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BBA



Standard Chartered
saadiq

Intern Report



Prepared For:

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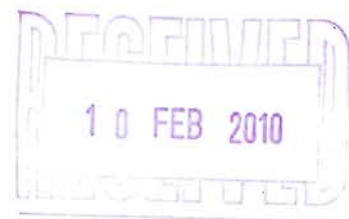
Prepared By:

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Department of Business Administration
EAST WEST UNIVERSITY

Date of Submission

3rd January, 2010



East West University
43 Mohakhali
Dhaka 1212

November 29, 2007

Sabrina Reja

Students of East West University
Department of Business Administration
East West University

Letter of Authorization

Dear Students,

Will you please undertake the study of consumer Loan of Standard Chartered Saadiq. As you are going through Consumer Behavior course, you are eligible to undertake the study.

You may acquire vast realistic knowledge about the consumer Loan of Standard Chartered Saadiq and will help you to retain a good knowledge about different aspects of consumer loan.

Please have the report to me by January 3, 2010 if at all possible.

Please call me if I can be of assistance.

Sincerely

M.Sayeed Alam

Assistance Professor
Department of Business Administration
East West University

Letter of Transmittal

M.Sayeed Alam
Assistance Professor
Dept. of Business Administration
East West University

Subject: Submission of Intern Report

Sir,

Here is the intern report based on Consumer Loan of Saadiq Branch of Standard Chartered that you have asked me to conduct.

It's a great pleasure for me to have the opportunity to submit a report which had been a great experience for me to work with such a real life issue to analyze with. I tried utmost to make & let it look like a professional one. Any shortcomings are expected to have a kind view for my encouragement.

Thank you for your sincere & honest try to let me make easy & get familiar with the terms and give the idea about Business Forecasting.

My efforts will be valued, if this report can serve for what it's been meant for & If you need any assistance in interpreting this report, I will be pleased to meet with you at your convenience.

Thank you.

Respectfully yours,
Sabrina Reja
ID#2005-2-10-251
Dept. of Business Administration
East West University

EXECUTIVE SUMMARY

The basis of this report will convey the Consumer Loan of Standard Chartered Bank Saadiq and the performance and scenario of consumer loan of Saadiq. As per the course guidelines, I have chosen Standard Chartered Saadiq in my report. The main objective of this report is to give the reader a short description of Consumer Loan Of Standard Chartered Saadiq . Data for preparing the report has been collected through the stuffs and managers of Standard Chartered Saadiq.

This report consist of various information's such as environment of the Bank,the scenario of laon ,the position of Standard Chartered Saadiq .

The report also contains an introduction portion and some other details such as origin, objective and history etc. of the report. The entire process of creating this report has also been outlined.



ACKNOWLEDGEMENT

All praises are due to Almighty Allah who has enabled us to peruse my report of the Views of Consumer Loan. First of all, we deeply express gratitude to our parents for such a financial and mental support while preparing the report. Here we would like to give thanks to our honorable Teacher M.Sayeed Alam to give me the opportunity to make this report and earn some real knowledge from it.

Also Thanks to those Managers & employees of Standard Chartered Bank who provide us the information and help us to make the report successfully done.

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1. The History of Saadiq:



Standard Chartered Group is proud to launch a new chapter in our bank's history – Standard Chartered Saadiq Berhad, the new Islamic Bank, on 12 November 2008.

Islamic banking is a rapidly growing phenomenon in the global financial markets as it answers the call of discerning Muslims who seek a banking system that conforms to the religious tenets. Because of this, a number of banks worldwide offer products and services that are Syariah (Islamic Law) compliant. At Standard Chartered Saadiq Berhad ("Saadiq" which means "truthful"), a team of qualified professionals design and structure our Standard Chartered Saadiq products and services to ensure that they are in line with Syariah principles governing Islamic banking and finance. In addition, to ensure conformity of all products with the tenets of Syariah the Bank has an independent Syariah Supervisory Committee comprising a team of professional managers who are guided by respected Syariah scholars both locally and abroad.

Standard Chartered was the first international bank in Malaysia to offer Islamic banking products in 1992. With a footprint in over 70 countries, we are committed to bringing you world-class Islamic solutions for all your financial needs.

Standard Chartered Saadiq Financial Centre, equipped with revolutionary facilities that provide easy access to your wealth, and an eco friendly interior design that promises a relaxing banking experience.

1.1 About Saadiq

The word Saadiq means “**Truthful**” in Arabic and it also represents the international credibility and commitment of Standard Chartered in serving the banking and financial needs of our customers without compromising their beliefs.

At Standard Chartered Saadiq, are committed to providing a comprehensive range of Shariah Compliant international banking services and financial products in both wholesale and consumer banking.

To ensure that Standard Chartered Saadiq products comply with principles of Shariah, they have an independent committee comprising three of the world's most renowned Shariah scholars are,



the

– Dr. Abdul Sattar Abu Ghuddah,

-Sheikh Nizam Yaquby and

-Dr. Mohamed Ali Elgari.

This bank develops all Islamic banking products with guidance from these independent experts, securing their approval before they offer the products to customers.

1.2 Objective

To developing Standard Chartered Saadiq is simple – **“To offer our customers the best of both worlds** – comprehensive world-class international banking with Islamic solutions for your unique financial needs”.

2. Consumer Loan

Bank provides consumer loan on the behalf of their customer and also for their benefit. For the customer bank provides different kinds of loan services. Standard Chartered provides different kinds of loans but Saadiq mainly provides three types of consumer loans. These are:

- Saadiq Home Finance
- Saadiq Personal Finance
- Saadiq Auto finance

2.1 Saadiq Home Finance:

The Saadiq Home Finance facility operates on the concept of “Hire Purchase under Shirkatul Melk”, which is based on a rental and principal component structure. The Saadiq Home Finance is a fully Shariah compliant financing facility offered by Standard Chartered Bank. Shirkatul Melk is a form of co-ownership in which two or more persons share the ownership of a tangible asset in an agreed proportion and one of the owners undertakes to buy, in periodic installments, the proportionate share of the other co-owner until the full-ownership of such tangible assets is completely transferred to the purchasing co-owner.



Features of Saadiq Home Finance:

1. Under the concept of Hire purchase under Shirkatul Melk, you and Standard Chartered Bank enter into a partnership agreement.
2. Standard Chartered may provide the larger share of the purchase price of the property.
3. As part of the agreement, Standard Chartered will allow usage of the property to you over a period ranging from 3 to 20 years and you agree to make monthly payments for use of the property.
4. Also make regular scheduled investments in the participation to increase your share in the property. Thus with each payment, your ownership in the property grows thereby increasing your share in the property.
5. once if anybody have purchased the complete share ,then he become the free and clear title owner of the property.

General Features of Saadiq Home Finance:

- Home finance facility for purchase of a new house/apartment, or for Extension/renovation of the new home.
- Attractive rent rate; no hidden charges.
- Option to avail the finance without any cash security/personal guarantee.
- No prior account relationship required with Standard Chartered.
- Option to repay the facility in up to 240 monthly installments.
- Option for balance transfer of your existing home finance facility from any other Bank or financial institution to Standard Chartered Bank.
- Finance available for apartments in the construction stage, provided that Foundation and the basic structure of the building have been completed.
- Option to avail the Saadiq Home Finance in steps. Financing at every step will depend on what portion of the property you can purchase at every step.

Basic eligibility criteria:

- Salaried executives, businesspersons, or self-employed professionals having at least 3 years work/business experience can apply for Saadiq Home Finance. Landlord /landladies can also apply for this facility.
- Applicant's minimum required take-home monthly income is BDT 25,000. However; this requirement can be relaxed for government employees.
- Applicant must be at least 25 years old at the time of application for this facility.
- Maximum age of applicant can be 65 years (or retirement age, whichever comes earlier) at the end of the loan tenor.

- Approval of the facility will be subject to assessment of the applicant's work experience, income, assets, liabilities; etc. Approval is also subject to satisfactory CIB report of the applicant.

Finance amount:

- **For purchasing a new home or apartment:**
Up to 80% of the assessed value of the property or BDT 75 lac, whichever is lower.
- **For renovation of existing house/apartment:**
Up to 75% of the assessed value of the property or BDT 75 lac, whichever is lower.
- **For balance transfer:**
Balance transfer facility for up to BDT 75 lac.

Documents required applying for Saadiq Home Finance:

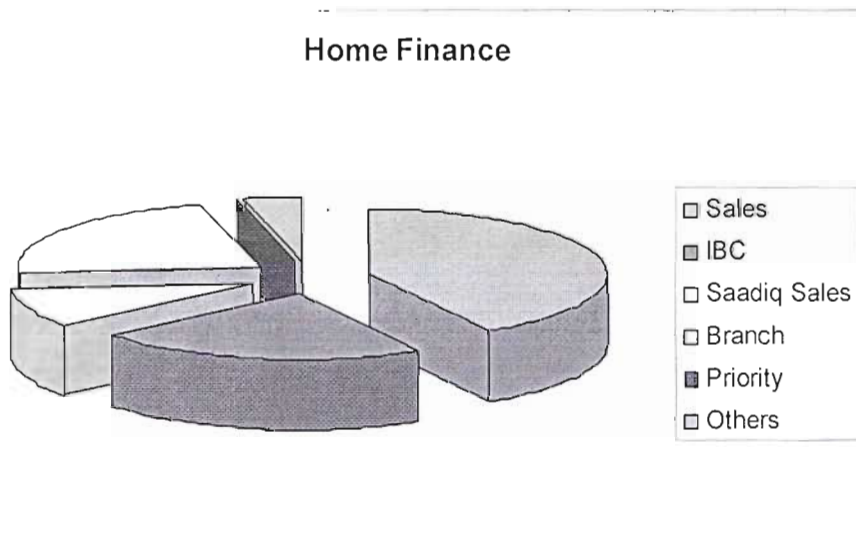
- 2 copies of applicant's recent passport size photograph.
- Photocopy of passport and National ID card.
- Last 12 months bank statement.
- Letter of introduction and/ or pay slip in case of salaried applicants.
- Copy of professional certificates in case of self-employed professionals.
- Copy of trade license, TIN certificate, etc. In case of sole proprietorship businesses. In case of partnership or limited companies, copy MOA, AOA, Form XII certified by RJSC, etc, as applicable.
- In case of renovation or extension of an existing property, quotations are required from construction companies/ contractors who will do the renovation/extension work.

Insurance of property:

The property must be insured by any reputed insurance/Islamic Insurance companies (The insurance company must meet Bank's standard acceptance criteria) for the full tenor of the finance facility. Insurance coverage should be against fire, earthquake, flood, cyclone, etc, as may be advised by the bank.

Home Finance

Sales	67,048,039.00
IBC	36,510,000.00
Saadiq Sales	15,200,000.00
Branch	36,445,000.00
Priority	
Others	6,200,000.00
Total	161,403,039.00



2.2 Saadiq Personal Finance:

Saadiq Personal Finance is a Sharia'h compliant financing opportunity provided to assist the customers in meeting financial needs in compliance with principles of Shariah. The transaction has two distinct parts. In the first transaction, the Bank provides customers an opportunity to purchase international commodity (metals) from the Bank and pay the Bank for those metals in deferred equal monthly installments.

In the second transaction, the customer owns the metals and will use their right to sell the metals in the market for the price advised by the buyer in line with the prevailing market. The customer asks the Bank to act as its agent to sell the metal. After selling the metal to a different international metal trader, the Bank transfers the proceeds from the sale of the metals into the customer's account.

Standard Chartered develop Saadiq products:

SCB has an international team of professionals with Islamic financial expertise dedicated to developing Shariah approved financial solutions for the SCB Group. Additionally, our Shariah Supervisory Committee advised our Islamic Banking team and approves the Standard Chartered Saadiq products. The process of product development and Shariah review ensures that Standard Chartered Saadiq products are free of interest and within the guidelines for finance that are prescribed by the Shariah (Islamic law).

Saadiq Personal Finance is a Shariah compliant product:

Saadiq Personal Finance is designed according to the rules of Tawarruq financing, an Islamic financing tool. Under the rules of Tawarruq financing, a party (in this case the customer) purchases assets/goods from another party (in this case the Bank) but pays for the goods in deferred payments. The customer sells the assets/goods subsequently in the market. The essential requirement for this sale is that Bank should own the goods at the time of sale. Finally, the last requirement is that the price of the assets/goods should be fixed at the time of sale and should not change subsequently.

A similar structure is used for Saadiq Personal Finance. First, customers can purchase international commodities (metals) from Standard Chartered Bank UAE that the Bank owns. The Bank first purchases the commodity itself and then resells it to the customer at a higher price. Since Standard Chartered owns the metals (and bears the risks/costs associated with ownership), it can sell the metals to the customer for a price inclusive of profit. The customer then pays for the price of the metals in equal monthly installments.

Second, the customer requests the Bank to sell the international commodities (metals) that are owned by him/her in the international metal market on customer's behalf for cash. After the sale, the Bank transfers the price that it fetched for the metals for the customer in the customer's Standard Chartered Saadiq account.

Standard Chartered's Islamic Shariah Supervisory Committee has approved both these transactions and the payment scheme as Shariah compliant.

Difference between Conventional Banking and Shariah compliant financial services of SCB:

- Islamic law (Shariah) does not require that the seller of a product be Muslim, or that its other services be Shariah compliant as well. As long as the product offering is Shariah compliant, the provider can be a bank committed to providing a full array of banking services.
- The Shariah (Islamic law) does not require that the seller of a product be Muslim or that the seller's income be *halal* (permitted). However, the Bank intends to use funds

generated from its Saadiq deposit products as its primary source of funding for Islamic finance, but supported by conventional sources until such time as it is no longer needed.

Muslims may be understandably concerned about mixing conventional funds with Shariah compliant funds. However, the Shariah guidelines clearly address this in two separate and distinct functionalities of money: (i) money as a deposit; and (ii) money used for purchase or financing. In the first case, when a customer opens an account or invests money, the funds must be segregated from interest-based funds so that the returns are halal (permitted). However, when a customer purchases something or obtains financing, the money supporting the transaction or financing does not necessarily have to be from a halal source. The customer need only be concerned that its relationship with the seller is Shariah compliant. The seller's relationship with other parties, however, is not the customer's responsibility. Standard Chartered's Shariah Supervisory Committee has provided this ruling based on their understanding of a customer's obligations for Shariah compliance; and the seller's obligations to maintain Shariah compliance.

- The price of metal for customers will be based on a fixed profit rate that is competitive with the Islamic financing and conventional loans in the market. As determined by our Shariah Supervisory Committee, Shariah permits the use of a conventional market return rate as a benchmark.

According to the Shariah, the profit rate in a trade transaction can be set at **any** value **agreed** between the buyer and seller. Also remember that under Saadiq Personal Finance, Standard Chartered acts as a metal seller and not a moneylender. Under Shariah guidelines, no reason exists to prohibit metal purchases financed Islamically from being either more or less expensive than any other form of personal financing. Shariah guidelines only require that the transaction be compliant with Shariah. The agreed sale price of the metals, the profit rate of deferred payments, or how that price is determined is left up to the parties involved in the transaction.

A late payment fee in Shariah compliant personal financing:

According to the Shariah Supervisory Committee, the Bank may charge such a fee to discourage customers from making unnecessary late payments. This fee is not interest, and does not reflect the interest rate. The Shariah Committee has not permitted the bank to take this charge as a part of Standard Chartered's income. Instead, the Shariah Supervisory Committee has authorized the Bank to donate this amount to an approved charity, after deducting relevant estimated cost expenditures associated with the processing of customers' late payments.

Paying the financing amount early:

One can pay the outstanding sales price at the time of early settlement. The total amount due in a *Murabaha* financing is fixed and cannot be rescheduled. The outstanding sale price in a *Murabaha* is the sum of all outstanding installments at any given time.

The Bank may, at its sole discretion, award a rebate at the time of early settlement. This rebate would be deducted from the outstanding sale price payable. The final settlement amount (net of rebate, if any) would be debited from the customer's current account.

Transfer of existing loan with another other bank to Saadiq Personal Finance:

One can simply apply for Saadiq Personal Finance. If one meets the Bank's eligibility criteria to trade, then all that will be required is to fill out the Offer to buy and Agency Agreement. The Bank will sell international commodities (metals) to him/her from its stocks and sell the metals, on his/her behalf, to an international metal broker in the market. The proceeds that the bank receives from the sale of his/her metals to the international broker shall be used to settle the balance on his/her business loan with the other bank. Any remaining amounts will be credited to his/her business account with Standard Chartered Bank.

Transfer of existing personal loan with Standard Chartered to Saadiq Personal Finance:

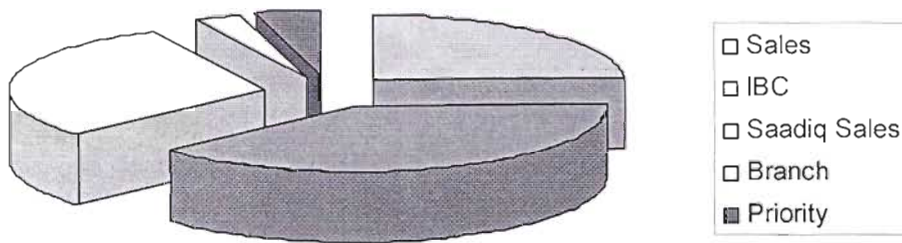
One can apply for Saadiq Personal Finance. If he/she meet the Bank's eligibility criteria to trade, then all that will be required is to fill out the Offer to Buy and Agency Agreement. The Bank will sell he/she international commodities (metals) from its stocks and sell the metals, on his/her behalf, to an international metal broker in the market. The proceeds that the bank receives from the sale of his/her metals to the international broker shall be used to settle the balance on your existing business loan. Any remaining amounts will be credited to his/her business account with Standard Chartered Bank.

Personal Finance



Sales	5,882,000.00
IBC	9,443,000.00
Saadiq Sales	7,237,000.00
Branch	794,000.00
Priority	995,000.00
Total	24,351,000.00

Personal Finance



2.3 Saadiq Auto Finance:

At Standard Chartered Saadiq, bank understands the need to bank in accordance with customer's value. For this reason Standard Chartered Bank introduced 'Saadiq Auto Finance'-a complete auto finance solution that is approved by the global Shariah Supervisory Board. Standard Chartered Saadiq Auto Finance is interest-free but with all the features that fulfill the needs of customers and gives peace of mind of being Shariah compliant.

Saadiq Auto Finance under Diminishing Musharaka:

Diminishing Musharaka is a widely accepted Islamic financing mode. Here the bank and the customer initially purchase the car on a partnership agreement and the customer gradually buys the Bank's share of the Automobile in installments. At the same time the customer pays rent to the Bank proportionate to the Bank's share of Auto mobile for full time use. At the end of the tenor of the Finance agreement, the customer pays fully for the Bank's share in the partnership and becomes the owner of the car.

With Standard Chartered Saadiq Auto Finance, it is easier than ever to obtain the car the customer always wanted. In Bangladesh, This Bank offers the option of being brand new, reconditioned or used car. This has been custom designed as per the customer' requirement.

Cash security is not required:

Saadiq Auto Finance offers complete flexibility to choose the tenure and rate of rent for financing the purchase of vehicle. There is no requirement to provide personal guarantee or cash security to qualify for Saadiq Auto Finance. However if the customer choose to provide 100% of the financing amount as cash security, the customer will enjoy a discounted rate rent.

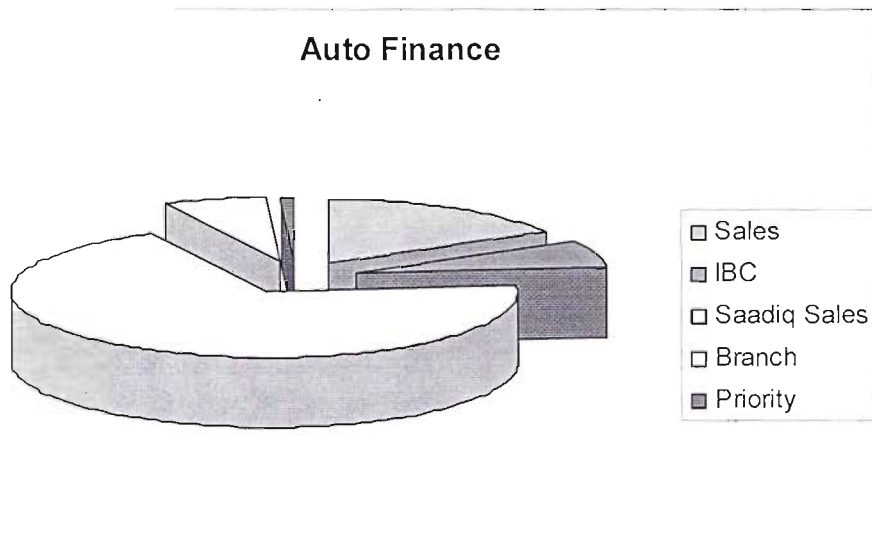
Tailored repayment option for convenience:

Saadiq Auto Finance is designed to make life easier to for the customer. The Bank offer easy repayment options and freedom to choose the customer's repayment period from 1 to 5 years depending on the vehicle type.

Getting Saadiq Auto Finance from Standard Chartered Bank is very simple. Anybody doesn't need to make repeated visits to the Bank. Just have to call at Islamic centre and the bank would be happy to assist the customer. Standard Chartered Bank guarantee the world-class service combined with peace of mind that is free of any element of Riba.

Auto Finance

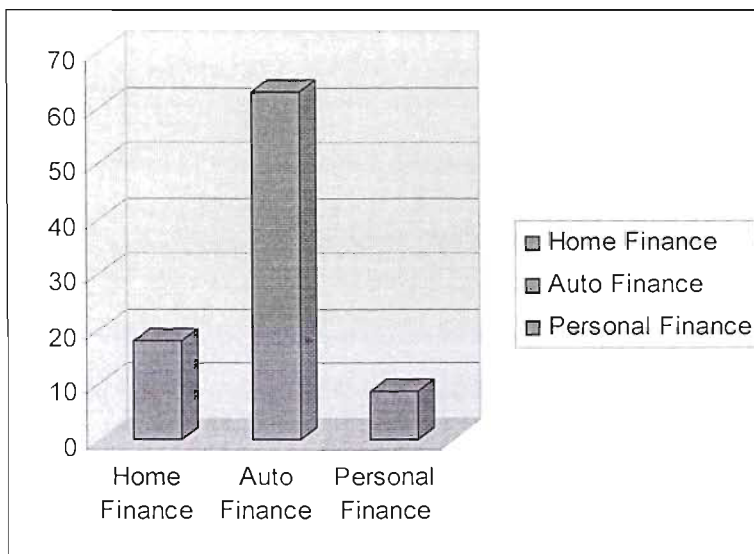
Sales	45,081,919.00
IBC	18,436,952.00
Saadig Sales	186,845,181.00
Branch	18,607,076.00
Priority	2,000,000.00
Others	
Total	270,971,128.00



3. Yearly amount of Loan:

Saadiq mainly provide the consumer loan on yearly basis. So here we see that they provide 63 crore in Auto Loan, 18 crore in Home Loan, 9 crore in Personal Loan in 2009.

Auto Finance	Home Finance	Personal Finance
63 crore	18 crore	9 crore



4. Mortgages:

Mortgage is a core product for consumer banking, contributing to over 59% of total Consumer bank assets. With a history of providing mortgages for over 30 years in most of our core markets, Standard Chartered Bank has been a pioneer, an innovator and a market leader in the product. Mortgage 1, Family Link, Mortgage 1 Optimizer and Hibor + '0' % has all been market-leading products at the time of launch.

Today, mortgages are offered in over 20+ countries with multiple product propositions to meet a variety of individual needs starting with home ownership, then maturing to investor & wealth builder needs. The product is sold with different variations across all consumer banking customer segments, starting with the basic version for mass market and going up to differentiated propositions for Priority and Private banking customers; cross-border mortgage being the next focus.

Mortgage is a proven relationship anchor with mortgage customers accounting for the highest X product ownership within the consumer bank and central to the SCB ambition of building a customer centric organization. It is also a key balance sheet instrument for the Consumer bank to effectively manage its AD ratio and corridor NIMs between assets and liabilities to ensure steady performance through business cycles.

5. Financing Products:

Revolving Credit-

We provide revolving financing based on the Bai-Inah concept for your working capital. Our Islamic RC involves the sale of the bank's asset to you and then buying it back. The difference between the purchase and sale price is the profit portion to the bank. Tenor of financing is between 1 to 6 months. No commitment fee would be imposed on Revolving Credit-i.

Short Term Corporate Financing-

Similar to RC-i, STCF-i is a financing product, based on the Bai-Inah concept. The product features fixed rate financing with a tenor of more than a year. The payment of installments can be either on a monthly or quarterly basis, giving you the flexibility for better cash management.

Leasing-

A financing arrangement where on maturity, the asset is sold to you at nominal value. You have the flexibility of choosing a fixed or floating rate financing. Assets can be pre-owned by you or to be purchased directly from vendor with an easy periodical instalment of monthly or quarterly.

CMF- (Revolving)

We provide financing based on the Murabahah concept for your working capital. CMF-i (REV) financing is based on globally accepted Islamic concepts. The difference between the purchase and sale price is the profit portion to the bank. Tenor of financing is between 1 to 6 months.

CMF- (Term)

Similar to CMF-i (Revolving), CMF-i (Term) is a financing product based on globally accepted Islamic concepts. This product features a fixed rate financing with a tenor of more than a year. Installments can be done either on a monthly or quarterly basis and this usually bring about better cash management.

6. Conclusion:

At Standard Chartered Saadiq, the dedicated Islamic banking team combines Shariah expertise with strong business acumen to offer customers the best of both worlds – comprehensive international banking services with a wide range of Shariah compliant financial products.

Under Consumer Banking, Saadiq offers Islamic banking services across the entire consumer banking customer and product segments from personal, private and premium banking to SME banking.

Our endeavor to provide Shariah compliant financial services that meet our customers' high expectations has been recognized globally.

Besides conventional loan SCB provides Islamic Shariah Loan because in Bangladesh most of the people are Muslim and they want the banking service in Islamic Shariah.

Bibliography

- Standard Chartered server net.
- Standard Chartered Management Authority.

Glossary:

Shariah / Sharia / Shari'a

Islamic canon law derived from 3 Primary sources: the Quran; the Hadith (sayings of the Prophet Muhammad); and the Sunnah (practice and traditions of the Prophet Muhammad), and three Secondary sources Qiyas (Analogical deductions and reasoning), Ijma (Consensus of Islamic Scholars) and Ijtihad (Legal reasoning).

Shirkah

A contract between two or more persons who launch a business or financial enterprise to make profit. Shirka = musharaka.

Halal

That which is permissible. In Islam there are activities, professions, contracts and transactions which are explicitly prohibited (haram) by the Qur'an or the Sunnah. Barring them, all other activities, professions, contracts, and transactions etc. are halal. An activity may be economically sound but may not be allowed in the Islamic society if it is not permitted by the Shari'ah.

Mudaraba / Modaraba

(Trust Financing) The term refers to a form of business contract in which one party brings capital and the other personal effort. The proportionate share in profit is determined by mutual agreement. But the loss, if any, is borne only by the owner of the capital, in which case the entrepreneur gets nothing for his labour. The financier is known as 'rab-al-maal' and the entrepreneur as 'mudarib'. Mudarib In a mudaraba contract, the person or party who acts as entrepreneur.

Musharaka (Venture Capital)

Musharaka is a technique of financing used as a partnership. It is where two or more financiers provide finance for a project. All partners are entitled to a share in the profits resulting from the project in a ratio which is mutually agreed upon. However, the losses, if any, are to be shared exactly in the proportion of capital proportion. All partners have a right to participate in the management of the project. However, they can waive the right of participation in favour of any specific partner or person. There are two main forms of Musharaka: Permanent Musharaka and Diminishing Musharaka. These are briefly explained below

Riba

This term literally means an increase or addition. Technically it denotes any increase or advantage obtained by the lender as a condition of the loan. Any risk-free or "guaranteed" rate of return on a loan or investment is riba. Riba, in all forms, is prohibited in Islam. In conventional terms, riba and "interest" are used interchangeably.

Bai al Inah

It is a contract of deferred payment sale i.e. the sale of goods on deferred payment basis at an agreed to by both parties. Profit in this context is justified since it is derived from the buying and selling transactions as opposed to interest accruing from the principle lent out.

Murabaha / Morabaha

(Cost-Plus Financing) Lit: sale on profit. Technically a contract of sale in which the seller declares his cost and profit. This has been adopted as a mode of financing by a number of Islamic banks. As a financing technique, it involves a request by the client to the bank to purchase a certain item for him. The bank does that for a definite profit over the cost which is agreed in advance. It has been estimated that 80 to 90 percent of financial operations of some Islamic banks belong to this category. There are a number of requirements for this transaction to meet the Islamic standards of a legal sale. The entire transaction is to be completed in two stages and as two separate contracts. In the first stage, the client requests the bank to undertake a Murabaha transaction and promises to buy the commodity specified by him, if the bank acquires the same commodity. In the second stage, the client purchases the good acquired by the bank on a deferred payments basis and agrees to a payment schedule. The Murabaha form of financing is being widely used by the Islamic banks to satisfy various kinds of financing requirements. It is used to provide finance in various and diverse sectors e. g. in consumer finance for purchase of consumer durable such as cars and household appliances, in real estate to provide housing finance, in the production sector to finance the purchase of machinery, equipment and raw material etc