



BOOK REVIEW

HEAVEN'S BANKERS: INSIDE THE HIDDEN WORLD OF ISLAMIC FINANCE

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Islamic finance is a fast growing industry. From comments on the Dubai International Finance Centre MENASA Forum on 24th May 2010, the Islamic finance industry was expected to reach \$2 trillion in assets value in five years while the Kuala Lumpur-based Islamic Financial Services Board stated that it would reach \$2.8 trillion by 2015. In addition, players such as HSBC knew about the steady growth of the industry by 23.5% from 2006 to 2010. A lot going on in Islamic finance explains the urge of Harris Irfan to write the book. On the other hand, suspicions and accusations against the industry by Islamophobic elements necessitated a reference to correct prejudice. Mr. Irfan discusses challenges the industry faced, referring to different academic sources, newspapers, institutional annual reports, conference proceedings, forum outcomes and interviews with senior officers.

Harris Irfan, an Oxford graduate with B.A. and M.A. in Physics, is an industry insider who worked for 11 years as Director of Deutsche Bank, being the founder of Islamic services at the bank, then spent 2 years as the Global head of Islamic Finance at Barclays Capital and currently the Managing Director of the European Islamic Investment Bank in London. In my opinion, his vast experience gives sufficient authorization for writing this book which presents two sides of the coin. One side is the elaboration of historical foundations of the Islamic economic, banking and finance system, and the other is the contemporary practice.

'Heaven's Bankers' outlined the booming development of the industry and presented its reality from within but never sufficient enough. If anyone was qualified and informed to deliver it, then that

is Mr. Irfan. It is valuable that he presented the development of Islamic economics, banking and finance in the 1960s with indication of the primacy of the two major sources in Islamic jurisprudence: Qur'ān and Sunnah, their exegesis and independent legal reasoning (*ijtihād*). Even the Islamic tradition, I contend, like the book defined usage of money as 'medium of exchange' only, contrary to current practice. The father of Islamic economics, banking and finance (a label Mr. Irfan is very keen in using), Imam Abū Ḥanīfah, reflects ethical and moral standards in building a real economy. However, many other scholars contributed to that but were not mentioned in the book. That would have informed readers in greater detail of references for deeper insights. The very example of the Imam refusing to purchase an item casually priced by a woman but seeking a merchant's (third person's) estimation of its real value, reflects the importance of letter and spirit of Sharī'ah until today. The system today has overrun that practice. Any acquiescence against conventional or Islamic finance's quest for profits automatically disqualifies the most qualified personnel.

Islamic finance's distinctiveness from its counterpart is seen through avoidance of *ribā* (interest/usury), *gharar* (uncertainty) and *maysir* (gambling) transactions. The Sharī'ah scholars, in Sharī'ah board of Islamic finance institutions, scrutinize the products for compliance to the letter and spirit of Sharī'ah. Mr. Irfan gave an example to show, in my view, how man lives today and tried to indicate how, with the rise of Islamic finance persons such as Iqbal Khan and Nizam Yaqubi who attempted to do 'God's work' on earth through HSBC Amanah, but failed. Given the complex nature of the legal framework, perceptions of the industry by certain individuals through the lenses of Islamophobia viewing it as the source of terrorist financing. Similarly, the 'Rocket Scientists' of Deutsche Bank offered their expertise for product innovation and development. The billion dollar industry attracted its counterpart giants who were unaware of the challenge of assuring Sharī'ah compliance. As Mr. Irfan clarified, the scientists were untrained for such endeavors. Nevertheless, Deutsche Bank managed to envisage a real economy transaction in conceptual terms, approved by Sharī'ah scholars. That enabled building of the big 'Al Safwa Tower Dal Al Ghufraan Hotel' via structured *ṣukūk* (Islamic bond) for pilgrims in Mecca. Mr. Irfan exposed the flaw of this project by indicating how the letter of the law does not fulfill its spirit. Non-contribution to social welfare but rather its harm via destruction of centuries old buildings of renowned persons of early Islam is seen with the tower. In contentions like these Mr. Irfan, revealed his real aspirations and concern for society. Heavens

Bankers continued their work but the reality showed how Islamic finance has lost its link to the spirit of Sharī'ah. Deutsche Bank, however, became the blockbuster of Islamic finance in the Middle East and the rest of the globe. As we know a number of conventional products (derivatives, hedge funds, sukūks etc.) were creatively constructed, fitting only the letter of Sharī'ah. Suddenly this caused the renowned Sharī'ah scholar Taqī Uthmani to issue a fatwa declaring the majority of sukuk Sharī'ah non-compliant. I view this as the beginning of a new phase in Islamic finance, one of restructuring and standardization.

Islamic finance was a trend of non-Muslims as well in the UK, Luxemburg, Germany and the USA. Goldman Sachs consulted with Mr. Irfan for Islamic investments but refused to comply upon clarification and so proceeded with its own investment strategy. I emphasize here how Islamic finance proved its strength when adhering to its principles and watched over the nature of investments and use of money. When disqualified, the USA Goldman Sachs adjusted its investment strategy and structured it according to the industry's rules and regulations. Interestingly, an eminent professor of economics, Mahmood el-Gamal, who is reluctant to join the industry, addressed it to stop with "arbitrage of Islamic principles." He suggested reverting to simplification of products and operations that would ultimately spur social welfare, better (re)distribution and a spirit and letter-based Islamic finance. Mr. Irfan happened to meet the professor who diagnosed him and the rest as suffering "cognitive dissonance." In *Heaven's Bankers*, the author, Harris Irfan, confessed that the industry's practice bothered him like many others because it failed to provide the "real" Islamic finance. It seems to me that with el-Gamal, the burden lightened and the future of Islamic finance was defined in more ethical and moral necessity. It would help all people unlike the "current" form that has proven unsustainable until today. However, we witnessed affirmative actions by authorities to improve accounting and auditing practices, governance, spread standards regionally and so forth. Harris Irfan has done justice to himself and the people with this book. He restored hope and reenergized coming generations for a new approach to Islamic finance. He succeeded in showing how divergent Islamic finance is from its principles. Reviews of the book by Gregor Stuart Hunter, Mona Siddiqui, Ziauddin Sardar, Robin Winglesworth, Faisal Haneef, Jon Fasman support the author's achieved purpose. However, the mentioned reviewers published their reviews in online newspapers and failed to provide greater detail and insights.

The book's strengths lie in its author's first hand information obtained through experience which leaves no space for doubt. The book is very useful for readers without background in the field to get exposed in a unique style to the reality of the industry's world. The critical evaluation of products and exposing the fallacies of Sharī'ah compliance reflects the wide nature of Islam in evaluating situational circumstances while making necessary decisions. The weakness of the book is the inadequate reference to academic sources, and it does not give alternative solutions to exposed fallacies. There was no detailed mention of direct impact on the Islamic finance practices of conventional practices such as massive debt transactions, money creation, unethical investment strategies, supporting industries detrimental to social welfare and so forth. The book ended with no recommendations for future research from the view of a practitioner who may better forecast directions of both Islamic and conventional finance. Harris Irfan, as an ardent worker for finance based on moral and ethical principles, would have helped immensely therewith. Overall, the book is a great reminder for all pro-Islamic economics, banking and finance persons to review intentions and exercise greater control over them. The name 'Heaven's Bankers' reflects the will to do good and aspirations of what to become and where to end.