

How Close Islamic Banks are to Global Fraud: Learnings from Dubai Islamic Bank In The Time of Sub-Prime Crisis

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Abstract— This This paper attempts to reconstruct and achieve learning from the mega financial crime that occurred at Dubai Islamic Bank (DIB) during the global crisis and juxtapose it with fraudulent practices from a global perspective with the aim to acquire a broader knowledge on fraud, especially in shariah-based organizations. Thus, this paper could conceivably contribute to the rarely covered topic concerning financial crimes within Islamic organizations. Additionally, descriptive, comparative, and analytical research are exerted in this study. As for the findings, the scandal divulged that the significant power of the government exercised through mandating faith-based banking and acquiring major shareholding does not seem to prevent white-collar frauds much to the outrage of civilized lawmakers. This implies that just like its conventional counterpart, Islamic banking is not immune to fraud. In addition, the paper highlights that the most offensive misconducts found in the case are: i) the fraudulent activities were concealed or kept in secrecy; ii) there was a lack of ‘shoulder to shoulder’ knowledgeable people to oversee the risk and warning signs; and finally iii) the modus operandi employed was collaborating. Accordingly, the study refreshes and stresses to the influential characters involved, namely, respective regulators and top-level officials of the organization on the importance of robust, prudent, and sustainable practical conduct for they are the accredited people whose enforcement and in-company culture will distinguish the right from the wrong.

Keywords- *Ethic; Financial crime; Fraud; Governance; Global crisis*

I. INTRODUCTION

Several academic studies have discussed financial crimes and frauds, juxtaposing with issues on ethics in the aftermath of the sub-prime mortgage crisis. It is acknowledged that at the time of the crisis, a majority of the financial institutions around the world, especially those in the banking sector, bore the major brunt of the effect caused by the ‘ordinarily unqualified’ mortgage portfolio which was turned into securitized instruments and offered as bluff investments.

Islamic banking contracts, especially in high leveraged countries like the United Arab Emirates (UAE), place a high reliance on asset-backed transactions, viz. real estates and

properties as collaterals. Although Islamic banks were not affected directly from the crisis, due to the prolonged duration of the crisis, it is undeniable that credit risk and financial gain suffered a decline due to the erosion in the value of collaterals in which a large share of financing was channeled to the real estate market. Dubai as the real estate hub in the Gulf Cooperation Council (GCC) countries took the largest hit from the property crash in 2008 [1].

Notwithstanding some triumphs made in terms of improvement in credit and asset growth during the mortgage crisis, Islamic banks (IBs) in the UAE had flaws in risk handling which later on led to a deterioration in the profitability of IBs in 2009 [2]. A study revealed that among the countries in the GCC, only the UAE had the experience whereby the IBs performed worse than the conventional banks (CBs) during the financial crisis period in terms of productivity and profitability [3]. Kroll [4], Ernst & Young (EY) [5], and KPMG [6] delivered their findings that massive frauds had been unmasked in the GCC by way of massive infrastructure investments involving sovereign wealth funds, government-owned entities, and private sector businesses as the primary sources of capital.

The Scandal in the Public Eye

During 2007–2010, financial malfeasance in Dubai-based companies during the crisis-stage involved over USD1 billion, of which USD501 million was incurred at Dubai Islamic Bank (DIB) within one year [7]. This is one of the largest cases exposed to the public in 2008 and revealed the involvement of several white-collar individuals from different positions as well as nationalities.

The case is not the first scandal to take place at DIB. In fact, between 1995 and 1998, the bank suffered financial losses due to embezzlement involving unauthorized transactions worth USD300 million [8]. The case unmasked three company employees who committed a breach of trust and illegally authorized transactions as well as twelve external individuals from different nationalities who together with the employees had defrauded DIB [9]. This embezzlement, which is called a “significant fraud”, had prompted the Government of Dubai to

increase its shareholding in DIB from 6% to a high level of 30% [10].

The UAE, in which Dubai is the central real estate in the GCC, has its idiosyncratic magnetism in investing activities, particularly from Islamic financial industries. Accordingly, this sumptuous attractiveness creates a huge supply-driven growth in human capital from the locals to the citizens of various countries who bring with them different cultures and faiths, not forgetting the large amount of funds to be invested and overturned. As might be expected, these investors, customers, and workforce have vast differences among them.

Most people believe that the implementation of technology is an excellent mean to prevent the diverse characters of human beings from committing a multitude of frauds within an organization. Nevertheless, the banking institution is susceptible to potentially a variety of frauds [11] regardless of the major jurisdictional actions implemented. It is an irrefutable and inherent nature of a bank since this financial institution handles a huge amount of highly liquid capital, particularly in the form of cash. In addition, despite the fraudsters' attempts to improve their modus operandi over time, they often tend to leave loopholes not exclusively for the institution but also for the relevant regulators to uncover the fraud. On this account, the paper endeavors to trace the chain of events to achieve an understanding of the mega financial crime that occurred at DIB and juxtapose it with other global frauds during the crisis as well as draw attention to the potential reasons, key responsible figures and others possible learnings from the scandal.

II. THEORETICAL FRAMEWORK

A. Unethical Practices and Crisis: Silent or Invisible?

History has shown that financial misconducts are complex while fraudulent activities are unnoticeable. For instance, a study highlighted that the likelihood of fraud to be concealed would be increased in a corporate culture that exercises secrecy, centralized control and excessive control, while the lack of transparency keeps hanging in the air [12]. It means that fraudsters who occupy a top-level position would be more likely to be able to conceal their unethical action for many years even from supervisory agencies, victims, and bystanders as compared to the common worker [13]. In another scenario surrounding the issue, secrecy is committed by witnesses who possess information of something unlawful, illegal, and unethical occurring within the bounds of the organization, yet take no initiative to tell the truth [13].

The fraudulent activities go from bad to worse and will reach a point when fraudulent practices are claimed as a 'custom' or acceptable practice and needless to say, it is derived from forced self-justification of certain groups or individuals to rationalize their multifarious frauds. KPMG reported that "there was an increase in the proportion of cases involving collusion in the EMA (Europe, Middle East, Africa) and Asia-Pacific regions" and additionally fraudulent action by dint of collaboration grow at the level of 32%, 61%, and 70% for the period of 2007, 2011, and 2013 respectively [14]. Surprisingly, the report also highlighted that incidences of

collusion were higher in states in which business dealings are frequently motivated by social and family relationships.

B. White-Collar Fraud

1) Quintessential White-Collar Crime

As published by KPMG in its global survey of 69 countries and 78 countries in 2011 and 2013, respectively [6, 14], major typical fraudsters possess similar characteristics: male, at the age of 36 to 45, commits against own employer, work in finance or finance-related task, assumes a senior management role, has been employed by the company for more than one decade, and co-commits with another fraudster (conspiracy). The 2011 survey also brought to public attention the case where senior management together with a board member remained as major players in fraudulent business dealings in the period between the surveys of 2007 and 2011.

TABLE I. LEVEL OF FRAUD PERPETRATOR WITHIN ORGANIZATION

Level of Fraud Perpetrator within Organization			
		2007	2011
Senior Management and Board Member		60%	53%
Management		26%	29%
Staff		14%	18%

Source: KPMG (2011)

2) Potential Rationale for Fraud

Looking back at the period in which the world suffered from a financial crisis, an EY Survey [5] revealed that the motivations for fraud in the Middle East were mostly due to the selfish desire for wealth (greediness), followed by an opportunity to maneuver and perhaps surprisingly, personal debt plays a part as well. Similarly, KPMG in its GCC Fraud survey [15] revealed the reasoning behind the fraudulent dealings in which the fraudsters were substantially driven by greed and hunger for a lifestyle of grandeur beside being presented by an opportune moment (opportunity).

As a comparison, the following charts show the results of the survey by EY and KPMG explaining the rationale for committing multifarious financial white-collar crimes during the period of the financial crisis (the results are shown in percentage):

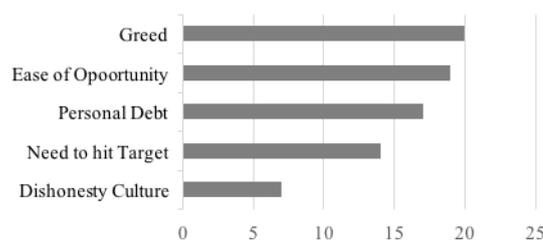


Figure 1. Rationales for Committing Frauds – EY Survey

Source: EY (2011), with rearrangement from the author

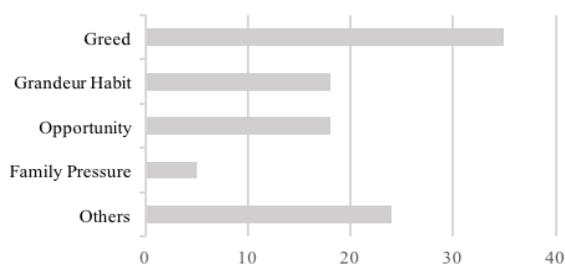


Figure 2. Rationales for Committing Frauds – KPMG Survey

Source: KPMG (2011)

KPMG [15] and EY [5] explained that from their financial forensic result, poor ethical culture and inappropriate ethics policy within corporations are proven to go well with the contributing motivations for committing fraud. In other words, developing and implementing robust ethical practices as well as professionalism within the bounds of the business institution are essentially needed to save the would-be fraudster or the challenger of infringement from an attempt on the unlawful act.

On the practical manner of fraud motivations, Salin, Manan, and Kamaluddin [16] highlighted that the possible reasons for recurring frauds, corruptions and unethical practices in the firm's ecosystem could be due to the following (refer Table 2):

TABLE II. POSSIBLE REASONS FOR FRAUD, CORRUPTION, AND UNETHICAL PRACTICES

Origin	Concerns
<i>Directors with poor ethics</i>	Unethical and fraudulent activities such as fraud, bribery, and misappropriations practiced by directors are a contradiction to proficiency status, namely education or expertness.
<i>Deficient Board Model</i>	An absence of supervising function upon the potential unethical decision by the board.
<i>Weak Enforcement</i>	Unfair judgment between unethical actions that bring losses and financial penalty by court judgment.
<i>Political Governance</i>	There are both ineffectual and inefficient law-making (legislation) and law-proceedings (litigation) whereby intervention of politicians into industries are more powerful than the enactment of rules and regulation.
<i>Failure of third-party assurance provider</i>	The propensity of secondary service providers such as the auditor, corporate secretary (internal-external), lawyer, and other professional advisors to transform into 'gain keeper' and contribute to corporate scandal.
<i>Helpless secondary lifeline</i>	Ignorance and passiveness of management over warning signs or critical questions delivered by analysts and researchers.

Source: Salin, Manan and Kamaluddin (2017)

3) Insider vs. Outsider

A number of studies mapped out that the fraudsters' background in the environment of Islamic banking could be from either internal or external parties [17, 18]. Outsider fraudsters could be customers, suppliers, contractors, asset appraisers and lawyers. According to KPMG Survey 2013, the fraudsters often conduct their fraudulent activities in collaboration with others instead of going solo [14]. In detail, the comparison between the two are 70% for the perpetrator being accompanied and the unaccompanied take the remnant of 30%.

III. METHODOLOGY

The development of the conceptual framework leads to the utilization of the descriptive analysis for the study. Next, the paper would narrow down its analysis on Dubai Islamic Bank Public Joint Stock Company's (PJSC) scandal during the period of the financial crisis between 2007 and 2011. In terms of data collection, the author gathered data from varied sources. The most important data of the study is the secondary data, as access to primary data for this study is limited, which is unsurprising because DIB and most commercial institutions, regardless of locality, would abstain from officially publishing information related to financial crimes perpetrated within the institution. On that account, in respect of fraud in a general scope, the author mainly took reference from independent financial forensic reports issued by globally established financial service providers, namely EY, KPMG, and Kroll, besides academic journals. Guided by the objective of the paper, viz. the scandal, data were obtained from news reports, articles and legal articles that have interest in the case.

Using the information obtained from the various sources, the author attempted to reconstruct the DIB case so that the paper could deduce the major issues pertinent to factors of fraudulent activities, inter alia, potential reasons, key responsible figures, modus operandi and the possible after-effect of the fraud including legal proceedings.

IV. FINDING AND DISCUSSION

A. The Scandal Unveiled in the Islamic Bank

1) Typical Fraudster

The DIB financial scandal that is one of the largest frauds and had taken place in Dubai was first heard in the Dubai Court of First Instance in 2008 [19]. The case revealed six white-collar perpetrators of the crime: two Pakistani men who held senior executive positions in DIB (a 39-year-old finance manager together with his 50-year-old deputy), two British businessmen (a 48-year-old and a 50-year-old), a 36-year-old Turk businessman and an American businessman (the financial manager's sibling) [20].

Briefly, in 2011, the perpetrators came to light for defrauding, conspiring, and collaborating in the scandal when the highest court of Dubai sentenced the six defendants for ten years and imposed a fine of USD501 million (it is the collective fine for the two former DIB officials, two Britons, and one Turk) and USD 2 million (it is the collective fine for

the kith and kin: the American citizen and the former financial manager) as compensation for the loss suffered by DIB [20]. The following subsection will discuss the substantial point of the case.

2) *Time Journey of the Scandal*

It is undeniable that the oil sector was a luxury investment. Even DIB declared that the rise in oil price and demand was in line with the remarkable financial achievement of DIB during the financial year 2004. In the same year, DIB, in which the Government of Dubai was the major shareholder, entered into an investment agreement with a company owned by three of the outsider defendants (a Turkish private bank called CCH) for project financing in the oil sector involving the acquisition of a Canadian oil refinery and then shipping it to Pakistan. As a consequence of this project, CCH was in debt to DIB for an amount of USD170 million [20].

As alleged by the CEO of DIB in the courtroom, CCH had breached the contract whereby CCH had embezzled USD18 million into another project without DIB's consent [21]. Thus, in 2007, a Restructuring Agreement was prepared since CCH had defaulted on the facility. However, when they issued the 'excellence recommendation', the two former executives of DIB had neglected the bank's credit limit policy, and they subsequently granted more financing up to USD501 million to CCH after receiving illicit payment and bogus documents provided by the outsider fraudsters [20].

On the surface, as a consequence of the Agreement, the bank required a security to be provided so that more financing could be extended to CCH, but for the USD18 million embezzlement, the bank gave the fraudsters 15 days to remedy the situation. The security in the case is a holding company, Plantation Holdings. It is a company owned by a friend of the outsiders, who was charged in the court with aiding and abetting on the restructuring process by providing Plantation as security [22]. Moreover, the reason that the security was included in the restructuring was mostly that it directly benefited from the money [23]. The security itself is a holding company called Plantation Holdings valued at USD3.5 billion [24]. Due to the high security value, DIB had abstained from taking legal action at that time [25].

Apart from the three fraudsters mentioned above, the remaining offender, i.e. the American, had defrauded the bank of USD2 million by collaborating with the former financial manager. The American was a close associate of the three fraudsters, and the modus operandi employed was by supplying and approving forged documents.

In summary, the conspiracy and collaboration among the fraudsters that had essentially brought them into conflicts with the law involved the following:

- i) Granting and accepting bribery (kickbacks);
- ii) Providing and approving bogus financing documents (forgery);
- iii) Unlawful profiteering;

- iv) Ignoring regulation on credit limit allowance;
- v) Conspiring to embezzle public funds;
- vi) Deliberately causing losses for Dubai Islamic Bank, the government and its entities.

The last point is the most significant accusation by the persecutors in the court. DIB that is one of the most long-standing Islamic banks in the world was established more than three decades ago and as of December 2009 was controlled by Dubai Government through 30% shareholding ownership. Moreover, DIB held 4% stake in the Federal Government Pension Fund. As mentioned earlier, Dubai is a property hub in the GCC countries. Unquestionable, DIB, which supported assets-backed financing (direct equity), took the lead in Dubai's real estate market. As of 10 December 2009 however, the financial position of DIB was reduced to a low level and was claimed as degenerating as an implication of the financial crime within the bank, which subsequently led to material default and negative climate in the property market as well as economic volatility in the Gulf. Moody's Analytics stated that "Among UAE-based Islamic financial institutions, DIB is in addition one of the most heavily exposed banks to both Nakheel and Dubai World" [26].

3) *Collaborators - Insiders and Outsiders*

Probing the case further, it becomes clear that the fraudulent actions were conducted by more than one perpetrator. In other words, it involved deliberate collaboration or financial conspiracy involving both insiders and outsiders. The actions of the group of collaborators could be segregated in three directions: insider-to-insider, outsider-to-outsider, and insider-to-outsider.

B. *The Other Side of the Coin*

1) *Weak Enforcement of Corporate Governance Disclosure*

The case has substantiated that Islamic banking institutions are no longer immune to financial crimes which come with a labyrinthine modus operandi. Many studies have shown to the public especially during the global crisis that one of the major contributing factors to crimes is poor quality of governance [27] whereby there is limited access to information with regard to whether there is excessive control in the organization and how the organization's internal control is functioning. In the case of DIB, it is apparent that high-level officials of DIB such as the board of directors turned a blind eye to the above issues and chose to avoid from further public scrutiny. Ironically, this phenomenon exhibited that each of DIB's stakeholder had confidence in DIB such that no question was raised even though DIB had published its official governance reports only for 2011 and 2012. It is to be noted that the enactment of the code of corporate governance in the UAE by the UAE's Securities and Commodities Authority (SCA) took place in early 2007. Subsequently, in October 2009, the code was amended by the UAE Ministry of Economy and takes effect starting 30 April 2010 to make Corporate Government disclosure an obligation for listed companies [28].

2) Poor Judgment of Risk Management

“The recent banking crisis created by the decisions of major international banks to abandon risk management in favor of huge but illusory gains” [29]. Thus, the risk management function is vital for all companies all over the world. As a matter of fact, the risk management structure of DIB evidently provides clear-cut roles and responsibilities of the various elements where one of the elements is the internal audit function [30]. Yet these components failed to take charge ‘shoulder to shoulder’ of the internal affairs namely detecting, identifying, controlling, and approving the operations regarding the restructuring of the financing facilities worth USD501 million to the outsider firm. The Risk Management Department and the Internal Audit Department which superintended schemes of credit approval had failed to catch the breaches. Surprisingly, however, the departments were unassailable even when giving information in the courtroom [31, 20].

TABLE III. RISK MANAGEMENT STRUCTURE OF DIB IN 2007

Risk Management Structure of DIB	
<i>Responsible For:</i>	
BOD	Overall risk management approach. Approving the risk strategies and principles.
Risk Management Committee	Developing risk strategy, implementing principles, frameworks, policies, and limits. Responsible for the fundamental risk issues and manages and monitors relevant risk decisions.
Risk Management and Control	Implementing and maintaining risk-related procedures for credit approval, credit administration, portfolio management, market risk and overall risk control.
Treasury	Managing the Group’s assets and liabilities and the overall financial structure. Managing funding and liquidity risks of the Group.
Internal Audit	Auditing risk management processes periodically (examines both the adequacy of and compliance with the procedures). Discussing the results of all assessments with management and reporting findings and recommendations to the Audit Committee.

Source: DIB Annual Report 2007

3) Overdependence on the Security Pledged

It should be borne in mind that Islamic financial institutions (IFIs) should have an awareness of the root of the sub-prime mortgage crisis whereby it initially originated from ‘poor credit background’ borrowers. The chief reasoning the lenders arranged the loans for the borrowers was primarily motivated by the securities provided by the borrowers. It is undeniable fact that the potential risk of financing/loan non-performance either in IFIs or the conventional counterpart could be mitigated by obtaining security from the customers. As indicated in the previous section, the substantial fund of USD501 million as a result of the restructuring should not have been transferred to the outsider fraudster [32]. While the internal fraudsters had succeeded in approving the bogus document, which means the fraudsters had a centralized authority, another aspect that contributed to the scandal was overdependence upon the security pledged.

C. Legal Action

1) *Suing the Security for Breach of Contract in the Jurisdiction of the English Court*

In July 2008, legal action was initiated by DIB against Plantation Holdings (Plantation) after Plantation dismissed DIB’s notice demanding the company to rectify certain breaches of contract and non-compliance against Dubai law within a month [33]. Consequently, DIB commenced foreclosure against the company through litigation mechanism.

The contract between DIB and Plantation stipulated the choice of venue for both parties in the event of unsettled issues, namely the English High Court. In 2013, the bank embarked on legal enforcement against Plantation before the court, in which case, the bank obtained a court judgment of USD432 million against the defendant.

This was followed by the appeal procedure. It was different from the earlier case, whereby in 2016–2017, DIB became the defendant since Plantation had made a claim against the bank.

In brief, in April 2017, Baker & McKenzie, a London-based law firm that acted on behalf of Dubai Islamic Bank Public Joint Stock Company gained a successful outcome after winning against Plantation’s legal representative, David Wyld & Co in an eight-week trial in the English Commercial Court [22]. Despite Plantation’s attempt to defend itself in the case involving USD2 billion, the plaintiff failed to prove that DIB had breached the Restructuring Agreement in 2007 and as a consequence, lost its claim [22]. It was an unexpected finding that the judge of the court prevailed that “Plantation’s principal director had “made up” evidence and that another of Plantation’s witnesses had “manufactured” documents” [22]. Lastly, other significance verdicts of the court are that Plantation was ordered to pay 70% of the Bank’s costs on an indemnity basis and most importantly, Plantation was refused further appeal, which means the case was closed [22].

2) *Issue on Choice of Law*

One of the British defendants who was based in Bahrain and had already lived in the Middle East for more than two decades, in his defence, claimed that his actions adhered to the Islamic principle [34]. Regardless of the justification or the system of the law enforced by the Dubai Government, which is not the main purpose of the study, it is obvious that both the bank as the financier and the defendant as the customer had an unsettled contract and might have misinformation regarding the venue and the law that would be enforced when disputes materialize. With regard to the issue of the choice of law as well as the choice of forum in terms of cross-border transactions, it is vital to avoid uncertainty on the jurisdiction of hearing the case that is whether or not it falls under the purview of the shari’ah law [35].

V. CONCLUSION AND RECOMMENDATION

A. Conclusion

The The scandal divulged that Islamic banking, with its significant growth in both credit and asset, could attract people to create unusual fraudulent transactions. Unsurprisingly, the

power of the government as evidenced through its majority shareholding and mandating faith-based banking does not seem to deter the executive-level collaborators, causing outrage among many civilized lawmakers. It shows that similar to its conventional counterpart, Islamic banking is not immune to white-collar crimes. The achievement of astonishing growth in Islamic banking assets does not seem to be matched by the capability to manage those assets. Provided that Islamic banks are prepared to move forward as a dynamic institution, there is a big chance that the industry will succeed in the long run. By an analogy, the Islamic bank is similar to a vehicle whereby the bigger the vehicle, the harder it would be to steer. Notwithstanding the road taken in the day-to-day activities is almost interchangeable, the individuals are changeable. As has been demonstrated, the damage is not 'a scratch' that endangers the bank directly and could be recovered in an instant, but it evidently results in a stressful situation not only for the bank as the ultimate victim but could also bring legal consequences, financial expense as well as bad impression to other parties either directly or indirectly through their links to the bank. Therefore, Islamic banks and other financial institutions elsewhere are challenged to not only have a well-built structure as well as sound judgment at every stage to ensure that both major stakeholders and other wide-ranging stakeholders are protected against the perpetrators, but should also have virtuous higher-level human-resource personnel as role models. Thus, sustainable, robust and prudent Islamic code of ethics are essential instruments in Islamic financial institutions, and this paper aims to restore the awareness of the need to comply with what is right or wrong from shari'ah perspective as well as the jurisdiction in which the industry is obligated to comply with certain policies and civilized laws. As the nature of fraud is ever changing and evolving, further studies should be done to achieve a dynamic, effective, refined and sustainable Islamic banking sector in particular and Islamic finance industry in general.

B. Recommendation

- *Promoting as well as Manifesting the Commitment to Disclosure*

Rules and regulation concerning KYC (Know Your Customer) have been a longstanding feature in the banking ecosystem. Even so, there is one counterpart element that typically escapes notice, i.e. the absence of 'Know Your Agent'. It should be borne in mind that the 'agent', which this paper aims to highlight, is the first to enforce early prevention, detection, and scrutiny over frauds within an organization. Second, there must be a certain degree of openness on the part of the agent concerning roles and responsibilities in running the business. It means breaking the silence to bring fairness, transparency and accountability to the organization.

Demand for accessible information such as corporate governance disclosure together with a feasible whistleblowing system that give protection and incentive are pivotal in boosting good agency relationship and responsibility of top-level stakeholders, namely shareholders, chairman, board members and its committees (audit and remuneration), shari'ah supervisory board, senior management and chief executive

upon other stakeholders such as customers, regulators, employees and the public. Broadly speaking, oration without clear, pragmatic direction is blandishment of work thus the government as the supreme regulator in the state should manifest conclusively its commitment note solely to ensure robust disclosure, but also to declare consistently that bribe and such is illegal and must not be claimed as the "cost of business".

- *Flourishing Beyond Shari'ah as a Resilient Identity*

As an inherent nature of the financial institution, the Islamic bank ought to accentuate the pro-active instead of the reactive approach. Notwithstanding the bank places emphasis on recovery of the financing facility, the scandal has put the bank in the limelight such that the damages might give rise to new risks such as distrust of both customers and the public upon the bank particularly, and the Islamic finance industry in general.

While the 'form and substance' of a contract of products or services have been accomplished, the objectives of the Islamic law, i.e. *maqasid al-shari'ah* should be attuned to. *Maqasid al-ahkam al-shari'ah* or commonly linked to public welfare (*maslahah*) within the Muslim societies emphasizes that the shari'ah ruling must protect five dimensions: faith, life, intellect, prosperity, and property. As an illustration, conducting partnership in lawful *aqad* and demanding collateral as a solution are permissible and convenient, however, conspiring by accepting illicit payment, committing forgery, breaching employer's trust, neglecting well-judged co-performance, and channeling fund at the expense of the nation including money-laundering, terrorism, and other devious acts as well as being untrustworthy would be inconsistent to the intention of the Lawgiver. A Muslim need not wait for the Judgment Day to know what is right and wrong, as the results could be instant. For instance, the contracts could be lawfully nullified, bring legal consequences, cause a bad impression to the public, and in more serious situations it might be discovered as in the case of the sub-prime meltdown.

- *Investing in Islamic Teaching as an Ethical Culture*

Several social ills nowadays namely unlawful deeds including bribery, corruption and fraud occur because the public at large bestow dominantly on physical joyful rather than promoting human development such as spiritual necessities (versus hedonism) [36]. Therefore, it is crucial that Islamic teaching should be dedicated at the entire activities of human beings so that it could instill ethical and good practices starting from home to the workplace and embed in the heart until it is put into actual practice. As a consequence, Islamic ethics in the person would grow as a powerful shield that is continuously adaptable to technology, the rapid growth of the economy and humans' endless desires. In this respect, Human Resource and Development is the department that should take this constructive duty to create a pool of high standard workforce because it is responsible for providing an end-to-end mechanism (screening, recruiting, maintaining, training, upgrading, firing) of the company's human resource. Moreover, it is advisable that the company keeps itself up-to-

date with global issues and upgrades the expertise of the workforce by means of bridging relationships with external institutions such as professional accountants to promote a high standard of ethics coupled with a professional workforce. In addition, a set of feasible and pragmatic ethics policy plus regulation are indispensable as an ‘early warning system’ and to pre-empt loss of money, bankruptcy, sanction by the regulator, public scrutiny, and an abominable event such as a crisis.

- *Certainty of Legal Resolution and Demand for Globalized Standard*

From a legal perspective, it is clear that the government should contribute by assisting stakeholders in terms of legislation and litigation. While conducting cross-border business activities, however, it is important for any Islamic organization to be in compliance with all related laws: local, international, as well as shari’ah. There might be added complexities when a country implements a dual financial system, but on the other side, the perpetrator lives in a jurisdiction that adopts a single system. For that reason, it is important for the parties to make it explicit in the clause in the contract regarding the forum and the law that will be used when they wish to settle a dispute. Also, the study suggests that there is an urgency for Islamic banking and finance institutions globally to have a globalized Shariah standard either for litigation or non-litigation matters that is in line with the spirit of Islam to enhance public as well as customer confidence in the industry.

- *Bursting Interdependence of Interfaith Communities*

By means of commercial transactions (*Muamalat*), Shari’ah as evidenced by the Qur’an, Sunnah, and other sources of Islamic law gives lawful permission to make contracts with any eligible party. Precisely, it nurtures long-term socio-economic goals, not exclusive to the Muslim society but includes the non-Muslim community as well.

Abrahamic faiths, i.e. Islam, Christian, and Judaism have commonality in their holy scriptures concerning business ethics namely rejection of bribery, cheating, fraud, discrimination, and unfair compensation [37]. In depth, the aforesaid study came with a foregone conclusion that majority of religion and faith in the world have commonality in ethics issue. It refers to two declarations towards interfaith commitment of Global ethic. An Interfaith Declaration: A Code of Ethics on International Business for Christians, Muslims and Jews (1993) and Declaration Toward a Global Ethic (Parliament of the World’s Religions 1993) signed by Hinduism, Buddhism, Sikhism, Baha’i, Jainism, Shintoism, and others at the Parliament of the World’s Religions in 1993 [37]. This is to say that practical discussions upon business ethics between the broader interfaith communities is practicable and acceptable. Therefore, open interfaith discussions are essential to instil responsiveness over ethical standards among all Muslims, Christians, and Jews all over the world.

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