

Welcome Address

by

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**at the Securities Commission and Citigroup Global Shariah Dialogue
*Recent Trends in the Sukuk Market***

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Assalamualaikum

Distinguished scholars from Shariah Advisory Council of the Securities Commission and the Citigroup Shariah Supervisory Board,

Ladies and gentlemen,

A very warm welcome to the Securities Commission, and to our visiting scholars, welcome to Kuala Lumpur

The SC is very honoured to be co-hosting with Citigroup this Global Shariah Dialogue. We are committed to fostering greater interaction and collaboration among Shariah scholars worldwide; and we believe that efforts of this nature will certainly contribute towards the development of the international Islamic capital market.

I hope today's dialogue will pave the way for further progress in fostering cooperation and collaboration among scholars, to address important Shariah issues faced by the Islamic financial services industry. It is our hope that dialogues of this kind would promote greater cross fertilisation of Shariah views so as to facilitate the smooth development of Islamic capital market globally.

As you are aware, the SC registers qualified Shariah scholars for the purpose of advising on the issuance of sukuk and Islamic unit trust funds as required under the SC's Guidelines on the Offering of Islamic Securities and Guidelines on Unit Trust Funds. In this regard, I am pleased to note that over the past years we have registered a few foreign Shariah scholars. I hope going forward, more foreign Shariah scholars will be registered and added to our list. The participation of foreign Shariah scholars will contribute greatly towards greater exchanges of views among international scholars, leading in time, to the promotion of a greater range of globally acceptable Shariah products.

I am pleased that Citigroup has taken the initiative to prepare the case studies on new sukuk structures issued worldwide and bring their global Shariah scholars to Malaysia to share their knowledge and exchange their views with us here today.

The Malaysian government last year launched the MIFC initiative. It is an important initiative that serves as a key intermediation link in the global market place, facilitating the growth of investments through bridging international Islamic financial markets. One of the key areas promoted pursuant to the MIFC is the origination, distribution and trading of Islamic financial products. Products and services under the MIFC can be in any currency and can be offered to both residents and non-residents. These flexibilities, coupled with Malaysia 's acknowledged leadership in the global sukuk market should provide industry

with the ability to extend their reach to other financial centres through cross border linkages and alliances to reach out to foreign issuers.

Over the past few years, we have witnessed the rapid expansion of the global sukuk market of which Malaysian sukuk represents 67% of the total.

The Malaysian government has played a pivotal role in the development of the Malaysian sukuk market, both in the ringgit-denominated and foreign currency denominated sukuk. The Malaysian Global Sukuk issued in 2002, the first global sovereign sukuk issued in the international bond market set a precedent for the development of global Islamic products with countries such as Qatar , Pakistan and Bahrain launching their respective global sukuk soon thereafter.

Last year, Bank Negara Malaysia and the Securities Commission announced that non-ringgit sukuk will be allowed to be issued in Malaysia by multilateral development banks, multilateral financial institutions, sovereigns and quasi-sovereigns, as well as local or foreign multinational corporations. The regulatory framework on this very soon.

The year 2006 saw the issuance in Malaysia of more globally accepted sukuk employing the concepts of Mudharabah, Musharakah and Ijarah. Government linked companies (GLCs) also demonstrated their commitment and support in this regard with several sukuk being issued benchmarked to globally acceptable structures. These include the Khazanah exchangeable sukuk, the world's first Islamic exchangeable sukuk.

The increasing internationalisation of the sukuk market means that international standards of compliance, transparency and governance must be complied with. As such, our efforts in ensuring Shariah compliance have been complemented with efforts to ensure international acceptability and compatibility through benchmarking against international best practices and standards.

As a result, the issuance of globally accepted sukuk as at end-2006 have shown a remarkable progress. Twenty-seven out of sixty-four sukuk approved by the SC last year were based on musyarakah, ijarah, istisna` and mudharabah principles. In terms of value, sukuk structured using musyarakah contributed RM 29.4 billion or 70% of the total number of sukuk approved.

With the supporting infrastructure and regulatory framework already in place, we are confident that Malaysia is well placed to achieve our objective of becoming an international Islamic financial centre. As the path has already been laid for Malaysian corporations to tap the Islamic capital market, the focus of our efforts in the next phase of development must be largely industry-driven. Product innovation, ensuring global compatibility and acceptance, branding and promotion must be pursued by the private sector. We hope to see more GLCs, MNCs and major PLCs come forward to structure new and innovative Shariah compliant financial products which will contribute to the promotion and growth of our Islamic capital market.

Distinguished guests,

As the pace of development of the Islamic capital market accelerates and as the environment becomes increasingly more competitive, concerted efforts from all stakeholders will be necessary to enable us to remain at the forefront of the industry. The dialogue today is but one of such efforts.

It is my hope that this dialogue would provide a conducive platform for market professionals to share your thoughts and views, and to harness the experience and expertise of the distinguished Shariah scholars present today in our effort to explore new financing and investment opportunities and to keep pushing the boundaries of product innovation.

I would like to thank Citigroup for co-hosting this dialogue with us and wish you a productive and fruitful dialogue.

Thank you.

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