

Terms of Reference for KGZ-1018 Capacity Building

OBJECTIVE

The services to be provided by the selected external education provider is for the development of the training program in accordance with the outlined requirements, included in the following sections of this document and conducting full range of online, offline training programs on various aspects of Islamic banking and finance for mentioned groups within the framework of the IsDB Technical Assistance.

SCOPE & DELIVERABLES

The services to be provided by the appointed education provider will cover the following to be prepared in relation with the trainings to be conducted. All the trainings will be conducted in English and translation will be organized by the NBKR.

- There will be 2 parts of training – one online virtually and one offline physically in Bishkek, Kyrgyz Republic.
- There will be 3 groups of candidates for the training: **Group 1 NBKR Staff; Group 2 Financial and credit organizations staff; and Group 3 Members of the Sharia Boards of financial and credit organizations**

KEY CONSIDERATIONS IN DEVELOPING THE TRAINING PROGRAM:

➤ PART 1

Online training for all three groups for 3 (three) days. Webex or MS Teams will be the preferred platforms for the trainings. Recommended topics to include:

Day 1

Introduction

- Shari'ah as the source of Islamic Banking & Finance comprising both principal sources and secondary sources.
- The Objectives of Shariah
- Concept of Wealth in Islam
- Capitalism versus Islamic Economics. Key Differences of Islamic Financial Intermediation (Comparison Between Debt & Equity, Conventional & Islamic, Risk & Reward, Saving & Investment)
- The major prohibitions. The concept of riba, money, profit, capital and gharar in Islam

Islamic Financial Contracts and Products/Services

- Shari'ah Contracts (e.g. sale-based, lease-based, partnership-based, agency-based, etc.)
- Commonly utilized product structures
- Shari'ah Governance Framework
- Role of Regulators, Supervisors, Industry Associations, Market Players, etc.

Day 2

Popular Islamic banking products in Kyrgyzstan in details

- Murabaha
- Ijarah
- Musharaka and Diminishing Musharaka (home and project financing)
- Qard Hasan
- Mudaraba
- Others product structures
- Pricing of Islamic financial products
- Analysis of the Individual Customers Financing Applications
- Analysis of Business Customer's Financing Application
- Al-Khiyarat (options) in Islamic contracts

Day 3

Operation of Islamic windows from A to Z

- Guidelines & criteria for setting up of an Islamic banking window by the existing conventional commercial bank
- Allocation of capital for an Islamic window etc.
- Instructions on Islamic Banking Windows Operations
- Islamic Accounting & Financial Reporting
- Types of Islamic windows and related regulations, calculating alpha, displaced commercial risk and others.
- Financial statements and how consolidated financial statements shall be prepared for an Islamic banking window and its parent institution etc.
- Challenges and Future prospects.

➤ **PART 2**

Offline training for segregated groups for 2 (two) days per group. Recommended topics to include:

Groups 2 & 3 (2 days): Shariah Board members and FCO Staff

- The concept of Shariah Governance in Islam
- Composition & appointments. Role and Authority
- Resident Shariah Board Member
- Control functions of Shariah Governance:
 - Shariah risk management
 - Shariah review
 - Shariah audit (Internal, External Shariah Audit)
 - Shariah Compliance Department
 - Delegation of Authority
- Decision-making process:

- Product Development
- Role of Board of Directors
- Role of Executive Management
- Fatwas, and other Shariah Supervisory Board Decisions
- Contents of a Fatwa. Shariah Compliance Department
- Shariah Non-Compliance Risk
 - Shariah Non-Compliance Reporting
 - Sustainable Islamic banking – concept of Value-Based Banking
 - Conflict Resolution
 - Ethics & Professionalism
- Internal reports
- External reports and regulatory requirements
- Central Shariah Board

Challenges and Future prospects.

Group 1 (2 days): NBKR staff

- Does regulatory framework for banks and non-banking Islamic financial credit organizations differ from conventional financial institutions?
- Regulation: International Standards and Islamic Standards (Basel III, AAOIFI Standards, IFSB)
- Supervisory policies and regulations. Essential Regulations for Islamic Banking
- Risk based supervision methodology
- Experiences of Central Bank of Bahrain, Central Bank of Oman, Bank Negara Malaysia and State Bank of Pakistan etc.
- Off-site surveillance and on-site examination of Islamic banks
- How does the bank meet the regulatory requirements?
- Stress-testing Islamic banks
- Risk and risk management for Islamic banking institutions,
- Capital adequacy in general and its role for Shariah contracts
- IFSB Principles for Minimum Capital Adequacy Requirements (CAR)
- Capital Adequacy Standards for Credit Risk etc.

Challenges and Future prospects.

➤ **Other Recommendations**

Examinations and Awards

The module is non-examinable but may contain quizzes that are intended to stimulate the achievement of learning outcomes of participants throughout the training in the form of case

studies and exercises. At the end of the program participants will receive a certificate of attendance.

Duration of Study and Session Timings

The program in total is for 7 days. Both online and offline classes will run for 6 hours per day with timings from 9:00AM to 17:30PM, consisting of 3 breaks for two coffee-breaks and one lunch.

Attendance Requirement

Participants must strictly have a 100% attendance record for them to be eligible for a certificate of attendance.

Training Material

The program will be aided with presentation materials and case studies (hard copies for physical training activities) and any other relevant items as per trainer's disposal.

Key Experts

The education provider will assign experienced personnel with extensive knowledge and expertise of Islamic banking and finance, used domestically and International cross border market.

The assigned responsible personnel will be the partner and associate to work on drafting of complete set of training program documentation.

Working Modalities

Appointment of the education provider is the first step towards commencement of the project. Official letter from the National Bank of the Kyrgyz Republic will be addressed to several international education providers, preferably established under Central Banks or international standard setting bodies. The letter will include an attachment that outlines basic parameters of the training program and recommended topics. At this stage, the concerned National Bank staff may discuss with the representatives of the education providers to make amendments and additions to their commercial proposals to best meet their needs. After submission of the commercial proposals by potential education providers, the same will be shared with IsDB team for consideration and final approval.

The main responsibility of the education provider will be the development of tailor-made training programs to satisfy the needs of above-mentioned three groups of participants.

In providing, the training program there will be a comprehensive process divided into different phases as follows:

The training program will consist of two main parts: 1) Online 2) Offline.

1. Online part will cover the introduction to Islamic banking and finance and participants from all three groups will have to join this part.

The duration of the online part is three days.

First day may include general topics, which may be beneficial for participants of all three groups to join.

The education provider may decide what topics to include in the program, having in view the suggested topics in the “Key considerations in developing the training program” section of this document.

2. Offline part of the training will be conducted in the Kyrgyz Republic, at the premises of the National Bank of the Kyrgyz Republic (venue to be determined later).

The duration of the offline part is four days.

The education provider may decide what topics to include in the program, having in view the suggested topics in the “Key considerations in developing the training program” section of this document.

3. Method:

Physical interactive sessions for both theoretical and experiential learning sessions

Group discussions

Forum-based discussions

Question and answer sessions

Duration of the Assignment

The training program is for a total of 7 days and the date to be mutually decided. The National Bank of the Kyrgyz Republic is also mindful that it should not take too long to complete the project. Moreover, education provider also will prefer that the project be completed in shortest possible time.

Scoring Criteria

Following weightages on the short-listing criteria, mentioned in the REOI will be used to select the education provider:

Criteria	Weightage
(a) The Consultant should demonstrate having experience in providing training and capacity building programs on the mentioned topics in the TOR for at least ten (10) years. Knowledge of Kyrgyz Republic and its financial sector is an added advantage.-	20%
(b) Proven record of successful similar training programs (at least 3 in the past 5 years) for the benefit of a country’s central bank, ministries, or related Government bodies.	15%

(c) The firm should demonstrate having technical and managerial capabilities to successfully execute the assignment through a brief presentation of the firm's management structure and number of permanent staff	15%
(d) The firm should demonstrate capabilities and experience in delivering the expectations outlined in the TOR	50%
Total	100%

Payment Schedule

The assignment price shall be quoted on a lumpsum basis for the deliverables identified in the ToR. IsDBI won't pay any taxes or customs fees, as per the grant agreement. For the avoidance of doubt, the education provider shall be liable to pay any applicable taxes, duties, surcharges, service charges and other levies related to this service.

The payment will be done on a lumpsum basis as follows:

100% of the total amount of services provided will be transferred to the selected education provider's bank account upon full completion of the training program and awarding the certificates to the participants.

This cost will cover following services:

- Designing of customized training program;
- Contents and material development;
- Online Platform costs for the online training;
- Trainers' remuneration, travelling costs and stay;
- Travel insurance;
- Stationery;
- Certificates of participation.
- Any other costs to successfully deliver the programme.

Instructions to the Consultants

Prospective education providers are invited to submit an Expressions of Interest to the following addresses:

Ms. Samara Maitashova

Acting Head of the Islamic Financial Products Division

National Bank of the Kyrgyz Republic

Str.Turusbekov, 47, room no. 204

Tel: +996 312 31 30 52

Email: smaitashova@nbkr.kg

Clarification mechanism: For any technical queries or clarification, the education provider may send an email to the focal person on the above contact details.

The consultant is expected to have fully read and understood **ALL sections** of this ToR document to comprehend the expectations of the hiring department from this project.