impact Investing seek to achieve measurable social and environmental outcomes while upholding Shariah compliance and ethical standards. This form of investing aims to create positive change, empower marginalized groups, and promote sustainable development in a way that aligns with Islamic values.

Islamic Sustainable Finance

Islamic Sustainable Finance integrates Islamic finance principles with sustainable development goals to promote economic growth, social equity, and environmental stewardship. Islamic Sustainable Finance emphasizes ethical conduct, social responsibility, and environmental protection in financial activities and investments. This approach aims to create positive impact, address global challenges, and contribute to the well-being of society while adhering to Islamic values. Islamic Sustainable Finance supports responsible business practices, ethical investment strategies, and sustainable development initiatives that align with the principles of Islamic finance and ESG investing.

Islamic Green Banking

Islamic Green Banking refers to banking practices that incorporate environmental sustainability, social responsibility, and ethical conduct in line with Islamic principles. Islamic Green Banks offer Shariah-compliant products and services that promote green finance, renewable energy, climate action, and sustainable development. These banks follow ethical guidelines, reduce their environmental footprint, and support green initiatives to create positive impact and contribute to a more sustainable future. Islamic Green Banking aligns with the principles of Islamic finance and ESG investing to foster responsible banking practices and environmental stewardship.

Islamic Socially Responsible Investing (SRI)

Islamic Socially Responsible Investing (SRI) involves making investment decisions based on ethical, social, and environmental considerations in accordance with Islamic principles. Islamic SRI investors screen investments to exclude companies involved in activities deemed unethical or harmful, such as alcohol, tobacco, gambling, and weapons. They also seek to invest in companies that demonstrate positive social impact, environmental sustainability, and good governance practices. Islamic SRI aims to generate financial returns while promoting ethical conduct, social responsibility, and sustainable development in line with Islamic values.

Islamic Ethical Finance

Islamic Ethical Finance encompasses financial practices and investments that adhere to ethical standards, social responsibility, and Islamic principles. Islamic Ethical Finance promotes transparency, fairness, and accountability in financial activities while avoiding activities that are considered unethical or harmful. This approach integrates Shariah compliance with ethical conduct, social welfare, and environmental stewardship to create positive impact and uphold Islamic values. Islamic Ethical Finance aligns with the principles of Islamic finance, ESG investing, and responsible business practices to foster ethical behavior, sustainable

development, and inclusive growth.

Islamic Finance Regulation

Islamic Finance Regulation refers to the legal framework, rules, and guidelines that govern the operations of Islamic financial institutions and transactions in compliance with Islamic law. Regulatory authorities and supervisory bodies oversee the Islamic finance industry to ensure adherence to Shariah principles, consumer protection, financial stability, and market integrity. Islamic Finance Regulation covers a wide range of areas, including licensing, disclosure requirements, capital adequacy, risk management, and Shariah compliance. Effective regulation is essential to maintain the integrity, stability, and growth of the Islamic finance sector while protecting the interests of stakeholders.

Islamic Finance Governance

Islamic Finance Governance pertains to the structure, processes, and mechanisms that govern the operations and decision-making of Islamic financial institutions in adherence to Shariah principles. Islamic Finance Governance encompasses the roles and responsibilities