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Maqāṣid Shariāh Paradigm in Wealth Preservation and Regional Stability Through Local Currency Protection within ASEAN

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Abstract

This study explores Indonesia's motivation for promoting Local Currency Settlement (LCS) among ASEAN countries and assesses the outcomes of the 42nd ASEAN Summit through the lens of maqāṣid shariāh, focusing on *hifz al-māl* (wealth preservation). Utilizing a mixed-methods approach, the research combines a literature review with field research. The literature review integrates diverse sources such as journals, books, and online materials relevant to policy analysis, while field research includes interviews with Islamic economists, academics, and leaders from religious and government sectors to understand LCS implementation and impacts. The findings indicate that LCS agreements bolster economic independence and stability in the ASEAN region by enabling transactions in local currencies. This system facilitates bilateral and regional trade, enhances investment flows, and supports various economic activities among ASEAN nations. It aligns with the maqāṣid shariāh principle of *hifz al-māl* and reinforces the *qiyām* or *qawām* system (balance within self, family, and society), promoting broader economic stability. This research provides a novel perspective by analyzing LCS within the framework of maqāṣid shariāh, highlighting how regional economic policies can harmonize with Islamic principles of wealth preservation. The results suggest that LCS could be a strategic tool for strengthening regional economic integration and stability. By reducing reliance on third-party currencies and aligning with maqāṣid shariāh principles, LCS has the potential to foster more resilient and balanced economic relationships both within ASEAN and globally.

Keywords: *Local Currency Settlement (LCS); Hifz al-Māl; Maqāṣid Shariāh; ASEAN Economic Integration; Islamic Economic Policy.*

Abstrak

Penelitian ini mengeksplorasi motivasi Indonesia dalam mempromosikan Local Currency Settlement (LCS) di antara negara-negara ASEAN dan menilai hasil KTT ASEAN ke-42 melalui lensa maqāṣid syariah, dengan fokus pada *hifz al-māl* (pelestarian harta). Dengan menggunakan pendekatan metode campuran, penelitian ini menggabungkan tinjauan literatur dengan penelitian lapangan. Tinjauan literatur mengintegrasikan berbagai sumber seperti jurnal, buku,

dan materi online yang relevan dengan analisis kebijakan, sementara penelitian lapangan mencakup wawancara dengan para ahli ekonomi Islam, akademisi, dan pemimpin dari sektor agama dan pemerintah untuk memahami implementasi dan dampak LCS. Temuan penelitian menunjukkan bahwa perjanjian LCS meningkatkan kemandirian dan stabilitas ekonomi di kawasan ASEAN dengan memungkinkan transaksi dalam mata uang lokal. Sistem ini memfasilitasi perdagangan bilateral dan regional, meningkatkan arus investasi, dan mendukung berbagai kegiatan ekonomi di antara negara-negara ASEAN. Hal ini sejalan dengan prinsip maqāṣid syariah yakni *hiḏ al-māl* dan memperkuat sistem *qiyām* atau *qawām* (keseimbangan dalam diri sendiri, keluarga, dan masyarakat), yang mendorong stabilitas ekonomi yang lebih luas. Penelitian ini memberikan perspektif baru dengan menganalisis LCS dalam kerangka maqāṣid syariah, menyoroti bagaimana kebijakan ekonomi regional dapat selaras dengan prinsip-prinsip Islam tentang pemeliharaan kekayaan. Hasil penelitian menunjukkan bahwa LCS dapat menjadi alat strategis untuk memperkuat integrasi dan stabilitas ekonomi regional. Dengan mengurangi ketergantungan pada mata uang pihak ketiga dan menyelaraskannya dengan prinsip-prinsip maqāṣid syariah, LCS memiliki potensi untuk mendorong hubungan ekonomi yang lebih tangguh dan seimbang, baik di ASEAN maupun secara global.

Kata Kunci: Penyelesaian Mata Uang Lokal; *Hiḏ al-Māl*; *Maqāṣid Shari'ah*; Integrasi Ekonomi ASEAN; Kebijakan Ekonomi Islam.

Introduction

The constant fluctuations in currency values disrupt global transactions (Westermeier, 2020). Every nation uses its own currency, with values differing widely across borders (Nelson et al., 2024). The ongoing shifts in exchange rates, driven by factors like government policies, inflation, and economic conditions, create instability. For instance, a stronger currency makes goods from that country more expensive, while a weaker currency lowers costs but can lead to a currency crisis if depreciation is uncontrolled (Boz et al., 2022). Historical data shows that such fluctuations have led to economic disruptions, especially when exchange rates change drastically. This instability in currency values poses a significant risk to international trade and economic stability (Hokianto, 2023).

The dominance of the US dollar in international trade is both a benefit and a burden (Mazher & Dahlan, 2020). The US dollar is the standard currency for global transactions, but its volatility can cause economic chaos (Pratiwik et al., 2023). Regions heavily reliant on the dollar are particularly vulnerable to shifts in US monetary policy. Between 1999 and 2019, around 79% of global trade was conducted in US dollars, leaving regions exposed to the dollar's fluctuations. Europe is an exception, with the euro providing a buffer, but other regions face risks tied to the dollar's dominance (Syifa, 2024). The rise of Local Currency Settlement (LCS) initiatives among ASEAN countries aims to reduce this dependency and foster economic resilience. Literature shows a growing trend towards currency diversification to mitigate the risks of relying on the US dollar (Kocaarslan, 2021).

The previous research that mentioned LCS was Sari's research which explained the practice of local currency settlement (LCS) in transactions between Indonesian and

Chinese businesses. LCS is a facility for bilateral trade transactions carried out by investors in Indonesia and partner countries use each country currency (S. W. Sari, 2016). Another previous study was Hafsa Supadi's study which explained participation Indonesia in the Local Currency Settlement (LCS) agreement and analysis Indonesia's motivation to collaborate with Malaysia and Thailand (Supadi & Jamaan, 2021). Eye use local money as an alternative to facilitate trade transactions between Indonesia, Malaysia and Thailand by increasing the use of their respective local currencies country and reduce dependence on the US dollar. Then Safina Rahma Syifa developed it again in her research which explained the impact of local currency settlement on increasing sub-regional trade between Indonesia, Malaysia and Thailand, and also encourage investment between countries (Syifa, 2024). Aldy Nofansya and Hasan Sidik perfected their research by explaining two efforts that can be made to encourage the use of LCS in strengthening trade (Nofansya & Sidik, 2022), so that it can become a promoter of Indonesia-Malaysia-Thailand economic cooperation, namely first: strengthening the role of LCS stakeholders through the National Economic Recovery (PEN) program, Quick Wins, Strategic Communication Campaign and National Task Force. Second: encourage business actors in superior and potential product sectors to choose LCS as an alternative trade transaction.

In this study, researchers argue that the LCS policy is very appropriate and its benefits are increasingly felt when viewed more broadly, including in this case from the perspective of the concept of *hifz al-māl* in maqāṣid shari'ah. Maqāṣid shari'ah through *hifz al-maal* here is one of the concepts in Islamic law which aims to understand the intentions of Islamic law in the order of protection or financial stability (economy) itself. In general, the meaning of *hifz al-māl* in maqāṣid shari'ah here is to bring benefit and avoid harm for protection or financial stability (economy).

The use of Local Currency Settlement (LCS) which was decided at the conclusion of the 42nd Asean Summit in Labuan Bajo is a policy that will facilitate trade transactions between Asean countries and can increase the use of each country's local currency and reduce dependence on the US dollar. The purpose of this study is to find out and describe why Indonesia encourages ASEAN countries to use the LCS in the region and to analyze the results of the 42nd Asean Summit in the perspective of maqashid sharia through the concept of *hifz al-māl*.

Methods

A mixed-methods approach is crucial for a comprehensive analysis of the 42nd ASEAN Summit's outcomes. This research utilizes both literature review and field research to capture a broad and nuanced understanding of the topic. The literature review offers a

theoretical foundation, while field research provides practical insights. The literature review involves examining sources like journals, books, and online content related to policy analysis theories, which are essential for understanding the role of the State as the Chair of the Summit. Complementing this, field research includes interviews with key figures such as Islamic economists, academics, and leaders from religious and government sectors, ensuring diverse perspectives. This dual-method approach ensures that the study is grounded in both theoretical knowledge and real-world experiences.

Effective data collection is the backbone of any rigorous research. This study employs two primary methods: an extensive literature review and targeted field research interviews. Each method serves a distinct purpose in gathering relevant information. The literature review gathers data from a wide array of sources, including academic journals, books, and online materials, to compile comprehensive background information. In contrast, field research involves conducting interviews with experts, such as Islamic economists, and leaders, ensuring that the data is rich in both depth and diversity. These interviews provide firsthand accounts and expert opinions, vital for contextualizing the theoretical insights gathered from the literature. The combination of literature and interview data forms a robust foundation for analyzing the research questions.

Meticulous data analysis is essential for drawing valid conclusions. The research employs qualitative analysis techniques to interpret the data collected from both literature and interviews. This ensures that the findings are well-rounded and accurate. The literature review data is analyzed by identifying recurring themes and patterns that relate to policy analysis and the role of the State in the ASEAN Summit. Meanwhile, the interview data is transcribed, coded, and analyzed to draw connections between the theoretical concepts and real-world practices discussed by the experts. This process involves comparing and contrasting the insights from literature and field research to form coherent and substantiated arguments. The analytical approach ensures that the study's conclusions are both evidence-based and reflective of diverse viewpoints.

Result and Discussion

Definition, Types and Benefits in LCS

Local currency settlement (LCS) refers to the process of settling transactions between two countries using the local currency of one of those countries, within the territory of that same country (Syifa, 2024). This method of transaction is aimed at simplifying and enhancing trade relations by eliminating the need for a third-party currency, thereby streamlining the entire settlement process. The scope of transactions included in LCS is broad and encompasses several categories (Crozet et al., 2022):

1. **Goods and Services Trading Activities:** These include export and import receipts and payments. Essentially, any trade of goods or services that crosses borders can be settled in the local currency of one of the trading nations. This allows businesses to conduct their international trade activities more efficiently and with greater ease, bypassing the complexities and additional costs associated with currency conversion.
2. **Primary Income Transactions:** This category includes receiving and paying for labor compensation, as well as income generated from investments. It allows for streamlined financial exchanges involving wages and returns on investments. For instance, multinational companies can pay their employees working in foreign branches in the local currency, and investors can receive their dividends or interest payments in the currency of the country where their investments are located.
3. **Secondary Income Transactions:** These transactions include remittances and other transfers from government and other sectors, excluding grants, gifts, donations, and similar transfers. It facilitates smoother and more efficient transfers of income between countries. For example, migrant workers can send money back to their home countries using the local currency, making the process simpler and reducing the costs associated with international money transfers.
4. **Direct Investment:** This includes investments where there is a minimum equity ownership limit of 10%, allowing for significant foreign direct investments to be conducted in the local currency. This encourages more substantial economic ties and investment flows between nations, as investors can directly invest in businesses and projects using the local currency, fostering greater economic integration and cooperation.

For example, consider an Indonesian businessman who wants to import timber from a Thai businessman. Through LCS, the Indonesian businessman can pay using either the Indonesian rupiah or the Thai baht (Bahar, 2022). This payment is processed through a bank that has been designated as an Appointed Cross Currency Dealer (ACCD) by the monetary authorities or central banks of both countries. These appointed banks must meet specific criteria, such as having the capability to facilitate transactions between the currencies of the partner countries. This designation ensures that the banks can handle the necessary currency exchanges efficiently and securely, providing a reliable platform for conducting LCS transactions.

LCS provides several notable benefits, which include:

1. **Facilitation of Bilateral Trade:** By enabling transactions to be settled in local currencies, LCS simplifies and strengthens trade relations between businesses in

partner countries. This encourages more frequent and larger-scale trade activities, fostering closer economic ties and cooperation.

2. **Reduction of Transaction Costs:** LCS makes trade settlement more efficient, thus reducing the overall transaction costs for businesses. By eliminating the need for currency conversion and the associated fees, businesses can save money and allocate their resources more effectively.
3. **Guaranteed Liquidity:** By ensuring the availability of liquidity in local currencies, LCS helps to mitigate the risk of exchange rate fluctuations, providing a more stable financial environment for international trade. This stability encourages businesses to engage in cross-border transactions with greater confidence, knowing that they are less likely to be adversely affected by sudden changes in exchange rates.

The primary aim of Local Currency Settlement (LCS) is to promote the use of local currencies in international transactions. This strategy is designed to contribute significantly to economic and financial stability, while also supporting the deepening of financial markets within the participating countries. By encouraging the settlement of transactions in local currencies, LCS helps to build more resilient and integrated economies.

The increased use of local currencies in international trade and investment activities strengthens the financial infrastructure of the participating countries. This enhancement not only bolsters economic sovereignty but also fosters long-term economic growth and development. By reducing reliance on third-party currencies, LCS minimizes exposure to exchange rate volatility, leading to more predictable and stable economic environments. This stability is crucial for businesses and investors, as it allows for better planning and reduced risk in international transactions.

Furthermore, the adoption of LCS facilitates closer economic cooperation and integration among partner countries. It simplifies the process of cross-border trade and investment, making it more efficient and cost-effective. This efficiency is achieved by eliminating the need for currency conversion, thereby reducing transaction costs and time delays. As a result, businesses can operate more smoothly, and international trade flows are enhanced.

In addition to these benefits, LCS supports the development of deeper financial markets. By increasing the demand for local currencies, LCS encourages the growth of domestic financial markets, including currency trading, banking, and investment sectors. This growth leads to more robust financial systems, capable of supporting a wider range of economic activities and providing better financial services to businesses and consumers.

Overall, the implementation of LCS represents a strategic approach to strengthening economic ties between countries. It promotes the use of local currencies, which in turn supports economic and financial stability, enhances economic sovereignty, and fosters long-term growth and development. By building more integrated and resilient economies, LCS helps to create a more stable and prosperous global economic environment.

Self-reliance, Economic Stability Efficiency through LCS Policy Regional Payment Connectivity

ASEAN country leaders agreed to start leaving the United States dollar as stated in the results of the 2023 Asean Summit ([Kominfo, 2023a](#)) to explore the development of a local currency transaction framework with close assistance and coordination with other agencies. This collaboration aims to support efforts to reduce dependence on the United States dollar which often poses a risk to the economies and finances of ASEAN countries, especially when monetary policy is tight.

The President of the Republic of Indonesia Joko Widodo has announced the final results at the 42nd ASEAN Summit which has resulted in three important conclusions ([Kemenlu, 2023](#)). Among the three conclusions, in the third conclusion he said that: "Regarding the strengthening of economic cooperation, the implementation of local currency transactions and digital payment connectivity between countries agreed to be strengthened. This is in line with the aim of ASEAN centrality so that ASEAN will become stronger and more independent." ([Kominfo, 2023b](#))

ASEAN countries agreed to use local currency in trade transactions and payment mechanisms in the ASEAN region, this effort is a way to maintain financial stability ([Ariyasajakorn et al., 2020](#)). Foreign Minister Retno Marsudi also added in her official statement that: "Efforts to strengthen regional financial stability include the use of ASEAN countries' currencies in trade transactions and the connectivity of payment mechanisms in the ASEAN region. In the meeting of the ministers of finance and central ASEAN governors, it was agreed that the commitment of ASEAN countries to use local currencies and expand the connectivity of regional payment mechanisms or regional payment connectivity in order to strengthen financial stability in the region.

ASEAN finance ministers and central bank governors agreed to encourage the use of local currency and reduce exposure to the US dollar. This was conveyed by the Governor of Bank Indonesia (BI) Perry Warjiyo at the press conference of the 1st Asean Finance Ministers and Central Bank Governors Meeting (AFMGM) in Bali, Friday 31 March 2023. Perry explained that currency diversification is an important initiative in the region

because it can reduce risk financially, considering that countries are so dependent on world currencies. Implementation of transactions using local currency also boosts the region's external resilience, thereby supporting economic recovery while at the same time buffering the impact of global turmoil. The development of cross-border payment connectivity is also ready to be expanded in Asean. Governor of Bank Indonesia Perry Warjiyo said that: "to implement cross-border connectivity, we must develop an instant payment system. In Indonesia, we have developed QRIS and fast payments. Malaysia, Thailand, Singapore and the Philippines have also developed it, so we will start with five that already have their own domestic payment systems." Furthermore, this collaboration will be expanded with Vietnam, Brunei Darussalam, Laos and Cambodia in accordance with the readiness of each country's payment system infrastructure. The Governor of Bank Indonesia believes that the integration of cross-border payment systems will move more quickly. This cross-border payment system connectivity collaboration is also an effort to reduce the use of the world's main currencies, so that it can support economic stability in the region when global uncertainty is still high.

The policies mentioned above are something of interest, because among the factors that affect a country's exchange rate or currency are government policies as well as five other factors, namely inflation, currency, balance of payments, interest rates, expectations. An example of the implementation of this government policy is cooperation that was built bilaterally and regionally between Indonesia and ASEAN countries which agreed on a local currency settlement so that it is hoped that the implementation of a policy like this can have a positive impact through reduced demand for the US dollar and of course it will have a positive effect towards each country, both Indonesia and ASEAN countries.

In this regard, it is very important to motivate more countries bilaterally and regionally as in the form of ASEAN and in the global context including the BRICS which have been formed by Brazil, Russia, China, India and South Africa. The movements of these countries both in bilateral, regional and global relations lead to a de-dollarization policy and this is believed to have a positive impact on the local currency. When the demand for an item decrease, including the US dollar, the price of that currency will automatically decrease. The context will then be a condition when there is de-dollarization where there is an agreement built between countries not to use dollars but transactions with the local currency of each country. So that when the demand for dollars decreases, then of course it will strengthen the currency of each country.

When the State of Indonesia is going to carry out an export or import activity to ASEAN countries, Indonesia does not need to exchange rupiah for dollars and then

exchange it again for the currency of the destination countries (in this case Asean) but Indonesia only needs to use the rupiah currency as a tool transactions and also ASEAN countries simply use their respective country's local currency to carry out transactions and this has been recognized by each country in the local currency settlement agreement. An example of this agreement will reduce the demand for the dollar, so that in the future at least de-dollarization in the private sector context will provide efficiency gains, namely that business actors do not need to look for dollars, they can simply use the currency available in each country. and can conduct transactions with trading partners. This is what is called a positive impact on the private sector and the national economy in the future.

Open trade in the ASEAN region, Regional Payment Connectivity is becoming increasingly important to facilitate cross-border financial transactions in the region and become a payment innovation in the future. Regional Payment Connectivity or cross-country payment connectivity in the region is a payment innovation that allows countries in the region to be connected through the same payment system. Payment systems can become more efficient, safe and inclusive so that people can access financial services and can make transactions more easily and quickly. It can also help boost economic growth in certain areas and open up new business opportunities. Therefore, Regional Payment Connectivity cooperation is very important to advance the financial sector and economic growth in the region.

With enormous benefits, Bank Indonesia initiated Regional Payment Connectivity even during the G-20 event. Bank Indonesia and the Government are realizing cooperation in cross-border payments in the region such as QRIS Cross Border with Thailand in 2022 and later with Malaysia at the 2023 Indonesia Digital Finance Festival. These efforts are also in line with Indonesia's chairmanship of the 2023 ASEAN Economic Pillar. Even the most recent related to the discussion in this study is the 42nd ASEAN Summit in Labuan Bajo, strengthening Regional Payment Connectivity is one of the points agreed upon by member countries in ASEAN.

List of Cooperation Regional Payment Connectivity

No	Country	ACCD	LCS System
1.	Malaysia	Bank Negara Malaysia	Regional Payment Connectivity
2.	Thailand	Bank of Thailand	
3.	Pilipina	Banko Sentral Ng Pilipina (BSP)	
4.	Singapore	Monetary Authority of Singapore (MAS)	

In choosing payment alternatives, people need to consider the security, convenience and efficiency of each method used. Regional Payment Connectivity can be

a good choice in increasing payment connectivity throughout the region, but other alternatives are also relevant to consider according to community needs. It can be concluded that the benefits of implementing Regional Payment Connectivity cooperation are as follows:

1. Support and facilitate trade, investment, financial market deepening, remittances, tourism and other cross-border economic activities.
2. Encouraging a more inclusive regional economic and financial ecosystem.
3. Supporting micro, small and medium enterprises (UMKM), especially to encourage the penetration and exposure of UMKM in the global market.

The development of Regional Payment Connectivity is part of the three priority economic pillars of the economic pillars of the 42nd ASEAN chairmanship in 2023. To strengthen regional economic integration that takes advantage of opportunities through payment connectivity cooperation in ASEAN on a multilateral basis. It is hoped that in the future, close synergy and continuous innovation through the 2023 ASEAN Chair, Indonesia can realize ASEAN as a center of strong growth and have global economic resilience.

Overview of *Hifz al-Māl* in Maqāsid Syariah on LCS

Every provision stipulated in Islamic law has an important purpose which relates to protection of religion (*hifz al-dīn*), protection of the soul (*hifz al-nafs*), protection of the mind (*hifz al-'aql*), protection of lineage or descendants (*hifz al-nasl*), and protection of property (*hifz al-māl*) (Arisandy et al., 2022).

Several studies also show that maqashid syariah through *hifz al-māl* has been implemented for a measure and evaluation of performance in government and private agencies (Musyafa'Ah et al., 2022). Among the developments in the theory of *hifz al-māl* in maqashid sharia are the maqāsid shari'ah based socio-economic development index, maqāsid shari'ah as an indicator of government spending (Susetyo et al., 2019), the use of maqāsid shari'ah as a policy evaluation with reference to Abu Zahra's perspective where the ultimate goal of sharia is to educate individuals (*tahzīb al-fard*), upholding justice (*iqāmah al-'adl*), and realizing benefits (public interest) (Nurhayati et al., 2022). In realizing the benefits can refer to the thoughts of Imam al-Gazali who classifies the benefits into three parts: *maṣlahah ḍaruriyyah* (protection of religion, soul, mind, lineage or lineage, and property) (Syarifuddin, 2020), *maṣlahah ḥājiyyah* and *maṣlahah taḥsiniyyah* (Tahir, 2020).

There are several factors that cause protection of assets to be categorized as an important part of maqāsid shari'ah (Ibrahim & Salam, 2021), including: orders for *tadāwul fī al-amwāl* (equality in social welfare), *al-wuḍūh* (clarity and prudence in every element of the contract or transaction muamalah), and *al-'adl* (justice in the distribution of rights

related to assets) (Nurjaman & Witro, 2021).

There are numerous arguments in both the Quran and Hadith that support and reinforce the factors mentioned above (Khanif, 2020). However, the author intends to focus only on a few key textual (*al-naqlī*) (Fetraningtyas & Yunanto, 2021) and rational (*al-'aqlī*) (Hamim, 2021) arguments related to the maqāsid sharia in the context of Local Currency Settlement (LCS). This discussion will emphasize how LCS serves as a form of property protection (*hifz al-māl*), contributing to the economic stability of Indonesia and other ASEAN countries.

Imam Fakhru al-Razi (E. P. Sari & Meidina, 2022) has interpreted the word of Allah swt in surah an-nisaa: 5 "Your assets are made by Allah swt as the base of life". According to him the meaning of this verse is: In fact, a base of life and livelihood will not be achieved except with these assets, when these assets are the result of the existence of the base of life, the naming of *al-qiyām* (base of life) here is a mention known as *musabbab 'alā al-sabab* (causes for effects). in figurative language, the meaning is as if the treasure has the same meaning as the source of life and efforts to find a livelihood.

As Allah swt also said in surah al-furqan: 67 "And (including the servants of the Most Compassionate God) those who, when they spend (wealth), they are not extravagant, and not (also) miserly, between the two of them naturally." According to Ibnu Asyur's (Taufiq, 2020) view that maqāsid shari'ah which is related to *hifz al-māl* here is the protection of property as a safeguard against the wealth assets of the people (nation) from loss and abuse from parties who are not responsible individually or in congregation (Muhaimin, 2020). According to him, there are two theories in Islamic law related to *hifz al-māl* (Muhaimin, 2020), including the first: the concept of manifestation in the sense of realizing or earning a living through *al-takassub* (trying to find good fortune) and *al-tijārah* (trade) (Kadir & Abdullah, 2019), *al-zirā'ah* (agriculture) (Muthalib et al., 2021) and *al-istiśmār* (investment) (Abdillah et al., 2022); the second: the concept of *al-adam* in the sense of preventing property from loss/monetary crisis maintaining trust and honesty, paying attention to the prohibition of usury, government policies for economic stability and others (Wijaya et al., 2023).

The rationale for local currency settlement recommendations can also be based with the rule of fiqh (Putra, 2023). Efforts to avoid damage must take precedence over efforts to take advantage. Local currency settlement and de-dollarization have the potential to change the landscape of global trade and export-import activities (Todorova et al., 2024). These initiatives offer a range of benefits, including reduced exchange rate risk, increased trade efficiency, and strengthened economic sovereignty (Iska et al., 2023). However, successful implementation requires addressing challenges such as developing

financial infrastructure and maintaining exchange rate stability. By adopting these developments, countries can create a more diverse and resilient international trade environment, driving sustainable and prosperous economic growth.

Conclusion

In The ASEAN Leaders' agreement on local currency settlement (LCS) at the 2023 ASEAN Summit has shown efforts to strengthen regional financial stability including through the use of ASEAN countries' currencies in trade transactions and the connectivity of payment mechanisms in the ASEAN region. The agreement will provide support and facilities for trade, investment, financial market deepening, remittances, tourism and other cross-border economic activities. The agreement can also encourage a more inclusive regional economic and financial ecosystem and support micro, small and medium enterprises (MSMEs), especially to encourage the penetration and exposure of MSMEs in the global market. The agreement is also a close synergy and continuous innovation through the 2023 ASEAN Chair, Indonesia can realize ASEAN as a center of strong growth and have global economic resilience.

The agreement in the LCS policy that has been established at the 42nd ASEAN Summit has the same goal and is in line with the concept of *hifz al-māl* in maqāsid shari'ah which is in accordance with the principles of *al-qawām/ al-qiyām* (independence and economic stability), namely encouraging transaction settlements with using local currency, as an effort to maintain economic and financial stability while at the same time encouraging financial market deepening. This goal will bring public benefit as a very important benchmark in maqashid sharia through *hifz al-māl*, namely: Facilitating bilateral transaction relations between entrepreneurs from partner countries, lower transaction costs through more efficient trade settlement, and guaranteed liquidity availability so that they can reduce the risk of exchange rate fluctuations. The author is very aware of the shortcomings of the research and hopes that there will be continuity in improving this research in the future.

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