

MEDIA RELEASE

Kuala Lumpur, 27 July 2017

Malaysia's First Green Sukuk under SC's Sustainable Responsible Investment Sukuk Framework

Securities Commission Malaysia (SC) today announced the issuance of Malaysia's first green sukuk – an innovative channel to address global funding gaps in green financing - under its Sustainable & Responsible Investment (SRI) Sukuk framework.

Tan Sri Ranjit Ajit Singh, Chairman of SC said, "The launch of Malaysia's first green sukuk marks another significant milestone in product innovation that strengthens Malaysia's position as a leading Islamic finance marketplace as well as its value proposition as a centre for sustainable finance."

"We believe that there is a significant opportunity arising from strong global interest in green financing where innovative fundraising instruments like green and SRI sukuk is a viable solution to address global needs for green and other forms of sustainable and responsible financing," added Ranjit.

To complement SRI Sukuk framework and promote greater utilisation of green sukuk as a fundraising channel, several incentives are in place to attract green issuers including:

- Tax deduction until year of assessment (YA) 2020 on issuance costs of SRI sukuk approved or authorised by or lodged with the SC;
- Tax incentives for green technology activities in energy, transportation, building, waste management and supporting services activities [www.mida.gov.my and www.greendirectory.my]; and
- Financing incentives under the Green Technology Financing Scheme (GTFS) with total funds allocation of RM5 billion until 2022 [www.gtfs.my].

To be eligible for tax deductions under SRI Sukuk incentives, issuers utilising the SRI sukuk framework towards green projects must ensure that proceeds raised are used to fund eligible SRI projects in the natural resources, renewable energy and/or energy efficiency sectors. In accordance with international practices, issuers are also encouraged to appoint independent expert/s to undertake an assessment on the eligibility of the project prior to issuance of the green sukuk.

The framework underlying this first green sukuk is the result of collaboration between SC, Bank Negara Malaysia and the World Bank Group, in an effort to develop an ecosystem to facilitate the growth of green sukuk and to introduce

innovative financial instruments to tackle global infrastructure needs and green financing.

“With the successful development of the framework for the first green sukuk, Malaysia is playing a pioneering role in harnessing capital markets, and in particular Islamic finance, for climate friendly investments,” said Faris Hadad-Zervos, World Bank Representative to Malaysia. “This is a crucial step in financing the country’s infrastructure investments and the World Bank Group is pleased to be a close partner with Malaysia in developing this innovative approach to climate finance. We congratulate Malaysia on this historic achievement.”

Malaysia’s Islamic finance marketplace is open to the world to collaborate with and mutually benefit from a highly conducive business environment of innovation, expertise and deal flow. Financial institutions and business communities are encouraged to capitalise on Malaysia’s Islamic finance ecosystem to further contribute towards a sustainable and more inclusive economy.

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SECURITIES COMMISSION MALAYSIA MALAYSIA’S ISLAMIC FINANCE MARKETPLACE

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ABOUT SECURITIES COMMISSION MALAYSIA

Securities Commission Malaysia (SC), a statutory body reporting to the Minister of Finance, was established under the Securities Commission Act 1993. It is the sole regulatory agency for the regulation and development of capital markets. SC has direct responsibility for supervising and monitoring the activities of market institutions, including the exchanges and clearing houses, and regulating all persons licensed under the Capital Markets and Services Act 2007. More information about SC is available on its website at www.sc.com.my. Follow SC on twitter at @SecComMy for more updates.

ABOUT MALAYSIA'S ISLAMIC FINANCE MARKETPLACE

Since its introduction more than 30 years ago, Islamic finance in Malaysia has developed into a comprehensive and sophisticated Islamic finance marketplace. The marketplace is characterised by a robust regulatory, supervisory, Shariah and legal framework, a deep primary market and active secondary sukuk market, diverse players and talent base with global capabilities and connectivity for business deals anywhere in the world, product innovation, breadth and depth and an efficient system for multi-currency clearing and settlement. Malaysia's Islamic finance marketplace is open to global industry players and market participants to collaborate with and mutually benefit from a highly conducive business environment of innovation, expertise and deal flow. Our marketplace is a comprehensive Islamic finance ecosystem and business environment of infrastructure, innovation, expertise and deal flow, served by the Malaysia International Islamic Financial Centre (MIFC) Community, comprising the financial institutions, professional firms, regulators and government agencies.

For more information on Malaysia's Islamic finance marketplace, please visit www.mifc.com, follow us @MalaysiaIF (twitter), Malaysia World’s Islamic Finance Marketplace (linkedin) and download MYIF app at Apple Store and Google Play.

NOTE TO EDITORS

Incentives for Green Initiatives

Tax deduction until year of assessment (YA) 2020 on issuance costs of Sustainable and Responsible Investment (SRI) sukuk approved or authorised by or lodged with the Securities Commission Malaysia as announced by the Prime Minister in the 2016 Budget Speech.

- *(Please visit www.sc.com.my/special-incentives-islamic-capital-market and also refer to "Guidelines on Sukuk" (revised on August 28, 2014) - SRI Sukuk Guidelines in Part D, Chapter 21*
https://www.sc.com.my/wpcontent/uploads/eng/html/resources/guidelines/bondmkt/sukukGuidelines_140828.pdf

- A. Tax incentives for green technology activities in energy, transportation, building, waste management and supporting services activities:
- I. Investment tax allowance (ITA) of 100% of qualifying capital expenditure of a green technology project from YA 2013 until YA 2020 (offset against 70% of statutory income); and
 - II. Income tax exemption (ITE) of 100% of statutory income from YA 2013 until YA 2020 from green technology services.
 - *(Please visit www.mida.gov.my for green technology incentives guidelines).*
 - III. ITA of 100% of qualifying capital expenditure of a green technology asset from YA 2013 until YA 2020 (offset against 70% of statutory income)
 - *(Please visit www.greendirectory.my for MyHijau assets certified by the Malaysia Green Technology Corporation and approved by the Ministry of Finance)*
- B. Financing incentives under the Green Technology Financing Scheme (GTFS) with total funds allocation of RM5 billion until 2022. Details as per Appendix I.
- I. 60% Government guarantee on financing cost; and
 - II. 2% rebate on financing rate.
 - *(Please visit www.gtfs.my for financing offer and eligibility)*