

ISLAMIC FINANCE AT HARVARD

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S. Nazim Ali is Founding Director of the Islamic Finance Project (IFP) at Harvard Law School since it was established in 1995. For the last thirty years, he has focused his research efforts exclusively on the field of Islamic finance, giving particular attention to lines of inquiry that seek to examine and interrogate the frontiers of the Islamic finance industry, facilitate research within the industry itself and encourage dialogue among the industry's stakeholders as well as between the industry and various external discussants. Dr. Ali has played a lead role in organizing several conferences, workshops and symposia in the field during his nearly two decades at Harvard, including the internationally renowned, biennial Harvard University Forum on Islamic Finance, the proceedings of which are serially compiled and published under his supervision; and the annual workshop at the London School of Economics which brings together the industry's

leading economists, *shari'a* experts and practitioners in order to address key issues confronting the Islamic finance industry. He led the effort that resulted in the publication the world first academic software database covering the Islamic finance industry, the IFP DataBank (originally published on CD-ROM in 1997 and available online since 2003 <http://ifp.law.harvard.edu>) Dr Ali has published half a dozen books and numerous research papers and articles. His most recent publications include, *Building Bridges across Financial Communities: the Global Financial Crisis, Social Responsibility* (Harvard Law School, 2012), and *Shari'a Compliant Microfinance* (Routledge, 2012). He received his PhD from the University of Strathclyde, Glasgow, U.K.

The Islamic Finance Project (IFP) was founded by the Harvard University is America's oldest university and one of the most respected centers of higher education and research in the world, attracting an array of talented students and scholars from across the globe. After about eight years of association with the CMES, the IFP came under the patronage of the Islamic Legal Studies Program (ILSP) at Harvard Law School in 2003. As the only Ivy League project of its kind, the IFP studies the field of Islamic finance from a legal perspective by analyzing contemporary scholarship, encouraging collaboration among scholars within and outside of the Muslim world, and increasing the interaction between theory and practice in the Islamic finance industry.

The IFP is involved in the study of Islamic finance as an interdisciplinary subject, drawing broadly from a variety of fields, and has relationships with professors and students at several Harvard institutions including the Harvard Law School, Harvard Business School, Harvard Divinity School, the Kennedy School of Government and the Faculty of Arts and Sciences. The IFP organizes academic forums, bringing together scholars and experts in law, finance, economics, and traditional Islamic ethics and law (*fiqh*), to engage leading thinkers and industry leaders in a robust academic environment.

Over the years IFP has come to be recognized as a leading research program in the field of Islamic economics, banking and finance. For scholars at

Harvard and beyond, IFP serves as a research center that collects, processes and provides information on academic and practical discourses. For industry professionals, it serves as a valuable platform to interact and engage in stimulating ideas and set the agenda and direction for the industry.

Objectives of the Islamic Finance Project

Since its inception, the Project has continuously redefined its role and scope to meet the growing challenges faced by the nascent Islamic finance industry. The IFP has created for itself a niche. Today, it is recognized as one of the world's leading centers for the study of Islamic economics, banking and finance. As a multi-dimensional research project, the IFP is committed to:

1. Promoting research and development in the field of Islamic economics, banking and finance;
2. Fostering an increased understanding of Islamic Finance between the Islamic and non-Islamic worlds as well as between industry and academia;
3. Cultivating faculty and student interest in the field by sponsoring workshops and courses on Islamic finance in cooperation with other groups and programs;
4. Assisting governmental bodies seeking to understand the dynamics of this new global phenomena and to create awareness and understanding of Islamic finance principles, policies and trends;
5. Facilitating productive criticism and reflection by offering new perspectives on central concerns.

AN OVERVIEW OF MAJOR IFP INITIATIVES

Over the last several decades, the subject of Islamic finance has attracted growing interest among academics, students, and professionals around the globe. In light of this interest, the IFP



has undertaken numerous initiatives to monitor the trends and developments taking place in the Islamic finance industry.

The DataBank project, one of the pioneering efforts of the Islamic Finance Project, was launched in early 1995. This provided the opportunity to understand the landscape of the industry from its history to research and current practices. The open access tools developed by the Project made several other openings possible including the creation of a think tank which culminated in the First Harvard University Forum on Islamic Finance in 1997, an initiative that has gained recognition as one of the most important discussion of issues related to Islamic finance. The unique feature of the Forum was the ambience and environment very unique to Harvard. IFP began to attract top class academics, *shari'a* scholars, practitioners, regulators as well as the consumers and students (the future industry leaders). The papers and discussion emanated from the Forum created further debates on the issues critical to the growth of the industry. After organizing four annual Harvard Forums, it was decided to organize the Forums biannually. The action was primarily intended to retain the high quality of research and presentation. Owing to financial and other challenges attracting top academic and industry leadership every year at Harvard was also turning out to be an uphill task. In 2006, the IFP joined hands with the London School of Economics (LSE) in another landmark initiative where renowned *shari'a* scholars were

invited to deliberate in conjunction with economists and legal experts on more complex issues faced by the industry. This initiative has emerged to be known as HLS-LSE workshop which has been organized yearly in London since 2006. This day-long workshop focuses intensively on methodological issues relating to Islamic banking and finance. The IFP has also started the tradition of annual public lectures on Islamic finance at the LSE for its students and the general public.

The IFP has come forward, sometimes at critical stages, to bridge the gap between industry and academia, between various faith-based communities and also between regulators and industry players. It has arranged get-togethers of various experts at the Federal Reserve Board to clarify the issues related to regulation and perception of Islamic finance industry at large. Also it has taken lead in gathering various communities in discussing business and financial issues in the light of their respective religious teachings, thereby promoting appreciation and understanding among various religious groups. The IFP has always been conscious of encouraging critical thinking of Islamic finance; consequently some of the best-known critiques of Islamic finance have found the IFP to be a great platform to share their ideas. Self-criticism is another way to reflect on one's achievements and failures, and the IFP has been organizing regular meetings, seminars, public lectures and panel discussions of scholars, students and industry players (both formal and informal) to promote deeper understanding of the challenges faced in the globalized financial world.

To disseminate the information to an even larger audience, all of the IFP's important events are recorded and published on its website.

The IFP started with publishing all the papers presented at its Forums, but from the Sixth Forum it decided to publish only selected papers in the form of a book. As of date, the IFP has



published eight books covering various themes. "Islamic Law of Finance: Religion, Risk and Return" authored by ILSP founding director Frank Vogel and HBS Professor Emeritus Samuel Hayes (published by Kluwer International) continues to be one of the most sought-after books not only in the western world but also in the Middle East and Far East.

THE IFP DATABANK

The first of its kind, the DataBank aims to assist academics, researchers and professionals by providing them with the most relevant and up-to-date information on Islamic economics, banking, finance, law and *shari'a*. It also has an extensive collection of rulings along with their original sources. The DataBank has filled an important information gap between academics, practitioners and the scholars engaged in guiding the industry. All its information is available online and for free. The DataBank's approach is encyclopedic in scope and the layout is regularly updated to create a more user-friendly interface.

Information in the DataBank is collected and processed continuously by Harvard students and affiliates from various countries who obtain information through primary and secondary sources scouring libraries, published government materials, internet sources, and more than two hundred institutions with which the IFP has contacts. Currently, the DataBank has over 10,000 original records.

HARVARD UNIVERSITY FORUM ON ISLAMIC FINANCE

This is IFP's flagship event since 1997 (see Appendix 1 for complete list). It is unique among industry events for its content, approach and ability to attract scholars and practitioners from all over the world. The Forum is also well-known for providing a platform to young researchers and budding practitioners.

In the last seventeen years the Harvard Forum has grown from a small one-day affair to a major multi-session international conference. The Forum brings forth the latest research from academia, contemporary developments in the industry, and leading analyses by academics and government officials. The Forum has also fostered a sense of community among researchers while promoting healthy debate and collaboration between academics, practitioners, and institutions.

The Harvard Forum serves as a magnet for all types of individuals in the field of Islamic finance. Among the many attendees have been bankers, economists, *shari'a* scholars, financial analysts, attorneys, legal practitioners, management professionals, professors, and students. While hundreds attend the Forum directly, thousands follow it indirectly, reading our reports and proceedings.



The Forums have monitored the development of Islamic finance in a comprehensive manner. They have gone deep in exploring ideas, analyzing practices, and prospects, and spotting trends as well as future opportunities for the industry. Presentations at the Forums have dealt with *shari'a* perspectives, investments and financial products, new opportunities and directions, and other aspects of economics, finance, and development. Forums also bring a broad range of resources including introductory programs for newcomers and discussions on sensitive and critical issues such as Islamic jurisprudence, governmental regulations, product development, and ethics.

The IFP has remained committed to keeping the Forums as accessible as possible. Registration fee for attending the Forum is minimal compared to other events in the industry and for academics and students it is highly subsidized. Those who submit their research and papers (whether accepted or not) usually have the registration fee waived.

Special free workshops are organized for those with little knowledge and prior experience in the field. Students from Harvard and other Boston-area colleges as well as members of the community have enthusiastically participated at these workshops.

The Forum has provided all possible support and encouragement to *shari'a* scholars in engaging them with policymakers, regulators and industry players. Either an entire session is dedicated to discussing *shari'a* issues or a *shari'a* scholar is accommodated as an expert panelist to share his views on the subject matter.

In addition, the IFP has introduced a dedicated session on Current Academic Research in Islamic Finance where students and young researchers are encouraged to make presentation on their ongoing research in related fields.

Islamic Finance in the Global Market (1997)

This was the theme of the First Forum which was held at a time when Islamic finance industry had just started gaining traction in the globe market through project finance. The most noteworthy example was the US\$ 1.2 billion Equate Petrochemical finance deal arranged by Kuwait Finance House. Later on this deal was developed as Harvard Business School case study written by Professor Benjamin Esty.¹

Islamic Finance into the 21st Century (1998)

The Second Forum focused on Islamic economic development and *shari'a* issues. The two days of sessions included 43 speakers (17 practitioners, 11 practitioners/academics and 15 pure academicians).² The sessions were divided according to special topics, such as the Global Perspective of Islamic Finance, the *Shari'a* Perspective on Islamic Financial Products, Legal Issues, Islamic Economics, Asset Securitization, Project Finance and Islamic Finance Information Technology. Presentations and papers in these sessions covered a wide array of subjects such as Accounting and Auditing Standards for Islamic Financial Institutions, *Shari'a* Precautions in some Islamic Finance Contracts, *Shari'a* Violations in Islamic Investment Agreements, Issues in Prudential Regulations and Supervision, Financial Engineering, Islamic Tradable Instruments, Islamic Investment Products, Integrating Islamic and Conventional Project Finance, Linking Ethics and Economics, Islamic Finance -the Micro Evolutionary Perspective, Monetary Policies and Economic Growth. The 1998 Forum was also very timely as Citibank launched a full-fledged subsidiary in Bahrain, Citi Islamic Investment Bank. Much dialogue surrounded this event as some viewed Citi's entry as a sign of the Islamic finance industry overtaken by Western banks while others viewed this action

as an indication of the strong move in the industry.

Islamic Finance: Local Challenges, Global Opportunities (1999)

The theme for the Third Forum was a critical evaluation of the opportunities for Islamic finance in specific nations, specifically the U.S. and the U.K. These opportunities, while promising, confronted institutional, political and social challenges, which were specific to the regions in which Islamic finance operated.

Although we continued our tradition of covering a wide range of subjects, however, in view of the growing specialization in the field, we devoted our efforts towards covering more specific topics, such as economic history, *awqaf*, and capital markets. The Third Forum also featured several case studies of the application of Islamic finance. As Islamic finance gathers critical mass, we may see new products such as Islamic asset-backed securities and Islamic indices, and progress in the development of sophisticated measures to select companies for investment as well as closer cooperation between financial institutions and regulatory bodies.³

Islamic Finance: The Task Ahead (2000)

The Fourth Forum focused on the current issues confronting the Islamic financial industry and the potential pitfalls that lie in the offing. Accordingly, the Forum's theme reflected concern over the state of the Islamic banking industry and the directions it was likely to take in the early years of the 21st century. A special workshop was organized to acquaint newcomers with the basics of blossoming but at times intimidating field of Islamic finance.⁴

¹ International Investor: Islamic Finance and the Equate Project / Benjamin C. Esty, and Mathew M Millett. Harvard Business School Case 200-012, 1999.

² http://ifp.law.harvard.edu/login/view_pdf/?file=forum2nd.pdf&type=forums

³ http://ifp.law.harvard.edu/login/view_pdf/?file=forum3rd.pdf&type=forums

⁴ http://ifp.law.harvard.edu/login/view_pdf/?file=forum4th.pdf&type=forums

Islamic Finance: Dynamics and Development (2002)

The Fifth Forum provided a platform for leading academics, *shari'a* scholars, practitioners and community members to further understand Islamic finance. In the context of unfortunate events September 2001, the Forum provided the much needed opportunity for dialogue between professionals of various communities. It also dispelled some of the myths gaining ground regarding Islamic finance in the surcharged environment. The keynote and parallel sessions were supplemented with a panel discussion on the position of the Islamic financial community in the contemporary financial and political environment. Given the increased number of queries received about Islamic finance and financial institutions, a workshop for newcomers was also held.⁵

Islamic Finance: Current Legal and Regulatory Issues (2004)

The Sixth Forum was held at a time when the field of Islamic finance itself was witnessing widespread and momentous changes. Important new institutions were founded in recent past, most notably the Islamic Financial Services Board in Malaysia, which was promoted by fourteen regulatory and supervisory agencies in addition to the International Monetary Fund and the World Bank. The regulatory and legal landscape, too, had witnessed some very important developments, such as the new laws for financial institutions promulgated in Lebanon and Kuwait. The Sixth Forum reflected these developments, particularly in exploring current legal and regulatory issues in Islamic finance.⁶ These issues are at the forefront of developments in the field, and the Forum, with its unique blend of academic scholarship and industry experience, provided a critical and objective examination of all such issues.

Integrating Islamic Finance in the Mainstream - Regulation, Standardization and Transparency (2006)

Aggressive growth of Islamic finance created challenges of interaction with the main stream financial system. Prominent Islamic scholars, lawyers, regulators, academics and practitioners were invited to evaluate and analyze the legal and regulatory challenges faced by the industry, and discuss new developments in the field, focusing in particular on standardization and transparency. A special session in the Seventh Forum was the “Governors and Institutions Roundtable,” which provided an opportunity for representatives of various central banks to discuss challenges they were facing in regulating this fast moving industry and ways to address them.⁷

Islamic Finance: Innovation and Authenticity (2008)

The Eighth Forum focused on four major themes: law, policy, and supervision; conceptual directions in *shari'a*; debt and equity modes of financing; and *shari'a* supervision of modern Islamic finance.⁸ It took place during a major junction in the history of Islamic finance. As the industry grows in popularity and breadth, the importance of analyzing what is truly *shari'a*-compliant was turning out to be a contentious issue for various stakeholders. Papers for this forum were chosen from a poll of submissions in response to a call for papers. There were over forty papers and speeches in the Forum, including those presented at the pre-forum on microfinance. Each reflected on some of the key issues that impacted Islamic finance’s relationship between innovation and authenticity as it interacts with the mainstream financial community. Lawyers, regulators, academics and practitioners analyzed the legal and regulatory challenges faced by the industry and discussed new developments in the field, focusing in

⁵ http://ifp.law.harvard.edu/login/view_pdf?file=forum5th.pdf&type=forums

⁶ http://ifp.law.harvard.edu/login/view_pdf?file=forum6th.pdf&type=forums

⁷ http://ifp.law.harvard.edu/login/view_pdf?file=forum7th.pdf&type=forums

⁸ http://ifp.law.harvard.edu/login/view_pdf?file=forum8th.pdf&type=forums

particular on this relationship and striking a balance in being innovative yet authentic.

Building Bridges across Financial Communities (2010)

The Ninth Forum was the culmination of efforts over the past fourteen years to bring together scholars and practitioners from around the world to discuss Islamic finance's most important issues. Previous forums had taken up Islamic finance and economics in more depth to examine areas such as legal and regulatory issues, global challenges and opportunities for the industry, dynamics and development, as well as innovation and authenticity. The Ninth Forum sought to move forward from these introspective considerations by focusing on the broader issue of how Islamic finance can be used to build bridges across range of financial services and communities. Part of this global discussion focused on the need for greater and improved ethics, values, and social responsibility in modern finance. This included a lively discussion on how religious principles and moral teachings can assist in overcoming the trauma of financial crisis. The Forum stood out from past forums in its emphasis on interfaith dialogue. Speakers from different religious groups shared their faith's perspectives on finance and how Islamic finance can take a broader multi-faith approach while industry practitioners explored the possibility of adopting Islamic finance values in countries serving non-Muslim populations. Together, the speakers' and audience's diverse group of perspectives contributed to a stimulating discussion on how Islamic finance should learn lessons from the past and address present challenges to continue its march in the future.⁹

Islamic Finance & Development (2012)

The Tenth Forum brought together experts, scholars, and practitioners from all over the world to discuss specific issues that underpin the



need to reconsider the relationship between Islamic finance and economic development, particularly in the aftermath of the global financial crisis. The Forum featured three main plenary sessions, which reflected three major themes within the topic of economic development. These include the Islamic financial industry's contribution to global economic development; Islamic finance and the development of Small and Medium-sized Enterprises (SMEs); and faith-based investment and social responsibility. Apart from these three main sessions, there were also parallel sessions on: Islamic finance and the Arab Spring movements; global perspectives on Islamic finance; Islamic finance and alternative economic thinking; and current academic research on product development in the Islamic finance industry. With over 50 speakers and 30 nationalities represented, the Forum attracted the leading academicians and the industry professionals to critically discuss the issues highlighted above with a view to propose sustainable developmental plans for the industry in general.¹⁰

Takaful and Alternative Cooperative Finance (2014)

The Eleventh Forum seeks to reassess and critically engage with issues of risk sharing, mutuality, solidarity, and socioeconomic welfare in the context of Islamic concept of *takaful* and cooperation. Islamic finance literature frequently

⁹http://ifp.law.harvard.edu/login/view_pdf?file=Ninth%20Harvard%20Forum%20Short%20Report.pdf&type=Announcements

¹⁰http://ifp.law.harvard.edu/login/view_pdf?file=10th_Forum_Short_Report.pdf&type=forums

refers to economic justice, equitable distribution of opportunity and wealth, ethics, morality, equity and fairness in business dealings.¹¹ Critics, however, contend that the current practice of Islamic finance is not adequately informed by such ideals. This Forum hopes to attract over 50 speakers from across the globe.

THE IFP AND POLICY SETTINGS

After launching and monitoring discussions and debates at the Harvard Forums for a decade, there was felt a need for an ongoing deeper scholarly and pragmatic conversation between the major proponents and stakeholders such as: economists, *shari'a* experts, key industry practitioners, regulators and legal professionals. After serious consultation with several experts, the IFP came up with a discussion group representing participation from various stakeholders. This discussion group organized its first workshop in 2006 under the supervision of Frank Vogel at Harvard in which several prominent economists and *shari'a* experts joined together (for the first time in the history) to discuss some of the most pressing issues¹². The meeting was timely to advance the understanding of key issues and increased cooperation among economists and *shari'a* experts. The format was highly appreciated and the decision was made to continue with it. The next workshop was recommended to be held in Europe.

The IFP decided to collaborate with the LSE in co-hosting the workshop. Since 2007 this annual "Workshop" has become another landmark event under the banner of IFP. This workshop mainly picks up methodological issues confronting the Islamic finance industry and the primary aim is to fill the conversational void among various stakeholders; especially between *shari'a* scholars and Islamic economists. These workshops also attract participation from legal experts, regulators

and industry leaders who are involved in day-to-day operations. So far eight workshops have been held on a variety of issues (Appendix 3).

In order to achieve its objectives and make the workshop really successful and unique, several norms were unanimously agreed upon and adopted:

- *Limit on number of participants*: Limited between 25 and 30 people, representing prominent economists, *shari'a* experts, industry professionals, regulators, and legal experts.
- *Close-door discussion*: To encourage all participants to share their thoughts freely, the workshop is held with a close-door policy. It is invitation-only and no sensitive matter discussed in the workshop is leaked or attributed to any particular participants.
- *Workshop theme*: It is selected through preferential voting by workshop participants and key industry leaders and scholars. The theme normally deals with policy matters.
- *Modus Operandi*:
 - All workshop participants are required to send their comments on the chosen theme much before their arrival at the workshop and the same is distributed among all participants to help facilitate an engaging and insightful dialogue and reflection;
 - All participants are required to stay in the entire duration of the workshop and no networking from any outside person is allowed;
 - Workshop starts with a brief presentation on the agenda (prepared in the light of comments received from participants) and then each topic is picked up and discussed thoroughly one-by-one;
 - Conclusion and summary of workshop is prepared at the end of the workshop and participants' concurrence received in their presence.

¹¹http://ifp.law.harvard.edu/login/view_pdf?file=Harvard_Forum_Call_for_Papers.pdf&type=Announcements

¹²http://ifp.law.harvard.edu/login/view_pdf?file=select%20ethical.pdf&type=workshops

- Finally, a short report of the workshop is produced and published on IFP website for wider dissemination.

Workshop Themes

Tawarruq: Harvard-LSE partnership was started with this workshop in 2007. It turned out to be a hugely successful event for bringing together the two most important constituents of the Islamic finance industry (i.e. economists and *shari'a* experts). The economists represented in workshop included: Khurshid Ahmed; M Nejatullah Siddiqi, Anas Zarqa, and Mabid Al Jarhi whereas *shari'a* experts included: Hussain Hamed Hassan, Mohammed Elgari, Nizam Yaquby, M Imran Usmani, Abdulkadir Barkatullah, Esam Ishaq, and Daud Bakr. The position papers were presented by M Nejatullah Siddiqi representing economists' perspective and Mohammed Elgari presented *shari'a* position on the subject. Outcome of the debate is soon to come in public domain in the form of a book on Tawarruq under the editorship of Frank Vogel.

Sukuk: Economic and Jurisprudential Perspectives: This was the theme of the Workshop organized in 2008. This was very timely and important because a controversy had arisen (after a prominent *shari'a* scholar questioning the authenticity) regarding *shari'a* compliance of *sukuk* issued by Islamic financial institutions. Consequently, AAOIFI¹³ had to revise its guidelines on *sukuk shari'a* standards.¹⁴

Risk Management was the theme of 2009 workshop in which the Citibank Chief Economist, Professor Willem Buiter made a thoughtful presentation on the financial crisis highlighting several regulatory shortcomings. In addition, a number of case studies were presented to understand the various issues associated with risk management.¹⁵

Islamic Financial Ethics and Ethical Governance: After the financial crisis, the Islamic finance industry was more concerned with ethics and regulations and therefore participants chose this theme for the 2010 workshop.¹⁶

Reappraising the Islamic Financial Sector: This topic was chosen (2011) in response to certain claims that the Islamic financial industry may have veered off-track.¹⁷ Many accused the industry of not being substantively different from conventional finance and failing to realize the original economic and social ideals espoused in Islamic finance literature.

Islamic Financial Intermediation: Revisiting the Value Proposition (2012): This topic was chosen in response to suggestions made in the preceding workshop. Rapid growth of Islamic finance has led to competing claims on the direction Islamic finance should take in the local and global economy. This workshop focused on analyzing the aim of Islamic finance in the light of the *maqasid al-shari'a*, modern product offerings, and the current global financial malaise.¹⁸

Insolvency and Debt Restructuring in Islamic Finance (2013):¹⁹ The global economic and financial downturn had forced the Islamic finance industry to face unforeseen challenges that exposed them to many legal and regulatory issues. This workshop discussed and analyzed issues such as how to unwind, restructure and enforce *shari'a* compliance on structures and entities that had been innovated and developed over the last decade. Some of the more widely reported debt repayment failures were chosen for deeper scrutiny.

Use and Abuse of Limited Liability (2014): Following the previous year's workshop, the

¹³ The Accounting & Auditing Organization for Islamic Financial Institutions

¹⁴ http://ifp.law.harvard.edu/login/view_pdf?file=sukuk%20workshop%20%20hort%20report.pdf&type=

¹⁵ http://ifp.law.harvard.edu/login/view_pdf?file=Riskmanagement.pdf&type=seminars

¹⁶ http://ifp.law.harvard.edu/login/view_pdf?file=Harvard-LSE%20Workshop%202010.pdf&type=Announcements

¹⁷ http://ifp.law.harvard.edu/login/view_pdf?file=Reappraising_the_Islamic_Financial_Sector.pdf&type=workshops

¹⁸ http://ifp.law.harvard.edu/login/view_pdf?file=LSE_Workshop_2012_Report.pdf&type=workshops

¹⁹ http://ifp.law.harvard.edu/login/view_pdf?file=HLS_LSE_WORKSHOP_2012_REPORT.pdf&type=workshops

participants decided to focus their energies on this theme. The main purpose was to envisage various models or structures of organizing business that retain the beneficial aspects of limited liability while avoiding the misuse of the concept. The discussion also focused on the concepts of juridical person and limited liability and Islam's position on them, followed by issues emanating from them and potential solutions or alternatives.

All Harvard-LSE workshops so far have been moderated by Frank Vogel.

PUBLIC AWARENESS

The IFP has worked with the LSE in hosting public lectures on Islamic Finance since 2007. The purpose of these public lectures is to create a better understanding of Islamic Finance and to educate people about the misconceptions surrounding the Islamic finance industry. A total of eight public lectures have been held so far on various topics. Appendix 4 provides a complete list of these lectures whereas Reports of these lectures are available at the IFP Website:

<http://ifp.law.harvard.edu/login/conference>

Information Sessions with Islamic Finance Student Groups

Since 1998, the IFP has regularly organized one or two information sessions for members of the Harvard community interested in Islamic banking and finance in general and in the IFP in particular. At its office, the IFP holds regular discussions with students from Harvard College, the Graduate School of Arts and Sciences, the Business School, the Law School, and other Harvard institutions. The IFP also organizes workshops introducing newcomers to the basics of Islamic finance.



IFP RELATIONSHIPS

Harvard Community Support

The IFP has extended assistance to various faculty members at the Faculty of Arts and Sciences, Law, Business, and Kennedy Schools in completing their research and teaching assignments. The Program has also provided information access, informal advices, and guidance on thesis research to students from the Law and Business Schools and the Departments of Economics, Government, and History. Under the auspices of the ILSP, the IFP has hosted fellows on a yearly basis who have found the IFP to be a valuable resource in their research.

At the Business School, several faculty members have taken part in the biennial Islamic Finance Forums, especially Samuel L. Hayes, III, Professor Emeritus. Several seminars have been sponsored and organized by the Business School Islamic Club on Islamic finance as a subject of academic interest and a field offering a number of career opportunities for MBA students. The IFP has assisted the Islamic Club at the Harvard Business School (HBS) to organize many seminars since 2000. These seminars are intended to introduce Islamic finance as a subject of academic interest as well as to provide an opportunity for HBS students to conduct researches on Islamic finance and allied fields to share their ideas. Various case studies and research projects in the field of Islamic finance

have been developed at HBS. These research projects and case studies have explored a range of issues facing the industry. A list of these publications may be found in the Appendix 2. In the Winter 2010 term, a seminar course on Islamic Finance Principle was offered. In this seminar students were introduced to the theory and practice of Islamic finance, including the set of financial concepts, solutions and service providers that conform to the principles of *shari'a*.

The Project has also worked with various libraries including Langdell at the HLS, Widener Library, and Baker Library in building their collections. These libraries have largely viewed the IFP DataBank as an invaluable research tool and have featured the DataBank as part of their research and information services.

Theses and Dissertations at Harvard

Several students at the HLS have written their doctoral dissertations on topics related to Islamic finance. Four such students include Ayesha Khan, Kristin Smith, Walid Hegazy, Fatimah Iliasu, and Aida Othman. A selected list of original contributions by Harvard students at various departments at Harvard may be found in Appendix 3.

IFP and the Regulators

The Project has worked to bridge the gap between institutions and governmental regulatory bodies by encouraging their engagement in the Islamic finance industry through various seminars and workshops. The Project has answered inquiries relating to Islamic finance from the U.S. Treasury, and has conducted two seminars at the Treasury for its staff, members of the executive branch, and Congressional staff. United States Treasury Undersecretary, John Taylor, was invited as the keynote speaker for the Sixth Harvard University Forum on Islamic Finance in 2004 on “Understanding and Supporting Islamic Finance:

Product Differentiation and International Standards.”

In March 2005 the IFP hosted a workshop on the Supervision and Regulation of Islamic Financial Institutions in the United States. This workshop played a key role in arranging a get-together of Islamic financial institutions with relevant U.S. regulators. More than forty representatives from various government agencies such as the Securities and Exchange Commission (SEC), the Federal Deposit Insurance Corporation (FDIC), the Federal Reserve Board (FRB), and the Office of the Comptroller of the Currency (OCC) had an intense interaction with almost all institutions providing Islamic finance products and services in the U.S. and abroad. A full report of the event may be found online at:

<http://ifptest.law.harvard.edu/ifphtml/index.php?module=WorkshopReport01>.

In March 2006 the IFP worked with the Federal Reserve Bank of New York (FRBN) to organize an interagency forum on Islamic banking in the United States. This meeting was organized to advance the discussion of regulatory issues relating to Islamic banking.

Governors of various central banks are invited by IFP to its biennial events to discuss relevant issues and regional advancement.

The IFP has close contact with most of the institutions involved in research on Islamic finance. These include departments and programs within formal academic institutions, research and legal advisory departments of commercial financial institutions, and non-governmental organizations (NGOs) such as the Islamic Development Bank (IDB), Organization of Islamic Cooperation (OIC), Accounting & Auditing Organization for Islamic Financial Institutions (AAOIFI), the Islamic Finance Services Board (IFSB), the International Islamic Financial Market (IIFM), the International Islamic Liquidity Market (IILM), the

International Monetary Fund (IMF), and the World Bank.

The IFP has coordinated with various research bodies and information service providers within the Islamic finance community at the International Research Roundtable in an effort to increase coordination, avoid duplication, and enhance the efficiency and synergy of the industry's research and development.

The IFP and Islamic Finance Industry

The IFP has taken a proactive role in collaborative research and industry-building efforts with other institutions. By interacting with regulators and connecting them to Islamic financial institutions, bringing together senior *shari'a* scholars and Muslim economists for a constructive engagement on critical issues, and cosponsoring events with other universities wherever possible, the IFP has sought to bring diverse constituencies and institutions together in the larger interest of the industry. The IFP's one of the greatest assets has been the involvement and support it enjoys from individuals in the Islamic finance industry. The Program has further interacted with the Islamic finance community through its involvement with specific research projects, seminars, committee representations, the IFP Endowment drive, other IFP fundraising events, and the industry recruitment of Harvard students.

The Program maintains a balance between academic and industry-related interactions. Its links with the greater financial world have also increased the number of financial resources available to the Program. The IFP's position in the academic community has allowed the Program to participate in the creation of new products and services in the Islamic finance industry, while introducing the industry to original academic research.

The IFP's extensive research network and industry-building efforts have positioned it as a

key resource to help industry institutions identify promising candidates. In addition to informal career guidance, the IFP has also organized career seminars at both the HLS and HBS to supply talent to the industry.

Several IFP affiliates have developed competence in a variety of relevant fields – business, corporate law and *shari'a* compliance – and have gone on to work with some of the most prominent institutions in the Islamic finance industry, including the Islamic Development Bank, Al Baraka, HSBC Amanah, Citibank, Kuwait Finance House, AlRajih Group, Abu Dhabi Islamic Bank, Khazanah, Saudi Hollandi, Deutsche Bank, J.P.Morgan etc. A few of the IFP affiliates have established their own consultancies.

THE FUTURE: COORDINATING NEW DEVELOPMENTS

The IFP sees an important role for itself in the coordination of new initiatives primarily in two areas: research and information technology. Many research centers around the world are doing important work but in the process a lot of research is duplicated due to lack of any proper coordination among various research centers. The Islamic finance industry could benefit immensely if research and developments in conventional economics and financial fields could be adapted and applied to Islamic economics and finance. The IFP is ideally placed to coordinate such efforts in Islamic finance and to serve as a contact point for researchers from around the world. The academic richness of Harvard affords the Program credibility that will be vital in such coordination.

Training the Leaders of the Future

Every year, Harvard attracts many of the brightest students from around the world, a number of whom, through IFP, come to learn and develop interest in pursuing careers in Islamic finance. For many of these students the Program

has procured internship and recruitment opportunities in the Islamic finance industry.

The IFP has sought to train future leaders in the field of Islamic finance. It has assumed the role of creating courses, arranging internships, and fellowships, at Harvard and beyond. The IFP has connected interested young students with scholars and practitioners to facilitate mentoring and guidance.

Friends of the IFP

The IFP has crossed paths with innumerable students and scholars at Harvard. After their departure from Harvard, many of these individuals have retained their interest in Islamic

finance and have served as ambassadors of the IFP. And many IFP student associates have continued their association with the IFP. They have prepared program reports, edited papers of the proceedings, suggested topics for the Forums, given advices on the Program's strategy, answered industry-related inquiries, collected information, and acted as liaisons between the Program and the Islamic finance industry at large. Regular communication and periodic face-to-face meetings have kept their interest in the Program intact.

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Appendix 1: Harvard University Forum on Islamic Finance (1997-2014)

| Forum (Year) | Main Theme of The Forum | Some Important Personalities at the Forum | Remarks |
|-------------------------|---|---|----------------------|
| 11 th (2014) | Takaful and Alternative Cooperative Finance | | Papers Shortlisted |
| 10 th (2012) | Islamic Finance and Development | Noah Feldman Rashad Hussain Mahmoud Mohieldin | Under Publication |
| 9 th (2010) | Building Bridges across Financial Communities | Thomas C. Baxter, Jr. Bambang P. Brodjonegoro Seamus Finn | Book Published |
| 8 th (2008) | Islamic Finance: Innovation and Authenticity | Robert Merton William Graham Shamshad Akhtar | Book Published |
| 7 th (2006) | Integrating Islamic Finance into the Mainstream: Regulation, Standardisation and Transparency | Anwar Ibrahim Fahad Faisal Al-Thani William L. Rutledge | Book Published |
| 6 th (2004) | Islamic Finance: Current Legal and Regulatory issues | John B. Taylor Ahmad Mohmed Ali Nurcholish Madjid | Book Published |
| 5 th (2002) | Islamic Finance: Dynamics and Development | Ahmed Mohammed Al-Khalifa Mahmoud El-Gamal Ibrahim Warde | Proceeding Published |
| 4 th (2000) | Islamic Finance: The Task Ahead | Stephen Green David G. Mitten Samuel Hayes | Proceeding Published |
| 3 rd (1999) | Islamic Finance: Local Challenges, Global Opportunities | Mohamed Al Faisal Al Saud Ishaq Dar David G. Moran | Proceeding Published |
| 2 nd (1998) | Islamic Finance into the 21 st Century | Shaukat Aziz Rifaat Ahmed Abdel-Karim Frank E. Vogel | Proceeding Published |
| 1 st (1997) | Islamic Finance in the Global Market | Thomas D. Mullins Amr Alfaisal Al Saud Iqbal Khan | No Publication |

Appendix 2: Harvard Business School Case Studies

| S. No. | Project Title | Project By | At |
|--------|---|---|--|
| 1 | Aluminium Bahrain (Alba): The Pot Line 5 Expansion Project (TN) | Benjamin C. Esty and Aldo Sesia | Harvard Business School Teaching Note, 2004 |
| 2 | Aluminium Bahrain (Alba): The Pot Line 5 Expansion Project (CW) | Esty, Benjamin C., and Aldo Sesia | Harvard Business School Spreadsheet Supplement 205-708, 2004 |
| 3 | Aluminium Bahrain (ALBA): The Pot Line 5 Expansion Project | Benjamin C. Esty, and Aldo Sesia | Harvard Business School Case 205-027, 2004 |
| 4 | International Investor: Islamic Finance and the Equate Project | Benjamin C. Esty, and Mathew M Millett | Harvard Business School Case 200-012, 1999 |
| 5 | International Investor, Islamic Finance and the Equate Project TN | Benjamin C. Esty and Mathew M Millett | Harvard Business School Teaching Note 200-013, 1999 |
| 6 | An Introduction to Islamic Finance | Benjamin C. Esty, Mathew M Millett, and Fuaad Qureshi | Harvard Business School Note 200-002, 1999 |

| Articles and papers published by Harvard magazines | | | |
|--|--|---------------------------------|--|
| 7 | Islamic Finance: The New Global Player | Rehman, Aamir and Ali, S. Nazim | <i>Harvard Business Review</i> , February 2008, pp. 43 |
| 8 | Risk Mitigation at Hubco: Conventional vs. Islamic Finance Contracts | Chirag Vasawada | Unpublished course paper, Harvard Business School, Supervised by Benjamin C. Esty), 2001 |

Appendix 3: IFP-London School of Economics Workshop

| Year | Theme |
|------|---|
| 2014 | Use and Abuse of Limited Liability |
| 2013 | Insolvency and Debt Restructuring in Islamic Finance |
| 2012 | Islamic Financial Intermediation: Revisiting the Value Proposition |
| 2011 | Reappraising the Islamic Financial Sector |
| 2010 | Islamic Financial Ethics and Ethical Governance |
| 2009 | Risk Management: Islamic Economic and Ethico-legal perspective on Risk Management |
| 2008 | <i>Sukuk</i> : Economic and Jurisprudential Perspective |
| 2007 | <i>Tawarruq</i> |

Appendix 4: IFP Organized Public Lectures at the London School of Economics

| Year | Chair | Industry Professional | Academician/Scholar | Theme of the Public Lecture |
|------|-----------------------|-----------------------|---------------------|--|
| 2014 | Prof David R Kershaw | Farmida Bi | Paul Mills | Risk sharing and Cooperative Finance |
| 2013 | Justice William Blair | Azman Mokhtar | Frank E. Vogel | Islamic Finance and <i>Shari'a</i> Compliance: Reality and Expectation |
| 2012 | Justice Ross Cranston | Mukhtar Hussain | Volker Nienhaus | Global Calls for Economic Justice: The Potential for Islamic Finance |
| 2011 | Sir Howard Davies | Iqbal Khan | Haytham Tamimi | Building Bridges Across Financial Communities |
| 2010 | Sarah Worthington | Stephen Green | M Umer Chapra | Global Perspectives on Islamic Finance |
| 2009 | Sir Howard Davies | Ian Pearson | Esam Ishaq | Islamic Finance in the United Kingdom: Current Initiatives and Challenges |
| 2008 | Justice Ross Cranston | Usman Ahmed | Nizam Yaquby | Advancements in Contemporary Islamic Finance: From Practice to Scholarship |
| 2007 | Prof Baber Johansen | Michael Hanlon | Mohammed Elgari | Islamic Finance: Relevance and Growth in the Modern Financial Age |

Appendix 5: Theses Accepted by Various Harvard Schools on Islamic Finance/Banking/Economics

| S. No. | Author/Researcher | Title of Work | Year |
|--------|--------------------------------|--|------|
| 1 | Saffari, Said | On the rollercoaster of development: banking and economic growth in Iran under the Pahlavis and the Islamic Republic | 1997 |
| 2 | Tarik Mohamed, Yousef | Essays in twentieth century Middle Eastern economic development | 1997 |
| 3 | Mian, Kamal M. Amjad. | <i>Mudaraba</i> , theory and practice: a case study of the <i>Mudaraba</i> institution in Pakistan | 1997 |
| 4 | Montasser, Hashem Essam El Din | Financial innovation in Islamic finance | 1997 |
| 5 | Al-Mutairi, Mansour Z. | Necessity in Islamic law | 1997 |
| 6 | Rehman, Aamir Abdul. | al-Shatibi's Maqasid al-Shari'ah and the harm principle of Mill: comparing utilitarian and Islamic jurisprudential conceptions of harm | 1998 |
| 7 | Binladen, Abdullah M. | Negotiability of financial instruments in contemporary financial markets: an Islamic legal analysis | 2000 |
| 8 | Mohamed, Abdikadir Hussein | Islamic finance as a tool of microenterprise development in Sub-Saharan Africa | 2001 |
| 9 | Nazri Wan Osman | Limitation of incorporating charitable contract in a business transaction: the case of Tabarru' fund in the Takaful scheme | 2001 |
| 10 | Sattar, Babar | Islamization in Pakistan: investigating and explaining legal change | 2002 |
| 11 | Khalife, May | Islamic banking in Lebanon: remarks on the new law no. 575 dated February 11, 2004 on the establishment of Islamic banks | 2004 |
| 12 | Shakil, Mansoor | Islamic banking, risk analysis and the impact of Basel II on its future | 2004 |
| 13 | Othman, Aida | "And ṣulḥ is best": amicable settlement and dispute resolution in Islamic law | 2005 |
| 14 | Hegazy, Walid | The rules of Īmān and the contemporary practice of Islamic finance | 2007 |
| 15 | Iliasu, Fatima Binta Musa | International petroleum contracts: an Islamic contract law perspective | 2008 |
| 16 | Guité, Diane | From radical Islam to "smoke and mirrors": the trajectory of Islamic finance and its effects on religious belief | 2008 |
| 17 | Njogu, Roseline | Commercial bank of god?: an analysis of Islamic banking in the context of separation of church and state in Kenya | 2009 |
| 18 | Yasini, Anwar Sadat | <i>Mudaraba</i> as a mode of Islamic finance: challenges and opportunities | 2010 |
| 19 | Musa, Tariq A. | Islamic banking and the financial crisis: Shariah Compliance and bank stability in the Arab Gulf | 2010 |
| 20 | Khan, Ayesha Khalid | Essays on faith and finance | 2010 |
| 21 | Somane, Mahat | Corporate governance in Islamic finance: promises and pitfalls: an analysis of Islamic banking corporate governance vis-à-vis conventional banking | 2011 |
| 22 | Koleilat, Sara | Debt financing through <i>sukuk</i> : from structural inflation to practical dilemmas | 2012 |

Appendix 6: IFP Organized Specialized Seminars

| S. No. | Theme | Year |
|--------|--|------|
| 1 | Impact of Islamic Finance on Economic Development | 2010 |
| 2 | Islamic Finance: Creating an Enabling Environment | 2010 |
| 3 | Islamic Finance, Recycling Petrodollars, and Economic Development | 2009 |
| 4 | Microfinance: Toward a Sustainable Islamic Finance Model | 2008 |
| 5 | Financing the Poor: Promoting Micro-Finance the Islamic Way | 2007 |
| 6 | The Global Impact of Islamic Finance: Industry Overview and Implications | 2007 |
| 7 | Legal Careers in Islamic Finance | 2006 |
| 8 | Economic Development and the Muslim World | 2004 |

Appendix 7: IFP Organized Panel Discussions

| S. No. | Title | Year |
|--------|---|------|
| 1 | <i>Shari'a</i> -Compliant Home Financing in the U.S. | 2013 |
| 2 | Islamic Finance - Bankruptcy, Financial Distress and Debt Restructuring | 2011 |
| 3 | The Evolution of the Global Financial System from the Current Crisis | 2009 |
| 4 | Microfinance: Toward a Sustainable Islamic Finance Model | 2008 |
| 5 | Select Ethical and Methodological Issues in <i>Shari'a</i> -Compliant Finance | 2006 |
| 6 | The Supervision and Regulation of Islamic Financial Institutions in U.S. | 2005 |