

PM backs idea of creating Islamic mega bank

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Malaysia's Prime Minister Najib Abdul Razak said yesterday that he backed the idea of creating a large stand-alone Islamic bank, in order to develop a global footprint for Islamic finance and position it as an alternative to conventional banking.

A proposed merger between Malaysia's CIMB Group Holdings Bhd and two smaller peers would create a sharia-compliant bank with the financial clout and regional scope that has so far been absent in the industry.

Such consolidation would be positive for Malaysia's banking sector, although the government will not press for a deal and will leave the decision entirely up to the shareholders, Najib said in an interview on the sidelines of an Islamic finance conference in Dubai.

Islamic finance is centred mainly in South-East Asia and the Gulf, but in the past year some other economies such as Britain and Hong Kong have sought to develop their sharia-compliant bond markets as a way to lure investment from cash-rich Islamic funds.

"We don't want Islamic finance to be only well-received in the Muslim world, but also beyond in the non-Muslim world," said Najib, who is also finance minister.

"We are keen to integrate, penetrate into the wider market so that Islamic finance will be seen as a real alternative to conventional finance."

The concept of a mega Islamic bank has been discussed in the industry for years, but previous efforts have failed to take off partly because of scant interest in the private sector. However, strong growth has now left sharia-compliant banks accounting for over a quarter of Malaysia's banking sector.

Najib said the industry was addressing issues as improving governance, standardising financial products, and improving human capital, helping to develop links among Islamic finance centres.

Meger talks between CIMB Group Holdings Bhd, RHB Capital Bhd and Malaysia Building Society Bhd started in July, aiming to sign a definitive agreement early next year and to complete the deal by mid-2015.

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