HEDGING IN ISLAMIC FINANCE: Concepts, Strategies, and Instrument

Dr. Sami Ibrahim Al Suwailem (27-29 December 2015)
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Hedging in Islamic Finance: Concepts, Strategies, and Instruments

The Hedging in Islamic Finance course provides extensive insight on the utilization of Islamic financial instruments to mitigate risks. One of the main topics that will be discussed will be the techniques that can be used to manage risk in Islamic finance without violating the teaching of the Shariah. At the end of this module, participants will have a clear view of risk analysis and risk management in conventional and Islamic finance frameworks.

Learning Outcomes

On successful completion of this course, participants will be able to:

- Identify various contemporary Islamic nominate contracts: their definition, philosophy, types, legal foundations, and application
- Link the essential principles of Islamic banking such as riba and gharar prohibition to hedging
- Explain the risks contained in derivative products, both conventional and Islamic and the approach used to mitigate them
- Discuss the different strategies used for hedging
- Compare and analyze a wide selection of Islamic hedging instruments
- Discuss the contemporary issues in Islamic finance engineering and product development related to hedging
Target Audience

- This course is for individuals who would like to have an in-depth understanding on hedging in Islamic banking related to a multitude of Islamic finance contracts and products.
- This may include and may not be limited to:
  - Individuals in the risk management department
  - Senior and middle management
  - Individuals in product development
  - Individuals in treasury and capital markets
  - Credit officers
  - Investment analysts

Prerequisites

Introduction to Islamic banking or relevant banking experience

Teaching Methodology and Structure

The course will be conducted using a variety of learning aids that include presentation slides, lectures, group discussions, problem solving sessions, and case studies.

Language

English and some usage of Arabic for fundamental terms which will be translated
Content Highlights

- Recap on the essentials of Islamic Banking and Finance
- Theory of riba: Debt riba and trade riba
- The rules of exchange and overview of Islamic instruments
- The theory of gharar
- Derivatives and risk in conventional finance
- Islamic vs. conventional approach to risk
- Product development and financial engineering in Islamic finance
- Islamic Hedging Instruments
- Strategies for hedging: Economic hedging, cooperative hedging, contractual hedging
- Hedging the various risks in Islamic banking: Currency risks, hedging murabaha risks, hedging salam risks, hedging leasing risks, hedging istisna’ risks, hedging mudharabah risk, hedging equity risks

Course Instructor

Dr. Sami Ibrahim Al Suwailem is a prominent expert in the field of Islamic finance, a senior economist, an experienced researcher, and author for a handful of specialized books related to Islamic finance that are considered as an authority in its field.

Dr. Al-Suwailem obtained his Bachelor’s degree in Science from King Saud University, Riyadh, Saudi Arabia, in 1987. He obtained his Master’s degree from Southern Illinois University in Carbondale, USA, in 1990, and in 1995 obtained his Ph.D. from Washington University in St. Louis, Missouri, USA, both in Economics. He then joined Al Rajhi Bank, Riyadh, as a senior consultant, and in 1998 became Manager of Research & Development in the Shari’aah Group at the Bank. He joined IDB Group in December, 2004, and is currently one of the senior economists there.

Course Facts:

Dates & Duration: 3 days (27-29 of December 2015)
Timings: 8:00 AM – 2:00 PM
Fee: BD300 (levy payers) BD375 (non-levy payers)

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