



## THOUGHTLEADERSHIP

### Path Solutions' Thought Leadership series feature newly launched iMAL\*RM

**Path Solutions extends its comprehensive suite of financial services applications to cover Risk Management for an improved data quality and regulatory compliance. The new indispensable solution is capable of responding to the new challenges of data quality. It also enhances decision making and empowers risk executives in steering financial institutions away from expected problems, provides regulatory compliance, and goes beyond that to dissect and analyze the different risk areas.**

In a recent study by the EIU, it was noted that 48% of the respondents consider the Risk Management Processes and Systems as the area that should receive the focus to address shortcomings in risk management. The fact that this choice received the highest vote from executives around the world is a clear proof to the importance of having an effective and operational risk management solution that allows financial institutions to have better access to data and ultimately key information that may reduce losses, and improve decision making.

Path Solutions' iMAL\*Risk Management responds to the new challenges of risk management. It effectively addresses data quality issues, empowers decision making, and goes beyond compliance.

iMAL\*RM is a full-fledged suite of risk management solutions that serve banks and financial institutions' needs in capital risk reporting, credit risk, market risk, and operational risk and governance. The solution is highly parameterized; making it adaptable to any jurisdiction-specific guidelines and remarkably quick to implement.

iMAL\*RM application enables the financial institution to perform capital adequacy estimation for its risks, according to various approaches under Basel II as well as IFSB guidelines. It enables the institution to proactively manage its risk through the various detailed management and analytical features. In this respect, the solution stretches beyond conventional risk measurement tools that respond to Central Banks' minimum requirements.

Benefiting from the flexible data warehouse architecture, iMAL\*RM can be easily integrated with other third-party

solutions noting that it maintains tight integration with Path Solutions' AAO-IFI-certified and multi-award winning iMAL enterprise banking solution for the global financial services industry.

iMAL\*RM is also platform-independent, thus financial institutions can leverage their existing investments in hardware and software and reduce the total cost of ownership (TCO).

The iMAL\*RM application has been structured into four core components, targeting core risk types along with risk capital estimation. To address compliance requirements, iMAL\*RM presents the Risk Capital Reporting component, which handles the calculation of Risk Weighted Assets (RWA) and Capital Adequacy Ratio (CAR), and supports compliance with the Basel II Accord and IFSB Capital Adequacy Standard (for Shari'ah-compliant products and services offered by Islamic financial institutions).

The other risk area-specific components provide additional tools that go beyond regular compliance, including but not limited to:

- In Credit Risk component: Enhanced credit risk analytics, including credit portfolio and vintage analysis.
- In Market Risk component: Advanced Market Risk analytics, including VaR computation at instrument and portfolio levels, hedge-effectiveness testing, cash flow discounting, yield-curve stress test; behavioral liquidity analysis, trend analysis, liquidity risk indicators, and concentration reports.
- In Operational Risk and Governance component: Risk register, risk and control self-assessment with detailed KRI/KCI analysis, Incident Management and Data Collection, and the Business Continuity Program.

The financial crisis has taken its toll on many banks and no financial institution will remain immune, if not equipped with the right risk management tools. Huge challenges like data quality, regulatory compliance, updated risk strategy, and cost reduction should be addressed to ensure financial institutions' survival in the future.

Path Solutions recognizes these challenges and offers iMAL\*RM, the solution that will empower financial institutions and allow them to go beyond minimal compliance requirements to the application of best practices in risk management, clearing the way to move financial institutions towards a better future.

*Disclaimer: Statements concerning Path Solutions' plans and product releases are by nature, forward-looking statements that involve a number of uncertainties and risks, and cannot be guaranteed. Based on the market and customers' needs and requirements, changes in the stated plans and products may be done. ■*

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### BankDhofar Signs with Path Solutions for Islamic Banking System



**May 14, 2012** – Muscat/ BankDhofar recently named Path Solutions as its Core Banking System provider for its Islamic operations. This system, entitled iMAL, is the first certified core banking system for the bank's Islamic banking operations. The two companies signed an agreement which will see them working together to deliver Sharia-compliant products to BankDhofar customers and allowing it to expand this area of its business.

Speaking on the signing of the agreement, Mr. Tony Mahoney, CEO, BankDhofar said "We turned to Path Solutions because of its strong reputation and proven track record in Oman, and its ability to support banks growing their businesses. BankDhofar has established itself as the leading bank for corporate and consumer banking, and we are currently focusing on increasing our competitive edge and expanding our business. We will be rolling out diversified products and services which will provide access to a new set of clients in just one place."

Following a lengthy review process, BankDhofar selected Path Solutions from among several IT vendors offering a core banking solution. The bank was looking for a trusted partner with the knowledge and expertise in Islamic banking to enable it offer the best services to its customers. The agreement was signed by Mr. Abdul Hakeem Omar Al Ojaili, General Manager Corporate Services BankDhofar and Mr. Mohammed Kateeb, Group Chairman & CEO Path Solutions. Senior members of both companies gathered to witness the signing as well as the local media.

Commenting on the selection process, Mohammed Kateeb said, "Following a thorough and detailed selection process that included a series of successful proofs of concept and demonstrations, BankDhofar's management was completely satisfied with Path Solutions' capabilities to meet their aggressive plans for growth and selected iMAL, the first certified core banking system for their Islamic banking operations." And he added, "We look forward to providing the bank with great solutions to expand its business and deliver Sharia-compliant products to its customers"

BankDhofar is the 3rd bank in Oman to embark on Path Solutions' best of breed iMAL. The bank joins a growing list of Islamic banks adopting iMAL system to meet the needs of a large, complex financial services sector.

#### About BankDhofar

With assets worth around RO 1.5 billion BankDhofar (SAOG), is ranked number 1, as the 'Best Bank in Oman 2010' by the Oman Economic Review-Gulf Baader Capital Markets, BusinessToday's 'Banks & NBFs' survey conducted by Ernst & Young and 'Best Bank in Oman' by the pre-eminent international finance magazine Euromoney. With a strong presence in Corporate Banking, Consumer Banking, Treasury and Project Finance, the Bank has a network of 60 branches and 140 ATMs and Cash Deposit & Bill Payment Machines. BankDhofar has a reputation of commitment, foresight and solid growth. ■

### Burj Bank selects Path Solutions' iMAL for achieving service excellence & aggressive business growth



**May 04, 2012** – Burj Bank Limited (BURJ) formally appointed Path Solutions as their core banking solutions provider in a signing ceremony held recently in Dubai. The agreement was signed between Mr. Ahmed Khizer Khan, President & CEO, Burj Bank and Mr. Mohammad Kateeb, Group Chairman & CEO,

Path Solutions. "We have signed Path Solutions' iMAL to facilitate the delivery of world-class banking services as we aggressively grow our customer base in the country," said Ahmed Khizer Khan, President and CEO of Burj Bank. He further stated that "the AAOIFI-certified core banking solution would give us a competitive advantage by helping us in exponentially improving the service experience. The solution will also allow Burj Bank to reduce costs, improve efficiency and ensure best value while providing differentiated Shari'ah-compliant banking products"

Burj Bank is currently the fastest growing Islamic bank in Pakistan with 50 branches throughout the country and plans to expand to over 300 branches in the next five years. iMAL Islamic core banking solution will facilitate the corporate and retail financing, trade finance operations, branch automation, investment banking, risk management & alternate delivery channels at Burj Bank.

Commenting on the win, Mohammed Kateeb, Path Solutions' Group Chairman & CEO said, "Pakistan is a country of key focus for us and we continue to be com-

mitted to the needs of the local banks in Pakistan. Winning this strategic deal will solidify our position in the country as the preferred provider of Shari'ah-compliant core banking solutions. We are proud of partnering with Burj Bank and we look forward to working closely with them to harness the power and flexibility of iMAL for business transformation"

#### About Burj Bank

With a vision to be "the Islamic bank of choice", Burj Bank (BURJ) has emerged as a dynamic new player on the banking horizon of Pakistan. The bank offers a diversified range of Shari'ah-compliant funded and non-funded products & services aimed at both individual and corporate customers. The bank also offers investment and corporate advisory services besides an array of Islamic retail banking products. The bank has a Shari'ah Board headed by Prof. Mufti Munib-Ur-Rehman who is the bank's Shari'ah advisor.

Burj Bank has a rich Middle Eastern background with the financial & technical support of a great institution such as

ICD Jeddah (Islamic Corporation for Development of the Private Sector) which is the private sector arm of Islamic Development Bank, Jeddah. Other major shareholders include Bank Al-Khair from Bahrain, Gargash Enterprises from the UAE and Al-Romaizan from Saudi Arabia. Burj Bank is the first double AA Rated Bank for Shari'ah Quality in Pakistan. The Management team of Burj Bank comprises of recognized banking professionals led by Ahmed Khizer Khan who is the President & CEO of the bank and is a renowned name in the global banking industry.

Burj Bank is based on the defining values of purity and integrity, and the progressive values of passion and devotion. It is the bank's mission "to provide innovative and efficient Islamic banking solutions to exceed customer expectations while optimizing shareholder value" ■

## Oman-based Bank Nizwa to install Path Solutions' iMAL

**March 20, 2012** – Bank Nizwa, with headquarters in the Sultanate of Oman announced today that it has selected Path Solutions' iMAL for its complete Islamic core banking solutions needs. The agreement was signed in Muscat between the Chairman of the Founding Committee of Bank Nizwa, Ahmed Saif Al Rawahi, and Path Solutions' Group Chairman & CEO, Mohammed Kateeb. The ceremony was witnessed by representatives of the founders of the Bank.

As per the agreement between the two parties, Kuwaiti software services company Path Solutions will install at Bank Nizwa the state-of-the-art core banking system, iMAL which is an integrated, scalable and Sharia-compliant banking solution that helps financial institutions deliver competitive Islamic products and unparalleled service to customers.

The selection of Path Solutions is a further recognition of the company's strength in the Gulf region as the preferred Islamic banking solution provider.

Path Solutions has extensive expertise and experience in the provision and implementation of Islamic banking software solutions, while Bank Nizwa is Oman's first standalone Islamic bank. Bank Nizwa aspires to be one of the Sultanate's best banks, offering outstanding and innovative products and services, as well as contributing to the entire community.

Bank Nizwa's Founding Committee Chairman, Ahmed Saif Al Rawahi said, "In line with the Bank's ambitious growth plans, Bank Nizwa will open up throughout Oman to provide financial facilities and services as to fulfill the needs of its customers. In pursuing this objective we sought a partner that has a successful track record in providing and implementing Islamic banking software solutions and will work well with the structure of our business. Path Solutions' iMAL fits the criteria well and is able to meet our requirements and will help us grow fast."

Experts believe that the Sharia-compliant financial institutions in Oman may capture 10 per cent of the market share of the total banking assets within few years. The Sultanate's banking assets are of \$40-42 billion and are growing at a healthy pace.

Path Solutions' Group Chairman & CEO, Mohammed Kateeb pointed out, "Bank Nizwa's decision to adopt iMAL reflects the high level of confidence our customers have in our solutions. As the leading Islamic financial solutions provider, we strive to continuously provide our customers wider and more flexible range of Islamic software solutions as we understand the dynamics of today's growing needs in the banking and finance industry. We are confident that with the implementation of iMAL, Bank Nizwa will be able to achieve high efficiency and productivity."

Path Solutions which offers corporate, retail, investment and Islamic banking software solutions, has over 73 clients globally. Of the total, 46% of its client base is within GCC, 19% in Africa, 18% in the Middle East, 11% in Asia Pacific and about 6% in Europe.

### About Bank Nizwa

Bank Nizwa, Oman's first Islamic bank received initial approval from the Central Bank in May 2011 to operate as an Islamic bank with a capital base of OR150m (\$389.6m).

All products and services offered by Bank Nizwa will be Sharia-compliant. The bank is planning to begin operations in the third quarter of 2012. ■

## Path Solutions first to receive accreditation from 'Systems in the City'

### Announcing...

Monday 27<sup>th</sup> April 2012

#### First Firms to Receive Accreditation



The first firms to qualify for the GoodAccredited 2012 standard were announced today. This standard is allocated to supplier firms who deliver services or systems to the regulated financial markets to standards of quality as determined by their customers.

Details of these firms and their services feature in the website [systemsinthecity.co.uk](http://systemsinthecity.co.uk)

The first firms to qualify are:

- BROADRIDGE FINANCIAL SOLUTIONS
- CALASTONE
- DIGN GLOBAL
- GBST
- JNC
- MVS
- RBA SYSTEMS
- FINANCIAL SOFTWARE
- PATH SOLUTIONS
- PETEREVANS
- SIMCORP
- SIX TELERADS
- TD WEALTH
- TORSTONE TECHNOLOGY

All firms receiving accredited status will be automatically entered as nominees for the Systems in the City Awards which will be presented at The Law Society on 14<sup>th</sup> June.

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8116T

**April 23, 2012** – We are pleased and proud to announce that Path Solutions has received accreditation from UK-based 'Systems in the City' which provides a unique source of reference for FSA-authorized companies researching computer services, systems, datafeeds and third party clearing.

'Systems in the City' provides details of firms which supply systems and services for Investment Banks, Stockbrokers, Wealth Managers and other regulated trading companies in the UK territory.

Path Solutions was among the first firms to be qualified for the GoodAccredited 2012 standard. The GoodAccreditation standard is provided for qualifying IT products and companies to the regulated financial markets as determined by their customers.

All firms receiving accredited status will automatically enter as nominees for the 'Systems in the City Awards' which will be presented at The Law Society in London on 14th June. Finalists by categories will be announced at this prestigious event. A pre requisite for nominees was that products and services had to reach a high standard before entries to the Awards could be accepted. An independent panel of judges then determines the Award winners based on their performance during the past 12 months. ■

## Path Solutions implements iMAL Islamic banking solution at Cihan Bank

**March 07, 2012** – Path Solutions today announced the successful go live of iMAL at Cihan Bank, Erbil. Cihan, the first privately owned bank in Kurdistan first partnered with Path Solutions in October 2009 on this multi-lingual, multi-currency and multi-channel implementation.

Specifically in this deployment, Path Solutions implemented the following scope in line with the bank's expectations: Retail Financing, Treasury, Investment, Branch Automation, Trade Finance Operations, Islamic Profit Calculation and Central Bank Reporting.

Cihan is a running Retail Bank with a paid up capital of 150 Billion IQD i.e. 127 million USD. It has been operating since April 2009, providing its services through 7 branches all over the country. The bank is a member of Cihan Group which is one of the biggest groups in Iraq, with business lines spread in many fields such as cars trading, construction, education, media, insurance and general trading.

"The implementation at Cihan Bank encountered major challenges mainly due to the Iraqi banking environment in general and specifically in Erbil. The bank was operating without the existence of a banking system and therefore most of the operations were executed and maintained manually. The challenges were of a different kind, where lots of efforts and time were spent on convincing the end users to rely on a banking system prior to convincing them to go with iMAL," explained Alain Abou Khalil, SVP Professional Services, Path Solutions.

Abou Khalil continued: "We are excited to see the successful go live of iMAL - our first live user in Erbil out of 4 customers we have in Iraq. We pride ourselves on being able to support the specific needs of Cihan Bank, and ensuring we can serve their local requirements. iMAL will allow Cihan Bank to quickly deploy innovative Islamic banking products to an expanding customer base"

Path Solutions' iMAL provides a 360-degree view of customer relationships and transactional information across channels, allowing Cihan Bank to understand customers' needs and rapidly identify cross-selling and up-selling opportunities.

The highly scalable infrastructure of iMAL Islamic banking solution will enable Cihan Bank to meet its projected expansion plans, whilst contributing to the economic growth of the country.

Naz Bajger, Director - Head of IT, Cihan Bank said: "We needed a very reliable banking solution that could provide us with the means for next generation growth. With the successful implementation of the best-of-breed iMAL Islamic banking solution, we now have a robust platform that will grow and evolve with us and will help us manage efficiently our network operations. I would like to thank the teams for their professionalism and constructive efforts in the implementation and support of this project particularly the Project Managers Abbas Aljawahiry and Dina Moh'd who were dedicated on a full time basis to deliver quality output. I am very glad to see that the joint efforts led to the success of this project"

At a time of greater market regulation and increasing customer demands, Islamic banks need to reposition themselves. The seamless rollout of the iMAL Islamic banking solution at Cihan Bank illustrates nicely the performance of iMAL in boosting the bank's competitiveness as well as the broadest experience of Path Solutions' PS team in managing such challenging implementations. ■

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## Path Solutions, DocuWare partner on Document Management Solution

**March 06, 2012** – Path Solutions, the market leading provider of Islamic and investment software solutions and DocuWare, a global provider of integrated document management solutions, represented by ITEC Image Technologies in the GCC, Levant, Iraq, Yemen, and Libya, have entered into a strategic agreement to deliver document management system solutions to banks and financial institutions.

Founded in 1988 and headquartered in Germany, DocuWare is an international company offering Integrated Document Management Systems (IDMS) solutions that target small to mid-sized financial institutions, government agencies and departments in large organizations. ITEC Image Technologies, the authorized and licensed representative of DocuWare software products, is headquartered in Jordan with an active branch in Bahrain and has been providing latest technologies in e-Document and e-Process solutions to commercial and governmental clients in the Arab world, for more than 20 years.

DocuWare offers state-of-the-art document management system software for professional Enterprise Content Management that will enable Path Solutions' clients to manage, monitor and search their documents electronically in an optimized and efficient way. Regardless the documents' source or format, they can be processed automatically. This means that both paper and electronic documents such as correspondences, records, e-mail, MS Office, spool files and many others can be stored, shared and managed from a centralized document pool. Additional records management features ensure that access to documents and their contents is secure, controlled and logged at all times.

Commenting on this partnership, Path Solutions' Group Chairman & CEO, Mohammed Kateeb said, "We are proud to welcome ITEC Image Technologies in our partner ecosystem. This partnership is indeed a significant step to enhance and extend the value of integrated technology. This solution will help banks address their day-to-day challenges in managing and organizing all documents electronically and to cater more closely to the demands of customers"

For his part, Mohamad Ameer Al Dirini, Executive Manager, ITEC Image Technologies commented, "It is a great pleasure for us to partner with Path Solutions, a recognized leader in the Islamic banking software market. This partnership will enable us to target a strategic growth area and offer Islamic banks the latest technologies in document management. Our solution combined with Path Solutions' offering will guarantee a very high return on investment and create value for the organization"

According to a recent survey, 83% of financial institutions see a positive ROI from investments in document management software. The biggest paybacks using this software come through faster access to a centralized document repository.

## About Path Solutions

Path Solutions is a global technology services firm headquartered in Kuwait. The company provides end-to-end innovative software solutions for the Islamic banking and financial services industry segment.

Path Solutions' flagship product, iMAL is built on open architecture, offers low cost of ownership and uses established standards such as HTTP/S and XML. It is also available as a Model Bank implementation, with best practice processes built-in.

Path Solutions sharply focus on building quality and excellence in its product development, delivery, deployment, training and support processes. The company has nearly two decades of experience in combining knowledge of banking markets worldwide with deep expertise of how technology is best applied in rapidly changing, highly demanding large-scale environments.

## About DocuWare

Founded in 1988, DocuWare has over 10,000 installations and over one hundred thousand satisfied users daily in over 70 countries. This Integrated Document Management Systems (IDMS) producer offers solutions that target small to mid-sized companies, government agencies and departments in large organizations. Over 400 Authorized DocuWare Partners make up a worldwide independent reseller network, employing over 1000 DocuWare experts who bring DocuWare close to its customers.

DocuWare AG is based in Germering near Munich, Germany. The company's US subsidiary, DocuWare Corporation, is located in Newburgh, New York and is responsible for all activities in North, Central and South America. DocuWare Ltd., its subsidiary in Weybridge, Surrey, handles all activities for Great Britain and Ireland. DocuWare S.L. located in Barcelona is responsible for the market in Spain and DocuWare SARL is located in Paris and attends to France and francophone Africa.

## About ITEC Image Technologies

In 1991, Image Technologies (ITEC) was established in Amman to become one of the leading providers of Electronic Document Management (EDM), Business Process Management (BPM) and Customer Communication Management (CCM) solutions. Since the launch of its operations, ITEC expanded its network of regional partners to include Bahrain, Kuwait, KSA, Oman, Qatar, UAE, Lebanon, Iraq and Palestine, in addition to a fully operational office in Bahrain. ■

## CONGRATULATIONS



Path Solutions is pleased to learn long time partner, Kuwait Finance House - Bahrain is the winner of the 2011 Islamic Finance News annual poll conducted by Redmoney. KFH Bahrain was voted the 'Best Islamic Bank in the Kingdom for the Year 2011' and the announcement came during a recent awards ceremony held in Dubai, UAE.

Path Solutions wishes KFH Bahrain continued success and looks forward to maintaining a strong business relationship in the upcoming years!



Path Solutions is pleased to congratulate KFH Kuwait on winning the award for 'Best Islamic Bank in Kuwait and the Middle East' by EmeaFinance.

The announcement came following the annual assessments for best Islamic financial institutions around the globe. The award guarantees the position of KFH as leader in offering the most advanced Islamic banking products for the Islamic finance sector.

Path Solutions wishes KFH Kuwait continued success and a bright and distinguished future in the years ahead!



Path Solutions is pleased to congratulate Bank of London and The Middle East plc (BLME), on winning the award for 'Best Islamic Bank in the UK' for third year running by the Islamic Finance News Annual Poll for 2011.

This award guarantees the position of BLME as a pioneer in the global Islamic finance industry.

This is a well deserved commendable honour and our sincere congratulations and best wishes for a brighter future for BLME! - Path Solutions

## PUBLISHED ARTICLES

by Mrs. Fathima Sarah Afker  
Manager Tax & Regulatory -  
KPMG

**Historic Judgment on Interest (Given by the Supreme Court of Pakistan) by Justice Muhammad Taqi Usmani**

*The prohibition of interest is found in the deep roots of the Quran and Sunnah, both clearing all ambiguity that riba (usury) in all forms and by whatever name is forbidden for those of Islamic faith. The 14 Ramadan 1420, witnessed a landmark judgment by the Shariah Appellate Bench of the Supreme Court of Pakistan on the prohibition of interest, making Pakistan the first Muslim country to officially endorse that the modern day bank interest is, on all fours, the riba that is explicitly prohibited in Islamic scriptures.*

*The Shariah Appellate Bench consisted of 1) Mr. Justice Khalil-ur-Rahman, 2) Mr. Justice Munir A Shaikh, 3) Mr. Justice Wajeehuddin Ahmad, and 4) Maulana Justice Muhammad Taqi Usmani.*

*The full judgment of the court consists of about 1100 pages. The main part of which was written by Mr. Justice Khalil-ur-Rahman (550 pages) and Maulana Justice Mufti Taqi Usmani (250 pages). A note of 98 pages was written by Mr. Justice Wajeehuddin Ahmad. The order of the court consists of 106 pages.*



*The book "Historic Judgment on Interest (Given by the Supreme Court of Pakistan)" is a reproduction of the text written by Maulana Justice Taqi Usmani.*

*In this book review, we seek to refresh our readers on the various pertinent points of the text that led to the conclusive, historic judgment. Excerpts from the text have been quoted extensively so as to not alter the original spirit and intention of the law.*

*The book starts with an Objective Study of the Qur'anic Verses Dealing with Riba, the verses have been studied in chronological order so as to ascertain the exact timing of the prohibition or riba in Islam. The text also draws at the exact meaning of the Arabic term "riba".*

### **What is meant by Riba?**

The Holy Qur'an did not give any definition for the term for the simple reason that it was well known to its immediate audience. It is like the prohibition of pork, liquor, gambling, adultery etc, which were imposed without giving any hard and fast definition because all these terms were well known and there was no ambiguity in their meaning. Similar was the case of riba. It was not a term foreign to Arabs. They all used the term in their mutual transactions. Not only Arabs but all the previous societies used to practice it in their financial dealings and nobody had any confusion about its exact sense.

The judgment also extends to ascertain whether practice of riba prohibited for Muslims was the same as was prohibited for the Jews. Towards this, it studies the prohibition of usury in the Old Testament of the Bible and draws at the conclusion that in the excerpts of the Bible quoted in the judgement, the word usury is used in the sense of any amount claimed by the creditor over and above the principal advanced by him to the debtor. The word riba used in the Holy Qur'an carries the same meaning because the verse of Surah An-Nisaa explicitly mentions that riba was prohibited for the Jews also.

### **Riba al Quran and Riba al Sunnah**

The prohibition of riba in Islam stems from two sources, principally the Quran and Sunnah. There are broadly four types of transactions termed as 'riba' in the literature of Islamic fiqh based on the Holy Qur'an and Sunnah. These are:

- Any additional amount over the principal in a contract of loan or debt is the riba prohibited by the Holy Qur'an in several verses (Riba – al Quran).
- The Holy Prophet, Sall-Allahu alayhi wa sallam, has also termed the following transactions as riba (Riba – al Sunnah):
  - A transaction of money for money of the same denomination where the quantity on both sides is not equal, either in a spot transaction or in a transaction based on deferred payment.
  - A barter transaction between two weighable or measurable commodities of the same kind, where the quantity on both sides is not equal, or where the delivery from any one side is deferred.
  - A barter transaction between two different weighable or measurable commodities where delivery from one side is deferred.Of the above, the first two transactions i.e. Riba-al-Qur'an, and transaction of money mentioned above are more relevant to modern business while the latter two concerning barter trade is less relevant today, given its remote existence.

The judgment also analyses the existence of the concept of commercial loans at the time of the Holy Prophet, Sall-Allahu alayhi wa sallam, or his companions when riba was prohibited. Thus, clarifying that the prohibition of riba was not restricted to the consumption loans only and it did not refer to the commercial loans as well.

Further, it discusses the contention that the prohibition of riba is confined to an excessive rate of interest as incorrect since the Islamic scriptures are quite explicit on the point that any amount, however little, stipulated in addition to the principal in a transaction of loan is riba, hence prohibited.

The text also goes on to study the theory behind the prohibition of riba, the evil effects of interest on production and the evil effects of interest on distribution.

The discussion further concludes that:

- There is no difference between different types of loan, so far as the prohibition of riba is concerned.
- It also does not make any difference whether the additional amount stipulated over the principal loan or debt is small or large. It is, therefore, held that all the prevailing forms of interest, either in the banking transactions or in private transactions do fall within the definition of "riba". Similarly, any interest stipulated in the government borrowings, acquired from domestic or foreign sources, is riba and clearly prohibited by the Holy Qur'an.
- The present financial system, based on interest, is against the injunctions of Islam as laid down by the Holy Qur'an and Sunnah, and in order to bring it in conformity with Shar'iah, it has to be subjected to radical changes.
- A variety of Islamic modes of financing have been developed by Islamic scholars, economists and bankers that may serve as a better alternative to interest. These modes are being practiced by about 200 Islamic financial institutions in different parts of the world. These alternatives being available, the transactions of interest cannot be allowed to continue forever on the basis of necessity.

There is thus ample evidence to prove that quite a substantial ground work has been done to suggest the strategy for the transformation of the existing financial system to the Islamic one, and the present interest based system cannot be retained for an indefinite period on the basis of necessity. However, the transformation may take some time which can be allowed on that basis.

*Sarah Afker is an Associate Member of Chartered Institute of Management Accountants, Chartered Institute for Securities and Investment, UK and a Chartered Global Management Accountant. She is currently serving as a Manager in the Tax & Regulatory division of KPMG Sri Lanka. She is a visiting lecturer for the Islamic finance qualification and has written articles on banking and Islamic finance. ■*

## INTERVIEW

### Mr. Abbas Aljawahiry IT Executive Manager Cihan Bank - Erbil, Iraq



In 2009, Path Solutions has signed an agreement with Cihan Bank, one of the most progressive financial institutions in Erbil, according to which the former would be executing the complete IT project for Cihan.

Path Solutions has deployed several modules of the iMAL banking suite, running on IBM (Xeon) servers. These modules include among others, Customer Service Management, Islamic Invest, Islamic Treasury, Islamic Profit Calculation, Trade Finance, Financial Template Reports and SWIFT.

• *Why did Cihan Bank decide to implement a new system?*  
We decided to implement a new system to develop the business and introduce new

services to our customers inside and outside Iraq.

• *How was the system selected?*  
We selected it through market research.

• *What companies/systems did you look at?*  
Sorry, that's confidential information.

• *What were the main criteria?*  
We were looking for an Islamic AAOIFI-certified solution, along with software performance and team experience.

• *Why was iMAL chosen?*  
Because it's a true Islamic solution, certified by AAOIFI.

• *How long did the selection last and when was the contract signed?*  
The selection took time for around 6 months and the contract was signed in Cihan Bank headquarters, Erbil in October 2009.

• *When did the implementation begin?*  
It started in January 2010.

• *What stage is the project at now?*  
Phase 1 - Go Live.

• *How many stages did it consist of?*  
It consisted of six stages.

• *Was there a lot of customization of the system?*  
Yes.

• *What functionality did the system cover?*  
Retail Financing, Treasury, Investment, Branch Automation, Trade Finance Operations, Islamic Profit Calculation,

Security, SWIFT, RTGS, ATM and Central Bank Reporting.

• *What technology did it replace?*  
We moved from a manual system to an automated system.

• *What other systems/applications was iMAL interfaced to?*  
SWIFT, RTGS and ATM in Phase 2.

• *Did you face problems with the transition (e.g. data migration etc)?*  
No.

• *Was the Go Live a 'big bang' or phased?*  
Rollover phased.

• *Did you have any third parties like consultants or integrators helping you with the implementation?*  
No.

• *Did Path Solutions have an onsite team?*  
Yes.

• *What advantages did the new technology bring to Cihan Bank?*  
It helped in accelerating the growth of our business and we are now able to cost-effectively launch new Islamic banking products and serve our customers inside and outside Iraq as per the Sharia law.

• *Anything else you'd like to add?*  
Managing the replacements made for project managers and business consultants, was one of the project major challenges. ■

## EVENTS&CEREMONIES

### MEFTEC 2012: A huge success!

April 27, 2012 – Path Solutions, the leading provider of Islamic banking software, concluded its participation in MEFTEC 2012, the world's premier financial technology event for emerging markets, which took place in Dubai - UAE on 25-26 April.

Path Solutions participated as MEFTEC Silver Sponsor and showcased its comprehensive offering, catering to the needs of Islamic financial institutions during the event's IT-focused exhibition. The company annually seizes this opportunity to meet with its various clients and prospects who gather to enjoy a bespoke learning, networking and business experience in MEFTEC.

Powered by an invitation-only hosted delegate programme, MEFTEC hosts financial services leaders from across the MEASA region to address pressing strategic and technical issues, preview the latest innovations in technology, and network to build new partnerships.

Under the theme 'Banking Evolutions Create Revolutions', MEFTEC 2012 focused on the impact of Basel III rules and the constant regulatory changes in the OTC derivatives markets, transactions taxes, bonuses and governance to support and maintain the ability for systems, infrastructures and services to adapt and change fast.

"Path Solutions has been delivering market-leading banking software solutions for over 20 years. Its state-of-the-art iMAL system is used by more than 78 Islamic banks around the world to meet constantly changing market requirements. Such a step is in line with our vision to always be the premier software provider for the Islamic financial services industry," expressed Rosie Kmeid – Global Head Corporate Communications at Path Solutions.

"We are increasingly advancing our technology to further improve and enhance our suite of software products, and MEFTEC is the optimal venue for us to unravel our latest offerings and communicate our recent accomplishments to an eager and technology-savvy audience," she added.



Live demonstrations of iMAL solution were conducted during MEFTEC to top-notch executives allowing them to experience the true power of Path Solutions' portfolio. ■

## Path Solutions took part in Pakistan conference



**April 24, 2012** – On April 23rd, Path Solutions took part as a Silver Sponsor of the conference titled the 'International Conference on Islamic Fund and Investment' and followed by inspiring two-day workshop developed for high level attendees to address industry-specific issues.

Organized by AlHuda CIBE and held at Avari Tower Karachi, Pakistan, the conference was attended by representatives from the State Bank of Pakistan, the Karachi Stock Exchange, the Securities & Exchange Commission of Pakistan, the Dadabhoy Institute of Higher Education and from various Pakistani banks.

Focusing on the development and promotion of the Islamic fund industry in Pakistan, the conference identified new horizons for the promotion of Islamic fund, investment and financial products and their role in reinforcing the Islamic banking and finance industry in the country with the adoption of AAOIFI Sharia standards, with the aim to introduce Pakistan as a regional hub for Islamic fund activities.

Over the course of three days, Path Solutions' booth attracted a large number of visitors who were particularly interested about the functionality of iMAL, while the Sharia advisors and the academics were more concerned about Path Solutions' AAOIFI certification. ■

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## CORPORATE ACADEMY NEWS

### The Power of Trust

To make any team succeed, you need to be aligned with one another. A team needs different traits in order to become synergistic, one of the most important is 'Trust'. When trust exists between employees and management, and more importantly with customers, business will thrive.

Several sessions of 'The Power of Trust' seminar were given as part of the Corporate Academy's goal in maintaining a quality culture at Path Solutions. Transparency, loyalty, information sharing and constructive feedback were some of the most important points discussed.

One of the famous quotes about trust is Steven Covey's: *"Trust is the highest form of human motivation. It brings out the very best in people."* ■



## Path Solutions 2012 Company Meeting



**April 11, 2012** – The company meeting held on Thursday 5 April at the Monroe Hotel-Beirut was typically three hours long, featured presentations by Group Chairman & CEO Mohammed Kateeb and VP Human Capital Inderjeet Singh, and concluded with a Q&A session with employees.

The purpose of this year's meeting was to communicate information of company-wide interest, to enable the leadership team to receive direct feedback from



employees, and to inspire and foster engagement of all team members.

Under the theme 'True colors', the April meeting was highly successful in communicating the company's updated vision, strategy and technology roadmap as well as Path Solutions' evolving organizational model to staff members. ■



## On-job training for internal staff

iMAL\*SAFE Store and Forward Engine is a whole set of independent services and modules specifically designed to control and manage the flow of data among different data warehouses residing in distant physical locations. It helps financial institutions update their data in real-time, back up and synchronize important files.

A complete iMAL\*SAFE training was organized by Path Solutions' Corporate Academy and given by Hala Ghazal, Software Engineer - II, Integration Department, during the month of January 2012 at Path Solutions' Beirut offices.

Starting with an overview on the different notions, the training continued with the advanced features of the module and the latest updates. One of the Corporate Academy's main aims is to always keep its Subject Matter Experts up-to-date and well prepared for the needs and requirements of an evolving banking industry. ■

## Make Stress Work for You



It is not easy as it seems to get stress relief on the long run. Most people fail in keeping a healthy lifestyle because they underestimate the severity of stress and they do not know how to address its root causes.

"Make Stress Work for You" seminar has been initiated by Path Solutions' Corporate Academy to make sure that its PEOPLE are easily getting over these problems caused by work pressure. This one day seminar helped employees in discovering the main sources of stress in their lives and to find long term solutions for them. ■

## Certified Sybase Professional

Bilal Makhzoum, ICT Consultant at Path Solutions has successfully passed the Adaptive Server Enterprise 15.0 Administrator Associate Exam on February 6th.



The Administrator Associate Certification is based on the Adaptive Server Enterprise 15.0 GA version, which is the latest release of ASE. The program evaluates the technical skills, acquired through experience and formal training and provides information to assist the candidate in designing a training path to address any skill gaps.

Candidates to the exam must have good knowledge in ASE 15 installation, administration & configuration, backup & recovery, security, resource management, performance & tuning.

Congratulations Bilal on getting the certification and well done!

## Skype and WebEx Trainings

Using Skype and WebEx trainings opened the door to many possibilities at Path Solutions. Recent training activities included high quality training provisions from Path Solutions' Beirut R&D centre to Path Solution's offices in Kuwait and Malaysia. Using time zone differences to its advantage, the Corporate



Academy organized a series of trainings covering iMAL\*IslamicProfitCalculation, iMAL\*Assets and other short sessions

fulfilling, without delay, the emerging training needs of the other offices around the globe.

Overcoming geographical and travel obstacles, Path Solutions' Corporate Academy has successfully stepped towards accessibility and constant presence for its People, everywhere in the world. Our commitment and determination open new horizons and always new means to exceed all expectations! ■

## TRAININGS

### General Management Training Schedule

Course	Date	Time	Trainer
Consultancy Behavioral Skills Communication Skills	May 31 & June 1	9:00 AM to 5:00 PM	Joseph Moghabghab
The Power of Trust	June 8	9:00 AM to 5:00 PM	Joseph Moghabghab
Emotional Intelligence and Motivation	June 15	9:00 AM to 5:00 PM	Sebouh Gurunlian
Music at the Workplace	June 29	3:00 PM to 5:00 PM	Sebouh Gurunlian
Emotional Intelligence and Motivation	July 6	9:00 AM to 5:00 PM	Sebouh Gurunlian
Islamic Accounting and Financial Concepts	July 10, 11 & 12	9:00 AM to 5:00 PM	Joseph Moghabghab
Music at the Workplace	July 13	3:00 PM to 5:00 PM	Sebouh Gurunlian
The 7 Powerful Habits in Personal Change	August 7, 8 & 9	9:00 AM to 5:00 PM	Joseph Moghabghab

## PATH SOLUTIONS' EVENTS CALENDAR 2012

EVENT	DATE	LOCATION	ORGANIZER	EVENT
2012 London Sukuk Summit	6 - 7 June	UK	ICG Events	Technology Partner
The First International Forum of Islamic Banks and Financial Institutions	27 - 28 June	Jordan	Strategy for Business Development	Technology Partner
3rd Annual Asia Islamic Banking Conference	10 - 11 July	Malaysia	Fleming Gulf	Technology Partner
4th Sri Lanka Islamic Banking & Finance Conference	17 July	Sri Lanka	UTO Educonsult (Pvt Ltd)	Silver Partner

## ISLAMIC BANKING COURSES

### Islamic Banking and Finance

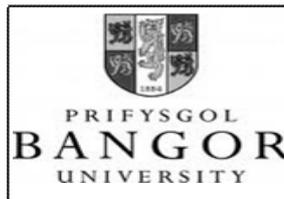
This course provides a particular focus on the theoretical foundations, products, performance, financial instruments and risk management issues of what is, by now, the preferred way of banking for 1/5 of the world's population.

### Entry Requirements

Good undergraduate degree in a relevant subject: Economics, finance, accounting, management or a similar qualification. Alternatively, possession of a suitable professional qualification and relevant practical experience may also be accepted.

### Course Modules

Organisations and people, management research, Islamic finance, Islamic banking, international banking, plus 3 from: Strategic management, marketing financial services, banking and development, international financial management, bank financial management, financial institutions strategic management.



Qualification	Study Mode	Fees	Duration
MBA	Full-time	£9700 (Home fees) £13000 (Overseas fees)	12 months

For more information, please call +44 (0) 1248 383023.

## ISLAMIC BOOKS

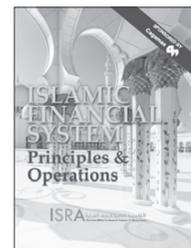
### An Introduction to Banking: Liquidity Risk and Asset-Liability Management



**Author** Moorad Choudhry & Oldrich Masek  
**Paperback** 382 pages  
**Publisher** John Wiley & Sons  
**ISBN-10** 0-470-68725-8  
**ISBN-13** 978-0-470-68725-3

*This book introduces the key concepts of banking concentrating on the application of robust risk management principles from a practitioner viewpoint, and how to incorporate these principles into bank strategy.*

### Islamic Financial System - Principles & Operations



**Author** Professor Monzer Kahf  
**Paperback** 912 pages  
**Publisher** ISRA  
**ISBN** 978-967-349-127-8

*This book is a reference material on the subject of Islamic finance in the global arena. It includes an overview on the development of the Islamic financial and capital markets, Sharia framework and risk management principles and mechanisms for the Islamic financial markets. It also covers regulation, supervision and governance, and discusses opportunities, issues and challenges faced by the industry.*

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