



## **Opening Remarks**

**Dato' Seri Dr. Awang Adek Hussin**

**Chairman, Securities Commission Malaysia**

**Securities Commission Malaysia -World Bank Conference 2023**

**"Social Impact Investment and Islamic Finance:  
Catalysing Positive Change through Financial Innovation"**

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### **Key Highlights:**

At the 2023 Securities Commission Malaysia (SC)-World Bank Conference, Deputy Finance Minister I, YB Datuk Seri Ahmad Maslan officiated the launch of the SC's principle-based *Maqasid Al-Shariah Guidance Islamic Capital Market Malaysia* (Guidance).

Dato' Seri Dr. Awang Adek Hussin, Chairman of the SC, believes that it is imperative to dive deeper into Islam's wider objectives to further shape the Islamic and stakeholder economy through the Guidance. "The Guidance aims to further enhance our ecosystem's authenticity based on the true spirit of Islamic finance. Further, the Guidance solidifies ICM's full potential to bring real impact to society and the economy," he said.

Here are highlights from his Opening Remarks:

1. Over the past five years, the Islamic capital market (ICM) has grown steadily with an annual growth rate of 4.2%, reaching RM 2.3 trillion by end of 2022.
2. In line with the Economy MADANI Framework, Islamic finance will be used to develop more diverse forms of capital for a fairer economic system.
3. With the strong ICM foundation in place, it is timely to step up implementation of core Shariah principles in the ICM ecosystem.

4. The Guidance will help stimulate the development of products and services that meet socio-economic goals.
5. Five Islamic financial institutions in Malaysia have committed to adopt the Guidance in their Shariah Pronouncements, with respect to various types of ICM products and services.
6. The SC's aim is for the Guidance to be embraced and applied by all ICM industry players in Malaysia.

### **Full Speech:**

Yang Berhormat Datuk Seri Ahmad Maslan, Deputy Minister of Finance I,  
Dr. Ndiame Diop, World Bank Country Director for Brunei, Malaysia, Philippines and  
Thailand, East Asia and Pacific,  
Mr. Yasuhiko Matsuda, Country Manager for Malaysia, World Bank,  
SC Shariah Advisory Council members,  
Distinguished speakers,  
Honourable guests,  
Ladies and gentlemen,

Assalamualaikum and a very good morning.

### **Introduction**

1. Welcome to the Securities Commission Malaysia (SC) – World Bank Conference 2023. Firstly, I would like to thank our collaborative partner, the World Bank, for making today's event possible after a 3-year hiatus due to the COVID-19 pandemic.
2. Our deepest appreciation goes to *Yang Berhormat Datuk Seri Ahmad Maslan*, Malaysia's Deputy Minister of Finance I, for gracing us with his presence to deliver his keynote address and to officiate the launch of the SC's *Maqasid al-Shariah* Guidance today.
3. *Terima kasih Yang Berhormat, kerana hadir dan sudi meluangkan masa.*

4. As Malaysia enters the post-pandemic phase, the outlook for Islamic capital market (ICM) remains promising. Over the past five years, ICM has grown steadily with an annual growth rate of 4.2%, reaching a total value of RM 2.3 trillion by end of 2022<sup>1</sup>.
5. While aiming towards sustainability, ICM also promotes social and financial inclusion. But that is not all. In line with the Economy MADANI framework, Islamic finance will be used to develop more diverse forms of capital for a fairer economic system.
6. This ecosystem complements the Capital Market Masterplan 3 (CMP3) which seeks to make the capital market more relevant to Malaysia's economic development.
7. The foundations for Malaysia's sustainable journey already started many years back. This includes the initial development of ICM in the 90s, as the Shariah Principles underlying ICM instruments have significant commonalities with those of Sustainable and Responsible Investment (SRI). For example, screening is required in Islamic investing practices to promote the pursuit of positive social outcomes alongside commercial returns.
8. In this context, the SC has adopted a two-tier qualitative and quantitative screening approach. The approach, applies the business activity and financial ratio benchmarks, to determine the Shariah status of the listed securities. To align with international best practices, we were also among the first in this space to issue an official Shariah-compliant list back in 1997. Today, this list comprises 808 Shariah-compliant securities out of Malaysia's total 988 listed companies.
9. Thought leadership and discussion platforms such as the SC - Oxford Centre for Islamic Studies (OCIS) Roundtables, SC-World Bank Conferences, SC Waqf Roundtable and the SC-OCIS Scholar-in-Residence programme have been important pillars for the SC in advancing the global development of Islamic capital markets.
10. Ideation outcomes have resulted in many world's firsts in sukuk structures, including the world first SRI sukuk in 2015, the world first green sukuk in 2017, and the world first dollar-denominated Sustainability Sukuk in 2021. We have also led the way in issuing a Shariah

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<sup>1</sup> Growth rate based on 5-year CAGR from 2018 to 2022.

resolution on the permissibility of digital assets trading and made numerous efforts to facilitate *waqf* development through investment products.

11. In addition, we have also developed regulatory interventions such as the SRI Sukuk Framework, SRI-Linked Sukuk Framework and Waqf-Featured Fund Framework, with more in the pipeline.
12. I believe we have a strong foundation in place. Now is the time to step up on the implementation of core Shariah principles in the ICM ecosystem.
13. Indeed, we believe it is now imperative to go deeper into Islam's wider objectives to further promote the growth of the Islamic economy. This includes promoting ethical and sustainable practices, while ensuring that economic practices are truly in line with the Quran and Sunnah.

## **INTRODUCTION OF MAQASID AL-SHARIAH GUIDANCE ISLAMIC CAPITAL MARKET MALAYSIA**

Ladies and Gentlemen,

14. You may recall that I have spoken over the past one year about the issuance of the *Maqasid Al-Shariah Guidance Islamic Capital Market Malaysia* (Guidance), to meet the needs of investors looking for an even higher order of adherence.
15. Today, the SC is pleased to introduce the Guidance, as the latest addition to the SC's developmental agenda in shaping the stakeholder economy.
16. The principle-based document is not meant to replace the existing Shariah requirements. Rather, it complements the SC's existing rules and regulations. By doing so, it should stimulate further the development and refinement of products and services that meet socio-economic goals.
17. The Guidance aims to further enhance our ecosystem's authenticity based on the true spirit of Islamic finance. Further, the Guidance solidifies ICM's full potential to bring real impact to society and the economy.

18. A well-known Islamic economist once said that Islamic finance should not just consider the principles of production and transactions; rather, there should be a clear framework to achieve justice and fairness.
19. This is similar to the difference between the concepts of "*halal*" and "*tayyib*", where products should not only be permissible, meaning that it passes the screening process to eliminate negative elements, but also beneficial, sustainable, and good for society. In other words, instead of focusing on just Halal, we should embrace both Halal and Tayyib principles.
20. The development of the Guidance, spanning 18 months, involved in-depth analysis of modern and classical literature. We engaged with the SC's Shariah Advisory Council (SAC) members, domestic and international stakeholders, and benchmarked it against various international best practices.
21. Essentially, *Maqasid al-Shariah* refers to the objectives or intents of Shariah for adopting the ideal, meaningful, and purposeful way of life.
22. The typical *Maqasid al-Shariah* discussion revolves around the five necessities, which are preservation of religion, life, lineage, intellect, and wealth. However, because these necessities are broad and philosophical, it could lead to inconsistencies in interpretation.
23. To address the complexity of implementing the five (5) ICM necessities, the SC adopted the approach of renowned Islamic scholar, Ibn Ashur, which introduced specific *maqasid* to achieve the 5 broad objectives.
24. Therefore, the specific objectives for ICM in the Guidance is designed in accordance with six (6) overarching aspirations that fits within the context of the ICM.
25. The six aspirations are:
  - a. Aspiration 1: Humanity
  - b. Aspiration 2: Justice and Benevolence
  - c. Aspiration 3: Clarity and Transparency
  - d. Aspiration 4: Flexibility and Innovation

- e. Aspiration 5: Fiduciary and Accountability
- f. Aspiration 6: Accessibility and Inclusivity

- 26. Each of the six aspirations is supported by its own principles, with a total of fifteen principles that are governed thereunder. These aspirations and principles were identified after a thorough review and reference to the various resources of both classical and contemporary Shariah scholars.
- 27. An illustration of the 1<sup>st</sup> aspiration, "Humanity" echoes the theme of today's conference. The principles developed under "Humanity" provide the fulfilment of basic needs, promotion of social harmony, and ensuring a sustainable future for subsequent generations.
- 28. Principle 1, under the 1<sup>st</sup> aspiration, emphasises the attainment of basic needs and the creation of resources to address these needs. It prioritises the well-being and fulfilment of society as a whole. This is in line with the goals of the MADANI Economy Framework, which seeks to empower the people and create a strong economy that benefits all Malaysians.
- 29. In addition, Principle 2 aims to bring about a positive impact for social culture. For example, food products that are low in nutritional value, or junk food in some cases, may be "*halal*" but they are not "*tayyib*". Consequently, industry players should bear this in mind when allocating their funds and seek out manufacturers of high-quality food products that promote health and vitality. It is a judgement call and requires an even more careful analysis of companies.

## **UTILITY BY INDUSTRY**

Ladies and Gentlemen,

- 30. We are delighted today to share that we have engaged with five (5) Islamic financial institutions in Malaysia, namely Bank Islam Bank Berhad, CIMB Islamic Bank Berhad, HSBC Amanah Malaysia Berhad, Maybank Islamic Berhad, and Standard Chartered Saadiq Berhad. The 5 Islamic institutions have committed to adopt the Guidance in their Shariah Pronouncements with respect to various types of ICM products and services.
- 31. This is a significant step forward, and our aim is for the Guidance to be embraced and applied by all ICM industry players in Malaysia.

32. As Malaysia is widely recognised as a global thought leader in ICM, we envision the Guidance to serve as a valuable reference document for industry players locally and abroad.
33. On that note, I would like to thank again, *Yang Berhormat Datuk Seri Ahmad Maslan*, our collaborative partner, the World Bank, the speakers, and guests for being here today. Thank you, and I wish you all a productive session ahead.

**END**