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**The Principle of Currency
Value System and Islamic
Banking and Finance**



IIUM Press

Edited by

Saim Kayadibi

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Chapter 3

Forex Trading: Conventional and Islamic Perspective

Sharifah Fatimah Azzahra, Tengku Masturah Tg. Paris³⁵ and
Saim Kayadibi

Introduction

Since ancient times, humans have been doing trade with the surrounding for various ways such as barter. Along with the progress of time and civilization had fallen because of barter has many shortcomings to be found the system. For example, a new payment system comes to an end by using money as a medium of exchange and payment. Payment systems using the money also have a weakness to trade with a country that has a different type of currency.

The necessity arises because the exchange rate a country's currency is usually not accepted as a medium or a medium of exchange in another country. International trade relation raises the demand for and supply of certain currencies. Then, it led to the development on the stock exchange, until the required regulator for millions of demand and supply transactions that occur daily, leading the determinants of foreign currency exchange rate. Foreign currency trading is becoming increasingly popular for a variety of reasons, including diversification, hedging and leveraged returns.

Forex Trading is two different words which is “Forex” and “Trading”. Forex simply mean Foreign Currency Exchange.

³⁵ Graduate Students, Faculty of Economics and Management Sciences, International Islamic University Malaysia (IIUM), Kuala Lumpur, Malaysia.