

Department of Economics
University of Toronto
Winter 2012

ECO357H1S
Islamic Banking & Finance
M 6:00-9:00pm

INSTRUCTOR: Dr. Reza Ghaeli
E-mail: reza.ghaeli@utoronto.ca,

Office Hours: Mondays 5 – 6 PM
Tutorials: Mondays 8-9 PM

COURSE DESCRIPTION

The course provides an overview of Islamic Economics, Finance and Banking. The students will develop basic understanding and principles governing Islamic Economics & Finance, its history, growth and place in the world economy. The course will cover different modes of financing (debt and equity based) and their unique attributes. It will also cover a comparison between Islamic and conventional banking, finance and insurance).

REQUIRED TEXTBOOKS

- 1) Zamir Iqbal, Abbas Mirakhor (**IM**), *An Introduction to Islamic Finance: Theory and Practice*, (John Wiley & Sons Pte Ltd, 2nd ed. 2011)
- 2) Mohammed Obaidullah (**MO**), *Islamic Financial Services*. Free electronic version can be found by following the link below:
(<http://islamiccenter.kau.edu.sa/english/publications/Obaidullah/ifs/ifs.html>)
- 3) “*Usury, Calvinism and Credit in Protestant England: from the Sixteenth Century to the Industrial Revolution*”, John Munro, Working Paper 439, University of Toronto, Economics Department June 28, 2011 (Munro)
- 4) “*Epistemological Foundation Of Finance; Islamic And Conventional*”, Abbas Mirakhor, Keynote address, Foundations of Islamic Finance Conference Series, Kula Lumpur, Malaysia, March 8-10, 2011.

SUPPLEMENTARY READINGS

- 1) Bala Shanmugam (Monash University) and Zaha Rina Zahari (RBS Coutts), *A Primer on Islamic Finance*, Research Foundation Publications November 2009, Vol. 2009, No. 6, Research Foundation of CFA Institute
- 2) Carmen M. Reinhart and Kenneth S. Rogoff (**RR**), *This Time is Different, Eight Centuries of Financial Folly*, Princeton University Press, 2009.

READING ASSIGNMENTS

Introduction to Islamic Law, Ethics & Economics

IM – Chapters 1 & 2
MO – Chapter 1

Riba (interest) vs. Rate of Return

IM – Chapter 3
MO – Chapter 2
Munro

Contracts of Exchange: Modes of Financing - Debt Based (Murabaha, Bai-el-Einah & Tawarruq)

IM – Chapter 4
MO – Chapters 6 & 8
Case Studies

Contracts of Exchange: Modes of Financing - Debt Based (Ijarah, Salam & Istisna)

IM – Chapter 4
MO – Chapter 7
Case Studies

Sukuk (Islamic Bonds)

IM – Chapter 9

MO – Chapter 13

Case Studies

Contracts of Investment: Modes of Financing - Equity (Musharakah, Mudarabah and Joint Stock Companies)

IM – Chapter 4

MO – Chapter 5

Case Studies

Financial Engineering in the Islamic Financial System

IM – Chapter 12

MO – Chapters 14 & 15

Islamic Banking vs. Conventional Banking

MO - Chapters 3, 4

IM – Chapters 6 & 8

Hand out (Chapter 10, RR)

The Stability of the Islamic Financial System

IM – Chapter 7

Hand out (Chapter 13, RR)

Regulation of Islamic Financial Institutions

IM – Chapter 14

Issues and Challenges Facing the Islamic Financial Industry

IM – Chapter 17

Any changes in coverage and deletions, if applicable, will be pre-announced in class and/or posted on the course website. Handouts and supplementary reading assignments will also be posted on the course website during the term.

Additional topics and discussions will be presented in the lectures from time to time. Students will be tested on these as well as on the reading assignments outlined above.

LECTURES / TUTORIALS / AID CENTRE

Lectures will be held on Mondays from 6:00 to 8:00 PM in room FG 103. Tutorials will be held from 8-9 PM in the classroom.

TESTS / EXAMS

The final mark for the course will be based on a mid-term and one final exam. Final exam will be scheduled during the exam period announced by the University and is subject to the university rules and regulations. If for emergency reasons (e.g., sickness), consistent with the university rules, you miss the mid-term test, its weight will be shifted to the final exam. In these instances, students are required (without exceptions) to submit official documentation in person (i.e., not by fax or by e-mail) within one week of the missed test. Late submissions will not be accepted. Students who fail to provide a compelling reason for missing the mid-term test will receive a grade of zero for the missed test.

DOCUMENTATION REQUIREMENTS FOR SICK NOTES

The only acceptable sick note for missed tests and exams is a fully completed original University of Toronto Medical Certificate (no photocopies or scans). The form must be completed by a qualified medical doctor (e.g., not an acupuncturist, chiropractor, or other health care professional). The doctor's OHIP registration number must be provided. Late notes or retroactive notes (i.e., student claims to have been sick on the day of the test, but met doctor at a later date) are not acceptable.

EVALUATION

The breakdown of the final grade will be 40% for the mid-term and 60% for the final exam. Mid-Term test will be held in class on **Monday February 27, 2012**.

EMAIL POLICY

Email can be used for course-related inquiries. I will reply to legitimate emails within one business day. If you do not receive a reply within this time, please re-submit your inquiry.

Emails should NOT be seen as an alternative to meeting your instructor or your TA during the office hours or tutorials. Nor should emails be used as a mechanism to receive private tutorials (especially prior to tests) or to explain material that was covered in lectures you missed.

ACADEMIC HONESTY

Students are expected to be informed about plagiarism and familiar with Faculty Rules and Regulations, Code of Behaviour on Academic Matters and Code of Student Conduct (see University of Toronto Calendar 2011/12) which state your rights, your duties and provide all the details on grading regulations at the University of Toronto.

Good Luck