

ISLAMIC FINANCING, INVESTING AND BANKING IN AMERICA

HISTORY, CURRENT SITUATION AND CHALLENGES

www.IslamicBankingNetwork.com

UCLA

University of California – Los Angeles

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WHAT IS ISLAMIC BANKING?

CREDIT IS A BASIC HUMAN RIGHT

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- Socially Responsible Ethical Banking
- Asset-Based Financing
- A Commodity, Tangible Asset &/or Service Must Change Hands
- Investments in Specific Activities
- Community Development

ISLAMIC FINANCE IN AMERICA

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THE VISION

- **HELP MUSLIMS LIVE IN AMERICA WITHOUT *RIBA*, AND SERVE ALL AMERICANS OF ALL BACKGROUNDS.**
- **BUILD FINANCIAL INSTITUTIONS THAT BIND THE COMMUNITY TOGETHER BY OFFERING INVESTMENT AND FINANCING SERVICES AS A TOOL OF PUTTING LIFE IN ISLAMIC VALUES, WAYS & MEANS.**

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THE MISSION

**BUILD AN ISLAMIC FINANCE, BANKING &
INVESTMENTS SYSTEM IN A WORLD
RUNNING AND OPERATING BY *RIBA***

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STRATEGY

**STARTING WITH THE POSSIBLE TO
ACHIEVE THE IMPOSSIBLE**

**DEVELOP AN ISLAMICALLY
ACCEPTABLE ALTERNATIVE**

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RECOGNITIONS

- **ARTICLE IN LA TIMES AND REFERENCES IN DETROIT FREE PRESS AND DALLAS MORNING NEWS.**
- **PARTICIPATE IN HARVARD UNIVERSITY'S ANNUAL SYMPOSIUMS ON ISLAMIC FINANCE SINCE 1998**
- **FEATURED IN ABC NIGHTLY NEWS AUGUST 18, 1999**
- **MOST RECOGNIZED NAME IN THE BUSINESS IN THE USA & WORLD.**
- **ORGANIZED 3 ISNA SEMINARS ON SUBJECT (Houston 98, Boston 99 & Long Beach 200)**

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FINANCING HISTORY

- 1986 / 1987 : MSI and American Finance House
LARIBA in California, BMI in New Jersey
- 1988 - Albaraka Bancorp in California
- 1996 - Harvard Islamic Finance Program, HIFIP
- 1997 / 1998 United Bank of Kuwait ALMANZIL
- Other Smaller Institutions in Leasing

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● FINANCING & INVESTING:

- **Financing:** Homes, Construction, Leases for Cars & Equipment
- **Investing:** Only Limited to Accredited Investors & Use of a Limited Partnership Format

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- **THE MARKET: *Home Financing***

- *Population Estimates: 6 to 8 million. Largest Population Concentration in California, New Jersey, New York, Michigan and Illinois.*
- *Estimated Demand: 10,000 Households for Mortgages or about \$ 1000 Million*

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- **THE MARKET – *AUTOS, EQUIPMENT & SMALL BUSINESS***

- *AUTO LEASES: At Least 10,000 Automobiles per year or Approximately \$200 Million*
- *EQUIPMENT LEASES: At Least 500 Units in the Fields of Medical & Dental Services and Franchise Fast Foods or Approx. \$ 100 Million*
- *SMALL BUSINESS*

ISLAMIC INVESTING IN AMERICA

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INVESTMENTS

- 1986 & 1994 STOCK MARKET INVESTMENTS – AMANA FUNDS BY ISNA/NAIT -
- 1986 – 1987 ACCREDITED INVESTORS AT MSI & AMERICAN FINANCE HOUSE - LARIBA
- 1998 - THE DOW JONES ISLAMIC INDEX
- 1998 - THE INTERNATIONAL INVESTOR

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RIBA FINANCIAL SERVICES IN AMERICA

- Huge Capital Availability.
- Highly Regulated Banking Industry.
- Highly Liquid Market for Loans that Comply with Government Standards.
- Mature, Government Sponsored, Highly Competitive, Sophisticated and Innovative.
- Layers of Government Regulatory Rules & Supervision.
- Intricate Tax Laws.

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CHALLENGES

1. CAPITAL

- Ability to Own A Depository Institution
- Ability to Securitize The Loans
- Ability to Raise Funds from The Public

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CHALLENGES

**2. THE AMERICAN VALUE OF SEPARATION
OF STATE & CHURCH**

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CHALLENGES

**3. DEVELOP SHARI'AA RULES THAT TAKE
IN CONSIDERATION THE TAX SYSTEM
AND REGULATORY & LEGAL RULES IN
THE AMERICAN FINANCIAL AND
BANKING SYSTEM**

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CHALLENGES

4. THE HUMN FACTOR

- **STEREOTYPING**
- **SUSPICIONS ABOUT A RELATIVELY NEW RELIGIOUS GROUP IN AMERICA**
- **UNFORTUNATE INTERNATIONAL EVENTS TIED TO ISLAM & MUSLIMS**
- **TRUST BY FELLOW MUSLIMS IN THE COMMUNITY**

**THE CHALLENGES OF OFFERING
ISLAMIC FINANCIAL SERVICES IN
AMERICA**

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RECOMMENDATIONS

USE INTERNATIONAL BANKING TERMINOLOGY

- **MURABAHA – *COST-PLUS-FINANCING***
- **MUSHARAKA – *JOINT VENTURE***
- **IJARA – *LEASING***
- **IJARA WA IQTINAA – *LEASE-TO-PURCHASE***

**THE CHALLENGES OF OFFERING
ISLAMIC FINANCIAL SERVICES IN
AMERICA**

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RECOMMENDATIONS

- **INTENSIVE FAMILIARIZATION & EDUCATION
PROGRAMS TO TEACH THE REGULATORS,
THE BANKERS & THE PUBLIC AT LARGE**
- **PATIENCE, HUMBLENESS & LOW KEY**