ACCELERATE INNOVATION.

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Finacle Islamic Banking Solution
Finacle Islamic banking

Finacle Islamic banking solution offers an integrated and comprehensive approach for banks to define and present Shariah-compliant products to customers. Differentiated because of its strong product definition and audit features, the ability to provide comprehensive control and support Islamic accounting, the solution is completely self-contained. It is replete with the accounting backbone to support back office functionalities and provides Straight Through Processing (STP) capabilities on a Service-Oriented Architecture (SOA) platform.

A modular solution built on the standard technology infrastructure, Finacle Islamic banking solution addresses current requirements while factoring in flexibility to change the structure with scaling business needs. This means Islamic banking can be initiated as an add-on product offering in a branch of choice, and eventually converted to an independent Islamic banking unit, if required. Finacle Islamic banking solution is developed from incisive insight into the Middle East, Far East, and European markets, and is truly geared to address region-specific Islamic banking requirements.

A comprehensive end-to-end solution

Finacle Islamic banking solution is suitable for both conventional banks that offer Islamic products as well as purely Islamic institutions. It supports the definition of business rules pertaining to Islamic accounting, profit-sharing and Hirji date based processing. This comprehensive solution provides best of breed functionality including:

- Products and solutions that cater to Islamic part of retail, corporate and trade banking space
- Customer centric capabilities to display unified customer information enterprise-wide
- Extensive parameterization for business rules definition of multi-currency Islamic products
- Robust framework for automated as well as manual application of charges
- Comprehensive description of underlying asset such as commodity, real-estate, vehicles, consumer durables
- Multi-currency, multi-branch enabled accounting backbone
- Pool management and profit sharing principles
- Validations on pool restrictions and commodity linkages to accounts

Shariah-compliant solutions for tomorrow’s banking

Today, Islamic banking is a rapidly developing area and it can no longer be ignored by banks that want to stay competitive. A growing number of banks are already responding to the opportunities presented by this new customer segment with a range of Shariah-compliant products. Over the past decade, assets of financial institutions offering Islamic products and services have soared by almost 25% year-on-year. Islamic financial services are nearing USD 1 trillion in reported managed assets. The total market size for Islamic banking systems is expected to grow from USD 1.1 billion in 2010 to about USD 1.6 billion in 2014. Governments and central banks have taken a lead in supervising Islamic banks, encouraging their growth and have passed Islamic banking and insurance laws in their countries.

In such a scenario, conventional banks cannot afford to ignore the growing demand for Shariah-compliant products. They must leverage the wealth of information presented by Shariah scholars who have identified financial solutions that conform to Islamic ethics and the contractual mechanisms that bind them. A comprehensive Islamic banking solution that provides banks with end-to-end functionality to define and offer Shariah-compliant products will play a very critical role in addressing the needs of the burgeoning Islamic banking segment.
**Supported through a partner solution.**
Key modules

Islamic financing products

The module enables the bank to define and offer a range of asset products including Murabaha, Tawarruq, Musharaka, Ijarah, Istisna, Salam, and financing in addition to Qard Hasan. Key features include the ability to:

- Capture commodity and asset details, including those related to the seller and customer
- Capture the schedule of payment for asset purchase in accordance with the stage of construction or deal
- Define multiple products and modify its parameters
- Track and create asset products using Mudarabah pool-based funds
- Apply daily, weekly, fortnightly, monthly, half yearly, and yearly frequency-based profit or rent
- Disburse payments in currencies other than the loan account currency for bankers check, cashier check, ACH, and SWIFT
- Define repayment holidays
- Accept repayments through cash, transfer, postdated checks, and ACH
- Define and collect late payment charges for installments
- Define mark-up and rebate amount in percentage and absolute terms in case of early settlement of financing accounts
- Compute and report profit accrued on finance accounts funded under various pools
- Generate advices for customers

It also supports:

- Settlement of financing accounts through Equated Installments (EI) and non-equated installment payments
- Corporate and consumer personal loans (as applicable in Tawarruq financing)
- Pool restriction validation at the time of commodity detail specification like project and sector

Murabaha and Tawarruq financing

- Capture of asset details—the details of the asset being financed and details of purchase, delivery, offer, and acceptance can be maintained
- Support the commodity purchase and sale transactions for Murabaha and Tawarruq financing concepts
- Support the selling price and unearned income accounting entries
- Support rebate definition, computation, and accounting in case of early settlement
- Reschedule and defer the accounts keeping the unearned income unchanged

Ijarah and forward Ijarah financing

This product supports:

- The lifecycle workflow and accounting entries applicable for Ijarah and forward Ijarah concepts, from asset procurement to closure of financing account
- EI and non EI calculations for Ijarah and forward Ijarah accounts. Calculate monthly lease rentals applicable for asset leased including the fixed rental and variable rental
- Collection, processing, and treatment of advance fixed rent and supplementary rent
- Collection and refund of Hamish Jiddiyah. Support the collection and processing of residual value in case of financial Ijarah
- Calculation of repayment schedule including progressive disbursements, supplementary rent, advance fixed rent and residual value
- Defining of rent renewal period
- Rescheduling, deferment, postponement, partial and complete early settlement

Salam and parallel Salam financing

This product can:

- Capture Salam sale and parallel Salam agreement details at account level including commodity and seller details
- Support EI and non-equated repayment models for Salam financing
- Support deferment of installments and rescheduling of accounts. The option to charge or skip the profit for the deferred period is parameterizable
Istisna and parallel Istisna financing

With this product, banks can:

- Maintain the details for Istisna and parallel Istisna contracts at the origination level like the builder details, retention details, asset details, costs, and profit
- Define the two periods–construction period and settlement period with different profit rates
- Define a disbursement plan for the financing account as per the agreed terms in the parallel Istisna contract
- Support the single and progressive collection and accounting of margin money amount
- Define whether the construction period profit computation should be based on disbursed amounts as per disbursement schedule or based on full financing amount. It also facilitates recomputation of the un-earned income for any change in the release plans
- Compute and account for early settlement rebate based on defined rules

Musharaka and diminishing Musharaka financing

This product can:

- Capture partnership details, profit and loss sharing details, and the buyback plan details at the financing origination level
- Define the frequency and the grace period for the customer to share the actual profit/loss details facility to define a fee for late submission of profit/loss details. The fee charging takes into account the grace period defined
- Support user reports to list accounts where sharing of actual profit/loss details, profit adjustment is due as per the defined frequency
- Support profit accrual and charging on projected/expected profit rate, and doing the adjustments based on the actual shared details
- Compute the ownership ratios based on the capital shares held. Facility to re-compute the ratios on each repayment/buyback of capital share

Bai-Bithaman-Ajil and Bai-Al-Inah financing

This product can:

- Support the commodity purchase, sale, and buy back transactions
- Define the Bank Selling Rate (BSR) and the Effective Rate (ER) for an account
- Calculate and account for selling price using the bank selling rate
- Support rebate computation and accounting
- Reschedule and defer the accounts keeping the unearned income unchanged

Islamic investment products

The module supports definition and monitoring of Mudarabah investment and savings products, Murabaha investment product, Wakala deposit, and Wadiah demand deposits. These products can be defined using a wide range of parameters. Key features include support for:

- Murabaha term deposits, demand and time-bound Mudarabah products including term deposits, demand deposits, and savings bank
- Introduction of multiple products for different market segments
- Opening of time deposit and demand deposit accounts linked to a pool
- Ad-hoc funding of time deposit accounts
- Auto-rollover and auto-closure during product definition
- Pre-mature and part closure with the facility to collect fee
- Reinvestment or distribution of profit depending on parameter at the deposit level
- Payment of profit for the broken period (between the last profit distribution date and withdrawal date) on the following profit distribution date or on the date of withdrawal, based on the profit rate of the previous period or on an indicative profit rate
- Simulation of the profit to be paid to the accounts
- Distributing final proceeds of matured deposits or profit payout based on different options
- Account statements for individual accounts or a combined statement for all accounts of a customer. Customers can exclude and include specified
accounts from participating in the combined statement

- Overdraft against term deposit
- Payment of Hibah (gift) for accounts under Wadiah

**Mudarabah pool management and profit sharing**

The module helps the bank manage funds by accepting deposits and deploying funds appropriately, for financing and investment. This module can:

- Define an Islamic pool to mobilize funds, deploy it and also manage profit distribution for deposits
- Specify a pool as restricted or unrestricted, based on various pre-configured restriction types like country and sector, which are bank-definable parameters
- Specify subscription period for an identified pool:
  - Single pool with multiple currencies with profit distribution in account currency
  - Payout at pool frequency, account frequency
- Specify amount and tenor-wise indicative profit rate, as the approximate rate applicable to the customer
- Define management fees to be collected for the pool
- Define capital loss provision, profit equalization provision, and profit normalization contribution as required by the bank
- Specify profit distribution frequency for a pool
- Define amount and tenor-based profit sharing percentage (between bank and customer)
- Compute profit based on variables like profit and loss from asset investment and inter-pool investment
- Distribute profit to customers based on the cumulative weighted average balance of customer deposits; taking into consideration the tenor of deposit, amount of deposit, number of days the deposit has run as on profit distribution date, and the profit sharing ratio
- Opt for automated or manually defined pool closure. The automated process closes the pool on the pool end date based on validations

**Hijri calendar**

The module also supports the Hijri calendar. The calendar, based on the lunar year of 354 days, adjusts the number of days in each month in accordance with the lunar cycle. The calendar has Hijrah as its reference point. The two major variants of the calendars are the Saudi calendar (Um Al Qura calendar) and the Kuwaiti calendar.

Finacle Islamic banking solution supports the following banking features on this calendar:

- Event processing – financing, deposits, and standing instructions
  - Repayment of loan installments
  - Disbursement of loan
  - Deferment
  - Standing instructions
  - Batch jobs based on Hijri dates
- End-user frontend screens
  - Enter and display Hijri date
  - Toggle between Hijri and Gregorian dates
- Customer communication at Hijri-based frequency for advices and statements
- Date shift–change in the start of Hijri months based on sighting of the crescent moon is handled through the date shift operation that adjusts events appropriately, based on Hijri dates

**Murabaha deposits**

- Commodities purchase on behalf of customer
- Commodities sale underlying placement of deposit
- Multiple payout options–upfront, frequency based, maturity based
Additional features

- Asset provisioning and monitoring
- Standing instructions
- Statements and reports
- Funds transfers
- Common Customer Information File (CIF) across banking channels
- Loan Origination System (LOS)
- Limit and collateral maintenance
- Check and account number generation
- Signature verification
- Dual language support
- Multi-entity

Business benefits

Innovative product spread

Finacle Islamic banking solution offers a flexible and varied feature repertoire for banks to design and deploy products for varying market segments, based on different Islamic concepts including Mudarabah, Murabaha, Ijarah, Istinsa, and Tawarruq. The solution also offers a wide range of possibilities for business users at the bank to create products and embellish them with innovative features.

Lowered total cost of ownership

The solution's custom-definable watertight modules address both international and Islamic banking needs. This empowers banks with the flexibility to define and change the organization structure, offering Islamic banking as an add-on product at a branch of choice, and then converting it to an independent Islamic banking unit, if required. Proven scalability and robust performance for both conventional and Islamic banking are assured. All of this results in significantly lowered TCO for the bank.

Process innovation leading to greater productivity and operational efficiency

The solution is powered by the BPEL and BPML compliant workflow engine. This, coupled with high parameterization capabilities, results in greater process efficiency, better risk mitigation, and support for rapid roll out of Shariah-compliant products.
About Infosys Finacle

Finacle is the industry-leading digital banking solution suite from EdgeVerve Systems, a wholly owned product subsidiary of Infosys. Finacle helps traditional and emerging financial institutions drive truly digital transformation to achieve frictionless customer experiences, larger ecosystem play, insights-driven interactions and ubiquitous automation. Today, banks in over 100 countries rely on Finacle to service more than a billion consumers and 1.3 billion accounts.

Finacle solutions address the core banking, omnichannel banking, payments, treasury, origination, liquidity management, Islamic banking, wealth management, analytics, artificial intelligence, and blockchain requirements of financial institutions to drive business excellence. An assessment of the top 1250 banks in the world reveals that institutions powered by the Finacle Core Banking solution, on average, enjoy 7.2% points lower costs-to-income ratio than others.