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Whose legitimacy? Islamic finance and the global financial order

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ABSTRACT

Islamic finance is a fast growing segment of international financial markets. Deriving its core principles from the Quran and the Sharia, the objective of Islamic finance is to

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as normal financial activity. As a consequence, the currently emerging power, knowledge and governance structures for Islamic finance tend to emulate, and therefore largely reproduce, the existing global financial order.

KEYWORDS: Islamic finance financial regulation Sharia compliance legitimacy global finance

Notes

- 1 ‘Specialized’ Islamic banks are commercial and investment banks structured wholly according to Islamic principles and dealing only with Islamic instruments. Islamic ‘windows’ are special facilities offered by conventional banks to provide services to Muslims who wish to engage in Islamic banking ([Iqbal, 1997](#): 43). For example, the Birmingham-based Islamic Bank of Britain was created in 2004, and the London-based European Islamic Investment Bank in 2006. Large conventional banks like Lloyds TSB have opened Islamic windows and offer specialized products such as mortgage and consumer financing to British Muslims.
- 2 Other sources speak of a market size of nearly US \$1 trillion of assets (AWSJ, 2007) and operations in more than 75 countries (El Qorchi, 2005).
- 3 Rushdi Siddiqui, Global Director of Dow Jones Islamic Indexes, estimates that nearly US\$20 billion have been repatriated in the wake of the events of September 11th ([Hasan, 2004](#)). The large influx of funds to the Middle East led to a quadrupling of share prices of Islamic banks in 2003 and 2005 (IMF, 2005).





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The paper discusses the impact of the September 11 attacks on the Islamic finance industry. It highlights the significant influx of funds to the Middle East, leading to a quadrupling of share prices of Islamic banks in 2003 and 2005. The paper also mentions the creation of specialized Islamic banks and windows in conventional banks to provide services to Muslims.

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