

## Civility and Social Responsibility of the Riba-Free Banking System

In the previous chapters, the faith-based foundation of the riba/ribit-free (RF) banking and finance system was established. This chapter will discuss the important aspect of bringing these values to life by elaborating on the social aspects of this brand of banking and its commitment to community building, growth, and development. The dimension of civility and social responsibility in RF banking and finance will eventually lead to economic growth, new job opportunities, prosperity, and unity, and hopefully to a future of peace, fairness, and justice for all people. The most important foundation of the Judeo-Christian-Islamic value system is justice for all, as defined by the higher authority we all answer to—that is, God, the revealer of the Qur’aan:

*4:58 God doth command you to render back your Trusts to those to whom they are due; And when ye judge between man<sup>1</sup> and man, that ye judge with justice: Verily how excellent is the teaching which He giveth you! For God is He Who heareth and seeth all things.*

*16:90 God commands justice, the doing of good, and liberality to kith and kin, and He forbids all shameful deeds, and injustice and rebellion: He instructs you, that ye may receive admonition.*

*5:8 O ye who believe! stand out firmly for God, as witnesses to fair dealing, and let not the hatred of others to you make you swerve to wrong and depart from justice. Be just: that is next to piety: and revere God. For God is well-acquainted with all that ye do.*

It is believed that civility and social responsibility in banking and finance is an important foundation for a successful banking operation.

Perhaps the first well-known dramatization of the character of a true RF banker was in Frank Capra's popular 1940s film *It's a Wonderful Life*, in which Jimmy Stewart plays a Building (Savings) and Loan Society manager who helps build comfortable suburban neighborhoods, assisting poorer families to move away from the small, shabby apartments in which they live. The film was released just after the major runs on the banks in reaction to the Great Depression that started in 1929. This movie is used regularly as a basic training resource for all RF bankers in the LARIBA system, as will be explained in more detail in Chapter 12.

In October 2008, the world was shocked to hear President George W. Bush and his Secretary of Treasury Henry Paulson talk about the financial tsunami that hit the United States and the world financial systems. This historic compromise of the financial markets and systems, we were told, was caused by the speculative and casino-like gambling behaviors of some "money managers" and corporate executives. This irresponsible behavior lost \$4,000 billion dollars of peoples' retirement money and life savings. The speculative activities and economic "bubbles" had been warned against, and had been criticized by many. These objections were ignored and quickly marginalized by former Federal Reserve Chairman Alan Greenspan, who was idolized as the "god" of finance from his appointment in 1987 to his retirement in 2006; he was nicknamed "The Maestro"<sup>2</sup> in a book by the famous investigative newspaper reporter and author Bob Woodward. Only a few voices in the media, to be fair, kept reminding its readers and policymakers about the hazard of inflating the real estate bubble. These were *The Economist*, a financial magazine, and *The Financial Times*, a newspaper—both of which are published in London, UK.

In the 1980s, the Glass-Steagall Act—the most important regulation that translated the lessons learned from the Great Depression—was repealed by Congress. In the 1990s, the Clinton administration and its Treasury Secretary, Robert Rubin, celebrated by approving the merger of an investment bank (Smith Barney), an insurance company (Travelers Group), and a commercial bank (Citicorp). The move was celebrated as a historic development and as the best thing to happen in the American financial services industry in years because, its proponents thought, it offered service integration that would provide banking, investment banking, retirement planning, and insurance services under one roof.

I was personally in the middle of this, because I worked at Smith Barney at that time. I experienced the process by which the financial consultants at Smith Barney (and the whole industry followed) were retrained to become "asset gatherers," whose first responsibility was to gather peoples' money and assets. They would then turn these funds over to "big" money managers, who managed billions of dollars in the mutual funds industry or even

more in the asset management and hedge funds industry. The entire financial consultant and brokerage community was turned into an asset-gathering machine. The broker or the financial advisor would define the investment objectives, the investment time horizon, and the risk profile of the customer, and then turn the money over to the so-called “gurus” to take care of investing it. If a consumer had a bank account at his friendly local branch of a bank, and he objected to the low interest rates on FDIC-insured Time Certificates of Deposit, that client would be turned over to another “investment” representative who offered higher returns. This practice is still happening in many bank branches at the time of writing this book. Of course, we were told that the investment advisor disclosed the risks associated with investing in mutual funds, and that the customer was advised to read the lengthy prospectus before they invested, but unfortunately that was not the experience of many retired people, who moved their life savings from FDIC-insured Time Certificates of Deposit to mutual funds. In addition, the financial consultants were pushed to sell annuities as a sure investment that would guarantee investors a safe retirement.

Wall Street became a large casino instead of an instrument to invest in the long-term growth of the United States and the world (as it was redeveloped to operate after the 1929 stock market crash). Talented engineers, medical doctors, technology experts, mathematicians, and scientists quit their jobs, in which they had earned a good living through hard work that added to the real production of the community, so that they could have more time to “make” money through day trading of stocks, options, and futures online. It became a national and international obsession to trade stocks online, to wait in big halls with large computer screens showing market movements, with people in Kuwait, Saudi Arabia, Dubai, Hong Kong, China, South Korea, Thailand, Russia, Singapore, Malaysia, Egypt, and many more poor developing countries sitting doing nothing but watching and seeing how to “make” more money and how to get around the honorable way of “earning” it through hard work. As we learned in 2008, the insurance companies that were supposed to protect and safeguard peoples’ assets, retirement funds, and insurance premiums betrayed that trust and speculated with peoples’ futures by using structured finance, financial engineering, and loopholes in the laws to avoid the regulators. We learned that they intentionally broke the spirit of the law while appearing on paper and on official documents to uphold and respect the laws of the land.

In the end, we witnessed the breakdown of the best and most intricate financial system, one that was built in a patient and meticulous way over almost 150 years of America’s history. We, the bankers of the United States, had to stand up embarrassed before the world for what some of us had done. The United States’ financial, monetary, and banking system, which

was trusted by the world to the extent of making the U.S. dollar as good as gold (as stipulated by the Bretton Woods agreement) and making the United States the envy of the world, broke down!

As angry citizens in the United States and the world started asking more questions, the politicians running for election in the 2008 presidential campaign explained that more regulation would be needed. However, they approved more of the same. Merrill Lynch merged with Bank of America; Bear Stearns was bought by J P Morgan Chase; and both Morgan Stanley and Goldman Sachs were turned into bank holding companies in preparation to make them qualified to become depository banking institutions. They started the process of looking for banks to acquire, to realize the model started by CitiGroup. Well, we wish them all the luck in the world, because the culture of a traditional banker (who should be extremely risk-averse, because he/she is assigned the great responsibility of trying to reach a zero risk level to protect the bank's depositors) does not mix well with the culture of risk-taking at all levels displayed in the investment banking business. That is essentially what the Glass-Steagall Act was all about.

Politicians said that the lack of regulation caused this huge catastrophe. That may be partially true, but many respectfully disagree with that sweeping conclusion. All the regulations and laws in the world are good on paper. Good judgment, however, cannot be regulated. These regulations must be respected and applied by the citizens on both sides: the practitioners and the law enforcement. If a citizen does not respect the regulations and is not trained to uphold the laws, then all the regulations in the world would not be enough. The result will be that the law is taken lightly and looked upon as an obstacle that can be overcome by supposedly "intelligent and smart" structures to achieve what one wants. The system then becomes a mockery.

I remember an experience in 1989, after the Islamic Revolution in Iran, when Atlantic Richfield (Oil Company, now part of British Petroleum) lost—through nationalization—250,000 barrels of oil production from Lavon Island in Iran. I was put in charge of trying to secure the supply of as much oil as possible to make up for the loss, in order to meet the feedstock requirements of our refineries. I was fortunate to travel around the world and meet officials in the oil-producing countries in Africa, Latin America, Asia, and the Middle East. On one of my trips, I focused on an important producing country in Africa. Its name will remain untold to avoid any nationalistic sensitivity by its wonderful citizens. I spent more than six months traveling back and forth to develop working relationships with this country's oil executives, to introduce our company, to understand the organizational chart of the country's national oil company and its oil sales laws, and to establish contacts with the President's office and his personal energy

advisor. I understood the wonderful legal and operating system of the land and identified the decision makers. I thought that I had a deal.

I forgot to mention, though, that there was one thing missing: the price—or the bribe—needed to get the contract. I want to share with the reader that one thing I never agreed to in my whole life is the use of bribery to get what I want and need. I made that decision early, when I was a young college student at Cairo University. Other students would “bribe” the administrator of the lecture halls to lay down a notebook at a front seat so that the student could get a reserved front seat without having to wake up early in the morning. I disciplined myself to wake up at 5:00 A.M.—a wonderful habit I have maintained to this day—study, and go to the university to get my preferred seat without taking others’ opportunities by bribing people in a dishonest way. But let us return to the oil story. Because I refused to pay a “commission” or a “fee,” otherwise defined in my book of values as a bribe, I found out later that the contract was given to the Marc Rich Trading Company. Not only had this happened, but to my surprise (one that educated me in the school of “hard knocks” of real life) none of the officials in the wonderful organizational structure of the national oil company were involved. The deal was done in a separate office of a bank run by a tribal leader with the “right” political connections.

Regulations are important if they are well thought out, discussed, and voted on in a proper democratic way within a functioning democracy. However, the citizens and institutions of that democracy should also be socially responsible, civilized, and respectful to each other, and they should uphold the laws of the land. Professor Stephen Carter at Yale University authored a wonderful book on civility.<sup>3</sup> He concluded that if the adults in a community (i.e., the parents and the leaders in business, media, government, political, and religious communities) do not treat each other with civility, this behavior will be reflected by the community’s children. “Our children are mimicking the incivility of the adult world. In one survey, an astonishing 89% of grade school teachers and principals [in America] reported that they ‘regularly’ face abusive language from students.”<sup>4</sup> He concluded,

*Civility, I shall argue, is the total sum of the many sacrifices we are called to make for the sake of living together. . . . Rules of civility are thus also rules of morality: it is morally proper to treat our fellow citizens with respect.*<sup>5</sup>

The moral standard by which the citizens of a community, a city, a state, and a nation live defines the character of that nation. It is also important to note that history has shown repeatedly since its dawn—from the

story of Adam and Eve in paradise that not obeying the moral standard set for them by God, which was to not to approach the tree to the knowledge of good and evil, to the story of Cain and Abel, and on to the stories of all God's prophets—that a nation must have a moral standard, ethics, a value system, and a set of rules that are clear to all to live by.

The values of civility, ethics, and morality are taught first at home by the parents, with a spiritual content that is nourished and deepened at the family's place of worship; these values are reinforced at school, by the media, and by the behavior of the political leadership at large. It is unfortunate that many misunderstand the concept of separating church and state. It is believed that this separation rule means the church, or the place of worship, cannot run the government—but it should have the full freedom to produce spiritually and morally qualified leaders who have the proper civility to run every aspect of the society. When the church, the synagogue, the masjid (mosque), and the temples focus on the substance, they will regain their stature in the community.

### **THE JUDEO-CHRISTIAN-ISLAMIC VALUES: CIVILITY, MORALITY, AND SOCIAL RESPONSIBILITY**

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As we know from the Torah, the Gospel, and the Qur'aan, God did not create Adam and Eve as separate individuals who each acts on his/her own. He created them as partners: a husband and wife who were entrusted with the well-being of earth and with serving Him and populating earth by multiplying in larger families, villages, tribes, and nations to make the earth a better place to enjoy. In the Qur'aan we read:

*4:1 O mankind! reverence your Guardian-Lord, who created you from a single person, created, of like nature, his mate, and from them twain scattered [like seeds] countless men and women; —reverence God, through whom ye demand your mutual [rights], and [reverence] the wombs [That bore you]: for God ever watches over you.*

Humanity (male and female) has been reminded that God is closer to us than our jugular veins are. That is, if we were real believers in God, then we have to be careful not to disappoint Him in our behavior, because He is much closer to us than many have disciplined themselves to know, think, and acknowledge. In the Qur'aan God reveals:

*50:16 It was We Who created man, and We know what suggestions his soul makes to him: for We are nearer to him than (his) jugular vein.*

*50:18 Not a word does he utter but there is a sentinel by him, ready [to record it].*

We submit our will to the will of God and believe in the Judeo-Christian-Islamic values brought to man by God through all His Prophets—Abraham (pp) and his descendants and subsequent prophets and messengers, including Moses (pp), Jesus (pp), and Mohammad (pp). These prophets of God came to train people to better submit to God's will and to assume the responsibility of becoming custodians/trustees on God's property—the earth and its resources—and to establish justice on earth. This system of justice includes social, economic, political, and legal justice.

It has been established historically that human nature, if untamed and not civilized, is characterized by selfishness, violence, and greed. Religions, including the Judeo-Christian-Islamic system brought to the world by Prophet Muhammad (pp) to continue, deepen, legitimize, expand, detail, and seal the teachings of all prior prophets and messengers, focus on training the individual spiritually and ethically to suppress selfishness and greed and to promote goodness.

Success can be defined by different parameters, such as how much money, power, fame, and control one has attained. In an uncivilized world, success is only measured in a material way, which sometimes loses sight of the value of the rest of the society. In a civilized system, and for a socially responsible citizen (and, for that matter, for RF bankers), success can be defined as the progressive realization of a worthy ideal. Civilized and responsible people consider success to lie in both material achievements and in being virtuous. Virtue implies a positive attitude toward life, toward other citizens in the community and the world, and toward all other beings. The results are peace of mind, contentment, and a sense of security. The true image of success is not how much money one has in the bank or the kind of car one drives. Success is realizing a proven track record and reputation as a pious person who can be trusted and is close to God. Success is manifested by a person who feels for the neediest and the poorest in the community and who takes serious steps to improve their conditions, not only through handouts but through training them and through helping them climb the social ladder from its bottom to higher levels over time. God reveals in the Qur'aan:

*2:177 It is not righteousness that ye turn your faces Towards East or West; but it is righteousness—to believe in God and the*

*Last Day, and the Angels, and the Book, and the Messengers; to spend of your substance, out of love for Him, for your kin, for orphans, for the needy, for the wayfarer, for those who ask, and for the ransom of slaves; to be steadfast in prayer, and practice regular charity; to fulfill the contracts which ye have made; and to be firm and patient, in pain (or suffering) and adversity, and throughout all periods of panic. Such are the people of truth, the God revering.*

*51:19 And in their wealth and possessions (was remembered) the right of the (needy) him who asked, and him who (for some reason) was prevented (from asking).*

The horizon of time in the Judeo-Christian-Islamic value system extends beyond this life to the life after death, the hereafter. Wealth, power, position, and affluence do not come with us to our graves after death. When anyone dies, that person will be remembered by what he or she leaves behind:<sup>6</sup> a family and descendants who perpetuate goodness by following the laws of God; and a permanent contribution that will benefit the community, such as a book, a research achievement, a source of income for the poor and the needy, and/or the development of job opportunities for future generations. It is what we leave behind and its contribution to the community and the world at large that will attain us the highest acceptance by God. It is also believed that the globe belongs to God and it is wide open and full of resources and opportunities. Oppression in one location does not justify acceptance. It is the responsibility of everyone who feels helpless and oppressed to find another location where freedom and human dignity are prevalent. In doing so, a believer, in his/her pursuit of business, carries with him/her the Judeo-Christian-Islamic way of life and values.

A prosperous and healthy society is that which respects hard work and its tangible contributions in terms of quality, creativity, and service. It is a society that discourages and frowns upon gambling, speculation, greed, and fraudulent activities. It is a society that respects the value of education as a means of getting ahead and the value of respecting people's properties, trusts, and assets, and never to speculate with them.

We need to produce for the United States a new breed of bankers: the RF banker, who stands on two important pillars:

- The pillar of faith-based moral, ethical, and spiritual fulfillment
- The pillar of excellence in the quality of products and services offered by the RF bank and its superior operating results, compared to its peer conventional riba-based banks

We need to see a new breed of American RF bankers who are capable of energetically communicating and articulating the values and messages of the Judeo-Christian-Islamic value system to the masses in America and the world.

We in the RF banking system should work hard to build a new system, both in content and extent. We want to present to the United States and then to the world the model of patience, perseverance, and respect for parents and senior citizens.

We want to bring to the United States a new banking world vision, one that shapes a new society:

- A society that is built on intellectual and mental persuasion, in which our mind is the key to knowing God and living by the Judeo-Christian-Islamic values
- A society that believes in the purity of the soul and body
- A society that bans drugs, alcohol, and gambling
- A society that looks at promiscuous activities such as fornication and adultery as filth that should never be condoned
- A society that believes in respecting promises
- A society that believes in volunteering oneself and one's resources to the cause of serving God by serving people
- A society that believes in respecting peoples' properties, dignity, and right to live honorably and freely
- A society that never allows the individual to overburden himself or herself with liabilities, debts, and promises that cannot be fulfilled
- A society that never hoards and never uses riba in its financial dealings
- A society that believes that these goals can all be achieved not through the proletariat of communism and socialism or the selfishness and greed of money changers in an untamed version of what is misrepresented as capitalism, but through the believers and servants of God

## **THE VISION OF AN IDEAL FAITH-BASED JUDEO-CHRISTIAN-ISLAMIC SOCIETY**

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We need to remember that the road to this vision is full of challenges and we need to prepare to overcome them:

- We need to learn from the success stories of others in the conventional banking services as to analyze those services' faults.
- We need to expand within our means and focus on human resources, including well-trained RF bankers and administrators, and financial

strength enhanced by voluntarism—and by expanding the market for our services by attracting all people of all faiths to the RF banking services as the preferred banking system in the marketplace.

- We need to stress the requirement of building true partnerships between the customer and community member, the families in the community, the RF bankers and administrators, and the community at large.
- We need to motivate as many youths in the community to study to be accountants, financial analysts, and business managers and to qualify themselves as future RF bankers.
- We need to sign onto a vision of building a standardized nationwide RF banking system that is as good as, and hopefully better than, the conventional banking system.

## **NEW TRENDS THAT CAPTURED THE IMAGINATION OF THE PAGANS OF THE ARABIAN PENINSULA**

When Prophet Muhammad (pp) assumed the responsibility of expanding on and documenting the teachings of all of God's prophets, in particular Moses (pp) and Jesus (pp), and after he was commanded to start building the model community in the city of Yathrib (north of the city of Makkah and the site of the prophet Muhammad's mosque where he is buried), He and his companions started, with the local citizens, to build the new community. The city's name was changed to *Madinah*, which means "the civilized city." The following is a summary of the way this Judeo-Christian-Islamic set of values has captured peoples' imagination and changed the history of the world:

- Protection of property rights and title of ownership
- Abolishment of discrimination and tribalism
- Enforcement of a new set of equal rights and opportunities regardless of tribal connections, race, national origin, gender, power, richness, or poverty
- Recognition of women as equal to men in a united community, and viewing women as important contributors to society who are entitled to inherit and own property (for the first time in history)
- Enforcing of the free market system, which was later popularized in the West by Adam Smith
- Origination of the concept of insurance (*takaful*, which means "mutual benefit and protection")
- Origination of labor rights stipulating fairness to labor and that labor should be paid before the worker's sweat dries from his brow (as pronounced by Prophet Muhammad [pp])

- Prohibition of hoarding (*ihtikar*), deception, misrepresentation of facts about products and services (*gharar*, which means “fraud, cheating, deception, and forgery”), and promotion of transparency
- Promotion of the concept of money not as a commodity that can be bought, sold, or rented at a price called interest rate, but instead viewing it as a measuring device (this concept also states that money does not reproduce if left in a safe vault; it only grows when invested in an economic activity)
- Promotion of the concept that wealth should be circulated and reinvested within the community to help develop that community by creating jobs, economic growth, and prosperity
- Establishment of the Judeo-Christian-Islamic system of economics, finance, and monetary theory, based on three important pillars (described in detail in Chapter 2):
  - Wealth and property (assets) are owned by God; humanity (male and female) is appointed by God in His mysterious and wise ways to serve as trustees and custodians
  - The system of RF banking and finance
  - The system of *zakah*, or alms-giving
  - The system of *miraath*, or inheritance
- Establishment of a standard for behavior and lifestyle, calling for:
  - Followers to live below or within one’s means
  - Followers not to waste, not to live in an extravagant lifestyle, and not to overspend, as overspending is defined by the Judeo-Christian-Islamic value system as the work of Satan

## **ELEMENTS OF THE RIBA-FREE ECONOMIC SYSTEM**

### **Production**

The system expects every individual to work and to produce. Prophet Muhammad (pp), as did all prophets before him, teaches: “Never be lazy and helpless.” There is no good in an individual who does not want to produce and earn money. It is taught that the unproductive hand is an unclean, impure hand. The system also calls for products to be useful and not harmful as defined in the Law (Shari’aa).

### **Distribution**

In its efforts to do away with discrimination between classes in society based on wealth and affluence, and to reshape the relationship between classes, the Judeo-Christian-Islamic system makes the following points: (1) God owns wealth, power, and natural resources. (2) The individual or the

institution is appointed by God as a trustee and custodian to manage them. (3) Every being, human or not, has a minimum requirement of being able to live in dignity. This should be provided by those who are in charge in government institutions to anyone who cannot meet his or her own needs. (4) Private property and ownership are sacred rights and must be protected.

The system is paid back and balanced out through the act of ritual almsgiving (zakah) as one of the pillars of the Judeo-Christian-Islamic system. If these resources are not enough, the government is expected to apply a temporary tax on those who can afford it among the rich and affluent to balance the budget; this additional tax is looked upon as a religious duty (*fard kefaya*).

*9:103 Of their goods, take alms, that so thou mightest purify and sanctify them; and pray on their behalf. Verily thy prayers are a source of security for them: And God is One Who heareth and knoweth.*

Zakah is spent and distributed by the government, as explained in Chapter 2, to help the poor, the needy, the traveler (wayfarer), and the administrators, and to help the oppressed indebted to pay off their debts.

*9:60 Alms are for the poor and the needy, and those employed to administer the [funds]; for those whose hearts have been [recently] reconciled [to Truth]; for those in bondage and in debt; in the cause of God. And for the wayfarer: [thus is it] ordained by God, and God is full of knowledge and wisdom.*

The RF banker must be trained to feel socially responsible for others in the community. He/she cannot enjoy life while others are suffering. A government that believes in the Judeo-Christian-Islamic values is responsible for the basic needs of every citizen: food, shelter, clothing, education, and health care. The system also calls for a very basic and fundamental understanding that the only road to wealth and achievement is hard work and the assumption of risk, not gambling and speculation. That is why Shari'aa defines exactly how the estate is distributed after death (in a detailed description in the Qur'aan).<sup>7</sup>

*4:7 From what is left by parents and those nearest related there is a share for men and a share for women, whether the property be small or large—a determinate share.*

The system of inheritance calls for no one to make a will that attempts to alter the predefined distribution rates as revealed by God in Chapter 4 of the

Qur'aan. In addition, if one wanted to include in his/her will a payout to others outside what Shari'aa defines, this is limited to a maximum of one-third of the total estate. To keep social peace among the heirs, this one-third can only be allocated to benefit others outside the inheritance beneficiaries. This way, money is always distributed fairly and is trickled down through the system.

### **Consumption**

The Judeo-Christian-Islamic RF value system preaches that the citizen should seek a life of moderation and a balanced pattern of consumption. Overconsumption is condemned as the work of Satan.

*7:31 O Children of Adam! Wear your beautiful apparel at every time and place of prayer: eat and drink: But waste not by excess, for God loves not the wasters.*

*25:67 Those who, when they spend, are not extravagant and not niggardly, but hold a just (balance) between those (extremes);*

Spending in the wrong way (bribery, illegal profits, abusing the legal system, and/or reckless spending) and extravagant overconsumption (even of lawful materials) are not allowed. Everyone is trained to plan for the future and to be careful. The story of Prophet Joseph (pp) in the Torah, the Gospel, and the Qur'aan<sup>8</sup>—in which we are told about the seven productive and the seven lean years, and how Prophet Joseph (pp) attained prominence in the house of Pharaoh in Egypt by implementing his long-range plan of saving for the lean years—is an important lesson in long-range planning for all of us to emulate.

## **THE RIBA-FREE JUDEO-CHRISTIAN-ISLAMIC SYSTEM AND BUSINESS ETHICS**

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The system calls for profits and services to be maximized legally and fairly in order to realize a better life and living standards, with freedom and independence of the individual and no discrimination, by using interdependence and interaction with other communities and nations. The system promotes free markets and free international trade as the natural mechanism of getting people to know each other; such interactions will promote mutual respect, peace, and prosperity through communications, trading, and mutual benefits.

*49:13 O mankind! We created you from a single [pair] of a male and a female, and made you into nations and tribes, that ye may*

*know each other (not that ye may despise [each other]). Verily the most honored of you in the sight of God is [he who is] the most righteous of you. And God has full knowledge and is well acquainted [with all things].*

RF banks are expected to develop new and efficient ways and means to improve the quality of life and preserve the individual's most valuable asset, time. Time is life. Protection of the environment, too, is a sacred duty of every citizen who subscribes to the Judeo-Christian-Islamic values. The RF banker should have the passion to focus on a long-term view of investing in the future without speculation, to help generate long-term job opportunities for generations to come. The RF banker should be the catalyst that will provide flexibility in planning for peoples' futures through strategic planning and training, to prevent business cycles from having a negative impact on the community.<sup>9</sup>

### **The Market System**

The RF banker believes that markets are designed to bring a buyer (end user) and a seller (producer) together to consummate a fair and well-defined and well-documented transaction. Speculation or interference with market forces of supply and demand is not allowed. The RF banker should do his/her best to ascertain that markets are free and open to everyone, provided that Shari'aa and the laws of the land are not violated. Information about products, goods, and services should be readily available, complete, and known to all parties. The RF banker believes that misrepresentations are punishable both by law in this life and according to God's judgment in the hereafter. The RF banker lives and operates believing that full disclosure is a must and that monopoly and hoarding are strictly forbidden and prohibited by Shari'aa and the laws of the land. In an RF banking system, those in charge do their utmost to make sure that prices are set on the basis of supply/demand using the open market system, and that speculation is strictly forbidden.

### **Management Ethics**

The RF banking manager is looked upon as a custodian of God's trust, given to him/her to manage. However, the RF banking manager is also considered a shepherd of his/her subordinates. He or she is expected to provide guidance, vision, and care for his/her subordinates, to maximize their output, and to keep the values of the faith and the system intact. An RF banking manager is chosen with strict qualifications:

- Excellence in professionalism and knowledge
- Performance, track record, trust, and piety
- Good interpersonal relationship skills, as guided by the ultimate example of all of the Prophets of God and by the role models of proven leaders in the community and business

An RF banking manager/owner of a workplace is expected to provide employees with maximum job security through continual training, optimization, and community interrelationships.

### **Justice and Fairness on Both Sides: The Bank and the Customer**

It has been the norm of many who call for social justice to only address one side of the issue, and that is the responsibility of the bankers (or, in other words, those who are in control of the money and who decide whether credit can be extended). By the same token, to be just and fair as ordained by God, we need to remind people in the community of their responsibility toward the promises they make by signing the bottom line of that credit agreement—or any agreement. Fulfilling a promise is the backbone of believing in God. In the teachings of all of God’s prophets and in the Judeo-Christian-Islamic value system, we are taught that a person is in fact his/her word and that our word is our bond. In this regard, it is accepted that under normal circumstances—meaning under circumstances that do not include deception, misrepresentation, and high-pressure sales techniques—a person who believes in God should never commit to a promise that he or she cannot fulfill.

People should train themselves to be disciplined. They should not try to predict the future with any certainty. The only one who knows the future is God. We can try to project the direction of the future, but we cannot predict it; if we plan our future based on that (usually) rosy prediction, we end up falling deeper into the hole of debt. This is what happened in 2008, as the housing bubble and the subprime mortgage scandals were revealed. It is also important to note that under severe circumstances that are out of our hands, we can use the safety valves provided by the system to reduce the impact of these circumstances on our lives and the community through reorganization and bankruptcy laws. However, it is not the behavior of a believer in the Judeo-Christian-Islamic system of faith that we sign a promise with the idea that we can get out of it if things do not work out. That is called negotiating and making a commitment in bad faith. I was deeply hurt to watch on television as wonderful couples left the keys to their homes at the front door and said good-bye to their bank. In the Judeo-Christian-Islamic value

system, it is the worst offense to not pay one's debt and not to fulfill one's promises and commitments before passing on to God's kingdom. It is known that the first question Prophet Muhammad (pp) asked before he offered prayers unto the dead was: "Did he/she pay off his/her debts and fulfill his/her obligations?" If the answer was yes, he would pray. If the answer was no, he would refuse to pray. That is why it is a standard practice for a Muslim son or family representatives to stand up in the middle of the condolence gathering event and make a public commitment that all the obligations of the person who died (father, mother, brother, or sister) will be the obligations of those who survived him/her.

## **BANKING AND INVESTMENT BANKING**

In the RF banking system, money is an important tool that must be respected and put to good use by investing it prudently. Growth of this money must not be done by looking at money as something that can reproduce as if it were rabbits without investing it in the community.

The RF bankers and customers believe that money must be earned in a proper way, as defined by Shari'aa. There is one underlying holistic concept of producing income: the difference between *halal*, which means divinely lawful, and *haram*, which means divinely unlawful. "Making" money and eating from haram sources are believed to be the same as consuming hellfire, and those who do this will not prosper in this life and will be in the depth of hellfire in the hereafter, when we all face God's judgment.

The RF banking system believes that money must be invested in good productive projects and services that will provide a better, healthier, more productive, more comfortable, and fair lifestyle for all. Unfortunately, some in the community have different ideas about money. Money in the RF system is not considered a commodity that commands a price (interest), as in the riba-based system. It is unfortunate that people are led to believe falsely that money reproduces and gives birth to more money if rented at a price called interest rate. Money is a medium or a measuring device for transacting business. It is used to measure the efficiency of doing business through the use of a yardstick we call in economics the "rate of return on investment."

In an RF banking regime, investment banks are called upon to bring the owner of capital together with the owner of an idea or expertise so that the two may invest together and realize long-term economic growth in the community, resulting in an acceptable return on that investment. The investment bankers' role is education, evaluation, promotion, and follow-up for the benefit of long-term growth, not to realize a commission. The purpose

of the RF banking system is to make capital circulate within the community. The Judeo-Christian-Islamic value system prohibits trading paper instruments that do not create wealth but rather transfer it through gaming, speculation, and manipulation. The objective should be long-term investing, not day-trading as if we were in a gambling casino. Some investment bankers like to attract more money by propagating and selling ideas that resemble going to a casino, trying to make 10 or 100 times what one has committed through gambling and betting (which they misname as “investing”). Others may want to do the same by speculating on currencies or day-trading on the stock, commodities, and futures markets, such as what happened during the dot-com stock market bubble, which took the NASDAQ stock market index from almost 1,800 to 5,000, only to crash to 2,100 in 2000 and stay there, with some fluctuations, until it crashed again to almost 1,700 as a result of the burst housing bubble and the subsequent financial tsunami of 2008. Some “investors” made huge amounts of money; others—most of whom unfortunately happened to be the average citizens—lost their life savings and their retirement assets. Worse still, there are others who can make huge sums of money through destroying the economies of whole nations by speculating against their currencies, as we witnessed throughout history. This happened most recently to the British pound in the 1980s and to Asian currencies in the late 1990s. It is important to state clearly that the system has honorable and wonderful men and women who want to do the right thing, but the greed and misguided ambitions of a few have tarnished the whole industry.

In the new brand of RF banking, the RF banker answers to his/her conscience, civility, and social responsibility, because he/she answers to a higher authority (i.e., God). The RF banker is trained to believe in a set of standards as described by the laws of the land and by Shari’aa, as ordained by our Creator. It is God who created us equally, so we might live in peace with each other and to care about each other. The RF banker is disciplined to make a difference in people’s lives by investing in them and with them. In doing so, the RF banker evaluates his/her progress not only by how much income was made through commissions and fees but by how many households were added to the family of his/her RF bank and the extent of the improvement the RF bank has made to these families. The RF banker makes sure, before he/she starts the process of financing (notice that I did not use “lending”), that the money-credit-needed will be used in a productive and tangible project that will benefit the community, that it will not involve speculation and/or deceptive activities, that it does not involve investing in socially irresponsible activities—like operating a casino or taking advantage of the poor in businesses such as check cashing, predatory lending, and other similar activities—and that it will be used for environmentally and

socially responsible investments. The RF banker should have a passion for serving people, should enjoy helping those who need assistance, and, most importantly, should have a vision for improving the lives of those around him or her in the community. People in the community expect that when their money is entrusted to a bank, it is treated by the bankers as a sacred trust that will be honored. People's money should be returned intact, as is, when it is demanded by its owners. It also cannot be disposed of in the form of a loan or credit facility to others without the consent of the owner.

## **VALUES AND BUSINESS ETHICS OF THE RF BANKER<sup>10</sup>**

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### **Professionalism**

Professionalism is the talent of taking power through God, the source of all powers, to love what we do, to improve ourselves, to add to our experiences, and to do the best we can at what we promised to do. Professionalism is making promises that can be delivered and, if possible, delivering them better than promised. Professionalism is believing in and bringing to life the values of the Judeo-Christian-Islamic system. Professionalism is the pride of doing what we know, the strength of being able to say "we do not know" when we do not, and the determination to learn more.

### **Concentration**

Concentration is the ability to focus and listen. It speaks to us quietly above the roar of our mind. Concentration in prayers, in supplication (*du'aa*), in remembering God, and in our work trains us to ignore the extraneous, dismiss the distractions, and avoid the pessimists, and prompts us to focus at will. Concentration is part of worshipping God (*ibada*). It is clarity. It is what keeps our emotions from getting the better of us. Concentration keeps pressure from becoming paralysis, and keeps us away from diluting our efforts by spreading ourselves too thin. Concentration is what keeps our eyes on our goals, allowing us to turn reaction into action, disadvantage into opportunity, and opportunity into success. Our goals should be crystal clear. We need to build the foundation of a worldwide RF banking and finance system, to bring the masses (*alnas*) back to the basic values of trust, humbleness, and sincerity.

### **Consistency**

Consistency is a character trait that makes us unimpressed with a single success. Consistency confers medals only upon those who burn brightly with the repetition of achievement. It is more than a promise. It is performance

over time. Consistency means never resting, never taking our talents—the precious gifts of God—for granted. Consistency is the practical proof that we are believers in God.

### **Commitment**

Commitment is what transforms a promise into reality. We need to promise God and the community to build the RF banking and financing infrastructure of our communities worldwide. Commitment is the word that speaks of our intentions and the action which speaks louder than words. Commitment is making time when there is none. Commitment is coming through time after time, year after year, for the whole of our life. Commitment is what builds character. It is the power to change. It is the daily triumph of integrity, of belief in God, and of belief in the future over skepticism.

### **THE TEN GOLDEN COVENANTS OF THE RF BANK<sup>11</sup>**

The RF banker's first and most important responsibility is to serve people in his or her community and to treat them like members of his/her own family. This means knowing the husband, the wife, the children, and the grandchildren. It means that the RF banker becomes familiar with the goals and objectives of the family, who will share with him their dreams and aspirations and view him/her as their financial doctor or expert. It is the responsibility of the RF banker to understand and become familiar with the family's financial situation in great detail, to help the family arrange and position their financial statement (i.e., assets and liabilities) as well as their income statement, to help the family improve their financial status by articulating their dreams and goals and then by restructuring their financial statement when needed. One example is to reduce the family's debts and liabilities and enhance the value of their assets. It is the responsibility of the RF banker to make sure that the family is well positioned and prepared for a comfortable retirement, for unexpected emergencies, and for saving for college expenses for their children and grandchildren. In doing so, the RF banker's prime passion should be the well-being of the family, not the commission or fee generated from the relationship.

In dealing with our own families, we always seek what is best for them. The RF banker would always try to minimize the fees and expenses incurred and charged by the bank and make sure that each transaction is looked upon as an honest-to-goodness investment, with good analysis and prudence exercised to ensure that the purchase of an investment and the taking of credit make economic sense. The RF banker also must have in his or her heart the best interests of the community. He/She will be active in all of its

civic activities, including its places of worship of all faiths in which he or she is positioned to serve the worshippers, the school Parent-Teacher Association, the city and town services, and other voluntary activities. The RF banker should be a firm believer in speaking the truth, never betraying or compromising trust, and respecting privacy and confidentiality.

At LARIBA, we set a number of covenants, which we called “Ten Golden Rules for an RF Banker.” The following is a listing of these rules:

1. *Do not speculate with people’s money and trust.* We place people’s trust above everything, including our own interest.
2. *Fulfill our promises.* We never promise what we cannot deliver.
3. *Respect money—money “respects” people who respect it.* We are careful with our costs. We keep them to a minimum.
4. *Do not forget our moral responsibility to local communities.* While our most important concern is to achieve the highest return for our shareholders, we never forget our moral responsibility to local communities. We measure our success by return on assets and by the number of households we have helped open up.
5. *Do not discriminate.* We do not discriminate, regardless of skin color, language, ethnic background, religious beliefs, age, or gender.
6. *Invest in our clients.* We do not look at our business as a money-renting operation. We invest with and in people.
7. *Be socially responsible.* We do not finance alcohol- or tobacco-related businesses, gambling, or any unethical behaviors and activities.
8. *Be sensitive about who we deal with.* We promise to check our depositors, clients, and customers to make sure of the validity of the sources of their funds and the type and quality of their businesses.
9. *Be conservative.* Our most important investment objective is preservation of capital and keeping up with inflation.
10. *Look at our co-workers as our partners.* We aspire to make each one of our co-workers as an important part of the business.

## **WHERE DO WE START AND HOW DO WE REALIZE THE DREAM?**

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A young professional in our community approached us when American Finance House LARIBA was started in 1987, as we were pioneering our effort to implement the values of the RF banking and finance system on a small scale. He said, “I respectfully disagree with your attempt to change the order and the seating arrangements on a Titanic-size ship. It will be impossible for LARIBA to do so.” We thought deeply about it and we wrote to him

stating, “We agree that changing the seating arrangement on a Titanic-size ship in one shot is of course impossible and is in fact unwise and of course would lead to failure. However, our approach is very simple . . .”

Our approach is to take a very small area on that large ship, ask those who are responsible for the space for their permission to rearrange things around without violating their rules and regulations, and offer the rest of the passengers an alternative way of doing things. If we are right, we shall be able to attract more people to notice our new alternative, ask about it, learn more about it, and eventually subscribe to it. This will eventually lead others to change to a better future, as was tested in this pilot experiment. This description is not a pipe dream. It is in fact the lesson of history—of all new civilizations and nations, as described to us in the Torah, the Gospel, and the Qur’aan. All God’s prophets started in a small way and grew their base after proving that the new systems they were bringing to the community were better systems. This strategy is articulated in the following sentence: “Start from the possible to achieve the impossible.” If we have a good idea that we believe is in great demand by the people, and if we are sincere in our efforts to introduce it to the citizens—one individual at a time—we shall capture the imagination of all people in the community and in the world, and they will eventually follow and subscribe to the new RF banking system.

But the question is, where to begin? The answer is extremely difficult, and in fact was a big challenge for all of us. Our efforts to start American Finance House LARIBA in 1987 and the way we developed it to become a recognized institution in the United States and the world was highlighted in the beginning of the book. Yes, capital is an important ingredient of the process. History has shown repeatedly that money does not make people, but people can earn that money. Experience has shown that the more important factors are belief and trust in God, imagination, and determination to create a clear image of a better but well-defined future. Most important is to attract people who believe in the new RF banking concepts and services and to capture the imagination of educated professionals who are willing to learn RF banking and practice it. Our challenge has been to build the morally and ethically qualified team players and leaders of the future of real RF banking. We believe that if we are sincere and wise in our approach, all else will fall in place by the grace of God.

## NOTES

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1. *Man* means male and female.
2. Bob Woodward, *Maestro: Greenspan’s Fed and the American Boom*, Simon & Schuster, 2000.

3. Stephen L. Carter, *Civility*, Basic Books, 1998.
4. *Ibid.*, page 12.
5. *Ibid.*, page 11.
6. Hadeeth of Prophet Muhammad (pp).
7. The Qur'aan, Chapter 4, Nissaa—Women.
8. *Ibid.*, Chapter 12, Joseph.
9. *Ibid.*, Chapter 12, Joseph.
10. Based on a mid-1980s advertising campaign by Shearson Lehman, but adapted by the author.
11. These are posted on the [www.LARIBA.com](http://www.LARIBA.com) and [www.BankofWhittier.com](http://www.BankofWhittier.com) Web sites.