

Explanation of the Sample Shariah Finance Ordinance Provided by ACT! For America

The sample ordinance that follows has not been written in precisely the same way a proposed ordinance introduced in a City Council or County Commission would be. Every local jurisdiction will draft its proposed ordinances in accordance with their established protocols.

What the following ordinance provides is some background on the issue for the elected official and some language the official can use as a launching point to draft an ordinance to introduce.

It's important for you to understand what the sample ordinance does and does not do. Legal and legislative factors were carefully considered before determining the best course of action to take with this proposed ordinance.

What this ordinance DOES NOT DO is attempt to ban or prohibit any kind of Shariah finance.

What this ordinance DOES NOT DO is call on any financial institution to stop offering Shariah-compliant products.

What this ordinance DOES DO is to prohibit the local government jurisdiction (a city or county) from doing business with AIG, HSBC, UBS and Citibank until such time as these financial institutions properly disclose what Shariah is and how it is connected to Shariah finance.

A lack of transparency, disclosure and rigorous due diligence was a principal factor in the sub-prime meltdown last year that has caused so much economic pain for Americans. Federal laws requiring transparency and disclosure were designed to provide the kind of information investors need to make wise financial decisions.

When it comes to Shariah-compliant financial products, it is of the opinion of some financial and legal analysts who understand Shariah, that the current lack of transparency and disclosure or omission of material facts which describe the connection between Shariah, human rights abuses, Jihad and its funding, to Shariah Finance are civil and criminal violations of federal and state U.S. Securities Laws. Describing these Shariah Islamic Finance products on websites and marketing materials as “ethical investing” without disclosing that the Sept 11th, London, and Mumbai massacres were all Shariah-driven Jihad attacks is a specific example of an ‘omission of material fact’.

Therefore, this ordinance is designed to “persuade” the most prominent and active promoters of Shariah products – AIG, UBS, Citibank and HSBC – to do the right thing and provide the kind of transparency, disclosure, and due diligence necessary to protect America’s financial markets and American investors.

A Sample Ordinance to Prohibit [Named Government Jurisdiction] From Doing Business With Certain Financial Institutions That Are Not Providing Adequate Disclosure of What “Shariah-Compliant Finance” Products Are

Background

An increasing number of financial product institutions in the United States are offering what is known as “Shariah-Compliant Finance” (SCF) products. Leaders in this effort include Citibank, UBS, AIG, and HSBC.

Shariah is the codification of Islamic law developed by Islamic jurists and scholars and practiced today by the Taliban, Al-Qaeda, and the governments of Iran, Sudan and Saudi Arabia, and in lesser degree by numerous other Islamic countries.

SCF products are typically promoted by the financial institutions that offer them as simply: “socially responsible” or “ethical investing,” and in compliance with Islamic prohibitions against such activities as drinking alcohol, eating pork, engaging in gambling or using pornography.

However, serious legal and financial disclosure questions have been raised by policy analysts, lawyers and legal scholars, due to concerns that financial institutions are not adequately disclosing what “Shariah-compliant” actually means and the risks associated with it. A research memorandum by David Yerushalmi, entitled *SHARI’AH’S “BLACK BOX”: CIVIL LIABILITY AND CRIMINAL EXPOSURE SURROUNDING SHARI’AH-COMPLIANT FINANCE*, published in the Utah Law Review, further addresses this matter and can be found at <http://epubs.utah.edu/index.php/ulr/article/view/76/68>.

Sample ordinance

The [named government jurisdiction] will not do business with the following named financial institutions until such time as the institution provides full and fair disclosure and transparency regarding the nature of Shariah law and Shariah-compliant finance. The institutions are:

Citibank
UBS
HSBC
AIG

Full and fair disclosure must include the following listing of tenets of Shariah Law:

- 1) Unification of church and state under Islam.
- 2) Military Jihad is an obligation of the Muslim “umma”, or community.
- 3) Conversion, taxation or killing of non-believers.
- 4) Capital punishment for offenses including slandering Shariah, apostasy, and the practice of homosexuality.
- 5) Creation of an Islamic Economy.
- 6) Virtually no civil or equal rights for women.
- 7) No minimum age requirement for marriage and no consent required by the child.

Full and fair disclosure must include the following information regarding the requirements the financial institution must fulfill to offer a Shariah Compliant product.

- 1) Hire recognized Shariah Sheiks or “authorities” who have final say on terms of Shariah Compliance. Install these Sheiks on Shariah advisory boards within the corporate bank structure, where these “authorities” alone sign a “Certificate of Shariah Compliance” on behalf of the bank. (Many of these Shariah Sheiks have publicly advocated for Jihad or are affiliated with Jihadi groups.)
- 2) Avoid investment in “haram,” or unislamic businesses and products, including: Western films, TV, music and books; Western defense; Christian, Hindu, Jewish, or any non-Islamic goods, businesses, or real estate projects; selected civic or welfare services for women; and health services for LGBT citizens.
- 3) Comply with a purification of funds method or other Zakat method to donate a percentage of profits (known as charity or Zakat) to Shariah-Approved Charities. There are eight recognized categories of Zakat, with at least one category defined as “those fighting in the cause of Allah”, or “volunteers for Jihad”, and another 3 easily interpreted this way. Empirical evidence is abundant. There are **27 Islamic charities** that operate globally, including America that have been indicted or designated by the U.S. Treasury under Exec, Act 13224, as **sponsors of terrorism**, in part, through receipt of Zakat or Purification dollars. Funding of terror is a criminal violation of U.S. Securities Law.

At such time that any one of the four financial institutions named shall include in its disclosure documents pertaining to Shariah-Compliant products information essentially comparable with the information specified in this ordinance, this [named government jurisdiction] shall review the disclosure information and then make a determination as to whether or not to rescind this prohibition against doing business with that financial institution.