

Vatican Says Islamic Finance May Help Western Banks in Crisis

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March 4, 2009 (Bloomberg) -- The Vatican said banks should look at the rules of Islamic finance to restore confidence amongst their clients at a time of global economic crisis.

“The ethical principles on which Islamic finance is based may bring banks closer to their clients and to the true spirit which should mark every financial service,” the Vatican’s official newspaper Osservatore Romano said in an article in its latest issue late yesterday.

Author Loretta Napoleoni and Abaxbank Spa fixed income strategist, Claudia Segre, say in the article that “Western banks could use tools such as the Islamic bonds, known as sukuk, as collateral”. Sukuk may be used to fund the “car industry or the next Olympic Games in London,” they say.

Pope Benedict XVI in an Oct. 7 speech reflected on crashing financial markets saying that “money vanishes, it is nothing” and concluded that “the only solid reality is the word of God.” The Vatican has been paying attention to the global financial meltdown and ran articles in its official newspaper that criticize the free-market model for having “grown too much and badly in the past two decades.”

The Osservatore’s editor, Giovanni Maria Vian, said that “the great religions have always had a common attention to the human dimension of the economy,” Corriere della Sera reported today.