



LSE-HARVARD PUBLIC LECTURE ON ISLAMIC FINANCE
LONDON SCHOOL OF ECONOMICS, LONDON, UK - FEBRUARY 1, 2007

ISLAMIC FINANCE: RELEVANCE AND GROWTH IN THE MODERN FINANCIAL AGE: A SHORT REPORT

The London School of Economics and Political Science (LSE) jointly convened an inaugural public lecture with the Islamic Finance Project of the Islamic Legal Studies Program at Harvard Law School. The public lecture hosted introductory lectures surrounding the concept of Islamic finance and the growth and direction of the industry, and marked the first collaboration between the two institutes in hosting such an event.

The public lecture was chaired by Ross Cranston Q.C.- Centennial Professor of Law at the LSE, and co-chaired by Professor Baber Johansen - Acting Director of the Islamic Legal Studies Program at Harvard Law School. The event was moderated by Iqbal Khan - adviser to HSBC Bank in London and former CEO of HSBC Amanah: a global Islamic financial services division of HSBC.

The speakers provided an insight into the industry as a whole, from a practitioner's perspective and from the *shari'a* scholar's perspective. Michael Hanlon - former managing director of the Islamic Bank of Britain - spoke about his experiences in setting up the first wholly-Islamic retail bank in a western market. Hanlon highlighted the joint efforts of UK industry bodies and various stakeholders in developing Islamic banking contracts to enable the offering of *shari'a* -compliant financial services.

Mohamed Elgari - *shari'a* adviser and professor at Centre for Research in Islamic Economics, King Abdulaziz University, Saudi Arabia - examined the ethos of Islam in finance and banking, highlighting the role of *shari'a* scholars in the industry.

Iqbal Khan, who also moderated the event, presented an insightful overview – encompassing the salient features and characteristics of Islamic finance, the industry's growth and progression, and its relevance to mainstream finance. Khan highlighted the need for the industry's to move forward in providing *shari'a*-based financial products – income-sharing financing and a shift away from debt-based offerings.

Among the many distinguished members of the audience, the gathering also including Khurshid Ahmad, a world renowned Islamic economist and writer who also served as a senior government official of Pakistan. Ahmad was also invited to the speaker's podium and briefly shared with the audience insights into the nature of Islamic economics and its role in social developments.

The public lectures detailed the ethos of Islamic finance as a viable and ethical form of banking. The industry is embedded within principles akin to ethical investing and corporate social responsibility. Islamic finance practices strict sectoral screening in dealing with morally and socially injurious industries such as alcohol, armaments, gambling, pornography and tobacco. The industry presents an alternative banking paradigm through its greater linkage with the real economy as a result of the requirement of asset-backed transactions. Furthermore, credit and debt products are not encouraged in Islamic finance. The combination of responsible finance and real economy ties inherently ensures greater stability in the Islamic financial system.

The guiding principle of Islamic banking engagement in economic activity mirrors the Equator Principles in soliciting projects for the overall good of society and the environment. A key feature of the industry is the participation in risk and reward through equity-based financial transactions, and adhering to the divine prohibition in dealing with usury. In this regard, Islamic banking is a conduit in linking economic and social development.

Islamic finance is a market-driven community banking proposition, enabling a wider base of society to partake in the financial market in a way that is consistent with their beliefs. A relatively young industry, with the first commercial Islamic bank founded in 1975, Islamic finance has rapidly progressed since then, consisting of over 300 financial institutions and a global scale including Malaysia and London, and a growing like-for-like product suite spectrum. Islamic finance is reaching mainstream relevance in the global financial system.

The event was a landmark collaboration to enable the hosting of an Islamic finance lecture in London, which provided a very well-received and informative account of the industry.