Oracle FLEXCUBE for Islamic Banking

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. Meanwhile in response to the recent financial downturns customers are looking for alternative systems to protect their finances. As a result, pure-play Islamic banks as well as conventional banks with Islamic banking arms are seeing rising demand for Sharia-compliant Islamic banking products. The Islamic banking market is projected to grow to more than 1.6 trillion by 2020.

Based on banking concepts that are fundamentally different from conventional banking, Islamic banking products need a specifically designed product lifecycle processing framework. 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. Integrated on an agile and scalable IT platform, Oracle FLEXCUBE is built to manage the evolving requirements of Islamic banking

KEY FEATURES

- Proven core platform leverages architectural and technology features for better functionality
- Integrated customer-facing portal with a widget-based dashboard
- Open Development Environment

PROVIDE A COMMON PLATFORM FOR CONVENTIONAL AND ISLAMIC BANKING

Oracle FLEXCUBE adheres to established Islamic banking processes, while allowing the establishment of both systems within a single installation. This can lead to the creation of unmatched business models and increase business growth. 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.

KEY BENEFITS

- Integrate with a comprehensive governance, risk, and compliance framework.
- Expand your target customer base with the coexistence of Islamic and conventional banking on the same platform

IMPLEMENT FUNCTIONALITIES FASTER THROUGH A PROVEN CORE PLATFORM

The lack of consensus on Sharia laws means functionality can be interpreted in different ways. Banks require a system that can keep up with fast and easy implementation of rapidly changing functionality. The Oracle FLEXCUBE platform leverages both architectural and technology features for better functionality. The solution is designed to respond quickly to rapidly changing market regulations and environments and can. Oracle FLEXCUBE's powerful product definition facility enables banks to

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extensively configure the lifecycle processing of financing transactions based on specific requirements.

OFFERS A WIDE RANGE OF ISLAMIC BANKING PRODUCTS

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. Oracle FLEXCUBE covers a wide range of Islamic banking products for differing customer needs. Oracle FLEXCUBE Islamic Banking supports a variety of Murabaha transaction types, which a bank may adopt for its retail and corporate customers

The securities module of Oracle FLEXCUBE Islamic Banking enables comprehensive back –office processing for various Islamic investments including, Usharakah, Musharakah, Diminishing Musharakah and Mudharabah under Equity Based Financing. Oracle FLEXCUBE Islamic Banking supports a funds-based as well as a pool-based approach for Mudarabah transactions.

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). The solution also supports Istisna and Salam under Commodity Financing, Sukuks or Islamic Bonds, Tawarooq and Islamic Overdraft under Monetary Financing as well as a number of other financing variants like Qard-ul-Hassan,Wakalah,Al-Rahnu. The system is also designed to define and calculate Takaful or Islamic insurance products. Takaful is supported for both construction period and post construction period for construction finance products.

GAIN COMPREHENSIVE ISLAMIC FINANCE CAPABILITIES

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. 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.

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. Banks can offer balloon repayment feature to the customers availing Murabaha financing. Balloon repayment can be availed with and without rollover options. 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. 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.

COMPLY WITH REGULATIONS AND MITIGATE RISKS

The solution 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. Islamic banking business processes i.e. contracts, lifecycle events and related accounting entries have been assessed to be in compliance with the standards published by Accounting and Auditing Organization for Islamic Financial Institutions (AAOIFI).

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Financial Services