

KL seeks to play host to Islamic financial services body

26 JUN 2004

By HABHAJAN SINGH

MALAYSIA wants Kuala Lumpur to be the headquarters for the Islamic Financial Services Organisation (IFSO), a global body that will set the standards and financial practices in Islamic banking.

The other main competitor bidding to host the soon-to-be-formed body is Bahrain.

"This is a good opportunity to enhance Malaysia's position as a global Islamic financial market player," said Deputy Finance Minister Datuk Dr Shafie Mohd Salleh.

He noted that the efforts to play host to the IFSO is in line with the country's stated aspiration to establish an Islamic international financial market.

"Malaysia is in the process of establishing the market with the assistance of Islamic

countries' central banks and the Islamic Development Bank," he said when launching Hong Leong Bank's Tjajah Financing, an Islamic financing product.

The IFSO's preparatory committee may meet in Kuala Lumpur next week to deliberate on organisational matters before heading towards Washington in the US.

The organisation will be similar to the Bank for International Settlements (BIS), a global body fostering international monetary and financial cooperation and serving as a bank for central banks.

Among others, the BIS acts as a forum to promote discussion and facilitate decision-making processes among central banks and within the international financial community; a centre for economic and monetary

research; a prime counterparty for central banks in their financial transactions; and as an agent or trustee in connection with international financial operations.

A Bank Negara Malaysia official involved in the IFSO formation talks would not comment on Malaysia's chances of securing the bid to be the host centre for the organisation.

"One obvious advantage for Malaysia is the Government's support towards the development of an Islamic financial market," he said.

He said the presence of an international organisation that sets the standards for Islamic financial matters for the world's central banks will be a boost to Malaysia.

In a speech at the opening of the 20th Al Baraka Symposium for Islamic Economies,

Prime Minister Datuk Seri Dr Mahathir Mohamad said that the setting up of IFSO will help establish and maintain the soundness of Islamic banking.

Considering the huge amounts of money held by the Muslim countries and their being deposited outside the Muslim world where Islamic banking is not available and where they cannot earn any interest, the loss to the Muslim world is enormous, he said.

The Prime Minister noted that the ability to set up funds and Islamic banks can enable the Muslim world to earn from the investments as well as reduce the burden of the poorer Islamic countries.

"I believe that Islamic banking is far superior to the present commercial banking practices," he added.