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From Shariah-Compliant to Shariah-Based: Toward an Islamic Banking Model Genuinely Grounded in the Maqasid al-Shariah

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Abstract

In the third quarter of 2025, *murabaha* (cost-plus-profit sale financing contract) and commodity *murabaha* accounted for 78.7% of global Islamic financing, while profit-and-loss sharing contracts remained residual (IFSB, 2026). Half a century after the first institutions appeared, the principle presented as the foundation of Islamic finance is not its practice. This paper asks why, and what institutional architecture could remedy it. It locates the origin of the phenomenon upstream of the balance sheet, in the choice of institutional vehicle: modern Islamic finance took shape by adopting the commercial bank as its form, together with the liabilities that define it, which imposed a funding structure incompatible with risk sharing on the asset side. This constraint is a special case of a more general impossibility, formulated here as the trilemma of Islamic intermediation: no institution can simultaneously issue liabilities convertible at par on demand, hold assets in genuine profit-and-loss sharing, and operate without an external loss absorber. The proposition draws on the monetary theory of information insensitivity. Normative assessment proceeds through Ibn Ashur's *maqasid al-mal*, crossed with Ahmed's typology and applied to the pairing a contract forms with the architecture that houses it. It yields a result the paper does not exempt its own proposals from: *musharaka*, a Shariah-based contract, produces a Shariah-compliant outcome once housed within an unchanged liability architecture. The paper proposes a three-tier architecture and establishes, through the alpha factor, that the prudential lock barring this transition is the endogenous sanction of mimicry and loosens under existing rules.

Keywords: Islamic banking; *maqasid al-Shariah*; profit-and-loss sharing; balance-sheet coherence; information insensitivity; alpha factor; institutional design.

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Introduction

According to the IFSB [1] (2026), the Islamic finance industry crossed the threshold of 4.4 trillion US dollars in assets in 2025, growing 13.4% year on year, with Islamic banking accounting for close to 70% of the total and outstanding *sukuk* exceeding one trillion dollars for the first time.

This quantitative success is accompanied by a paradox that recent data make difficult to contest. In the third quarter of 2025, *murabaha* and commodity *murabaha* together represented 78.7% of global Islamic financing, while participatory contracts as a whole remained at a residual level (IFSB, 2026). Half a century after the first institutions appeared, profit-and-loss sharing, presented as the very foundation of Islamic finance, is not its practice.

This observation does not originate in academic criticism. It comes from the international body responsible for the prudential stability of the sector, which devoted the entire 2026 edition of its annual report to what it now terms hybrid risk: structures whose contractual form is Islamic, but whose economic exposure and effective risk distribution reproduce the attributes of conventional instruments (IFSB, 2026). As the IMF [2] (2017) notes, the phenomenon has been documented by international institutions for close to a decade without being resolved.

The literature possesses a conceptual instrument for qualifying the gap. Ahmed (2011) classifies Islamic financial products into three categories, according to whether they satisfy both the legal requirements and the economic and social requirements implied by the *maqasid al-Shariah*. A Shariah-based product effectively realizes the objective pursued by the prohibition of *riba*: profit remains the counterpart of a genuinely assumed risk. A Shariah-compliant product satisfies the formal conditions of contractual validity but reproduces in its economic effects those of a conventional instrument. A pseudo-Islamic product fails even the test of strict compliance.

This distinction is not an importation of modern criticism. It extends a classical debate in *fiqh* on form and substance, whose terms Ibn Qayyim al-Jawziyya formulated in devoting an entire section of his I'lam al-Muwaqqi'in to legal stratagems (*hiyal*), dismissing as usurious in substance certain formally valid contracts such as *'inah* and *tawarruq*. What IFSB data document today at the scale of a global industry, the juristic tradition had identified at the scale of the individual contract.

These elements lead to the question this paper addresses: to what extent do Islamic banks operate according to a logic of formal compliance, closer to the conventional banking model than to the objectives they claim to serve, and what architecture would allow the construction

[1] The Islamic Financial Services Board (IFSB) is an international standard-setting organization founded in 2003 and based in Kuala Lumpur, Malaysia, that promotes the soundness and stability of Islamic banking. Its main role is to issue global prudential standards and guiding principles for capital adequacy, corporate governance, risk management, and transparency.

[2] The International Monetary Fund (IMF) is a specialized agency of the United Nations, based in Washington, D.C., that oversees the international monetary system and promotes global financial stability. Beyond its core mandate of monitoring exchange rates and providing financial assistance to member countries, it also publishes policy research and guidance on emerging areas of the financial system, including Islamic banking.

of a model genuinely grounded in the *maqasid al-Shariah*.

That mimicry proceeds from structural causes rather than from a deficit of conviction is now largely established. This paper seeks to specify its origin, locating it one step upstream of the balance sheet, in the choice of institutional vehicle. Modern Islamic finance took shape by adopting the commercial bank as its form, together with the liabilities that define it: deposits convertible at par on demand, and investment accounts modeled on term savings. That choice, prior to any contractual consideration, imposed a funding structure incompatible with risk sharing on the asset side. Islamic finance denies itself risk sharing on the asset side because it inherited a vehicle designed for debt.

That constraint is the special case of a more general impossibility, formulated here as the trilemma of Islamic intermediation: no institution can simultaneously issue liabilities convertible at par and on demand, hold assets in genuine profit-and-loss sharing, and operate without an external loss absorber. A trilemma is not solved but dissolved, by ceasing to demand the three properties of the same balance sheet, and that principle of balance-sheet coherence and functional separation structures the architecture proposed here, which offers not a single solution but an ordered set of levers. Anchored in the monetary theory of information insensitivity, the trilemma accounts within a single movement for the historical dominance of debt, the systematic smoothing of investment accounts, the failure of reforms addressing only one side of the balance sheet, and the prudential penalization of participatory financing. It establishes above all that mimicry is a stable equilibrium from which no institution can exit in isolation, which disqualifies reform strategies founded on individual virtue.

The paper claims four contributions. Theoretically, it formulates the trilemma and extends to the *qard*-based current account a requirement of correspondence between profit and risk hitherto applied only to investment accounts. Demonstratively, it establishes through an existing prudential instrument that the capital penalization of participatory financing is endogenous to the institution's own liability-side behavior. Operationally, it specifies two instruments already admitted in principle by the standards: a mutualized *tabarru'* fund and a fixed-horizon investment account. Methodologically, it displaces the unit of maqasidic assessment: Ahmed's typology qualifies contracts, whereas the grid proposed here qualifies the pairing a contract forms with the architecture that houses it, and establishes that a Shariah-based contract can produce a Shariah-compliant outcome.

The paper does not claim to provide a closed solution, but to establish the analytical foundations of a reform program and to map its paths. The literature review below situates the paper in the existing literature, and the analytical approach that follows it states the paper's method. Section I establishes the diagnosis. Section II constructs the normative framework and formulates the trilemma. Section III proposes the architecture and establishes its feasibility under existing rules. Section IV sets out the residual limits and the research required for implementation.

Literature review

The critique of mimicry in Islamic banking is long-standing and abundantly documented. El-Gamal (2006) supplied its central concept with the notion of *Shariah* arbitrage: observance of the letter of the law obtained without the objective that this letter serves being realized. Asutay (2007) proposed a political-economy reading, showing that Islamic banking and finance developed in rupture with the normative assumptions of Islamic economics, and that a second-best solution should consequently be envisaged. His analysis is notable for attributing the shift from equity to debt financing to conventional microeconomic concerns rather than to doctrinal weakness. Khan (2010) documented the gap empirically, and Warde (2010) observed that Islamic banks behaved as risk-averse agents, the initial goal of profit-and-loss sharing having been abandoned early.

On the microeconomics of the shift, Dar and Presley (2000) identified the imbalance of management and control rights as a principal cause of the marginality of sharing, while Errico and Farahbaksh (1998) analyzed the prudential difficulties of supervising equity-based portfolios. Soualhi (2015) conducted the contractual assessment on the basis of Ibn Ashur's classification of the objectives of wealth, concluding on the necessity of a de-sophistication of Islamic financial engineering and of an institutional separation between debt-based and sharing-based activities. Choudhury (2001) advanced a more radical critique, contesting that *musharaka* and *mudaraba*, as practiced, genuinely internalize socio-economic justice, and arguing that their transformation presupposes extensively cooperative participation. This objection matters here because it anticipates a result established in Section III: substituting a participatory contract for a debt contract, within an otherwise unchanged architecture, displaces risk rather than sharing it.

The liability side has not been neglected, but it has been treated as a regulatory and accounting problem rather than as a causal variable. Archer and Abdel Karim (2009) analyzed the regulatory difficulties posed by profit-sharing investment accounts, and in particular the ambiguity of their status between deposit and equity. Chong and Liu (2009) established empirically that Islamic deposits remain closely correlated with conventional rates, which constitutes the most direct available measurement of mimicry on the liability side. The decisive antecedent, however, is Azmat et al. (2015). Using an asymmetric-information model, they established that adverse selection and moral hazard alone do not suffice to explain the dominance of debt contracts on the asset side, and that the risk aversion of depositors constitutes the missing determinant; they conclude that venture capital and private equity are better-suited institutions than banking for participatory financing. The present paper takes this result as its point of departure and departs from it on three points: it provides a prudential measurement rather than a formal model, through the alpha factor, from which it derives that capital penalization is endogenous to the institution's own behavior; it subsumes the constraint under a general impossibility proposition; and it extends the requirement of correspondence between profit and risk to the current account, a segment the literature on liabilities leaves outside its scope. Hassan (2026) reaches a convergent structural diagnosis from the practitioner side, and proposes a two-tier participatory architecture combining depositor-owned mutuals with equity-financing institutions.

Quantified maqasidic assessment forms a distinct subfield, developed since Mohammed et al. (2008) and extended by Bedoui and Mansour (2015) and by Asutay and Harningtyas (2015), whose index concludes, on an international sample, to a deficit in the realization of the *maqasid* by Islamic banks. These instruments operate at the level of the institution and quantify legitimately, because they bear on observable magnitudes; the instrument built here operates at a different level and draws a methodological consequence from that difference (see the analytical approach above).

Four gaps emerge. The critique of mimicry is established and its causes documented, but the causal ordering between the two sides of the balance sheet remains unsettled, Azmat et al. (2015) identifying the liability side as the missing determinant without specifying by which mechanism the constraint operates today. The assessment of contracts against the *maqasid* has been conducted and the assessment of institutions quantified, but no instrument articulates the two levels. The prudential constraint is documented as an obstacle without its endogeneity to the institution's own behavior having been established. And no proposition of general impossibility accounts jointly for the historical dominance of debt, the smoothing of investment accounts, the failure of unilateral reforms, and the prudential penalization of sharing. The monetary theory of information insensitivity (Gorton & Pennacchi, 1990; Holmström, 2015; Dang et al., 2017, 2020) supplies the material for such a proposition and has not, to the author's knowledge, been applied to Islamic banking; Section II.6 does so. This paper addresses these four points.

Analytical approach

The paper is conceptual and institutional rather than empirical. It mobilizes three bodies of material: prudential and accounting standards, treated as primary sources; the classical and contemporary *fiqh* literature on the objectives of transactions; and the economics of financial intermediation. Its argument proceeds by construction of an assessment instrument and its application, and four conventions govern that construction.

What is assessed is never an isolated transaction, but a contract type considered as a dominant mode of financing: the question asked of each contract is what a patrimonial order would look like were that type to become the norm. This convention is imposed by the object. Ibn Ashur's objectives of wealth are formulated as properties of an economic order rather than as requirements bearing on a single exchange, and the diagnosis of Section I reasons on a concentration of 78.7%, that is, on the dominance of a type. It is also the convention Soualhi (2015) adopts in applying the same objectives to the standard contracts, which makes the results comparable. Section III.5 extends the unit one step further, from the contract type to the pairing it forms with the institutional architecture that houses it; that extension is the methodological contribution of the paper and is argued where it is performed.

Determining whether a *murabaha* to the purchase orderer realizes *'adl* is not recording a magnitude: it is concluding an argument. Assigning it a figure adds no information to the argument that justifies it, but dresses that argument as data and thereafter authorizes arithmetic operations that the nature of the judgment does not support. The grid therefore uses a

three-valued qualitative coding (realized, partial, contradicted), governed by an explicit coding protocol and a lexicographic qualification rule, both stated before any assessment is made and applied to the paper's own proposals on the same terms as to existing products.

The paper distinguishes between description, diagnosis, and normative proposal. Where it assesses a contract against the objectives of the *Shariah*, it reports and articulates positions established in the juristic literature and in the standards; it does not issue rulings. No element of the assessment grid, and no instrument proposed in Section III, constitutes a *fatwa* or an exercise of independent *ijtihad*, and each would require validation by qualified *Shariah* scholars before any operational use.

Following Ahmed (2011), "Shariah-compliant" designates a product satisfying the formal conditions of contractual validity whose economic effects reproduce those of a conventional instrument; "Shariah-based" designates one that also realizes the objective pursued by the prohibition of *riba*; "pseudo-Islamic" designates one failing the test of validity itself. These are analytical categories, not verdicts of licitness.

I – A Shariah-compliant rather than a Shariah-based system

I.1 – The composition of global Islamic financing and its consequences

In the third quarter of 2025, the distribution of global Islamic financing by contract type was as follows: *murabaha* 43.1%, commodity *murabaha* 35.6%, *ijara* 8.7%, with the remainder distributed among *salam*, *istisna*, and participatory contracts as a whole. The two forms of *murabaha* combined thus concentrate 78.7% of global financing, against 79% the previous year (IFSB, 2026). This stability signals a structural feature rather than a cyclical configuration. The concentration is more pronounced still in the interbank segment, where commodity *murabaha* represents close to three quarters of Islamic financing, a concentration the IFSB (2026) notes is liable to amplify the systemic vulnerabilities of the sector.

The *sukuk* market presents an imbalance of the same nature. In 2025, *musharaka*-type *sukuk* represented 0.5% of issuance and *mudaraba sukuk* 6.0%, against 15.6% for *murabaha*, 16.7% for *wakala bi'l-istithmar*, and 17.8% for *ijara*. Composite structures reached 41.8% of the market, up 70% year on year, an evolution which the IFSB (2026) observes reduces the comparability and transparency of instruments.

Three consequences follow from this composition. The first concerns maturity: a financing structure concentrated on the short term contributes weakly to real economic development, which presupposes long-term commitments. The second concerns access: debt-based financing requires collateral, which excludes borrowers who have none, that is, precisely the population the initial ambition of Islamic finance intended to serve. The third concerns differentiation: from the standpoint of the end client, the financial burden, the collateral logic, and the repayment profile remain comparable to those of a conventional bank, and only the contractual terminology differs.

I.2 – The mechanism of mimicry: form against substance

The prohibition of *riba* pursues an identifiable objective, which the juristic tradition condensed in the maxim *al-ghunm bi'l-ghurm*: entitlement to profit is the counterpart of assuming the risk of loss. No one may legitimately enrich himself by the mere fact of holding capital, without exposure to the fate of the operation financed. The founding hadith, reported on the authority of 'Aisha (may Allah be pleased with her), states *al-kharaj bi'l-daman*: entitlement to the revenue of a thing is the counterpart of bearing the risk that weighs upon it (Abu Dawud, no. 3508; al-Tirmidhi, no. 1285).

This principle allows a precise analysis of how *murabaha* operates today, in the form known as *murabaha* to the purchase order (MPO). In terms of contractual validity, the operation raises no difficulty in principle: it is a sale, and deferred payment is compensated by a price increment. In economic terms, however, three elements alter its scope. The margin is most often calculated by indexation on a conventional reference rate. The client repays a contractually fixed amount, independently of the fate of the operation financed. The bank bears only a residual ownership risk, often reduced to a negligible duration through recourse to a binding purchase undertaking. The result is an instrument whose form is a sale and whose economic substance is financing at a guaranteed return. El-Gamal (2006) designated this procedure as *Shariah* arbitrage.

The analysis does not proceed from a modern grid applied retrospectively to older institutions: the debate on the divergence between form and substance belongs to the juristic tradition itself, as Soualhi (2015) documents. Ibn Qayyim al-Jawziyya dismissed as usurious in substance certain formally valid contracts. Among contemporaries, al-Suwaylim (2009) holds *'inah* and organized *tawarruq* to be procedures designed to circumvent the prohibition of *riba* despite the validity of the contracts taken separately, while al-Misri (2003) contests the binding character of the *wa'd* in *murabaha*, which he analyzes as a stratagem (*hila*) ultimately amounting to an interest-bearing loan. The normative bodies have taken a position on the same terrain: the IIFA [3] and AAOIFI [4] admit the MPO structure subject to conditions that include the prohibition of a reciprocal binding promise (*muwa'ada*) from both bank and client, so as to remove the exchange feature at the stage of the *wa'd*.

The prudential authorities have now named the phenomenon. The IFSB devoted its 2026 report to hybrid risk, defined as Islamic banking structures whose risk and balance-sheet characteristics reproduce the attributes of conventional banks: transactions whose contractual form is Islamic, but whose economic exposure and effective risk distribution are those of conventional instruments. This convergence, the IFSB (2026) notes, introduces leverage, heightened sensitivity to market volatility, and systemic interconnection comparable to those

[3] The International Islamic Fiqh Academy (IIFA), based in Jeddah, Saudi Arabia, is an organ of the Organisation of Islamic Cooperation that issues collective juristic rulings (resolutions) on contemporary questions of Islamic jurisprudence, including matters of Islamic finance.

[4] The Accounting and Auditing Organization for Islamic Financial Institutions (AAOIFI) is a leading international non-profit organization founded in 1991 and based in Bahrain, that develops standards for accounting, auditing, governance, ethics, and Shariah, which are used by Islamic financial institutions in more than 45 countries.

of the conventional sector, and it recalls that the IMF (2017) had already warned of the phenomenon. Mimicry is therefore not a critical hypothesis contested by the industry: it constitutes a named prudential category, documented by international institutions for close to a decade, and unresolved since.

I.3 – The causes of mimicry

Four causes account for this configuration, and they operate at different levels.

The first is microeconomic and bears on the composition of liabilities. Asutay (2007) attributes the shift from equity to debt financing to concerns of risk, moral hazard, and adverse selection, which led Islamic financial institutions to adopt the commercial banking model, whose primary objective is profit maximization and efficiency, with the result that the framework contradicts the normative assumptions of Islamic economics. A second and more structural explanation of the same order concerns liabilities directly. As Hassan (2026) argues, an institution whose resources consist of fixed nominal-value commitments, meaning deposits redeemable at par and investment accounts whose returns are smoothed, can hold on its asset side only claims at near-fixed return, since a volatile asset backed by rigid liabilities exposes the institution to default from the first unfavorable financial year.

On this reading, contractual mimicry is not a management choice but the mechanical consequence of a liability architecture borrowed from the conventional model, onto which an Islamic contractual terminology has been substituted. The word borrowed must be taken seriously, for it displaces the cause. It is not that the liabilities were chosen and the assets then adjusted to them. It is that the institutional form of the commercial bank was retained as the vehicle, and that form comes with its liabilities. The question put to the founders of the 1970s was not what liabilities they should build but what institution they should create, and the answer, which was a bank, carried the rest. This reading does not weaken the requirement of balance-sheet coherence; it identifies its real scope, which is not to reform liabilities within an unchanged vehicle, but to change the vehicle. The hypothesis is not novel, since Azmat et al. (2015) identified the risk aversion of depositors as the missing determinant, and the literature review above set out the three points on which this paper departs from them.

The second cause concerns demand rather than banking supply. On the retail side, the predictability of a fixed repayment schedule corresponds to an expectation that precedes the offer. On the corporate side, profit sharing presupposes opening the accounts to the financier, accepting oversight of management, and possibly a dilution of control, constraints managers generally seek to avoid. The explanation must nonetheless be qualified, since the same populations that refuse a bank investment account without capital guarantee accept considerable exposures on other asset classes, a tension examined in Section IV.

The third cause is prudential. Every bank must hold own funds proportionate to the risk of its assets. The IFSB standards treat *musharaka* and *mudaraba* financing extended to private commercial enterprises as equity-type exposures, and apply to them, under the simple risk-

weight method the BCBS [5] (2006) inherited from Basel II, a risk weight that may reach 400%, against a weight of the order of 100% for an unrated corporate *murabaha* exposure (IFSB, 2021). The weighting is not uniform, and the nuance matters for Section III.3, since it targets equity holdings in private commercial enterprises, whereas diminishing *musharaka* backed by residential real estate falls under a distinct and appreciably less penalizing treatment.

By way of illustration, for EUR 100 million financed and an own-funds ratio of 8%, which is the regulatory minimum raised in practice to 10.5% or more by the applicable buffers, a bank must immobilize EUR 8 million of own funds under *murabaha* against 32 million under *musharaka*. At an identical net margin of EUR 1 million annually, the return on regulatory capital stands at 12.5% for *murabaha* against 3.1% for *musharaka*. For an institution to be financially indifferent between the two structures, participatory financing would have to generate a return four times higher. The predominance of debt contracts is therefore not solely the product of a preference for security or of a deficit in maqasidic conviction. It is, to a substantial extent, the rational consequence of a prudential framework that renders risk sharing structurally uncompetitive.

The fourth cause is strategic, and it answers a question the first three leave open. They explain why each bank, taken in isolation, prefers debt. They do not explain why none ever deviates, or why forty years of doctrinal exhortation have produced no lasting pioneer institution. The reason is that unilateral deviation is penalized on both sides of the balance sheet at once. On the liability side, an institution offering genuine participatory accounts would see its depositors migrate to competitors with guaranteed capital from the first unfavorable financial year, since the neighbor's guarantee sets the price of one's own. On the asset side, the phenomenon is subtler and more destructive. Entrepreneurs whose projects are safest prefer fixed-cost financing, which leaves them the entire residual profit, and only those who know their risk to be high consent to sharing, so that the participatory portfolio of a solitary deviant mechanically concentrates the poorer risks. To this must be added the capital surcharge. Virtuous deviation is thus penalized threefold, and mimicry displays the characteristics of a Nash equilibrium in which individual virtue is economically irrational.

This last reading carries three consequences. It accounts for the persistence of the phenomenon better than any moral hypothesis, since an equilibrium does not require that actors be cynical, only that none can exit alone. It illuminates in advance the failure of the Malaysian reform examined in Section III.1, since a regulation that constrains only one side of the balance sheet does not modify the payoffs of deviation but displaces the equilibrium toward the nearest guaranteed instrument. And it circumscribes the space of solutions, since one exits an unfavorable equilibrium only through coordination, meaning a regulator acting simultaneously on both sides of the balance sheet; through modification of the payoffs, whether by the alpha factor or by taxation; or through a separating equilibrium, meaning the creation of distinct institutions capturing the clientele that self-selects toward risk, which private equity and *wakala* vehicles already achieve outside the banking perimeter.

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[5] The Basel Committee on Banking Supervision (BCBS) is an international standard-setting body, hosted by the Bank for International Settlements in Basel, Switzerland, that sets global prudential standards for bank regulation and supervision. Its main role is to issue capital adequacy frameworks — such as Basel II and Basel III — covering risk-weighting methods, capital requirements, and supervisory practices.

I.4 – From *takyif fiqhi* to *ibtikar*

One further explanation is required, no longer causal but methodological: by what process did contemporary Islamic finance come to reproduce, contract after contract, the architecture of the system it claimed to supersede?

The answer lies in the theory of *ijtihad* applied to finance. Having recalled, with al-Shatibi, that knowledge of the *maqasid* conditions the validity of *ijtihad*, Soualhi (2015) distinguishes two approaches by which contemporary *ijtihad* shapes Islamic financial products. The first, *takyif fiqhi* (adaptive qualification), consists in starting from an existing conventional product and adapting it to *Shariah* principles, an approach Soualhi himself qualifies as simulative. The second, *ibtikar* (innovation), consists in combining nominate contracts (*'uqud musammat*) with instruments of surety (*daman*) and agency, so as to build instruments answering directly to the objectives of financing and investment, without passing through a preexisting conventional product. Soualhi adds that both approaches mobilize the *maqasid* and that both seek compliance as well as economic viability; he does not condemn takyif. The hypothesis defended here, that the dominant recourse to takyif explains the documented mimicry, extends his distinction rather than reproducing it.

The mimicry documented above is therefore not an accident of trajectory, but the logical consequence of an industry that has predominantly taken the first path. It is the dividing line between Shariah-compliant and Shariah-based, formulated from the standpoint of the method by which contracts are produced rather than of the result observed.

II – The normative framework

II.1 – The *maqasid al-mal* as an assessment grid

Assessing a financial contract against the objectives of the *Shariah* presupposes that those objectives bear on economic order and not on individual conduct alone. That presupposition is not established by the classical formulation, and the objection must be met before the grid can be built.

Systematized by al-Ghazali within the tripartite framework inherited from his master al-Juwayni (*daruriyyat*, *hajiyyat*, *tahsiniyyat*), the *maqasid* aim at the preservation of five elements attached to the person: faith (*din*), life (*nafs*), intellect (*'aql*), progeny (*nasl*), and property (*mal*). None is collective. Kamali (2021) recalls, however, that the list proceeds in al-Ghazali from a reading of the passages of the Qur'an and the Sunna relating to the prescribed penalties (*hudud*): each value those penalties protect was identified as essential. Criminal law is a law of the person; it sanctions acts committed by an individual against an individual. The absence of a collective dimension in the list is therefore an artifact of the corpus from which it was induced, not a thesis on the nature of the objectives of the *Shariah*.

This observation determines the status of the enlargement carried out by Ibn Ashur (2001). It is the application of the same inductive method (*istiqra'*) to a different corpus: the redistributive obligations of *zakat*, the *waqf*, the rules of succession, and verses of explicitly

collective scope, foremost Surat al-Hashr (59:7), which prohibits that wealth circulate among the wealthy alone. That the list of five was never held closed by the tradition confirms the point: al-Qarafi added the preservation of honor (al-*'ird*) by an inductive reasoning of the same nature. On this basis Ibn Ashur develops a theory of the general objectives encompassing social order, liberty, and equality, which Auda (2008) extends through a systems approach analyzing the *maqasid* as a system oriented toward collective ends rather than as a static list of individual protections.

Within that general framework, Ibn Ashur identifies a list of objectives specific to transactions, the *maqasid al-mal*, five in number, comprising justice (*'adl*), circulation (*rawaj*), clarity (*wuduh*), preservation (*hifz*), and firmness (*thabat*). Two reasons commend this list over the five necessities. The *daruriyyat* protect values attached to the person, and only one of them bears on wealth, yielding a single question, that of the protection of patrimony, which no more distinguishes a *murabaha* from a conventional loan than it distinguishes either from a safekeeping arrangement. The *maqasid al-mal*, by contrast, are formulated for transactions and articulate five distinct requirements, which is what an assessment instrument needs. They present a second advantage, of comparability, since they constitute the grid Soualhi (2015) applies to the standard contracts, so that the results obtained here can be confronted with an existing assessment rather than standing alone.

One feature of the list should be noted at the outset, because it disposes of a distinction the argument would otherwise have to carry. The objectives are not divided between an individual register and a collective one. 'Adl governs the relation between the parties to a contract and forbids that one secure a gain without exposure to the fate of the operation; *rawaj* governs what becomes of wealth at the scale of a society, and carries in Ibn Ashur's own definition the requirement that it reach the greatest number. The two registers are present within the list itself, and an instrument that applies the five objectives applies both.

II.2 – The five objectives applied to contract types

The first objective is justice, which Ibn Ashur defines as the acquisition of wealth by a non-oppressive path, namely labor, exchange, donation, or inheritance. The enumeration is not a list of permitted activities but a characterization of what makes an acquisition legitimate, and one step of explicitation carries it to financing. A return obtained without exposure to the fate of the operation financed proceeds from none of the four paths named. It is not the remuneration of labor, since no labor is performed. It is not the gain of an exchange, since nothing is exchanged once the operation is stripped of the sale that dresses it. And it is neither donation nor succession. It proceeds from the mere holding of capital, which is precisely the acquisition *al-ghunm bi'l-ghurm* excludes and of which *al-kharaj bi'l-daman* states the positive counterpart. The criterion by which *'adl* is coded below, namely whether the party receiving the return bears the risk of the operation, is therefore not a substitution for Ibn Ashur's definition but its application to financing.

Soualhi (2015) acknowledges that *murabaha*, including in its MPO form, realizes a measure of justice, since deferred payment benefits the buyer and is compensated by the price increment that benefits the seller. But he reports that excessive reliance on this contract has troubled

many scholars, precisely because it shifted Islamic finance from equity toward debt. Siddiqi (2003) notes its nearly risk-free character, and al-Suwaylim (2009) emphasizes that the logic of indebtedness weakens the appetite for long-term investment and risk-taking. Participatory contracts display a markedly superior realization. In *musharaka*, partners share profits and losses in proportion to their contribution and answer jointly for the fate of the venture, and it is not permissible to stipulate a lump-sum payment at term, such a clause amounting to a capital guarantee and destroying the nature of the contract, guarantee operating only in cases of negligence. In *mudaraba*, monetary losses are borne by the capital provider alone, the entrepreneur losing his labor. The gap is clear without being absolute, since a properly structured *murabaha* realizes a justice of exchange, and its condemnation bears on its contemporary structuring, meaning indexation, formalistic agency, and the binding undertaking, rather than on the contract in itself.

The second objective is circulation, which Ibn Ashur defines as the fair circulation of wealth among as many people as possible, by a rightful path. The textual foundation is explicit, the Qur'an calling for trade (2:275, 2:282), elevating the rank of merchants (73:20), and prohibiting that wealth circulate among the wealthy alone (59:7), a verse from which Soualhi (2015) draws an additional justification for the prohibition of *riba*, since the latter concentrates wealth in the hands of lenders. The objective therefore contains two requirements, that wealth be effectively employed rather than idle or circulated in closed circuit, and that its employment reach beyond those who already hold it.

Participatory contracts serve both directly, *mudaraba* channeling funds toward production and preventing capital from remaining idle, and *musharaka* finding its full expression where funds circulate from surplus units to deficit units. Contracts of exchange are not without effect, *murabaha* stimulating the production of finished goods, *istisna* manufacturing, and *salam* the working capital of producers, and Ibn Ashur himself admitted that credit is one of the modes of expansion of financial transactions. Two limits nonetheless hold. Debt contracts serve circulation indirectly and over maturities that Section I.1 showed to be structurally short, and because they require collateral they distribute financing according to existing wealth, which is the configuration 59:7 addresses. Commodity *murabaha* stands apart, the commodity leg being a passage device engaging no productive asset, so that the objective is not served but contradicted.

The third objective is clarity, which Ibn Biyyah (2010) establishes to mean, in the contemporary context, transparency. Soualhi (2015) derives the concrete requirements, namely explicit offer and acceptance, full legal capacity, and an object clearly identified and deliverable without encumbrance, extended to the publication of financial statements, *Shariah* audit, and written documentation. On this criterion both families satisfy the requirement, *murabaha* through a mandatory disclosure of cost and margin, *musharaka* through explicit sharing terms and a clearly defined object of association. One sometimes reads that the advantage falls here to debt contracts on account of the information asymmetry affecting *musharaka*, but that asymmetry bears on the venture financed and not on the contract, and pertains to the monitoring cost examined in Section II.4.

A remark forestalls a misreading of this result. That *murabaha* MPO fully satisfies *wuduh* in no way attenuates the critique conducted in Section I.2. What that critique reproaches is not

the concealment of its terms, which it scrupulously discloses, but the failure to make return correspond to risk. This is a defect of justice and not of transparency, and the grid sanctions it under *'adl*. A contract may be perfectly transparent about what it does, and what it does may fail to conform to the objectives.

The fourth objective is preservation, and it is the one most often misread when the grid is carried into banking. Preservation is readily taken to mean that the provider's capital is guaranteed and recoverable, which would make it the mirror image of justice and would condemn participatory contracts by construction. That is not Ibn Ashur's objective. His *hifz* al-*mal* bears on wealth as a trust that must not be destroyed, squandered, or surrendered to those incapable of managing it, which is why the classical treatment connects it to the prohibition of *tabdhir* and *israf*, to the restriction of the spendthrift (*safah*), and to judicial interdiction (*hajr*), and why the Qur'an describes property as a means of support that must not be handed to the incompetent (4:5). Far from requiring that wealth be sheltered from commercial risk, the objective requires that it be employed. Wealth immobilized deteriorates where wealth employed bears fruit.

Exposure to the ordinary hazard of an enterprise is not a failure of *hifz*, since it is the condition of the employment the objective commands, and a capital guarantee stipulated in a partnership would convert the contract into a loan at interest, which is the injustice the prohibition of *riba* targets. What preservation does forbid is the loss of wealth through waste, negligence, incompetence, or the impossibility of verifying what the holder does with it. So construed, the objective ceases to deliver a verdict against participatory finance and becomes a condition imposed upon it, requiring verification, audited accounts, competence, and effective recourse for misconduct. This is precisely the condition the historical record isolates in Section III.1, where what rendered sharing sustainable was not doctrinal supervision but audit and the publicity of accounts, and it is the condition the governance clauses of the hybrid contract and the ring-fenced valuation of Sections III.2 and III.3 are designed to satisfy.

The fifth objective is firmness, which designates the definitive securing of rights once the contract is concluded and is realized through its binding character (*luzum*). One point is decisive for what follows. This binding character does not apply to *wakala*, *mudaraba*, *musharaka*, or deposit-taking so long as work has not commenced, no obligation having then been created. Once capital is committed the position changes, and Soualhi (2015) illustrates this with *musharaka sukuk*, where subscription is closed, capital committed, the program binding, and the certificates tradable. A second point must be added, which the ordinary treatment omits and which the assessment below uses. Firmness concerns not only entry into the contract but exit from it. Rights definitively fixed at conclusion are firm in law but not thereby realizable, and a participation in an unlisted enterprise leaves its holder with certain rights and no controlled means of exit. What renders the *musharaka sukuk* fully firm is not the binding character of the program alone but the tradability of the certificates. This is the criterion on which the illiquidity documented in Section III.3 registers within the grid.

The five objectives do not pose the same question, and the difference organizes the result. Clarity, preservation, and firmness describe the quality of the contractual construction, asking whether the operation is well made, whether the parties know what they are undertaking, and whether their rights hold. Justice and circulation describe what the operation accomplishes,

asking what wealth serves and by what rule it is distributed.

Read on that distinction, the grid does not produce the equivalence a global count would suggest. Debt contracts prevail on the objectives of construction, though never by more than a margin, while participatory contracts prevail without reservation on the two objectives of accomplishment. A simple test establishes that the two results do not offset each other. A conventional interest-bearing loan mandatorily discloses its rate and total cost, engages a verifiable claim with recourse against negligence and waste, and fixes the rights of the parties from conclusion, so that it fully realizes the three objectives of construction while contradicting justice and circulation. The objectives on which *murabaha* prevails are exactly those the prohibited instrument satisfies, because they describe what any well-constructed financial system pursues and not what distinguishes the two systems. There is therefore no equivalence between the two families, but a participatory superiority on the axis that discriminates.

II.3 – Ahmed's typology and the unit of qualification

The grid ranks contracts but does not yet name what they are. Ahmed (2011) supplies the vocabulary, in the form of a tripartite typology built from the two axes just distinguished. A Shariah-based product satisfies both sets of requirements and realizes the objective pursued by the prohibition of *riba*. A Shariah-compliant product satisfies the formal conditions of validity but reproduces in its economic effects those of a conventional product. A pseudo-Islamic product fails the test of validity itself. The methodological interest of the typology is that it avoids binary judgment in favor of locating the failure, since a product may be valid with respect to the pillars and conditions of the contract while remaining merely compliant, because its overall economic structuring does not realize the objective pursued. It is the second axis that carries a product from compliant to based, which is why Ahmed classifies participatory contracts in the latter category.

The typology permits an immediate reformulation of the diagnosis. The concentration of 78.7% of global financing on the two forms of *murabaha* documents the dominance of the compliant category at the scale of a system, not an isolated failure.

It will be used a second time, in a manner that calls for explanation. Ahmed qualifies products, asking whether a contractual structure realizes, by its form itself, the objective pursued by the prohibition of *riba*. Section III.5 poses a distinct question, which presupposes the first, asking whether this contract, within the institution that holds it and given the liabilities that fund it, realizes that objective. Qualification then ceases to attach to the contract and attaches instead to the pairing it forms with the architecture. Two matters must be settled before that displacement can be performed, the first being what participatory contracts cannot do, the second being what the five objectives do not ask.

II.4 – The limits of participatory finance

Three technical obstacles are documented, and none is answered by doctrinal insistence. The first is information asymmetry and its corollary in monitoring cost, since in a *mudaraba* the

entrepreneur knows his activity better than the capital provider and may underreport profits, while the financier has no instrument of control as simple as a fixed rate. Dar and Presley (2000) documented this imbalance as a principal cause of the marginality of sharing, and its corollary is a monitoring cost presupposing resources and sectoral expertise that *murabaha* does not require. The second is the absence of security interests, the relation being partnership-like in nature, which in principle forbids requiring collateral, while prudential standards identify for sharing contracts a specific risk of impairment of invested capital (IFSB, 2005). The third is the capital charge documented in Section I.3.

To these Choudhury (2001) adds an objection of a different order. He contests that *musharaka* and *mudaraba*, as practiced, genuinely internalize socio-economic justice, and argues that their transformation presupposes extensive cooperative participation together with the corresponding rules of organization. The objection is the most important for what follows, because it does not contest that the *maqasid* comprise a collective dimension but that risk sharing realizes it automatically. The answer to the question posed by this paper cannot therefore consist in substituting one type of contract for another. It calls for an architecture, of which governance is a component in its own right.

II.5 – The liability side: extending *al-ghunm bi'l-ghurm*

The five objectives assess the relation a financing contract institutes between an institution and the party it finances. They say nothing of the other relation the institution maintains, the one binding it to those who fund it. That silence is the gap this section fills.

The principle *al-ghunm bi'l-ghurm* has been applied to the liability side, but to only one of its compartments. On the prudential plane, Archer and Abdel Karim (2009) analyzed the difficulties posed by investment accounts, and displaced commercial risk is the object of a dedicated normative treatment. On the empirical plane, Chong and Liu (2009) established that Islamic deposits remain closely correlated with conventional rates. On the fiqhi plane, the guarantee of investment deposits has been treated for itself: AAOIFI concludes, in its SS [6] 5, that a contractual guarantee by the bank is not permitted, while a third-party guarantee on the basis of *tabarru'* remains admissible. The current account has been left outside this examination.

The current account of an Islamic bank is qualified, depending on the jurisdiction, as *qard* or as *wadi'a yad damana*. In both cases the bank becomes responsible for full repayment and appropriates in return the entirety of the returns produced by the employment of those funds. The configuration appears coherent with the principle, since the bank assumes the risk and collects the profit. The coherence is only apparent. A bank holds a reduced fraction of own funds, of the order of one tenth of its balance sheet, and it employs deposits that often represent the bulk of that balance sheet while delivering a guarantee it does not have, arithmetically, the means to honor in a major shock. That guarantee rests ultimately on collective mechanisms, namely deposit guarantee schemes, lender of last resort, and in fine the community. The institution thus collects the entirety of the returns on those resources

[6] "SS" refers to a Shari'ah Standard issued by AAOIFI.

while assuming only part of the corresponding risk, the balance being socialized.

Two precisions accompany the extension. It is not specific to Islamic finance, since the gap between the guarantee displayed and the real capacity to absorb holds for any fractional-reserve bank, and what is specific is that Islamic finance explicitly invokes a principle this configuration places under strain. And it joins a classical economic argument, that of the Chicago Plan revisited by Benes and Kumhof (2012) and taken up by Hassan (2026), according to which deposits genuinely guaranteed should be backed by reserves and deposits employed must be exposed, one cannot obtain both.

From this extension follows the sixth criterion of the assessment grid, which Section III.5 applies. Balance-sheet symmetry asks whether the risk shared on the asset side is effectively borne by the providers of the institution's resources, or whether it stops at the institution's balance sheet to be absorbed by own funds and, beyond their capacity, by collective guarantee mechanisms. The criterion is not an import from outside the *maqasid*. It applies *al-ghunm bi'l-ghurm*, the principle already carried by *'adl*, to a second contractual relation that the classical grid, built for the assessment of individual contracts, never enters.

II.6 – The trilemma of Islamic intermediation

Why is that second relation so resistant to reform? The answer is not doctrinal but monetary, and it is general enough to be stated as an impossibility.

A demand deposit is not an investment but an instrument of payment. To circulate as such, an instrument must be exchanged at par, immediately, and without anyone having to inquire into the value of what backs it. The contemporary monetary literature has named this property information insensitivity. Gorton and Pennacchi (1990) showed that the function of intermediaries is precisely to produce such securities, in order to protect uninformed agents. Holmström (2015) established that money markets function, unlike equity markets, by deliberately suppressing price discovery, since money is accepted without questions or it is not money. Dang et al. (2020) established a deeper result, namely that of all financial contracts debt is the security least sensitive to information, which is why monetary instruments take the form of claims at fixed nominal value. And Dang et al. (2017) showed that banks are structurally opaque because revealing information on their assets would render their liabilities information-sensitive, and therefore unfit for circulation.

The consequence for Islamic finance is immediate. Smoothing is not merely a betrayal of the *mudaraba* contract but the condition for monetizing the investment account. An investment account can be money, or it can be participatory; it cannot be both.

These elements condense into an impossibility proposition. No financial institution can simultaneously:

- issue liabilities convertible at par and on demand, which is the monetary function;
- hold assets in genuine profit-and-loss sharing, which is the participatory function;
- operate without an external loss absorber, that is, without public guarantee, without third-party support, and without shareholder capital dedicated to absorption.

The argument holds in a few lines. A fixed nominal promise backed by stochastic assets implies a positive probability of not being honorable, and absorbing that gap requires either shareholder capital, or smoothing reserves that annul the second property, or an external guarantee that violates the third. The alpha factor receives here its complete interpretation, as the instrument by which the supervisor measures which branch the institution has actually chosen, a value close to unity revealing an institution that has retained the first and third properties while dressing the second.

The proposition rereads at a stroke the observations of this paper. Contemporary mimicry is the choice of the first and third properties under the vocabulary of the second. The Malaysian reform of 2013, examined in Section III.1, compelled the sector to declare its branch, and it chose the first and third through migration toward guaranteed instruments. The social experiments of the 1960s, which laid claim to all three properties, subsisted only insofar as they were backed by public support, that is, by violating the third. One distinction avoids overloading the proposition. The trilemma delimits the set of attainable configurations and does not explain which one is retained, selection within that set falling to the strategic equilibrium established in Section I.3. The two propositions are complementary rather than redundant, the first accounting for what is impossible and the second for what is stable among the possible.

A trilemma is not solved but dissolved, by ceasing to demand the three properties of the same balance sheet. This is the justification of the architecture defended in the section that follows, comprising a monetary tier assuming the first and third properties, an investment tier assuming the second and third, and a solidarity tier for what neither accomplishes. Functional separation is not a design preference but the only set of solutions compatible with the trilemma.

III – The architecture of a Shariah-based model

Sections I and II established a diagnosis and its explanation. Mimicry is a structural constant, locked in by an equilibrium from which none can deviate alone, and grounded in a trilemma whereby no institution can simultaneously be money, participation, and autonomy. This section derives the architecture. It proposes not a single solution but an ordered set of levers whose coherence rests on a common principle, and it assumes its status as the point of departure for a research program.

III.1 – What history and experience impose

The institution that, in the history of the Muslim world, comes closest to financial intermediation is the Ottoman cash *waqf*, and its record fixes the terms of any proposal. Zufar (d. 158/775) held the endowment of cash to be licit and prescribed that the capital so constituted form the basis of a *mudaraba*, the profit realized being allocated to the purpose of the *waqf*. Çizakça (1995) permits the application of that prescription to be measured. Of 1,563 *waqfs* of Bursa whose profit-to-capital ratios were recorded between 1667 and 1805, only four display significantly variable returns, the remaining 1,559 serving a return between 9% and 12%. The

reasoning is a test, since a return composed of a share of profit ought to fluctuate, and its near-general constancy establishes that economic interest prevailed. What is at issue is economic and not juridical interest, since the instruments employed, chief among them *istiglal*, belonged to the category of *muamele-i ser'iyye*, were approved by the courts, and were not held usurious by Ottoman jurists. Çizakça characterizes them as devices intended to observe the letter of the law while circumventing its spirit. The configuration is exactly what this paper terms Shariah-compliant, and it is attested in the seventeenth century.

History also supplies the case in which the prescription was finally applied, and that case designates the determining variable. Çizakça (2004) observes that it was the *waqfs* of the Turkish Republic that, following the law of 1967, at last realized Zufar's teaching, becoming direct recipients of the profits of companies constituted in corporate form. The Koç Foundation furnishes the canonical case, since endowed with shares in incorporated companies it collects their profits and reserves part of its revenues to subscribe to capital increases, so as to maintain its proportionate share in the group, which is a preservation of the share rather than of nominal principal.

What changed between the seventeenth century and 1967 was neither doctrine nor conviction. Zufar's prescription had been available for twelve centuries and was known, *mudaraba* figuring among the three modes of employing capital and being set aside; and Ottoman *waqfs* operated where religious authority was constituted and exhortation constant, whereas republican *waqfs* were born in a resolutely secular Republic. What changed is organizational technology. The corporate form supplies four attributes, none of which existed in the Ottoman legal order and whose conjunction renders sharing practicable: a legal personality distinct from that of the members; a perpetuity of its own; audited accounts, which render profit verifiable by a third party and remove from the manager the monopoly of its declaration; and valued, transferable shares, which render the participation liquid and therefore financeable.

Three consequences follow. What rendered sharing sustainable was not a strengthening of doctrinal supervision but audit and the publicity of accounts, that is, an informational response to an informational problem. The transferability of shares is the condition that turns an immobilized participation into a holdable asset, which justifies the secondary-market agenda of Section III.3. And, methodologically, risk sharing has never been obtained by strengthening doctrine but by changing the structure that houses it, which is why this section proposes a vehicle rather than an exhortation.

A final observation of Çizakça's bears on liabilities. Comparing cash *waqfs* to the Italian Monti di Pietà, whose organizational structure was almost identical, he observes that the latter evolved toward deposit banking by remunerating savers while the former could not, the interest prohibition on the liability side preventing them from collecting from a multitude of depositors, so that they remained dependent on their initial endowment. He concludes that the prohibition of *riba* mechanically restricted the financial expansion of cash *waqfs*, whereas the present paper draws that the constraint lay not in the prohibition but in the absence of a form of participatory liability, which doctrine authorized and which the institutional order did not know how to produce. On both readings the blockage sits on the liability side, and the cash *waqf* thus furnishes, three centuries before modern Islamic banks, the first attestation of the principle of balance-sheet coherence.

A reform of the liability side has already been imposed by statute in Malaysia, and its outcome fixes the conditions of any serious proposal. The Islamic Financial Services Act 2013 compelled Islamic banks to separate in law their Islamic deposits, which are capital-guaranteed, from investment accounts, which are not, products based on *mudaraba* and *wakala* having to be reclassified into the second category before 30 June 2015. This is, in principle, the reform this paper defends.

The outcome was instructive. The dominant practice consisted in migrating balances toward capital-guaranteed structures, and the investment accounts that were maintained tended to be structured so as to resemble deposits with a stable return. Three distinct factors explain this. Banking constraints came first, since reclassification degraded loan-to-deposit ratios and maintaining *mudaraba* imposed a dedicated regulatory framework judged demanding, so that the institutions' arbitrage was unfavorable to participatory liabilities. Choice architecture came second, since the notifications sent to clients reveal that the default option was the guaranteed deposit, the investment account presupposing an active step, and the default effect ranks among the best-established findings of behavioral economics (Thaler & Sunstein, 2008). Balance-sheet coherence came third and matters most, since an asset side composed overwhelmingly of fixed-return receivables cannot fund participatory liabilities, there being no variable profit to share when the uses produce a contractually determined return. Compelled to separate their resources, these banks logically reconstituted guaranteed liabilities.

From history and from this precedent a single principle follows. Asutay (2007) proposes renouncing the first best in favor of a second best, meaning institutions dedicated to a social vocation alongside commercial banks, on the model of the European social and cooperative banks he documents from Mayo and Guene (2001). That recommendation of separation converges, from distinct disciplines, with Soualhi (2015), who would confine debt to commercial banks and create investment institutions dedicated to sharing, and with the two-tier architecture defended by Hassan (2026). This paper reduces the convergence to a single principle, which follows from the trilemma: risk sharing must be symmetrical on the asset and the liability sides. The requirement is at once maqasidic, since *al-ghunm bi'l-ghurm* holds on both sides, and arithmetic, since rigid liabilities constrain assets to fixed return and raise the alpha factor. The Malaysian outcome adds its corollary, namely that reform of the liability side alone, imposed on an asset side that remains debt-based, results in the reconstitution of guaranteed liabilities. The correspondence operates in both directions, a sequential reform is bound to fail, and only a simultaneous transformation of both sides can succeed. This is why the instruments proposed below form an interdependent set rather than isolated adjustments.

III.2 – Liabilities: making risk sharing sustainable

A precision as to status is required before the instruments are described. The two arrangements proposed here are not corrections applied to the liability side of the Islamic commercial bank, since the diagnosis established that it is this vehicle itself that is at issue, and genuinely participatory liabilities would remain a foreign body within it, exposed to the same pressures that produced smoothing. They constitute the specification of the liability side of a different vehicle, whose institutional form is set out in Section III.4. Read in this way, they change in nature. A fixed-horizon investment account, valued at net asset value, not redeemable at

par, and backed by a ring-fenced portfolio, is not an amended bank deposit but a fund unit, and the mutualized *tabarru'* fund is not a guarantee internal to a bank but an absorption mechanism internal to that fund. The banking description employed is comparative, serving to situate each instrument relative to what it replaces.

The first instrument is a mutualized *tabarru'* fund. The principle of a third-party guarantee founded on *tabarru'* is not a proposal of this paper, being admitted by the standards, which forbid the *mudarib* to guarantee losses but permit a third party to do so by way of donation (AAOIFI, SS 13). The contribution claimed is a reconfiguration on three points. The source of funding is a levy on the distributed profits of the participatory portfolio itself, in favorable periods, and not shareholders' income, which would reintroduce the institution's guarantee by a detour. The perimeter covers losses on participatory financing on the asset side, and not depositors' principal, which distinguishes it from existing equalization reserves that operate on the liability side and are criticized for recreating a quasi-guarantee. The design constraint matters most, since the fund must never constitute a guarantee. No participant holds a contractual right to indemnification, the fund intervening according to pre-established rules and only for losses not attributable to negligence, in conformity with the *mudaraba* regime. Absent this constraint, the arrangement would raise the alpha factor and destroy the prudential benefit it is meant to produce.

A sustainability condition follows. The fund must cover the expected loss of the covered portfolio, that is, $d \times LGD \times c \times E$, where d denotes the default rate, LGD the loss given default, c the covered share, and E the outstanding participatory portfolio. Financed by a levy at rate p on distributed profits Π, it is sustainable if $p \times \Pi \geq d \times LGD \times c \times E$, that is, if $p \geq (d \times LGD \times c)/r$, where $r = \Pi/E$ denotes the distributed return of the portfolio. The order of magnitude is constraining. With $d = 5\%$, $LGD = 40\%$, $c = 50\%$, and a distributed return of 5%, the condition requires $p \geq 20\%$ of distributed profits. The mutualized fund is therefore not a marginal adjustment, since it levies one fifth of the return served to holders. This value is the critical parameter of the model, and it communicates directly with the risk-premium test formulated in Section IV, the premium actually servable to the holder being the gross premium less p.

The second instrument is a fixed-horizon investment account, which addresses the root of the problem, namely availability on demand. It consists of an investment account, structured as *mudaraba* or *wakala bi'l-istithmar*, carrying a determinate maturity or a significant notice period, with no withdrawal right in the holder's hands during that period, early exit being possible only through the transfer of units on the secondary market and never through redemption at par.

The instrument lifts three constraints simultaneously, and it is this convergence that makes it the centerpiece of the liability side. It lifts a behavioral constraint, since risk tolerance increases with horizon and one accepts over ten years a variability one refuses over a quarter, so that long-term savings, today massively placed in conventional products for want of an alternative, constitute the natural reservoir of participatory financing, retail Islamic finance having paradoxically built itself on the resources least compatible with its own doctrine. It lifts

an accounting constraint, since under IAS [7] 32 unrestricted investment accounts are classified among liabilities as puttable instruments, not by reason of the nature of the contract but of the withdrawal right alone, and removing puttability sets that classification aside, whereas the AAOIFI treatment providing an intermediate quasi-equity category remains a minority practice. And it lifts a prudential constraint, since a locked account renders credible the effective transfer of risk to the holder, therefore lowers alpha, therefore lightens the capital required on the participatory assets it funds.

There remains the question of transition, which the Malaysian precedent has made unavoidable, and the answer proposed is matching by ring-fenced generations. Each generation of fixed-horizon accounts, open to subscription over a given period, is contractually backed by a ring-fenced portfolio of participatory financings originated as collection proceeds, valued at its own net asset value and legally isolated from the remainder of the balance sheet. Participatory liabilities and assets are born, grow, and expire together, compartment after compartment, while the historical balance sheet amortizes into extinction. This ring-fencing, a technique proven in insurance and securitization, achieves balance-sheet coherence at the scale of each compartment without abrupt transformation, renders the calculation of alpha transparent and verifiable portfolio by portfolio, and gives effect to accounting non-puttability. Migration ceases to be a leap and becomes a trajectory.

Alongside these two instruments sits the monetary tier, to which the trilemma assigns the first and third properties, meaning guaranteed payment accounts backed by reserves or by safe assets. Two consequences follow. The first is the separation of functions, in the line of the Chicago Plan (Benes & Kumhof, 2012), since deposits genuinely guaranteed must be backed by reserves rather than freely employed, and deposits employed must be exposed. From the standpoint of the *maqasid*, explicit pricing of the payment service is preferable to an apparent gratuity funded by the unconsented employment of funds, which responds directly to the extension of *al-ghunm bi'l-ghurm* to the current account.

The second consequence is the purging of residual *murabaha*. This paper does not propose eliminating *murabaha*, which is legitimate at the monetary tier for the needs that sharing covers poorly. It proposes purging it of what renders it economically indistinguishable from a loan, through four cumulative criteria drawn from the debate documented in Section I.2: genuine possession entailing effective ownership risk between acquisition and resale; strict limitation of agency, the appointment of the client as purchasing agent remaining exceptional, failing which the formalism denounced by al-Zarqa (2012) obtains; progressive disconnection from the conventional reference rate, which presupposes an index founded on real asset returns, Usmani's (2007) position validating the use of a benchmark without elevating it into an ideal; and prohibition of organized *tawarruq*, in conformity with the International Islamic Fiqh Academy (2009).

[7] International Accounting Standards (IAS) are a set of global accounting rules originally issued by the International Accounting Standards Committee and now maintained under the IFRS Foundation. IAS 32 specifically governs the presentation and classification of financial instruments, including the distinction between liabilities and equity.

III.3 – Assets: from contracts to the conditions of their viability

The limits documented in Section II.4 call for a contractual response rather than the abandonment of sharing. The contract proposed combines a diminishing *musharaka*, in which the institution's share of risk decreases as capital is repaid, with reinforced governance clauses covering inspection rights, periodic reporting, audit trigger thresholds, and limits on the dilution of risk. Two viability conditions must be established by subsequent work. There is a legal threshold, since beyond a certain degree of control the institution shifts into the position of a de facto manager, with the responsibilities attaching thereto, while below it moral hazard again becomes decisive, and locating that point of equilibrium belongs to company law. And there is an economic threshold, since monitoring cost is for the most part an information cost, direct access to accounting flows and automated reporting can reduce part of it, and the pertinent question is not the compliance of any particular technology but the level of reduction at which *musharaka* becomes competitive in return on equity.

A prudential observation must be entered into the file, and it calls for careful reading. Diminishing *musharaka* is not treated as a participation, since because it is qualified as a financing arrangement its weighting depends on the category of the asset concerned, and the IFSB notes that diminishing *musharaka* intended for home purchase financing escapes the high weightings burdening other participatory assets. That favorable treatment does not extend without condition to the hybrid contract proposed here, since in the market structure the weighting falls to the level of conventional real-estate financing only because the irrevocable purchase undertaking removes valuation risk from the institution and economically requalifies the operation as debt financing. The prudential favor is therefore purchased by the suppression of sharing, precisely what the grid reproaches in *murabaha* MPO. The finding is instructive rather than discouraging, since the least costly entry route into Islamic real-estate financing exists but is Shariah-compliant and not Shariah-based.

The asset side also requires a secondary market in participations. Illiquidity is the constraint the classical objections rarely isolate, and the fixed-horizon account itself presupposes, for the early exit of its holders, the existence of a market in units. A detour is required, for the objection is ordinarily ill posed. The *murabaha* receivable, said to be negotiable, is readily contrasted with the unlisted *musharaka* stake, which is not, but the contrast is inaccurate outside Malaysia. The applicable AAOIFI standard prohibits the transfer of a monetary debt against cash, so that a *sukuk* backed by a *murabaha* receivable is not negotiable on a secondary market (AAOIFI, SS 59). Malaysia alone admits *bay' al-dayn*, on the ground that the receivable proceeds from a sale of merchandise, a position Usmani (2007) rejects by observing that after the sale the bank no longer holds the merchandise but a monetary claim.

Two consequences reinforce the agenda proposed. Illiquidity is not the price of sharing, since within the AAOIFI framework debt is as little transferable as participation, and the industry has deprived itself of liquidity without obtaining sharing in exchange. And Malaysia did acquire liquidity, but at the price of a doctrinal circumvention contested by the standards, which is exactly the procedure this paper terms Shariah-compliant. The secondary market in participations is therefore not a catching-up exercise relative to debt but the only route that procures liquidity without purchasing it at that price.

The conditions for the emergence of such a market are identifiable, comprising documentary standardization of *musharaka* contracts, which converges with the de-sophistication recommended by Soualhi (2015), a periodic valuation methodology, an inter-institutional transfer platform, and portfolio-level pooling vehicles. The agenda conforms to the *maqasid* by construction, the transfer of a share of real capital raising none of the difficulties set out concerning *bay' al-dayn*, and it is prudentially rewarded, since the weighting applicable to a participation falls from 400% to 300% where the institution can withdraw within a short period after notice, and the same reduced treatment applies to participations listed on a recognized market (IFSB, 2021). This is one of the rare terrains on which financial innovation reinforces conformity rather than eroding it.

III.4 – Institutional architecture

The instruments specified above call for an institution capable of carrying them, and the diagnosis having located the origin of mimicry in the choice of vehicle, the response cannot be an adjustment of that vehicle. Exit from an unfavorable equilibrium proceeds through coordination, through modification of the payoffs, or through a separating equilibrium, and this last route has a direct institutional translation, namely creating distinct institutions that capture the clientele self-selecting toward risk, which private equity and specialized funds already achieve outside the banking perimeter. The observation inverts the usual analysis, since investors disposed toward risk do not turn to Islamic banks, which are left with the most risk-averse clientele, that is, the one least compatible with their doctrine. The strategic question is therefore not how to force the commercial bank into sharing, but how to institutionalize the vehicles that already practice it.

The target institution requires the creation of no new status, corresponding in European law to the combination of two existing licenses. The monetary tier falls under the payment institution (Directive (EU) 2015/2366), whose regime combines the holding of payment accounts, the execution of transactions, mandatory segregation of client funds, and a prohibition on lending them, which is the monetary function with protected reserves, without promise of return or maturity transformation. The investment tier falls under the licensed portfolio management company (Directive 2011/61/EU), whose regime imposes funds valued at net asset value, an independent depositary, assets legally separated from the manager's balance sheet, and mechanisms governing redemptions, which is the participatory function without convertibility at par, within a prudential framework designed for it. An institution structured as the assembly of these two licenses, which may be called a manager-payer, escapes by construction the four locks documented, since it has no deposits to guarantee, no assets weighted at 400% because it does not carry the investments on its balance sheet, no instruments redeemable at par to classify as debt, and a securities tax regime. The cooperative route offers a variant, since the classification of members' shares is the object of a dedicated accounting interpreta-

tion (IFRIC[8] 2), and member status, with the voting rights and governance participation it confers, answers Choudhury's critique by converting a creditor relation into a participatory one.

Between the guaranteed deposit and equity participation there exists an intermediate instrument, *wakala bi'l-istithmar*, a remunerated investment mandate, which effects a real transfer of risk to the principal within a legal structure simpler than *musharaka* and a governance more legible than *mudaraba*. Its function in the architecture is that of a transitional vehicle, constituting pockets of participatory financing outside the bank balance sheet, hence without encountering the prudential weighting, while accustoming investors to a non-guaranteed return.

The third tier assumes what neither of the other two accomplishes. Read against the grid, its function is precise, since it is what allows the architecture to realize *rawaj* rather than merely serve it, by extending circulation to those the collateral requirement excludes. Three classical channels are to be reactivated, each with its own question. The productive *waqf* comes first, on condition of resolving the tension between the perpetuity of the principal and an allocation carrying risk, the Koç Foundation's preservation of the share rather than of nominal principal indicating the direction and the professional management of endowment funds supplying the technique. Participatory microfinance comes second, answering the exclusion of borrowers without collateral documented in Section I.1, its persistent marginality suggesting that it was conceived as a subsidized banking product rather than as an institution with an economic model of its own, funded by a combination of *waqf*, *zakat*, and patient investment. Institutionalized *zakat* comes third, which Asutay (2007) notes remains occasional charity rather than a structural mechanism, the passage from a logic of distribution to a logic of capacity building, in Sen's (1999) sense, constituting its horizon.

One caution must accompany the tier, and it is the same the grid applies elsewhere. A redistributive channel appended to an unchanged financing circuit is a philanthropic supplement, not a realization of *rawaj*. What distinguishes the tier proposed here is that its resources are tied to the participatory circuit itself rather than to the institution's discretionary surplus, and absent that link the assessment below would code the criterion as partial.

III.5 – Assessment: governance and the grid applied

Before the grid is applied, one reform conditions everything it measures. Compliance bodies validate the pillars and conditions of contracts and do not assess the realization of objectives, and this is structurally what produces Shariah-compliant outcomes. Two precise and testable reforms follow. The first bears on the composition of the bodies, since a purely legal committee necessarily assesses form, whereas the inclusion of economists and financial specialists with an explicit mandate to assess substance changes the nature of the control, a requirement the

[8] The International Financial Reporting Interpretations Committee (IFRIC) is the interpretative body of the IFRS Foundation, tasked with providing authoritative guidance on the application of International Financial Reporting Standards. IFRIC 2 specifically addresses the classification of members' shares in co-operative entities as either financial liabilities or equity.

AAOIFI framework already contemplates. The second bears on the object of the mandate, which must be extended to an ex ante assessment of the product's maqasidic impact rather than limited to contractual validation alone. These reforms condition everything else, since each instrument proposed above carries a risk of drift toward a new formal dressing if the governance supervising it assesses only its form.

The grid itself rests on a coding protocol, stated before any assessment is made. For each objective, what is observed is a verifiable contractual or institutional feature, not a global appraisal.

Table 1: Coding protocol of the *maqasid* grid

Objective	**What is observed**	**Realized**	**Partial**	**Contradicted**
'Adl	Does the party receiving the return bear the risk of the operation?	Real economic exposure, not neutralized	Real but bounded or attenuated exposure	No exposure
Rawaj	Does the operation employ wealth productively, over what maturity, and does it broaden access?	Direct financing of productive activity, long maturity, access broadened	Indirect financing, short maturity, or access unchanged	Closed circuit, no productive asset engaged
Wuduh	Are the terms, the price, and the margin disclosed?	Complete and mandatory disclosure	Partial disclosure	None
Hifz	Is wealth protected from waste and from loss through negligence or incompetence?	Real asset engaged, management verifiable, effective recourse for misconduct	Wealth employed but verification weak or recourse limited	Wealth consumed in a circuit engaging no real asset, or entrusted without verification
Thabat	Are the parties' rights definitively fixed, and realizable?	Rights firm from conclusion, exit controlled	Rights firm but exit not controlled	Rights revisable
Balance-sheet symmetry	Is the asset-side risk-sharing borne by the providers of resources?	Effective transfer to holders	Absorbed by own funds alone	No risk to propagate

Source: Author's own elaboration.

At the first stage, which is the legal axis, the question is whether the arrangement passes the fiqhi validity filter; failing that it is pseudo-Islamic, whatever its performance on the other axis. The three criteria of construction, meaning *wuduh*, *hifz*, and *thabat*, describe the quality of

the contractual construction. At the second stage, the question is whether *'adl* and *rawaj* are fully realized; failing that the arrangement is Shariah-compliant, the correspondence between profit and risk being a necessary condition and not one criterion among others, and if they are realized the arrangement is Shariah-based at the level of the contract. At the third stage, which is deployment, the question is whether balance-sheet symmetry is realized; failing that the arrangement, whatever the status of its contract, produces a Shariah-compliant outcome, since the risk it shares on the asset side is not borne by those who fund it.

Table 2: Qualitative assessment of contracts and architectures

	Murabaha MPO	**Commodity murabaha**	**Musharaka**	**Proposed architecture**
Fiqhi validity filter (IIFA)	Passed (with conditions)	Failed	Passed	Passed
Wuduh	Realized	Partial	Realized	Partial
Hifz	Realized	Realized	Partial	Realized
Thabat	Realized	Realized	Partial	Partial
'Adl	Partial	Contradicted	Realized	Realized
Rawaj	Partial	Contradicted	Realized	Realized
Balance-sheet symmetry	Contradicted	Contradicted	Partial	Realized
Qualification of the contract	Compliant	Pseudo-Islamic	Based	Not applicable
Qualification in deployment	Compliant	Pseudo-Islamic	Compliant	Based

Source: Author's own elaboration.

The final column assesses the complete architecture set out in this section, comprising a hybrid contract backed by fixed-horizon participatory liabilities, absorbed by the mutualized fund, ring-fenced by generations, with a secondary market, and completed by the solidarity tier, and not a contract. The two qualification rows apply the rule stated above, and the gap between them, in the *musharaka* column, constitutes the result of the instrument.

The central result lies in the gap between the two qualification rows. Pure *musharaka* is a Shariah-based contract. Deployed within a bank whose liabilities remain guaranteed and smoothed, it produces a Shariah-compliant outcome, the rule halting it at balance-sheet symmetry. The reason is not contractual, since the contract genuinely shares risk between the institution and the entrepreneur. It is architectural. That risk is absorbed by the institution's own funds and, beyond their capacity, by collective guarantee mechanisms, so that neither the current-account holder, who is guaranteed, nor the investment-account holder, whose return is smoothed, bears the charge. Sharing stops at the balance sheet.

Qualification therefore attaches not to the contract but to the pairing it forms with the architecture that houses it. This is the demonstration in act of the principle of balance-sheet coherence, and it explains, better than any moral hypothesis, why half a century of contractual

engineering has not produced the expected model. The effort bore on the unit that does not decide.

A consequence unfavorable to this paper must be drawn in the same movement. The architecture proposed is barely superior to a pure *musharaka* at the level of the contract, since it improves on it in preservation, through verification and the absorption of loss, and degrades it in clarity, through the complexity of its structures. Its entire contribution bears on deployment.

Three instruments would make the distinction operative, each extending an existing one. The first is a rating of institutions' participatory realization, recentered on the variables shown here to be decisive, namely the share of participatory financing on the asset side, an alpha factor individualized by institution, the degree of return smoothing, the share of long-term productive financing, and the endowment of a mutualized mechanism. The second is an updating of the measurement of mimicry, renewing Chong and Liu (2009) over the last fifteen years by jurisdiction and by institution, which would permit identifying decorrelated institutions and testing whether maqasidic frameworks produce a measurable divergence. The third is a standardized disclosure, on the model of Regulation (EU) 2019/2088, transposing Ahmed's typology into enforceable categories accompanied by publication of the participatory ratio and the alpha factor, which would turn a doctrinal distinction into a market signal without requiring either prudential reform or doctrinal evolution.

III.6 – Releasing the prudential lock

Section I.3 identified in the weighting of participatory financing an apparently prohibitive obstacle. On examination, that obstacle is less an external constraint than an internal consequence of the mimetic model, as the prudential treatment of investment accounts reveals.

The IFSB framework recognizes the specificity of Islamic liabilities. If investment account holders genuinely bear losses, the assets they fund do not expose the shareholder and should not mobilize regulatory capital. The denominator of the solvency ratio therefore removes the risk-weighted assets funded by these accounts, then reinstates them to the extent of the alpha factor, which measures the risk transfer not achieved, that is, the displaced commercial risk arising from smoothing. A value close to unity reveals a de facto guarantee, and a low value reveals effective sharing.

Table 3: Capital requirement as a function of the alpha factor

Financing of a EUR 100m *musharaka* (weighted 400%)	**Risk-weighted assets retained**	**Capital required (8%)**
Guaranteed resources, $\alpha = 1$	400m	32m
Genuine investment accounts, $\alpha = 0.3$	120m	9.6m
Full transfer, $\alpha = 0$ (theoretical)	0	0

Source: Author's own elaboration.

At $\alpha = 0.3$, *musharaka* mobilizes capital comparable to that of an equivalent *murabaha*. The 400% penalty operates in full only to the exact extent that the institution behaves conventionally on its liability side.

Three consequences follow. The first quantitatively validates the principle of balance-sheet coherence, since liabilities condition assets not through asset-liability management alone but through the regulatory route, and the symmetry of risk is the arithmetic condition of participatory viability. The second requalifies the lock. Mimicry is not, today, the rational response to an exogenous constraint; it is the constraint that has become the endogenous sanction of mimicry. The temporal precision matters, since the prudential framework mobilized here is posterior to the establishment of the phenomenon it sanctions and therefore does not explain its genesis. What it establishes is something else, and sufficient for the argument, namely that the lock which appears today to bar exit is produced by the very behavior it perpetuates, and that it opens on the side by which it closed. By de facto guaranteeing its investment accounts, an institution inflicts upon itself the weighting that forbids it sharing on the asset side, so that the loop is closed and virtuous in the other direction. The third consequence is that the transition proposed requires no reform of the standards, since the instrument of release exists and what is lacking is the will to assume genuinely participatory liabilities, to which the mutualized fund and the fixed-horizon account supply the answer.

One limitation must be brought forward. The alpha factor, as applied, is a uniform parameter fixed by jurisdiction. The incentive described is therefore for the present collective and not individual, since an institution that genuinely transfers risk on its liability side obtains no relief of its own, bearing instead the abatement of its jurisdiction. The mechanism is correctly conceived and poorly calibrated, measuring the average of a system instead of the behavior of an institution, while the technical feasibility of an individualized measure is established, structural models permitting the derivation of an institution-specific alpha from the composition of assets and the observed propensity to subsidize holders' returns. What is lacking is not the instrument but its individualization.

A final lock must be noted. The tax deductibility of financial charges creates in most jurisdictions a structural advantage for debt financing (de Mooij, 2011), from which *murabaha* margins treated as charges benefit, whereas the remuneration of a *musharaka* belongs to profit sharing and is not deductible. The tax system thus subsidizes the mode of financing furthest from the *maqasid*, independently of any religious or prudential consideration. France has enacted neutrality adjustments for *murabaha*, *ijara*, and *sukuk*, and the reasoning requires extension to participatory financing, an agenda that exceeds the present work but extends it directly.

IV – Limits of the architecture

Four limits must be assumed, for the architecture proposed does not exhaust them.

The first is competitiveness. An architecture founded on sharing bears structuring, monitoring, and governance costs higher than those of a standardized *murabaha*. Facing competitors not subject to these requirements, cost competitiveness for the end client remains a point of

fragility, which the release of the prudential lock attenuates without eliminating.

The second is the risk-premium test. The viability of participatory liabilities admits a quantitative formulation, since migration is sustainable if and only if participatory portfolios can serve, in steady state, the premium holders will require relative to the guaranteed deposit. The literature on the equity premium (Mehra & Prescott, 1985) supplies its upper bound, the fixed horizon and mutualized absorption reduce it by compressing the volatility actually borne, and the levy computed in Section III.2 reduces what can be served. The gap between required premium and servable premium constitutes the single indicator of the model's feasibility.

The third is the behavioral ceiling. Even with the regulatory, accounting, and fiscal locks released, the share of participatory financing remains bounded by the proportion of savers accepting migration toward a genuine investment account. This ceiling is neither regulatory nor theological but behavioral, and it displaces the research question, which is no longer how products are to be Islamized but how participatory liabilities are to be made desirable. One hypothesis merits testing before the ceiling is accepted as low. The same populations that refuse a bank investment account without capital guarantee accept considerable exposures on other assets, whether rental real estate, equities, or digital assets. The refusal would then bear less on risk than on risk entrusted to a bank, indicating not a problem of tolerance but a deficit of confidence in the intermediary. Were the hypothesis verified, it would redirect the architecture toward its governance components, namely member status, which confers a right of oversight, and rating, which produces a verifiable signal, rather than toward the pedagogy of risk. It is directly testable, by crossing aversion measures with exposures actually held, and by measuring the effect of a mutualized fund and of maqasidic framing on stated consent.

The fourth is the risk of formal drift. Each mechanism proposed may become a new dressing, since a poorly framed mutualized fund becomes a de facto guarantee, a fixed-horizon account accompanied by systematic exit derogations becomes puttable once more, and a complacent rating reproduces the certification it claims to supersede. The qualification rule must be applied with the same rigor to the proposals of this paper as to the products they correct, which is the function of the self-critical column of Table 2 and the rationale for substance-oriented governance.

Conclusion

This paper began from an observation the international regulator now formulates itself, namely that Islamic banks belong predominantly to a logic of formal compliance, hybrid risk having become a named prudential category (IFSB, 2026). It established that this configuration is neither recent nor attributable to a deficit of conviction, but the consequence of a structure, which may be summarized in a single proposition. Islamic finance denies itself risk sharing on the asset side because it inherited a vehicle designed for debt.

The proposition received three foundations. The first is causal, the choice of institutional vehicle operating as origin while four causes deploy its mechanics, namely the microeconomic and balance-sheet cause, demand, the prudential cause, and the strategic cause, this last establishing that mimicry constitutes an equilibrium from which no institution deviates alone,

virtuous deviation being punished on both sides of the balance sheet. The second is normative. The *maqasid al-mal* grid, applied to contract types, showed that the superiority of participatory financing is entire on the objectives describing what an operation accomplishes, and that it nonetheless does not suffice to qualify an institution, contractual substitution leaving the structure of liabilities untouched, while the requirement of correspondence between profit and risk, extended to the current account, grounded the principle of balance-sheet coherence. The third is theoretical. The trilemma of Islamic intermediation, according to which no institution can simultaneously be money, participation, and autonomy, anchored in the monetary theory of information insensitivity, subsumes the locks the literature had identified separately and accounts in a single movement for the historical dominance of debt, the smoothing of investment accounts, and the failure of unilateral reforms.

To the question of the architecture that would permit a model genuinely grounded in the *maqasid*, the answer follows from the trilemma. It is not solved, it is dissolved, through functional separation. A monetary tier assumes guarantee and debt purged of its abuses, debt being the proper technology of the monetary function and not a concession. An investment tier assumes sharing by renouncing par on demand, through fixed-horizon accounts matched by ring-fenced generations, absorbed by a mutualized *tabarru'* fund designed never to guarantee, funding hybrid contracts rendered transferable by a secondary market. A solidarity tier extends circulation to those the collateral requirement excludes. The demonstration conducted through the alpha factor established that this architecture may be deployed under existing rules, the prudential lock being the endogenous sanction of mimicry and loosening along with it. European law already offers its institutional form, through the combination of the payment institution and the portfolio management company.

The grid submitted that architecture to its own requirement. On the objectives describing contractual construction, a rigorously structured *murabaha* prevails, but a conventional interest-bearing loan would succeed equally well, which locates that advantage where Islamic and conventional law converge. On the objectives describing what an operation accomplishes, the superiority of participatory financing is entire, and Ahmed's typology rightly classifies *musharaka* as Shariah-based. It nonetheless produces a Shariah-compliant outcome when housed within an unchanged liability architecture. Qualification attaches not to the contract but to the pairing it forms with the institution that holds it. The debate between Shariah-compliant and Shariah-based is therefore not, in the last analysis, a debate about contracts. It is a debate about what is expected of a financial system at the scale of a society.

This paper offers no closed solution, and it was designed not to offer one. It sets the theoretical framework of a program, comprising the trilemma, balance-sheet coherence, the specified instruments, and the assessment grid.

One sentence may summarize the displacement proposed. Islamic finance has spent half a century attempting to make investment resemble money, whereas the trilemma establishes that the reverse was required, namely to cease demanding of money that it be an investment, and to build at last the investment that does not require being money.

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