

# Islamic Bank to start next year — PM

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**KUALA LUMPUR, Mon.** — An Islamic Bank, with a paid-up capital of \$100 million, will be launched next year, Prime Minister Datuk Seri Dr Mahathir Mohamad announced today.

The bank's authorised capital is \$500 million.

Thirty per cent of the capital will come from the Federal Government and the rest from the Pilgrims Management and Fund Board (10 per cent), Perkim (five per cent), State religious departments (25 per cent), other State religious bodies (10 per cent), Felda and other Federal bodies (10 per cent), and other eligible bodies (10 per cent).

The chief economist of

Bank Bumiputra, Dr Abdul Halim Ismail, will be the bank's managing director.

The Prime Minister said the Government will table a Bill at the October sitting of Parliament to formalise the establishment of the bank.

He said the bank will operate like any commercial bank but it will

not offer facilities prohibited by Islam, such as paying interests on deposits or charging interests on loans.

Those who provide capital and depositors will get a share of the profits. They will also bear losses.

The shares of the bank will be opened to public subscription when it is operating smoothly.

Datuk Seri Dr Mahathir said although the bank is based on the Islamic banking system, it will be opened to both Muslims and non-Muslims.

However, all investments will be evaluated by the syariah supervisory committee to ensure that the projects undertaken by the bank will not be against the Islamic syariah.

He said the bank will give loans to individuals free of interest.

The Prime Minister said it was decided to set up the bank after a careful study by the national steering committee on the formation of the Islamic Bank.

He was given a report of the project by the chairman of the committee, Raja Tan Sri Mohar Raja Badlozaman, who is also his economic ad-

viser.

Based on the report the Government agreed to set up the bank.

Datuk Seri Dr Mahathir said the bank will not affect the operations of other commercial banks and public finance companies.

He said it will later set up branches all over the country.

He added that traditional banks may opt to follow the Islamic banking as, with the new Act and amendments to other Bills, it will be possible for banks to follow the Islamic banking system.

"However, the Government discourages these banks from doing so for the moment. We have to see how the Islamic Bank operates and consolidates its position before other banks may follow it."