Case Study: Bank Dhofar

The Omani government's decree that all banks must separate their conventional & Shari'ah-compliant banking activities saw a rush of deals in the country for Path. One such bank was Bank Dhofar, which implemented *i*MAL in March 2013 for its new Islamic offshoot, Maisarah Islamic Bank. The bank is now hopeful Path Solutions will establish a local presence in the country to support its customer base.

When Bank Dhofar came to separating its Islamic banking from its conventional banking, it was already well versed in the art of core system implementations, having only gone live with Infosys' Finacle in 2010 for its conventional operations. Then, the bank had replaced its legacy Bankmaster system, in an 18 month enterprise-wide transformation project.

So when the Omani government decreed that all domestic banks must split their Islamic and conventional activities in 2011, Bank Dhofar was ready to once again roll out a new platform to underpin its new Islamic offshoot, dubbed Maisarah Islamic Bank. It underwent the typical vendor review process, with the usual players such as Temenos with T24, BML Istisharat with ICBS, Path Solutions with *i*MAL and the incumbent Finacle among those evaluated. However, as Girish Nair, senior manager, IT projects at Bank Dhofar, explains, it was looking for an Islamic specific system.

'We didn't want to take any chances so we went with the niche solution, so there could be no mix-up between conventional & non-conventional banking.'

Girish Nair, Bank Dhofar

The bank also spurned the proposals of the larger vendors on the premise that the team felt Path was a more fitting candidate for the size of its operations. 'Path looked more suitable towards smaller operations. T24 also supports Islamic banking, but the business that we have now is only a window, it is small compared to the conventional operation,' says Nair.

With the help of consultants, Cedar Consulting, it selected *i*MAL in May 2012, cutting over to the new system in March 2013. At the time, this was the third customer for the vendor in the country, with Bank Nizwa and Ahli Bank preceding it, but this number has now increased to five with Bank Sohar and another unnamed institution signing later in 2012.

Nair describes the implementation as 'straightforward', given that the scope of the project spanned only two Islamic branches in Dhofar and Muscat, but he feels that the system is scalable to the expansion plans of Bank Dhofar's Islamic operations over the next two years.

It was also eased by the fact that Islamic banking is a new initiative in Oman, so there was little customisation required to the system to make it compliant with local regulations. 'This sort of business is very new to this country, so we had to mostly adapt to the standard system,' says Nair. He adds that the local accounting standards are standard for Islamic banking so this is something encompassed by *i*MAL.

However, he does say that the bank is aware that regulations could become more complex, 'maybe as we grow, the market will evolve so there will be a variation in standards and we will have to make changes'. *The bank will continue to work with the vendor*, he adds, although Sameh Abdul Rahim Juma Al Zadjali, senior manager, Islamic banking IT at the bank, recommends *'if we can have support operating in Oman that would help the bank, because almost all the banks here are taking Path'.*

The one issue which arose during the project was with regards to personnel, says Al Zadjali. 'The problem was to have people with expertise across the entire business model. We were dependent on external staff, like for profit calculation somebody came from *i*MAL to help us with the configuration, so that is why more people had to come,' he says. However, he insists this did not affect the project, 'we did not have any major issues'.

To keep the implementation short, the bank implemented only basic functionality, with a view to developing the system further depending on the growth of the new offshoot. *i*MAL covers Shari'ah-compliant retail financing, branch front office automation, Islamic profit calculation, accounting and financial control at the bank. 'We have consciously decided to have only basic integration in place so we could finish the project early', he said. 'As we grow and have more requirements, we will have more systems integrated to *i*MAL, that is in the future though,' says Nair.

To date, it has integrated with some channels, such as ATMs and local payments systems, with internet banking and business process management cited as areas for further development.

'We have previously done core banking, which was a major programme, so we faced all the challenges like any other core banking project. But this was a much simpler project for us,' concludes Nair. 'I certainly wouldn't compare it with a regular core banking implementation.' adds Nair.