2023

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Journal of Cultural Economy

ISSN: (Print) (Online) Journal homepage: https://www.tandfonline.com/loi/rjce20

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To cite this article: Aaron Z. Pitluck (01 Jun 2023): The interpretive and relational work of financial innovation: a resemblance of assurance in Islamic finance, Journal of Cultural Economy, DOI: 10.1080/17530350.2023.2196990

To link to this article: https://doi.org/10.1080/17530350.2023.2196990

Published online: 01 Jun 2023.

JOURNAL OF CULTURAL ECONOMY
https://doi.org/10.1080/17530350.2023.2196990

The interpretive and relational work of financial innovation: a resemblance of assurance in Islamic finance

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ABSTRACT
What social forces shape the trajectory of novel, moralized forms of finance such as social finance, green finance, or Islamic banking and finance? More broadly, how do agents mobilize arguments and organize each other to create any form of financial innovation? This article addresses both questions by contributing an ethnography of a novel financial innovation pseudonymously named Sukuk Illumination, an internationally traded moral alternative to a corporate bond. This article's findings both elaborate and subsume existing functionalist and critical explanations of financial innovation. The central argument is that we can better understand what causes financial innovation and the trajectory that new innovations take when we conceptualize each financial instrument as a polysemic cultural object materialized in legal contracts and institutionalized work practices and created by parties with asymmetric power to define the new object. Financial innovation necessarily involves multiple parties in a financial service commodity chain with multivalent motivations co-producing and hotly debating interpretations of the prospective financial instrument while simultaneously creating, refashioning, and differentiating existing relationships with one another. Sukuk Illumination demonstrates both the potential and constraints for creating new moralized financial instruments and for transforming financial systems.

ARTICLE HISTORY
Received 19 March 2022
Accepted 9 March 2023

KEYWORDS
Islamic finance; financial innovation; moral economy; creativity; Malaysia

What drives financial innovation? The question is vital for proponents who claim that financial innovation is the central mechanism for the development of civilization (Goetzmann 2016; Shiller 2012) as well as for critical scholars who argue that the finance industry is parasitically designing financial instruments to extract rents from firms in the real economy (Johnson and Kwak 2012; Lapavitsas 2013).

One particularly discernable location to observe the process of financial innovation are moralized forms of finance such as Islamic banking, or the broad and expanding forms of moralized finance described as 'religious,' 'social,' 'ethical,' 'sustainable,' 'impact' or 'socially responsible' (Lehner 2016). In these nascent, contested, markets-in-formation, we can observe finance industry practitioners mobilizing arguments and organizing one another (Abend 2014; Abolafia 1996) to create new financial instruments within a moralized 'investment universe,' or alternatively arguing that such innovations lay outside in the 'conventional' financial market.

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This article makes an original contribution by ethnographically tracing the origins of one financial innovation in Islamic banking—the pseudonymous Sukuk Illumination—to reveal that existing social theories of financial innovation are misspecified and excessively focus on only two parties—the financial engineers and the clients. In contrast, drawing on Viviana Zelizer's theory that economic objects (including money) are cultural objects subject to multiple interpretations (see also Polillo 2013), I demonstrate that financial innovation is driven by what Zelizer (2012) terms 'relational work,' the efforts of investors, issuers, and other participants in the financial service commodity chain to identify, assert, or contest the kind of relationship that they are in.

The article reconstructs the social organization and labor deployed to creatively invent Sukuk Illumination. This research is based on approximately 50 focused, ethnographic, tape-recorded interviews conducted with banking employees and Shariah experts in Islamic investment banks in Malaysia between 2012 and 2019 (Rubin and Rubin 2012; Spradley 1979; Swedberg 2007). The argument was induced from a subset of 10 ethnographic interviews with key individuals within FarWest Bank and along its financial service commodity chain, all of whom had direct and intensive experience with Sukuk Illumination.[1] In each ethnographic interview, my interlocutors described a 'grand tour' (Spradley 1979, 76–80) of their ongoing work projects, complemented with follow-up questions and probes to explore their participation with Sukuk Illumination (Rubin and Rubin 2012). All questions were designed to generate detailed, causal, vivid, and nuanced narratives of their work (Rubin and Rubin 2012, 101–107). These interlocutors represent key personnel in organizations throughout the financial service commodity chain: the corporate client, the investment bank and joint lead arranger that engineered the sukuk, and two firms 'in the market' that considered investing in Sukuk Illumination—one of whom is a competing investment bank. I also conducted ethnographic interviews with market analysts in investment firms and credit rating agencies—but none of these were involved in Sukuk Illumination. For these key parties' interpretations, I therefore relied on published market analyses. Whenever possible, during the ethnographic interviews I triangulated my interlocutor's descriptions with the public documentation related to Sukuk Illumination, and occasionally asked (and occasionally was shown) internal firm documents related to the interlocutor's narratives. To preserve the anonymity of the firms and people surrounding Sukuk Illumination, or at least permit plausible deniability, I have not cited any of this published material, and some details of the sukuk, the bank, and my interlocutors have been obscured or fictionalized to preserve their anonymity (for details see endnote 1).

The article begins with a literature review of the principal causes of financial innovation and then proposes a complementary but more accurately specified approach to understanding financial innovation that is simultaneously induced from the case study and derived from existing literatures in finance studies. The remainder of the article is an ethnography of financial innovation demonstrating the relational theory's plausibility, followed by a discussion of the findings.

What causes financial innovation?

Financial innovation is a topic that is widely discussed but rarely researched. Although we have excellent autopsies of financial innovations that lead to crises (e.g. Ashton 2009; Clarke 2012; Engelen et al. 2010), literature reviews have found very few empirical studies of everyday financial innovation (Frame and White 2004). In their updated survey, Frame and White (2010, 501) concluded that 'although much has been learned about the characteristics of users and adopters of financial innovations and the attendant welfare implications, we still know little about how and why financial innovations are initially developed. This remains an important area for further research' (also see Frame, Wall, and White 2019; Lerner and Tufano 2011). An additional problem with existing research is that it has a survival bias in which the only forms of financial innovation studied are those that were successfully launched. Such research is unable to observe the temporal process of financial innovation—choices made (or avoided) within the context of then available information; ideas abandoned or failed projects; and how financial innovation is shaped outside of choicemaking. Historical and ethnographic research of financial innovation (rather than post hoc analyses of journalism or practitioner memoirs) could provide this analysis but this methodological work is even rarer (Lépinay 2011 is an exception).

Functionalism is the dominant discourse in the social sciences to explain the causes and consequences of financial innovation (e.g. Frame and White 2004; Frame and White 2010; Lerner and Tufano 2011; Mason 1995; Merton 1992; see Pitluck, Mattioli, and Souleles 2018). Functionalists argue that investment bankers are problem solvers, analogous to engineers. Within functionalist theory, there are two broad motivations for financial innovation. The first is demand-driven. Investors demand a particular set of cash flows, and financial firms engineer financial instruments with the desired characteristics. By meeting this need, the firms create profits for themselves and increase social welfare (Lerner and Tufano 2011, 45). The second motivation is regulatory arbitrage. Regulations may prohibit an investor from a desired cash flow, and savvy financial firms respond by engineering workarounds. In a 'cat-and-mouse process,' regulators are constantly one step behind in creating new regulations for the previous round of financial innovations (Lerner and Tufano 2011, 50). In brief, financial innovation is created by entrepreneurial investment banks creating novel financial instruments to meet the needs of their corporate and government clients.

Alternatively, for neo-marxist scholars such as Lapavitsas (2013, 138–168) and Durand (2017, 83–103), financial innovation is generally parasitic in the sense that the finance industry stands outside of the production process and yet it extracts revenues from company profits. For example, interest income derived from commercial debt instruments can drain an industrial firm's profits without facilitating production; financial innovations can generate fees and commissions for the finance industry without improving real industrial production, and financial firms can engage in zero-sum speculative transactions with non-financial firms and thereby sap and crowd out resources from production. Other scholars emphasize that financial innovation can be driven not by exploiting the bank's clients, but by exploiting the commons—trades that arbitrage from stabilizing rigidities in the financial system, thereby individually capturing value while collectively destabilizing the financial architecture (Minsky 2008 [1986]; Engelen et al. 2010). Consequently 'financial innovation … accumulates fragility so that it always ends badly' (Erturk et al. 2013, 348; Mattli 2019; see Pitluck, Mattioli, and Souleles 2018). In these accounts function becomes dysfunction; financial innovation is not necessarily efficiency-enhancing or desirable by clients but necessarily exploits either the bank's clients or captures value from position-taking against the financial system.

A grave problem with both functionalist and neo-marxist accounts is the theories' overemphasis on only two parties—the functionalist intentions of the bankers' meeting their clients' needs, and the rent-seeking of the bankers exploiting their clients. In contrast, an established finding in the social studies of finance (Knorr Cetina and Preda 2012; MacKenzie 2008) is how cognition and agency is distributed across many actors, devices and institutions along the entire financial service commodity chain (Arjaliès et al. 2017; Lépinay 2011; MacKenzie et al. 2012; Knorr Cetina 2015). At the very least, both functionalist and neo-marxist accounts can be potentially improved by examining how financial innovation can potentially meet the functional needs or potentially exploit multiple parties along the 'chain of finance' (Arjaliès et al. 2017).

A second problem with both accounts is the undersocialized description of interests or goals for these two parties (Granovetter 1985; Swedberg 2005; Spillman and Strand 2013). As demonstrated in the ethnography, numerous key events that shaped the course of the financial innovation, as well as key actors' interests or goals, cannot be parsimoniously categorized as either value capture or as efficiency-enhancing profit-oriented attempts to satisfy a client's needs.

A third problem with both accounts is that they may be predictive, but that their predictive power appears to be weak. Functionalist explanations are strong at explaining how and why financial innovations can lead to reduced transaction costs, greater mobilization of capital, and contribute to economic growth, but it is ill-equipped to explain systematic financial fragilities and periodic financial crises. Similarly, exploitation explanations are strong at explaining the latter but weak in predicting or explaining the former. Apparently, in contemporary financial markets, there is no convincing 'homoeostatic mechanism' (Pitluck, Mattioli, and Souleles 2018, 158) to ensure that the financial innovations that survive competitive selection pressures are all either efficiency-enhancing or all exploitative.

Building on Pitluck, Mattioli, and Souleles's (2018) broader argument in 'Finance beyond function,' financial innovation cannot be understood as ultimately reducible to the functional needs of clients or to the functional exploitation inherent in capitalism, but rather as a temporal product of social interaction with diverse goals, a point emphasized by scholars who pragmatically describe financial innovation as a form of 'bricolage' or 'grafting' (MacKenzie and Millo 2003; Muniesa, Millo, and Callon 2007; Engelen et al. 2010; MacKenzie and Pablo Pardo-Guerra 2014; Lai, Rethel, and Steiner 2017).

A complementary but more accurately specified approach to understanding financial innovation is to conceptualize financial instruments as cultural and material objects created by agents attempting 'relational management' up and down the financial service commodity chain. Financial innovation is the concatenation of social interactions motivated by interpretive and relational work. Let's unpack this claim. By referring to financial instruments as cultural objects, I seek to sensitize practitioners and academics to the observation that inherent in the creation, enactment, and trading of financial instruments is strategic and contentious meaning-making of these polysemous cultural objects (Beckert and Musselin 2013; Caliskan 2009; Polillo 2013; Bandelj 2008). Such meaning-making may often be taken-for-granted, such as when a broker recommends the purchase of a share of a company and mentions only the name and the price; however, such meaning-making is ethnographically observable whenever salespeople mobilize narratives and technical and dramaturgical devices to convince a client on the merits (or risks) of a financial instrument or product (Wang 2020; Arjaliès et al. 2017; Vargha 2013). Contentious meaning-making is also manifest in courts of law where different parties attempt to convince a judge of their interpretations of financial and social relationships (Zelizer 2005). And of course, in Islamic banking and finance, there is an additional level of interpretation as Shariah scholars interpret financial instruments to determine whether they can be categorized and certified as 'Shariah compliant' (El-Gamal 2006; Rudnyckyj 2017; Calder 2020). Additionally, financial instruments are material and legal objects (Lépinay 2011; Pistor 2019). They can be observed as written words in publicly filed documents, in private documents between contracting parties, in the small print that retail customers rarely read before they sign, and in the internal bank documents describing financial products and services. Every financial instrument is also observable in the institutionalized behaviors and banking practices shaped by these contracts (and of course written contracts and observed behavior do not always align).

Lastly, financial instruments are inherently relational. Regardless of whether we are discussing a bond, a share in a corporation, or a kind of retail savings account, every financial instrument or product describes social relationships between contracting parties and their rights and obligations to one another. As a corollary, all financial innovation is relational management, in which agents design financial instruments to identify, assert, or contest the kind of relationship that contractual parties are engaged in. Viviana Zelizer (2005, 32, 2012) defines such efforts to create, maintain, differentiate, or terminate social relationships with one another using media such as financial instruments as 'relational work':

> For each meaningfully distinct category of social relations, people exert a boundary, mark the boundary by means of names and practices, establish a set of distinctive understandings and practices that operate within that boundary, designate certain sorts of economic transactions as appropriate for the relation, bar other transactions as inappropriate, and adopt certain media for reckoning and facilitating economic transactions within the relation.

For example, the cultural category (and financial instruments and practices) of 'debt' is used to mark a relationship as between a 'lender' and a 'borrower,' and to enable the lender to assert a right to a revenue stream ('interest payments') from the borrower irrespective of the success or failure of the borrower's entrepreneurial project. In contrast, the cultural category (and financial instruments and practices) of 'equity' is used to mark the relationship between an 'investor / owner' and an 'entrepreneur,' in which revenue streams are contingent on the entrepreneur's performance and in which the investor as partial owner has some influence over the entrepreneur's strategy (Pitluck 2022). One implication of this research is that financial innovation commonly involves creating financial instruments that strategically conform with or deviate from established cultural categories such as 'bond' or 'equity' in order to institutionalize these relationships and achieve particular revenue flows, risk levels, tax treatments, or achieving diverse political, economic, managerial, ethical and moral goals.

This article's central argument is that because financial instruments are inherently relational, all financial innovation (both Islamic and 'conventional') involves relational work. To understand the social context under which financial innovation takes place, and the direction that financial innovation takes, we need to look at each financial instrument as a polysemic media embedded in relational and material legal contracts. Financial innovation is necessarily an attempt by multiple parties to interpret the innovation and create or refashion or differentiate each of their relationships. Meeting a client's functional needs and/or exploiting the client are merely two kinds of observed relationships in finance. There are numerous others of equal or greater causal significance. Moreover, this relational work involves multiple parties up and down the financial service commodity chain; therefore, when one party in the finance chain advocates a modification in a financial instrument, like a game of cat's cradle, this necessitates an accommodative or opposing shift of all other parties vis-à-vis one another in the finance chain. It is the reflective and strategic concatenation of these shifts that constitute the financial innovations that we observe.

The remainder of this article demonstrates the plausibility of this argument by ethnographically describing the invention of Sukuk Illumination. The relational work in financial innovation is particularly visible in a moralized niche market like 'Islamic finance' because what constitutes 'Islamic banking and finance' is contested and rapidly changing. As we will observe in the ethnography, this generalization is particularly accurate for that class of financial instruments called 'sukuk' that are being strategically designed to poorly fit the cultural category of 'debt' or 'bond' and strategically designed to resemble the cultural category of 'equity.'

The dilemma of FarWest Bank

Functionalist analyses provide post hoc explanations for financial innovation by describing the problems that an innovation solves. Certainly, FarWest Bank was facing a complex knot of economic and political problems that was potentially leading to an existential crisis. By outward appearances, FarWest Bank was flourishing in Malaysia. FarWest is a pseudonymous for-profit Islamic bank, headquartered in the Middle East, offering 'Shariah-compliant' banking products. Although it arrived late to Malaysia and was therefore competing with an already crowded and mature field of domestic Islamic banks, FarWest had the advantage of a globally recognized and respected brand and a successful word-of-mouth campaign. Consequently, many Malaysian Muslims moved their ringgit from Malaysian banks into FarWest Bank. To maintain solvency, FarWest Bank (like its conventional competitors that specialize in retail banking) must reinvest these deposits and account fees to generate a profit and at least recoup the costs of maintaining the savings and current (checking) accounts. However, the bank was unable to find sufficient investment opportunities that met the ethical criteria of its powerful Shariah Committee. This was creating a slowly building existential crisis for the bank.

FarWest Bank's ethical problem centered on the theological status of bonds and its Islamic alternative called *sukuk*. A bond is a broad category of financial instrument that permits a corporation or a government to raise money in the present by selling to prospective bond-holders a promise to repay the principal at a fixed future point in time (when the bond matures). Bonds may be structured in different ways, but they nearly always incentivize prospective investors to purchase the bond by providing them with an additional revenue stream (i.e. 'interest payments'), organized as a so-called 'fixed income' of contractually fixed amounts on scheduled dates until maturity. In Malaysia, licensed Islamic banks such as FarWest Bank are not permitted to issue or purchase bonds because they are interpreted as an illicit form of profit, a form of *riba*. *Riba* is vehemently condemned in the Koran. Although this theologically complex concept has diverse interpretations between schools of Islamic jurisprudence (and therefore with heterogenous interpretations between global regions as well as within local communities), nonetheless there is a broad consensus in Malaysia and in Islamic banking scenes more globally that profiting from debt is a form of *riba* (Vogel and Hayes 1998, 77; Mohd Johan Lee 2017, 7–10; Rudnyckyj 2018).

To enable corporations and governments to issue and invest in a Shariah-compliant alternative to bonds, investment banks are experimenting with creating *sukuk*, a new cultural category of financial instruments, sometimes translated as 'Islamic investment certificates,' 'participation certificates,' or 'trust certificates' (Mokhtar et al. 2009, 21; Wan Abdul Rahim Kamil Wan Mohamed Ali 2014, 14; Lai, Rethel, and Steiner 2017; Rudnyckyj 2018, 101–124; Liu and Lai 2021). Rather than owning a debt, an investor in sukuk owns a proportional undivided ownership right in tangible assets (e.g. commodities, properties, or a business venture). Revenue streams from the sukuk are interpreted as avoiding *riba* because they originate from the productive asset rather than as interest payments from a debt. Apart for this distinctive interpretation, sukuk are designed to replicate as closely as possible the financial characteristics of a bond: to preserve capital, to be fixed income, and to be categorized with a comparable risk rating by market analysts and credit rating agencies.

As cultural objects, ultimately what distinguishes a bond from a sukuk is how the relationships in the financial instrument's contract are described and interpreted. A salient example of this to understand our case study is the *sukuk ijarah* (Mokhtar and Thomas 2010, 145, 153; Lai, Rethel, and Steiner 2017, 13–14). A *sukuk ijarah* is interpreted as a 'leasing certificate'; the company or country obtains funds by ***selling*** one of its existing assets (e.g. real estate) to the sukuk investors and ***leases*** it back for the duration of the sukuk. Thus, during the lifespan of the sukuk, the sukuk-holders receive a periodic revenue stream that is interpreted as rental payments. Written into the sukuk documentation, at the sukuk's point of maturity, the company or country has made a promise (*wa'd*) to repurchase the property from the sukuk-holders (a so-called 'purchase undertaking'), typically at the same price as the original purchase (El-Gamal 2006, 98–99; 107-110; Irwani Abdullah 2010).

The distinctive interpretation of sukuk vis-à-vis bonds, as well as the ethical debates within FarWest Bank, are exemplified by the *wa'd*. Nearly all parties valued the *wa'd* because it provided multiple interpretations to audiences with distinctive interests and epistemologies. The *wa'd* clause in the sukuk could be interpreted by areligious investors and secular courts of law using financial and secular legal epistemologies as a legally-binding obligation to repurchase the property at the end of the sukuk contract (Irwani Abdullah 2010, 93–95). In this interpretation, a sukuk is financially equivalent to a bond. In contrast, global Islamic judicial bodies such as the Accounting and Auditing Organization for Islamic Financial Institutions based in Bahrain and the Shariah Advisory Council of the Malaysian Central Bank interpret the *wa'd* using Islamic jurisprudential epistemologies as a unilateral promise—theologically distinctive from a bilateral contract (Irwani Abdullah 2010; Bank Negara Malaysia 2017).[2] In this interpretation, a *wa'd* introduces risk and thereby assists in avoiding being interpreted as *riba*. The polysemous concept of *wa'd* therefore enabled both legal-economic certainty that a property would be repurchased, combined with a theological interpretation that the *wa'd* is a binding promise that is not equivalent to and is less certain than a contractual obligation.

However, in contrast to this global but not universal interpretation, the Shariah Committee at FarWest Bank interpreted the *wa'd* as 'Shariah non-compliant.' Among other criticisms, the Shariah Committee reasoned that the existence of the *wa'd* at the end of the sukuk's lifespan forced them to interpret the initial sale of the issuer's property as 'fictitious' and not a 'true sale' if all parties understood that the asset sale would be eventually reversed and had no entrepreneurial motive.

Consequently, the Shariah Committee did not allow FarWest Bank to invest in either bonds or sukuk—and this ethical decision was leading into an existential crisis for the bank.

We can summarize the core theological problem with *wa'd*, with sukuk, and indeed, with much of what is understood as Islamic banking and finance, as designing financial instruments so that there is 'a resemblance of assurance.' This phrase was introduced to me by two Shariah Department experts at an unrelated Islamic investment bank. The ideal-type of a bond is that it is fixed-income —with a guaranteed return of the principal and guaranteed schedule of interest payments. Of course, nothing in finance is assured—and the risk that the assurance will not be met is reflected in the bond's risk rating. In Islamic banking and finance, a sukuk cannot provide such assurances—otherwise the sukuk-holders would be profiting from *riba*. Therefore, the challenge in creating sukuk (including *sukuk ijarah*) is to create a 'resemblance of assurance' rather than an assurance. In relational terms, the sukuk must resemble a fixed-income bond's assurances sufficiently to its investors, but it must also ***not*** resemble such assurances so as to be Shariah-compliant and prevent the profiting from *riba*. In contractual and conceptual terms, this was often accomplished with the polysemous *wa'd*—with the significant exception of FarWest Bank.

FarWest's theological and managerial problem was compounded by a delicate political problem. The Malaysian Prime Minister's Office and the head of the Malaysian Central Bank was engaged in a long-term promotion of the global sukuk market and was intent on ensuring that Malaysia maintained its position as 'the world's largest sukuk market' (Bank Negara Malaysia 2011, 32; also see Rethel 2021; Rudnyckyj 2018). As a developmental state, the Malaysian government is strategic and parsimonious in issuing banking licenses to foreign institutions. It was politically untenable to have an international bank such as FarWest that holds one of these few foreign licenses conspicuously unwilling to issue or invest in Malaysian sukuk. More broadly, all of the banks in Malaysia—including FarWest Bank—attend closely to direct and indirect requests by the state, as well as the aspirations for the sukuk market as outlined in the Central Bank's 10-year Financial Sector Blueprint (e.g. Bank Negara Malaysia 2011, 110) and the Securities Commission's 10-year Capital Market Masterplan (e.g. Securities Commission Malaysia 2011, 46–49, 55). This political and economic crisis was resolved within FarWest Bank by creating a controversial, award-winning financial innovation that reinterpreted the relationships between investors and the firm.

Searching for an innovation

To return to the core economic problem, FarWest Bank was flourishing by attracting a large and growing share of Malaysians' savings in its bank branches. From the perspective of a bank, these deposits are understood as liabilities because the bank is liable for returning such deposits 'on demand' or within short time periods. To ensure that the bank is economically sound and profitable, it must match these liabilities with assets—specifically, it must find ways to purchase low-risk assets with modest rates of return, or it must create its own assets by investing in Malaysian homes and businesses.

This was creating a slowly building crisis within FarWest Bank's Treasury and Global Markets departments. Hattan, a Malay-Muslim trained in conventional finance, had been recruited to conduct proprietary trading for the bank, such as investing in private equity. However, due to the aftermath of the global financial crisis (2007-2010), such investment opportunities were few and the firm's tolerance for risk was reduced. Under similarly challenging circumstances, Hattan's colleagues at other Islamic banks were investing in sukuk. However, each time that Hattan and his colleagues sought approval to purchase a sukuk, the request was turned down by the bank's powerful Shariah Committee. As outlined above, the bank's Shariah scholars were unwilling to permit the bank to invest in a sukuk that included the promise (*wa'd*) at the sukuk's maturity for the issuer to repurchase their asset (i.e. a 'purchase undertaking').

Repeatedly, the bank placed enormous pressures on the Shariah Committee to expand the investment universe of 'Shariah-compliant' investments. The committee members have on-thejob expertise in finance, but they are not bankers. They are therefore dependent on the financial and management expertise of others (c.f., Pitluck 2020). The bank leveraged this expertise to attempt to convince the Shariah Committee that their decisions were leading to an existential crisis for the bank. The scholars were told that issuing and investing in sukuk was necessary for the bank to operate—to enable the bank to manage its liquidity, to comply with capital adequacy requirements, and that it was required to fulfill the Central Bank's requirements (on the 'argument of necessity,' see Ul-Haq, Lone, and Ashraf 2020, 14–16). After recalling the bank's argument, a Shariah scholar summarized the impasse: 'They say it is a need for them to operate. But none of the existing sukuk complies with our standards.'

From the perspective of the Shariah scholars, the financial engineers were not creative enough to invent new financial instruments that met the scholars' ethical standards. As one Shariah Committee scholar commented, 'They were not tough enough—the product owners [bankers], the product team—they were not tough enough. They cannot face their [supervisor], so they say 'Ah, we cannot get through [the Shariah Committee] so we give up!'.' For at least a year, perhaps longer than two years, the situation must have seemed unresolvable. The bank needed to invest in something resembling a bond but not a bond, and the Shariah Committee insisted that all existing sukuk in Malaysia were too bond-like and therefore prohibited.

The bank's management pursued two strategies that after 15 months led to numerous dead ends as well as the successful launch of Sukuk Illumination. The first strategy that the bank pursued was to attempt to create an organizational and epistemological bridge between the financial engineers and the Shariah scholars by 'seconding' Irfan, a junior bank employee with university credentials in Shariah to work with the investment bankers (contrast with Ul-Haq, Lone, and Ashraf 2020, 17–18). 'Seconding' is a Commonwealth English term frequently used in the Malaysian finance industry to mean temporarily reassigning someone to work with another unit or organization. In this context, the reassignments were always viewed as status-enhancing and the temporary nature of the move permitted a great deal of flexibility and experimentation in the organization since such seconding may be of brief duration (and then forgotten) or could last for years or even evolve into a permanent position. Seconding Irfan required a substantial investment in training. While working in the Treasury and Global Markets departments, Irfan attended applied finance classes and took the required regulatory exams to (in his words) 'equip' himself with 'sufficient knowledge' to become a financial engineer. The training worked, and Irfan became trusted and fluent in both departments. As one scholar on the Shariah Committee explained, 'Irfan knows our standards, our requirements very well … We still regard him as one of us, actually.'

Irfan recalls working closely with Hattan in Treasury and Global Markets to develop financial instruments that would be potentially acceptable to their bank's Shariah Committee. Irfan viewed the task of financial innovation before them to be 'a blend of concepts and numbers' and similarly understood a division of labor between them. 'I would say that [Hattan] tried to look from the numbers point of view—you know, the number effect, the cash flows—and I am looking at the documentation. I am looking at the concept level.'

The two men developed about 50 financial structures, many of which could be combined to create numerous new financial products in addition to sukuk. Their goal, during this period, was simply to see what they could get approved by the bank's Shariah Committee. The goal on their horizon was to find clients for whom they could structure sukuk that both met FarWest's exceptional Shariah standards, while demonstrating to competing investment banks that investors were eager to invest in such financial instruments. FarWest's aspiration was to alter their competitors' and clients' understanding of what constituted Islamic investment by bringing the industry's Shariah standards closer to their own.

Meanwhile, FarWest Bank also pursued a second strategy—a 'reverse inquiry.' Rather than searching for a sukuk to invest in—since none of them met FarWest's standards—they would seek another investment bank to find a corporate or sovereign client, create a novel sukuk for that client that would meet FarWest's criteria, and FarWest would commit to being a significant investor.[3] This began a dialogue between FarWest and AnotherBank. The problem of financial innovation remained, of course. What kind of sukuk would be attractive to both FarWest's Shariah Committee as well as AnotherBank and prospective investors?

I spoke with Jamal, a Muslim investment banker who specialized in structuring financial instruments in both the conventional as well as the Islamic capital market, and who worked at an investment bank that FarWest had approached with a reverse inquiry. Jamal says that he could 'structure anything you want under the sky,' and that he had found working with FarWest a professionally satisfying experience because the stringent parameters from the Shariah Committee created a unique challenge. One of Jamal's earliest ideas was to simply remove the purchase undertaking from an existing sukuk structure and leave it 'open ended' when the sukuk matured whether the issuer would repurchase the asset. This idea closely matched the vision of FarWest's Shariah Committee. Jamal shared this idea with his bank's syndicate salespeople—the employees tasked with finding investors to purchase the sukuk—who argued that their clients would resist such a sukuk. As Jamal pointed out, in the absence of a purchase undertaking, the sukuk transforms into another investment entirely—an asset sale. Jamal followed-up: would prospective investors feel more comfortable investing if there was 'some kind of confirmation' rather than the promise (*wa'd*) of a purchase undertaking? Again, the feedback was negative: 'That's not strong enough.'

Jamal also tried an 'old wine in new bottles' branding strategy of seeking the Shariah Committee's approval by reconceptualizing and reinterpreting existing financial arrangements using new religious concepts (a rebranding practice that El-Gamal 2006, 20 refers to as 'Shari'a arbitrage', more broadly see Harrington 2016, 112):

> Jamal: We tried every possible way [to structure the sukuk]. {He laughs with embarrassment}. In fact, we tried to actually give a different name to the same [financial arrangement]. …
>
> Author: So, if I understand you correctly, the earlier idea was to have a kind of sukuk structure that was the same as before from the finance side—
>
> Jamal: YES! Oh God. Yes.
>
> Author: But from the Shariah side—
>
> Jamal: —But at the end of the day—
>
> Author: —it didn't work, though.
>
> Jamal: It didn't. It didn't … It doesn't matter how you try to coin the terms. Yeah. Yeah, [the Shariah scholars] are not—I have to say—they are not just there for being there, you know what I mean? They are really—ahhhhhhhhh! They REALLY know what they are doing. They really know the facts. If it's wrong, it's wrong, [and] it doesn't matter how you try to call it.

In separate focused interviews, I spoke with three of the five scholars on FarWest's Shariah Committee about their experiences with Sukuk Illumination. In all three interviews the scholars emphasized that the catalyst for this financial innovation was their own steadfastness in determining what characteristics a FarWest sukuk must meet and what was negotiable. Umar's narrative was the most complete and concorded with the other two scholar's ideas. In a rhetoric of modesty, he refers to his own work on the committee in the third person:

> What is very interesting is that before, people were thinking that it is almost impossible to issue a sukuk without this purchasing undertaking. So this is something new, something novel and of course it is quite controversial. The purchase undertaking stuff [was always] quite controversial from the Shariah perspective. But the practitioners have always argued that it cannot be [done] without purchase undertaking. So, they have tried to persuade the Shariah experts—Shariah scholars—to just approve the structures. What is interesting about [Sukuk Illumination] is that the Shariah Committee was firm with their opinion. Okay? So, i.e. in other words, there can be innovations in the market because of the steadfastness—because of the firmness—of the Shariah Committee members.

He paused. 'Sometimes Shariah Committee members are lenient you know.' He laughs lightly, without humor.

> They just, they can be very lenient. [They] depend on the justifications and the arguments brought by the practitioners or by the players in the market. So, this is quite interesting because we can **prove** to the market that you can produce something else. Not only the conventional or existing structure but we can innovate new structures and you can strictly comply to the Shariah requirements.

Elsewhere in the interview, he twice emphasized that if the Shariah Committee creates strict parameters as to what was theologically acceptable, the financial engineers would rise to the occasion: 'So, these people are very innovative … if you don't listen to them, for example, or if you are firm. They [then become] very innovative. They come up with something else.'

The strong positions of FarWest's Shariah Committee were well known. A financial engineer from outside of FarWest who worked with FarWest during this time period said, 'I think it was the most challenging Shariah Committee, then.' He laughed, 'It was really tough! … If I can use this word, they are very purist.' He then paused and chuckled again in what I interpreted as a discomfort in criticizing Shariah scholars for having an excessively strict interpretation of the Shariah.

After roughly six months pursuing these two strategies, a large Malaysian corporation with strong political ties to the government (pseudonymously named GLC) approached FarWest Bank to issue a sukuk. By this point in time, FarWest Bank had developed, singly or in consultation with AnotherBank, several sukuk structures that could potentially be approved by its own Shariah Committee. FarWest's emerging strategy was to expand its investment banking business by structuring a sukuk for GLC for a fee, but also to invest in the resulting sukuk as an investor. Consequently, a new party was entered into the deliberations over what will become Sukuk Illumination.

FarWest Bank presented GLC with three potential sukuk structures that would be appropriate for an entity with its credit rating and financial needs. GLC chose an early concept of Sukuk Illumination, verified its viability with its own Shariah committee, and required that AnotherBank join FarWest Bank as a joint lead arranger. With the exception of my interview with the GLC, this moment did not constitute a significant event in any of my other interlocutor's narratives, but from my perspective as an outsider observing the sukuk in hindsight, I view it as representing a significant shift in the balance of power from the parameters set solely by FarWest's Shariah Committee to the additional constraints and interpretations created by GLC. The relational work expanded from the triad of management, the Treasury and Global Markets Department, and the Shariah Committee, to include GLC and additional parties.

Sukuk Illumination

Sukuk Illumination was an ensemble of financial innovations—some of which were novel precisely because of how the combined pieces fit together. To preserve the anonymity of the firm and the people involved in the sukuk, I intentionally focus on a single innovation in isolation from the others: the auction as a substitute for the purchase undertaking (*wa'd*). Every person I spoke with could not recall or pinpoint who the idea originated with, but every group I spoke to (with the significant exception of the members of the Shariah Committee) recalled that it was their team that originated the idea: the product development team within FarWest Bank, the financial engineers in the investment bank involved with the reverse inquiry, and even the client, GLC, expressed certainty that they had proposed the auction. One interpretation of this social fact is that it reflects the team-based work practices and incremental financial innovation practiced in financial firms. The meetings typically have several dissimilar and overlapping projects on the agenda, all of which are pursued simultaneously but discussed sequentially. In each meeting, numerous ideas about Sukuk Illumination were advanced, many such ideas were not pursued, some ideas were returned to, and other ideas were incrementally altered over time through group interactions. Under such circumstances, the auction's significance is likely to have only become apparent after alternative ideas were abandoned and the firm's commitment to the auction was growing increasingly locked in. Instead of finding a source of the auction's origins and its dissemination to other small groups, I found every team in the financial chain embracing the idea as if it was their own and seeking to convince the other parties to incorporate it.

According to Irfan and a financial engineer at GLC, GLC wanted Sukuk Illumination to resemble existing sukuk and existing fixed-income conventional bonds by creating a 'guarantee' to investors that the investor's capital will be returned at the end of the sukuk. This is usually accomplished with the *wa'd*. The challenge, then, was how to avoid the purchase undertaking, while nevertheless creating 'a resemblance of assurance' that the property would be repurchased. The novelty in Sukuk Illumination was to avoid the *wa'd* and the obligatory purchase undertaking by having an auction on the date that the sukuk matures. In theory, GLC could bid to repurchase its former property, but so could FarWest Bank, AnotherBank, or a third-party unrelated to the transaction, or there could be a failed auction and the sukuk holders would be left with the property.

As one Shariah scholar on FarWest's Shariah Committee summarize, 'We do not mind if the asset goes back to the issuer … It is up to [what] the market demands. If they really offer a good price to purchase back the asset we do not mind. It is up to the market to decide. [What] we don't want … [is] that they do not want to lose it, and nobody [else] can own the asset. It makes it more artificial.' Another scholar on FarWest's Shariah Committee marveled at the simplicity of the auction as a resolution to avoiding the *wa'd*: 'You know, in the [sukuk] documentation, this purchase undertaking did not come into the picture. Even at maturity—it is stated in the document!—if you cannot find a buyer at maturity, you will continue to be the owner of the asset,' and he laughs lightly at the unique prospect. 'It is very, very unique. Even the issuer will not have the commitment to buy. So, if the issuer does not want to buy … at maturity, you can continue to own it. It will not close down!' However, the auction is not so simple, and the second scholar's recollection is inaccurate in believing that the risk of a failed auction was transparent in the sukuk documentation.[4]

The ethnographic interviews revealed that while the Shariah scholars were seeking to contractually generate uncertainty as to whether GLC will re-purchase the property, every other actor in the financial service commodity chain sought assurances that the property would almost certainly be repurchased by GLC. The financial, legal, and ethical novelty of the auction was its semiotic sophistication that permitted multiple parties to hold multiple plausible interpretations of this one key assurance. In contrast, if the sukuk was structured as the Shariah scholar described—with an auction in which anyone or no one could end up re-purchasing the property at an unknown price, the sukuk would lack a key assurance required by several key actors in the commodity chain: including the national regulator, the client, and the joint lead arranger.

The Malaysian tax authorities and the Securities Commission both required assurances that if Sukuk Illumination had an auction, that it would result in GLC repurchasing its property from the sukuk holders. The tax authorities, in particular, were concerned that if the auction resulted in a change of ownership of the property at the sukuk's end, that this would transform their interpretation of Sukuk Illumination from a novel sukuk into a novel and illicit tax avoidance scheme. There were two tax issues involved. First, in many Islamic financial products—such as sukuk with purchase undertakings—in the words of a FarWest Shariah scholar rhetorically speaking as if to the bank's client, 'the asset is not going anywhere. It comes from you, it gets rented to you, and in five years you'll buy it back.' In contrast, in a typical commercial transaction (particularly with land) there are substantial taxes and fees involved each time an asset's ownership changes hands. However, to promote the Islamic banking and finance industry and create a so-called 'level playing field' with the conventional finance industry, the national government waives real estate taxes and transaction costs in Islamic products if there was no ultimate change in ownership. These tax waivers would be in jeopardy if the property ultimately changed hands at the end of the transaction. With this problem in mind, the Malaysian Securities Commission (which must approve all sukuk before they are permitted to be issued) would not (in the words of a FarWest

Shariah Scholar) ‘approve such a sukuk unless they are confident it is for financing purposes rather than to transfer assets to other owners in a tax-avoidance scheme.’ Both parties wished to ensure that Sukuk Illumination could not be interpreted as a tax dodge. This would not only potentially create a new tax precedent, but it could generate a debate in the mass media regarding the tax waivers in the Islamic capital market. This negotiation with the Securities Commission and tax authorities consumed a year.

Perhaps the second most important party opposed to an auction in which the property could exchange hands was FarWest’s client—*the issuer*, GLC. As a government-linked corporation, it had extensive social, political, and economic ties with the state. To support the government’s agenda of promoting the sukuk market, GLC had a great deal of experience as an issuer and investor in the sukuk market. GLC was determined to ensure that the auction design would empower it to repurchase the property with as much assurance as a traditional *wa’d*. One motivation it shared with the tax authorities—it did not want itself to be associated with a financial instrument that could be interpreted as a tax dodge. A second motivation is that GLC had purchased the property from one of its clients (pseudonymously named Headquarters) simply to issue Sukuk Illumination. During the tenure of the sukuk, Headquarters was now a tenant in its former building, and sending lease payments to the sukuk holders. GLC therefore needed to repurchase the property to sell it back to Headquarters. Two interlocutors in FarWest at least sometimes insisted that both GLC and Headquarters, at least at the time that the sukuk was issued, did not have an economic need to repurchase the property and were potentially willing to let it go during the auction to the highest bidder. On the other hand, everyone else I spoke with (including within FarWest Bank) tacitly or explicitly spoke of Sukuk Illumination as if it were self-evident that GLC would ultimately repurchase the property, as is typical in Islamic financial transactions with purchase & repurchase transactions. Most pointedly, an investment banker from GLC that was involved in issuing Sukuk Illumination recalled that their strategy was to ‘eventually … get back the property and return it to the owner.’

The joint lead arranger of Sukuk Illumination, AnotherBank, also sought to design the auction so that it would assuredly lead to GLC repurchasing the property. I spoke with an investment banker (Jamal) who was familiar with the concept of the auction in Sukuk Illumination as well as in other sukuk. He said that the optimum arrangement would be to have a private auction in which two friendly parties are bidding for the property—such as GLC and FarWest Bank. This would ensure that the auction mechanism would replicate a purchase undertaking. However, FarWest’s Shariah Committee viewed such an arrangement as ‘artificial’ and preferred that the auction be a public auction with a minimum of four bidders. As a FarWest scholar explained in talking about another sukuk with an auction, ‘We don’t want them to control the bidding process. Prearrange the bidders … They might only be inviting who they believe would not have any interest in the asset, to not challenge them in getting the asset.’ However, in the case of Sukuk Illumination, the joint lead arranger balked and thought that a public auction would be ‘dangerous’ and in an early draft reached a compromise with FarWest Bank of a private auction with a minimum of four bidders.[5]

The result of these negotiations, as materialized in the sukuk documentation, is that the auction was designed to empower GLC to repurchase the property for the original purchase price. First, as AnotherBank and potentially others sought, the auction was a private auction. This ensured that only parties friendly to GLC would be bidding for the property, including, potentially, the investment banks they had hired. Secondly, the private auction was subject to a reserve price—which all parties assumed to be set to the original sales price. This created a floor to protect investors by ensuring that the property would not be sold for a price lower than what they had paid. In other words, the reserve price assured the investors that they would recoup their principal, as is the convention in both sukuk and conventional bonds. Thirdly, the sukuk documentation requires that GLC is appointed as the Asset Agent to operate the auction and select the highest bidder, but that GLC ‘may also, but is not obliged to, make a bid.’ This auction design introduces a conflict of interest in which the auctioneer is also the bidder interpreted as having the greatest interest in purchasing the property. Lastly, GLC will be paid a fixed commission and an incentive to operate the auction. This arrangement of the auction not only ensures that only parties friendly to GLC's interests will bid, but that if one of these parties turned hostile, that GLC could outbid any competitor because any amount bid by GLC over the original repurchase price would be returned to GLC as a commission in its role as the auction's organizer. As an interlocutor from GLC described the arrangement, the auction created a 'cap and floor' for investors and for itself to ensure that the repurchase price would be no lower than the original purchase price received by the sukuk holders (so there was no risk to their capital) but also that the maximum the sukuk holders could receive from the repurchase is 'capped' to the original purchase price (because if the bidding price moves higher, despite the presence of friendly parties, this excess would go to GLC as an 'incentive' for operating the auction, thereby enabling it to outbid the competition).

From the perspective of *investors*, Sukuk Illumination provided the resemblance of assurance that they needed. I spoke to a Shariah scholar familiar with Sukuk Illumination because he had conducted a Shariah analysis of it as a potential investment for his employer. For this scholar, it was self-evident that GLC wanted the property back. For him, the innovation of the auction was that rather than promising to repurchase the property, GLC would simply be one of the bidders, but a purchase undertaking by one of the bidders was assured. This Shariah interpretation was shared by scholars in the Middle East, and consequently, the sukuk was widely purchased by Middle Eastern investors—a key goal for FarWest Bank and GLC, and one that AnotherBank was committed to. The sukuk was oversubscribed, meaning that there was more demand by investors for the sukuk than there was sukuk available. From the perspective of future clients, the oversubscription signifies that FarWest Bank and AnotherBank had launched a successful new financial instrument.

Sukuk Illumination was also interpreted as successful on a political level. It was lauded in speeches and publications by high level spokespeople within the Malaysian Central Bank and Securities Commission. The auction mechanism itself received positive critical attention from the business press, as well as in specialist publications produced by credit rating agencies and other industry analysts. At least one industry award was received related to Sukuk Illumination.

While the investors, client, joint lead arranger, and regulators shared a common interpretation of the auction as replacing the *wa'd*, the Shariah scholars at FarWest were ultimately ambivalent because they had multiple interpretations of the auction: as both a successful Shariah-compliant alternative to a *wa'd*, but also as an 'artificial' or 'fictitious auction.' Consequently, at the time of my interviews the Shariah scholars were seeking to improve the auction mechanism in future sukuk. For example, after Sukuk Illumination was issued, FarWest Bank arranged another sukuk with the same structure for another client. In that sukuk, the Shariah Committee made a ruling that whoever conducted the auction process cannot also be one of the bidders. As one FarWest scholar explained,

> That is why we issue this second ruling, to manage this kind of circumventing the guidelines. The very purpose of doing this is to make it real and genuine. It was in our mind that the industry players—the bankers—were trying to make it as the same as what they already knew. To resemble what they have already done. Nothing change, actually. You change everything but still get same results—the same certainty with the same level of risk. So it was in our mind, actually. We believe that by issuing the second ruling it can minimize the play around the conditions.

In Sukuk Illumination, 'you change everything but still get the same results.' Typical of the pragmatic incrementalism that I have observed in other Islamic banks in Malaysia (Pitluck 2020), the powerful Shariah Committee viewed their work as climbing a learning curve, as an experimental moment in a long-term incomplete project.

Discussion

What is Islamic banking and finance? When is it a unique form of finance and when is it merely conventional finance marketed as moral or ethical? By ethnographically documenting and analyzing the process of financial innovation, we can observe what financial instruments and practices currently constitute Islamic finance and what it is becoming. In my fieldwork, two fundamental interpretations of Sukuk Illumination arose that are equally relevant to interpreting the ontological object of Islamic banking and finance. The first is emphasized by the Shariah scholars of FarWest Bank. For them, the problem with sukuk and with investor's preferences for sukuk, is that they excessively resemble conventional bonds in providing a revenue stream that is so low-risk and unrelated to entrepreneurship that it may be interpreted as a form of *riba*, and therefore as not Islamic finance (not 'Shariah-compliant'). Therefore, they pushed to design Sukuk Illumination so that it creates a 'resemblance of assurance' in which market analysts and prospective investors could interpret Sukuk Illumination as similar in risk to a conventional bond, but that is instead structured to incorporate risk tied to entrepreneurial activity, such as trading of commodities and the leasing of office space. The second perspective is that Sukuk Illumination is only a resemblance of risk; that if one closely inspects the auction, the entrepreneurial activities, and other innovative features of Sukuk Illumination, one will find that they are indeed dissimilar to both sukuk and conventional bonds, but that these innovations only create a resemblance of risk. In my view, what makes Sukuk Illumination a successful financial innovation is its successfully enacted polysemic nature: that it can be simultaneously interpreted by well-informed observers as a resemblance of risk or 'a resemblance of assurance.' To put the point more broadly, Sukuk Illumination is able to sufficiently resemble a conventional bond or conventional sukuk to pass muster with market analysts, credit rating authorities, secular authorities, and prospective investors, while also sufficiently resembling a bold financial innovation to pass muster with Shariah scholars and investors who are critical of whether existing sukuk are truly Shariah-compliant financial instruments that should be interpreted as 'Islamic banking and finance.'

In presenting this research to colleagues, I have encountered two broad critiques of the argument. The first critique is that the auction in Sukuk Illumination is not a financial innovation because it serves no functional role (c.f., El-Gamal 2006). A well-established functionalist definition of financial innovation is that it is 'something new that reduces costs, reduces risks, or provides an improved product/service/instrument that better satisfies financial system participants' demands' (Frame and White 2010, 488; building on Merton 1992). On one hand, by this functionalist definition, Sukuk Illumination is a financial innovation. It is patently 'something new.' It is materialized in distinctive legal contracts and banking practices that are legally binding and subject to litigation. Moreover, it was broadly interpreted and described as novel in the business press, in government and regulatory lists of financial innovations in Malaysia, and in receiving at least one award in which it was depicted as a financial innovation. The issuance was also oversubscribed, a signal that it was satisfying 'financial system participants' demands.'

On the other hand, I concede that it is unlikely that Sukuk Illumination reduces costs. It is hard to imagine that the performance of the auction with its attendant contracts and logistics does not increase the costs of financing. Similarly, no parties interpret Sukuk Illumination as decreasing risks. Market analysts interpreted it as having equivalent risk while the Shariah Scholars intended it to have higher risks. At a minimum, the financial instrument's legal and banking novelties in itself increases legal risks because it creates opportunities for dissatisfied contractual parties to sue that Sukuk Illumination violates conventional law or interpretations of the Shariah. In this sense, if financial engineers create a 'resemblance of risk' it is a de facto increase in risk.

The second critique emphasizes the profit-imperative of finance capitalism. Here the auction (and Sukuk Illumination) is interpreted not as a financial innovation but rather as an Islamic façade to enable exploitation or the Islamic bank's survival. A corollary to this line of argument is that it was inevitable that FarWest's Shariah scholars would eventually permit the bank to issue and invest in sukuk. In this interpretation, compatible with both functionalist and exploitation interpretations of financial innovation, the Shariah scholars are ultimately rubber-stamping what management functionally needs. Therefore, Sukuk Illumination is not a case of financial innovation but perhaps merely a discursive form of 'cultural entrepreneurship' (Lounsbury and Glynn 2019).

However, interpreting FarWest's Shariah Committee as a compliant puppet of management contradicts some crucial evidence in this case. First, it discounts the three- to four-year long process during which the Shariah Committee forbade the bank to issue or invest in sukuk. This is strong prima facie evidence that the Shariah scholars are in a powerful position vis-à-vis management to enforce their theological and ethical interpretation of sukuk at the bank, even if a resolution is eventually achieved in Sukuk Illumination. Secondly, it overlooks the fact that such a resolution is not foreordained. From the perspective of management scholars, Islamic banks like FarWest are staffed with employees motivated by 'incompatible logics.' Some managers and employees prioritize the profit-imperative and the existential viability of the Islamic bank, while others are attracted to working in FarWest Bank precisely because it prioritizes a religious-imperative over such market logics. Generalizing from the experience of an Islamic bank in Germany, we can speculate that as FarWest's executives attempted to solve its ethical/religious, economic, political, and managerial problem by inventing Sukuk Illumination, the bank was at risk of evoking strong emotional reactions and dissent among its own employees, with the potential loss of valuable staff and the risk that stakeholders or dissatisfied ex-employees could damage FarWest's reputation as an Islamic bank (Gümüsay, Smets, and Morris 2020). Islamic banks can and have collapsed because they were economically unviable (Warde 2010). FarWest could have failed: it was a new bank, with new management, a new Shariah Committee, operating in a competitive and mature national market with 11 other Islamic banks as well as conventional banks offering Islamic banking products. The invention of Sukuk Illumination to resolve a set of FarWest's economic, political, managerial, and theological problems was not a foregone conclusion.

How does this case better inform our understanding of that undertheorized phenomenon of financial innovation? In contrast to functionalist finance theories that interpret financial innovation in terms of problem-solving (Merton 1992) and in contrast to critical and neomarxist scholars that interpret financial innovation as rent-seeking and exploitation of clients (Lapavitsas 2013; Durand 2017), this article finds that all parties up and down the financial service commodity chain were engaged in interpretive and relational work as they wrestled with what the auction was, what it means, how it might alter their (broadly defined) interests, and crucially, how it reshapes their existing relationships with one another. This explanation is distinctive from the finance literature's emphasis on bilateral negotiation between banks and their clients; instead, I document that negotiations were simultaneously oriented to multiple additional audiences, including the interpretations of market analysts, credit rating analysts, regulators, risk analysts, legal experts, as well as the so-called 'market' of prospective investors. This paper's argument is also distinctive in that it is not a teleological interpretation of financial innovation as problem-solving or exploitation. Rather, financial innovation is the outcome of the iterative interpretations of agents and their contested, unequal, strategic negotiations with one another throughout the financial service commodity chain. Financial innovation is the cumulative outcome of this contested interpretive and relational work.

To use a metaphor, a financial instrument is a cat's cradle of string tying diverse parties together into a constellation of relationships. When one party attempts a financial innovation—such as the auction in Sukuk Illumination—that is, they metaphorically pull one string out—this has an immediate and dynamic effect on all the other parties in the constellation of string as they seek to reinterpret the financial instrument and their relationships to one another. Therefore, one cannot understand Sukuk Illumination and other cases of financial innovation by looking at problem solving or exploitation between a bank and a client. Rather, the catalyst for financial innovation, and the ultimate form that it takes, is a cat's cradle of relationships involved in changing an old financial instrument into a new financial instrument, not to mention in creating new relationships between numerous parties in the finance chain, notably including the relationship between investors and issuers.

A weakness of this relational theory is that while it can explain why financial innovation can be efficiency-enhancing or exploitative, it does not predict the contexts that leads to one or the other outcome. As argued in the literature review, the existing functionalist and exploitive explanations of financial innovation are also poor at predicting both phenomena. One advantage of interpreting financial instruments as multivalent cultural objects, and of financial innovation as interpretive and relational work, is that this theoretical framework sensitizes scholars to researching the context under which parties with asymmetric power and with diverse motivations debate interpretations of the financial instrument while simultaneously creating, refashioning, and differentiating existing relationships with one another.

Future research can better understand the trajectories of financial innovations by analyzing the contextual environment under which relational work takes place. For example, in this empirical case, the most causally significant social context began with a triad of the Shariah Committee, management, and the Treasury and Global Markets Department, but the significant power of the Shariah Committee to define Sukuk Illumination weakened as additional parties with new political economic contexts entered into negotiations—including GLC, AnotherBank, the Malaysian tax authorities, and national financial regulators. To better understand the social consequences of financial innovation, future research should similarly attend closely to the shifting social contexts under which parties throughout the financial instrument's commodity chain engage in meaning-making and relational work.

Notes

1. All names of people, firms, and financial products are pseudonyms. All but two of my interlocutors had consented to reveal their identities—in large part, I suspect, because they are proud of their accomplishment and at the time of the interviews could foresee no harm in publicly examining the process of financial innovation at FarWest Bank. Nonetheless, to minimize any potential risks, and as required by my Institutional Review Board prior to conducting the research, I have anonymized the ethnography by omitting details of Sukuk Illumination, by fictionalizing individually identifying characteristics of individuals such as names and genders, and by not citing the business press stories on Sukuk Illumination. This enables plausible deniability for my interlocutors and therefore minimizes harm. All errors of fact or interpretation regarding Sukuk Illumination and FarWest Bank are the author's. This research was approved by the Institutional Review Board of the Research and Ethics Compliance office at Illinois State University (883718-2).
2. In material terms, an international standard-making organization requires that the *wa'd* transfer of ownership document must be a separate document from the *ijarah* contract to emphasize that the unilateral promise is independent of the bilateral contract (AIOFFI Shari'a Standards No. (9) Paragraph 8/1).
3. Reverse inquiries are rare in both conventional finance and Islamic finance. They are more common in boutique structured finance, such as when the Paulson & Co. hedge fund asked the investment bank, Goldman, Sachs & Co., to create a financial investment that they could invest in, the ABACUS 2007-AC1. See https://www.sec.gov/news/press/2010/2010-59.htm
4. The scholar is presumably referring to the Information Memorandum where some explicit risks of the sukuk are outlined as 'investment considerations' which (to quote the boilerplate language) are 'not intended to be exhaustive and does not purport to be complete.' However, the document makes no reference to the risk of a failed auction. Nor is the risk described in the Sukuk's 'master document,' the Principal Terms and Conditions. The scholar's memory may nevertheless be accurate; perhaps he is referring to an earlier legal document superseded by the Principal Terms and Conditions, or to a private arrangement between the contracting parties prior to or after the issuance of the sukuk. Regardless, the sukuk documentation and the closely regulated marketing of the sukuk that details principal risks to prospective investors is conspicuously silent in describing a situation or a risk in which the auction could fail.
5. In the final version of Sukuk Illumination, there was no mention in the documentation of a minimum number of bidders. I interpret this not as demonstrating a weakness in the Shariah Committee's power, but rather a tactical retreat of an early demand within the context of the Shariah Committee's larger goals of ensuring that the auction was not 'fictitious.'

Acknowledgements

This paper's interdisciplinary scope is significantly stronger from the feedback that I've received from presentations at the Netherlands Institute for Advanced Study; the Intersections of Finance & Society Conference at City, University of London; the Annual Meeting of the Society for the Advancement of Socio-economics, and the Colloquium of the European Group of Organizational Studies. I am particularly grateful to Pieter Coppens, Els de Graauw, Anna-Riikka Kauppinen, Johannes Lenhard, Atinati Mamatsashvili, Annelies Moors, Marius Pieterse, and the JCE anonymous peer reviews for providing extensive oral or written comments. All errors and omissions are mine.

Disclosure statement

No potential conflict of interest was reported by the author(s).

Funding

This work was supported by Netherlands Institute for Advanced Study in the Humanities and Social Sciences; Illinois State University Faculty Research Award.

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