

# **INFORMATION** CONNECTED

Comprehensive, Integrated Solutions for Islamic Banking

Oracle FLEXCUBE Islamic Banking



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## Grow Your Business with the Most Complete Solution for Islamic Banking

Today, your success depends on your ability to take advantage of emerging markets and introduce new products and services. Oracle FLEXCUBE Islamic Banking lets you rapidly capitalize on the fast-growing Islamic financial market.

Across the world, banks and financial institutions are transforming themselves to address new market challenges and optimize their offerings for greater cost efficiency and profitability. Islamic banks are no different.

Forced to provide differentiated customer service, scale up operations to meet global competition, and grow market share to increase their customer base, Islamic banks are reinventing their business models. Added to this is the need to remain constantly compliant with Sharia law. Meanwhile, conventional banks are also making inroads into Islamic banking and expanding their offerings and reach. Consequently, Islamic banking is emerging as an alternative source of banking, and the products and services offered are fundamentally different from those of conventional banking. As Islamic banks grow, technology is increasingly becoming a key enabler for future business.

Oracle FLEXCUBE Islamic Banking, a comprehensive Sharia-compliant application, is a solution for both Islamic and conventional banks. It has been transforming the way banks operate for more than a decade and continues to remain the world's No. 1 choice for banking solutions.

Fact: Oracle FLEXCUBE's powerful product definition facility enables banks to extensively configure the lifecycle processing of financing transactions based on specific requirements.



## Provide a Common Platform for Conventional and Islamic Banking

### Business Benefits Delivered by Oracle FLEXCUBE Islamic Banking

- Enhance customer service by offering a wide range of Islamic products (Mudharaba, Qard, Mudarabah, Ijarah, Musharaka, Istisna, Salam, Tawarruq, and Sukuks).
- Expand your target customer base with the coexistence of Islamic and conventional banking on the same platform.
- Integrate with a comprehensive governance, risk, and compliance framework.

With more than 790 customers in more than 130 countries, Oracle's solutions are uniquely positioned to address the requirements of financial institutions around the globe. By implementing a comprehensive Islamic banking solution from its Oracle FLEXCUBE suite of products, you can offer both traditional and Islamic banking products to your customers, reducing the need to implement two different systems. Oracle FLEXCUBE Islamic Banking offers three distinct advantages:

- Islamic banks can leverage Oracle FLEXCUBE's proven infrastructure and finely tuned Islamic modules to offer Sharia-compliant products, support operations, and achieve fast implementation at reasonable costs.
- Existing Oracle FLEXCUBE customers can add new Islamic banking products using the same infrastructure, thereby lowering set up costs.
- Banks can offer Islamic banking as a subsidiary, letting Oracle FLEXCUBE manage the Islamic products while the existing core banking system manages its conventional products.

In addition, it is fully compliant with Sharia laws and regulatory requirements such as Basel II and Anti-Money Laundering, allowing banks to ensure corporate governance and reduce risks. A highly parameterized solution, Oracle FLEXCUBE Islamic Banking helps you launch new products faster and rapidly roll them out for additional users and branches, eliminating growth-related bottlenecks. With processing available 24/7, it offers the highest levels of availability and scalability, supporting consistent growth in both the number of users and the number of transactions performed.

“Those banks that need Islamic banking functionality from an international banking platform vendor should also short-list [Oracle] FLEXCUBE.”

Source: Jost Hoppermann et al. “i-flex Solutions Offers the Broadest Functionality Among Retail Banking Platform Vendors.” *The Forrester Wave Vendor Summary*, Q4 2006.



## Ensure Process-Centric Implementation

Oracle’s solutions offer a process-driven product development methodology for financial services institutions based on its process framework for banking, a process repository for transforming banking operations. Specifically, the Oracle solution approach ensures

- **Business process support.** Includes configurable parameters, business process rules, workflows, and multiple deployment options.
- **Interoperability.** Supports open standards, enables reuse, blends into the existing application landscape, and minimizes disruption on switchover.
- **Extensibility.** Allows the application to be accessible anywhere and extendable outside the enterprise, and provides a platform for enhancement.
- **Standardization.** Offers out-of-the-box functionality, embedded support for analytics and reporting, and master data management.

### Sharia-Compliant Financial Instruments

Oracle FLEXCUBE Islamic Banking supports the following nine instruments:

- Murabaha
- Qard
- Mudarabah
- Ijarah
- Musharaka
- Istisna
- Salam
- Tawarruq
- Sukuks



## Support Sharia-Compliant Financial Instruments

Given the strict prohibition against interest, financial services institutions need to construct different kinds of financial products in order to comply with the Sharia law and follow Islamic financing principles.

### **Murabaha**

Murabaha is a sale with an agreed-upon profit margin. Oracle FLEXCUBE Islamic Banking supports a variety of Murabaha transaction types, which a bank may adopt for its retail and corporate customers.

### **Qard**

Oracle FLEXCUBE Islamic Banking supports Qard, which are loans without profit. The borrower is required to repay only the principal amount borrowed but may pay an extra amount as a token of appreciation at the borrower's absolute discretion. Qard contracts can also be used to support current accounts, in which customers lend the money to the bank. The bank generates profit on this loan and returns the capital and some of the profit it has obtained.

### **Mudarabah**

In Mudarabah, the customer provides funds to the bank, which then invests the funds into various investment schemes and financing. Oracle FLEXCUBE Islamic Banking supports a funds-based as well as a pool-based approach for Mudarabah transactions.

### **Ijarah**

Ijarah is a concept closest to the conventional idea of leasing. Oracle FLEXCUBE Islamic Banking supports the complete lifecycle processing for Ijarah financing transactions. This includes payments processing for asset acquisition, rental calculation and payments, arrears processing, and sale of the asset at the end of the contract period (in the case of Ijarah wa iqtina).



Fact: Oracle FLEXCUBE Islamic Banking is a comprehensive, integrated, and fully Sharia-compliant solution for Islamic banks.

### **Musharaka (Investments)**

Musharaka means “to share.” In a banking context, it indicates that all profits or losses are shared equally. The securities module of Oracle FLEXCUBE Islamic Banking enables comprehensive back-office processing for Musharaka investments.

### **Istisna**

Oracle FLEXCUBE Islamic Banking also supports Istisna. In an Istisna sale, the buyer asks the manufacturer to create a specific commodity with material from the manufacturer. The price is fixed after all parties give their consent and agree on all the necessary specifications of the commodity.

### **Salam**

Salam is a sale in which the seller supplies specific goods to the buyer at a future date in exchange for a price fully paid in advance. It is typically used to finance agriculture. The bank must take delivery of the commodity on maturity and it can enter into a parallel contract of Salam with another party to sell the commodity on the future date. (It is prohibited to sell the commodity to the original party.)

### **Tawarruq**

Tawarruq is a finance method with which one can raise loan financing through buying installments in a local commodity owned by the bank. Applicants then authorize the bank to sell their share in this commodity, on their behalf, to a third party for cash and then deposit the proceeds into his account.

### **Sukuks**

Sukuks are Islamic bonds that must be linked to an underlying asset. Banks cannot raise funds by issuing generic fixed or floating coupon-bearing bonds. Banks can securitize a stream of cash flows from Ijarahs or Murabahas and then issue Sukuks. The coupon cash flow for these Sukuks can be the cash flow from the underlying Ijarahs or Murabahas, for example.



## Scale Your Business with a Modular, Service-Based Functional Architecture

Core banking systems are mission-critical systems that process transactions, track securities positions, and clear payments. A modular architecture such as service-oriented architecture (SOA) will help replace modules from a legacy system selectively on an evolutionary basis, allowing you to take advantage of best-of-breed solutions. The Oracle FLEXCUBE solution portfolio rests on SOA, furthering interoperability, extensibility, and standardization.

### Business Modules

Retail / Corporate		Payments	Treasury	Transfer Agency and Fund Accounting
Mudarabah Deposits	Business Bills and Collections	Cross Border Funds Transfer	Murabaha Money Market	Investor Services
Consumer Murabaha	Modules Letters of Credit and Guarantees	Local Payments	Foreign Exchange	Mudarabah Asset Management
Ijarah Financing	Self-Service Modules Qard	Direct Debits	Securities (Musharaka Investments and Sukuks)	

Support Services				
Expense Processing	Electronic Messaging System	Fixed Asset Management	Nostro Reconciliation	Cost Allocations

Core Services			
Clearing	General Ledger	Limits and Collaterals	Reporting Systems
Management Information and Systems		Security and Access Control	Customer Information



Oracle FLEXCUBE Islamic Banking provides a modular, service-based architecture, allowing you to choose only those modules that suit your needs. Oracle FLEXCUBE's powerful product definition facility enables banks to extensively configure the lifecycle processing of financing transactions based on specific requirements. As operations and business needs grow, they can add new modules without disturbing existing ones. Additionally, as a single integrated solution, Oracle FLEXCUBE Islamic Banking offers a consolidated view of customer relationships, risk management, profitability tracking, and accounting.

Oracle FLEXCUBE Islamic Banking comprises the business modules shown on the previous page. Additionally, some key areas supported by Oracle FLEXCUBE Islamic Banking include

- **Multifund subscription.** The asset management module for Oracle FLEXCUBE Islamic Banking supports multifund subscription. This feature allows customers to subscribe to multiple funds from one computer screen or invest in a fund from any bank branch.
- **Weighted average contributions.** The Oracle FLEXCUBE core module for Islamic banking supports weighted average contributions of depositors. It computes the total profit made by the pool and deducts the management fee and reserves, if any. The remaining profit is allocated to depositors based on their weighted average contribution to the pool.
- **Commodity tracking.** The Oracle FLEXCUBE money market Murabaha module supports tracking of commodities, receipts, and overdue payments. A loan is initiated in receipt of a commodity, with an automatic rule-based status classification facility.
- **Financing assets under construction.** With Oracle FLEXCUBE, a bank can finance assets under construction, define grace periods for suppliers and customers, and support multiple disbursements and collection of installments after the construction period.
- **Grace period disbursement.** Oracle FLEXCUBE supports pre-equated monthly installments loans in which the customer has a grace period before the amortized schedules. It allows disbursement of loans in the grace period, with interest calculated only for this period.



Fact: To date, 790 financial institutions—including three of the top five international banks—in more than 130 countries have chosen to standardize their operations on Oracle FLEXCUBE solutions.

## Join the Ranks of Industry Leaders

More and more conventional banks are introducing Sharia-compliant products. But Oracle's focus on the financial services industry ensures that no matter what the target or scale of your enterprise—whether you are a global bank with operations in several geographies, a regional player with plans to move into other markets, or a bank that operates in a niche market—Oracle has the perfect solution for you. Several leading financial services institutions have chosen to implement Oracle FLEXCUBE to support their Islamic banking needs, including the following:

- Shamil Bank in Bahrain has used Oracle FLEXCUBE to support Islamic banking.
- Dubai Islamic Bank uses Oracle FLEXCUBE to support its full-fledged Islamic banking operations in multiple locations.
- Sakana Holistic Housing Solutions uses Oracle FLEXCUBE for Islamic property financing in Bahrain.
- Tamweel uses Oracle FLEXCUBE to provide Islamic housing finance.

Join the ranks of industry leaders by leveraging the power of Oracle FLEXCUBE Islamic Banking today.

### CONTACT US

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