



Western Sydney Regional Organisation of Councils Ltd

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11<sup>th</sup> May 2011

Ms Thea Knill  
Senior Policy Officer  
Better Regulation Office  
NSW Department of Premier and Cabinet  
Level 11, 52 Phillip Street  
SYDNEY NSW 2000

Dear Ms Knill,

Thank you for the opportunity to comment on the review of Islamic Banking and the potential for developing a financial system according to sharia law.

As you will be aware, many of WSROC's member councils represent large Muslim populations including Bankstown, Fairfield, Auburn, Liverpool and Blacktown, and are aware of the interest in this issue held by many of their constituents.

WSROC has consulted with all our member councils and the following points were raised as potential issues for inclusion in the NSW Government's review.

#### **The agreed division of ownership of property**

Under some sharia banking systems the bank or lending institution retains its original share of the capital, which they retrieve when the property or investment is sold. This is in lieu of repayments or interest. Our councillors had some concerns about how this system is to be monitored and managed and how it can interact with the existing financial system.

#### **Overseas vs local ownership**

Another concern raised was that in the experience of other westernised nations who have attempted to set up parallel sharia banking systems, they found that much of the capital for the Islamic system came from overseas, which resulted in a massive increase in offshore ownership and some corresponding concerns about the sources of those overseas funds. Our councillors would like the review to look at ways of ensuring the bulk of the funds made available for investment come from local sources and that provision is made to ensure any overseas funds come from reputable and legal sources.

#### **Social seclusion**

WSROC councillors also expressed a concern that establishing a separate banking system may serve to further exclude specific social groups from mainstream society and culture which could have a detrimental effect on both sides.

Thank you for the opportunity to raise these issues. WSROC is available to work with the Government on this issue on behalf of our councils and the residents of Western Sydney.

Please do not hesitate to contact me or WSROC's Acting Chief Executive Officer, Ms Karin Bishop, on telephone 9671 4333 should you wish to discuss any of these issues further.

Yours sincerely,

A handwritten signature in black ink that reads "Alison McLaren". The signature is fluid and cursive, with a long horizontal stroke extending to the right.

Clr Alison McLaren  
**President**