

# Rules eased to open up Islamic financial sector

**KUALA LUMPUR:** The Government has relaxed Foreign Investment Committee (FIC) rules to allow 100% foreign equity in Islamic financial institutions dealing in foreign currencies, Datuk Seri Abdullah Ahmad Badawi said.

The Prime Minister said such institutions were also allowed to acquire property for their own use while the acquisition of property and land for commercial purposes as part of Islamic financing activities would only be subjected to a one-time approval.

"To develop the sector's potential even further, the Government has now taken the decision to relax FIC rules to allow 100% foreign equity ownership in Islamic financial institutions under this arrangement," he said when delivering his keynote address at the Global Islamic Finance Forum held in conjunction with the Islamic Financial Services Board Annual Meeting here yesterday.

Beginning this year, he said full stamp duty exemption for 10 years had been granted on foreign currency instruments executed by these participants, and on instruments relating to the ringgit as well as foreign currency Islamic securities.

He said approval had also been granted to exempt from withholding tax any profits or income on non-residents' investments in non-ringgit Islamic securities, including *sukuk* (Islamic bonds) issued in the country.

Abdullah said Malaysia had taken certain strategic measures to accelerate the sector's growth, including having an executive committee of government officials, regulators and industry leaders tasked to create a more effective delivery system to implement initiatives to support the industry.

He said an executive green lane or fast lane had been accorded by the

100% foreign equity in Islamic banks dealing in foreign currencies

Thestar - 28/3/2007



Datuk Seri Abdullah Ahmad Badawi with the Raja Muda of Perak Raja Nazrin Shah, Securities Commission chairman Datuk Zarinah Anwar (left) and Bank Negara governor Tan Sri Dr Zeti Akhtar Aziz at the forum yesterday

Immigration Department to the Malaysian Islamic Financial Centre (MIFC) secretariat to help expedite applications by expatriates for long-term employment passes with multiple entry visas.

"This will hopefully facilitate the greater movement of talent and expertise in Islamic finance in Malay-

sia," he said, adding that the Islamic banking, *takaful* (Islamic insurance), re-*takaful* (Islamic re-insurance) and Islamic capital markets had been liberalised to allow for the entry and licensing of new players.

He said foreign and local players could now apply for a licence to conduct business in international cur-

rencies, which might also be supported by tax holidays while fund managers managing Islamic funds of foreign investors in international currencies might also enjoy tax benefits.

Abdullah said policymakers, regulators and market participants must work together to ensure that the

»67% of *sukuk* in the global market today was issued in Malaysia«

DATUK SERI ABDULLAH AHMAD BADAWI

Islamic financial system met with acceptance at the global level.

He said Malaysia's commitment to support the development of a comprehensive Islamic financial services industry was reflected in Islamic banking assets, which increased to RM133bil, accounting for 12% of total assets in the domestic banking system.

For *takaful*, he said assets had increased to almost RM7bil, which accounted for 6% of the insurance market, while the outstanding Islamic private securities now made up about 50% of the domestic bond market.

"Indeed, as the pioneer of new *sukuk* instruments, we are proud to say that 67% of *sukuk* in the global market today was issued in Malaysia," he added.

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