



KEYNOTE ADDRESS
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**'From Principles to Practice: Creating Positive Impact through
Maqasid al-Shariah in Finance'**

Distinguished guests

Ladies and gentlemen.

Assalamualaikum wrth and good morning.

1. It gives me great pleasure to be here this morning to share a Malaysian perspective at today's event. First, please allow me to thank IFN and its forum sponsors and partners for inviting me to say a few words. I also wish to commend their continued commitment in gathering different stakeholder groups to discuss areas that could shape the future of the Islamic finance industry. I have long been a supporter of IFN and their

work around the world and the opportunities they have provided practitioners like me, to learn from one another.

2. It is also a great honour to stand before you today in this historic Mansion House, a site renowned for its longstanding role in promoting commerce and finance. As we convene in this prestigious premises, we also celebrate the diverse perspectives and faiths represented here.
3. Today, I would like to share about a fairly recent development, the use of Maqasid al-Shariah in Malaysia. Maqasid al-Shariah, or the higher objectives of Islamic law is an Islamic concept which is far from being just abstract ideals, it is rooted in the preservation of religion, life, lineage, intellect, and wealth. They also form in our view, the foundation of a just, equitable, and sustainable financial system.
4. Let me share some context. Malaysia has been promoting Islamic Finance since we first set up the Pilgrims Fund in 1962. The key driver of change was to provide an Islamic option or alternative for the 67% of the country who are Muslims., for them to be able to be included in the financial system and economy of the country. Currently we have about MYR4 trillion ringgit or about 700 billion pounds worth of equity and bonds. The Shariah-compliant portion is about 63% or MYR2.5 trillion. So, we have been able to achieve critical mass. And together with the work of the Central Bank, we have already achieved parity in terms of services and products needed by Muslims in Malaysia to conduct their financial affairs be it in loan financing, insurance or wealth management.

5. However, there are critics. Even though we sorted out many of the issues, being Shariah, Taxation, Accounting and Regulation related, or STAR for short. STAR was to ensure that the environment was supportive of new Islamic Finance products and services and could work operationally. We also made sure that these products and services were signed off by the Islamic scholars and that they self-regulated themselves and had adequate support from shariah officers. Despite this, there were a minority of Muslims who questioned the substance of what was done. They also asked what the position of Shariah's stand was in terms of the Climate Emergency and the future generations of mankind. In search of an answer, we realised there was another body of work within Shariah law that looked at the principles on which Shariah Law was based on. This was Maqasid al-Shariah, which does answer some of the wider questions.

Maqasid al-Shariah and Islamic Capital Market

Ladies and gentlemen,

6. The Securities Commission Malaysia (SC) introduced the principles-based Maqasid Al-Shariah Guidance for the Malaysian Islamic Capital Market (ICM) in October 2023.
7. The Guidance outlines six key aspirations First about the need for Humanity, Justice and Benevolence, Clarity and Transparency, Flexibility and Innovation, Fiduciary and Accountability, finally Accessibility and Inclusivity.

8. These aspirations are then accompanied by 15 principles that complement existing Shariah requirements. These aspirations and principles look at the true intent of Islam, beyond the ritual and the rules. The substance if you like. Many of the concepts coming out of this, which are ethical-based, I believe are common to all faiths.
9. To illustrate how these principles can be used, Principle 3 of the SC's Maqasid al-Shariah Guidance talks about inter-generational equity and the preservation of the environment. Are we consuming too much from our children's portion of the world resources? It reminds us of our responsibilities as custodians of the planet.
10. The SC's Maqasid al-Shariah Guidance does not intend to replace the existing Shariah requirements but rather to complement them, providing a principles-based approach that enhances Islamic Finance's relevance to societal problems.

Putting Principles to Practice

11. So, how are we rolling out these aspirations and principles? First, we are embedding Maqasid in all that we do. SC has a twin mandate of ensuring a "fair and orderly" market through enforcement as well as developing our capital market. We will be using Maqasid in both the conventional and Islamic markets. The aspiration's and principles of Maqasid al-Shariah should shape not only the regulatory environment, but provide a strategic direction particularly for the Islamic finance sector.

12. As an example, we are about to release our National Sustainability Reporting Framework in Malaysia, to underpin IFRS S1 and S2 and we are explaining not just the what but also the why, the science behind Climate Change and also the ethical expectations on business as exemplified by Principle 3 of the Maqasid.
13. Next, we are working closely with the industry to help internalise the Aspirations and Principles of the Maqasid al-Shariah Guidance in the product shariah pronouncements. I am pleased to share that five institutions, both local and foreign banks - Maybank Islamic Berhad, CIMB Islamic Berhad, Bank Islam Malaysia Berhad, Standard Chartered Saadiq Berhad, and HSBC Amanah Berhad - have agreed to be with us on this journey. To date, the SC has also received several product submissions from the broad industry expressing similar intent for sukuk, structured products and mutual funds. This reflects a growing interest within the industry to adopt the Maqasid al-Shariah Guidance, not just as a developmental intervention, but also as a response to market and investor demands and needs.
14. Finally, we also try to embed Maqasid aspirations and principles into the SC own developmental role. For example, under Aspiration 1: Humanity, financial institutions can develop products that focus on fulfilling basic human needs. This includes creating financing options for affordable housing, healthcare, or education, ensuring that these basic needs are met within the community. We have recently rolled out our 5-year MSME Roadmap to encourage more SME companies to use the capital markets for their financing needs in order to better meet their customer human needs.

15. Another example under Aspiration 6: Accessibility and Inclusivity, focuses on broadening the circulation of wealth, maximising wealth distribution, and nurturing businesses within a supportive ecosystem. Financial institutions can develop inclusive financial products to provide better access to financing for underserved communities, while promoting social finance to help alleviate poverty and promote community development. At SC we have been working with local Zakat and Waqf players over a number of years to improve their effectiveness and will be launching a Social Exchange modelled on the Indian Social Exchange model, in 2025.

Maqasid al-Shariah and UK Islamic Finance

Ladies and gentlemen,

16. The applicability of the aspiration's and principles within Maqasid al-Shariah are not limited to Malaysia; they have universal applicability and can play a transformative role for the UK's Islamic finance sector. Currently, the UK Islamic financial sector has made commendable strides in aligning with these objectives, particularly in areas like ethical investing and community-based financial services.

17. In the realm of Islamic equities, based on the screening methodology prescribed by the London Stock Exchange Group (LSEG), we see that the UK bourse consists of 491 Shariah-compliant securities, accounting for 25% of the total securities in the market, with a market capitalisation of USD1.5 trillion as of first half 2024.

18. Furthermore, the UK has a growing sukuk market, with USD1.2 billion in outstanding sukuk and USD2.5 million in sukuk issuances in 2023, including USD700 million in ESG sukuk. The announcement by the Islamic Development Bank (IsDB), the International Capital Market Association (ICMA), and LSEG during COP28 in Dubai last year to develop a practitioners' guide on sukuk issuance, aligned with the Green Bond Principles and Sustainability Bond Guidelines, is a significant step forward.

19. We would be more than happy to engage and share our journey in these areas, on how we can manifest the Maqasid al-Shariah in the UK and contribute to the ongoing evolution of the global Islamic finance landscape.

Closing

Ladies and Gentlemen,

20. In conclusion, the aspirations and principles of Maqasid al-Shariah aim to provide a practical pathway to improve people's lives, contribute to social welfare, and create a more just and equitable financial system. It also helps to address some of the current criticism of Islamic Finance. We see this as complementing not replacing, existing rules.

21. I look forward to the various discussions today that will help shape the future of Islamic finance in the UK. I would also be more than happy to address some of the specifics of my speech. In the meantime, you

can download the Maqasid Al-Shariah guidance from the Securities Commission Malaysia website.

22. With that, I wish you a highly productive and fruitful day ahead.

Thank you.