

Ladies & Gentlemen

I am honored to stand today to present to you views which are shared by my fellow Islamic bankers on the current financial crises.

Islamic banking have come a long way from simply a good idea 30 years ago to an industry exceeding one trillion dollars in size and stretching where the sun rises everyday.

Islamic banking means financial solutions that are in line with the basic believe and core values of Muslim which basically equate interest based lending to usury that is repugnant to the Quran's teachings which prohibit making money out of money.

The main purpose of my speech today is simply to start a conversation, to communicate to this most august gathering our side of the story for the hope that we may contribute, albeit, very modestly in debate that is taking place today which will eventually shape our financial world for decades to come.

If we examine, probe and analyze all the Shari'ah injunctions in the realm of finance we see a clear thread a common denominator leading to a clear

conclusion. That the basic sector in the economy is the one in which real goods and services are produced. Money is only a lubricant, a facilitator not by it alone a producer of profit.

This may sound simple but the overall impact of such a rule can easily be seen by any student of economics. The challenge was and remains: how to transform such basic principles into policy and into rules of beliefs and a system of ethics that eventually guarantees both stability of the economy and equitable distribution of income and wealth.

It starts with the prohibition of usury called riba in the Arabic language which is defined as a stipulated increase in loans. Money itself should not create a monetary return for the mere passing of time.

When money is made out of money the desire to add real value to the economy diminishes. Making money out of the exchange of goods and services is permitted even if such exchange is temporal. Money here is only a medium of exchange.

Another important outcome of this rule is that once debt obligation is fixed it can't increase overtime for any reason, any such increase is also considered in Shari'ah usury. This is because effectively it is creating value of pure monetary transaction involving more tomorrow for less today of the same subject matter.

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The circle to eradicate usury from the economy will not be complete unless we further prohibit discounting bills since such action boils down to again creating monetary value out of money itself.

Furthermore, it would be simplistic to think that money in the broad sense is simply the local currency. It would have been very easy to circumvent the prohibition of usury by simply exchanging one currency for another to be delivered in the future thus pretending that a value is created from exchange not lending. Money, from Shari'ah point of view is what people use as a medium of exchange when one medium of exchange is traded for another it can only be on spot basis. This is a Shari'ah requirement. Forces of supply and demand can determine the rate of exchange but only reflecting the value of the currency itself not the value of time since in a spot transaction there is no time involved.

I can go on and on. Suffice it to say that if all these injunctions are followed an economy will be more stable and practically immune to financial crises.

In an interview with the Noble Laureate in Economics Prof. Amartaya Singh he said in answering the question about what exactly has gone wrong with the world

of finance to cause the current crises, he said: it is too much money for money transaction.

How true. But we know this one a thousand four hundred years ago because everything I just narrated to you is mentioned in our scriptures the Quran and the sayings of the prophet Mohammed (PBUH).

It is so astounding and extra ordinary that the Islamic economic system which derives its rules from Shari'ah sealed the door to every transaction that steer the financial sector from being just a facilitator. Even the now fashionable non-recourse mortgage which contributed not in a small scale in bringing havoc to the mortgage market in the United States is prohibited in Shari'ah. This prohibition was narrated an authentic dictum by prophet Mohammed(PBUH) himself. Why? Again a non recourse mortgage shifts all the risks to one party thus violating one established rule in Shari'ah related to fair play in market.

Ladies and Gentlemen my message to you today is very simple. We are the ancestors of a great civilization. Some of its achievements stand very tall and was preserved for the world to see by the people of this great country. We have so much to contribute to the human effort to rid the world of the cancer that is ruined the financial system worldwide. It is the relentless attempts by financial

pundits to make money out of money. Otherwise how can we comprehend the fact for each dollar representing a world trade transaction there 100 dollars of money for money transactions. And when GDP of the whole world was only 66 trillion dollar in 2007 while the derivatives market alone was exceeding 516 trillion dollar.