

**MARA INSTITUTE OF TECHNOLOGY
SHAH ALAM**



**THE POTENTIAL OF ISLAMIC INDEX FUTURES
IN MALAYSIA**

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●ABSTRACT●

KIOFFE was launched on 15th December 1995 with the introduction of the KLSE Composite Index Futures contracts. KIOFFE had been identified with five new products which could be launched in the future. One of them is Islamic Index Derivatives. This study concentrate on the Islamic Index Futures. Since KLSE is in progress developing Islamic Index, the study uses RHB Islamic Index to look for the relationship between Islamic Index and KLSE Composite Index. The questionnaires are distributed to the 40 percent of fund managers of unit trust companies situated at Klang Valley. The questionnaires are used to look the response of the suggestion introducing Islamic Index futures. The study found that there is good response to the suggestion of introducing Islamic Index futures. However, in matter of time, the appropriate time to introduce Islamic Index Futures is when the KLSE CI futures has been well established. The study also found that the RHB Islamic Index has significant relationship with the KLSE CI. The result of the study shows that Islamic Index futures is a complementary to the KLSE CI futures rather than as an alternative. This is due to the selection of component stocks and furthermore we do not have fully Islamic system yet.

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