ADDLESHAW GODDARD

ISLAMIC FINANCE GUIDE

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Islamic finance is suitable for Muslims and non-Muslims. The purpose of this guide is to demystify and outline some of the basic principles of Islamic finance. It can be used as a point of reference for professionals who are either involved in Islamic finance or interested in developing an understanding of this area.

Where is Islamic finance used?

There is a perception that Islamic finance is used predominantly in Islamic countries. In reality, Islamic finance structures are used throughout the world. In particular, many Islamic finance transactions take place in Europe, North America and other non-Islamic jurisdictions. The UK has become a hub for Islamic finance transactions and the UK was the first sovereign state outside of the Islamic world to issue a Sukuk in 2014. The global Islamic finance market is estimated to be worth almost $4 trillion but this is a tiny fraction when one considers that this only accounts for approximately 3% of the global financial market, particularly as Muslims account for more than 20% of the world's population. However, the market is estimated to be growing by 10% every year.

What are the benefits of Islamic finance?

Islamic finance places an emphasis on the need for financial transactions to be supported by genuine trade or business related activities; this provides an active boost for economic activity and, consequently, the economy. The underlying principles of Islamic finance promote good ethics, stability and reward through risk-sharing. These are some of the key reasons why many observers believe Islamic institutions fared better in the last financial crisis than conventional financial institutions.

What is Shariah and the key principles of Islam?

The Shariah means the “path” or Divine Law derived from the religious precepts of Islam from two main sources:

- **Quran** – the book of divine guidance revealed to Prophet Muhammad (صلى الله عليه وعلى آله وسلم); and
- **Hadith** – the reports describing the words, teachings, actions and behaviours of Prophet Muhammad (صلى الله عليه وعلى آله وسلم).

The process of reasoning by Muslim scholars interpreting these primary sources to determine specific situations is known as *Ijtihaad*. This reasoning is carried out by analogy (*qiyaas*) and reaching conclusions based on public benefit.

There are various debates about how the Shariah is interpreted, based predominately on sects and geographical location. Interpretation of the Shariah is known as Islamic jurisprudence or *fiqh*. Scholars vary in their interpretation of the Shariah depending on the *fiqh* that they follow.

Islam promotes trading, business and investments based on ethical and equitable dealings. Risk-sharing and profit sharing is encouraged to discourage unjustified gains. Documenting commercial arrangements is heavily stressed.

Key principles

The key principles of the Shariah which apply to Islamic Finance are as follows:

- the giving and taking of interest (*riba*) is prohibited;
- there is a prohibition on uncertainty (*gharar*) and speculation (*maysir*); and
- the underlying asset or investment must be acceptable from a Shariah perspective. For example, the Shariah prohibits activities connected with alcohol, pork-related products, tobacco, conventional financial services, gambling, sale of arms and conventional insurance.

CONTENTS

MURABAHA

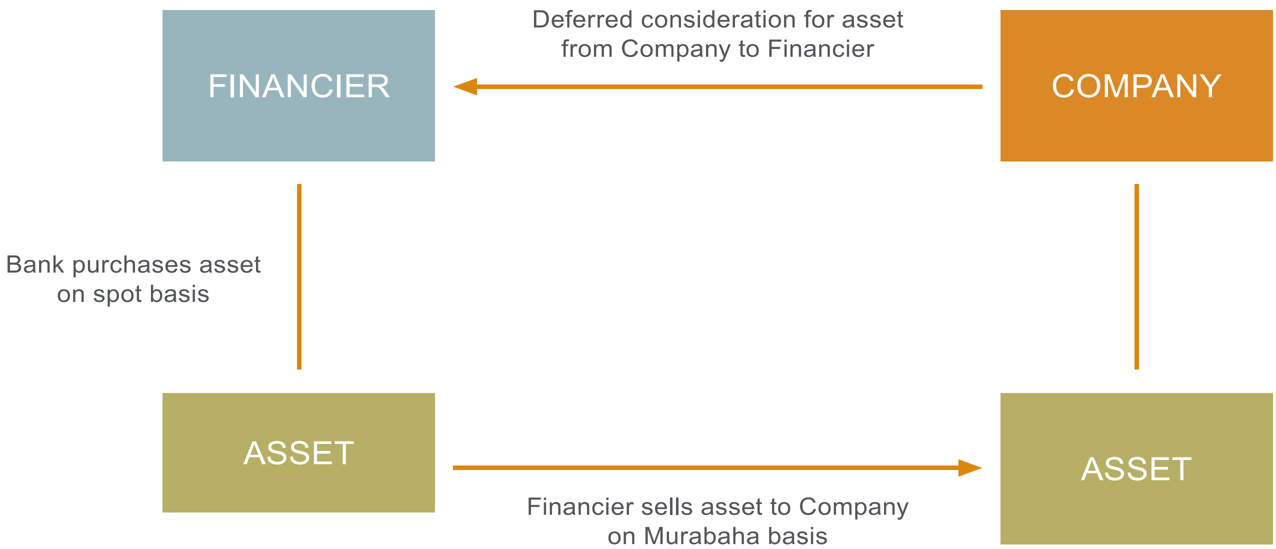
The Murabaha is a form of cost plus financing where a Financier will purchase an asset and sell it on to a Company for an amount made up of the cost of the asset plus a profit margin for doing the transaction.

STEPS

1. The Financier and the Company enter into a sale and purchase agreement in respect of the asset.
2. The Financier purchases the asset from a third party on a spot basis for its market value.
3. The Financier sells the asset to the Company on a Murabaha basis, under the terms of which the title to the asset is transferred immediately to the Company but the Company pays the consideration on a deferred basis. The consideration is made up of the cost price plus a profit margin. The consideration can be one single bullet payment or a series of phased payments.
4. The Company grants security over the assets to the Financier in respect of its liabilities to the Financier.

This structure works particularly well for asset financings. However, it is not particularly suitable for longer term financings as the profit margin will be set on day one and the Financier may lose money if the cost of funds increases.

MURABAHA


FINANCIER
Deferred consideration for asset from Company to Financier
COMPANY
Bank purchases asset on spot basis
ASSET
ASSET
Financier sells asset to Company on Murabaha basis

COMMODITY MURABAHA

The Commodity Murabaha structure is a synthetic version of the Murabaha structure described above. In this structure, a Financier has the option of providing long term financing without acquiring the underlying asset and the risk associated with this and replicates the economics and risk profile of a conventional financing.

STEPS

1. The Financier and the Company enter into a master Murabaha agreement for the sale and purchase of commodities (**MMA**).

2. The Company will serve a notice on the Financier under the MMA for the Financier to sell to the Company certain commodities.

3. The Financier will purchase the amount of the commodities requested in the notice set out in Step 2 from a third party seller on a spot basis and pay the market price for such commodities.

4. Immediately on completion of Step 3, the Financier will sell the commodities to the Company on a Murabaha basis whereby the Company acquires immediate title to the commodities but the consideration is deferred, usually for three months. The consideration is made up of an aggregate of the cost of the commodity and a profit amount agreed in the MMA. The profit amount shall comprise of a normal benchmark for a conventional financing (such as LIBOR) plus a margin, representing the true profit to the Financier for the transaction.

5. On acquiring the commodities, the Company will immediately sell such commodities to a third party on a spot basis for the market value.

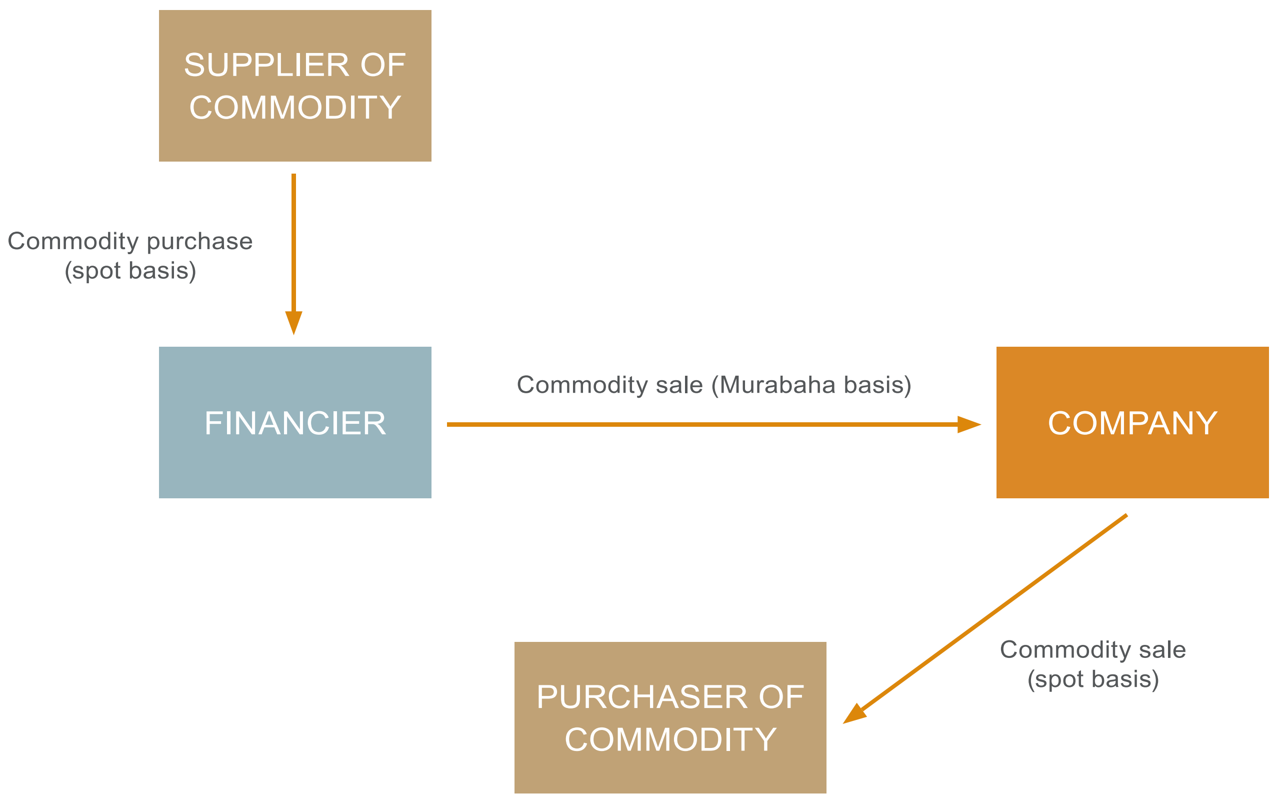
6. The Company will be in possession of the funds from the sale of the commodities with a liability to pay deferred consideration for commodities including the profit amount. The Company will use these funds for its own corporate purposes or to purchase an asset.

7. After the Murabaha period expires after 3 months (usually), a new Murabaha agreement is entered into, usually automatically, whereby another set of commodities are purchased and sold in a similar manner to as outlined above. As a result of netting, the Company will only pay the Financier the profit amount, comprising LIBOR (typical benchmark) and margin after the 3 months.

8. As a result of the steps outlined above and the recycling of the Murabaha to match interest periods under a conventional facility, a commodities Murabaha financing mirrors a traditional financing. The MMA will contain covenants, representations and warranties and events of default that one would expect to find in a conventional facility agreement.

9. The Company will grant security to the Financier in respect of its liabilities and obligations to the Financier under the MMA.

COMMODITY MURABAHA



PARALLEL COMMODITY MURABAHA

The Parallel Commodity Murabaha structure is similar to the Commodity Murabaha structure described above but adds a further layer which allows conventional banks to participate in the structure by providing conventional debt. It relies on two parallel structures which sit adjacent to each other, one of which is conventional and one of which is Shariah compliant.

STEPS

1. The Financier enters into a conventional interest bearing facility agreement (**Facility Agreement**) with a special purpose vehicle (**SPV**) held under an orphan structure. The SPV and the Company enter into a master Murabaha agreement (**MMA**).

2. The Company serves notice to the SPV under the MMA for the SPV to sell certain commodities to the Company. The SPV serves notice to the Financier that it wishes to borrow a loan under the Facility Agreement.

3. The SPV uses the loan proceeds to purchase commodities from a third party on a spot basis for the market price. The SPV immediately sells these commodities to the Company on a Murabaha basis whereby the Company immediately acquires title to the commodities but the consideration is deferred, for a period matching the interest period under the Facility Agreement (usually 3 months). The consideration is made up of an aggregate of the cost of the commodities and the same formula for calculating the interest rate under the Facility Agreement, usually LIBOR plus the relevant margin.

4. On acquiring the commodities, the Company will immediately sell them to a third party on a spot basis for the market value.

5. The Company will be in possession of the funds from the sale of the commodities with a liability to the SPV to pay deferred consideration for the commodities plus the profit amount.

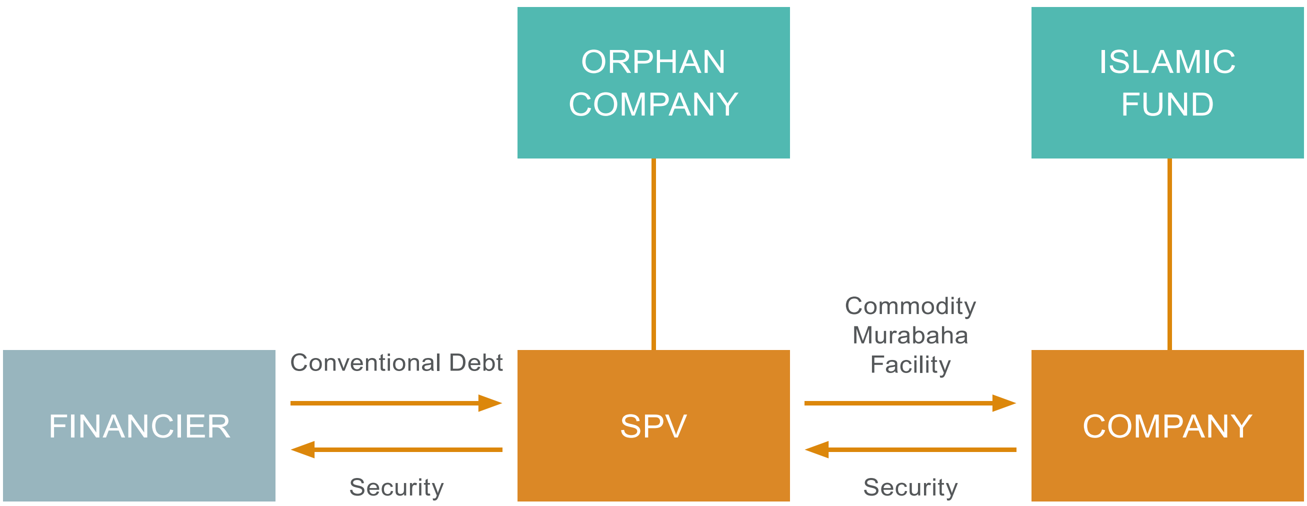
6. The Murabaha deferred consideration period under the MMA and the interest period under the Facility Agreement will match each other and on the expiry of each of these, a new Murabaha agreement will be entered into, whereby another set of commodities are purchased and sold in a similar manner as outlined above. As a result of netting, the Company will only pay the SPV the profit amount, comprising LIBOR plus margin. In turn, the SPV will use this amount to service interest under the Facility Agreement.

7. The Company will grant security over its assets to the SPV in respect of its liabilities and obligations under the MMA. The SPV will grant security to the Financier in respect of its liabilities and obligations under the Facility Agreement, including an assignment of the MMA and the security from the Company. As a result of this, the Financier will have indirect security over the assets of the Company.

8. Steps 2–7 will happen at the same time to minimise the Financier's exposure.

9. The terms of the Facility Agreement and MMA will mirror each other, including the covenants, representations and warranties and events of default. In effect, if an event of default occurs under the Facility Agreement, a corresponding event of default will occur under the MMA.

PARALLEL MURABAHA



EQUITY MURABAHA

Some Financiers are not comfortable with having indirect security over the asset that they are financing under the Parallel Murabaha structure. The Equity Murabaha structure deals with these concerns. The Equity Murabaha structure also has two parallel structures which sit adjacent to each other, one of which is conventional and one of which is Shariah compliant.

STEPS

1. The Financier enters into a conventional interest bearing facility agreement (**Facility Agreement**) with a special purpose vehicle (**SPV**) held under an orphan structure to provide the senior debt.

2. The SPV and the Company enter into a master Murabaha agreement (**MMA**). The proceeds of the facility under the MMA will provide the junior debt or the "equity" for the purchase of the asset.

3. The SPV will use the proceeds of the loan under the Facility Agreement and the proceeds of the Murabaha proceeds under the MMA to purchase the Asset. It will grant direct security to the Financier, including security over the Asset.

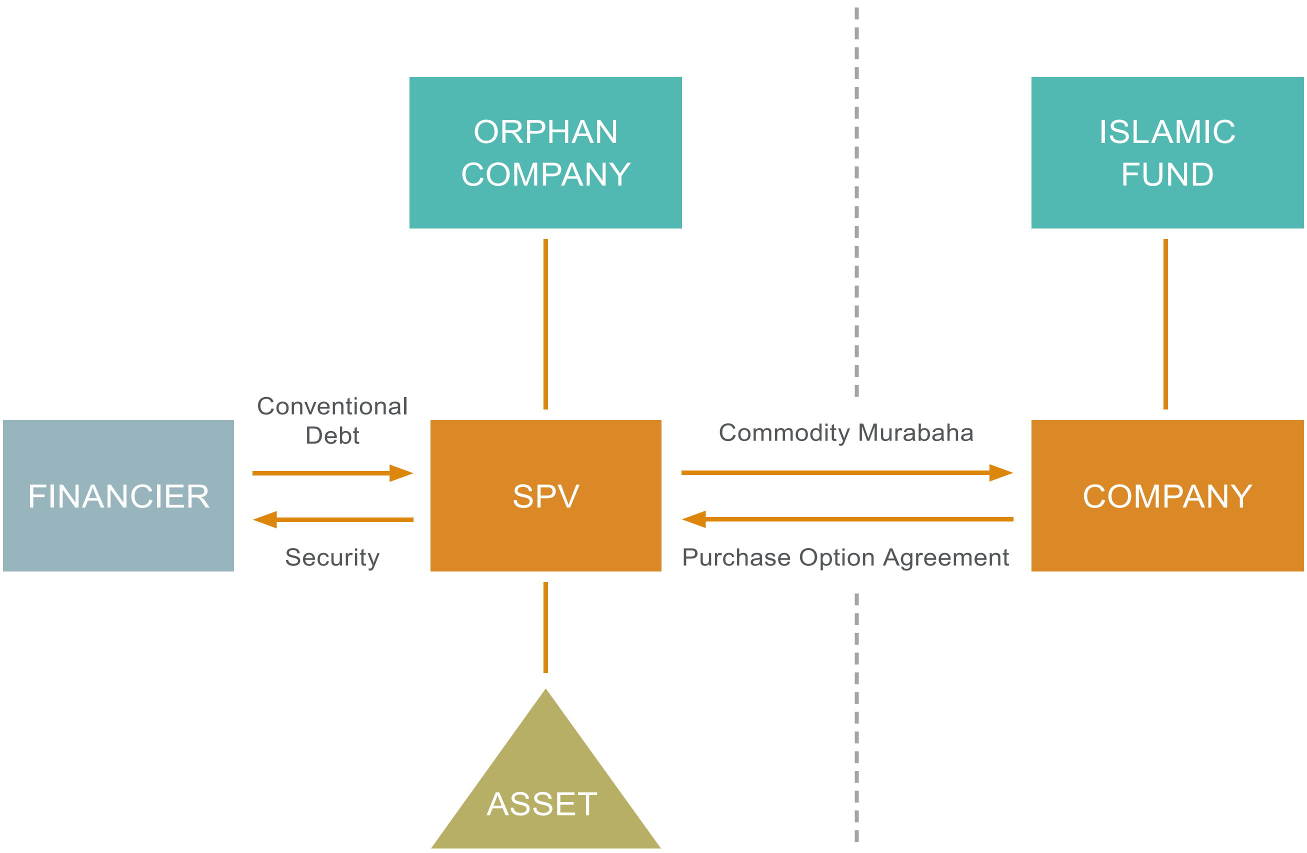
4. Assuming the Asset is income producing, the SPV will use such income to service the interest under the Facility Agreement. The deferred consideration under the MMA will be drafted in a manner to ensure that any surplus amounts retained by the SPV after paying interest and amortisation under the Facility Agreement will be paid by the SPV to the Company.

5. In effect, the left-hand side of the transaction is a conventional financing and the right-hand side is Shariah compliant. From the Shariah fund's perspective, the disconnect between the two sides allows the right-hand side to remain Shariah compliant.

6. From a cash-flow perspective, surplus income from the transaction will be paid over from the SPV to the Company and will accrue on the right-hand side of the deal. There can be no contractual nexus between the Company (on the right-hand side) and the Financier (on the left-hand side) so there can be no intercreditor arrangements in relation to the SPV's liabilities under the Facility Agreement and MMA. Therefore, the MMA will contain terms subordinating the amounts owed under the MMA in favour of amounts owed under the Facility Agreement.

7 A Purchase Option Agreement will be entered into between the SPV and the Company under which the Company will have the right to purchase the Asset from the SPV at any time for a “strike price”. The strike price will be a variable amount and shall be equivalent to the exact amount owing at any given time by the SPV to the Financier. In effect, if the Islamic fund chooses to sell the Asset at any time, in order for it to recover its equity injection under the MMA and for any capital appreciation to accrue on the Shariah compliant right-hand side of the structure, it simply has to exercise the purchase option under which it will pay an amount equal to the outstanding debt under the Facility Agreement to the SPV. The SPV will use this amount to repay the Financier in full and release the security over the Asset, to allow it to be transferred to the Company. The Company can sell the Asset and realise the profit on the right-hand side of the structure.

EQUITY MURABAHA



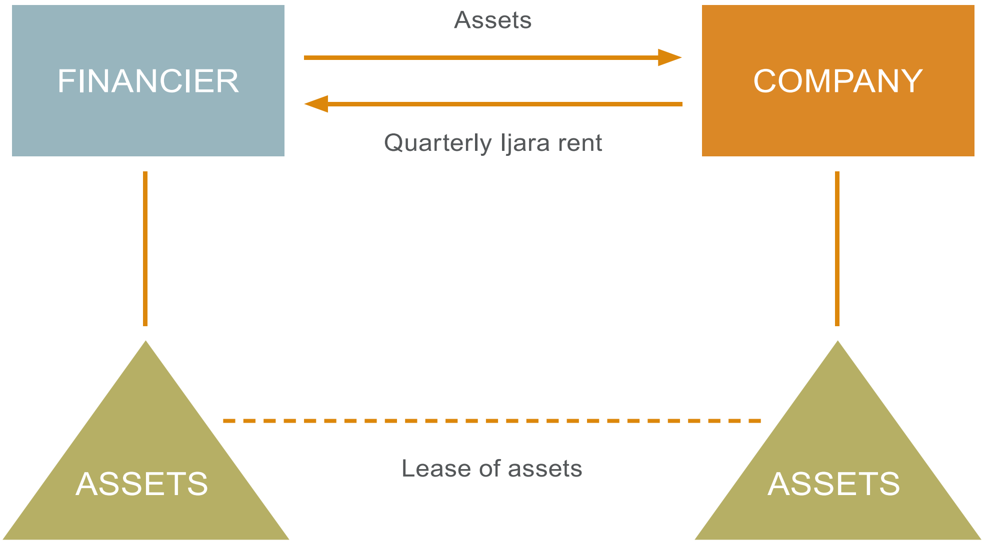
IJARA LEASE

The Ijara structure refers to an arrangement where a Financier and a Company enter into an agreement to grant the right to use certain assets for an agreed time for prescribed rental payments. For this reason, this structure works well for certain types of asset financings and aircraft financings.

STEPS

1. The Company identifies an asset or assets it wishes to acquire.
2. The Financier purchases the assets.
3. The Financier enters into an Ijara lease agreement with the Company under which the Company will lease the assets from the Financier and shall make periodic rental payments.
4. The periodic rental payments are usually made quarterly, similar to interest payments, and can be fixed but are usually made up of a benchmark such as LIBOR plus margin.
5. The Ijara lease agreement will contain covenants, representations and warranties and events of default similar to those one would expect to see in a conventional financing. Put and call options will also be entered into so that, the Company can obtain the assets for the outstanding debt or, if an event of default occurs, the Financier can put the assets on the Company to recover the full value of its financial commitment, less any Ijara rent that it has received.
6. The Company will enter into security over the assets in favour of the Financier in respect of its liabilities to the Financier.
7. The Financier and the Company will enter into a service agency agreement under which the Financier will appoint the Company to carry out certain capital maintenance and insurance obligations.

IJARA LEASE


FINANCIER
Assets
Quarterly Ijara rent
COMPANY
ASSETS
Lease of assets
ASSETS

ISTISNA / IJARA

Istisna is a contract of sale of specified items to be manufactured or constructed with an obligation on the part of the contractor to deliver the items on completion. This structure can be used for project financings, especially when combined with the Ijara structure.

STEPS

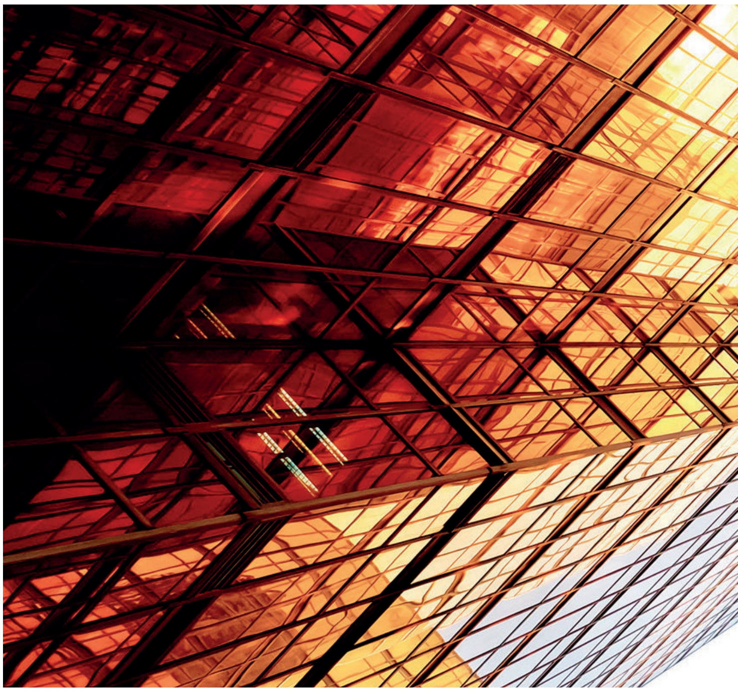
1. The Financier and the Company enter into a Istisna agreement under which the Company will deliver a completed project to the Financier by a specified date. Failure to do so will result in liquidated damages. An Ijara lease is entered into at the same time under which the Company agrees to finance lease the project from the Financier when it is completed.

2. During the construction phase, the Financier, in consideration of the Company undertaking the project, will make scheduled payments for the various phases of the development. These payments will mirror advances made under a conventional project financing. The Company will hold title to the project but will grant security over it to the Financier.

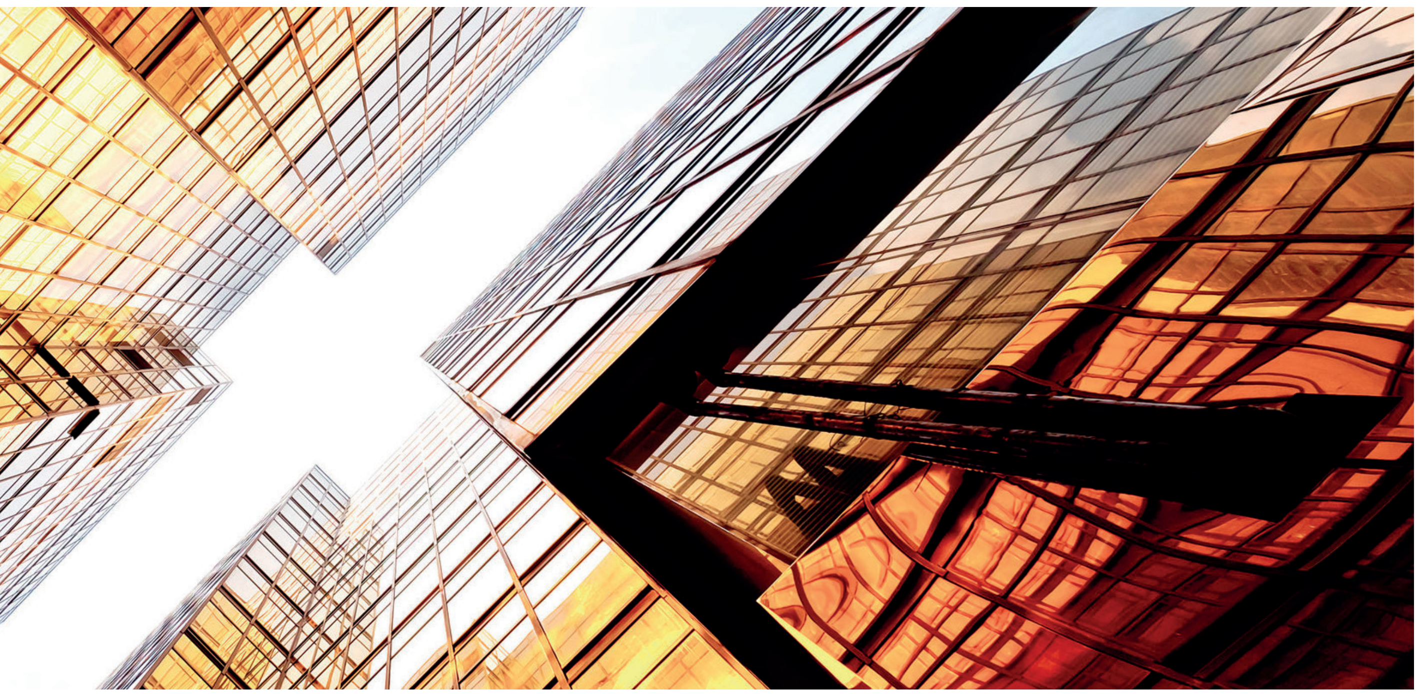
3. The title to the project will pass to the Financier on completion. At such time, the Ijara lease will become effective and the Company will lease-back and operate the project from the Financier. The rent payable under the Ijara lease will usually comprise the scheduled repayment amounts paid under the Istisna contract, a benchmark such as LIBOR and margin. Effectively, the Ijara lease will amortise the original Istisna financing and have payments mirroring conventional interest payments.

4. Put and call options will be put in place under which the Financier can terminate the financing, put the project on the Company and recover all of its money. The Company can terminate the financing by purchasing the project for the amounts outstanding under the Istisna / Ijara agreements.

5. During the operational phase, the Financier will take security over the project and any receivables from the Company.



ISTISNA / IJARA



CAPITAL MARKETS – SUKUK

A Sukuk has a similar economic effect to that of a conventional bond. However, a bond is a debt obligation to make interest and principal payments to bondholders and a Sukuk is a certificate that represents ownership of or a usufruct of an underlying pool of assets.

In practical terms, the Sukuk will be structured in a manner to ensure that receivables emanating from the Sukuk are used to make fixed income payments to the Sukuk holders which are similar to those that would be made to conventional bondholders.

Sukuks can be structured to be issued on capital markets allowing them to be tradable, providing liquidity to the Islamic finance market. Sukuk structures have become well-established and companies as well as sovereign states, including the UK, have issued Sukuks.

Sukuk transactions can be designed to provide the investor with credit exposure to the Company and not the assets being financed and credit agencies rate Sukuk issuances accordingly.

SUKUK AL IJARA

STEPS

1. The Company establishes a SPV Issuer to issue the Sukuk.

2. The SPV Issuer issues a Sukuk in the form of trust certificates representing an undivided ownership interest in certain assets or a usufruct of such assets. There is also an obligation to pay the Sukuk holders the income generated by the SPV from such assets.

3. The Sukuk holders subscribe for the Sukuk and pay the proceeds to the SPV Issuer. The SPV Issuer declares a trust over such proceeds and the assets acquired with such proceeds in favour of the Sukuk holders.

4. The SPV Issuer purchases certain assets to be financed from the Company or a third party using the proceeds of the Sukuk issuance.

5. The SPV Issuer leases the assets to the Company under an Ijara lease for a term that mirrors the tenor of the Sukuk.

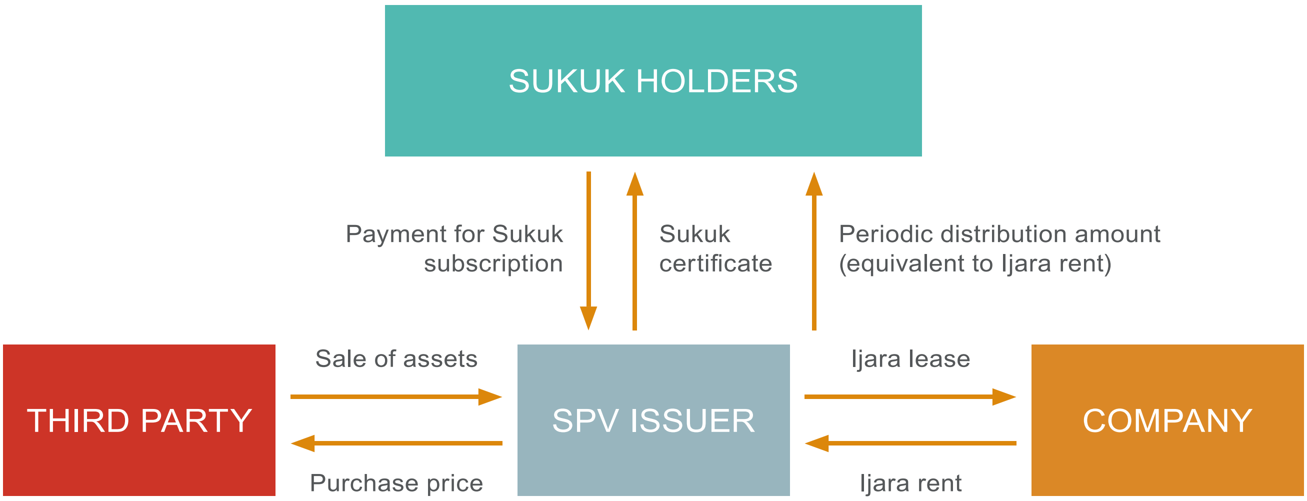
6. Under the terms of the Ijara lease, the Company makes rental payments on a quarterly basis to the SPV Issuer which can either be a fixed rate or variable, usually using a benchmark such as LIBOR.

7. On receipt by the SPV Issuer of each rental payment from the Company, the SPV Issuer will make a matching periodic distribution payment to the Sukuk holders.

8. Put and call options will be put in place to ensure that on a default or at maturity, the SPV Issuer will sell and the Company will buy-back the assets at a prescribed price, which will be equal to the amount owing by the Company to the SPV Issuer at such time. The SPV Issuer will use this amount to pay the Sukuk holders.

9. The SPV Issuer and the Company will enter into a service agency agreement under which the SPV Issuer will appoint the Company to carry out certain capital maintenance and insurance obligations.

SUKUK AL IJARA



SUKUK AL MURABAHA

STEPS

1. The Company will establish a SPV Issuer to issue the Sukuk.

2. The SPV Issuer issues a Sukuk in the form of trust certificates representing an undivided ownership interest in certain assets. There is also an obligation to pay the Sukuk holders income generated from such assets.

3. The Sukuk holders subscribe for the Sukuk and pay the proceeds to the SPV Issuer. The SPV Issuer declares a trust over such proceeds and the assets acquired with such proceeds in favour of the Sukuk holders.

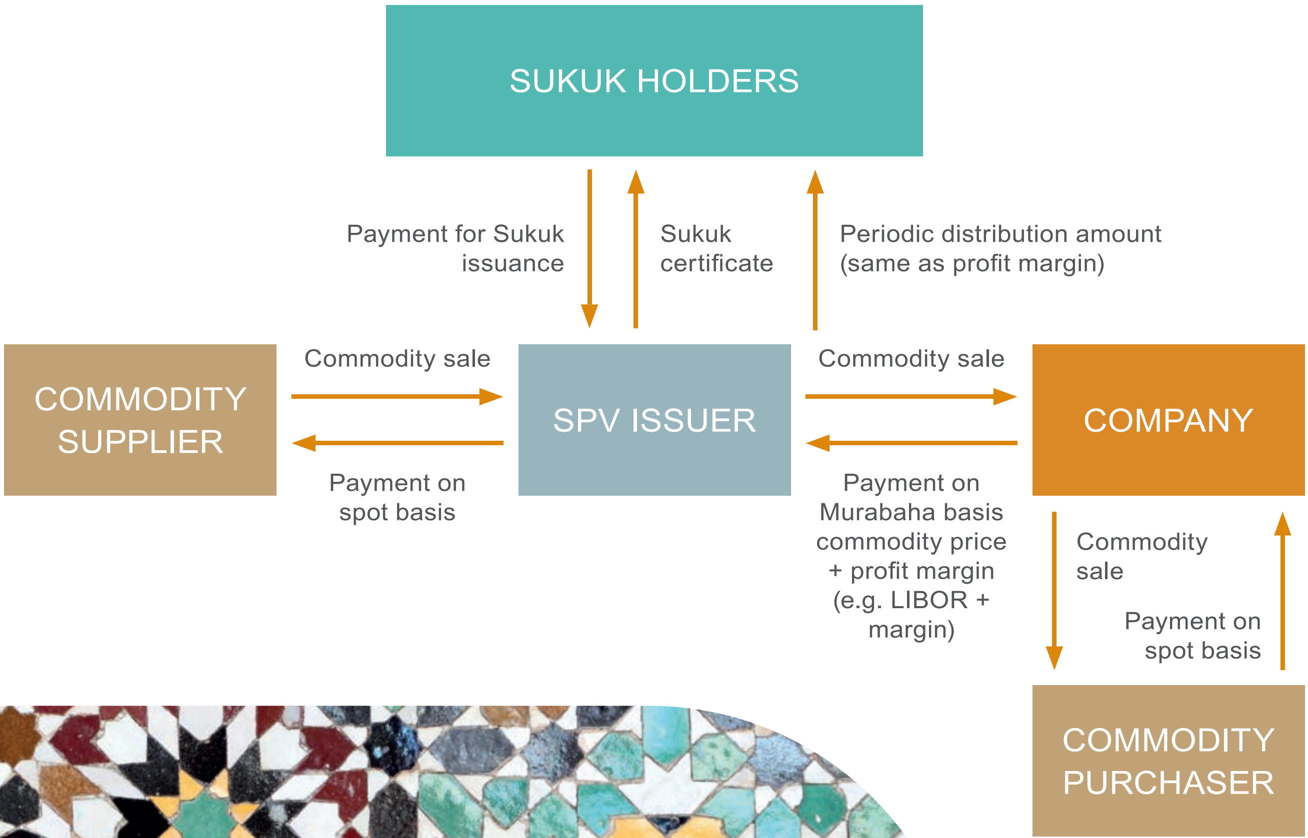
4. The SPV Issuer uses the proceeds of the Sukuk to purchase commodities from the Commodity Supplier on a spot basis.

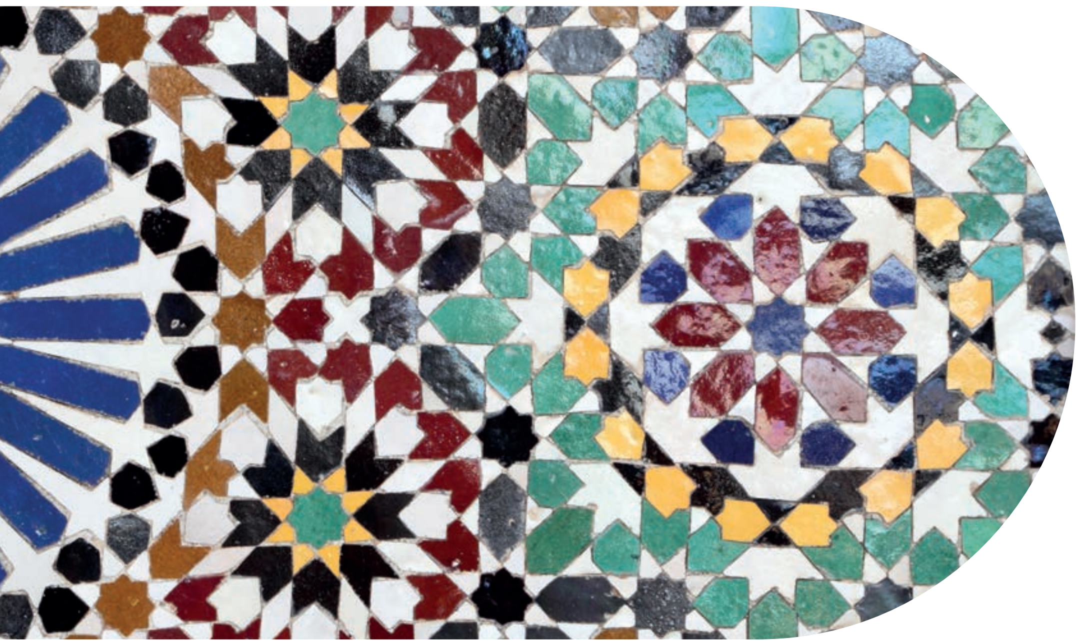
5. The SPV Issuer immediately sells these commodities on a Murabaha basis to the Company, usually payable in three months. The deferred price is made up of the cost of the commodity plus a profit amount, comprising a benchmark (such as LIBOR) plus a margin.

6. The Company immediately sells the commodities on a spot basis and therefore, in effect, holds the proceeds of the Sukuk issuance with a liability to repay such amount plus an additional profit amount (e.g. LIBOR plus margin) in three months.

7. After three months, when the Company makes the deferred payment for the Murabaha to the SPV Issuer, a new Murabaha contract will be entered into and, as a result of netting, the Company will only pay the SPV Issuer the profit amount. The SPV Issuer will use the profit amount to pay the matching periodic distribution amount to the Sukuk holders.

SUKUK AL MURABAHA





ISLAMIC DERIVATIVES

ISDA and IIFM have created derivative precedents which are still relatively new to the Islamic finance market. The most commonly used Shariah compliant derivative is the Profit Rate Swap which seeks to achieve the same economic objective of a conventional interest rate swap by using the Murabaha structure to hedge a party's floating rate exposure.

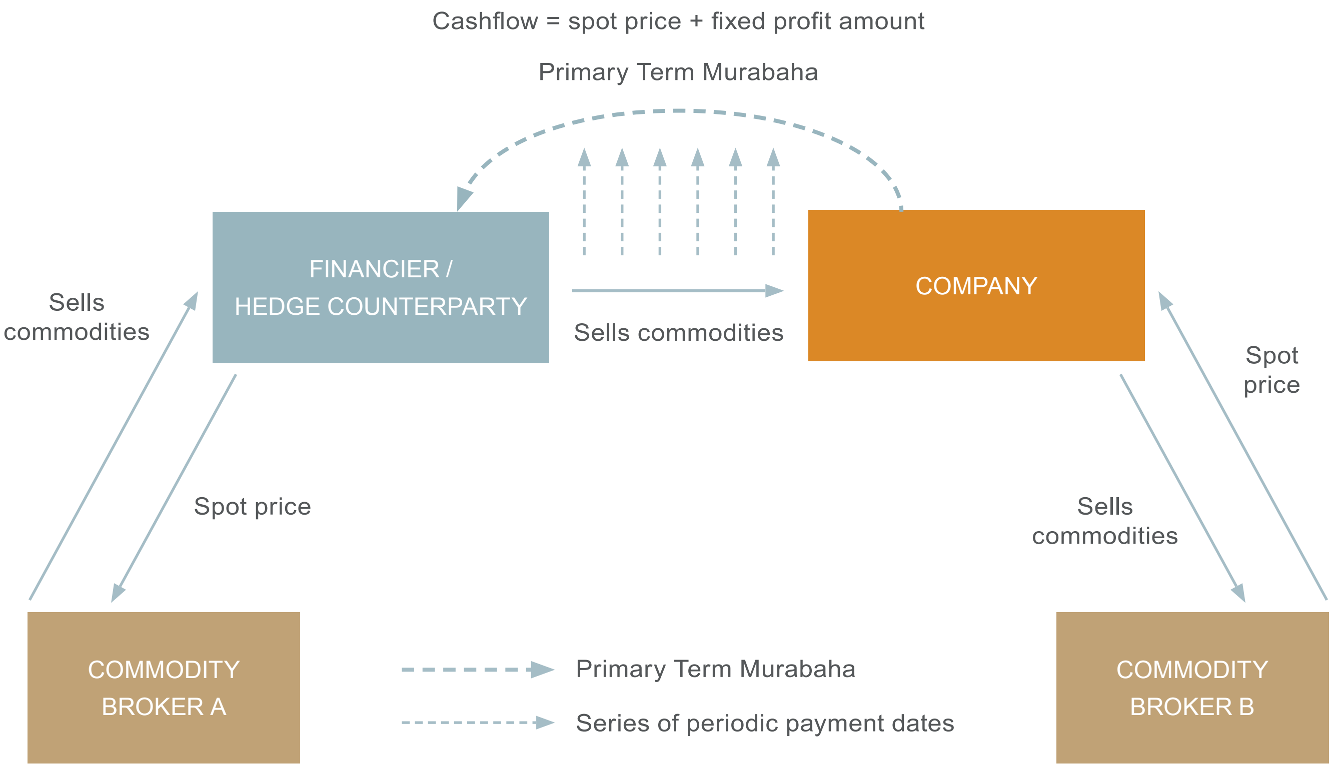
Profit Rate Swap

The Company enters into a Shariah compliant facility, such as outlined above, where the benchmark is a floating rate, such as LIBOR. The steps outlined below are in two distinct stages, both of which occur simultaneously. Stage 1 is the Primary Term Murabaha and Stage 2 is the Secondary Reverse Murabaha.

The Primary Term Murabaha – STEPS

1. The Financier (as hedge counterparty) acquires commodities from Commodity Broker A on a spot basis.
2. The Financier immediately sells the commodities to the Company on a Murabaha basis. The deferred consideration comprises the cost of the commodities and a profit amount, which is likely to be the same amount as the prevailing fixed swap rates at such time for the underlying Shariah compliant facility.
3. In the Primary Stage Murabaha, there will only be one transaction which will match the length of the tenor of the underlying Shariah compliant facility.
4. The Company agrees to pay the deferred consideration in instalments, which mirror the periodic payment dates in the underlying Shariah compliant facility.
5. The Company immediately sells the commodities to Commodity Broker B on a spot basis.

STAGE 1 – THE PRIMARY TERM MURABAHA



The Secondary Reverse Murabaha – STEPS

1. The Company acquires commodities from Commodity Broker B on a spot basis.

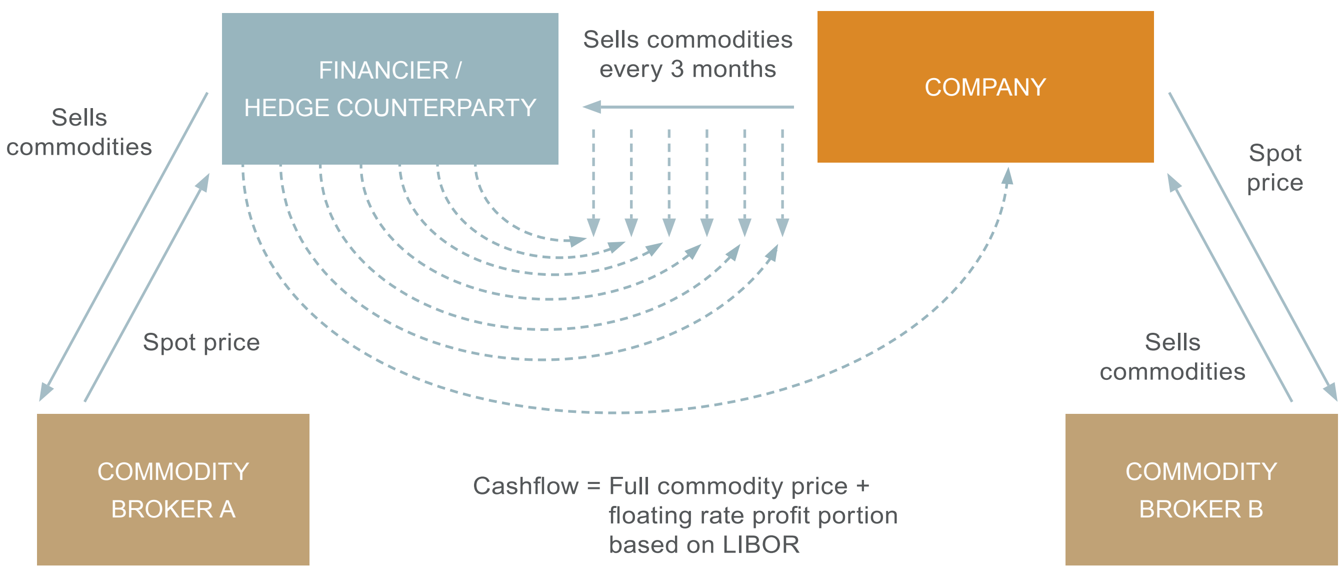
2. The Company immediately sells the commodities to the Financier on a Murabaha basis. The deferred consideration comprises the cost of the commodities and a profit amount, which mirrors the floating rate exposure the Company has in the underlying Shariah compliant facility.

3. In the Secondary Reverse Murabaha, a new transaction will occur for each period (usually every 3 months) in which a servicing payment is made under the underlying Shariah compliant facility.

4. The Financier agrees to pay the deferred consideration in instalments which mirror the periodic payment dates in the underlying Shariah compliant facility.

5. The Financier immediately sells the commodities to Commodity Broker B on a spot basis.

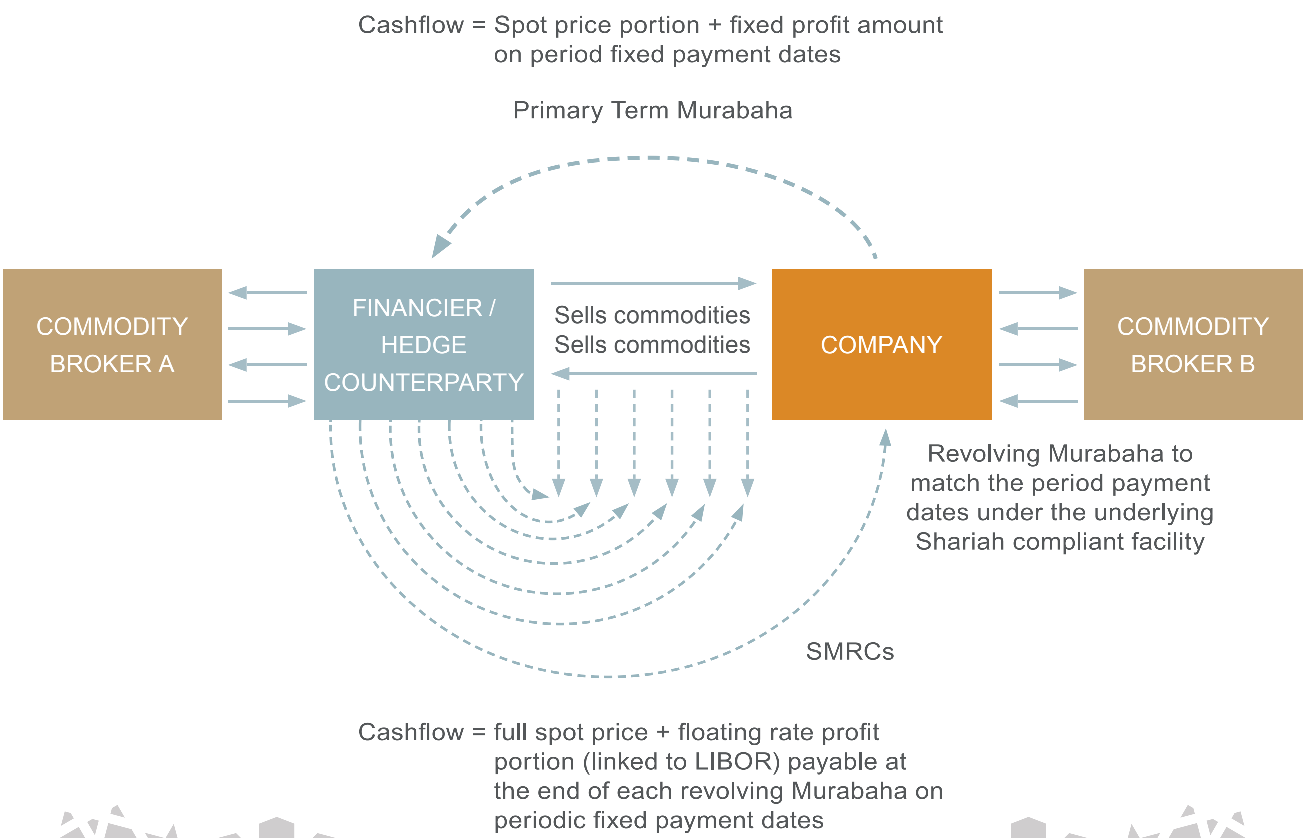
STAGE 2 – THE SECONDARY REVERSE MURABAHA CONTRACT (SRMC)



Overall effect

The overall effect of the steps outlined above is that the Company exchanges its floating rate exposure under the underlying Shariah compliant facility to fixed rate exposure.

OVERALL STRUCTURE



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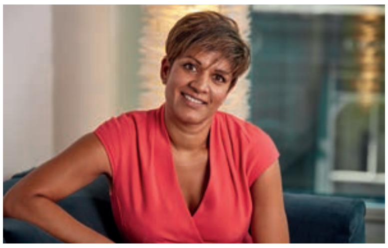

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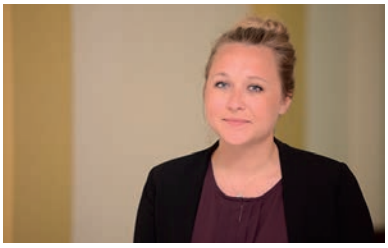

GLOSSARY

Islamic Finance – Key Terms

abu Hanifa:	Pre-eminent second/eighth century jurist (faqih) of Iraq after whom the Hanafi madhhab is named
adl:	Justice
Ahmad bin Hanbal:	Third/ninth century pre-eminent jurist (faqih) and hadith specialist after whom the Hanbali madhhab is named
ajr:	Fee
al mithlu bil mithl:	Like for like
al Shafi'i (Imam):	Pre-eminent late third/ninth century Jurist (faqih) after whom the Shafi'i madhhab is named
amana:	Deposit in trust
amin:	Trustworthy/Trustee
amlak:	Possessions
amlak shar'iya:	Legal assets
'aqar:	Real estate
aqd:	Contract
arboun:	Arboun is a contract of sale in which the seller is compensated for honouring the obligation to cancel the sale if the buyer chooses to do so
ard:	Land
ardh:	Offer
as'hom:	Shares
asnaf ribawiya:	The six substances sold by weight and measure (gold, silver, dates, wheat, salt and barley) that, when exchanged in kind, must be exchanged in equal measure and with immediate transfer of possession, to avoid riba in trade (see 'riba al fadl'). If these conditions are not met, then the exchange is considered to be riba
at tahawwut an: naqdi al Islami	Islamic currency hedge
ayah:	Verse
batil:	Void/Invalid
bay':	Sale
bay' ad dayn:	Trade of debt or receivables
bay' al 'ajil bil ajil:	Sale with delayed delivery
bay' al 'arbun:	Sale with a non-refundable down payment
bay' al gha 'ib:	Secret/Absent sale
bay' al istijrar:	Master supply sale contract
bay' al khiyar:	Sale with an option of one party to rescind the contract within a specified time
bay' al khuluw:	Sale of concession/sale of right
bay' al musawama:	Negotiated sale
bay' al wadhi'a:	Discount sale
bay' al wafa:	Repurchase option
bay' as Salaf:	Prepaid sale
bay' as Salam:	Deferred delivery sale
bay' as Sarf:	Exchange of currency
bay'atan fi bay'a:	Two sales in one, explicitly prohibited in the Shariah
bay' at Tawliya:	Sale at cost price
bay bil wafa:	Redemption sale
bay' bi thaman ajil:	Deferred payment sale
bayt al mal:	Treasury of the Muslim community
daf'muqaddam:	Advance payment
daman:	Contract of guarantee, security or collateral
dayn:	Debt
dhimma:	Liability
dhulm:	Injustice
dinar:	A gold coin used by Muslims throughout Islamic history
diya:	Compensation
fardh:	Obligatory
fatwa:	Religious opinion concerning Islamic law
gharar:	Contractual ambiguity
habal al habala:	Uncertain outcome agreement, prohibited by the Shariah
hadith:	Report of the sayings or actions of the Prophet Muhammad (pbuh)
halal:	Lawful. A deed permitted by Allah
hamish jiddiya:	Security deposit
haqq:	Right
haqq maly:	Financial right
haqq tamalluk:	Right of ownership
haram:	Impermissible, unlawful
hawala:	Debt transfer

hawl:	Lunar year
hiba:	Gift
hissab khas:	Escrow account
hukum:	Ruling
ibraa':	Discharge
ijara:	Lease, rent or wage
ijara mawsoofa: bil Dhimma	Forward lease or a lease described with responsibility
ijara muntahiya: bit Tamleek	Lease ending with ownership
ijara wa iqtina:	Lease and possess
ijmaa':	Consensus
ijtihaad:	Juristic interpretation
iman:	Conviction, faith or belief
iqala:	Cancellation of a contract
iqtisad:	Economics
ishtirak:	Contract of partnership
Islam:	Submission to Allah
istihsan:	Juristic preference
istihwadh:	Acquisition
istijrar:	Continuous purchase or supply contract
istisna:	Manufacturing contract
istithmar:	Investment capital
jahala:	Ignorance
kafala:	Guarantee
kafil:	Guarantor
khayar an naqd: al Islami	Islamic currency option
khiyar:	Option, choice
madd:	Measure
madh'hab:	School of classical Islamic jurisprudence. There are four well-known madhahib among Sunni Muslims whose names are associated with the classical jurists who founded them: Hanafi, Maliki, Shafi'i and Hanbali
makruh:	Detested/ reprehensible
mal/mulkiya:	Property
Malik (Imam):	Pre-eminent jurist (faqih) of the late second/eighth century after whom the Maliki madhhab is named
mandub:	Recommended
manfa'a:	Usufruct
maslaha 'ammah:	Public good or benefit
mas'uliyat:	Responsibilities
masraf:	Bank
mat mutaqawam:	Goods with commercial value
maysir:	Gambling
mithaq:	Covenant
mithli:	Fungible goods
mu'addal ad dayn: ila ra's al mal	Debt-to-equity ratio
mu'amala muharrama:	Unlawful transaction
mu'amalat:	Transactions
mudaraba:	Investment management partnership
mudarib:	Investment manager
mufawada:	Equal partnership
mufti:	Islamic jurisconsult
mulkiyat al khadamat:	Service right
murabaha:	Full disclosure trust sale; also, mark-up/ cost plus sale
murabaha 'aksiya:	Reverse murabaha
musharaka:	Investment partnership
musharaka: mutanaqisa	Diminishing partnership
musharak fi ar ribh: wal khasara	Profit and loss sharing
Muslim:	A Muslim is a person whose religion (deen) is Islam
mustahaqqat ash: Sharika lada at ghayr	Receivables
muwa'ada:	A mutual promise
naqd:	Currency
qard:	Loan
qard hasan:	A transaction in which money is lent and paid back without any addition to the principal that is specified in the contract
qard marhali:	Bridge loan
qimi:	Non-fungibles
qiyas:	Analogy
qubul:	Acceptance

Qur'an:	The word of Allah, Lord of the Universe, revealed to the last of the Prophets, Muhammad (pbuh), via the Archangel Jibril (Gabriel); the Holy Book of Islam
rab al mal:	Owner of capital/investor
rahn:	Collateral
ra's al mal:	Capital
rashwa:	Bribery
riba:	Interest
sahih:	Sound, healthy, correct
salah:	Ritual prayer
sanadat:	Bonds
sanduq:	Fund
sarf:	Currency exchange
se'er al bay' ar rasmi:	Official selling price
se'er as souq:	Market price
se'er at taswiya:	Matching rate
shahada:	Testimony; bearing witness that Allah has the unique right to be worshipped to the exclusion of anything or anyone else and that the Prophet Muhammad (pbuh) is the Messenger of Allah
Shariah:	Islamic law, originating from the Qur'an, as defined by practices and explanations rendered by the Prophet Muhammad (pbuh) and ijtihad of 'ulama (personal effort by qualified Shariah scholars to determine the true ruling of the divine law in a subject matter)
sharikat istithmar: mubashir	Private equity firm
sharikat al amwal:	Partnership by capital contribution
sharikat al mulk:	Partnership by asset ownership
sharikat at 'aqd:	Contractual partnership
shart:	Stipulation, condition
shart al jazaa:	Penalty clause
souq:	market
sukuk:	Islamic bond
sunna:	The actions, deeds, endorsements and characteristics of the Prophet Muhammad (pbuh), which inform the life of a Muslim
tabadul mu'adalat: ar ribh	Profit rate swap
tabadul wada'i:	Exchange of deposits
tabarru':	Charitable contract
takaful:	Islamic insurance
tamweel:	Financing
ujra:	Fee, wage
'ulama:	Muslim scholars
umma:	The Muslim community
wa'ad:	Unilateral Promise/undertaking
wakala:	Agency
wakalat istithmar:	Investment agency
waqf:	Charitable trust
wasiya:	Will, testament, bequest
zakat:	The third pillar of Islam, obligatory almsgiving

NOTES

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