



IILM CHIEF: MAIN CHALLENGE IS TO APPRECIATE ALL JURISDICTIONS

By Dalila Abu Bakar

JAKARTA, July 19 (Bernama) -- The main challenge now for the International Islamic Liquidity Management (IILM) Corporation, perhaps, is to find the most common denominator among the jurisdictions for the global Islamic finance market, said Chief Executive Officer Mahmoud AbuShamma.

"We have to appreciate the different jurisdictions. We have institutions from Asia, Middle East and others. That's the main challenge," he said.

In an interview with Bernama, Mahmoud said IILM would use the US dollar, an international currency which is widely used, but may look at other local currencies later depending on the requirements of the market.

"As we go forward and get more clarity, we may look at the requirements of the system, depending on the market," he said.

He said the newly-established supranational hoped to issue its first Syariah-compliant financial instrument worth between US\$200 million and US\$300 million by end of the year.

"If all the system has been put in place and the infrastructure is ready and the market conditions are suitable for the issuance, we will issue the first product by year-end," he said.

IILM will issue short-term liquidity products as and when needed by the market, he added.

"Liquidity has been the main obstacle for the development of Islamic finance institutions. At the moment, the liquidity of these institutions and the market is getting higher and is not invested efficiently on behalf of the institutions.

In a way, it has been hindering the growth of the industry. From my point of view, it is more of the efficient use of the capital or liquidity of the institution," he said.

According to Mahmoud, liquidity has been a global phenomenon and some central banks in certain jurisdictions such as Malaysia and United Arab Emirates have been issuing short-term products but mostly in their local currencies.

"Our aim is to create an entity to help Islamic financial institutions to manage short-term liquidity, to issue products for Islamic finance industry to address this problem," he added.

Mahmoud said IILM was in the process of pulling together the necessary infrastructure for the first issuance of its product. "There is a strong need to develop products to meet the requirements and we are in full gear to issue these products. We only started operations officially on 1st January this year. We have 20 staff now and maybe looking for more," he said.

IILM was established on October 2010 with 14 founding members, comprising the 12 central banks of Indonesia, Iran, Kuwait, Luxembourg, Malaysia, Mauritius, Nigeria, Qatar, Saudi Arabia, Sudan, Turkey, and the United Arab Emirates (UAE), as well as two multi-lateral institutions, the Islamic Development Bank and the Islamic Corporation for the Development of the Private Sector.

Mahmoud also said that the idea of setting up IILM was mooted by the Islamic Financial Services Board (IFSB) High Level Task Force two years before its inception. "It was shared by several central banks which collectively agreed for the establishment of the organisation," he added.

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