

SECTION 8: GLOSSARY

AAOIFI	Accounting and Auditing Organisation for Islamic Financial Institutions which provides relevant provisions for Islamic finance, including recommended Shari'a review practices. www.aaofii.com
DFSA	Dubai Financial Services Authority- the independent regulatory body with oversight over Authorised Firms, Authorised Individuals, Authorised Market Institution and Ancillary Service Providers which operate in or from the DIFC.
DIFC	Dubai International Financial Centre- a Financial Free Zone in a designated area within the Emirate of Dubai.
DIFCA	Dubai International Financial Centre Authority
Hadith	Consolidation of the verbal translations of the Prophet (PBUH).
Ijara	Ijara is commonly referred to as a leasing structure. An asset is leased out by the owner of the asset for a rental income. The Ijara arrangement may also lead to a separate arrangement for the sale of the leased asset to the lessee at the end of the term. The Ijara structure is widely used as a form of Shari'a-compliant home finance and has been widely used in sukuk structures.
Ijma	Consensus of scholars.
IFSB	Islamic Financial Services Board is a standard setting agency established in Malaysia which seeks to standardise the practices which apply to Islamic finance based on international best practice, duly modified to reflect the specifics of Islamic Finance. www.ifsb.org
Ijtihad	Interpretation of scholars.
Istisna'a	Istisna'a is one of few Islamic contracts where the asset which is the subject matter of the transaction does not exist at the time of contracting. It is commonly referred to as a construction contract whereby financing is raised principally for manufacturing.

Mudaraba	Mudaraba is a contract where the provider of capital (Rabb Ul Maal) provides funds to the manager (Mudarib) for the purpose of investment. The return on the investment (the profit), is allocated between the Mudarib and Rabb Ul Maal in accordance with a predetermined ratio agreed at the outset of the contract. This is also referred to as a 'profit sharing investment structure', or 'account'. The Rabb Ul Maal may provide the funds to the Mudarib and impose a condition on the application of those funds, this is referred to as a 'restricted profit-sharing account'. Where funds are provided without condition this is referred to as an 'unrestricted profit-sharing investment account'.
Murabaha	A cost plus mark-up structure where the Islamic financial institution acquires an asset for resale to the client at a price which includes the original acquisition price plus a mark-up. Commonly used as an alternative to a conventional loan. In some jurisdictions it is widely used as a form of Shari'a-compliant home financing.
Musharaka	Musharaka is a form of equity partnership where both partners contribute capital and effort. This is distinct from a Mudaraba where the provider of capital (referred to as Rabb Ul Maal) does not contribute to the management of the partnership. In some jurisdictions it is used as a form of Shari'a-compliant home financing, particularly the variant model the diminishing Musharaka, where one partner's share gradually decreases as the other partners share increases.
Qiya's	Analogical reasoning.
Qu'ran	Definitive 'Word of God' revealed to the Prophet Mohammed (PBUH). It is the most sacrosanct text to Muslims.
Riba	Riba is generally referred to as 'an increase' more specifically an 'unjust increment'

Salam	Salam is another Islamic contract where the asset which is the subject matter of the transaction does not exist at the time of contracting. It used to be a method of raising funds to grow agricultural products. A Salam is entered into by an Islamic financial institution that pays in advance for goods which are to be delivered at a later date.
Sunnah	Religious conduct of the Prophet, (PBUH) referred to as 'Way of the Prophet' which is recognised as an example of how to conduct one's life.
Sukuk	Sukuk is commonly referred to as an Islamic bond, which is not an accurate reflection of a sukuk. A sukuk is a way of raising funds where there is an identifiable asset which generates an income stream. Sukuk certificates, which confer ownership to the underlying assets, are issued to investors in return for initial funds. At fixed intervals, the investors receive profits generated from the underlying asset.
Takaful	This is a scheme of mutual support which are often structured as charitable collective pool of funds. An individual becomes a participant by paying a participative contribution (tabarru') to a common takaful fund whereby the individual allows his / her contributions to be used to help others. Takaful provides mutual protection of assets and property and offers joint risk-sharing in the event of a loss by one of the participants. Takaful is similar to mutual insurance in that members are the insurers as well as the insured. Takaful is sometimes termed as 'Islamic Insurance'.
Tayyab	Tayyab literally translates as 'wholesome or more beneficial than just compliant'. RHT Partners have created a white paper on Tayyab' (www.RHTPartners.com).