

A: I think in the Gulf as well as in the Middle East, we see the development of Bahrain, but the Dubai concept is still in the foundation stage. But from the Saudi perspective, it depends on consumers' needs for requirements of funds.

Q: How do you see the future of the Islamic banking?

A: Positive.

Q: In which areas?

A: Volume, number of people, the services that banks can offer.

Q: And what do you see as the effect of globalization?

A: Malaysia has been recognized as one of the leaders in product development, in innovation, with banks working together with the full support of the government, with the central bank and the management sector in full cooperation. So what we are doing these days is to go around and talk with other countries that want Islamic financing and then help promote the understanding that is needed about Islamic banking. So my understanding of globalization in Islamic banking and finance is defined by the Malaysian experience. Malaysia could lead a very effective role to promote the overall understanding of Islamic financing.

Q: Any more Islamic banks opening in Malaysia? When?

A: Our central bank in Malaysia will issue three full banking Islamic licenses to foreign entities. It's already been announced, so they can come in any time. They can call on the central bank and they can request applications to be granted licenses. In the Labuan finance center, we are open to a couple of commercial and investment banks specializing in Islamic services.

Q: Do you see a possible merger between Islamic and commercial banks at any stage?

A: It's difficult to see the combination or what you deem consolidation, but it's interesting to see that the conventional banks are beginning to look at Islamic banking services in a very, very positive way to promote it.

Q: Is there any cooperation between Malaysian Labuan and Bahrain?

A: Yes, I think we have a very good relationship and I will completely support Bahrain in the efforts for the Gulf region.

(Interview by : Abbas Salman Special to The Daily Star)

The faith in Islam should unite more people, especially after Sept. 11 2001. You see this awareness especially for funds that are invested in the US where people are looking for a new haven with regard to investment returns.

Q: How many Islamic banks are there in Malaysia?

A: In Malaysia there are two systems. When you look at the Islamic banking situation, we have two types of Islamic banking licenses for full-fledged banking services.

The unique thing in Malaysia is that all the other conventional banks are allowed to offer Islamic facilities by full-fledged branches or Islamic windows. So essentially the all banking facilities in Malaysia offer Islamic financing. And out of the Labuan, there is the Labuan Offshore Financial Services Authority. In Labuan, we have two Islamic banks, three Islamic investment banks and two Islamic fund managements.

Q: Why there is there no unified financial standard for Islamic banking?

A: Because it is somewhat new when it comes to international standard and compliance. All the banks in the world are subjected to the Basle requirements. But when the Islamic banking became of interest more widely, regulators found that the principles were different. So standards have to be established.

Q: Do you see competition between Islamic and conventional banking?

A: There is no competition to speak of because it depends on the needs of consumers as well as the availability of the banking facility that they prefer. And in any banking structure, capital is important. Therefore, the expansion of any business is subject to capital availability. But when you say competition, the likelihood of the conversion from conventional banking to the Islamic structure is possible - if that's what people want.

Q: Do you see Islamic banks taking over financing of projects from conventional banks?

A: Yes. For example in Malaysia, when it underwent the privatization of projects or project financing, it was clearly seen that the structure was more Islamic than conventional. It depends on the project viability, cash flow and, of course, the Sharia compliance of the particular business.

Q: And what about countries other than Malaysia?

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Now Islamic banking is growing because of its natural strength.

Says, Rosnah Omar,
Director-general of

the Labuan Offshore Financial Services Authority in Malaysia,
Following are excerpts from her interview

The Daily Star: Do you see Islamic banking growing, and why or why not?

Omar: Definitely, I think if you look at the past 30 years, different countries have introduced Islamic banking, and it is a little bit frustrating because you don't have common standards. The financial system was in disarray because countries were just starting to developing their own institutions.

Now Islamic banking is growing because of its natural strength and from the structural perspective it seems cheaper. If you look at the perspective of the profit and loss sharing concept - and its people concept - you find Islamic banking a very intriguing development. So it's interesting and in Malaysia, for instance, it's been deemed cheaper than commercial banking in terms of the operational cost.

Q: Cheaper than the conventional banks?

A: It's cheaper than the conventional banks because there is the right for you as a consumer to share the profits.

Q: Are there barriers facing the industry?

A: Yes, because in conventional financing you only have the international standard set by the Bank of International Settlements. But in recent years, the establishment of the Islamic Financial Services Board has created the Islamic standard for banks. Now when you look at barriers, one of the difficulties is to get the Sharia scholars of the different countries to look at it objectively - for them to come up with a universal endorsement that can enable cross border development. Because if you see product do well in Malaysia, it may not be necessarily accepted in Saudi Arabia. The critical issue is the Sharia compliance feature.

Q: How can the Islamic banking system develop further?

A: Well, every institution in banking has its requirements.

It is not just for the Muslims because, for example, in Malaysia the Islamic banking facility is offered to Muslims and non-Muslims alike.

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