

ISLAMIC FINANCE

*Current Legal and
Regulatory Issues*

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*With an introduction by
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Even as the Bush administration's responses to 9/11 have intensified perceptions of a clash of civilizations, some Muslims are tackling the global financial system in ways that encourage fruitful coexistence. Barely three decades old, the transnational Islamic financial services industry is coming of age and is beginning to attract the attention of regulators around the world.

The essays in this volume, selected and edited from the Sixth Harvard University Forum on Islamic Finance, examine the variety of issues that surround the emergence of this industry. Some look at the risks and moral hazards associated with the new institutions and their distinctive financial instruments. Others address the regulatory challenges of the industry, including Basel II capital adequacy requirements and the treatment of Islamic transactions in Western courts.

Yet other essays return to the ethical and socioeconomic objectives of Islamic finance. Islamic retail banking has taken significant market share in key markets, and Islamic bond issues (*sukuk*) have proliferated since the turn of the century. Even as these developments have helped to integrate Islamic with global finance, they have required Islamic banks to mimic conventional banks in order to compete with them. As some of our writers suggest, the spirit of Islamic finance and the true potential of the industry for entrepreneurship and risk sharing may be at stake.