

Preface

My intention in writing this book has been to act as an impartial observer, analysing the products and practices of Islamic finance against the background of the belief system and the worldview underlying it and paying attention to the inevitable tensions that arise between the ideals and the practices.

The third edition of this book again has changed considerably as new developments had to be taken into account. Also, some parts have been substantially rewritten in order to improve the presentation and provide a more insightful description and analysis of a subject. In Chapter 3 the discussion of the dos and don'ts in Islam has been placed against the background of the *maqasid al-sharia*, the objectives of the sharia, and the objections to Islamic finance from Muslim critics is now followed by a survey of their preferred alternatives (Section 3.8). Following the publication of templates and master agreements for derivatives by the International Islamic Financial Market, the use of one-sided promises, *wa'ds*, in Chapter 4 is explained in much more detail (Section 4.4.6). An institution that has been central to Islamic societies for many centuries, the charitable foundation or *waqf*, is being rejuvenated and gets proper attention in Chapter 6 (Section 6.5). Other new developments are also reviewed. Chapter 7 contains a separate section on banking supervision with much that is new, for instance on the resolution of failed banks and on the questions arising when implementing Basel III norms. The final chapter confronts the results of Islamic finance with the claims made for it and speculates about its future.

The romanization of Arabic words is perhaps not entirely consistent and in general diacritical marks have been left out, for the sake of simplicity. Though I am not a Muslim, I have written the Prophet with a capital P. This will make it clear that Muhammad is meant, and it conforms to the practice in much of the Islamic finance literature. Furthermore, even if I am at times quite critical of some manifestations of Islam, I do not want to create the impression that I am disrespectful. And after all, most fields of academic inquiry develop their own linguistic peculiarities.