

18 NOV 1996

ISLAMIC AND NON-ISLAMIC FUNDS ARE SEPARATED, SAYS AFFIFUDDIN

KUALA LUMPUR, Nov 18 (Bernama) -- Malaysia's Islamic banking industry does not mix both Islamic and non-Islamic funds as alleged by certain quarters in the Muslim world.

"As far as we are concerned, the Islamic funds are separated from the non-Islamic ones," Deputy Finance Minister, Datuk Dr Affifuddin Omar told reporters after opening the National Conference on Islamic Banking and Investment - The Challenges & Way Forward here today.

A recent wire report said that Malaysia was leading the way in Islamic financing not only in Asia but also in the cradle of Islam -- the Middle-east.

To this, Dr Affifuddin said the country was able to expand its Islamic banking due to its political will and the full support of the government unlike its powerful Muslim brothers.

He said Bank Islam Malaysia Bhd was the brainchild of Dr Mahathir Mohamad who saw towards its establishment as soon as he became Prime Minister back in 1981.

"Due to this political will, the government is not afraid to do such a thing (to introduce Islamic banking) and now it is time to expand the Islamic banking system."

Meanwhile, Bank Islam managing director, Ahmad Tajudin Abdul Rahman, said debt trading is allowed in Islam if it is created out of Islamic transaction.

"There are two types of debt, that is, debt out of loan transaction and debt out of Islamic transaction and the latter can be traded under Islam," he added.

Tajudin was commenting on the same wire report that some Gulf bankers, while impressed by innovative Islamic tools produced by financial institutions in Malaysia, alleged that the products failed to meet Islamic criteria particularly in the area of debt trading.

The report also said that "debt trading is banned in cases where you start looking at the debt as a generator of profit".

To this, Tajuddin said the basis of debt must be considered. If the initial transaction is Islamic, then it can be traded.

Dr Affifuddin added that the introduction of any Islamic financial products would only be done after careful study, research and approval of the Syariah Advisory Council and that the Council was also in consultation with international Muslim scholars on such matters.

"Unlike the individual banks in the Middle East which could dispute a particular product, we are a system by itself and the approval is done by the Council," he added.

On the proposal to make Bank Rakyat as the second Islamic bank in the country, Dr Affifuddin said it might take a much longer time to iron out certain things such as upgrading of software.-- BERNAMA

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