

## Will 2021 be a springboard year for Malaysia to up its SDG milestones?



**MALAYSIA**

By Ruslena Ramli

Although Malaysia achieved its first UN Sustainable Development Goal (SDG) of eradicating poverty, the country still has a long way to go in fulfilling the requisite to achieve the remaining SDGs by 2030. Concerted efforts are currently underway to map the SDGs onto Malaysia's National Budget.

In 2019, RM3.17 billion (US\$783.76 million) was allocated to support the SDGs vs. RM2.95 billion (US\$729.37 million) in 2015 (Economic Outlook 2021, Ministry of Finance Malaysia).

As Malaysia moves forward in its SDG agenda, sustainability stands out as a key foundation for existing and fresh government policies. Related to this and a natural fit into the country's sustainability aspiration is Islamic finance, which

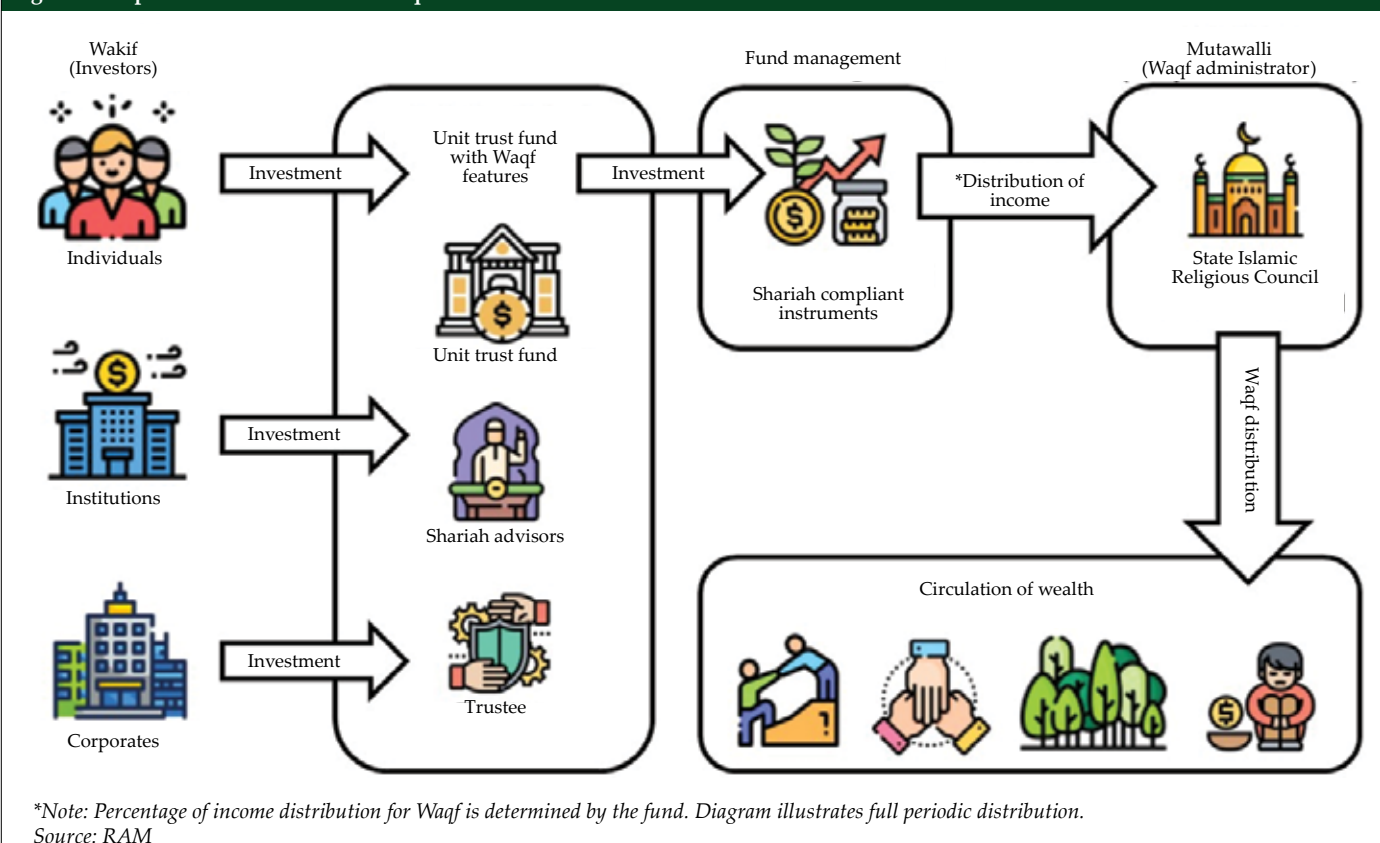
subscribes to value-based intermediation principles, similar to environmental, social and governance principles.

The capital market via Sukuk financing has been a key proponent to the Securities Commission Malaysia (SC)'s sustainable and responsible and investment (SRI) initiatives. In alignment with SDG 7 (affordable and clean energy) and SDG 11 (sustainable cities and communities), the SC announced

Figure 1: Malaysia's current assessment



Figure 2: Proposed Islamic fund with Waqf feature



the extension of its SRI Sukuk and Bond Grant Scheme (previously known as the Green SRI Sukuk Grant Scheme).

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Established in 2018, the grant helped to defray up to 90% (subject to a maximum of RM300,000 (US\$74,172.8) per issuance) of the external review costs for green

SRI Sukuk. This is in addition to tax exemptions for the issuers until 2025.

To date, eight issuers have benefited from the grant and who were involved in renewable energy, green building and sustainable projects. As at the end of December 2020, a total of RM5.4 billion (US\$1.34 billion) in SRI Sukuk were issued under the SRI Sukuk Framework.

To further support Malaysia’s SDG agenda, the SC released an update to the ‘Guidelines on Unit Trust Funds’ on the 12<sup>th</sup> November 2020 to facilitate the offering of Islamic funds with Waqf features. The Waqf structure has been branded as a significant potential for social development, greater public good and wealth distribution. Under the updated guidelines, the fund allows the unitholders to retain rights over the units purchased and Waqf (or gift) all or part of the distribution of the income received. Included in the distribution policy is the agreed percentage to be channeled for Waqf purposes. Disclosure of the Waqf

arrangement including the name of the Waqf recipient forms part of the policies and processes to promote transparency of investors’ investments and the Waqf distribution. The distribution for Waqf purposes may only be channeled to a state Islamic religious council or any institution authorized by the council to act as the Waqf administrator or collection agent for Waqf purposes.

On multiple fronts, the government and regulators continue to work closely with the private sector and its agencies to catalyze a higher, more sustainable pathway in growing the economy. Product innovation via a Waqf-featured fund framework allows the integration of commercial with social objectives and enables investments for the greater good of society. These initiatives will go a long way to springboard Malaysia’s milestones in fulfilling its SDG agenda. ☺

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## A market maker for Shariah compliant debt securities in Pakistan



PAKISTAN

By Muhammad Shoaib Ibrahim

**The Pakistan Stock Exchange (PSX) recently welcomed Meezan Bank as a market maker on the PSX for Shariah compliant debt securities. Market makers perform the crucial role of providing liquidity and depth to the market by facilitating investors to buy and sell securities through continuously quoting two-way prices, ie bid and offer prices.**

Meezan Bank is the largest Islamic bank listed on the PSX and the first Islamic bank to be designated as a market maker on the PSX which shows its commitment to the development of the capital market of Pakistan. The bank has a strong presence with a network of over 800 branches in 240 cities in Pakistan.

In Pakistan, the Islamic equity and debt market is gradually developing. However, the pace of growth is not up to the mark, particularly in private Shariah compliant debt securities. Meezan Bank aims to support the development of the capital markets which is critical for

the future growth and success of the economy in general and for Islamic finance in particular.

The capital market regulator, the Securities and Exchange Commission of Pakistan (SECP), is playing its vital role in the development of the Islamic equity and debt market and has initiated a number of measures on the regulatory front for the effective regulation of Islamic financial services.

The Islamic Finance Department of the SECP is mandated to embed Islamic finance in the corporate sector and capital market for the development of vibrant primary and secondary markets for Islamic financial products and services as well as to facilitate the development of Islamic finance through an enabling legal, regulatory and compliance framework.

The government of Pakistan is continuously raising funds from the domestic Sukuk market, Islamic banks and other Islamic financial institutions. Higher issuance activity can be attributed to the growing demand for Shariah

compliant financial services and the government’s efforts to promote Islamic finance.

2020 was a good year for Islamic banking with regular Sukuk issuance. The government also boosted domestic Islamic debt issues to finance a budget deficit. From Islamic banking, the government was able to get lower rates compared to conventional government bonds.

Islamic finance is an evolving system worldwide. A number of financial instruments are available in the market now while work is still ongoing for new products and solutions as per the needs of customers. Exceptional progress is seen in the Islamic finance industry, which has been exhibiting a good annual growth rate in recent years. The future of the Islamic debt securities market is very bright and the issuance of a good number of Sukuk and other Shariah compliant certificates of investment can be expected in the current year. ☺

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