



Event	International Islamic Capital Market Forum
Date	Thursday, 27 March 2008
Venue	Securities Commission, Kuala Lumpur
Presented by	YBhg Dato' Zarinah Anwar, Chairman, Securities Commission Malaysia
Speech category	Welcome Address

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Yang Berhormat Datuk Ahmad Husni Hanadzlah, Deputy Finance Minister I, Malaysia  
Distinguished Speakers and participants  
Honoured Guest, members of the media  
Ladies and gentlemen

Assalamualaikum warah matullahi wabarakatuh  
and a very good morning

### **Introduction**

1. It gives me great pleasure to welcome all of you to the Securities Commission and to the inaugural International Islamic Capital Market Forum organized by us.
2. Although the Honourable Minister of Finance II is unable to be with us this morning, we are very honoured and pleased to have with us today our new Deputy Finance Minister I, Yang Berhormat Datuk Ahmad Husni Hanadzlah, who will be delivering the keynote address. Datuk, welcome to the Securities Commission. We hope this will be the first of many visits to the SC, in your new capacity.
3. I also wish to acknowledge the presence of fellow regulators from the region as well as from the Middle-East. I hope that this event will foster closer collaboration among us. Additionally, I would also like to welcome our speakers and other delegates who have come from far and wide.

4. The value proposition of Islamic finance has been firmly established and it now functions as a viable segment of an increasing number of capital markets around the world, attracting growing numbers also of non-Muslims issuers and investors as well. Financial centres and financial institutions have recognized the opportunities and are building up their presence in the Islamic finance space.
5. In the light of the burgeoning interest in Islamic finance worldwide, the Securities Commission has developed this international Forum to serve as a platform for scholarly exchange of ideas and views to bring about greater awareness and understanding of particular aspects of Islamic finance among international scholars, industry practitioners, regulators, intermediaries and investors. We believe that, through events of this nature, knowledge and experience on Islamic products and the application of Shariah principles that underline their structures can be shared amongst all stakeholders irrespective of jurisdiction.
6. The theme of this inaugural Forum is product innovation, focusing in particular on Islamic Exchange-traded Funds or ETFs and Commodity Murabahah. This Forum is the first of a series, and *InshaAllah*, we hope to make it a semi-annual affair. We are gratified to be able to welcome more than 300 participants this morning.

### **ICM Achievements in Malaysia**

7. Over the last decade or so, Malaysia's Islamic capital market has experienced phenomenal growth. I am pleased to say that we have been able to raise the bar globally in terms of product innovation and end to end Shariah compliant services. Today we have a diversified array of products ranging from shariah-compliant equities, *sukuk*, unit trust funds, Islamic ETFs, REITS, structured products and derivatives. 86 percent of the listed securities on Bursa Malaysia are Shariah compliant. This represents 63 percent of the total market capitalization of Bursa.
8. Similarly, the *sukuk* market has experienced unprecedented growth; 76 percent of bonds approved by the SC in 2007 were *sukuk*, totaling RM121.3 billion. Malaysia continues to be the leading issuer of *sukuk* in the world, accounting for over 60% of

the world market as at the end of 2007. Last year saw the issuance by a Malaysian company of the world's largest ever corporate *sukuk* worth RM15.4 billion (USD4.8 billion).

9. The same growth story is true with the Islamic unit trust industry. In 1993, there were only two Islamic unit trust funds. By the end of last year however the number of Islamic unit trust funds in Malaysia had increased to 128 and have now a combined net asset value of RM16.9 billion. Additionally we now have two listed Islamic REITs with hospitals and plantations as their main assets. Within the wealth management industry, various structured investment products based on Shariah principles targeted at institutions and high net worth individuals have also been launched.
10. In January this year, Asia's first Islamic ETF was launched. The MyETF Exchange Traded Fund is designed to track the Dow Jones Islamic Market Malaysia Titan 25. I am so pleased to note that those involved in the introduction of this product will be sharing their experience at this Forum.
11. The Securities Commission has been able to facilitate the introduction of these products in the Malaysian market through numerous product-specific guidelines that provide clarity, consistency and enhanced disclosures with respect to Shariah compliance. For instance the Guidelines on Islamic Securities introduced in 2004, provided the springboard for the take-off of the *sukuk* market. The Islamic REITS Guidelines were introduced in 2005, a world first, and changes were introduced to various guidelines to facilitate the recent launch of the Islamic ETF.
12. These Guidelines issued by the SC have set the regulatory benchmark for the regulation of the Islamic capital market and I am heartened to note that they have attracted considerable interest from scholars, market practitioners and regulators alike.

### **ICM Development Project**

13. While there is no doubt that Islamic finance has made significant strides and gained considerable recognition over the past few years, it remains a mere sliver of the

world's financial system. We are acutely aware that there remains much to be done. For instance, the talent pool for Islamic finance remains very shallow world-wide. Similarly reference materials and scholarly articles are also thin on the ground. More applied research is required to be undertaken this area. And certainly, there must be more co-ordinated and concerted efforts amongst regulators, industry and academia towards promoting and developing Malaysia as an Islamic financial centre. It is for these reasons that the Securities Commission has embarked on an Islamic Capital Market Development Plan with several targeted initiatives to further promote and develop our Islamic Capital Market. These capital market-specific initiatives are consistent with and are intended to complement, the Malaysian International Islamic Financial Centre (MIFC) agenda.

14. As the outcome of these initiatives would have a positive and significant impact on the overall Malaysian capital market, the Development Project has been endorsed and supported by the Capital Market Development Fund which is providing funding for it.

### **International Advisory Committee**

15. The initiatives that we are pursuing are also intended to contribute towards the promotion and strengthening of the Islamic capital market in the international financial arena. In this regard we are naturally anxious to ensure that these initiatives are relevant and appropriate not merely for Malaysia, but also for the global Islamic capital market. While there are expertise and experiences that Malaysia can share with others, we believe that we have even more to learn from experts from different parts of the world. We have therefore established an International Advisory Committee to provide strategic guidance and international perspectives for this Project.
16. I am pleased to announce that the International Advisory Committee will have its first meeting tomorrow. The members of this Committee (a few of whom are here today) are:
  - Sheikh Nizam Yaqubi, from Bahrain;
  - Dr Mohamed Ali Elgari, from Saudi Arabia;

- Mr Iqbal Khan, Founding Board Member and CEO of Fajr Capital, UK, formerly with Citigroup;
- Dato' Salman Younis, the Managing Director of Kuwait Finance House, Malaysia; and
- Mr Abdulkader Thomas, President and CEO of SHAPE Financial Corporation of the USA and Kuwait who will also be delivering a special address later this morning.

### **ICM Visiting Scholar Programme**

17. Apart from this semi-annual International Islamic capital market Forum, a number of other initiatives pursuant to the Islamic Capital Market Development Plan are currently underway. I would like to share two notable ones with you. The first is the Islamic Capital Market Visiting Scholar Programme.
18. The Securities Commission and the University Malaya have agreed to collaborate on a Visiting Scholar Programme, in an effort to promote and enhance scholarship and research in the area of the Islamic capital market. This programme will enable both academia and industry to tap the knowledge and experience of prominent academics and professionals, in areas of research relating to Islamic finance.
19. Under this programme, internationally renowned scholars will be attached with Universiti Malaya for a period of up to three months. We hope to bring in our first Visiting Scholar by the end of this year. I am therefore very pleased to announce that today, the SC will sign a Memorandum of Understanding to formalize our collaboration on the Visiting Scholar Programme with Universiti Malaya, in the presence of the Honourable Deputy Minister of Finance 1.

### **Compilation of Shariah Rulings**

20. The second project which I am very excited about is the compilation of Shariah rulings. As many of you may be aware, the publication of our Shariah Advisory Council (SAC) Rulings has been very well received internationally. We have now published two editions which are being used as reference material by both industry and academia around the world. Besides English and Malay, the first edition has also been translated into Persian and Thai, while the second edition which was published

in 2006 has recently been translated into Arabic in response to demands from the international community. While we are most humbled and encouraged by the recognition of our Shariah Advisory Council rulings, this has also made us realize that Islamic finance has so much more to gain if we are able to put together the various Shariah rulings from all over the world as a source material. It is for this reason that we are now embarking on a more ambitious undertaking with the compilation of shariah rulings from major jurisdictions around the world. I understand that this will be the first of its kind in the modern world, as the last such compilation, the *Mejelle*, was actually undertaken more than a century ago by the Turks during the Ottoman period (1877 – 1926).

21. The *Mejelle*, originally in Turkish, was later translated into other languages such as Arabic, English and Malay. I am told that the Malay translation was done by the state of Johor in 1913, and it was then known as *Majallah Ahkam Johor*. Only time will tell whether the seeds that we are sowing today will one day become the modern *Mejelle* but we are determined to make this project a success and to show results within the shortest possible time.
22. To help us with this very significant and gargantuan task, we will be working with and seeking the cooperation of relevant individuals and authorities in many jurisdictions. We will also be appointing international advisors to guide us. For research and technical support, the SC is collaborating with the World Fatwa Management Research Institute of Universiti Sains Islam Malaysia.

We expect the compilation to be in several volumes with the first expected to be published in early 2009. This morning we are also very pleased to sign a Memorandum of Understanding with Universiti Sains Islam Malaysia in relation to this project.

23. I believe that a consolidated source of Shariah rulings will extend the possibilities in concept and application of the Shariah, and will facilitate the development of standard guidelines and cohesive rules to expedite the process of product innovation.

## Conclusion

Ladies and Gentlemen

24. I hope that this Forum will provide a conducive platform for speakers and delegates to share knowledge and views in our effort to explore new investment opportunities and to keep pushing the boundaries of product innovation in the area of the Islamic capital market.
25. I would like to thank all the speakers, as well as Bursa Malaysia, iVCAP, BNP Paribas and the Securities Industry Development Corporation for collaborating with the SC to make this event a reality. My appreciation also to the staff of the SC who have worked very hard indeed to organize this inaugural Forum.
26. Finally, my most sincere appreciation and gratitude once again to Yang Berhormat Datuk Ahmad Husni Hanadzlah – Deputy Finance Minister I for gracing the occasion today. Also to Yang Berbahagia Datuk Rafiah Salim of Universiti Malaya, Professor Dr Hj Abdul Samad Musa of Universiti Sains Islam Malaysia and to everyone here this morning, for making the time to grace us with your presence. I wish you a very productive meeting.

Thank you.