

New financial instrument based on crude palm oil
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Bank Negara Malaysia, the central bank, today launched the first-ever Islamic monetary product based on crude palm oil contracts in efforts to develop the nation as a global Islamic financial hub.

Governor Zeti Akhtar Aziz said the new Commodity Murabahah Programme (CMP) will diversify products on offer to manage short-term liquidity in the Islamic inter-bank money market.

"The CMP is designed to be the first ever commodity-based transaction that uses crude palm based contracts as its underlying asset," Zeti told an international Islamic finance forum.

Malaysia is the world's biggest producer of palm oil and with Indonesia, accounts for 85 percent of world output.

Islamic finance fuses principles of syariah or Islamic law and modern banking. Under the murabahah concept, both parties must agree on the profit margin of a sales transaction.

Zeti said the central bank had already conducted several CMP transactions with Malaysian Islamic banks to manage liquidity in the banking system and such facilities would help financial links with Middle East nations.

"As commodity murabahah is widely used in other Islamic centres, it is envisaged that this CMP will promote increased linkages between Malaysia and these centres," she said.

Zeti also said Bank Negara intended to diversify the issuing of Islamic monetary notes to include the murabahah concept.

Bank Negara meanwhile introduced the first global Islamic derivatives agreement which will document derivatives transactions and promote transparency.

The agreement will be used to govern Islamic derivative transactions under syariah principles.

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