ISLAMIC BANKING & FINANCE IN SOUTH-EAST ASIA

Its Development & Future

2nd Edition

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ISLAMIC BANKING & FINANCE IN SOUTH-EAST ASIA

Its Development & Future

2nd
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Angelo M Venardos

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This book is dedicated to Mona, without whose support this book would not have been possible and who continues to remind me of the virtues of humility, persistence and patience.

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Contents

Foreword	xiii
Preface to 2nd Edition	xv
Acknowledgements	xvii
Introduction	1
Chapter 1 Islamic History	10
1.1 The Quran	10
1.2 The Five Principles of Islam	11
1.3 The Mosque	12
1.4 Muhammad and the Origins of Islam	12
1.5 The Spread of Islam	14
1.6 The Golden Age of Islam	15
1.7 Decline and Fall	17
1.8 A Revival of Fortunes	18
1.9 Middle-Eastern Oil	20
1.10 Islamic Nationhood in the Late Twentieth Century	20
1.11 The Iranian Revolution and After	22
1.12 Islamic Banking and Islamic Revival	24

Chapter 2 Shari'ah Law and Islamic Jurisprudence	26
2.1 From the Obligatory to the Forbidden	27
2.2 The Quran, the <i>Sunnah</i> and the <i>Hadith</i>	27
2.3 The Five Major Schools of Islamic Law	28
2.4 Classical Islamic Jurisprudence and the Processes for Ascertaining the Law	31
2.5 The Concept of <i>Fatwah</i>	33
2.6 From Revelation to Codification: Scholasticism and the Formulation of Doctrine	35
2.7 Closing of the Door of <i>Ijtihad</i>	36
2.8 Shari'ah and State Law in the Modern Era	37
 Chapter 3 Islamic Commercial Law	 40
3.1 Islamic vs. Non-Islamic Commercial Transactions . .	41
3.2 Principal Requirements of the Shari'ah in Relation to Commercial Activities	42
3.3 Islam: the Difference between Equity and Debt	44
3.4 Rationale of the Prohibition of Interest	45
3.5 Conventional Banking and the Prohibition of <i>Riba</i> in Islam	47
3.6 Treatment of Deposits with Interest	48
3.7 Profit and Loss Sharing	48
3.8 Profit-Sharing Enterprises	49
3.9 Islamic Contract Law	50
3.10 Types of Contract in Shari'ah	51
3.11 Islamic Financing in a Contemporary Setting	53
3.12 The Problem of Uncertainty (<i>gharar</i>)	54
3.13 Summary	55
 Chapter 4 Islamic Financial Products	 59
4.1 The Emergence of Islamic Banking	60
4.2 Different Paths, Same Goal	63

4.3	What Investment Products are Permissible under Islamic Shari'ah Law	65
4.4	Shari'ah Investment Principles	66
4.5	Equity-Financing and Debt-Financing in Pre-Islamic Arab Society	68
4.6	Islamic Equity-Financing and Debt-Financing	70
4.7	Equity Securities: Profit-Sharing Contracts	71
4.8	Debt-Financing Contracts	73
4.9	Debt Securities	78
4.10	Shari'ah Qualifications in Leasing	79
4.11	Other Risk-Taking Products	80
4.12	Islamic Insurance	81
4.13	<i>Takaful</i> Insurance in a Contemporary Context	82
4.14	<i>Takaful</i> Compared with Conventional Insurance	83
4.15	Summary	84
Chapter 5 Issues and Challenges of Islamic Banking Today		87
5.1	Obstacles to the Application of Islamic Law to Present Day Banking	88
5.2	Derivation from Revealed Sources	89
5.3	Methodological Differences	90
5.4	Pluralism of <i>Fatwahs</i>	93
5.5	The Problem of Applying Islamic Law in a Western Legal Environment	94
5.6	Accounting and Corporate Regulatory Practices	95
5.7	Depositors and Regulators	98
5.8	Regulators' Concerns	100
5.9	Legal Challenges	104
5.10	Developing an Efficient Regulatory Framework	104
5.11	Special Requirements of Islamic Banking	106
5.12	Assessment and Management of Investment Risks	108
5.13	Proposals for a Regulatory Framework for Islamic Banking	110
5.14	Conclusion	111

Chapter 6 Islam in South-east Asia	115
6.1 The Coming of Islam to South-east Asia	115
6.2 European Rivalries and Colonisation	117
6.3 The Road to Independence	119
6.4 Post-Independence: A New World Order	120
6.5 The Philippines	121
6.6 Indonesia	123
6.7 Malaysia	124
6.8 Brunei	127
6.9 Islam in South-east Asia Today	128
 Chapter 7 Colonial Legacies: Islam and State Law in South-east Asia	 130
7.1 Shari'ah vs. State Law	131
7.2 British Malaya	132
7.3 The Introduction of English Common Law to Malaya	134
7.4 Out of India	135
7.5 Muslim Law in Malaysia	137
7.6 Conflict between Muslim Law and English Common Law	138
7.7 Maria Hertogh: A Case in Point	140
7.8 Post-Independence	142
 Chapter 8 Islamic Banking in Malaysia	 144
8.1 Origins of Islamic Banking in Malaysia	145
8.2 Bank Negara Guidelines on Islamic Banking	147
8.3 The Shari'ah Supervisory Council	148
8.4 Making Islamic Banking Compatible with Conventional Banking	149
8.5 Some Observations on the Malaysian Legal Framework	150

8.6	Islamic Financial Products in Malaysia: The Concept of an Islamic Window	151
8.7	The Malaysian Government Investment Certificate . .	152
8.8	Debt Securities	153
8.9	Islamic Accepted Bills	155
8.10	<i>Takaful</i> Insurance in Malaysia	155
8.11	Conclusion	157

Chapter 9 Islamic Banking in Indonesia 161

9.1	Islam and Government in Indonesia	162
9.2	Traditional Islamic Financial Institutions in Indonesia	165
9.3	Introduction of Measures to Permit Islamic Banking in Indonesia	166
9.4	Contemporary Indonesian Islamic Financial Institutions	166
9.5	The Introduction of Standard Accounting Procedures	168
9.6	Forms of Lending and Borrowing in Indonesia	169
	9.6.1 Lending Forms	169
	9.6.2 Profit-Sharing Forms	170
	9.6.3 Borrowing Forms	171
9.7	Conclusion	172

Chapter 10 Labuan: A Niche in the Islamic Money Market 175

10.1	Role of Labuan Financial Services Authority	176
10.2	Labuan Offshore Companies	177
10.3	Currency and Exchange Control	177
10.4	Tax Incentives	177
10.5	Labuan International Financial Exchange	178
10.6	Moving Forward with Islamic Banking	179
10.7	Conclusion	180

Chapter 11 Islamic Banking in Brunei	182
11.1 Introduction	182
11.2 Brunei International Financial Corporation (BIFC) . .	184
11.3 The Exclusion of Money Laundering a First Priority .	185
11.4 Parallel Jurisdictions	185
11.5 Islamic Banking in Brunei	186
11.6 <i>Takaful</i> in Brunei	189
11.7 Latest Developments	189
11.8 Conclusion	192
Chapter 12 Banking in Singapore	194
12.1 Introduction	194
12.2 Legal Framework — Legislation Enacted by the Parliament of Singapore	198
12.3 English Common Law and Statutes	199
12.4 Singapore — An Alternative to Switzerland	200
12.5 Singapore — Financial System Stability Assessment .	201
12.6 Singapore's Role as a Financial Centre	202
12.7 Islamic Banking in Singapore	203
12.8 Conclusion	209
Chapter 13 Conclusion	210
13.1 Introduction	210
13.2 Conversion Project Plan	212
13.3 Moral Hazard and the Risk of Fraud	213
13.4 The Problem of Delays in Payment and Insolvency . .	214
13.5 Problems with Futures Contracts	215
13.6 Moving Forward	216
13.7 Conclusion	218
Glossary	221
Bibliography	226
Index	236

Foreword

The title *Islamic Banking and Finance in South-east Asia* modestly understates the achievements of this scholarly yet reader-friendly work. In fact the author, himself a non-Muslim, examines Islamic History, Jurisprudence, Commercial Law, Financing, Issues and Challenges of Sharia'ah Jurisprudence, the challenges to Accounting and Regulatory methodologies and the Impact of English-based Law on Islamic financial beliefs and practices. Yet he achieves immensely more that is both timely and invaluable.

Being a Muslim myself, I have long welcomed for such work, particularly issues touching on Muslim community's sensitivity in business and finance for it to be shared with the rest of the world. We believe that Islam is a religion which is complete in every aspect of life, both in present and hereafter. Since over one thousand and four hundred years, Islam has laid the foundation for a global system of financial administration which encompasses all economic aspects.

Discussions relating to Islamic finance invariably draw comparisons between "Islamic" and "conventional" financial practices. There is a comfortable sound to "conventional" and a slight pejorative ring to "unconventional". Yet the OED defines "conventional" as "... accepting social conventions; in accordance with accepted (artificial) standards or models; orthodox; lacking originality, spontaneity or realism..." and "unconventional" as "... diverging from accepted standards or models...". This can be expressed more simply, it has become "conventional" to be greedy. What if we could

eradicate greed? How much stupidity and criminality could be forestalled? How much further would we progress towards good governance? How much better off would we all be? And isn't it interesting that for centuries English-based law has needed access to the law of equity to correct the wrongs otherwise wrought by the common law?

Islamic financial methodologies spring from an aversion from greed, and embrace concepts of sharing both profit and loss, of mutual support, the restriction of risk and of reasonable reward. And because no Muslim should be penalized for his or her way of life and beliefs, there is a need for Islamic solutions that are competitive with (acceptable) "conventional" products. The author very readably does a fine job of leading us to a better understanding of Islamic thought that treasures what might be cynically dismissed by the uninitiated as "the old standards". Dr. Venardos has worked hard and has produced a gem.

Mr. Khairul A. Khairuddin, LL B(Hons)
Director of HMR Trust Ltd, a licensed trust
company in Brunei Darussalam
Brunei, June 2004

Preface to 2nd Edition

This second edition contains updates of statistics and dates in regards to the development of Islamic Banking in Malaysia, Labuan, Singapore, Indonesia and Brunei.

The chapter on Singapore details significant developments such as the direction which major banks are taking towards Islamic Banking and the increase in Islamic Banking products offered in Singapore.

This book serves as an overview of the development of Islamic Banking in South-east Asia specifically and is not meant to be a practitioner's guide to the aspects of Islamic Banking per se. It offers a more accessible and less exhaustive alternative to other more philosophical and technical books on Islamic banking.

I am pleased that the rights of this book have been sold to be translated into Arabic by the leading Islamic university King Saud in the Middle East.

Angelo M Venardos

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Acknowledgements

The genesis of this book commenced with my attendance, as a banker from the conventional system, at the first International Islamic Finance Forum held in Dubai in March 2002. This then led to a research paper as part of a doctoral degree programme at Bond University Law School, Australia, out of which the present study has grown.

My thanks and sincere appreciation goes to Mr Robert Miller, Head of the Brunei International Financial Centre for his encouragement to write this book; to Ms Geraldine Pang, my assistant, who did much of the research; and to Ms Juliet Lee Ley Chin, my editor at World Scientific Publishing, who has worked tirelessly with me to produce this book.

Every effort has been made to cite and acknowledge all sources of reference materials used. Omissions, if any, are unintentional and the author apologises in advance should this be found to be the case.

The royalties from the sale of this book are to go to religious and educational bodies for the betterment of Muslim/Christian understanding.

Angelo M. Venardos