



**Keynote Address**  
**Dato' Mohammad Faiz Azmi**  
**Chairman, Securities Commission Malaysia**  
**Bonds and Sukuk Trustees Forum 2024**  
**1 August 2024**

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**Key Highlights:**

In his keynote address, SC Chairman, Dato' Mohammad Faiz Azmi stressed the critical role trustees play in upholding integrity, enforcing trust deed terms, and embracing digital transformation. They also play a vital role in SRI by ensuring funds are used for ethical and sustainable projects.

Here are highlights from his keynote address:

1. Corporate bonds and sukuk financing is expected to reach RM120 billion to RM130 billion, driven by private refinancing initiatives, infrastructure financing needs, and financial institutions' capital augmentation plans.
2. To reach net zero by 2050, annual clean energy investment of around US\$4 trillion is needed by 2030. Malaysia alone needs RM1.2 trillion to RM1.3 trillion by 2050.
3. Since the launch of the SC's SRI Sukuk Framework, total outstanding SRI issuances have approached RM27.3 billion.
4. Malaysia only accounts for 25% of the US\$49.1 billion total issuance of ASEAN Green, Social and Sustainability bonds and sukuk.
5. Bond trustees should prioritise ethical standards and societal impact.
6. Technologies like blockchain, AI, and big data analytics, are enhancing efficiency, transparency, and accessibility in the bond and sukuk markets.
7. The role of the Association of Trust Companies, Malaysia, is crucial in advancing Malaysia's trust industry, advocating for members' interests and fostering a favourable regulatory environment.

## **Full Speech:**

Assalamualaikum warahmatullahi wabarakatuh, and a very good morning.

1. On behalf of the SC, I warmly welcome everyone to today's session.
2. I would also like to express my gratitude to the Association of Trust Companies, Malaysia (Persatuan Syarikat Amanah Malaysia) for co-organising the Bond and Sukuk Trustee Forum 2024 with the SC for the third time.

Ladies and gentlemen,

3. Under the theme of "Sustainability and Digital Integration", we are charting a course towards a future that prioritises both sustainability and technological advancement. This dual focus is essential in our rapidly evolving world.
4. The Malaysian Bond and Sukuk market is growing, with over RM2.057 trillion outstanding as of June 2024, of which corporate bonds and sukuk accounted for 48% of the total.
5. In 2024, corporate bonds and sukuk financing is expected to reach RM120 billion to RM130 billion, driven by private refinancing initiatives, infrastructure financing needs, and financial institutions' capital augmentation plans.
6. I don't think we've had the full impact of just transition yet. As we go into RE and clean energy, I would expect they would be coming more to the bonds and sukuk market for that.
7. To give you an idea, the Asian Development Bank (ADB) estimates that developing countries in Asia will need to invest US\$1.7 trillion annually over the next 20 years<sup>1</sup> to sustain growth momentum, tackle poverty, and respond to climate change.
8. This is a key point for you to understand. This market is going to get much bigger.

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<sup>1</sup> Meeting Asia's Infrastructure Needs (2016-2030) by ADB.

## ***Sustainable and Responsible Investment (SRI)***

Ladies and gentlemen,

9. Global warming has increased the average global surface temperature by at least 1.17°C since 1980<sup>2</sup>, largely due to human activities.
10. We would like to think this is an act of god, but actually it is an act of man.
11. Despite pledges, carbon emissions from energy and industry have risen by 60% since 1992<sup>3</sup> and only 4% of the 2,000 largest listed companies that met the UN guidelines for a quality pledge<sup>4</sup>.
12. To reach net zero by 2050, we need an annual clean energy investment of around US\$4 trillion by 2030<sup>5</sup>. Malaysia alone needs RM1.2 to RM1.3 trillion by 2050 to fund energy transition, and I think a lot of that will come from the capital market.
13. However, that is not enough. That is just energy transition. What about climate adaptation? What about the need for sea walls or better irrigation? That is not factored in this amount. This will cost more, and you can't expect the government to be bearing this and we need to figure out how the capital market can play its role to.
14. By embedding Sustainable and Responsible Investment (SRI) principles into our financial practices, we hope to align growth with societal and environmental well-being, driving capital towards projects that generate long-term value.
15. Trustees play a crucial role in SRI by ensuring funds are used for ethical and sustainable projects, adding accountability and trust for investors.

## ***Promoting Sustainable Investment through the Malaysian Capital Market***

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<sup>2</sup> Nasa Earth Observatory in Dec 2023.

<sup>3</sup> Sourced from Net Zero by 2050 A Roadmap for the Global Energy Sector (International Energy Agency).

<sup>4</sup> Sourced from Reuters (Just 4% of top companies meet UN climate target guidelines, study says), London dated Nov 7, 2023

<sup>5</sup> International Energy Agency, Net Zero by 2050, a roadmap for the global energy sector (Oct 2021).

16. Since the introduction of the 5i-Strategy<sup>6</sup> in 2014, the SC has introduced several initiatives to develop a facilitative SRI ecosystem in Malaysia. This includes the SRI Sukuk Framework in 2014, Guidelines on SRI Funds in 2017, and Waqf-Featured Fund Framework in 2020.
17. Since the launch of the SC's SRI Sukuk Framework, total outstanding issuances have reached RM27.3 billion.
18. Within ASEAN, Thailand is the biggest issuer. Malaysia only accounts for 25% of the US\$49.1 billion total issuance of ASEAN Green, Social and Sustainability bonds and sukuk<sup>7</sup>.
19. As a country, we have to recognise that we're at that point where we are not developing enough or are we developing enough? We are somewhere in between where nobody looks at us. So we have to be masters of our own destiny.
20. The other thing you need to know is that in October 2023 the SC introduced the principles-based Maqasid Al-Shariah Guidance for the Islamic Capital Market (ICM).
21. So what is Maqasid Al-Shariah? Maqasid is supposed to look at the true intent of Islam beyond the ritual and the rules. Many of the concepts coming out of this, which is ethical based is very common in all religions.
22. In the context of "green", principle 3 talks about inter-generational equity. Are we consuming our kids portion of the world? Your obligation is to actually look after the planet and not abuse it.
23. This is something that you need to be aware of. When the SC talks about Maqasid it is in the context of the capital market. But the principles are universal.

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<sup>6</sup> 5i-Strategy encompasses (i) Widening the range of SRI Instruments; (ii) Increasing SRI Investor base; (iii) Building a strong Issuer base; (iv) Instilling strong Internal Governance Culture; and (v) Designing Information Architecture in the SRI ecosystem.

<sup>7</sup> ACMF Sustainability Finance as of June 2024.

24. This Guidance outlines six aspirations—Humanity, Justice and Benevolence, Clarity and Transparency, Flexibility and Innovation, Fiduciary and Accountability, and Accessibility and Inclusivity—providing principles that complement existing Shariah requirements.
25. Therefore as Bond trustees, you should prioritise ethical standards and societal impact.

### ***Digital Integration***

26. In our rapidly evolving world, digital transformation is reshaping traditional capital market practices. Technologies like blockchain, AI, and big data analytics, are enhancing efficiency, transparency, and accessibility in the bond and sukuk markets.
27. These innovations streamline processes, reduce costs, and increase security, attracting more investors and boosting confidence with real-time data access.

### ***Promoting Digital Integration within the Malaysian Capital Market***

28. The SC is committed to driving fintech development through initiatives like the SCxSC engagement programmes<sup>8</sup> and DIGID, a fund established in partnership with the Capital Market Development Fund (CMDf) to encourage startups.
29. In 2023, 15 applicants across the capital market<sup>9</sup>, were awarded grants to adopt technologies that enhance growth, efficiency, customer delivery, and regulatory compliance in key capital market areas.
30. We encourage more applicants, including trustees, to facilitate the adoption of innovations in the capital market. What if we tokenise sukuk? What if we encourage a sandbox at the SC for people to come, be licensed and try something different?
31. Those are some of the things we are currently thinking about the next steps in fintech. We think Malaysia is quite innovative and we wish to tap on. The SC is doing its bit to incubate some of these ideas.

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<sup>8</sup> SCxSC programmes include Innopolicy Roundtables, Pitch and Match sessions, and the SCxSC Fintech Summit

<sup>9</sup> Applicants include Licensed Bond Pricing Agency, RMOs, Licensed Financial Planners, Licensed Financial Advisers, Licensed Fund Managers

### ***Collaborative journey between the SC and ATCM***

32. The role of the Association of Trust Companies, Malaysia, is therefore crucial in advancing Malaysia's trust industry, advocating for members' interests and fostering a favourable regulatory environment.
33. ATCM serves as a platform for knowledge sharing and collaboration among its members, which in turn raises the bar on professional standards and increases Malaysia's appeal to global investors.
34. We have also invited Shook Lin & Bok, to share insights on sustainability and SRI taxonomy, alongside a roundtable discussion on sustainability and ESG integration within bond trusteeship.
35. We encourage trustees to share their experiences to better develop the Malaysian bonds and sukuk market.

### ***Responsibility of Trustee and Conclusion***

Ladies and gentlemen,

36. In closing, let me emphasise again that the trustees' role in upholding integrity, enforcing trust deed terms, and embracing digital transformation is pivotal. Integrating sustainability and ESG principles into your practices enhances market credibility and ensures a resilient future.
37. In conclusion, on our side, the SC will do our level best to try and make sure the market is fit for everyone, the intermediaries, trustees and investors. We hope the sessions we created this year will be of interest to you, because it certainly is of interest to us.
38. With that ladies and gentleman, thank you very much and hope you have a good and engaging session.