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DINAR-MECHANISM

SET UP MECHANISM TO FIX VALUE OF GOLD DINAR, SUGGESTS LARIBA'S FOUNDER

By: Emillia Rosnizar Ahmad Hanipiah

KUALA LUMPUR, March 27 (Bernama) -- A mechanism which fixes the value of gold dinar should be developed so that it could be used as a currency for international trade, says founder of the American Finance House LARIBA, Dr Yahia Abdul Rahman today.

"If we are using dinar, we should develop the mechanism to define the real market value of the gold and silver because it is going to be the base value of the dinar," he told reporters at the International Islamic Capital Market Conference here today.

"So we want to develop that in a very creative way," he said in reference to Malaysia's proposal to make the gold dinar as a currency for international trade.

Earlier, Dr Yahia had presented a paper entitled "International Strategic Alliances for Islamic Investment: International Perspective."

Dr Yahia said that at the moment, the prices of gold or silver are defined on the London Metal Exchange which does not represent the market but a number of financial institutions.

He said that a board to fix the prices of precious metals and commodities in member nations would be necessary to offer an alternative to the current London price fixing system.

Yesterday, Prime Minister Datuk Seri Dr Mahathir Mohamed said that Malaysia has already worked out the mechanics for using the gold dinar.

Meanwhile, executive chairman Arab-Malaysian Banking Group Tan Sri Azman Hashim, in his paper entitled "International Strategic Alliances for Islamic Investment: Malaysian Perspective" said that Muslim countries have the potential for development.

"We can help each other by getting integrated and united, both economically and ideologically to facilitate factor movement and trade among us for the greater economic development for our countries," he said.

He said that the proposal to make the gold dinar a common currency for trade among Islamic countries to reduce dependence on the US dollar would represent a major integrating factor.

On another point, he said that a mature Islamic capital market was necessary to provide Islamic financial institutions and investors with more opportunities to invest their funds efficiently.

He added that in Malaysia, the resources in which deposits and capital mobilised by the Islamic banking sector alone had surged to almost RM60 billion at the end of last year from less than RM1.0 billion ten years ago.

Azman said that the market share relative to the banking system had increased from below one percent in the early 90s to 8.2 percent last year, hitting the 8.0 percent target set by the authority.

He added that if the current trend where the strong growth of Islamic banking could be sustained and continue to surpass the overall industry performance, it is possible that the sector could achieve the 20 percent target by 2010, or even earlier.

"By that year, the total assets of the Islamic banking sector is projected at about RM350 billion on the back of an average growth of 20 percent per annum, which is less than half the yearly rise of about 50 percent chartered in the past decade," Azman said. -- BERNAMA

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