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## Malaysia announces Islamic finance measures

August 14 10:37:00, 2006



KUALA LUMPUR, Malaysia (Reuters)—Malaysia announced on Monday measures to woo more foreign investors in Islamic banking, stepping up efforts to become a global hub for Islamic finance. Bank Negara, the central bank, said it would issue conditional licenses to domestic and foreign lenders to carry out Islamic banking business in international currencies.

Malaysia is the world's largest Islamic bond market, but almost all its paper is denominated in ringgit, a currency that is not freely traded offshore because of trading restrictions designed to protect the ringgit from speculators.

"To enhance the inter-linkages in the global Islamic financial markets, Malaysia is continuing its efforts to not only develop further the Islamic financial infrastructure but to also implement measures and initiatives that will strengthen our position as an international Islamic financial hub," central bank chief Zeti Akhtar Aziz told a conference.

The central bank would also issue conditional registrations to allow foreign and domestic insurers to conduct Islamic insurance business in international currencies, she said.

Malaysia is competing with financial centers such as Singapore and Dubai to become a global centre for Islamic finance. Global Islamic banking assets total more than \$400 billion, according to some estimates.

Islamic finance operates along guidelines set out in sharia, or Islamic law. Devout Muslims will not purchase assets that pay interest, or derive profits from alcohol, pork or gambling.

Bank Negara would also use murabahah-based transactions as a policy instrument to manage short-term liquidity in the Islamic inter-bank money market, Mr. Zeti said.

Under the murabahah concept, a customer appoints a bank as its purchasing agent. The bank buys the merchandise from the supplier on behalf of the customer at invoice price. The bank then resells the merchandise to the customer at a new selling price which includes a profit margin.

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