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Money laundering: an Islamic perspective

Introduction

Money laundering is a very serious offence and may cause severe economic repercussion. According to the United Nations, an estimated \$1.6 trillion was laundered globally in 2009, which is destroying society and economy (Roberto, 2012). Money laundering is basically the concealment of unlawful money that is acquired via unlawful methods. There are various views on the how the term ‘money laundering’ was coined, with one of the views being that mafia/drug dealers would set up laundromat outlets as means to cleanse their illegal proceeds (Yasin, 2012: 296). The paper identifies some of the regulations that are created to combat money laundering globally including Muslim countries. However, the aim of the paper is to highlight the Islamic perspective of money laundering, by stating what Islam recognizes as money and what activities could be consider as unlawful usage of money.

Money Laundering Regulations

One of the earliest legislations crafted to combat money laundering in the United State was the Financial Recordkeeping and Reporting of Currency and Foreign Transactions Act of 1970, referred to as the Bank Secrecy Act (BSA). The purpose of the act was “to require financial institutions to maintain appropriate records and file certain reports which have a high degree of usefulness in criminal, tax, or regulatory investigations or proceedings” (United States, 1984: h-57). The intent behind this regulation was to capture those involve in criminal activities.

Then there was the Money Laundering Control Act of 1986, which made money laundering a federal crime in the United State. Then came the Uniting and Strengthening America by Providing Appropriate Tools Required to Intercept and Obstruct Terrorism Act of 2001 (Patriot Act), which came in being as a result of September 11, 2001 that happen in the United States of America. This act is said to be a means of countering terrorism and money laundering offences committed globally (Patriot Act).

At the international level, the Financial Action Task Force (on Money Laundering) (FATF) is playing a major role in controlling money laundering. This is an inter-governmental body that was established in 1989. The purpose of the body was “to set standards and promote effective implementation of legal, regulatory and operational measures for combating money laundering, terrorist financing and other related threats to the integrity of the international financial system. The FATF is therefore a “policy-making body” which works to generate the necessary political will to bring about national legislative and regulatory reforms in these areas” (The Financial Action Task Force). FATF currently comprise of 36 member countries as FATF-Style Regional Bodies (FSRBs) with over 180 jurisdictions are committed to their recommendations including most Muslim countries under the Middle East and North African Finance Action Task Force (MENAFATF) and other Muslim countries such as Malaysia, Indonesia, Pakistan, Afghanistan, etc. (The Financial Action Task Force). These are merely a few of the numerous laws and regulations that are set in place to combat money laundering.

Islamic concept of Money laundering

It must be understood that in Islam money is merely a means of exchange within the society. Hence, its usage is to obtain a particular object and it is not considered as a commodity by itself, therefore it does not really contain any intrinsic value within itself; it is by exchanging money that its value is determined. There is indeed a social need for money in the society. However, money in the form of wealth can be a test from Allah; Allah says: “And surely We will test you with a bit of fear and hunger, and loss in wealth and lives and fruits (Surah 2: 155). . However, within the context of money laundering the Quran states how, wealth, money or property can be consumed illegally or improperly, which is sinful; Allah says: “And do not eat up each other’s property by false means, nor approach the authorities with it to eat up a portion of the property of the people sinfully, while you know” (Surah 2: 188); this verse will be further explained below.

The definition of wealth is frequently discussed among classical jurist in the chapter of muamalat (transaction). For example, Ibn Abidin defines mal as “what human nature inclines to, and which can be conserved until time of need” (n.d.: 57). Mal is defined in Majallah (1967, article 126) as “something desired by human nature and which can be put aside against time of necessity. It comprises movable and immovable property.” While al-Shatibi defined it as “that on which ownership may be established, and which can become exclusive for its owner apart from others when he acquires it in the manner that is appropriate for it” (1997: 17). Hence, although in details the meaning is different but in contemporary practice these definition can also be applicable to modern money/currencies.

Illegal trading was prohibited in Islam over 1400 years ago in an environment that all manner of trading was acceptable and everyone was left to his/her customs, whether it is just or not. There are numerous trading activities that Islam prohibited during the time of Prophet Muhammad (peace be upon him) which are codified in modern money laundering acts and regulations as illegal activities and proceeding, such as counterfeiting, forgery, embezzlement, funding activities that endangers the society, funding suicide, murder, etc.

In Islam, the origin of things is *ibahah* (permissibility) including money. However, there are means in which activities and utilization of money becomes impure

or illegal. The usage of such forbidden money in an Islamic society would represent the meaning of money laundering. Hence, an Islamic perspective of money laundering would be activities that are categorized according to Islamic sources as unlawful, i.e., *haram*.

Unlawful activities according to Islam are as follows:

a. Riba (interest)

Riba (interest) under the category for money laundering would appear very strange to most conventional regulators. However, due to the severity of its prohibition in the Quran and Sunnah, it would rank as the highest offense of money laundering in Islam. Allah says: “...they say: Trade is just like usury; whereas Allah permits trading and forbids usury... Allah has blighted usury and made alms giving fruitful. Allah loves not the impious and guilty” (Quran 2: 275-276). From the Sunnah, it is narrated that Jabir said that Allah’s Messenger (peace be upon him) cursed the acceptor of interest and its payer, and one who records it, and the two witnesses, and he said: They are all equal (Muslim, 10/3881). In another report, Abu Hurairah related that the Prophet said: On the night of the miraj I came upon a group of people whose bellies were like houses. They were full of snakes which could be seen from outside their bellies. I asked Gabriel who they were, and he told me that they were the people who had practiced riba (Imam Ahmad). Abdullah ibn Hanjalah related that the Prophet said: A dirham of riba (interest) knowingly taken by a man is a sin worse than committing Zina (fornication) 36 times (Imam Ahmad). These and other such reports that indicate that riba and all its forms are unlawful; hence, making riba (usury) among the offenses in Islam that would be recognized as money laundering activities and proceeds.

b. Bribery

Bribery is completely prohibited in Islam. Allah says: “And eat not up your property among yourselves in vanity, nor seek by it to gain the hearing of the judges that you may knowingly devour a portion of the property of others wrongfully” (Quran 2:188). Therefore, whatever proceeds or instrumentalities that were used and acquired as bribery would be part of money laundering in Islam. The Messenger of Allah (peace be upon him) cursed the one who pays bribes and the one who takes bribes (Abu Dawud, hadith no. 3573). The Prophet (peace be upon him) said: “It is not permissible for a man to take his brother’s wealth unlawfully” (Ahmad, hadith no. 426)

c. Usurping others' property

Usurping of another person's property is clearly warned against in the Quran and Sunnah as an offence and ill-gotten means of acquiring money. Allah says: "And eat up not one another's property unjustly (in any illegal way e.g. stealing, robbing, deceiving, etc.), nor give bribery to the rulers (judges before presenting your cases) that you may knowingly eat up a part of the property of others sinfully" (Quran 2: 188). This may also relate to usurping other people property, which is illegal. The Prophet (peace be upon him) said: "It is not permissible to take the wealth of a Muslim unless he gives it willingly" (Ahmad, hadith no. 20172). Therefore, any property or money acquire through such mean will fall with the Islamic view of money laundering.

d. Fraud

Fraud is highly shunned upon in Islam; it is a type of deception. Allah says: "It is not for any Prophet to take illegally a part of booty, and whosoever deceives his companions as regards the booty, he shall bring forth on the Day of Resurrection that which he took (illegally). Then every person shall be paid in full what he has earned, - and they shall not be dealt with unjustly" (Quran 3: 161). Hence, if such an act is not acceptable in war booty then certainly any money or proceeds acquired through such means could be deemed haram (illegal). Similarly, Allah say: "Woe to those that deal in fraud, those who, when they have to receive by measure from men, exact full measure, but, when they have to give by measure or weight to men, give less than due. Do they not think that they will be called to account?" (Quran, 83:1-4). From the Sunnah, the Prophet said "When you enter into a transaction, say: There should be no attempt to deceive" (Muslim, 10/3663). Hence, all form of deceive, fraud, trickery to acquire the money or property of another person would be illegal.

e. Theft and Robbery

Theft in Islam is a major offence, to the extent that the punishment for it can be up to the amputation of the hand. Allah says in the Quran: "Cut off the hands of thieves, whether they are man or woman, as punishment for what they have done – a deterrent from Allah: Allah is All-Powerful, All-Wise." (Quran 5: 38). This verse is meant as a deterrent from committing such a crime and to show the severity of the offence. Therefore, any activity or proceed acquired through this means would be render as money laundering.

f. Gambling and Alcohol

Gambling and alcohol, or better yet the sale and consumption of alcohol, are clearly prohibited in the Quran and Sunnah. Allah says: "O you who believe! Intoxicants (all kinds of alcoholic drinks), gambling, al-ansab and al-azlam (arrows for seeking luck or decision) are an abomination of shaitan's (Satan) handiwork. So avoid (strictly all) that (abomination) in order that you may be successful. With intoxicants and gambling, Satan seeks only to incite enmity and hatred among you, and to stop you remembering God and prayer. Will you not give them up? (Quran 5: 90-91). The Messenger of Allah said: "Allah and His Messenger have forbidden the sale of alcohol, dead meat, pork and idols" (Bukhari; Muslim). The companions also asked him regarding this matter, when they asked: "O Messenger of Allah, what do you think of the fat of dead animals, for ships are caulked with it and animal skins are daubed with it, and the people use it to light their lamps?" He said: "No, it is haram." Then the Messenger of Allah (peace be upon him) said: "May Allah curse the Jews, for when Allah

forbade them animal fat, they melted it down and sold it, and consumed its price” (al-Bukhari, hadith no.1212; Muslim, hadith no.1581). Hence, clearly stating that whatever proceeds or instrumentalities received from these activities would also be considered from an Islamic perspective as money laundering.

Conclusion

In conclusion, money laundering from an Islamic perspective is much wider and vast than the conventional legal aspect. This is because basically most of the activities that are generally agreed upon by global regulatory standards on money laundering activities would generally be considered as haram activities in Islam, such as counterfeiting, forgery, embezzlement, funding activities that endangers the society, funding suicide, murder, etc. The Prophet (peace be upon him) said: “Everybody that is nourished on haram things, the fire is more fitting for it” (al-Tabarani, hadith no. 4519). The Messenger (peace be upon him) also lay down a very fundament principle when he said: “When Allah forbids a thing, He (also) forbids its price” (Abu Dawud, hadith no. 3488). This gives an overview of why it’s best to restrain from gaining wealth or money through illegal (haram) means. Therefore, the Prophet (peace be upon him) said: “Allah is Good and only accepts that which is good...” and he mentioned a man who has been traveling for a long time and is unkempt and covered with dust, and he raises his hands to the heavens (and says), “O Lord, O Lord,” when his food is haram, his drink is haram, his clothes are haram, and he is nourished with haram, so how can he receive any response? (Muslim, hadith no. 1015) Therefore, the prohibition of money laundering activities in Islam is not only meant to create a stable and just society, but also as means to better the person’s life in the hereafter.

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