

# TEMENOS T24™

## Islamic Banking – Product Summary



TEMENOS™

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## TEMENOS ISLAMIC BANKING

TEMENOS recognises the increase in Islamic Banking throughout the world and thus in accord with this growing banking sector are introducing the TEMENOS T24 Islamic Banking offering based upon the successful TEMENOS T24 product.

The TEMENOS T24 Islamic Banking offering (as detailed in this document) is already operational (principally in the Middle East) and as Clients requirements are identified, the T24 Islamic Banking 'Model' is constantly being enhanced. TEMENOS T24 Islamic Banking is not a new separate product but forms part of the TEMENOS T24 family and therefore not only benefits from Islamic product enhancements but also from all the main enhancements that are made to the main T24 product as a whole.

Clients using TEMENOS T24 have the main advantage of adopting one Core system which not only covers all aspects of conventional banking but also has Islamic Banking as an integral part of the applications and database. To use T24 to cover both types of Banking means only one system is required and one database – meaning operational overheads, acquirement costs, database cost, IT operation etc are substantially reduced and provide a Bank with a cost effective solution for all the banks' needs.

## ABOUT TEMENOS

TEMENOS is a provider of integrated modular core banking systems to over 500 financial institutions worldwide in 110 countries worldwide. TEMENOS software provides banks with a single, real-time view of the client across the enterprise, enabling banks to maximise returns while streamlining costs.

Whether providing 24/7 functionality to the wholesale, retail and private banking sectors, partnering with central banks on core system replacement, or working with the World Bank on solutions for the emerging markets, TEMENOS knows banking.

The company has a transparent approach to its operations and brings to bear its experience, expertise, commitment and professionalism on every project, TEMENOS is headquartered in Geneva, Switzerland and has 39 offices across 31 countries and is listed on the main segment of the SWX Swiss Exchange (TEMN). More information can be found at [www.temenos.com](http://www.temenos.com)



## T24 ISLAMIC BANKING OVERVIEW

TEMENOS T24 Islamic Banking modules follow the rules laid down by Shariah, which dictates the activities of the banks as well as forming the basis of the daily lives of all people in Islamic countries. TEMENOS understands the structures of Islamic Banking and also the difference of Islamic Banking from conventional loan or debt markets. TEMENOS T24 allows Islamic Banks to provide a competitive range of alternative financing vehicles, alternative to financial products offered by commercial banks – but still firmly based on Islamic Principles. TEMENOS T24 also allows conventional banks to employ Islamic Financial techniques in their banking, thus giving a Profit – Sharing framework as an alternative to interest rate mechanism. Bank's Profit & Losses and Asset & Liability could be displayed on a single GL, still allowing the Banks to bank in a different economical framework.

**See Appendix for sample screen shots on parameters set up and transaction processing.**

## ISLAMIC PRODUCTS SUPPORTED BY TEMENOS T24:

- ➔ Istisna'a
- ➔ Ijarah (Fixed , Variable Rental)
- ➔ Ijarah Corporate Operational
- ➔ Murabaha (Car Finance, Home Finance, Real Estate Finance, etc)
- ➔ Murabaha LC
- ➔ Musharaka (Corporate LC, IDBC, etc)
- ➔ Mudaraba (Saving Account and Investment Deposit)
- ➔ Tawarruq (Consumer and Corporate)
- ➔ Current Account
- ➔ Post Dated Cheques
- ➔ Teller Transaction
- ➔ Funds Transfer
- ➔ Hajj Loans
- ➔ Qard Hasan Finance
- ➔ Other personal Finance without Profit
- ➔ Past Due Debt monitoring
- ➔ Profit Distribution



## TEMENOS T24 Islamic Products:

### → Istisna'a

The Istisnaa part of TEMENOS T24 allows the second kind of sale where a commodity is transacted before it comes into existence. This allows the Bank to order for the goods or equipment required for a construction project according to the choice of the client and delivers them to the client.

The client agrees to pay in instalments at specified dates. There are two sub types of Istisnaa contracts which are classified based on the commodity bought or sold.

### → Ijarah

TEMENOS T24 Islamic Investment's 'Ijarah' is the process by which «Usufruct of a particular property is transferred to another person in exchange for a rent claimed from him/her». It is the equivalent of 'Leasing' in commercial banking.

This allows the Bank to order for Capital assets required for the customer against a rental agreement with him. The title remains with the Bank until the maturity of the lease, but the lease uses the equipment during the lease period. On maturity the asset belongs to the Bank.

### → Ijarah Corporate Operational – Leasing

T24 can cater for the depreciation for Operational leases.

### → Financial Ijara

### → Forward Lease Ijara (Mawsofaat Al-Zema)

- (i) Commodities
- (ii) Capital Equipment



**TEMENOS T24 Islamic Products:**

**➔ Murabaha**

TEMENOS T24 Murabaha contract revolves around the purchase of an asset by the Bank and the onward sale of the same by the Bank to a customer. The purchase may involve commodities, homes, real estate, vehicle, etc.

The Bank makes a profit on the transaction, which is the difference between the price which it pays to the supplier of the goods and the price at which it sells the commodity to the customer. This mark-up will be agreed between the Bank and the customer in advance. The financed amount and profit are due and payable on terms agreed between the two parties.

The Shariah principles require that goods have to be purchased, owned by the Bank and therefore, the Bank bears all the risks related to the unforeseeable events (goods damage, war, customer bankruptcy) until the goods are sold to the customer.

**➔ Murabaha (LC) & Musharaka (LC)**

The TEMENOS T24 Murabaha (LC) and Musharaka (LC) Modules are associated with the financing of Letter of Credits (LC) opened by customers. The TEMENOS T24 Trade Finance application automatically creates the Islamic Murabaha and Musharaka Contracts. LC's are opened in the name of the Bank, and Islamic Contracts start on the day the payment is made to the Exporter.

TEMENOS T24 maintains the amount shared between the Bank and Customer in case of Musharaka and adjusts it with the contract amount based on the Initial Sharing. TEMENOS T24 applies the agreed 'Profit rate' on the contract and accrues regularly on the contract. The application is fully integrated with the rest of TEMENOS T24 Limit Processing, Accounting and Security features. It also allows various options on the repayments to the contracts such as Instalments (Murabaha Instalments are also known as Bay Bithamin Ajil), Payments, Pre-closure etc.

**PRODUCTS INCLUDE**

- ➔ Commodity Finance
- ➔ Real Estate – Corporate
- ➔ Trade Finance
- ➔ Local Purchase
- ➔ Specific Investment
- ➔ Car Finance
- ➔ Auto Finance
- ➔ Home Finance Sort/Med term
- ➔ Hajj Finance
- ➔ Education Finance
- ➔ Retail Personal Financing

**PRODUCTS INCLUDE**

- ➔ Against LC – Corporate
- ➔ Against Inward Documentary Bills for Collection
- ➔ Hamish Jiddiyah
- ➔ Against LC – Corporate
- ➔ LC and Drawings for purchase of goods
- ➔ Against Inward Documentary Bills for Collection

## TEMENOS T24 Islamic Products:

### ➔ Musharaka

TEMENOS T24 Musharaka contract revolves around partnership, normally of a limited duration, formed to finance a project.

The Bank enters into a partnership with a client in which both share the equity capital. Net profit will be divided according to the equity shareholding, regardless of the management fees.

### ➔ Mudaraba Investments

The TEMENOS T24 Mudaraba module allows customers to invest funds in Mudaraba transactions which will have to be invested by the Bank using Islamic Investments. The funds taken from the Customer are then given to the dealers who will make the necessary investments using all or part of the funds in one or more IS contracts respectively i.e. the customer's funds can be used along with bank's funds to make an IS Contract.

Depending on the profit the dealer generates from the IS contract, he will then give a rate for the customer's funds (which normally is lower than the rate of the profit made on the IS Contract). Therefore, the Customer's investment becomes a normal deposit with the Bank with a profit (interest) rate and Maturity date (the final Sell payment date of the IS contract) associated with it.

The customer can do the following things with his Mudaraba investment:

On the maturity date customers can take back his Capital & Profit i.e. let the contract mature.

Customers can take back his profit at maturity and roll the capital over for an additional time period.

Customers can ask the bank to add the profit to the capital and roll over the whole amount for an additional time period.

The Mudaraba contract can be 'early matured' i.e. the customer can come to the Bank and ask them to break the investment. In that case the profit is calculated up to the date on which the customer asks the bank to 'break' the investment.

## PRODUCTS INCLUDE

- ➔ Savings Account
- ➔ Current Accounts
- ➔ Investment Deposit



**TEMENOS T24 Islamic Products:**

➔ Tawarruq

This product is designed for a Bank customer to get an immediate liquidity facility applying Islamic Shari'a Rule. With this product the Bank will own a position in a precious metals or any asset which can be sold in the market by the client them self. In Tawarruq procedure, a customer can keep his asset or liquidate it to a broker by the Bank arrangements. Tawarruq is used also to cover drawings required by the customer on demand.

➔ Current Accounts

T24 Accounts are Sharia compliant with no "Riba" with prevention of debit balance situation. All other features associated with a Current Account are available. Charges for services provided can be automated or applied manually.

➔ Post Dated Cheques

T24 supports the processing of Post Dated Cheques (PDC) where unlike conventional PDCs the discounting of a PDC is based on a pre-determined profit. All other PDC processing is based on the UAE conventional banking applications.

➔ Teller Transactions

The T24 Teller Module is configured for the provision of counter cash and cheque transaction based on an Islamic methodology for processing.

PRODUCTS INCLUDE

- ➔ Islamic Personal Finance
- ➔ Islamic Dept Take Over
- ➔ Islamic Mezzanine Finance
- ➔ Islamic Clean Facility
- ➔ Top-up Facility
- ➔ Islamic Credit Card
- ➔ Islamic Covered Drawings
- ➔ Mezzanine Contracts

**TEMENOS T24 Islamic Products:****➔ Funds Transfer**

T24 Funds Transfer Module complies with an Islamic Banking environment.

**➔ Hajj Loans**

T24 Islamic Banking provides for lending to Pilgrims who wish to attend the Hajj. The loan is profit free and can be repaid in instalments or as a bullet single repayment. To support such lending, should the Bank so require, a documentary evidence workflow can be provided. An example would be sight of Air Tickets to allow the Loan to be drawn.

**➔ Qard Hasan Finance**

These loans are profit free and are given to customers on a hardship and/or charitable basis and are normally sourced from the Bank's own funds. Automated charges relating to the loans can be charged and if documentary evidence workflow is required to support the loan, this can be provided. An example would be sight of a medical bill for a loan to cover treatment.

**➔ Other Personal Finance**

Along with Qard Hasan loans, any category of lending can be provided where no profit is required.



## TEMENOS T24 Islamic Products:

### ➔ Past Due Debt Processing

The T24 Past Due module monitors any indebtedness where any loan from an Islamic product is not repaid at the correct time – either in part, as an instalment or whole. The profit calculation ceases at the point of past due but does allow the charging of ‘fees’ for costs incurred by the bank to effect a recovery. The module does have the ability to have a ‘grace’ period and the automation of reminders by correspondence for which an automated charge can be taken.

### ➔ Profit Distribution



T24 Profit Distribution Application is driven by a set of parameters that allow the users to group profit received from investment such as (Murabaha, Ijarah, Istisnaa, etc...) with payable expense generated from liability business activity such as (Mudaraba or Islamic cash accounts). The system allow users to set the rules and condition for payment and give the user a result on what if scenario before making the payments, the user can do many trials by changing the rules and payable rate until the final result is approved and then make the final posting of the profits. The profit can either be paid on line or batch.



TEMENOS Headquarters SA  
18 Place des Philosophes  
CH-1205 Geneva  
Switzerland

Tel:+41 22 708 1150  
Fax:+41 22 708 1160

To find out more about a TEMENOS office near you, please visit  
[www.temenos.com](http://www.temenos.com)

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