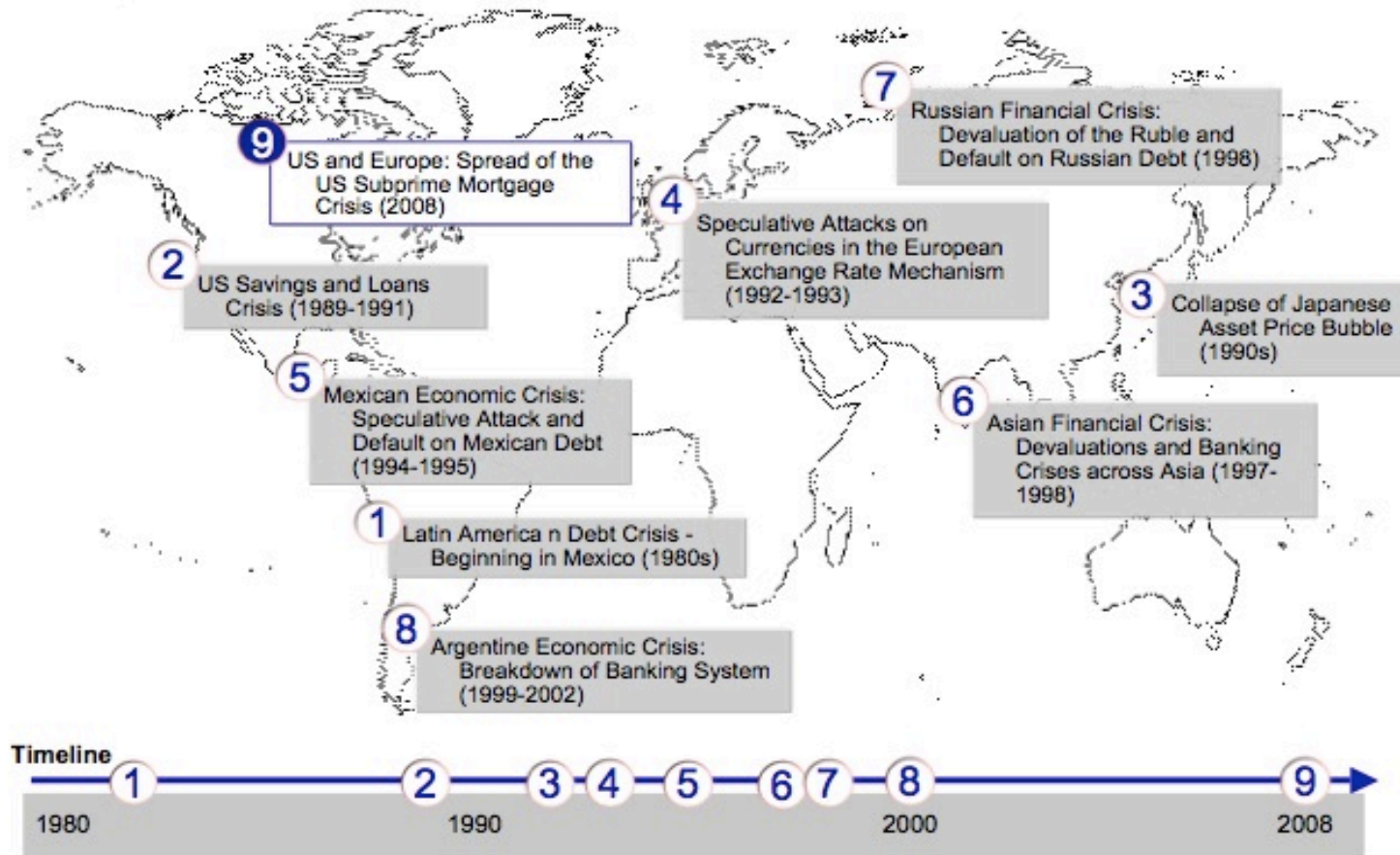


Worldview of Islamic Finance

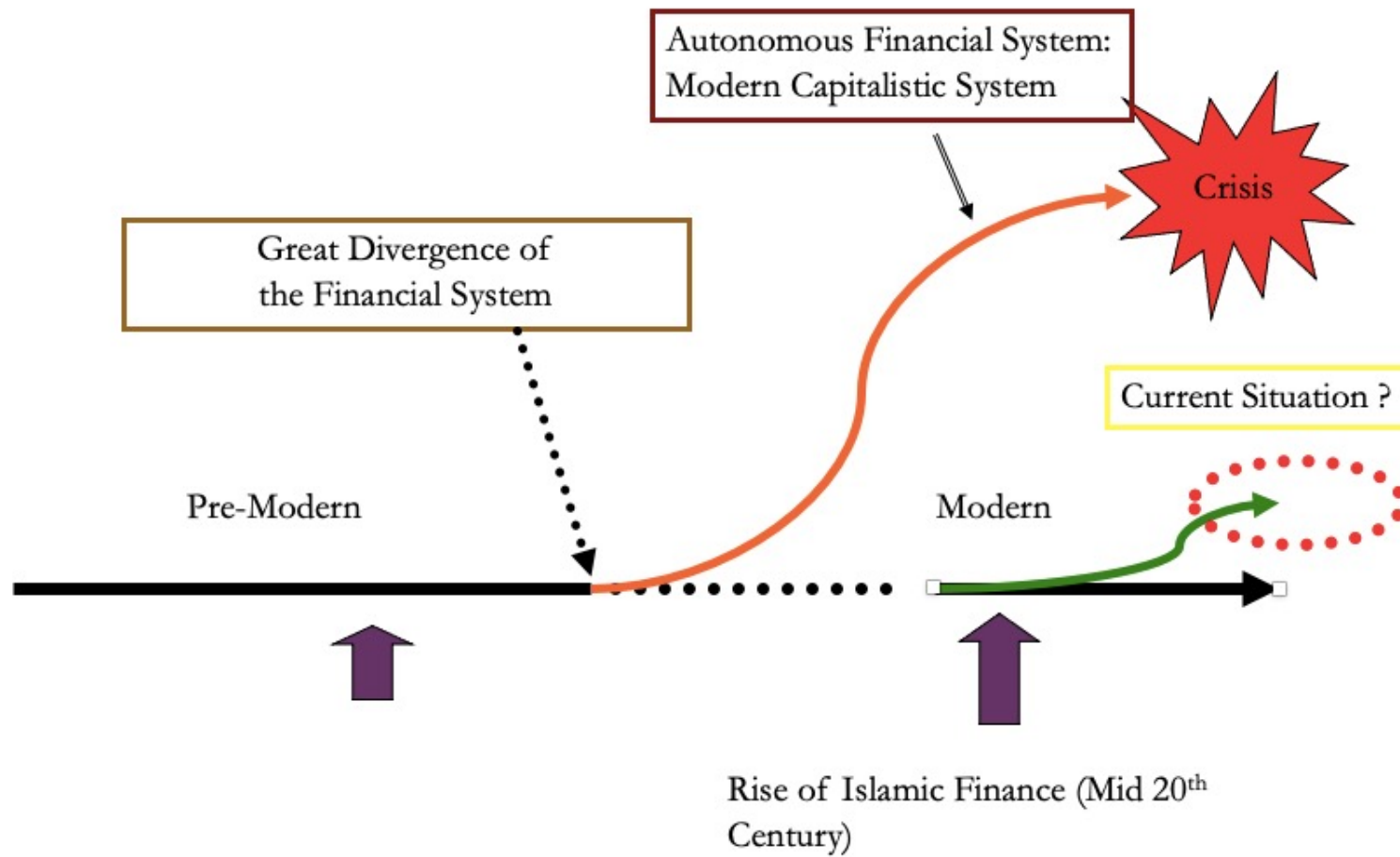
zulkiflihasan.com

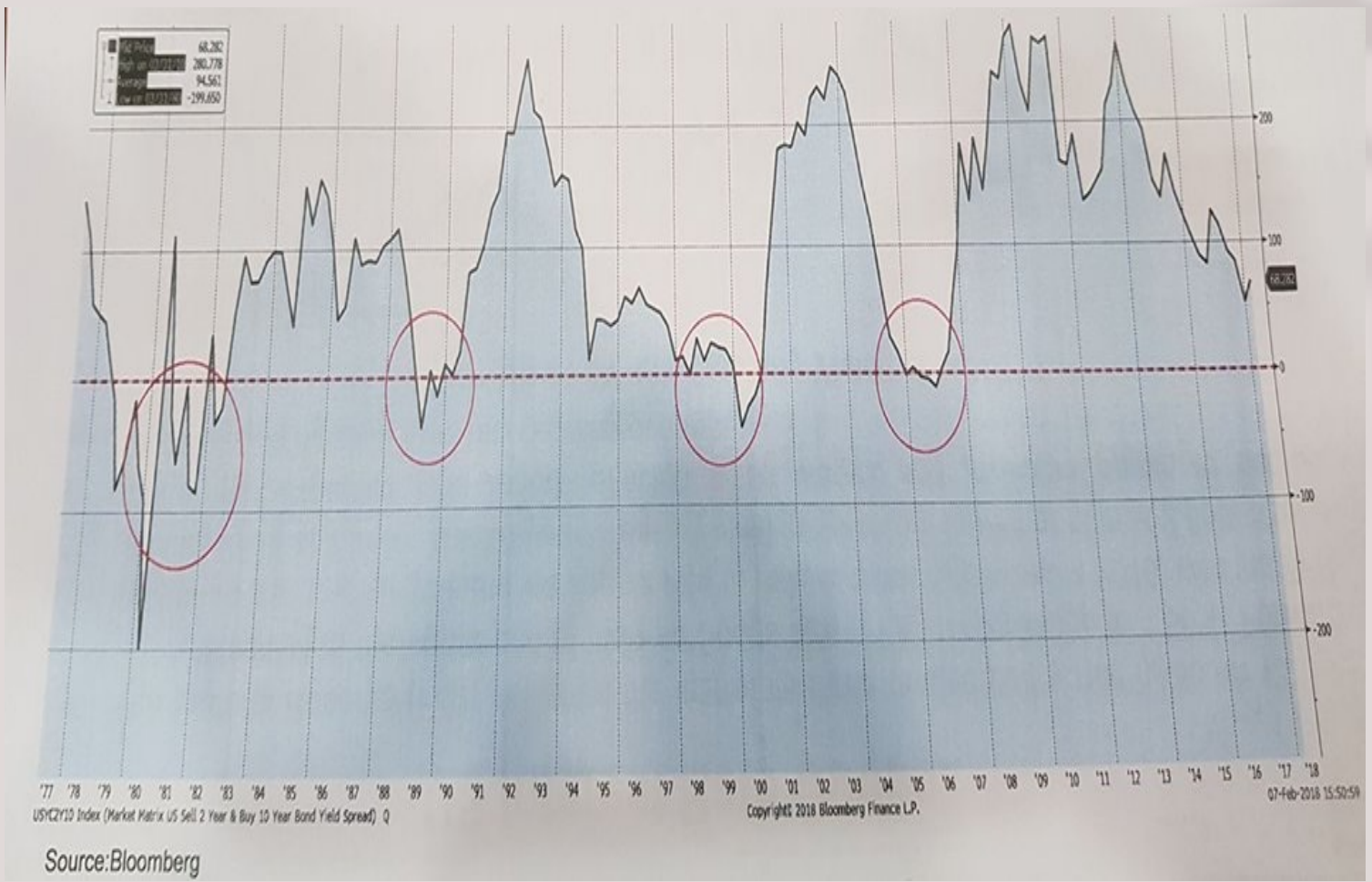


Major financial crises since 1980



Financial System and Real Economy





Growth of Money
Exceeds Growth of Real
Economy

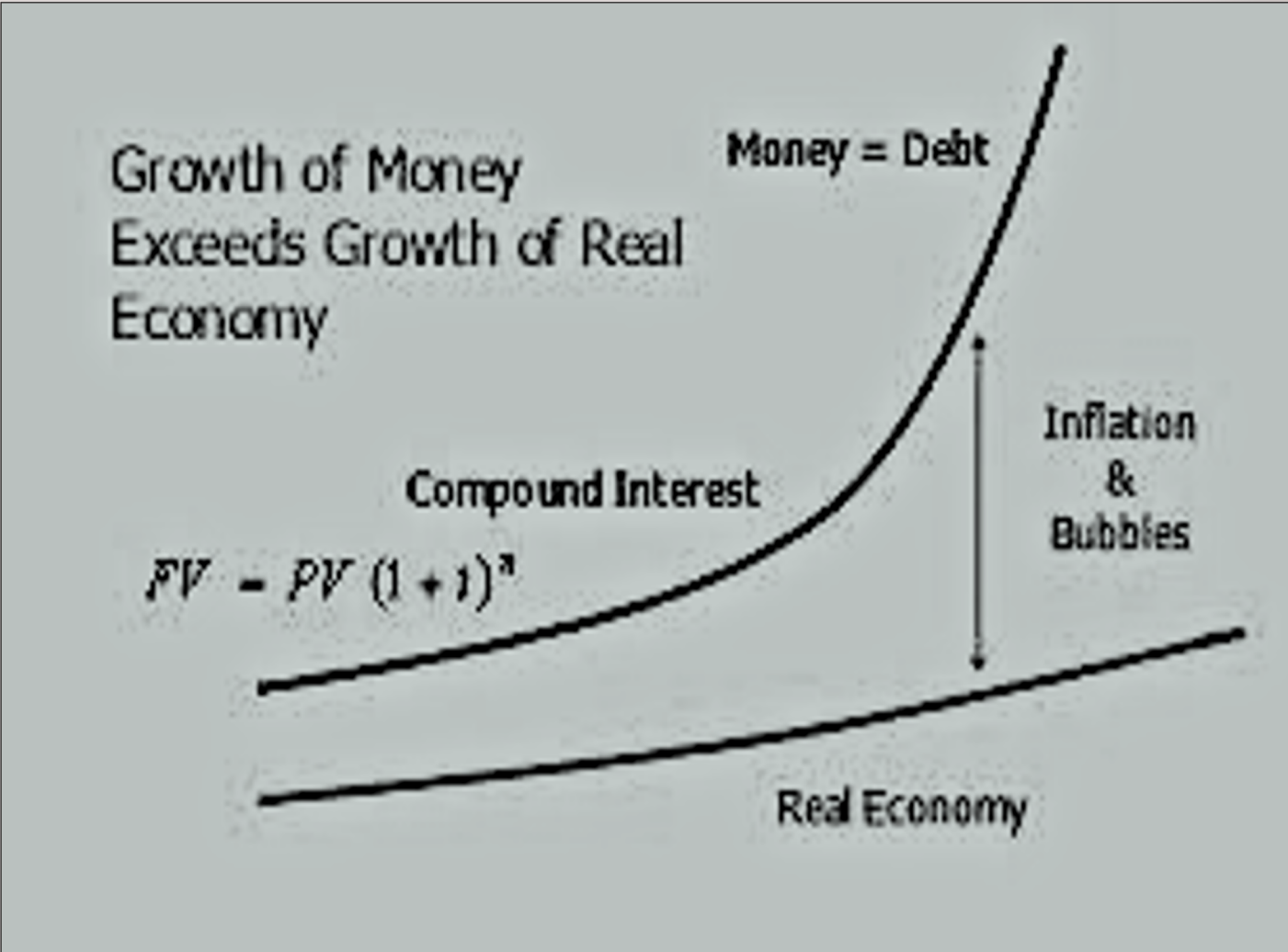
Money = Debt

Compound Interest

$$FV = PV (1 + i)^n$$

Inflation
&
Bubbles

Real Economy



```
graph TD; A[Economic System] --- B[Capitalist]; A --- C[Socialist]; A --- D[Islamic Economic]
```

**Economic
System**

Capitalist

Socialist

**Islamic
Economic**

Economic System

Capitalism

Socialism

Islamic
Economic

Characteristics of the Modern Economy

"Privatization of profits and nationalization of losses"

"Capitalism in during upturns, but communism in downturns"

'Casino Economic and Excessive Speculation'

'Excessive Leverage and Debt accumulates faster than
wealth'

'Economic Inequality'

Value-Oriented Finance

Tenet-Bound

- **Fundamentals tenets derived from Shari'ah**

Principles-Bound

- **Concept is grounded on ethics and values**

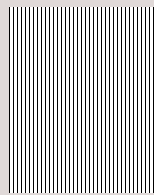
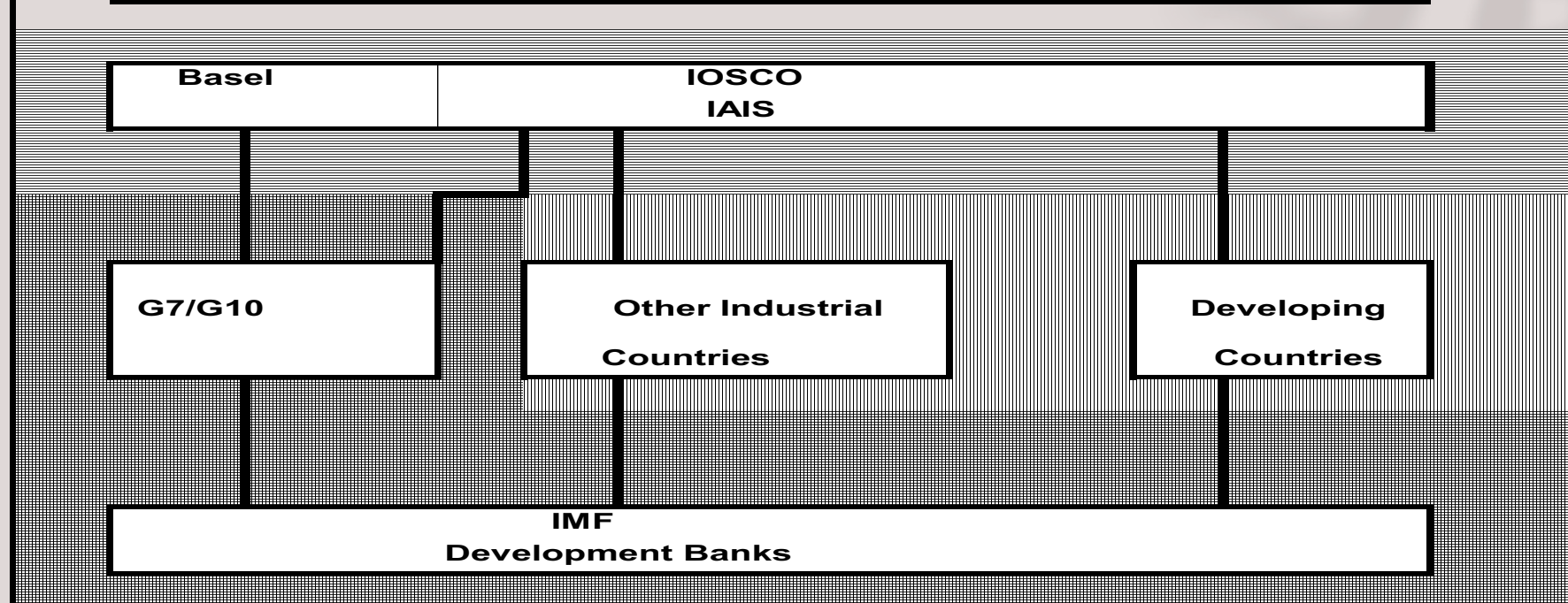
Real-economy Linked

- **Asset-backed transactions with investments in real, durable assets**

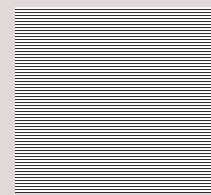
Society-Service

- **Serving communities, not markets**

Chart 1
International Financial Architecture



International Monetary and
Financial Committee;
Development Committee;
G-7/G-10;
IMF, World Bank Executive
Boards



Financial
Stability
Forum

Source: Evans (2000, p.27)

International Financial Organisations

Categories	Institutions
Specialized Standard Setting Bodies	International Organization of Securities Commissions (IOSCO) International Association of Insurance Supervisors (IAIS) Basel Committee for Banking Supervision (BCBS)
Multilateral Institutions	World Bank International Monetary Fund Regional Banks
Financial Stability Forum	Financial Stability Board

Areas of Standards	Key Agency(s) in the International Financial Architecture	Corresponding Agency(s) in Islamic Finance
1. Accounting	International Accounting Standards Board (IASB), International Federation of Accountants (IFAC), Committee on Banking Supervision (BCBS)	AAOIFI
2. Anti-Money Laundering / Combating the Financing of Terrorism	Financial Action Task Force (FATF)	Common
Auditing	International Federation of Accountants (IFAC)	AAOIFI
3. Banking	Committee	IFSB
4. Corporate Governance	OECD, Basel Committee, World Bank	AAOIFI and IFSB
5. Data Dissemination	IMF	Common
6. Fiscal Transparency	IMF	Common
7. Insolvency and Creditor Rights Systems	World Bank, United Nations Commission on International Trade Law (UNCITRAL), International Bar Association (IBA)	Not yet addressed but especially critical for Islamic financing as it is based on risk sharing
8. Insurance Regulation	International Association of Insurance Supervisors (IAIS)	Not yet addressed but within the mandate of IFSB
9. Monetary & Financial Transparency Policies	IMF	Common
10. Payments Systems	Committee on Payment and Settlements Systems (CPSS)	Common
11. Securities Market Regulation	International Organization of Securities Commissions (IOSCO)	Not yet addressed but within the mandate of IFSB

International Islamic Financial Organisation

1	Islamic Development Bank (1976)	Equity support and collaboration with IFSB, IMF and World Bank & others
2	The Islamic Research and Training Institute (IRTI) (1981)	Research, training & Information services
3	The Accounting and Auditing Organization for Islamic Financial Institutions (AAOIFI) (1991)	Standard setting and training
4	International Islamic Financial Market (IIFM) (2001)	Product development and training
5	The General Council of Islamic Banks and Financial Institutions (GCIBFI) (2001)	Product development, training and research
6	The International Islamic Rating Agency (IIRA) (2002)	Rating services
7	The Islamic Financial Services Board (IFSB) (2002)	Standard setting and training
8	International Islamic Centre for Reconciliation and Commercial Arbitration, (IICRACA) (2005)	Dispute resolution

Origin of Bank

The term bank originates from the Italian word *banco*, which means 'table' as in the past moneychangers from Lombardy used to place money on a table.

The first modern bank was started in Venice in 979H or 1584CE and was known as *Banco di Rialto*

1640 Bank of England

Bank in Islamic History

Rasulullah SAW received deposit from public.

Az Zubair Awam- received deposit as loan.

Concept wadiah, loan and *mudharabah*.

Umayyah, Abasiyah and Uthmaniah

Zuhr al-Islam- Cheque (Suftajah).

**Safarnama by Naser Khasro 427M-
Active transaction using cheque.**

Sarraf, Jahbadh and Baitul Mal

- *Sarraf* and *jahbadh* provided financing
 - on the basis of *mudharabah* and *musharakah*,
 - negotiable instruments and trade facilities by cashing cheques, and issued promissory notes and letter of credits.
 - They also provided banking facilities to the public as well as the private sector
 - *Bayt al-mal* could be considered as a state-owned bank; it played the role of an agricultural credit bank, commercial bank and clearing house for merchants to facilitate commercial activities from the time of Umayyad.

Modern Islamic Banking

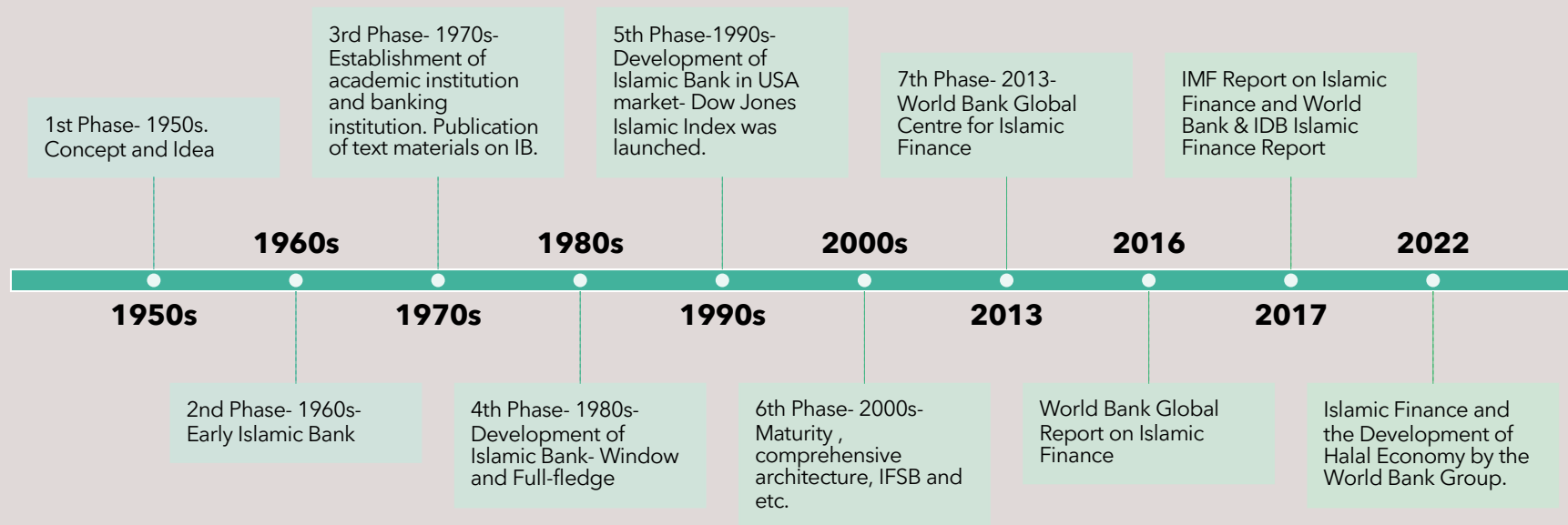
Mit Ghamr Local Saving Bank- Saving account, loan, equity financing and welfare services.

Its operation has been taken by National Bank of Egypt in 1967 and riba-free transaction was neglected. 1971- National Social Bank.

OIC- King Faisal. 1975 Dubai Islamic Bank and IDB.

1977 Faisal Islamic Bank of Egypt, Faisal Islamic Bank of Sudan and KFH.

Evolution of Islamic Banking



GCC

IDB-1975 Saudi Arabia.

Dubai Islamic Bank- 1975 UAE

KFH: 1977

1978 Jordan Islamic Bank

Bahrain Islamic Investment Company 1981

Qatar Islamic Bank 1983

Bank Melli: Iran-Law of Usury Free Banking 1983- It takes about 6 years from 1979 Islamic Revolution to Islamise the whole banking system of Iran.

Al Rajhi: 1985- Largest Islamic bank in the world

Bank al Nizwa, Oman 2011

Asia

- **Pakistan:**
 - **1977-Report on elimination of interest-**
 - **1979-House Building Finance Corporation, National Inv. Corp of Pakistan.**
 - **Until 1985- Whole system was riba-free. 1991- COA declared Islamic banking operation was not Islamic and confirmed by the Supreme Court 1999. Then, Pakistan followed Malaysia' s model.**
- **Al Hilal Bank, Kazakhstan Bank 2010**
- **Ningxia Islamic International Trust and Investment**
- **Al Ameen Islamic and Financial Inv Corp India Ltd. 1985**
- **Kazakhstan, Korea, Japan, Hong Kong, India and China.**

Africa

Mit Ghamr Local Saving Bank: 1963

Faisal Islamic Bank of Egypt- 1975

Faisal Islamic Bank of Sudan 1977

Bait Ettamouli Saudi Tounsi Tunisia 1984

**Albaraka Bank Ltd, Durban (Dallah Al Baraka Group)
(1982)**

Al wataniya, Mauritania 2010

Jaiz Bank, Nigeria 2012

Tunisia, Algeria, Morocco.

Europe

1981: Dar al-Mal al-Islami- Switzerland

1978- Islamic Banking System International Holdings, Luxembourg.

1983: Islamic Bank International Denmark

(1985) Al-Baraka Turkish Finance House (1985).

1990: Union Bank of Switzerland- Offer Islamic Investment fund.

2004: Islamic Bank of Britain

2012: Kurveyt Turk Bank, Germany

2013: World Bank Global Centre for Islamic Finance in Istanbul

2015- Russia's Sberbank

Italy, France, Spain and other European countries.

North
America

American Finance House-Lariba- 1987

Citibank

HSBC

Devon Bank, Chicago

Islamic Co-operative Housing Corp Ltd Toronto

Ameen Housing Co-operative, San Francisco

Guidance Residential, USA

University Islamic Financial, USA

South East Asia

- **Philippine Amanah Bank.**
- **Bank Muamalat Indonesia 1992.**
- **Islamic Bank of Thailand-2002**
- **DBS Bank Ltd Singapore- 2007
First IB in Singapore.**
- **Islamic bank of Brunei: 1993**

Australia

Muslim Community Cooperative Australia 1989.

Iskan Finance

2000

1989

2001

Muslim Community Credit Union 2000. Insolvent in 2002.

Islamic products and services offered by 400+ Financial Institutions around the world

