Index

AAOIFI 64, 218
Abdullah, M.F. 62
Abrahamic religions 155–67
see also Christianity, Islam and Judaism
Adalah (social justice) 52
Adverse Selection 12, 16–18, 21, 23–4, 25, 26, 28, 32, 37, 59, 301
Afghans in Adelaide 272
Agents 17, 20, 90
Ahmad, R. 308
Ahmed, H. 46, 65, 66, 68
Ahmed, S. 34, 129, 137, 164
Al Baraka Islamic Bank 216
Al Rajhi Bank 181
Al Tijarrah 108, 110
Alchian, A.A. 15
al-Ghazali, A.H. 46
Al-Harran, S.A.S. 31
Al-Hassani, B. 110
Al-Qaradawi 44
Allen, F. 60, 123
Alrgibi, G. 310
Anderson, J. 208
Arab Bank of Australia 275
Arabia 116, 122, 130
Ariff, M. 94, 212
Ariya 164
Arrow, K.J. 16, 114
Asian Financial Crisis 231
Askari, H. 125
Asset quality 235, 241
asymmetric information 48, 56, 102, 113, 114, 131
Auda 45, 49
Australia 7, 272, 273, 276, 278, 310
Bahrain 5, 64, 139, 185
Bai Al Ajjal 145
Bai Bithaman Ajjal (BBA) 188, 259, 270
Balance sheets of Islamic banks 13, 64–6, 75
Bank of England 301, 308
Bank Islam Act 136
Bank Mellat 179
Bank Melli 179
Bank Negara Malaysia (BNM) 129, 130, 131, 135
Bank Saderat 179
Banking products (Islamic) 5, 73–97, 188–205
Banking structure 13, 64–6, 232
Bankruptcy risk 21, 22, 25–6, 60
Banks 20, 29, 33, 130, 204
Design of contracts 21–6, 33, 120, 264, 301, 305
Dual Banking system 185, 287
see also Islamic banking
BankScope 179
Barnes, R.A. 208
Basel III 150
Bay al-salam 84
Beck, T. 234
Beikos, A. 239
Benchmarking of rates 63, 284, 303
Benevolent loan see Qard hasan
Berger, R. 161
Bills of exchange (acceptances) 202
Bishop, M. 214, 217
Black, Fischer 212
Black Monday 191, 210
Bond Pricing Agency, Malaysia 168
BOT (Build, Operate, Transfer) 86
Braithwaite, T. 216
Brav, A. 121
Brouwer, M. 110
Broyde, M.J. 157
Buy-back 82
CAMEL rating system 242
Capital adequacy 247, 249
Risk and regulation of Islamic banking

Cassidy, J. 217
Casson, M. 19
CDOs (Collateralized Debt Obligations) 173, 206, 212
Chaddock, C.R. 208
Chapra, M.U. 51
Choudhry, N.N. 118
Christianity 155, 156, 158–9, 163
Citibank 211
Cizakca, M. 64, 160
Cleland, B. 272
CMO (Collateralized Mortgage Obligation) 212
Collateral for lending 24
Commenda 158, 159, 160
Commodity murabahah 65, 68, 136, 142, 146
Compounding formula 254, 255, 259, 260
Concentration ratio 232
Constant amortization 266
Conventional banking 1, 11, 130
Cost structure 71, 307
Crash of 1929 209–11
Credit card 197
Credit Guarantee Corporation Malaysia Berhad 134
Credit risk and rating 227, 242, 243
Currency derivatives 297
Currency risk 199, 295
Current accounts 191, 192
Debt-based calculation 244
Deferred payments 62
Delegated monitoring 17, 19, 20, 21, 29
Costly verification of 22
Demirguc-Kunt, A. 234
Demsetz, H. 15
Depositors’ risk 29, 33
Diamond, D. 17, 208
Doctrines of
General Permission 95
Maximum Human Welfare 99
Principle of Ease 99
Removal of Harm 100
Dodd-Frank Wall Street Reform Act 2010 215
Dotcom bubble 231
Dow Jones Industrial Average 218
Dowd, K. 23, 26, 37
Dubai 130, 135
Dubai Islamic Bank 55, 129
Dunbar, N. 213, 214
Duration gap 286
Dybvig, P. 29
Earnings quality 247
East Asia 61
Eggen, D. 208
Einzig, P. 162
Ekelund, R.B. Jr 162
El Qorchi, M. 59
El-Gamal, M. 164
Encyclopedia Judaica 158
Environmental, Sustainability, Governance (ESG) 275, 304
Equity-based system 30, 154, 155
Erbas, N. 117
Ernst & Young 307
Errico, L. 31
Ethical banking 3, 303
Europe 158
Ex gratia payments 60
Exchange traded funds (ETFs) 123
‘Existence’ question of financial intermediation 15, 16
Export credit financing 203
Faheem, A. 238
Farahbaksh, M. 31
FDIC (Federal Deposit Insurance Corporation) 212, 216
Federal Reserve System 209, 212
Financial Companies Institutional Committee 215
Financial crisis 55, 206
Financial deepening 228
Financial engineering 62, 207, 212
Financial Sector Master Plan for Malaysia 134, 228
Financial Services Council, Australia 277
Financial Services Modernization Act 1999 (US) 206, 211
Financial systems, Anglo-Saxon vs market based 14, 18
Fischel, W. 110
Fixed return scheme (FRS) 33–4, 60
Index

Forex wa’ad option 297
Fuqaha 51, 76, 89, 298

Gale, D. 22, 60, 123
GazetteNET 208
GCC 139
GDP 67, 129, 176
Gemasa 161
Germany 97
Gharar 2, 51, 62, 76, 96
Glass-Steagall Act 206, 210
Goitein, S.D. 72, 110
Government Investment Issue Act, Malaysia 132
Great Depression 206, 210
Greece 216
Green, M. 211, 214
Grossman, S.S. 34

Habachy, S. 113
Hadith 58, 95, 96, 97
Hajj 305, 310, 311
Halal vs haram 67, 98
Hamid, I.S. 116, 117
Harper, C. 216
Harris, M. 60
Hart, O.P. 34, 113
Hasan, Z. 269
Hassan, M.K. 60, 276
Hedge Funds 213
Hellwig, M. 22
Henry VII 161
Hetter iskah 158
Hifazal-mal (wealth protection) 46, 47
Hinduism 157
Hire purchase 194
see also Leasing
Hijayal (legal fiction) 66, 96
Holmstrom, B. 113
Holy Scriptures 155, 156, 165
Home financing 196
see also Mortgages
Hoover, President Herbert 210
House of Representatives (US) 214
Huberman, G. 107, 124
Huff-Hannon, J. 208
Hybrid contracts 94

IFI (Islamic Financial Institutions) 71, 72, 107, 120, 130, 134

Ijara see Leasing
Ijma 84
Ijtiham 61
Incentive compatibility 22, 26, 28
India 272
Indonesia 235, 280
Information, role of 12, 14–19, 21–3, 26, 31, 32, 33, 37, 38, 72, 113
Innes, R. 23
Institute of Banking and Finance 131
Inter-bank investment 133
Interest rate 72
Conventional 291
Interest-on-interest 255
Intermediation 12, 43, 51, 72
Theories of 11, 15
International Currency Business Unit (ICBU) 136
International Financial Reporting Standards (IFRS) 251
International Labour Organization (ILO) 174
International Monetary Fund (IMF) x, 67, 129, 216
Investment banking 197
Investment Risk Reserve (IRR) 36, 38
Iqbal, M. 72, 98, 103
Iqbal, Zafar 67, 68
Iqbal, Zamir 38, 49
Iran 130, 182
Iskah (partnership) see Hetter Iskah 158
Islam 58, 155, 160, 162
Islamic banking 31, 55, 56, 57, 64, 65, 67, 72, 73, 86, 93, 129, 227, 273
Ideal systems 107, 108
Islamic Banking Scheme 227, 301
Theory and practice 56–8, 60–63
Three models 65–6, 268
Islamic Banking and Finance (IBF) 218–19, 283–4, 290, 298–9
Islamic Banking Guarantee Scheme, Malaysia 134
Islamic bonds (sukuk) 63, 168–78
Islamic capital markets 1, 135
Islamic ethics (Akhlalq) 43
Islamic finance system 55, 71, 75, 135
Islamic Financial Services Board (IFSB) 218
Islamic Fiqh Academy of Jeddah 93
Islamic Forex Forward 297

Mervyn K. Lewis, Mohamed Ariff and Shamsher Mohamad - 9781783476138
Downloaded from Elgar Online at 04/17/2019 11:50:40PM
via free access
Risk and regulation of Islamic banking

Islamic law (fiqh mualamat) 44
Islamic prime rate 130
Islamic principles 35, 71, 118, 119
Islamic profit rate swaps 287
Islamic regulatory bodies 176
Ismail, R. 142
Israel 208
Istisna 86
Janahi, A.L. 57
Jensen, M.C. 34, 113
Johnson, S. 209
Juvalah 93
Judaism 155, 156, 157, 160, 164
Justice-in-exchange 67
Kaleem, A. 6, 164
Kandel, S. 108, 124
Kearney, A.T. 307
Keefer, P. 114
Keynes, J.M. 110
Khan, M.A. 32
Khan, M.S. 30, 31
Khan, W.M. 30, 33–5, 60
Khiyar, K.A. 131
Kister, M.J. 116, 117
Klir, G.J. 117
Knack, S. 114
Knickbrocker Trust Company 209
Krasicka, O. 55
Kuran, Timur 165
Kuwait 130, 135, 310
Kwak, J. 209, 214
Laissez-faire capitalism 207
Laldin, M.A. 51
Leasing 61, 63
Financial and operating lease 89
Ijara (leasing) 62, 63, 87, 88
Lebanon 179
Legal schools (madhhab) 306
Letter of credit 200
Leveraged Buy Outs (LBOs) 123
Levine, D.P. 117
Levine, R. 228
Lewis, M.K. 6, 21, 32, 67, 158, 162, 164, 304, 307
LIBOR 62, 63, 64
Lieber, A.E. 110
Liquidity 71, 124, 139, 145, 243
Llewellyn, D.T. 37, 72
Loans portfolio 289
Lorenz, E. 114
Loss probability 80, 109, 246
Luxembourg 97
Magill, M. 121
Malaysia 93, 122, 125, 129, 135, 168, 185, 218, 232, 280, 310
Maqasid 44–6, 48–52
Mark-up financing 64–5, 68, 80–83, 94, 97, 142, 261, 263
Maysir 51, 57, 67
McKinnon, R.I. 228
McMillen, M.J.T. 63
Mecca 116
Meckling, W. 34, 113
Medinah 115
Meera, A.K. 254
Meysam, S. 170
Milbrath, L.W. 208
Mirakhor, A. 5, 30, 48, 93, 116, 117, 125
Money market 191
Monitoring 12, 13, 15, 18, 23, 25, 26, 27, 31–4, 36, 60, 114, 210, 214, 238, 243
Delegated 2, 3, 17, 19–22, 56
Moody’s 171
Moore, M.J. 216
Moral hazard 18, 20, 26
Mortgages 14, 49, 133, 164, 195, 206, 211–12, 256, 261–4, 274, 277, 287, 303
Mudarabah 11, 36, 59, 60, 61, 74–6, 160
Characteristics of 26, 27
Mudarib 59, 74, 75
Mujawada 160
Mullins, B. 208, 216
Murabaha 62, 81, 145, 188, 193
Murabaha contract 36, 59
Murphy, T.P. 208
Musa, M.Y. 113
Musharakah 34, 76, 142, 160
Musharaka contract 36, 59
Diminishing Musharaka 76–7
Muslim Community Co-operative Association (MCCA) 273, 276, 277–8
Muslim countries 129, 155, 218
<table>
<thead>
<tr>
<th>Index</th>
<th>319</th>
</tr>
</thead>
<tbody>
<tr>
<td>Muslim Pilgrims Savings Corporation (Malaysia) 132</td>
<td></td>
</tr>
<tr>
<td>Mutual fund 14, 29, 170, 304</td>
<td></td>
</tr>
<tr>
<td>Mutual fund banking 29</td>
<td></td>
</tr>
<tr>
<td>Nasir, A.H.M. 130</td>
<td></td>
</tr>
<tr>
<td>National Australia Bank (NAB) 274</td>
<td></td>
</tr>
<tr>
<td>Negotiable certificate of deposit 204</td>
<td></td>
</tr>
<tr>
<td>New South Wales Cooperatives Act 273</td>
<td></td>
</tr>
<tr>
<td>No Interest Loans Scheme (NILS) 274</td>
<td></td>
</tr>
<tr>
<td>Non-performing loans (NPL) 235–7, 240, 244</td>
<td></td>
</tr>
<tr>
<td>North Africa 61</td>
<td></td>
</tr>
<tr>
<td>Nowak, S. 55</td>
<td></td>
</tr>
<tr>
<td>Obiyathulla, I.B. 285, 286, 291</td>
<td></td>
</tr>
<tr>
<td>OIC Fiqh Academy 90</td>
<td></td>
</tr>
<tr>
<td>Old and New Testament 156, 163</td>
<td></td>
</tr>
<tr>
<td>Originate-to-distribute securitized model of intermediation 4, 13–14, 63, 206, 309</td>
<td></td>
</tr>
<tr>
<td>Over-the-counter contracts (OTC) 177, 298</td>
<td></td>
</tr>
<tr>
<td>Ownership structure 264</td>
<td></td>
</tr>
<tr>
<td>Pakistan 130, 135, 272</td>
<td></td>
</tr>
<tr>
<td>Parashar, S.P. 144</td>
<td></td>
</tr>
<tr>
<td>Partnership 79, 157</td>
<td></td>
</tr>
<tr>
<td>Patterson, S. 207, 208, 214</td>
<td></td>
</tr>
<tr>
<td>Pearson, D. 208</td>
<td></td>
</tr>
<tr>
<td>Philippines 99, 230, 231, 234</td>
<td></td>
</tr>
<tr>
<td>Pollard, J. 130</td>
<td></td>
</tr>
<tr>
<td>Pope Alexander III 161</td>
<td></td>
</tr>
<tr>
<td>Portfolio transactions 14, 243</td>
<td></td>
</tr>
<tr>
<td>Price-to-earnings (P/E) ratio 309</td>
<td></td>
</tr>
<tr>
<td>Principal–agent theory 23, 28, 37</td>
<td></td>
</tr>
<tr>
<td>Principle of Ease 99</td>
<td></td>
</tr>
<tr>
<td>Product development 73–4, 186–205, 302, 303</td>
<td></td>
</tr>
<tr>
<td>Profit-and-loss-sharing (PLS) 28–30, 33, 56, 57, 60, 67, 107, 245, 280</td>
<td></td>
</tr>
<tr>
<td>Profit equalization 76, 248</td>
<td></td>
</tr>
<tr>
<td>Prohibitions 57, 101–2, 156</td>
<td></td>
</tr>
<tr>
<td>Property-related transactions 244</td>
<td></td>
</tr>
<tr>
<td>Property rights 111</td>
<td></td>
</tr>
<tr>
<td>Prophet Muhammad 6, 56, 57, 164, 304, 307</td>
<td></td>
</tr>
<tr>
<td>Pujo Committee, 1912 209</td>
<td></td>
</tr>
<tr>
<td>Qard hasan 60, 120, 164, 189</td>
<td></td>
</tr>
<tr>
<td>Qiyas 99</td>
<td></td>
</tr>
<tr>
<td>Quinzii, M. 121</td>
<td></td>
</tr>
<tr>
<td>Rabb al-mal 59, 74, 75</td>
<td></td>
</tr>
<tr>
<td>RAM Ratings 168, 240, 250</td>
<td></td>
</tr>
<tr>
<td>Rauf, A. 45</td>
<td></td>
</tr>
<tr>
<td>Raviv, A. 23, 60</td>
<td></td>
</tr>
<tr>
<td>Rayner, S.E. 113</td>
<td></td>
</tr>
<tr>
<td>Regulatory standards 214, 301, 306</td>
<td></td>
</tr>
<tr>
<td>Reithmuller, A. 276</td>
<td></td>
</tr>
<tr>
<td>Religion and finance 57, 155–7, 163</td>
<td></td>
</tr>
<tr>
<td>Residual value 62</td>
<td></td>
</tr>
<tr>
<td>Resnicoff, S.H. 157</td>
<td></td>
</tr>
<tr>
<td>Return on assets (ROA) 71, 309</td>
<td></td>
</tr>
<tr>
<td>Return on equity (ROE) 71, 309</td>
<td></td>
</tr>
<tr>
<td>Ribah 33, 51, 55, 109, 112, 123, 161, 254</td>
<td></td>
</tr>
<tr>
<td>Richlbaum, A. 208</td>
<td></td>
</tr>
<tr>
<td>Risk 109, 117, 227, 289</td>
<td></td>
</tr>
<tr>
<td>Risk management 253, 284–6</td>
<td></td>
</tr>
<tr>
<td>Risk sharing 33, 107, 118, 122, 284</td>
<td></td>
</tr>
<tr>
<td>Risk-weighted capital 238</td>
<td></td>
</tr>
<tr>
<td>Russia 99, 179, 182</td>
<td></td>
</tr>
<tr>
<td>Sale of debt 92</td>
<td></td>
</tr>
<tr>
<td>Samers, M. 130</td>
<td></td>
</tr>
<tr>
<td>Sandhu, S.K. 130</td>
<td></td>
</tr>
<tr>
<td>Savings account 190</td>
<td></td>
</tr>
<tr>
<td>Scholes, M. 212</td>
<td></td>
</tr>
<tr>
<td>Securities Exchange Commission (SEC) 4, 135, 172, 212</td>
<td></td>
</tr>
</tbody>
</table>
| Shadow banking see Originate-to-distribute securitized model of
intermediation                                              |     |
| Shari’ah 43, 44, 47, 57, 71                                          |     |
| Shari’ah compatibility 65, 97–103, 107                                |     |
| Shari’ah compliance 241, 303                                         |     |
| Shari’ah scholars 35, 107                                            |     |
| Shari’ah Islamic Advisory Council (Malaysia) 134                     |     |
| Shaw, E.S. 228                                                       |     |
| Sheng, A. 114, 115, 121                                              |     |
| Siddiqi, M.N. 44, 107                                                |     |
| Singapore 235                                                        |     |
| Skim Perbankan Islam 133                                             |     |
| Skully, M.T. 219                                                     |     |
| Smithson, M. 117                                                     |     |
Risk and regulation of Islamic banking

Societas see Commenda
Sorkin, A.R. 214
Soros, George 213
South Asia 62
South Korea 231
Spain 216
Special Purpose Vehicle (SPV) 64, 207
Standard & Poor’s (S&P) 6
Stiglitz, J.E. 17, 34, 37
Stock markets 121, 124
Stubing, D. 239
Sub-prime 176, 206, 284
Sub-Saharan Africa 61
Sudan 141, 183
Suftaja (bill of exchange) 162
Sukuk 61, 62, 71, 94, 149, 168
Sukuk debt 304
Swap, sukuk portfolio 289
Synthetic vs genuine transactions 94

Tabong Haji 132
see also Muslim Pilgrims Savings Corporation
Tag El-Din 62
Taiwan 232
Takaful Act (Malaysia) 136
Talmud see Judaism
Tangible assets 244
Tawarruq 64, 65, 68, 71, 91, 98, 145
Technical bubble 211
Term financing 198
Thailand 231
Torah 6, 164
Treasury bill 30
Trott, S.H. 208
Trust security 201
Tuckett, D. 214
Turkey 179

UAE 179, 185, 310
Udovitch, A.L. 110, 158, 162, 163
Ul-Haque 35, 36
Uncertainty 109, 116, 117
see also Gharar
UNESCO 280
United States 176, 207, 213, 218
Uslaner, E.M. 114
Usmani, T. 92, 93, 267
Utrero-Gonzalez, N. 131
Valuation 5, 171
Variable return scheme (VRS) 34, 35
Volatility 214
Wa’ad-based systems 283, 297
Wadia 145
Wakalah (agency) 90
Wall Street 209, 213
Waqf 304, 310
Warde, I. 62
Wealth management 303, 304
Weiss, A. 17
Weiss, W.M. 118
Westpac Bank 275
Wilcox test 286
Williams, J.R. 170
Williamson, S.D. 22, 25
Winton, A. 60
Wittwer, J. 255
World Bank 137, 232
World debt crisis 32
Yatim, M.M.N. 130
Yeah Kim Leng 6
Zak, P. 114
Zakah 47, 112, 120, 165
Zaman, M.R. 6, 208, 212, 217
Zubair Diminishing Balance Method (ZDBM) 254, 269