

WE HAVE BECOME ECONOMIC SLAVES

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INFINITY ENGLISH PODCASTS 1290

You were a martian arriving on planet Earth you saw how the banks functioned you would probably conclude that there's a sort of fraud taking place here I will need all these people to build the next phase of the Islamic Finance Revolution what other Alternatives do we have as Muslims to normal banking options there is a an ideal Islamic economic model it's not sinful to be rich it's not sinful to generate profit I also often get asked by young people you know should I work in financial services the Islamic

Economy is one that is focused on tangibility every civilization that's had a gold standard has experienced these

moments of great scientific and cultural advancement it's a powerful drug for governments to keep financing a Perpetual state of infinite war and environmental pollution by simply printing more money we've become economic slaves that's why I think we need to act as a block economically for conscientious Muslims managing one's money in the

West can be a very difficult Prospect Islam has a series of rules to do with money the prohibition of ribba of interest is one key principle but also there are rules on trade that often place it at odds with a more laissez faire neoliberal model Muslims feel a sense

of unease when we place our money in Banks or engage in investment opportunities that may contravene these Islamic precept steps now as our community expands and as our financial resources increase we need greater

Guidance and today we have our guest back on the show haris Aran Harris Aran is uh currently the CEO of cord Capital markets he has 29 years of investment banking and Consulting experience he was the former co-founder of deutser bank's World leading Islamic Finance team and CEO of deutsche's Islamic Finance subsidiary he is the former Global head of Islamic Finance at

Barclays then head of investment banking for the Russia group he's also the offer of Heaven's Bankers inside the Hidden World of Islamic Finance the critically acclaimed bestseller about the Islamic Finance industry haris Sanam alayum and welcome back to the thinky muslimah happy to be back great to be back well it's fantastic to have you with us um actually I want to start with um your experience from our last show because that show really did uh you know hit off and I remember on the weekend I was at a conference and a guy approached me and said oh you're the guy who who interviewed haris San he

Didn't know my name he knew your name um I mean what's been the response since that last conversation been absolutely Blown Away um very surprised at the level of interest in this particular subject which tells me that it's not a niche subject it's one that has direct relevance to all of our lives so it doesn't matter what what profession we are whether we are doctors nurses Engineers teachers yeah you know economics and finance is a subject that impacts every one of us not Only our daily lives but the world around us and it's really really important that we understand it I think when I was a student I didn't understand it I didn't give it any

importance and it's only in later life that I realized how important it is for us to understand the subject of Economics um I think one thing that appealed to people when we spoke last time was this idea that they felt intuitively something was wrong yeah they couldn't quite put their finger on what was wrong they knew there's something

Wrong with the global economy and they also being Muslim felt that there was something wrong with Islamic Finance or specifically Islamic banking that's something that we talked about in deta I think that's why they connected with that CU finally they felt that okay we're starting to

articulate what is wrong with this subject and I'm starting to my feelings about this are are structured now and we can take the conversation a little forward yeah I think that's Very true in fact on the last program you talked about the problem with banks and the way Banks function um now of course today's conversation is about how do we look after our money in the west like where do we invest that money if we've got a surplus amount and how do we save our money uh I suppose a natural place to save our money would be these Banks but of course we're worried about uh touching River because of the prohibition that come

in the Quran Andi about R
And very very harsh prohibitions and
harsh punishments towards those who
who maintain ribber uh River
practices but also last week you talked
about the fra last last session you
talked about the fractional Reserve
Banking and uh that in many ways
makes us question these banks in an
even deeper way so what other
Alternatives do we have as Muslims
to normal banking options yeah
maybe it's helpful to do a quick 30
second recap of what we mean by
fractional Reserve banking because
It's a term that's often used and very
understood I I felt that there was some
some misunderstanding and

misconceptions in the comments under the youtube U the last podcast that we did yeah um first of all very importantly it isn't necessarily what you read in the textbooks a lot of economic textbooks are just plain wrong on this subject fractional Reserve banking um so they talk about things like money multiplier effect and on this has been widely debunked um you know similarly um Some people say well Banks use the deposits that you put in there as a customer to lend out that isn't true either those are just reserves fractional Reserve banking is the creation of money from nothing so whenever a bank takes in a dollar in deposit it has

the ability to lend out \$10 in the form of a new credit financing when it lends money to people so it's created \$9 of new money in the process where has this money come from literally from nothing it's Alchemy It's Magic um so you know if you were a Martian arriving on planet Earth you saw how the banks functioned you would probably conclude that there's a sort of fraud taking place here and it is but it's a legal fraud yeah you're they're allowed to do this so that's what fractional Reserve banking is um the question is what are the Alternatives we talked about fintex last time Financial technology and we mentioned some of the conventional

fintex it's like revolute and monzo and Starling Bank yeah you open an app on your phone and you

Can do your Banking and other transactions and the Islamic Finance Community is starting to uh set up new companies Islamic finex that do specific things let me highlight a couple of those please um one that I like very much and I support very much is fer PF yeah uh fer are a home financing company these fintechs exist to satisfy a specific need and the need that they satisfy is financing the purchase of your house mortgages mortgages and they do a Debt-free home financing okay it's done on the basis of a participation

which i'll talk about in detail later
yeah that's one example of a really
good Islamic Finch that's addressing a
specific need that Muslims can get
their financial services uh I have set
up a company with my co-founder
called Cod Capital Market CCM and
this is a a company that finances
working capital and trade Finance
yeah in international businesses and it
does so also on a participatory model
um there are aggregators

Like Islamic man as Guru and an
aggregator is a bit like a website that
uh you know brings together a bunch
of products Financial investment
products has them on a menu you
select what you want yes and you

know that's that's a way of accessing a wider range of investment products so these are examples of relatively early stage companies that are addressing specific specific needs for Muslims who want nonbank Financial intermediaries and at the moment we haven't really cracked the Commercially cracked the idea of a deposit taking institution that is viable and profitable and accepted by the Muslim Community right you mentioned the word participatory a participatory model do you want to just explain what you mean by that yeah a a bank has a relationship with a borrower that is asymmetric the bank is is the lender the borrower is

the borrower and their asymmetric relationship exists because the bank has the power and sets the Covenant and

Decides how the loan will be paid and what collateral in securi is in place right when you finance an individual or a business using participatory

Finance you're saying I as the financier will give you some money and I will take a participation in the profits or losses of your business venture and I'll Analyze That Venture better than a banker would cuz I'm I've got skin in the game now right uh it's not a case of you have to pay me whatever happens come hell or high water and if you don't have the shirt

off your
back so participation is about aligning
the interests of the two parties as
partners yeah in a venture right and
and that Accords more with an
Islamic model of Finance correct right
okay so uh on in the last show uh we
had a very long discussion about how
the Islamic banking or Islamic
Finance industry does not necessarily
Accord with the overriding spirit or
aims of Islam but technically some of
these contracts or some of these um
uh you know uh ways of of either
borrowing money or saving
money uh they may be islamically
acceptable because they do follow
some form of letter of the law uh for

the ordinary person uh why should we care about the meta your meta analysis why not just we've got we've got busy Lives why to just worry about whether the specific um uh you know negotiation Accords with uh the precepts of Islam in a sense I tend to agree with what you said we've got to be pragmatic we've got to live in the real world and if a scholar has taken the very significant responsibility of deeming the financial transaction to be fully compliant with Sharia yeah then it's acceptable for us to accept that if that scholar is appropriately qualified yeah and I know many of the scholars and they are excellently qualified right

and they're also excellent human beings yes so in a sense you could say yeah why over complicate why not just accept that Islamic Banks exist and we need to use their services I did use the term oxymoron

last time meaning that we call this thing Islamic banking on the one hand it's fractional Reserve banking in other words it creates money from nothing and on the other hand it's Islamic because we overlay these Halal contracts on top of it yeah and we thereby deem an Islamic Bank to be a Halal financing institution yeah you can take that at face value you can say it is a Halal financing institution but you might want to

Deep dive as well because if we deep dive we uncover a lot of issues that we need to resolve in the global economic ecosystem and within the Islamic economic model there is a an ideal Islamic economic model it's not one that is being realized by what we're doing in the current Islamic Finance industry yeah so this if you like is our form of jihad it's our form of striving we're striving to create a better economic system for for Humanity and Muslims both and I think if we just rest on The Laurels that the Islamic Finance industry rests on and say great job P ourselves on the back we've done x% more business this

year and we'll carry on doing exactly the same thing you don't really move the game on you don't really move towards an idealized version of the Islamic economic model which I believe is an excellent one yeah I mean how much can we uh separate uh this Islamic uh economic model from uh Islamic State Islamic governance um you know some would argue that you know Islam comes as a package and if you really want this idealized version you need to have a caliphate you need to have a some form of governance structure which uh goes which moves beyond our current nation state models um can

you have an Islamic model of Finance or economics without Islamic governance yes you can you don't even need to call it Islamic right it's just ethical really in fact we've already demonstrated in the UK that English law is very compatible with Sharia as far as Financial transactions are concerned in fact much of English law some of English law derives from Sharia itself the trust law for example in English law is derived from the W and its developments in the Islamic world yeah uh if you look at the statutes of endowment of Merton College Oxford yes which is one of the oldest colleges in Oxford University yeah it's pretty much a

word for word translation of statutes
of oaf of foundations of endowments
that existed in places like Jerusalem
and Cordo and Bagdad at the time in
1264 wow why was
that because the founder of M College
Oxford was the head of the Knights
Templar and it would have been in
Jerusalem at that time and essentially
copied that trust law into English law
so a lot of what is in English law is
fully compatible with Islamic finance
a lot of Islamic Finance cases are
heard in English courts really that's
how much we uh you know how
much um we consider uh English law
to be compatible can we still move to
a better model yes there are some

challenges tax

is one of those challenges uh in most of the world debt is favored more is preferred over Equity because it has tax advantages if you remove that tax advantage or equalize that tax advantage yeah then you no longer need to rely on debt you can have participatory Finance which is not necessarily a form of debt yeah so we can move towards that model we don't need to call it Islamic I don't call my company Islamic I don't put Halal labels on it I don't use Arabic words it's just an ethical form of financing that is participatory my first and my biggest client is in fact a business that you

know has no relationship with Islamic Finance the owners are are not Muslims you know they are interested in doing good ethical business and they found a financial uh instrument that helped them to finance their business business so we we don't even need to use these terms these labels yeah this is just a good way of uh running a financial and monetary system and there is the idealized model and we can move towards it and it won't be incompatible with what we already have let me ask you about the spiritual element of of Islamic Finance um like how does Islam ask us to handle our money for the pleasure of Allah yeah

it's not sinful to be rich it's not sinful to generate profit but how we acquire that wealth and how we spend that wealth will determine what Baraka there is in that well you know that's very these are very controversial statements because there are some Muslims who believe that wealth intrinsically uh is an evil thing I mean you you're saying it's just not evil some of the sahaba were rich people yeah they contributed to the community they set up foundations they were people who allowed for the velocity of money through the economy money circulated between hands buying and selling goods and services to create a healthy prosperous

Society at all levels yeah why is profit
a bad thing there's nothing
intrinsically show me show me where
in

classical Scriptures it says that money
that being rich by it in and of itself is
a bad thing it doesn't how you use that
wealth how you acquire that wealth is
the most important thing right and if
we're doing it to level up our
communities if we're doing it to
spread the money money velocity
throughout Society then that's a good
thing I want to ask you about the
Islamic concept of risk the idea about
how sustenance comes from Allah
subhana wa ta'ala how does how does
risk as an idea interact with um how

we engage in
the real economy um like how does it
impact on how we save and earn and
how we spend our risk is already
written it's already pre-ordained
whether we're going to be rich or poor
so again how we earn our income will
determine how much Baraka there is
in our risk yes and something that I've
often found and just reiterating the
spirit of Islam in this you know verse
275 of Al Bak is they consider uh you
know ribba to be like trade but Allah
has forbidden riba and permitted trade
yes and
we forget this and we normalize River
I am reminded of the acquisition of
Asda the supermarket group yes and

this by a couple of Muslim Brothers
in Blackburn I believe yes and that
business has almost 4 billion pounds
of riar based debt on its balance sheet
river is a cancer you know it's um it
infects everything it touches and
people who forear ribba and remove it
from their businesses and from their
lives lead have happier lives lives that
are more blessed have more Baraka
they
sleep better at night they have better
relationships with the people around
them I found this it's a fact I see it in
people who have stopped in indulging
in leveraging their businesses with
interest bearing debt yes you know
this that they have purified their risk

they've made it Halal and that there's manifest Baraka in what they're doing now and the the lives that they're living yes so you know this I also often get asked by young people you know should I work in financial services I'm worried about my risk you know I can you help me navigate through these different parts of banking what's what's good what's not so good yeah um and what I say to them is keep your eyes on the prize because if we don't have people who are capable of understanding the modern sophisticated Financial Services industry yeah at the calace you can't study this in an i Tower you can't study this as an academic you

have to be in there to know how it works hence why people say oh that's not how fractional Reserve banking works this is how it works because my textbook told me in my economics class yeah and I say well you know I've actually been in these institutions for 30 years this is actually how it works if we want to progress our Islamic economic model we need to know how the current model actually works on the ground now one needs to treat it as a means to an end and not the end itself yeah so many people I've known in the industry Muslims have at one point early on in their career thought I'm not very

comfortable with this is there a way that I can do this and still be Halal but they carry on doing what they're doing and 20 30 40 years down their line as they're approaching retirement they suddenly realize oh I've got my nice house and I got my nice cars my kids went to private school and I achieved all of that but I forgot I took my eyes off the prize I forgot why I was doing this in the first place so what I always say to young people is if you want your risk to have Baraka keep your eyes on the prize make sure that you know the reasons why you are getting these skills and experiences and then do something better take those skills

away do something better afterwards
um I mean of course you want these
young people to eventually apply their
trade apply their expertise to you
know your model to a a truly Islamic
Finance model an Islamic economic
model um uh other opportunities at
this stage for these young people to to
work on such models I think if young
people go straight into a startup which
purports to be Islamic yeah and works
on some Islamic Finance product they
may struggle to find those skills and
experiences they really need right so
they need to be an industry first to
fight toet to Toe with the best right if
you want to fight the best you have to
understand the best and that means for

a while embedding yourself within
those blue chip brand name
institutions getting the best experience
that you can this is what I say to
young
people after the lectures I deliver I say
go away get your two to five years at
you know Clifford chance and
Deutsche Bank and all these top
institutions then come to me with
your skills and experience it doesn't
matter if you are a lawyer a coder a
marketing specialist a financial
engineer yeah I will need all these
people to build the next phase of the
Islamic Finance Revolution so come
to me in 2 to 5 years years time with
the top Blue Chip experience because

I'm going to need those specific skills and experiences in order to create the best of its type in this industry but are aren't you afraid I we live in a neoliberal world that many of these young people just get lost in that system and they will be the product you just you you suggest you don't want them to turn into those people who in 30 40 years time have look back and and realize that it was all about self and not about community and about how do we prevent that uh it's a very um yeah it's very precarious sometimes for younger people in this world

you know it comes down to personal motivation personal determination

those people who discipline the NS
who have subber who train
themselves Ramadan is a month of
training for them not just not eating
they discipline their their ego those
are the sort of people who will
maintain that focus on the end goal
yeah and the ones who don't
discipline themselves who don't who
have high time preference not low
time preference right who don't save
and invest for the future
who don't sacrifice today for better
tomorrow those are the ones who end
up 40 years later saying H yeah I
remember I once had this dream and I
never really realized it yeah so it will
come down to the individual yeah

that's that's a very good point and these are people you need right these these individuals who are committed and and think about broader the broader aspects um in our last discussion you drew a a dichotomy between the real economy and the I suppose the financialized economy the non-real economy if that's even the right term um I I don't think I I asked you enough about you asked you to explain that in in Greater detail what do you mean by the real economy and how does that differ to the other economy it sounds like a little bit of a silly answer but the really economy is anything that is not the financial

economy yeah but let me explain that
yeah the financial economy is all
Financial Services uh and it is
characterized by this concept of what
we call
financialization which is something
that took place effectively started in
the 1950s but really accelerated from
the 1980s onwards yeah and this is the
proliferation of debt and financial
services intangibility in the global
economy so if the financial sector is
insurance companies Banks fund
managers and so on yeah then the real
economy is everything other than the
financial sector so it's everything
that's not to do with financialization
yeah so it's the factory that produces

widgets it's the barber shop on the High Street it's every business in the world that is not engaged in financial services right and the real economy is one that produces real goods and services um one thing that I find interesting about financial economy is the degree to which it has become intangible yeah so we're shuffling pieces of paper around that have some vague connection to a real economy trade somewhere in the world an actual activity that's taking place and these pieces of P paper become increasingly divorced from that underlying asset or trade and hence you see the proliferation of derivative

type contracts the Islamic economy is one that is focused on tangibility right every financial transaction has a onetoone correlation with an actual trade or goods or services taking place right there's always this oneto one there should always be a onetoone relationship between the two that's not the case at the moment in the Islamic Finance industry but the idealized model says

the Islamic economic model is is one that is based on prophetic trade so if you think about what do we mean by prophetic trade trade mhm imagine the Caravans leaving the city walls yeah carrying their spices and textiles trading bringing them back within the

city walls uh trading in the marketplace and then sharing their profits with their investors yes that's an example of prophetic economics and that's the Islamic economic model that we need to try and Implement within

the Islamic Finance industry so we currently have this sort of almost Master Slave relationship the banks and the financial sector are the master and we the people who service our loans our student loans for example every one of us will be burdened with this it's a a tax that we pay down over our lifetimes we've become economic economic slaves yeah and we have an asymmetric relationship with the

people who lent us that money the banks that is not a relationship that exists in the ideal Islamic economic model the relationship that exists in that model is real economy and risk sharing where we participate and align ourselves with each other's success so you've said at the end that the Islamic economic model is one where uh there is an engagement with the real economy and there's risk sharing so let's talk about risk sharing what explain that to me please I think Allah wants us to strive he wants us to be of benefit to humanity yeah and that's a form of worship actually I think striving in your business to be a benefit to your community to

your family to your neighbors to society is itself a form of worship if you have that intention that's what I believe yeah um and I think taking risk is part of the Natural State it's almost it's like our fitra it's our natural human state to want to take risks for the betterment of all um risk sharing is natural and healthy I think if Investments were socially impactful if they were were commercially viable we would have a healthier economic system what we have today is that we throw money at commercially dubious and socially useless Ventures so in the financial services industry there is a type of institution called a venture capital firm VC firm yeah and

these are firms that pull investors funds and invest in early stage companies startups often yeah and typically their hit rate will be one in 10 Investments will come good yeah so they're throwing a lot of money at bad Investments this is rather odd to me why does that happen why do we have an economic and monetary system in which VC firms are throwing money yeah at socially useless and commercially dubious Venture I mean surely they know they don't know at the start whether these are dubious Investments they don't know at the start but they seem to be pre-programmed to throw their money away and the reason why I believe

they're pre programmed to throw that money away is because the money supply is inflated right the money supply is inflated because there's more money in circulation if you leave money sitting in cash in a bank account it'll devalue very fast the government tells us the inflation rate is three or 4% that's not true at all in fact if you add up the basket of everything that we actually do pay for our mortgage payments our energy costs our grocery baskets Etc you probably find it's a much higher number than that and that money sitting in in the bank devaluing at you know 8 9 10% per annum at least in

recent years so the VC firms are almost incentivized to throw money away before it devalues they have to find something anything to put their money into so they throw it into High Time preference projects projects that they think will earn them a quick Buck they don't think for the longterm they don't have low time preference because their money supply is not low time preference if their money supply was sound for example if we had a gold standard and for thousands of years we had a gold standard and the funny thing is you know there are actually Hadith that that alert us to this if you

bought a piece of livestock say a goat or a sheep 1,400 years ago you would pay roughly the same in gram weight of gold for that livestock as you would today yeah it's remarkable if I held \$100 in the year 1900 by the year 2000 it's worth only \$4 yeah it's devalued by 96% since 1971 when Nixon removed the gold Peg from the US dollar and allowed the current currency to just be printed to finance a war yeah we've had a reduction to 17th of its value in 1971 of the US dollar so this is a clear um theft of wealth from the people and it's the reason why the financial services industry keeps proliferating debt what's the easiest

way for a nation to finance a war
keep printing money and keep
printing bonds yeah so you keep
having to repay the banks but it's easy
to repay debt when you inflate the
money supply right yeah you've
devalued money in the economy the
easiest way to repay the debt is not
actually to repay the debt it's just to
devalue the

money supply so you print we call
this fancy names like quantitative
easing uh but natur it's money printing
right and we've come to accept this so
I mean I think that's that's what we've
got to is that you know risk sharing is
so Central to to Investments and
we've moved away from risk sharing

to an asymmetric relationship with banks who are the master and we are the slave so so you know if I'm an investor in an Islamic model it it seems to require a greater degree of participation and knowhow and knowledge and pursuance um uh doesn't that um take up a lot of time I mean there may be people out there who've got money Surplus money if they want to invest that money yeah but they don't really want the hassle of participating and and finding out about company and and pursuing that company on a yearly basis um I mean is that what's required for for from an Islamic perspective yeah you're quite right I

mean we don't have the time most people lay people who are not involved in the finance sector don't have the time they're busy as doctors and nurses and engineers and lawyers yeah we can't expect them to specialize in this area I'm in the very fortunate position that that's the area I work in so I can self select and I can see what investments and what companies I want to invest in yeah but that's not a luxury that's afforded to the vast majority of people so we have to find appropriate managers of our money yeah uh and we have to create a self-contained ecosystem of Islamic money managers yeah

people who manage our money not only in a Halal way but also one with our best interest at heart again so our community levels up right so that we are all economically successful yeah um and that needs to be a risk-sharing real economy Financial Services industry yeah it avoids the Trap of fractional Reserve banking that's something that we've got wrong as an industry in the last 40 years or so yeah is that we have consistently gone down this line of replicating of reverse engineering conventional debt products within Islamic Banks yeah so we look at what the conventional banks are doing say how do we replicate that using halal

contracts now a little bit of smoke and mirrors and we have this Sharia compliance structured investment product yes right which you know really once it may follow the letter of the law it doesn't necessarily follow the spirit of the law yes that's what we need that's why we need to as a community

educate ourselves understand Finance understand what is the thing I'm looking at is it a form of banking product addressed up as something else or is it genuinely like for the home financing company is it genuinely a DE debt-free financing instrument that's good for us all so you you're really saying that we need

to find good money manages we need
to find people who are intermediaries
who who accept that our money
should really circulate in the real
economy and who
believe in this participatory model this
risk sharing model yeah uh of
Investments um I had a uh so I sent a
message out to my patrons uh and a
few got back to me there was
somebody who got back to me and
asked look if I had \$10,000 or pound
today what would Harris recommend
I do with that £10,000 it would
depend where what stage they are at
in life so everybody has a different
risk profile and risk appetite yeah and
the very first thing I would say to

anyone is avoid at all
costs the Instagram influences for
some odd reason they like to post
from gyms flexing their biceps you're
not an Instagram I'm not an Instagram
you know this is very to me and they
promised 10 x returns 10 times 10
multiples of what you put in there
yeah run a mile this is nonsense you
can't do that if someone told you at
the beginning of your life I can
manage your your wealth and your
finances and give you a shorefire 10
to 12% per annum yield of income on
your capital I would say that
would be an amazing result
stupendously good result if you're
earning 10 to 12% per annum on your

Capital that is excellent right obviously adjusting for inflation yeah but instead what we see especially in the Muslim Community which I find very odd is these influencers who are saying I'm going to double triple 10x your money and obviously again very devious so the first thing I say is deep dive on the people that you are investing with I tend to prefer gray hairs and a bit of wisdom to balance the energy and dynamism of gen Z who also are valuable in this case because they are coming for with the new ideas and developing the companies and our techsavvy they know how to code they know how to develop apps but

you do need those Wise Old heads
you know to develop the financial
product itself and not fall into the
pitfalls that we've had previously yeah
like fractional Reserve banking yeah
so that's um you know that's sort of in
a nutshell I would look for the
people the track record if someone
came to me and said I need to invest
my money um for the long term I
have a relatively low to medium risk
appetite I want to put some money
into various things then I I've written
a number of articles on this subject
um I I will talk a little bit more about
the types of instruments and and
constructing of portfolio yeah but you
know there are a lot of things that one

can do a lot of instruments out there we'll talk about that a little bit more as we go along yeah I mean what are the common pitfalls then that we should look out for when we when we think about investing ethically apart from what you've mentioned about genzies versus gray hairs I also look for leverage or debt that is disguised right um last time we talked about this um Sharia contract called the commodity Maha or yeah and I did say it's it's not necessarily hugely important exactly what that contract is but often when you see it in the small print and everybody should read the small print often it is a proxy for a loan financing uh and it has it has

become a default for people who aren't particularly concerned with doing things right they say oh I specialize in Islamic finance and we did a commodity Half Financing of some business or some property yeah now there are cases uh where it has to be used because there is no alternative for example due to tax legislation there are some Islamic fexs out there that I do support who have for example fractional ownership models of um real estate and they've had to use the commodity moraba because there was no alternative available to them and they've been lobbying hmrc to change the legislation that's something that I will champion

because I feel that they they have the right attitude and they intend to make progress they intend to change the industry for the better yeah but those lazy you know individuals who pretend to know something about Islamic finance and say I got some top City lawyers and they drafted me a commodity moraba contract and now I have a an investment product that is halal and here you are I've got a stamp on it avoid that look for leverage look for debt-like instruments look for participation look for risk sharing look for Equity sharing profit sharing how do they share the profits do they align themselves with you the investor do they have skill in the game or is

this an asymmetric relationship that's what the small print will tell you and it's a process of Education um I would recommend you you get online to see Islamic Finance Guru they have very good educational material on their website um you know explains very well you know how Islamic Financial uh contracts work how different instruments work um you know there's I don't necessarily agree with everything they say uh but I think there's a huge amount of excellent advice on there I mean it is often a case that um businesses require loans to uh to trade uh to buy product to buy materials to build their Industries and um uh the obvious

place of course is to go to Western Financial institutes and maybe Islamic finances now uh dealing with some of these smmes and and helping them uh but you know you have a a different model at least you have a a a more refined Way by which uh Muslims should discern who they uh invest with and who they borrow money from are there enough providers out there at this stage to help small medium-sized Industries uh in in financing what they want to do I was listening to a speech by Sheik Hamza YF and it's a very short clip it's 10 minutes on YouTube and he talks about trade the prophetic idea of trade yeah what is ethical

transactions between people he bemoans banks uh for the obvious reason he bemon Islamic banking as a sort of smokes and mirrors a kind of obfuscation of the true economic model that Islam should follow yeah and he ends by saying where are the Muslims where are the Muslims I'm here I'm right here yeah I'm trying to do exactly this thing yes I'm trying to create an Islamic Finance industry yeah that truly goes back to its roots of prophetic trade yes so when I and my co-founder set up uh CCM we wanted to I'm going to use a technical term securitize or monetize a trade into a um modern sophisticated Financial instrument

that would be listed on the stock exchange somewhere yeah so I wanted to go back to the idea of prophetic trade Muhammad sallallahu alaihi wasallam was a m he was a manager of people's money his first wife Khadijah she was a Rob Al an owner of the capital lord of the wealth so she invests her money with him the Caravans leave the city walls they trade they come back bring spices and textiles or whatever they trade in the marketplace the mudarib manager of the money and the investor the rabal M share according to a predetermined ratio in the profits or losses of that Venture and that ratio up to the partners not it's up to the partners

there's no

Islamic prescription to say okay exactly now they have created an arrangement between themselves called a mudaraba an investment management agreement and they both have skin in the game they're both aligned so the manager and the investor must do due diligence on this Venture that they are undertaking and the manager is key to this his or her skill is key to unlocking the value in these goods and services yeah now this is a model that is pure Islamic economics and I wanted to bring this model to my company and to create a financial instrument that exactly replicates that Arrangement

the weird thing is when I we talk about mudaraba and musharaka and similar risk- sharing contracts in the Islamic Finance industry but you won't find them anywhere I had I I tried to look up a mudaraba contract used by Islamic Banks yeah I couldn't find one I ended up writing my own from scratch that's how far the Islamic Finance industry is removed from prophetic trade and I wanted to bring it back so the financial instrument that we've created is in some senses a little bit like a bond because it's an instrument that you can buy and sell on a stock exchange and it will entitle you to some income stream periodically let's

say every quarter yeah and what differs is that your money is not guaranteed therefore the level of due diligence by the manager must be much much higher than a bank would typically do we sit for months embedded within that company that we're financing to make sure that it's internal governance that its controls that its operational processes the entire flow of cash from injection from the investor to profits back to the investor we need to follow that in forensic detail all the way through and know exactly what the risk mitigants are throughout so we're not saying to the investor we guarantee your money back plus interest which of course is a

loan with interest we're saying we've done a level of due diligence that other people don't do that's why we're very assured that this is a solid business venture sure it's possible to lose your money but we have risk mitigants in place is that what sets you apart from a typical VC model where yes exactly we're not throwing money after dubious Ventures we're analyzing in the nth degree of detail and and actually also we are funding a specific specific trade activity so my ambition one day is to have thousands or maybe tens of thousands of these instruments listed on Stock Exchange each one dealing with a specific business activity so

you're not buying the shares of the company the investor is not saying I'm taking equity in the total Enterprise and whatever uh activities that company undertakes are at risk against those activities no we're saying here's a specific trade that this company does it might be the buying and selling of steel or some Agri business somewhere in the world from one place to another place and we follow that particular action from start to finish yeah we're saying we have monetized or securitized this specific trade and that's the essence of trade in Islam and that's how we want to share our profits and align ourselves with

our investors yeah I mean yesterday there was a scare in the global uh stock markets and there was a fear that the American economy is going to go into slump into a recession and um that implies that the real economy sometimes often have these downturns uh and and that can lead to terrible results for for investors uh you know there's nothing what you've said uh suggests nothing in what you've said suggests that those vulnerabilities would not uh would would uh we will be immune to those vulnerabilities if we invested in the real economy and that is what a classic I suppose risk sharing agreement is about right yes what if

you had a real economy that was not
not predicated on Fiat money we may
ask ourselves questions like you know
why did the the um cost of living
crisis happened yeah and then we we
point to oh inflation happened
because of you know brexit or the
Ukraine war or energy cost started
going up these are not the reasons
right the reason why we had inflation
and therefore the cost of living crisis
was because we inflated the money
supply in a crazy manner over 10
years more than 10 years yeah and
why did we do that we did that in
order to Stave off a crisis in 2007
2008 to save the banks from their own
stupidity yes right so we privatized

their profits for a
select few and we socialize their
losses for everybody and now we're
all poorer and now our money supply
has been inflated we've experienced
inflation as a result and we have a
cost of living crisis we have problems
in the real economy so if you had a
real economy that had a sound form
of money not an unsound form of
money yeah an unsound form of
money is one that can be manipulated
one that can be printed out will again
we give them fancy names like
quantitative easing and what if we had
a
gold standard what if we had a form
of money that could be used as a

medium of exchange as a store of value could be transported uh could be what I call salable across time and space I mentioned this idea that uh uh a goat or a sheep would be worth the same 1,400 years ago in GRS of gold as it is today yeah that's a money that doesn't devalue over time but gold is Impractical because first of all it's heavily manipulated by a few parties in the world yeah it's held a large part of it is held in one part of the world which is the US uh and therefore subject to whatever sanctions that they may determine right and we saw this with the US dollar by the way when they withheld \$7 billion of money over a

devastating winter in which in which
many afghanis died because they
didn't have access to their own money
sitting in US Banks what if you had a
type of money that was not
manipulated gold is manipulated it's
impractical I can't carry gold coins
around with me jangling in my pocket
if I want to buy
a Mars bar I can't cut a gold coin up
into pieces you know similarly I can't
it's easy to counterfeit relatively easy
to counterfeit it's hard to verify gold
so there's lots of Impractical things
associated with gold I agreed that we
had a golden age of the Islamic
empire with a bi metallic currency
and uh that was a time of great

prosperity for us and in fact every civilization that's had a gold standard has experienced these moments of great scientific and cultural advancement look at the architecture from those periods it stands to this day yeah right so and I I know that last time I very briefly touched on this word Bitcoin and at this point I'm going to lose half of your listeners yes I found one comment very funny by the way on the on the the last podcast an individual wrote um I was following this guy and I was agreeing with everything he was saying until he mentioned bit until 58 minutes he mentioned Bitcoin and I immediately disregarded everything he had to say

well yes stay and listen yeah
because there's something here that
needs to be analyzed and many
scholars are coming around to it so
initially maybe seven eight years ago
you had a number of very senior
Scholars some of them sort of social
media Scholars saying this is Haram
because of money laundering because
of volatility because of criminality
because it's not backed by the
government because it's not real
because it's not tangible because of
energy because of this because of that
all of this is
fud fear uncertainty and doubt it's a
form of propaganda yes and if you if
the IMF and the World Bank and

central banks are telling you that this is a bad thing it's probably a good thing right because they exist to enrich a very small group of people in fact the IMF exists if you look at it empirically yeah to reallocate resources and wealth from the global South to the global North Pakistan has gone to the IMF what I don't know 20 times gets poorer every single time apparently the job of the IMF is to help the third

world is to help developing economies develop it doesn't actually do that it does the exact opposite it makes those countries poorer and they become economic slaves and half of their GDP is focused on servicing

debt to the West so again what if you didn't have to use banking rails and Fiat money that can be printed at will what if there's a form of money whose algorithm is set in stone and cannot be manipulated because the network effect is so great that there are it's too expensive and costly and energy difficult to attack that Network that's what Bitcoin is so I will lose some people at this point but I want them to research this many scholars have researched this and come round to the idea that it is actually there's something in this that could be good for Humanity and we need to look at it more clearly some have outright said it's Halal and I believe it to be a

Sharia compliant form of money I personally believe it's the most Islamic form of money ever created because

it's it's Freedom money it's anti- ribber money it's anti-inflation money yeah you can't create it from nothing that has a very powerful impact on the world and if you had a sound money base maybe it's not Bitcoin Maybe it actually is the gold standard I don't know but if you had a sound money base on which to build real economy financing that is the ultimate Islamic economic model so what makes a money Islamic uh it needs to have the characteristics of wealth Mal of the characteristics of legal identity the

characteristic of currency so it acts as an exchange between people so it has those three things it is money and I believe Bitcoin has those three things and many scholars will agree with me um gold has those things US dollar has those things but Fiat money dollar pound Euro Yen Etc have significant problems because they're manipulated right I wanted to donate money to Gaza and I couldn't get in through the banking rails I couldn't donate them dollars or Pounds or whatever Banks refused to allow money to leave I donated through Bitcoin right Bitcoin is saving lives in Gaza in Lebanon people are holding up Banks yeah demanding their

money back there's a famous case of somebody who held up a bank and said I want my money back not your money the money that I have put in your bank that you're withholding from me in Lebanon of course was experiencing hyperinflation yeah and the banks had Capital controls they needed to save the

life of a relative who needed life-saving surgery if the bank wouldn't let them withdraw their money so they resorted to extreme circumstances now this is not Freedom money this is not money that belongs to you and me when we deposit in the bank suddenly we were asked a lot more questions I know that if I were to send money to

places like I don't know Pakistan
Afghanistan uh possibly even
countries like Kenya um I will have
be asked a lot more questions I have
experienced freezes on my
bank account because they needed to
know more about what am I doing
with this money it's my money what
is it to you but that's the way money
works today and that's why I I
seriously believe in a form of money
that is free from manipulation from
third parties earlier on you talked
about how um if a scheme suggests an
Islamic scheme suggests you get rich
quick it's probably going to be a dud
scheme it's a problematic scheme um
are you in effect implying that if one

restricts oneself to uh
an Islamic economic model uh the
level of maturity the level of of
income is going to be it's going to be
far less than you know what one
would typically get from the
financialized economy maybe in the
current world maybe there some
there's some truth in that yeah why do
we need growth and I want us to think
about this really carefully what is
growth for yeah much of growth is to
service debt right debt exists because
we have financialization of the
economy financialization
exists because we've made money
cheap and plentiful we we made
money cheap and plentiful by

inflating the money supply because we can inflate the money supply it's a powerful drug for governments to keep financing a Perpetual state of infinite war and environmental pollution by simply printing more money we're destroying ourselves and we're destroying the planet by continuing to insist on growth growth growth we don't actually need to do it that way and if we had a form of money

that would was that didn't devalue over time that wasn't inflationary that didn't cause this increase of money supply then we would be in a position where we don't have to get rich quick yeah we now have low time

preference we save and invest for the future again we have suburb we train ourselves in Ramadan we discipline our NS we as Muslims are intrinsically or should be intrinsically low time preference people we shouldn't be the kind of people who needs to get rich quick and service our debt we shouldn't have debt it's inevitable I mean you know people need to study at University they take on student loans it's a necessity right people want a roof over their heads they want a car you know people take on debt I'm not saying you know it's a sin just to to take on debt what I'm saying is that these are Necessities but we can

service these Necessities in a better way uh and I sincerely believe that you know there is a better model out there and we don't have to have in infinite growth on a Planet yeah um what other ways are there available to us to save our money if we want to avoid banks in the river and we're dubious about uh some of the Islamic Banks how else can we just save our money in a way in which we we don't have to necessarily participate in on a great deal because most of us just don't have that time um and we're worried about you know your investment models bring with it a level of risk um I'm sure risk is everywhere but how does how does

one just save save money yeah so
there's a process of Education
that has to take place here um and I I
recommend that people start out by
reading what I say is General business
books General Finance books not
complicated text books yeah um there
are some good authors out there who
write very easy to understand books
uh there is a Greek Economist called
Janis varakis who wrote a book called
something like um teaching my
daughter about economics or how to
teach my daughter economics and it
basically does what it says on the tin
and in fact I use that book to
teach my daughter economics um
there is a uh a famous Anthropologist

or Economist called David Graber who passed away about three years ago who wrote a book called debt the first 5,000 years brilliant introduction to what is debt I really recommend it uh Michael Lewis is a very good General author on the subject of business and finance he's written some excellent books you'll be familiar I'm sure with big The Big Short which is about a group of people who predicted the global financial crisis

before it happened yes and how did they reach that conclusion these are the sort of books I recommend to people to read before they start doing a deep dive into Islamic finance and

Islamic economics yeah and here I would recommend as I said before the website for Islamic Finance Guru they also wrote a very good book about Halal investing um I've written a few blog articles on this subject of course there's a book that I've written on the subject as well Heavens Bankers um my blog article talks about investing in a Halal way investing and saving in a Halal way right so specifically I get down into the detail of how how do you construct a portfolio Muslims really only have I guess three asset classes that they generally put their money into today yeah um the obvious one is real estate and I think there're are it's a

very important asset class you know
it's you can see touch and feel it it's
even a store of value it is you know
uh it is cyclical it does have
downturns but you can earn income
from it it's
very uh flexible in that sense so it's a
good asset class to hold yeah but I
think as a community we hold it overs
do we hold it too much I personally
only allocate 15% of my personal
wealth to it right what else do
Muslims do well um some of them
believe there's no alternative to
Conventional Finance so they use
conventional products and they buy a
conventional pension pensions are a
very important area and we don't have

a Sharia compliant pension really um
so you know
there's this concept in the UK of a sip
and sipp it's a self-invested personal
pension I think if I've got the
abbreviation correct I'm sure there's
an equivalent in the US as well I don't
know whether you can do that under a
401k but here in the UK you can self-
select your pension and and select the
products that you put into that pension
so for example at my stage in life you
know I'm uh into well into middle age
my kids are almost grown up now two
of them are um you know I don't want
to be investing in
Risky Venture Capital schemes early
stage Venture and giving my money

to some guy flexing his biceps on Instagram with W of cash in his hand saying 10x your money that's not my guy my guy has got gray hairs and I'm looking for long-term predictable income I can't invest in bonds here's the problem with conventional pensions your conventional pension has a heavy investment in interest bearing bonds right because that's a way to get good predictable income stream an annuity they call it and of course that's Haram that's River that's interest um you can't go to Scottish Widow as a credential and say heyy can you give me the Islamic version of this they W know what you're talking about it's possible they may

have a sukuk fund sukuk is a type of Islamic Bond but I think I mentioned this last time I said s could been could become distorted from what we originally intended when we set up that part of the industry 20 years ago and they now look and feel and walk and Quack Like a bond so what is the alternative I mean my ppns are an alternative but uh I mean that I'm a very small company and it's a very big world out there and I can't service retail investors unfortunately I'm only available to professional investors I need to find a way of getting onto retail platforms and making it happen for retail uh Muslims who are not able to invest

you know \$100,000 upwards yeah um
if you self- select your pension plan
there are long-term

Investments equities shares of
companies that you can buy the
challenge is you need to be an expert
to know which are good companies
and which are bad companies and you
would have to my brother for example
is a fund manager he spends all of his
days researching companies traveling
to meet companies visiting their
factories talking to the staff
understanding how this business
works and then saying I think this is a
good or bad company we should we
should or shouldn't invest in it we
don't have time for that the rest of us

don't have time
for that yes how do you self- select a
broad theme what if you say to
yourself I think Tech is an area with
long-term growth prospects I do I
think it does semiconductors Tech and
so on you can buy a type of financial
instrument called an ETF yeah an
exchange traded fund which is
basically a portfolio of stocks in One
Financial instrument so you go to
London Stock Exchange and you buy
that particular ETF it's like buying a
share right and now you have
exposure to potentially I don't know
20 or 30 different
stocks let's say that etf's theme is Big
Tech so now you've bought you know

Apple Google Microsoft Etc your theme could be renewable energy so you now bought renewable energy assets so you choose a sector that you think has long-term prospects and then you spread your risk across different Industries different sectors and be defensive right what will perform in a down term people still need toothpaste in a downturn right so consumer goods not a bad thing to have right financial sector living aside the fact that it's of course most of it is Haram yes financial sector is of course Very cyclical and performs badly in the down term so uh this is not a particularly defensive stop so those ETFs are something that you

can invest in for the longterm if you have a 20-year time Horizon it's an excellent way to give yourself long-term uh appreciation if you want income as I say real estate can give you income you can invest directly you can invest through an ETF or another type of instrument on a stock exchange like a Reit Reit other types of asset classes I tell most uh ordinary investors to stay away from derivatives um you know there's um again I'm going back to these Instagram lifestylist they talk about at one time there was this fad for something called binary options I don't even know what a binary option is and I've worked in the industry for

30 years yes and here you are selling
retail investors this exotic hybrid
Fantastical Financial
instrument that can 10x your money
if you don't understand it if I don't
understand it you shouldn't be
investing in it um so I would
generally recommend the retail
investors stay away from anything
that can leverage their returns that can
gear up their returns that's what
options does that was that's what debt
does when you buy a buy to let
property so that you can rent it out
and earn income from that if you use
a loan to buy that property on which
you have to pay interest you've geared
up your investment now the the 10%

of the property value that you put in is giving you a proportionately much bigger return because you're not buying 100% of the property it's the bank who gave you the money for 90% of it of course that means in a downturn you lose your money sure and even though we say safe as houses it's not really safe as houses if you leverage if you leverage you're in trouble in a downturn yeah because the bank will repossess your house so I always warn investors of this yeah so there

are various instruments and I would recommend people look at my blog article on LinkedIn I've gone into deep dive on some of these

instruments you know equities bonds
sukuk ppns real estate gold and silver
by the way I haven't mentioned

Bitcoin deliberately because we've
talked about it already but I look for
anti-inflation Hedges what if there is
financial Armageddon should some of
my money be invested in for example
physical gold or physical gold backed
instruments yes

I think that's a good thing to do cuz
it's a it's a form of insurance against
Financial Armageddon of course for
me the replacement for gold is Bitcoin
I believe that's that's its purpose right
now it is insuring me against
Financial arm again and I sincerely
believe that yeah um so that I think is

a summary of the types of instruments
that people can put into their sip sip
the self-invested pension plan this all
sounds really complicated to me I
mean it's it's fantastic and it's you
know Wonderful we need people like
you to to manage
uh our money um uh I I suppose the
you know the um uh the the slightly
cynic would say well are we just not
complicated life in the west and
should we should we just color losses
okay it's you know some of this stuff
is dubious it's Haram you know
there's Islamic banking which is
which is based on this uh under the
hood fractional Reserve stuff but um
you know should we be that

Discerning with our money and and
what's the risk of of just allowing you
know the uh the the
dominant economy to govern the way
which we make choices in in the
financial realm yeah it is complicated
unfortunately and that's the challenge
and that's why we have to educate
ourselves if we educate ourselves we
will level up our communities um you
know the power of the Muslim dollar
or the Muslim pound is really strong
yeah we don't even realize it you
recently had a guest Ibrahim Khan on
the show to talk about BDS yeah and
there was an article in the Ft just two
days
ago and I'm going to quote some

numbers for you from that article
please in the Middle East a a chain a
fast food franchise called Americana
Restaurants and they own a lot of the
the fast food chains in the second
quarter even though they opened 81
new restaurants they experienced a
40% profit drop as a result of BDS
right in Pakistan the biggest Coca-
Cola bottler experienced a 25% drop
in Q2 in q1 sorry and in Malaysia
Starbucks is down 48% in q1 one
that's massive power that we have
as a block right that's why I
think we need to act as
a block economically um
and when we mobilize we
are very strong we're very

powerful if we don't
have economic
independence then we don't
have political and social
influence um so one of the
things I'm doing for
example right now is I'm
about to go on a road show
where I will be uh speaking
to professional investors up
and down the country and the
theme is sort of self
actualization I'm sorry to
use a corny phrase I want us
as a block to to become
powerful and strong um you
know if we if we unite
economically we can achieve

so much outside of just money yes um we are subject to marginalization and demonization of our community and that's never been more apparent than today when uh you know whistleblowers in government and elsewhere are encouraging Neo-Nazi mobs to smash up hotels holding uh Asylum Seekers and migrants women and children in there being firebombed by these thugs with swastikas that tattooed to their arms and we're supposed to you know both

sides this in fact I'm going
to read you um what a
BBC breakfast presenter said
uh yesterday yeah he said in
Bolton anti-immigration
protesters notice how he calls
them anti-immigration
protesters not Neo-Nazi
thugs anti-immigration
protesters were confronted by
a group of 300 masked
people yeah shouting Alo
Akbar and I'm saying it as he
says it yes which
demonstrates
manifestly demonstrates the
ignorance of the
individual who's saying these

things in the agenda that they have yeah so I find it very interesting that Elon Musk is currently retweeting and amplifying white supremacists and Neo-Nazi voices yeah uh a man like Tommy Robinson had I think less than 400,000 followers on Twitter before he was banned in 2018 since musk reinstated him after his acquisition of Twitter uh I think Tommy Robinson is now approaching a million-ish on Twitter right these voices are being Amplified and it's creating a

very dangerous polarized world if we want to prevent that happening I recommend that we get rich we buy the media we buy the politicians and we own the narrative if we maximize our short time here on Earth this is not the real life the next life is the real life while you were talking where I I I spoke to uh a guest of mine a few uh months ago who said who who was formerly head of one of the big Charities and um he said the problem we face at the moment in Britain and in the west generally is our

Surplus wealth is all
going to charity work which
is ineffective

sometimes because it's it
we're constantly uh dealing
with the same problems and
chasing the same problems if
we have we think more
deeply about our money uh
we should be allocating at
least some of that to uh these
social funds these political
funds that that you talk
about and it seems to me
that you're very much in
favor of that in order to
to strengthen our
community yeah we are we

are as I say we're weak we're
marginalized yeah we need
to mobilize as a block I
want to do what I can for
my part on an economic from
an economic
perspective yeah get
professional investors
together and help us to to
create an ecosystem that is
truly powerful and
influential.

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