Islamic Finance news
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Islamic finance in the US

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North America has fairly limited options available for Islamic financing, despite its advanced financial systems. Shariah compliant financing has been available, to some extent, since the 1980s, though development since that time has been very slow in coming. DAVID LOUNDY takes us on a journey exploring Halal finance in the land of the free and the home of the brave.

Islamic finance in the US began accelerating in the year 2000, but has since retrenched in light of the US and global financial crises whereby a number of the former providers have ceased to do business or withdrawn from actively promoting Islamic finance in the US. As the credit markets thaw, this contraction is likely to reverse, and a broader range of products will likely be made available. It is also likely that the industry will expand as investors see the volume of regulatory changes slow allowing for better clarity before investing. Unfortunately, some of the industry changes do pose challenges to industry growth, such as potential disruption of the major providers of residential mortgage liquidity, substantial difficulty in the chartering of new banks, and increased capital requirements.

Accurate measurement of the industry size and penetration is not possible, as there is no requirement for every transaction to be reported. Many industry participants have no incentive to announce the business they conduct in the US. Differences in regulatory structures also dictate the amount of information available. For instance, a public Islamic mutual fund would need to disclose its asset size, but a public 'ethical' fund may also be operating under Islamic principles but choose not make that fact widely known even though its asset size is public. Banks may need to report their mortgage volume, but are not required to indicate what the breakdown is between conventional and Islamic business. Private investors may often engage in very large commercial transactions, but with no available information to indicate if they are in compliance with Shariah law.

Much of the incentive for the growth of Islamic finance comes from non-native Muslims bringing practices and interests from their countries of origin. The Muslim population in the US has not been accurately measured, and estimates vary widely, ranging from about two million to about 12 million. Because religion is not a statistic that is collected in the US Census, the numbers are collected through examining Masjid membership and other demographic surveys. The Muslim population is, however, considered to be growing, due to family dynamics and immigration. The US Muslim population as a whole is predominantly foreign-born — an estimated two-thirds — with more than half of the remainder primarily consisting of African-American converts. Of the total Muslim population Arabs comprise one quarter; African-Americans make up one fifth; and South Asians add another 18%. Geographically, the largest Muslim populations are in California, New York and Illinois, but with large groups also present in New Jersey, Indiana,

Michigan, Virginia, Texas and Ohio. Often, there are clusters based on origin — for instance, on the north side of Chicago many of the Muslims are South Asian, Bosnian or other East European; while on the south side of Chicago there are more African-Americans and Arab Muslims.

Asset management

Shariah compliant investment products in the US are fairly straightforward. There are individual investments (generally existing companies that pass certain compliance tests rather than those intending to be Shariah compliant); and there are funds (generally intending to be religiously compliant). There are public funds and private funds. Investment funds fit into certain categories as defined by state and federal regulators with fairly well-defined requirements. The structures are not tailored to Islamic finance, rather, compliance with religious requirements is an operational overlay performed at the investment management level. Thus there are no 'Islamic funds'; instead there are funds that happen to be Islamic. Not all funds require registration and minimum disclosures, and there is at least some subset of funds that should have public disclosures that do not, thus it is difficult to discuss much beyond public funds.

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Shariah compliant investment funds have a fairly successful story to tell about their development in the US. The most successful public funds came as a result of representatives of the North American Islamic Trust (NAIT) approaching Nicholas Kaiser, the founder of Saturna Capital and a then-local investment manager, about putting together an investment fund in line with Islamic precepts. This gave rise to the Amana Income Fund, launched in 1986, with the Amana Growth Fund added in 1994 and the Amana Developing World Fund added in 2009. These funds have been the most successful, as of September 2013 reaching US$2.1 billion, US$1.4 billion, and US$24.8 million in assets, respectively. These funds have reached 'crossover' status appealing to non-Muslim investors.

Another event that led to the growth of Islamic funds in the US was the launching of the Dow Jones Islamic Index. The Dow Jones Islamic indexes, launched in 1999, were based on the Fatwa of notable Shariah scholars that agreed on the screening criteria to be used when examining a universe of stocks to find which were acceptable under Islamic law, and how to address "near misses". Specifically, the Fatwa provides the framework for examining a company's balance sheet and business and allowing for some amount of unacceptable business/income. This allowed for the inclusion, say, of a company that runs an otherwise Halal business, but has cash on hand in interest-bearing bank accounts that generate some unacceptable income. Rather than eliminate the entire business as unacceptable, the Fatwa established thresholds below which such income would be treated as not sufficiently material and would not disqualify the company as an acceptable investment. The creation of the indexes, and the screening methodology that could then be applied to a large universe of US stocks, led to the licensing of the initial index by two of the three early US Islamic mutual fund companies — the Dow Jones Islamic Index fund (now the Iman Fund, a subsidiary of the NAIT launched in June of 2000; NAIT also provides a cooperative fund for buying Masjid and school properties, and a Waqf for holding title to such properties) and the Azzad mutual funds (also launched in 2000). The Dow Jones Indexes have now expanded to cover markets all over the world, and have been widely adopted.

There have also been attempts to start public exchange-traded funds (ETFs). These have not fared as well. Shariah Shares has been working on putting together an Islamic ETF since at least 2009, but has not yet launched, while another venture has already come and gone. The Javelin Dow Jones Islamic Market International Index Fund was launched in the summer of 2009, but only lasted about a year and a half, finding it difficult to reach its target market "through marketing channels typically used by ETFs". Unfortunately it was not an ETF promoted through marketing channels typically used by Muslims, who couldn't otherwise invest in ETFs, and thus did not necessarily look at channels typically used by ETFs.

One fund that did reach Muslims through means calculated to reach investors seeking acceptable investments succeeded in becoming one of the larger scandals to reach the US Muslim community. Sunrise Equities was a Chicago-based real estate development company that aimed to provide a Shariah compliant investment alternative as it developed and sold condominium units. Unfortunately, it took on more and larger projects as material costs skyrocketed and the bottom began to fall out of the housing market. The developer then turned its business into a pyramid scheme as managers continued to pay existing investors dividends out of funds taken in from new investors rather than from real profits. When it couldn't raise sufficient funds to finish one of its larger projects, the pyramid collapsed and two of the principals fled the country. This caused hundreds of investors and several banks to lose millions of dollars (and was a significant contributor to the failure of Mutual Bank) and created a significant taint on Islamic investments as people learned that what was rated as 'Shariah compliant' in the beginning did not guarantee, in the end, 'risk free' or even 'legitimate'.

In terms of private funds they are, by definition, private; and thus not much information is even allowed to be publicly available. There are a number of private funds domiciled overseas but investing in US assets, but often not allowing investors from the US. There are likely fewer funds investing in the US based on Shariah principles that allow US resident investors to invest. Two companies that have funds that are managed in the US include Shariah Capital and HDG Mansur, which manages US real estate funds.

GCC investment companies have also had some presence with putting operating offices in the US to source investments. Shariah compliant investment banking settled into the US with the opening in 1997 of Crescent Capital, later re-named Arcapita after its Bahraini parent. Arcapita operated out of an office in Atlanta, Georgia, and claims the unfortunate distinction of being the first institution in the Americas to work its way through a Shariah compliant bankruptcy reorganization. Unicorn Investment Bank, now Bank Alkhair, also of Bahrain, opened UIB Capital's Chicago, Illinois office in 2005, but closed it during the financial crisis as the bank chose to narrow its focus and close some of its more remote operations. Innovest Capital, a wholly-owned subsidiary of Gulf Investment House, has been operating with offices in the US beginning at least as early as 2004. HDG Mansur began providing Shariah compliant real estate funds and advisory services after the company formation in 2000. It, along with investment management companies such as Calyx Financial and Shariah Capital, is headquartered in the US, but does not offer its products publicly in the US.

Although many countries have large endowment or community-based trust funds, the US does not have many organizations that have these resources focused on Shariah compliant assets. Anecdotal evidence suggests that many of the Masajid and community centers have not been able to raise the surplus resources necessary to establish endowments, though this is likely to change over time. The one visible exception, as noted, is the NAIT which does aim to be a provider of such services to the greater Muslim community and has established investment funds focused on protecting the assets of the Islamic community and invested in accordance with Islamic law.

At the level of individual investments, there are a growing number of investment advisors targeting Muslim clientele, but there is no registration requirement that would indicate who has this focus and who advises on other investment products that are non-compliant. Companies such as Saturna Capital do maintain brokerage accounts that will allow for private client asset management employing Islamic investment screens, but such services are not otherwise prevalent. Many individual investors looking to avoid unacceptable investments either invest in individual businesses with friends and family or invest in real estate.

Tax and accounting

As a non-Muslim country, the US perspective on tax and accounting issues is to fit the square peg into the round hole. There are no separate accounting standards for Islamic financing transactions, and no separate tax legislation. Due to constitutional limitations on mixing 'church' and state, it is not likely that there will be such accommodations. Islamic structures must be treated as they appear on their face or translated into conventional structures that the existing systems were designed to handle. These systems sometimes work well to accommodate Islamic structures, and sometimes do not.

An example of this in action is an Islamic mortgage, for instance, a Murabahah transaction. Conventional mortgage holders often have available a tax deduction for interest paid on a conventional mortgage. This tax benefit is offered as a means to encourage homeownership. Technically, a Murabahah is not a loan; it is an installment sale that is designed to not have an interest component. If there is no interest, how can there be an interest deduction? However, the OCC Interpretive Letter 867 allows banks to offer Murabahah transactions as the functional equivalent to lending. As such, regulators expect banks to treat these transactions as loans, and report them as loans.

This is generally believed to mean that the transactions must be interpreted as an equivalent interest-bearing loan. This interpretation is supported by the fact that the 'Truth in Lending' law requires disclosure, including of interest rates, of not just 'loans' but also of 'credit sales'. Thus the industry has taken this to mean that a disclosure of an interest rate is required for a loan, even though the transaction doesn't have an interest rate and is a credit sale rather than a loan. Of course, if it has to be disclosed this way for one regulator, then it makes sense that it be disclosed that way for the taxing authorities also.

As a result, the providers generally send a tax form that says: "You don't have a loan, and you are not paying interest, but if this was a loan, and you were paying interest, this is how much interest you would be deemed to have paid…" This disclosure is then used to claim a mortgage interest tax deduction. Attempts to get the taxing authority to provide clarity on this issue have been refused. At this point there are billions of dollars invested into home mortgages in the US.

Tax questions affect most transactions, and can also be very complex, as in addition to federal taxes, there are nearly 8,000 individual tax jurisdictions in the US. Thus to offer Islamic finance products in the US you must look at what the product is, who is providing it, and in what state. Because of this complexity, there are fewer providers willing to navigate this maze than there are in some less-regulated countries, and products that may be available in one state may not be available in another. Costs may also vary widely by state, which, in part, may dictate the use of a different financing structure. For instance, a Murabahah

transaction performed on residential real estate in New York state would require the payment of a mortgage tax on the gross amount of the Murabahah debt, not based on the equivalent conventional loan amount — making such a transaction very expensive, whereas there may be no mortgage tax owed at all on an Ijarah transaction.

Tax issues arise based on income, property transfers, occasionally based on liens, real estate taxes (which complicates financing non-profit properties which are often exempted from some of these taxes), and sometimes from special uses or use incentives, such as environmental credits.

Retail and microfinance

By far, the biggest representation of Islamic finance in the US is on the lending side, particularly aimed at the small business and the consumer home buyer. The first attempts to provide Islamic finance came from cooperative efforts. Initial ventures in the early 1990s included MSI Finance Corporation, with offices in California and Texas, which was a division of ICNA (Islamic Circle of North America) and BMI in New Jersey. Both entities provided leasing funds for cars, and MSI, at least, assisted with home purchases on a cooperative basis. The Ameen Housing Co-op in California was another early effort begun in 1996. American Finance House (LARIBA) pre-dated these operations and began operations in 1987 as a mortgage broker, and the company remains an active provider of services to the Muslim community today, and has expanded its reach through an affiliation with the Bank of Whittier, which is under common ownership. The company provides residential and commercial real estate, business and auto financing. Samad Group, headquartered in Ypsilanti, Michigan, began providing home financing in 1996.

In 1980, there were experiments started on a more formal basis in Indiana, with the creation of the Indiana State licensed Muslim Students Association's Credit Union, as well as the Islamic Housing Cooperative of Indiana, both now defunct. The Indiana banking regulator described the demise of the credit union as due to the organization's lack of profitability — apparently not collecting interest also translated into a lack of operating income.

The true foundation for bank-based Islamic finance in the US came from the efforts of the United Bank of Kuwait's Manzil USA program. This program was the first major attempt to provide retail-level Islamic finance broadly across the US. Importantly, it also involved the first interpretive letters to be released publicly by a federal banking regulator, and thus it created precedent that could then be looked to by other institutions facilitating others' entry into the market. Specifically, the Office of the Comptroller of the Currency, which regulates national banks (as opposed to state chartered banks and some other types of banking institutions such as thrifts and credit unions), released Interpretive Letter 806 on the 17th October 1997 on the permissibility of Ijarah transactions, and Interpretive Letter 867 in November of 1999 on the permissibility of Murabahah transactions. These interpretive letters looked at the transaction forms and, using a substance over form approach, held that the transaction forms were the 'functional equivalent' to traditional lending, and thus fit within the allowed powers of banks. This was a particularly profound conclusion because, in part, it allowed banks to buy and own property, which is something that they are otherwise prohibited from doing except as a result of a foreclosure or to use to operate banking facilities.

> **"Islamic finance is too small to catch the interest of the larger banks, and it is too big for the liquidity of the smaller banks"**

The entry of others into the market was also accelerated by not just the development of the Manzil USA program, but also by its demise. When the United Bank of Kuwait was bought out, the acquirer discontinued its US operations and encouraged its US customers to go find other financing arrangements. Customers then went to other institutions with which they had relationships and asked them if they could help close the gap created by United Bank of Kuwait's exit. This, for instance, lead to the creation of the Devon Bank Islamic finance program.

HSBC began providing residential Islamic financing in the US in 2002, (as did Guidance Financial Group, a non-bank mortgage broker, through its Guidance Residential division). Devon Bank created an Islamic financing subsidiary in April of 2003, and began providing both residential and commercial real estate financing on a compliant basis in June of that year, with limited business equipment and trade goods financing added shortly thereafter. It also offers limited stand-by letters of credit, real estate construction financing, lines of credit, cash management, and some trust and advisory services on a Shariah compliant basis. University Bank followed suit in 2004 and created its University Islamic Financial division in December of 2005. It

provides residential real estate financing and deposit products. Other banks have also dabbled in Islamic finance including, at least, LaSalle Bank (now subsumed into Bank of America and no longer believed to be participating in Islamic finance) which provided commercial real estate financing, Cole Taylor Bank (commercial real estate financing, no longer believed to be participating in Islamic finance), Mutual Bank in Chicago (commercial real estate financing, until the bank was closed by regulators during the financial crisis), Broadway Bank of Chicago (commercial and residential real estate financing, until the bank was closed by regulators during the financial crisis), and Lincoln State Bank in Rochelle, Illinois (residential real estate financing, now merged into another institution). Non-bank originated commercial real estate financing is also provided by Zayan Finance, which began operations in December of 2007 and changed its focus to Takaful, and residential and commercial finance provided by Ijarah loans.

Even local governments have shown some interest in Islamic financing in the US. At the urging of the African Development Center, the city of Minneapolis, Minnesota, which has a large Muslim Somali immigrant population, began providing non-interest based financing for equipment purchasing and for making building repairs through its Alternative Financing Program. The state of Minnesota began offering low income home financing on a Murabahah basis through the Minnesota Housing Finance Agency in conjunction with Devon Bank and the African Development Center, though it subsequently suspended the program after a short period of time. In Nashville, Tennessee, Shariah compliant micro-finance is available for refugees starting new businesses through World Relief, which receives some funding from the US Department of Health and Human Services' Office of Refugee Resettlement.

In addition to World Relief, other community development institutions have also been working to help small businesses with compliant financing, such as the African Development Center in Minneapolis mentioned above, and also the Reba Free program of the Neighborhood Development Center, also in Minneapolis (and which has received funding from the Community Development Financial Institutions Fund of the US Treasury to develop its Islamic financing program). A new start-up, yet to offer its services to the public, is the Chicago Islamic Microfinance Project.

There are opportunities for growth in the smaller dollar size financing. There is little or no availability in the US for Shariah compliant financing of automobiles, or education financing, there are few opportunities for retail deposit products, small business financing is available, but limited, and generally must be collateral based — there are no options available based on equity sharing. While there are some providers of microfinance, they are typically geographically very narrow in their reach and there is limited investor support.

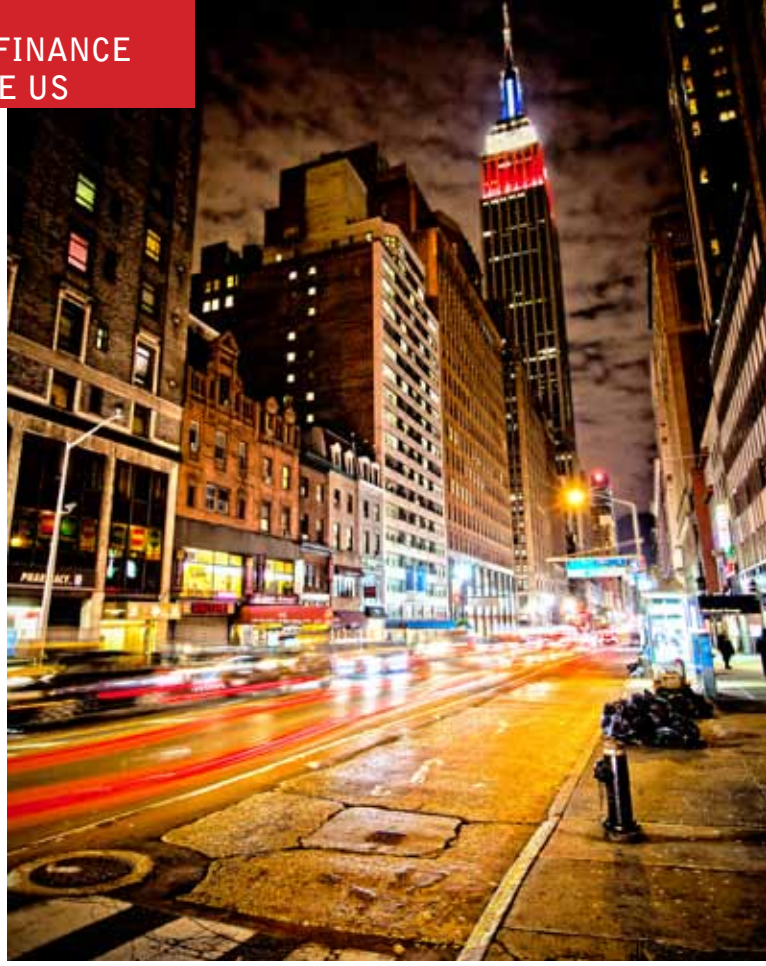
This issue of investor support will drive the continuation and growth of retail Islamic finance in the US. The majority of the investment in this sector comes from either small banks, with limited resources, or from the big government-sponsored entities like Fannie Mae or Freddie Mac that currently are under consideration for dissolution as an outgrowth of the economic crisis. Islamic finance is too small to catch the interest of the larger banks, and it is too big for the liquidity of the smaller banks. The GSEs have a statutory mission to expand homeownership, especially to those with few options, and the GSEs' dissolution could cripple the Islamic finance industry absent additional investor support.

Takaful and re-Takaful

To date, there has been very limited activity in the Takaful sector in the US, and this is not likely to change soon. Those efforts that have been launched recently leave open more questions than they answer.

An early (now defunct) attempt to provide Takaful was started by Dr Omar Clark Fisher's First Takaful USA, which aimed to provide insurance for businesses, homes, schools, vehicles, and community centers. The company operated between 1997 and 2000. More recently, a division of AIG began offering Takaful in the US. Due to the financial crisis, AIG received a substantial investment from the US government to prevent its collapse. This eventually produced a lawsuit claiming that this government support violated constitutional limitations on mixing church and state. This suit was eventually dismissed, and the product is still being offered.

It is worth noting, that the Fatwa approving of the AIG subsidiary's Takaful product is very limited. The Fatwa states that: "…We have perused and studied the [company] Takaful Policy Preamble, and we hereby certify that the intent and terminology of the Takaful Policy Preamble is consistent with Islamic Fiqh rulings and Shariah principles." This does not say that the contracts, the implementation of the contracts, the company's operations, or the back-end investments are compliant. As a result, there is a significant un-answered question as to the compliance of the entire product and its marketing.



This avoidance of these issues highlights one of the reasons Takaful is not likely to grow aggressively in the US without legislative change. The insurance industry is heavily regulated in the US, and much of that regulation comes from the individual 50 states, thus it is not easy to conform Takaful to US law, or vice-versa. Particularly problematic is the fact that most insurance law limits the investments an insurance company can make with insurance premiums to investment grade rated investments, generally bonds that do not exist in the US in a Shariah compliant form. This fractionalization of the insurance market and the need to assemble individually conforming elements will make the adoption of compliant Takaful difficult, particularly without legislative change.

Sovereign involvement

Because of the limitations in the US Constitution of combining state control and religious affairs, there is not likely to be any sovereign involvement in Islamic finance that is identified as such. This does not mean that there cannot be a sovereign investment that happens to be Shariah compliant, but you will not likely ever see an investment marketed as such.

Anecdotally, there have been a few attempts to arrange sovereign Sukuk, both at the national and municipal levels. However, most of these efforts have not progressed due to perceived weak investor demand and concerns over use of 'creative finance' structures during a financial crisis that resulted, in part, through use of creative finance structures.

This is an area that is likely to see future development. There is conceptually no reason that a sovereign entity in the US could not issue a bond structured to be interest-free. Leasing structures are already common institutional investments and can be readily made Shariah compliant. As soon as municipalities see that they can expand the reach of their offerings to a larger investor market, it is likely that you will see sovereign Sukuk issuances in the US.

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Sukuk

There has been very limited corporate Sukuk issuance in the US to date. The first corporate Sukuk to be issued is believed to be by East Cameron Partners in 2006. This was a US$166 million gas and oil royalty securitization offered by a small company. Unfortunately, this transaction resulted in a bankruptcy filing in 2008 when the oil wells failed to produce as expected, in part due to hurricane damage. Significantly, the bankruptcy court did uphold the nature of the transaction as an investment in assets rather than as a disguised loan.

Much more significant in size was the US$500 million Sukuk issued by GE Capital, the financing arm for GE. This was important because it marked the first issuance by a major internationally-operating US company to embrace the Islamic finance market.

More significant in its reach, perhaps, is something that gives rise to a definitional problem as to what constitutes a Sukuk. While the East Cameron Gas Sukuk gains notoriety for being the first, and GE gains notoriety for being the biggest, many banks in the US for years have been buying for their investment portfolios lease paper generated by a leasing company owned by a GCC sovereign wealth fund. Unbeknownst to the banks, the lease paper is a Shariah compliant investment, and it may be a portion of a pooled investment that many would classify as a proper Sukuk issuance. Thus, arguably, there are other "Sukuk" that have been issued by various companies that have predated these other issuances, and may aggregate to a greater volume.

To the extent that such 'stealth' Sukuk issuances are seamlessly integrated into the US financial system, it is safe to assume that they will continue to be used for certain types of assets. There is the potential to expand this universe to other assets, but such expansion will only result from reaching additional investors. As the US economy slowly improves, there is potential for significant growth in Sukuk issuances by corporations and other entities that may finance asset acquisitions on a pooled basis.

Debt capital markets

There is little involvement in the US in the debt capital markets. Because there is no current robust demand for Sukuk, the

underlying instruments are missing. You cannot have a Shariah compliant money market fund if there are no eligible investments for such a fund to buy, and no market to trade them as necessary for fund liquidity.

The largest volume of Islamic finance liquidity is provided by Freddie Mac. The size of its assets under management is measured in the trillions of dollars. All of the retail/small enterprise Islamic finance in the US amounts to a rounding-error on its balance sheet. Freddie Mac is not concerned about generating Shariah compliant debt instruments. It can retain its transactions on its balance sheet, or it can bundle them into conventional bonds. It has ready access to traditional markets and currently sees no need to accommodate Islamic investment seekers. The rest of the participants in Islamic finance tend to be smaller institutions that do not have the resources to pool sufficient assets to generate a cost-effective securitization.

If investor demand returns, the most likely expansion of this market will likely be in a purpose-built securitizations of assets, likely done at a small size, initially as a 'proof of concept'. A Shariah compliant real estate investment trust, an exchange-traded note, or a business development company could be a first example. If the creation of such investments garners investor interest, more are likely to follow, but it will be some times before this develops into a robust market.

Regulatory issues

As mentioned, the regulatory structure in the US largely ignores Islamic finance. If your product fits into the existing system, things work well, if your product does not fit, that is your problem to solve. Often a financing product may not clearly fit into one regulatory structure or another. For instance, a bank deposit, by definition, must be principal-protected. Therefore a true profit-and-loss sharing deposit cannot be a 'deposit' as defined by the banking regulators. If the product involves the sharing of profits and losses, it may be a security, but it is not a deposit. Furthermore, if something is a deposit that does not mean it is not also a security subject to regulation by the securities regulators in addition to the banking regulators. Thus there are banking regulators, securities regulators, insurance regulators, a financial institution insurance company (which considers itself to be regulator), trade regulators, and some or all of these regulatory categories may apply at a federal level or at an individual state level. As illustrated in the example above, in some cases there may even be 'turf wars' between regulators where a product may fit within the jurisdiction of more than one regulator, and, naturally, interpretations between regulators may vary.

In the few cases where laws have tried to address Islamic finance, it has generally been done through indirect means. New York State has a statute that attempts to cover some Islamic financing transactions by defining the statute as covering rent-to-own transactions as well as conventional mortgages. Some states, bowing to Islamophobes, have tried to ban the use of Islamic law as a means of evaluation of a matter in state courts. However, most Islamic finance contracts are designed to be enforced under principles of US law, and do not resort to undefined interpretations of Shariah in the event of the need to resolve disputes, and thus the statutes are not likely to be effective.

As to the analysis of financial products under Islamic law, rather than secular law, there is no national coordination as there is in some countries. Because the US Muslim population is so diverse, it would be difficult to achieve shared Shariah standards or to standardize products. There have been some efforts to give broader analysis by organizations such as the Shariah Supervisory Board of America and the Assembly of Muslim Jurists of America, however much of the product approval, even when a Fatwa is obtained by a particular set of jurists and made available to customers, is still done in consultation with a particular community's local scholars that customers find relevant and influential. The biggest driver of standardization is a result of investor limitations rather than as a result of religious or secular regulatory concerns.

Cross-border financing

The US enjoys quite a bit of inward investment from the Muslim world. As mentioned, there are a number of offshore funds that invest in US assets, the true size and scope of which are unascertainable. There is little outward trade finance provided on a Shariah compliant basis however, as there are not many providers of such products. Devon Bank has provided some such financing, but in very limited circumstances. The GE and East Cameron Sukuk, mentioned earlier, were aimed at drawing in money from overseas investors that would otherwise not participate in these entities' financing options.

Cross-border finance, in a US context, often refers to business done between institutions in one state and customers in another. Because of the limited number of entities that offer Islamic finance in the US, the demand they receive can come from anywhere in the 50 states. However, much of Islamic financing touches on items that are affected by local state laws, regardless of the location of the product provider. This makes providing Islamic finance products available on a national basis problematic, as there often must be a state-by-state analysis before offering a product. Many providers are not willing to take on that challenge, especially those providers that come from outside the US who are used to more unified governance.

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