

Pick your own?

BML Istisharat's solution consisting of integrated modules and sub-modules with high granularity allows banks to acquire only the functionalities they need.

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Founded on Sharia principles, Islamic banking continues its growth and expansion, beyond its traditional Middle Eastern and South Asian hubs. Established on ethical and social-justice foundations, with a risk sharing approach and asset backed financing, Islamic banking offers (i) inclusion opportunities for individuals reluctant to deal with conventional financial institutions and (ii) protection against abuse by possible usury practices or loss of investment in periods of financial adversity. IBS Intelligence asked Raji Challita, General Manager, [BML Istisharat](#), what trends he sees in Islamic banking, both around the world and within the Middle East.

"Regulators and governments in countries where Islamic banking is still in an early stage of development (such as the CIS countries, or countries with a majority Muslim population in Eastern Europe, North and East Africa as well as number of 'non-Muslim' predominant population countries in the APAC and Africa), have already taken steps towards or are exploring creating legal frameworks and implementing measures to spread financial education and facilitate Islamic finance as leverage for boosting inclusion of unbanked populations.

"In the Middle East, the increasing demand for Sharia compliant banking and Takaful products, supported (in most of the cases) by local governments and monitored by well-established regulatory bodies, is creating a highly competitive and challenging market where well-established institutions, FinTech companies and new entrants have to continually offer diversified and innovative products and services both in compliance with Sharia and demanding international and local regulations."

ICBS Islamic is BML Istisharat's comprehensive Sharia-compliant universal banking system – how important is it that the solution is aligned to AAOIFI standards?

"The main objectives of AAOIFI (Accounting and Auditing Organization for Islamic Financial Institutions) are the standardisation and management of Islamic finance practices: *'Accounting, auditing, governance and ethical thought relating to the activities of Islamic financial institutions taking into consideration the international standards and practices which comply with Islamic Sharia rules.'*

"Islamic financial institutions adhere to AAOIFI standards to ensure consistency and compliance with Islamic Sharia and regulatory requirements, transparency, ease of auditability, risk management, credibility and therefore investors' and stakeholders' confidence.

"ICBS Islamic as a Universal Core Banking solution is conceived to help



Raji Challita, General Manager, BML Istisharat

banks and financial institutions automate their operations and processes including among others the following main activities:

- Customers' Information Management
- Accounts Management (Customers, Banks, other Third Parties and G/Ls)
- Transactions Processing
- Financing and Credit Management
- Remittances, Payments, and Settlements
- Profit Calculation and Distribution
- Auditing, Compliance and Reporting

"ICBS alignment to AAOIFI is critical helping Islamic institutions meeting the above objectives and comply with the regulations."

ICBS Islamic is modular in its architecture – what benefits does that offer and how do clients use this modularity to build their own 'bespoke' solutions?

"ICBS Islamic is:

- An **extensive modular, configurable hyperparametric** solution allowing clients to select only the required functionality, configuring the products, setting business rules, processes, workflows in accordance with their activities and offerings.
- **Built on the top of an open database with a normalised ERD/ data model** to build ad hoc reports, dashboards, and data extract.
- **Supplied with a proven comprehensive integration layer** allowing smooth integration within the client ecosystem and client team performing possible internal additional developments consuming the exposed web services while preserving system integrity.

"The system enables banks and financial institution to implement sustainable, scalable, and maintainable bespoke tailored solutions at an optimal total cost of ownership (TCO) with the possibility to meet future

requirements and extend the functionality in a quick time to market through further configuration and/or additional modules.”

How do you ensure that your proposition remains compliant both in terms of Sharia and in the broader financial regulatory environment?

“To be continually informed about regulatory updates, BML Istisharat relies on diversified main sources of information:

- Permanent communication and regular review with our customer base spread over 30 countries sharing respective: (i) Central Banks and Monetary authorities (Circulars and Publications) (ii) Sharia Boards guidance.
- Islamic scholars and Industry experts (analysts and leading consultants).

GRANULAR MODULARITY ILLUSTRATED

ICBS Islamic Core Nucleus – A client looking for a new core system, starts by adopting the following modules as the configurable solution foundation:

- Security module: role access based, authentication, authorisation, full audit trail.
- Customers’ Information System: Comprehensive KYC with a set of compliance submodules for FATCA, CRS, Risk Rating.
- Islamic Accounting (GLs and Customers)
- Islamic Products Factory and management
- Islamic Business rules management
- Dynamic Engines (Accounting, Calculators, Documents Generation)
- Periodical Processes

Islamic ICBS operational modules – Clients select sub modules pertinent to their activities:

1. **Islamic Deposits** profit calculation and distribution (CASA: Mudarabah, Wadiah, Qard, Tawarruq, Micro Saving; Term Accounts and Term Deposit: Mudarabah, Wakalah, Tawarruq; Investment)
2. **Branch and configurable tellers’ operations suite**
3. **Payments and remittances suite** (Cheques, Third Party payments, funds transfers, Manager Cheques, standing and balances orders)
4. **Islamic Credit Facilities management** (Credit Files, Collaterals, Facilities)
5. **Islamic Financing suite** (Murabaha, Musawama, Ijarah, Istisna’, Tawarruq, Musharaka, Mudaraba, Salam.)
6. **Islamic Trade Finance suite** (Letters of Credit, Letters of Guarantee, Documentary Bills for Collection)
7. **Islamic Treasury suite** (FX Spot, Waed, Swap, Wakalah, Commodity Murabaha, Nostro management)
8. **Islamic Investment suite** (Sukuk, Stock/Share, Derivatives, SPVs, Funds Management, Direct Investments, Investment in Real Estate)
9. **Compliance and Regulatory Requirements suite**
10. **Reporting and MIS**

- International Standards Publications (IAS/IFRS) and AAOIFI (BML is a supporting member of the AAOIFI)
- Partners active in the GRC Sector
- Studies and Publications (IBS Intelligence, Gartner Research)
- Review of market research and socio-economic studies results (based on the views of active bankers)
- Attendance of international and regional events, associations, and forums.
- Product benchmarking with ideas and market needs shared by partners and distributors network.

“The outcome of the above input, is reflected in ICBS roadmap, integrated in future standard versions and releases and distributed to the customer base.”

What trends are you seeing in demand for Islamic tech solutions in the Middle East?

“Islamic Financial Institutions are facing additional challenges when compared to conventional banks as they:

- Need to implement more complex controls and extended operating procedures especially when it comes to (i) advanced investment (SPVs) involving multiple participants or (ii) financing products (such as Musharaka, Mudaraba, Istisna’) requiring tailored offering, deeper controls, and advanced knowledge of customers’ activities.
- Are subject to more austere regulations considering compliance with AAOIFI standards, higher level of transparency, extensive reporting, and auditing.

“Hence, the need for flexible solutions, offering ease of integration, interoperability, powerful simulations and data analytics, access to market data. Cloud-based solutions are envisioned in general by institutions looking:

- To reduce their operation cost
- For possible on-demand access to scalable, reliable, high available platforms
- To enhance productivity through collaboration and Integration.

“However, deploying on a cloud platform remains subject to approval by local regulators when it comes to data storage and processing on platforms that are not locally domiciled. ICBS Islamic a web multi-tier real time online, hardware and operating system agnostic solution is conceived to run on premises or on cloud.”

Banking technology is evolving fast, how do you meet the challenge of absorbing these changes and making them available to clients?

“Our product strategy team derives long-term, strategic and short term, tactical input from above-mentioned and:

- Joint activities with tech partners
- Our membership with the Banking Industry Architecture Network Relevant international standards: accounting and auditing as well as financial payments messages: SWIFT (ISO20022) and Rulebooks (SEPA) and the like.

“Changes are mostly met through ICBS hyperparametric features allowing new products and/or new business rules with quick time to market.”