

A Maqasid Shariah-Based Framework for Islamic Economics, Financial Crime, and Geopolitical Risk

Vipul V Tamhane

Northumbria University, School of Law, UK
Savitribi Phule Pune University (SPPU), Pune, India

Article History

Received : 04/Aug/2026

Revised : 30/Aug/2026

Accepted : 12/Sep/2026

Published: 01/Oct/2026

Keywords:

Islamic finance, maqasid shariah, financial crime, anti-money laundering, geopolitical risk, financial governance

DOI:

[10.54045/jeksyah.v6i02.3798](https://doi.org/10.54045/jeksyah.v6i02.3798)

Corresponding author:

vipul.tamhane@gmail.com

Author's email:

vipul.tamhane@gmail.com

Paper type:

Research paper

Abstract

This paper examines whether, and through what mechanisms, Islamic economic principles can address financial crime and the geopolitical weaponisation of finance at their structural root rather than treating their symptoms. Employing a qualitative comparative design, the study synthesised classical Islamic economic thought, recent peer-reviewed evidence (2010-2026) on Islamic-bank stability and anti-money-laundering (AML) compliance, and Financial Action Task Force (FATF) standards, applied across three purposively selected jurisdictions (Malaysia, the United Arab Emirates, and Turkiye). The contemporary evidence indicates that Islamic financial institutions exhibited comparable or superior resilience to conventional peers during systemic shocks and fully adopted FATF-recommended AML measures, while their asset-backing and risk-sharing requirements generate transparency and traceability consistent with AML/CFT objectives, though outcomes depend on governance quality rather than religious form alone. The paper develops a Maqasid-based Financial Integrity Framework linking Islamic principles to specific financial-integrity outcomes, and operationalises it through a proposed International Islamic Financial Integrity Board (IIFIB), a phased blockchain roadmap for *zakat* and *sukuk*, and risk-sharing sovereign-finance mechanisms. It is the first study to integrate Islamic economic principles, financial-crime prevention, and geopolitical-risk analysis into a single operational governance framework grounded in verifiable contemporary evidence and mapped to existing international standards.

Introduction

The global financial system remains structurally susceptible to criminal exploitation despite three decades of post-crisis regulatory reform. The United Nations Office on Drugs and Crime estimates that the sum laundered annually is equivalent to 2-5 per cent of global gross domestic product, or roughly US\$800 billion to US\$2 trillion (UNODC, 2011), while industry measurement places global financial-crime-compliance expenditure above US\$200 billion in 2023, itself only a fraction of estimated illicit flows (LexisNexis, 2024).

These persistent vulnerabilities are not incidental failures of enforcement; they are downstream consequences of design features, pervasive opacity, interest-based leverage, and speculative instruments, that make concealment cheap and detection costly. Alongside financial crime, the deliberate weaponisation of finance has become a defining feature of contemporary geopolitics. Sanctions, payment-system exclusion, and control over the choke-points of cross-border finance now function as instruments of statecraft, and scholarship increasingly documents both their coercive reach and the fragmentation they provoke as targeted states build alternatives (Drezner, 2024). Sovereign-debt dependency and currency exposure compound this exposure, leaving capital-importing states structurally vulnerable to external pressure (Reinhart & Rogoff, 2009; Stiglitz, 2002). Financial crime and geopolitical risk are therefore not separate problems but two expressions of the same structural condition: a system in which value can be moved, hidden, and leveraged with limited connection to underlying real economic activity.

Two developments make an inquiry into faith-based alternatives timely. First, Islamic finance has moved from the margins to the mainstream of global finance. Global Islamic finance assets reached US\$5.98 trillion in 2024, a 21 per cent year-on-year increase, and are projected to reach US\$9.7 trillion by 2029, with the sukuk market surpassing US\$1 trillion in outstanding value for the first time (ICD-LSEG, 2025). A system of this scale now carries systemic implications for global financial integrity, making its risk profile a matter of general regulatory concern rather than niche interest. Second, the international standard-setting architecture has itself been recalibrating the boundary between legitimate financial activity and illicit-finance risk: in November 2023 the FATF revised Recommendation 8 on non-profit organisations to require *focused, proportionate and risk-based* measures, correcting a prior tendency toward disproportionate restriction of the charitable sector (FATF, 2023b). Because charitable flows, *zakat* and *waqf*, are constitutive of Islamic finance, this recalibration opens an immediate and largely unexamined interface between Islamic economic institutions and the evolving counter-terrorist-financing (CFT) regime.

Existing scholarship, addresses these domains in isolation. A first body of work establishes the normative foundations of Islamic economics and the structural logic of *riba*, *gharar*, and *maysir* prohibitions (Chapra, 2000; El-Gamal, 2006; Iqbal & Lewis, 2009). A second, empirical literature tests whether those principles translate into measurable stability advantages, with several studies finding that Islamic banks displayed greater resilience during systemic shocks (Beck et al., 2013; Čihák & Hesse, 2010; Ghenimi et al., 2024; Mawardi et al., 2024). A third, more recent strand examines AML/CFT compliance within Islamic banking specifically (Hamdi, 2026), a fourth links Islamic finance to sustainability and the objectives of Islamic law (Harahap et al., 2023; Zain et al., 2024), and a fifth explores technological governance tools such as blockchain-based *zakat* administration (Khan & Khan, 2023). Security studies, meanwhile, have analysed the finance-coercion nexus largely without reference to faith-based economic systems (Drezner, 2024; Stiglitz, 2002).

The limitation of this literature is one of integration. While Islamic banking, maqasid *al-Shariah* theory, financial-crime prevention, and geopolitical finance have each been

studied, no research systematically connects them into a governance framework that explains *why* and *through what mechanisms* Islamic economic principles reduce structural exposure to financial crime and geopolitical coercion. Existing work also tends to assert Islamic finance's advantages normatively rather than demonstrating them through the contemporary empirical record, leaving the field vulnerable to the charge that its claims rest on conviction rather than evidence.

This paper addresses that gap by asking two questions. First, through what structural mechanisms do Islamic economic principles mitigate financial crime and geopolitical risk? Second, how can those mechanisms be operationalised within existing global financial governance? It answers them through a qualitative comparative synthesis of the recent empirical record, benchmarked against the FATF Recommendations and examined across three contrasting jurisdictions.

In doing so the paper makes three contributions. It develops a Maqasid-based Financial Integrity Framework that links Islamic principles to specific, governable financial-integrity outcomes; it specifies an institutional vehicle, the International Islamic Financial Integrity Board (IIFIB), with a defined governance model; and it grounds both in verifiable 2010-2026 evidence rather than assertion, thereby distinguishing structural advantage from religious rhetoric. The novelty lies not in the individual components, several of which have antecedents in the work of Chapra (2000) and Mirakhor and Askari (2010), but in their integration and operationalisation into a single framework mapped to the prevailing international standard.

Literature Review

Classical Foundations

Islamic economic thought derives its financial principles from the prohibition of *riba* (interest), *gharar* (excessive uncertainty), and *maysir* (gambling), coupled with affirmative requirements of asset-backing, risk-sharing, and redistributive justice through *zakat*. Classical scholars connected individual economic morality to systemic outcomes: Al-Ghazali treated productive, non-exploitative exchange as a condition of social welfare, while Ibn Khaldun (1377/2005) linked extractive fiscal and financial practices to civilisational decline. These foundations remain analytically relevant, but they are a starting point, not a substitute for contemporary evidence; accordingly, this review treats them briefly and turns to the modern record.

Contemporary Islamic Finance And Financial Crime

Two questions dominate the recent literature. The first is whether Islamic finance is structurally more resilient. Čihák and Hesse (2010) provided early cross-country evidence that small Islamic banks tended to be financially stronger than conventional counterparts, and Beck et al. (2013) found Islamic banks better capitalised and more likely to survive crises. More recent work sustains the pattern: Ghenimi et al. (2024) report that Islamic banks in the Middle East and North Africa were less risky and more resilient than conventional peers during the COVID-19 shock, and Mawardi et al. (2024), using Markov-switching regression on Indonesian data through 2022, document declining non-performing financing and robust performance across crisis and stability regimes. El Mokdad and Awdeh

(2025) qualify these findings by showing that governance determinants of stability operate differently across bank types, cautioning against attributing resilience to religious form alone.

The second question is compliance. Contrary to a longstanding perception of Islamic banks as opaque or under-regulated, Hamdi (2026), analysing the AML disclosures of twenty licensed Islamic banks across the Gulf Cooperation Council, finds that all sampled institutions had fully adopted FATF-recommended AML measures, while noting scope for customisation to the sector's specific risk profile. This reframes the policy question from *whether* Islamic banks comply toward *how* their structural features might be leveraged for compliance.

Islamic Finance, Sustainability, And Geopolitical Risk

The relationship between Islamic finance and sustainability has become a substantial research field in its own right, and it matters here because the same objectives that orient Islamic finance toward sustainability, the preservation of wealth, life, and lineage, also orient it toward integrity. A systematic review by Harahap et al. (2023) establishes a broad conceptual alignment between Islamic law, Islamic finance, and the Sustainable Development Goals, while Zain et al. (2024) demonstrate, in the *takaful* context, that environmental, social, and governance (ESG) principles can be mapped directly onto *maqasid al-Shariah*, providing a normative blueprint for sustainable operation. This convergence is now materially visible in the market: ESG sukuk surpassed US\$50 billion in outstanding value by 2024, with issuance led by Gulf and Southeast Asian institutions (ICD-LSEG, 2025).

The significance of this strand for the present argument is that ESG-oriented Islamic instruments embed disclosure, use-of-proceeds tracking, and governance oversight, precisely the transparency mechanisms that AML/CFT frameworks also demand. Sustainability and integrity are therefore not parallel agendas but expressions of a common structural logic: instruments tied to identifiable real assets and subject to layered oversight are simultaneously more sustainable and more traceable.

On the geopolitical dimension, the finance-coercion literature has matured considerably. Contemporary scholarship on economic statecraft documents how control over payment infrastructure and reserve currencies has been converted into an instrument of pressure, and how that conversion accelerates financial fragmentation as targeted states develop alternatives (Drezner, 2024). Sovereign resilience in this environment depends on the structure of a state's external liabilities: debt-based dependency transmits coercive leverage, whereas risk-sharing and asset-backed instruments distribute exposure and broaden the investor base (Reinhart & Rogoff, 2009; Stiglitz, 2002). Islamic sovereign finance, issuing asset-backed sukuk rather than interest-bearing debt, has accordingly been advanced as a means of reducing precisely the dependency that enables economic coercion. Taken together, the sustainability and geopolitical strands point in the same direction as the stability and compliance literatures: the structural features of Islamic finance appear to serve integrity, resilience, and sustainability jointly, because each rests on the same underlying requirement of a demonstrable link between finance and real economic activity.

Theoretical Framework: From Principles To Financial-Integrity Mechanisms

The literature above describes associations; it does not, in the main, specify the mechanisms that produce them. This section makes those mechanisms explicit, theorising how each Islamic principle generates a financial-integrity outcome that maps onto an existing regulatory objective. This mechanistic account is the paper's theoretical core and the basis for the framework developed in Section 5.

Asset-backing generates traceability. Because a compliant transaction must be tied to an identifiable, tangible asset or real economic activity, the counterparty, the asset, and the flow of funds must all be documented. This is functionally equivalent to the beneficial-ownership and source-of-funds transparency demanded by FATF Recommendations 10 and 24, and it operationalises the objective of *hifz al-mal* (protection of wealth).

Risk-sharing reduces leverage and systemic opacity. Profit-and-loss-sharing contracts (*musharakah*, *mudarabah*) require both parties to monitor the underlying venture, distributing rather than concentrating exposure. This dampens the leverage spirals that amplify systemic risk and the layering that conceals illicit flows, the stability advantage that the empirical literature repeatedly observes (Beck et al., 2013; Ghenimi et al., 2024).

Prohibitions on gharar and maysir constrain speculative opacity. By requiring contractual clarity (*aqd*) and prohibiting excessive uncertainty and gambling, Islamic finance forecloses the ambiguous, speculation-heavy instruments through which value is most easily obscured, supporting the objective of *hifz al-aql* (protection of intellect) understood as protection against ruinous speculation.

Regulated zakat and waqf create transparent, purpose-bound charitable flows. With defined categories of beneficiary and institutional oversight, Islamic charitable finance aligns with the proportionate, risk-based supervision of the non-profit sector introduced in the revised FATF Recommendation 8 (FATF, 2023b), advancing *hifz al-nafs* (protection of life) through accountable redistribution.

Shariah governance adds an ethical-oversight layer. The *Shariah* supervisory board reviews not only technical compliance but the ethical purpose of a transaction, supplying a second line of scrutiny analogous to the internal-control expectations of FATF Recommendation 18, and grounded in the operationalisation of *maqasid* as a measurable index of socio-economic objectives (Laldin & Furqani, 2013). The synthesis yields a testable proposition: the structural features that the empirical literature associates with stability are the same features that AML/CFT frameworks associate with transparency and traceability. If so, Islamic finance's integrity properties are not incidental by-products of religiosity but structural consequences of contract design, a proposition the remainder of the paper evaluates and then operationalizes.

Methodology

This study employed a qualitative comparative research design appropriate to a theory-building objective, integrating three analytical streams: normative analysis, empirical synthesis, and policy design. The design was chosen because the research questions concern *mechanisms* and *governance* rather than the estimation of a single causal parameter, for

which comparative and interpretive methods are better suited than narrow econometric replication.

Source identification and selection. Empirical sources were identified through structured searches of Scopus, Web of Science, and Google Scholar using combinations of the terms "Islamic bank(ing)," "maqasid," "anti-money laundering / AML / CFT," "financial stability," "systemic risk," "sukuk," "ESG," and "blockchain / zakat." Inclusion was restricted to peer-reviewed studies published between 2010 and 2026 that disclosed their method and data; institutional and standard-setter reports (FATF, 2023a, 2023b; ICD-LSEG, 2025; IMF, 2023) were included where they provided authoritative market or regulatory data. Sources predating 2010 were retained only where they are foundational to the theoretical argument. This procedure privileged verifiable, method-disclosed evidence over unsourced aggregate claims and yielded the studies synthesised in Table 2.

Analytical procedure. Analysis proceeded in three steps. First, a thematic reading of the empirical corpus coded recurring structural mechanisms linking Islamic contract design to financial-integrity outcomes, iterating until the mechanism set in Section 2.4 stabilised. Second, a comparative reading assessed how those mechanisms operate under differing regulatory conditions, using three dimensions of comparison: regulatory-governance model, AML/CFT framework maturity, and sukuk/geopolitical exposure. Third, a policy-synthesis step mapped the identified mechanisms onto existing global-governance institutions to derive implementable recommendations. Consistency with the FATF Recommendations served as the external benchmark throughout, so that the framework's claims are evaluated against the prevailing international standard rather than an idealised alternative.

Case selection. Malaysia, the United Arab Emirates, and Türkiye were chosen through maximum-variation purposive sampling to span the analytically relevant range on the three comparison dimensions. Malaysia represents a mature, centrally governed model with tailored Islamic AML/CFT guidance; the UAE represents a regulatory-hub model operating under recent, intensive FATF scrutiny; and Türkiye represents a non-Gulf participation-banking model tested under acute currency stress. Collectively they provide contrast in regulatory architecture, compliance maturity, and geopolitical exposure while holding constant the presence of a systemically significant Islamic-finance sector. The exclusion of other major jurisdictions (for example, Saudi Arabia and Indonesia) is a limitation acknowledged below, adopted to keep the comparison analytically tractable.

Limitations and mitigation. Three limitations shaped the design. The relative youth and uneven reporting of the industry constrain data comparability, mitigated by reliance on recent, method-disclosed studies. Interpretive plurality across schools of jurisprudence (*madhahib*) was mitigated by confining analysis to principles of broad consensus. The political sensitivity of linking faith-based principles to security policy was mitigated by framing the argument around structural mechanisms transferable beyond any single confessional context.

Results

Structural Vulnerabilities In Conventional Finance

The comparative reading identified three structural attributes of the conventional system that facilitate both financial crime and geopolitical manipulation. *Opacity and complexity*, layered corporate structures, offshore vehicles, and instruments detached from underlying assets, lower the cost of concealment, as successive disclosure leaks have demonstrated (ICIJ, 2016). *Debt-based architecture* generates leverage spirals and sovereign dependency that expose states to coercion (Drezner, 2024; Reinhart & Rogoff, 2009). *Speculative infrastructure* produces volatility that both amplifies systemic risk and creates cover for illicit flows (Stiglitz, 2002). These are design features, not implementation failures, which is why incremental enforcement has yielded limited structural improvement.

Islamic Finance As A Systemic Alternative

Against each vulnerability, Islamic contract design imposes a structural constraint, summarised in Table 1.

Table 1. Structural comparison of conventional and Islamic financial architectures

Dimension	Conventional Finance	Islamic Finance	Integrity Implication
Basis of return	Interest on debt	Profit-and-loss sharing (<i>musharakah, mudarabah</i>)	Aligns creditor-debtor incentives; reduces predatory leverage
Asset linkage	Frequently detached	Mandatory asset-backing	Ties transactions to real activity; aids traceability
Contractual clarity	Tolerant of <i>gharar</i>	<i>Gharar</i> prohibited; clear contract (<i>aqd</i>) required	Reduces concealment opportunities
Speculation	Permitted	<i>Maysir</i> prohibited	Curtails volatility exploited by illicit networks
Oversight layers	Regulatory only	Regulatory plus <i>Shariah</i> governance	Adds ethical-compliance review beyond technical rules

Source: Data processed by the researcher (2006).

Empirical Evidence

Table 2. Selected empirical evidence on Islamic-bank resilience and compliance (2010-2026)

Study	Jurisdiction / sample	Method	Key finding
Čihák & Hesse (2010)	Cross-country	Panel regression	Small Islamic banks financially stronger than conventional peers
Beck et al. (2013)	22 countries	Panel regression	Islamic banks better capitalised; higher crisis survival
Ghenimi et al. (2024)	82 MENA banks	Dynamic panel	Islamic banks less risky, more resilient during COVID-19
Mawardi et al. (2024)	Indonesia	Markov-switching	Declining non-performing

Study	Jurisdiction / sample	Method	Key finding
Hamdi (2026)	20 GCC Islamic banks	regression Directed content analysis	financing; robust across regimes Full adoption of FATF-recommended AML measures
El Mokdad & Awdeh (2025)	100 MENA banks	Panel econometrics	Governance-stability links differ by bank type (caution)

Source: Data processed by the researcher (2006).

The evidence is directional and consistent with the structural predictions of Table 1, though qualified by the finding that governance mediates outcomes; Section 5 interprets this record against prior scholarship.

Alignment With The FATF Framework

The structural features in Table 1 map onto specific FATF Recommendations, as shown in Table 3, indicating that Islamic finance's requirements are not in tension with the global standard but frequently exceed its minimums.

Table 3. Mapping Islamic finance principles to FATF Recommendations

FATF Recommendation	Corresponding Islamic principle	Mechanism of alignment
R.1 (risk-based approach)	<i>Amanah</i> (stewardship); <i>la darar</i> (no harm)	Ex ante assessment of harm in financial dealings
R.8 (non-profit organisations)	Regulated <i>zakat</i> / <i>waqf</i> with defined beneficiaries	Proportionate, risk-based charitable oversight (FATF, 2023b)
R.10 (customer due diligence)	Prohibition of <i>jahala</i> (unknown counterparties)	Contractual clarity necessitates counterparty verification
R.20 (suspicious-transaction reporting)	<i>Hisbah</i> / commanding good, forbidding wrong	Ethical duty to report wrongdoing
R.24 (beneficial ownership)	Asset-backing and disclosure requirements	Transparency through tangible asset linkage

Source: Data processed by the researcher (2006).

Comparative Jurisdictional Evidence

Malaysia exemplifies the centrally governed model: Bank Negara Malaysia issued AML/CFT guidance tailored to Islamic financial institutions rather than merely repurposing conventional rules, recognising both the enhanced due diligence implied by asset-backing and the specific risks of charitable flows (Bank Negara Malaysia, 2019). Its sovereign sukuk programme broadened the investor base beyond creditor states, illustrating the geopolitical-buffer mechanism. The *United Arab Emirates* represents the regulatory-hub model, where Islamic banks operate under an intensifying AML regime and full FATF-measure adoption is documented (Hamdi, 2026). *Türkiye* illustrates the participation-banking model under currency stress, where the sector's asset-linked structure provided a degree of insulation during macro-financial volatility, consistent with the stability literature (Ghenimi et al., 2024).

Discussion

Interpretation And Relation To Prior Studies

The results support a structural, rather than merely normative, reading of Islamic finance's financial-integrity properties, and they do so in a way that both confirms and refines the prior literature. On resilience, the present synthesis *supports and extends* the early findings of Čihák and Hesse (2010) and Beck et al. (2013): where those studies established a capitalisation and survival advantage using pre-2013 data, the more recent evidence of Ghenimi et al. (2024) and Mawardi et al. (2024) shows the advantage persisting through the COVID-19 shock and across distinct economic regimes, indicating that the pattern is not an artefact of a single crisis. On compliance, the synthesis *extends* the literature into a domain it had largely neglected: Hamdi's (2026) finding of full FATF-measure adoption across GCC Islamic banks directly contradicts the residual perception of Islamic banks as under-regulated, and reframes them as a setting in which structural features can be leveraged for, rather than against, compliance.

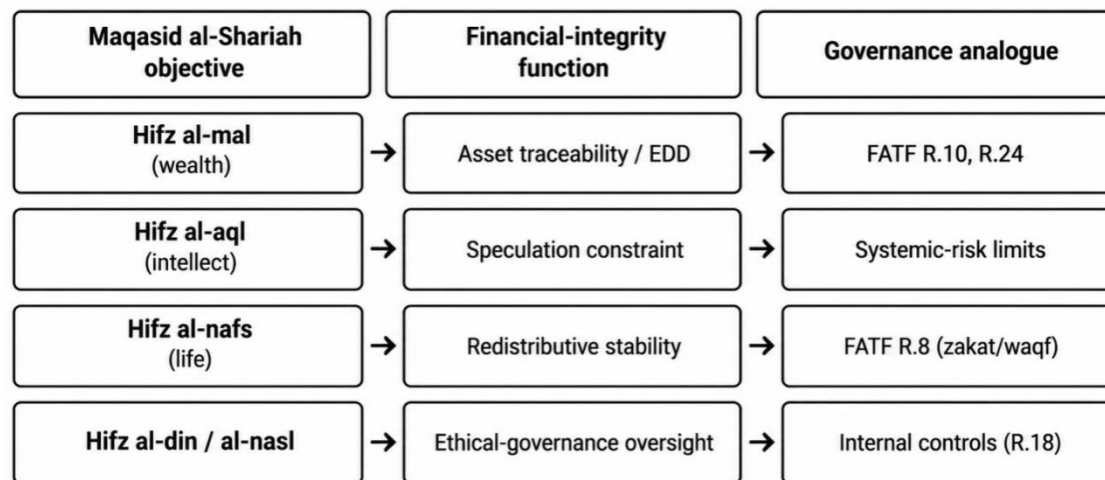
The most important refinement comes from engaging the counter-evidence. El Mokdad and Awdeh (2025) show that the governance determinants of stability operate differently across bank types, which means the resilience observed elsewhere cannot be attributed to religious form as such. The present paper *accepts and incorporates* this qualification rather than resisting it: it is precisely because structural form does not guarantee outcomes that an institutional mechanism to verify substance is required, a point that motivates Section 6. In this respect the framework departs from purely normative treatments (Chapra, 2000) and from the development-oriented account of Mirakhor and Askari (2010) by making governance verification, not principle alone, the load-bearing element, while also answering El-Gamal's (2006) well-known critique that formal *Shariah* compliance can mask conventional substance.

Read against the first research question, then, the mechanism is structural rather than moral: Islamic finance reduces exposure to financial crime and coercion not because its participants are more virtuous, but because its contracts leave fewer places to hide value and less leverage to weaponise, provided that governance ensures the substance matches the form.

The Maqasid-based Financial Integrity Framework

The mechanisms of Section 2.4 can be organised into a framework linking the five objectives of Islamic law to financial-integrity functions, each with a corresponding regulatory analogue (Figure 1). The framework's value is that it converts a diffuse ethical vocabulary into a set of governable functions, providing regulators with a translation layer between maqasid and existing standards.

Figure 1. Maqasid-based Financial Integrity framework



Source: Data processed by the researcher (2006).

Counterarguments And Limitations

Three counterarguments warrant engagement. First, *scale*: Islamic finance remains a minority of global assets, so its systemic influence is presently bounded; the framework's reach depends on either sectoral growth or adoption of its principles by conventional institutions. Second, *form versus substance*: as El Mokdad and Awdeh (2025) and El-Gamal (2006) caution, some institutions achieve technical compliance while replicating conventional risk behaviour, so the predicted advantages are contingent on authentic implementation. Third, *alternative explanations*: observed stability may partly reflect the younger age, smaller size, or particular regulatory environments of Islamic banks rather than contract design as such. Each counterargument strengthens the case for an institutional mechanism that verifies substance, which the next section supplies.

Practical Implications

An Institutional Vehicle: the International Islamic Financial Integrity Board (IIFIB)

The paper's central practical proposal is a multi-stakeholder consultative body operating through, not in place of, existing institutions. Its **membership** would comprise four constituencies: jurists representing the major schools of jurisprudence; regulators from significant Islamic-finance jurisdictions; officials from international organisations (IMF, World Bank, FATF, IFSB); and industry practitioners. Its **functions** would be to (1) develop shared, maqasid-aligned AML/CFT standards; (2) certify regulators and *Shariah* advisers in integrated Islamic-finance-and-financial-crime competencies; (3) operate an information-sharing mechanism across Islamic-finance jurisdictions; and (4) commission research on emerging risks. Its **implementation mechanism** would leverage existing relationships between the IFSB and the FATF rather than creating parallel regulation, embedding an Islamic-finance perspective into the standard-setting cycle.

A Phased Blockchain Roadmap for Zakat and Sukuk

The transparency logic of distributed-ledger technology aligns with the Islamic requirement of contractual clarity (*aqd*) and the prohibition of *gharar*, and pilot deployments demonstrate feasibility for transparent, traceable charitable administration

(Khan & Khan, 2023). A phased roadmap follows. In *Phase 1 (foundational)*, *zakat* collection and distribution are tokenised within a single national authority to establish auditable beneficiary trails, directly supporting proportionate FATF R.8 oversight. In *Phase 2 (instrument-level)*, digital *sukuk* are issued with on-chain asset registers, giving regulators granular, real-time beneficial-ownership visibility exceeding conventional bond disclosure. In *Phase 3 (cross-border)*, the approach extends to trade finance, using immutable provenance records to verify ethical sourcing and reduce trade-based money-laundering exposure.

Risk-Sharing Sovereign Finance

Applying *musharakah* logic to development finance replaces debt dependency with partnership, aligning creditor and recipient incentives and reducing the coercive leverage documented in the statecraft and sovereign-debt literatures (Drezner, 2024; Reinhart & Rogoff, 2009). Development institutions should expand *sukuk*-based infrastructure financing and design crisis-response facilities that avoid the sovereignty-eroding conditionality associated with conventional lending.

Conclusion

This study set out from a structural problem: an international financial architecture built on opacity, interest-based leverage, and speculation remains susceptible both to criminal exploitation and to geopolitical weaponisation, and incremental enforcement has not resolved either. It asked whether Islamic economic principles can address these vulnerabilities at their root, and through what mechanisms. The synthesis of contemporary, verifiable evidence indicates that they can, conditionally. Islamic finance's core features, asset-backing, risk-sharing, the prohibition of *gharar* and *maysir*, and layered Shariah governance, are associated in the peer-reviewed record with greater resilience and full adoption of FATF AML measures, and they map coherently onto the global CFT standard. The mechanism is structural rather than moral: Islamic contract design reduces the opacity and leverage on which financial crime and coercion both depend. The decisive qualification is that structural form delivers these outcomes only where governance ensures that substance matches form.

Two sets of implications follow. Theoretically, the paper reframes Islamic finance's integrity properties as consequences of contract structure, offering a normatively grounded but empirically disciplined framework, the Maqasid-based Financial Integrity Framework, for evaluating institutional resilience. Practically, it translates that framework into a governance vehicle (the IIFIB), a phased blockchain roadmap for *zakat* and *sukuk*, and a risk-sharing alternative to debt-based sovereign finance, each mapped to existing international standards and each designed to verify substance rather than assume it.

The evidence base remains constrained by the sector's scale, uneven reporting, and the persistent gap between formal compliance and authentic implementation; the framework is a structured synthesis and institutional proposal, not a causal estimate. Future research should accordingly prioritise standardised comparative measurement of the security performance of Islamic and conventional institutions, jurisprudential analysis of AML/CFT duties across schools of thought, pilot evaluation of the IIFIB model, and empirical

testing of blockchain-based maqasid implementation. The wider aim is a financial architecture that advances integrity and resilience within, rather than against, the diversity of value systems that constitute the global economy.

Acknowledgements

The author thanks the anonymous reviewers and editors for their constructive feedback, which helped materially strengthening this work.

References

- Bank Negara Malaysia. (2019). *Anti-money laundering and counter financing of terrorism (AML/CFT): Islamic banking institutions*. Bank Negara Malaysia.
- Beck, T., Demirgüç-Kunt, A., & Merrouche, O. (2013). Islamic vs. conventional banking: Business model, efficiency and stability. *Journal of Banking & Finance*, 37(2), 433-447. <https://doi.org/10.1016/j.jbankfin.2012.09.016>
- Chapra, M. U. (2000). *The future of economics: An Islamic perspective*. The Islamic Foundation.
- Čihák, M., & Hesse, H. (2010). Islamic banks and financial stability: An empirical analysis. *Journal of Financial Services Research*, 38(2-3), 95-113. <https://doi.org/10.1007/s10693-010-0089-0>
- Drezner, D. W. (2024). Global economic sanctions. *Annual Review of Political Science*, 27, 9-24. <https://doi.org/10.1146/annurev-polisci-041322-032240>
- El Mokdad, G., & Awdeh, A. (2025). Corporate governance, bank stability and risk-taking: Differences between conventional and Islamic banks. *Review of Middle East Economics and Finance*, 21(1), 1-41. <https://doi.org/10.1515/rmeef-2024-0034>
- El-Gamal, M. A. (2006). *Islamic finance: Law, economics, and practice*. Cambridge University Press.
- Financial Action Task Force. (2023a). *International standards on combating money laundering and the financing of terrorism & proliferation: The FATF Recommendations* (updated November 2023). FATF.
- Financial Action Task Force. (2023b). *Best practices on combating the abuse of non-profit organisations (Recommendation 8)*. FATF.
- Ghenimi, A., Chaibi, H., & Omri, M. A. (2024). Risk and performance of Islamic and conventional banks under COVID-19 pandemic: Evidence from the MENA region. *Arab Gulf Journal of Scientific Research*, 42(4), 1788-1804. <https://doi.org/10.1108/AGJSR-03-2023-0098>
- Hamdi, F. M. (2026). Assessing international anti-money laundering preventive measures in Islamic banks: A directed content analysis approach. *Qualitative Research in Financial Markets*, 18(3), 808-835. <https://doi.org/10.1108/QRFM-06-2024-0163>
- Harahap, B., Risfandy, T., & Futri, I. N. (2023). Islamic law, Islamic finance, and sustainable development goals: A systematic literature review. *Sustainability*, 15(8), 6626. <https://doi.org/10.3390/su15086626>
- Ibn Khaldun. (2005). *The Muqaddimah: An introduction to history* (F. Rosenthal, Trans.). Princeton University Press. (Original work published 1377)
- International Consortium of Investigative Journalists. (2016). *The Panama Papers: Politicians, criminals and the rogue industry that hides their cash*. ICIJ.
- International Monetary Fund. (2023). *2023 review of the Fund's anti-money laundering and combating the financing of terrorism strategy*. International Monetary Fund.

- Iqbal, Z., & Lewis, M. K. (2009). *An Islamic perspective on governance*. Edward Elgar.
- Islamic Corporation for the Development of the Private Sector & London Stock Exchange Group. (2025). *Islamic finance development report 2025: 50 years of exponential growth*. ICD-LSEG.
- Khan, S., & Khan, S. (2023). A blockchain-based decentralized zakat collection and distribution platform. In *Proceedings of the 2023 7th International Conference on Software and e-Business (ICSeB)*. Association for Computing Machinery. <https://doi.org/10.1145/3641067.3641071>
- Laldin, M. A., & Furqani, H. (2013). Developing Islamic finance in the framework of maqasid al-Shari'ah: Understanding the ends (maqasid) and the means (wasa'il). *International Journal of Islamic and Middle Eastern Finance and Management*, 6(4), 278-289. <https://doi.org/10.1108/IMEFM-05-2013-0057>
- LexisNexis Risk Solutions. (2024). *True cost of financial crime compliance study*. LexisNexis Risk Solutions.
- Mawardi, I., Al Mustofa, M. U., Widiastuti, T., Fanani, S., Bakri, M. H., & Hanafi, Z. (2024). Comparative stability analysis of Indonesian banks: Markov switching - Dynamic regression for Islamic and conventional sectors. *PLOS ONE*, 19(4), e0301398. <https://doi.org/10.1371/journal.pone.0301398>
- Mirakhor, A., & Askari, H. (2010). *Islam and the path to human and economic development*. Palgrave Macmillan.
- Reinhart, C. M., & Rogoff, K. S. (2009). *This time is different: Eight centuries of financial folly*. Princeton University Press.
- Stiglitz, J. E. (2002). *Globalization and its discontents*. W. W. Norton.
- United Nations Office on Drugs and Crime. (2011). *Estimating illicit financial flows resulting from drug trafficking and other transnational organized crimes*. UNODC.
- Zain, F. A. M., Muhamad, S. F., Abdullah, H., Sheikh Ahmad Tajuddin, S. A. F., & Wan Abdullah, W. A. (2024). Integrating environmental, social and governance (ESG) principles with maqasid al-Shariah: A blueprint for sustainable takaful operations. *International Journal of Islamic and Middle Eastern Finance and Management*, 17(3), 461-484. <https://doi.org/10.1108/IMEFM-11-2023-0422>