

GUILTY KNOWLEDGE

By Frank J. Gaffney, Jr.

In recent months, a growing number of U.S. commercial banks, hedge funds and other financial institutions have begun promoting products described as “Shariah-Compliant.” By so doing, they hope to attract some of the immense petro-wealth now accumulating in the Islamic Middle East. Neither the management nor shareholders of the firms engaged in such Shariah-Compliant Finance (SCF) appear to admit, however, the civil and criminal exposure to which they are exposing themselves – and the serious dangers this practice entails for their country.

The problem lies with “Shariah.” This is the term used by the most powerful – and virulent – Islamic authorities to describe their theo-political-military doctrine. Its stated purpose is to replace sovereign, secular nations like the United States with a transnational Islamic order governed by a ruling authority, the Sunni’s Caliph or his Shiite counterpart, with Shariah as its foundational law or constitution. Under Shariah Law, violent means are ordered if necessary to effect the world’s submission to Islam.

Shariah is what the Taliban brutally practiced in Afghanistan. It is the law of the land in Iran, Sudan and Saudi Arabia – three of the most repressive regimes in the world, all of which have extensive ties to jihadist terrorism. It is characterized by such barbaric practices as beheadings of apostates, subjugation of Jews and Christians, stonings for adulterers, flagellation for women deemed “unchaste,” amputations for petty crimes, female genital mutilation and martyrdom in the service of jihad.

Why on earth would Western bankers want to be promoting practices that comply with, and therefore institutionalize and legitimate, this repugnant and repressive code?

The answer, of course, is that they perceive in SCF a new way to make money. The sub-prime fiasco demonstrates that it is perfectly possible for American financiers to turn a blind eye to practices that are unwise, even reckless and criminal, when there are profits and bonuses to be garnered. Unfortunately, Shariah-Compliant Finance has the potential to create a national sub-prime meltdown *on steroids*.

The reason? As a legal memorandum prepared for the Center for Security Policy by experienced securities litigator David Yerushalmi ([http://www.stopshariahnow.citymax.com/f/Research_Memo_re_Legal_Risks_of_SCF_\(3\).pdf](http://www.stopshariahnow.citymax.com/f/Research_Memo_re_Legal_Risks_of_SCF_(3).pdf)) makes clear, Shariah-Compliant Finance entails considerable civil and criminal exposure for firms that engage in it.

For starters, the authoritative Shariah Law is inherently seditious, as it explicitly calls for the violent overthrow of governments like that of the United States and the replacement of democratic, constitutional government with its theocratic code.

The Shariah advisors – Islamist scholars who adhere to the most fundamentalist traditions and interpretations of their faith – enable Shariah-Compliant Finance. They do

so in ways that expose their employers on Wall Street to such liabilities as racketeering, anti-trust violations and securities and consumer fraud. Incredible as it may seem, leading Shariah authorities like Mufti Usmani, employed by Dow Jones and HSBC SCF funds, have called for violent jihad against the West. Usmani has even published a book in English explaining how and why this is obligatory for all Shariah-faithful Muslims.

Worse yet, through practices known as *zakat* (the tithing to charities required of observant Muslims) and “purification” of funds (the donation to approved charities of proceeds from investments that are “tainted” by interest, speculation, pork or other non-Shariah-compliant activities), SCF’s Shariah advisors and their financial industry employers may be involved in material support for terrorism.

It is unlikely that American investors in the post-9/11 environment would want to support such practices. One would hope that financial institutions would not want to assume the exposure associated with them, either. Yet, because the material facts about Shariah, its authorities and their charities are not being disclosed to investors, both are at serious risk. So is America to the extent that Shariah Law is being legitimated, its adherents are being empowered and its so-called “charities” are being enriched (four out of eight Shariah-approved uses for *zakat* can translate into support of terrorism – and have).

For these reasons, the Center for Security Policy recently sent the CEOs of dozens of the nation’s leading commercial banks, hedge funds and other financial institutions copies of Mr. Yerushalmi’s analysis. In an accompanying letter, I warned that they “may be exposed to personal civil and criminal liability and [their] firm will be exposed to reputational risk and/or price risk” should they be involved in Shariah-Compliant Finance. (See www.SecureFreedom.org for more on this correspondence.)

From now on, the leading Wall Street firms will not be able to profess ignorance of such risks. They will have a responsibility to disclose them to investors. Call it guilty knowledge.

Unfortunately, it nonetheless may take action by the Securities and Exchange Commission, the Department of the Treasury, the Justice Department and/or Capitol Hill to get Wall Street’s attention on SCF. The \$800 billion invested in such products to date is expected to grow by 15-25% in the future, powered in part by the dictators’ slush funds known as “Sovereign Wealth” that are recycling petrodollars into various, strategically ominous investments in the United States.

Alternatively, bringing to light the true nature and dangers associated with Shariah-Compliant Finance may fall to civil litigants like those who have brought suit in federal court in connection with Saudi and other interests’ (many of them Shariah-compliant) ties to the 9/11 terrorist attacks. The cost to Wall Street of such litigation could be in the billions.

Either way, the financial sector will have guilty knowledge about Shariah-Compliant Finance and be vulnerable to problems that will make sub-prime look like a day at the beach. Those involved are on notice.

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