TERMS OF REFERENCE (TOR) FOR TECHNICAL ASSISTANCE FROM THE ISLAMIC DEVELOPMENT BANK INSTITUTE (IsDBI) TO SUPPORT THE ESTABLISHMENT OF AN ISLAMIC WINDOW WITHIN THE BANQUE MAGRÉBINE D'INVESTISSEMENT ET DE COMMERCE EXTÉRIEUR (BMICE)

1. INTRODUCTION

On 18 March 2025, the Banque Magrébine d'Investissement et de Commerce Éxtérieur (BMICE) requested the support of the Islamic Development Bank Institute (IsDBI) to establish an Islamic Window (hereinafter the Window). This project forms part of BMICE's strategic plan to expand and diversify its partners globally, aiming to open an Islamic window that responds to a broader segment of its client base and focus more on shariah-compliant financing operations.

2. BACKGROUND

The objective of this technical assistance is to support the establishment and operational setup of an Islamic finance window within the BMICE. This will be achieved by providing technical assistance, capacity building, and strategic guidance in line with Islamic finance regulatory, legal, and market standards. The T.A. aims to ensure full Shariah compliance and operational excellence across all departments involved. The mission must align with international best practices and relevant frameworks (AAOIFI standards, IFSB principles, BCBS/Basel prudential framework, applicable accounting standards), while complying with the laws and regulations of the jurisdictions where BMICE operates.

3. OBJECTIVES

General Objective

To design, document, and operationalize an Islamic finance window within BMICE, fully compliant with Sharia principles and regulatory requirements, and equipped with the necessary human, technical, and procedural capabilities.

Specific Objectives *(non-exhaustive)*

- Define and implement a legal, regulatory, and internal Sharia governance framework for the Window as well as contract models relating to different types of Islamic products (contractual framework with customers).
- Create a catalog of Islamic products that are suitable for BMICE.
- Structure a Sharia-compliant product offering (liabilities/assets/ investments) tailored to BMICE's mandate.
- Ensure fund segregation and accounting in accordance with relevant standards (AAOIFI FAS/IFRS, depending on BMICE's choice), with separate financial statements.
- Establish a risk management framework and Sharia-compliant liquidity solutions.
- Adapt information systems to Islamic finance operations.
- Deploy a capacity-building program (management, compliance, risk, operations, IT, front-office).
- Prepare the Window for internal/external Sharia audit and supervision by the competent authority.

4. SCOPE OF SERVICES & TASKS

4-1 Scope of the Mission

The project will cover, at a minimum, the following components:

A. Development/adjustment of BMICE's internal legal, regulatory, and policy framework for Islamic finance.
B. Definition of internal control and compliance procedures.
C. Design of Sharia-compliant liquidity instruments and market mechanisms accessible to BMICE.
D. Development of operational guidelines and policies for sound, agile, and compliant Islamic windows.
E. Establishment of a Sharia governance framework (Sharia Committee, Sharia compliance, Sharia audit).
F. Training and capacity building (for BMICE and, where applicable, external stakeholders).
G. H. Change management (framework, processes and procedures, internal awareness, integration into policies).

4-2 Tasks (Components)

1. Internal Legal and Regulatory Framework

- Draft/update policies governing the organization and operation of the Window (charter, scope, responsibilities, activity segregation).
- Define guiding principles for Islamic finance-specific risk management.
- Determine the treatment of investment accounts (restricted/unrestricted), profit/loss calculation and allocation methodology, and associated governance.
- Define the accounting framework (AAOIFI FAS or IFRS with AAOIFI bridge), account mapping, and separate financial statements for the Window.
- Establish rules for risk reporting (credit, concentration) and information exchange (credit registry/credit bureau), in accordance with applicable laws.
- Define IT and internal control requirements to prevent co-mingling (segregation, products, channels, reporting).

2. Compliance, Control, and Supervision (Alignment with BCBS/IFSB/AAOIFI)

- Define internal control procedures and Sharia reviews (1st/2nd/3rd lines), and internal and regulatory reporting.
- Develop an internal prudential oversight guide.
- Establish a liquidity management/monitoring framework (indicators, limits, early-warning).

3. Operational Guidelines & Policies for Islamic Windows

- Draft SOPs for front/middle/back-office: Sharia due diligence, contract execution, disbursements, monitoring, and recovery.
- Determine pricing rules (margins/profits/fees), Sharia-compliant penalties (charitable allocation where applicable).

4. Sharia Governance

- Design the Sharia Committee charter (composition, independence, quorum, conflicts of interest, confidentiality).
- Define roles/functions: Sharia Compliance, Sharia Audit, Sharia Secretariat, fatwa process & ex-ante/ex-post review, and annual Sharia Report.
- Propose, where applicable, a relational framework with a national fatwa authority/Sharia Council if one exists in an operating jurisdiction.

5. Products and instruments for trade, investment and liquidity & Market Access

- Develop products for the BMICE activites.
- Produce contractual templates (Murabaha, Ijara, Wakala, Mudaraba, Musharaka, etc.) and their workflows (acquisition/ownership/risk, delivery, invoicing, Sharia-compliant collateral).
- Design a liquidity management toolkit.
- Propose Sharia-compliant collateral policies.

6. Deployment Strategy for the Window

- Develop a roadmap (pilot phases → scale-up): product scope, channels, geographic coverage, KPIs and alert thresholds.
- Prepare a training & capacity building plan (management, risk, compliance, legal, IT, front-office).
- Define a change management plan (governance, internal communication, incentive alignment).

7. Exploring innovative solutions:

- Explore the implementation of innovative banking solutions, such as fintech or counter-trade practices.

8. Communication and Capacity Building

- Produce a communication plan (positioning, key messages, Sharia FAQ, product sheets).
- Organize seminars/workshops for capacity building.

5. DELIVRABLES

The deliverables will be provided in **English and Arabic**, in both **paper and electronic formats**:

Deliverable 1 – Diagnostic & Gap Analysis Report

A comprehensive diagnostic of BMICE's current regulatory, operational, risk, legal, financial, and IT settings, including:

- Assessment of existing policies, systems, and processes.
- Identification of gaps relative to Islamic finance standards (AAOIFI, IFSB, BCBS).
- Gap analysis on legal, prudential, accounting, Sharia, governance, product capabilities, HR readiness, and IT architecture.
- Recommendations for required reforms and implementation priorities.

Deliverable 2 – Internal Legal & Regulatory Framework Package

A set of regulatory and legal documents enabling BMICE to operate an Islamic Window, including:

1. **Islamic Window Charter & Operating Framework**
2. **Policy on Organizational Structure, Activity Segregation & Governance**
3. **Risk Management Framework (Islamic-specific guiding principles)**
4. **Investment Account (RA/URA) Governance Framework**
5. **Profit and Loss Calculation & Allocation Methodology**
6. **Accounting Framework** (AAOIFI FAS or IFRS bridging + chart of accounts)
7. **IT, Internal Controls & Anti-Commingling Rules**
8. **Internal Reporting Standards for Islamic Window Operations**

All documents validated by BMICE and reviewed by IsDBI for quality assurance.

Deliverable 3 – Compliance, Control & Prudential Oversight Framework

A complete set of compliance and prudential manuals, including:

- Internal control procedures (1st, 2nd, 3rd lines of defense).
- Sharia compliance review procedures.
- Internal prudential oversight guide aligned with BCBS/IFSB.
- Liquidity management policy, indicators, limits, and monitoring tools.
- Internal and regulatory reporting templates.

Deliverable 4 – Operational Policies & Standard Operating Procedures (SOPs)

Operational manuals for Islamic Window activities:

- SOPs for front/middle/back office.
- Workflow for Sharia due diligence, contract execution, disbursements, monitoring, collection & recovery.
- Pricing policy: margins, fees, penalties (including Sharia-compliant charitable allocation).
- Operational risk controls.

Deliverable 5 – Sharia Governance Framework

Complete Sharia governance system tailored to BMICE, including:

- **Sharia Committee Charter** (composition, functions, independence, conflict rules).
- **Role definitions**: Sharia Compliance Officer, Sharia Auditor, Secretariat.
- Fatwa issuance and review process (ex-ante/ex-post).
- Annual Sharia Report structure.

- Relational framework with national fatwa authority/council (if applicable).

Deliverable 6 – Product Programs & Contractual Documentation

Full suite of product development documents for BMICE's mandate:

- Product programs for financing, investment, trade finance, and liquidity instruments.
- Standard contracts (Murabaha, Ijara, Musharaka, Mudaraba, Wakala, Salam, etc.).
- Process workflows (asset acquisition, ownership transfer, risk assumption, invoicing).
- Sharia-compliant collateral framework.
- Liquidity management toolkit.

Deliverable 7 – Deployment Strategy & Roadmap

A detailed implementation roadmap including:

- Phased deployment (pilot → expansion → full integration).
- Product rollout plan and delivery channels.
- KPI system, early-warning thresholds.
- Change management plan (governance, internal communication, incentives).
- Training & capacity-building plan across BMICE units.

Deliverable 8 – Innovation Options Paper

A strategic paper assessing the feasibility and applicability of:

- Islamic fintech solutions for the Window.
- Digital contract execution and automation.
- Countertrade-based financing models.
- Alternative delivery and risk management technologies.

Deliverable 9 – Communication & Awareness Package

A complete communication package, including:

- Islamic Window positioning and branding recommendations.
- Key messages and product communication templates.
- Sharia FAQ for internal and external audiences.
- Product sheets and introductory materials.
- Awareness workshops/seminars for staff and stakeholders.

Deliverable 10 – Capacity Building Workshops

Delivery of capacity-building programs to BMICE management and staff:

- Islamic finance principles.
- Sharia governance and Sharia review.
- Islamic financial products and operations.
- Risk management for Islamic finance.
- Accounting and reporting under AAOIFI/IFRS.
- IT, compliance, and operational readiness.

A minimum number of workshops, participants, and learning outcomes should be defined in the project document.

Deliverable 11 – Final Comprehensive Report

A synthesized final report containing:

- Summary of achievements.
- Final versions of all frameworks, policies, manuals, and product programs.
- Implementation recommendations for the next 24 months.
- Lessons learned and future needs.

5. COMPOSITION & QUALIFICATION CRITIERIAS OF KEY TEAM MEMBERS

Lead Firm / Principal Consultant

- Proven experience in establishing Islamic finance windows and/or transforming conventional banks into Sharia-compliant offerings.
- References from regulated institutions.

Key Expert Team (Minimum Requirements)

1. Team Leader – Certified International Expert in Islamic Finance

- Master's degree or higher in finance/economics/banking (Islamic finance preferred).
- ≥ 5 years of international experience, ideally with regulated institutions and/or supervisory authorities, as a team leader.
- Proficient in AAOIFI standards (Sharia & FAS), IFSB, BCBS, product structuring, and drafting procedural manuals.
- Demonstrated experience in training (bankers, risk/IT/compliance functions) and supporting Sharia Committees.

- Excellent writing and communication skills in French and English (Arabic is an asset).
- **Responsibilities**: Mission preparation and leadership, coordination of deliverables, quality assurance, final report.

2. International Consultant – Product/Operations Specialist

- Advanced degree in finance/economics (Islamic finance preferred).
- ≥ 5 years of experience in product structuring (Murabaha, Ijara, Mudaraba, Musharaka, Wakala), operational processes, pricing, and customer service.
- Knowledge of banking and regulatory ecosystems in BMICE's operating countries.
- Language skills: English/Arabic.

3. Legal Expert – Banking Law & Islamic Finance

- Advanced law degree (banking/finance), ≥ 5 years of international experience in contract drafting and regulatory texts in Islamic finance.
- Familiarity with legal and prudential practices in BMICE's jurisdictions.
- Proficient in English/Arabic.
- **Role**: Drafting/reviewing standard contracts, charters, policies, legal notes, and ensuring alignment with applicable law.

4. IT/Core Banking & Accounting Specialist

- Advanced degree in IT, ≥ 5 years of international experience in core banking systems and Islamic finance accounting.
- Knowledge of AAOIFI accounting practices, IFRS, etc.

6. WORKING MODALITIES, REPORTIN & QUALITY VERIFICATION

The selected Consultant will be expected to work in close coordination with BMICE and the Islamic Development Bank Institute (IsDBI), engaging regularly with internal stakeholders including Compliance, Risk, Legal, IT, and the Secretariat of the Sharia Committee.

The Consultant will participate in both technical and strategic meetings:

- **Weekly technical meetings** to monitor progress and address operational matters.
- **Monthly steering committee meetings** to review milestones and guide strategic decisions.

Throughout the assignment, the Consultant will be required to submit interim deliverables for formal review and validation by BMICE and IsDB. All submissions must be provided in both **soft formats (Word and PDF)** and **hard copies**, in **English and Arabic**.

To ensure quality and consistency, the Consultant is expected to implement a robust internal quality assurance plan, including peer reviews and document verification processes.

The Consultant may be required to conduct desk reviews, field visits, and in-person consultations with stakeholders. All work must reflect international best practices while remaining fully compliant with local laws and regulations.

Work arrangements may be **full-time or remote**, subject to agreement with BMICE.

7. DURATION OF THE ASSIGNMENT

The Consultant is expected to complete the assignment within an **estimated duration of 6 to 10 months**. During this period, the Consultant will work closely with BMICE and IsDB teams, participate in regular stakeholder engagements, and ensure timely submission of deliverables in both soft and hard formats.