



**Welcome Address
by Dato' Seri Dr. Awang Adek Hussin
Chairman, Securities Commission Malaysia
14th SC-OCIS Roundtable 2023
Theme: Investing Towards the Common Good: Impact, Stewardship,
and Ethical Considerations**

24 August 2023

Key Highlights:

In his welcome address, Dato' Seri Dr. Awang Adek Hussin, Chairman of the Securities Commission Malaysia (SC), emphasised the need for collective action to address global challenges that hinder social progress and sustainable development.

To this end, it is crucial to reflect and evaluate the industry's impact of various initiatives, strengthen the stewardship role to create meaningful impact, and enhance ethical considerations, to address issues from the Islamic finance perspective.

Here are highlights from his speech:

1. In July, the UN Secretary-General highlighted that the Sustainable Development Goals (SDG) funding gap for developing countries has risen from USD2.5 trillion to an estimated USD4.2 trillion annually.
2. Islamic finance is poised for further growth given its emphasis on socially beneficial and impactful outcomes.
3. SRI sukuk issuances under the SC's SRI Sukuk Framework in 2022 amounted to USD2.26 billion. Since 2014, SRI Sukuk issuances have reached USD4.1 billion.
4. In the domestic equity market, there has been increased interest in ESG incorporated Shariah stocks with the emergence of indices such as the FTSE4Good Bursa Malaysia Shariah Index and FTSE Bursa Malaysia Top 100 ESG Low Carbon Select Shariah Index.
5. To expand Islamic finance offerings, the SC is exploring the establishment of the Islamic Social Exchange to strengthen ESG programmes.
6. Assessing the impacts of initiatives are crucial to identify gaps and areas for improvement and to be more aligned with the objectives of Shariah.
7. The SC has taken on stewardship role to issue the Corporate Governance Strategic Priorities and update its Malaysian Code of Corporate Governance. Additionally the SC is planning to launch a principles-based Maqasid al-Shariah guidance before year-end.

Full Speech:

Ampun Tuanku

Bismillahirrahmanirrahim

Assalamu'alaikum warahmatullahi wabarakatuh and a very good morning.

Your Royal Highness Sultan Nazrin Muizzuddin Shah ibni Almarhum Sultan Azlan Muhibbuddin Shah Al-Maghfur-lah, Ruler of the state of Perak Darul Ridzuan, Malaysia, and Royal Patron for Malaysia's Islamic Finance Initiative,

Dr Farhan Nizami, Director, Oxford Centre for Islamic Studies,

Distinguished Participants,

Ladies and Gentlemen.

1. At the start, let me express our deepest gratitude to His Royal Highness Sultan Nazrin Muizzuddin Shah, for gracing today's Roundtable and for providing motivation as well as inspiration for our participation. The SC is deeply indebted to His Royal Highness' unwavering support for this SC-OCIS thought leadership platform, in particular, and his invaluable royal guidance over the years in the advancement of Islamic finance agenda in Malaysia and abroad.
2. I would also like to warmly welcome and thank all the speakers and esteemed guests who made time in their busy schedules to attend this Roundtable. It is truly an honour to host this year's session and I would like to acknowledge and thank the OCIS team, particularly Dr Farhan Nizami for making the long trip from London to be with us. Their continued support has been instrumental in sustaining this partnership.
3. Past Roundtable sessions over the years have successfully inspired collective action towards elevating key Islamic finance principles and structures in Malaysia. This includes the publication of the book on Waqf, the introduction of the Waqf-Featured Fund

Framework, issuances of the Sustainable and Responsible Investment (SRI) Sukuk Framework, Waqf-Featured Fund Framework, and SRI-linked Sukuk Framework and SRI Taxonomy. Other related initiatives included issuance of innovative structures such as Sukuk Ihsan in 2015. It is important that we continue to build upon these platforms to drive greater growth and innovation in Islamic finance.

Ladies and Gentlemen,

4. We are facing an extremely challenging decade. Climate change, Covid-19, and geopolitical conflicts threaten to derail social progress and sustainable development. In July, the UN Secretary-General highlighted that the Sustainable Development Goals (SDG) funding gap for developing countries has risen from USD2.5 trillion to an estimated USD4.2 trillion annually¹.
5. These global challenges emphasize the need for collective action. Nevertheless, it is crucial to take a step back to evaluate our impact, strengthen our stewardship and enhance the ethical considerations in our responses, to address issues from the Islamic finance perspective.
6. Therefore, our discussion theme of "INVESTING TOWARDS THE COMMON GOOD: IMPACT, STEWARDSHIP, AND ETHICAL CONSIDERATIONS" is apt and timely given the need for practical outcomes and impactful consequences.

Esteemed guests, ladies and gentlemen,

EMPHASIZING IMPACT AND OUTCOMES

7. As the demand for green and sustainable products increase, Islamic finance is poised for further growth given its emphasis on socially beneficial and impactful outcomes. Globally, sustainability-related Sukuk issuances has grown to USD5.3 billion in 2021².

¹ <https://news.un.org/en/story/2023/07/1138777>

² IFSB Islamic Financial Stability Report 2022, page 31.

8. Similarly, in Malaysia, the issuances of SRI Sukuk under the SC's SRI Sukuk Framework in 2022 alone was USD2.26 billion³. Cumulatively, since 2014, SRI Sukuk issuances have reached USD4.1 billion⁴.
9. In the domestic equity market, there has been increased interest in ESG incorporated Shariah stocks with the emergence of indices such as the FTSE4Good Bursa Malaysia Shariah Index and FTSE Bursa Malaysia Top 100 ESG Low Carbon Select Shariah Index⁵.
10. Additionally, there have been numerous efforts to harness Islamic finance for the ethical and social agenda. For instance, in 2017 we witnessed the IPO listing of Larkin Sentral, the world's first waqf share in Malaysia to support socio-economic causes⁶. Under the scheme, share subscribers will endow the dividend from the waqf shares to help small traders from the low-income and single-mother groups. In the alternative platforms, Equity Crowdfunding (ECF) and Peer-to-Peer funding (P2P) have raised close to USD1 billion, benefiting more than 7,000 micro and small businesses in Malaysia⁷. To expand the sphere of Islamic finance, we are also exploring the establishment of the Islamic Social Exchange to strengthen ESG programmes, especially to support the poor and the needy.
11. With such a wide and extensive list of Shariah financial products available today, ultimately, the focus **must shift towards assessing the impact and effectiveness** of these channels in realizing the goals of Islamic finance. Such goals include building a stakeholder economy that supports fairness and addresses issues, such as poverty and financial inclusion. By assessing the **impacts** of our initiatives, not only we can identify gaps and areas for improvement, but more importantly, we will be better aligned with the objectives of Maqasid al-Shariah.
12. And this brings us to the need to leverage on the **stewardship** role to create meaningful impact.

Ladies and Gentlemen,

³ SC Annual Report 2022, page 72

⁴ SC Annual Report 2022, page 72

⁵ The F4GBMS index is designed to track constituents in the F4GBM Index that are Shariah-compliant.

[FTSE4Good Bursa Malaysia \(F4GBM\) Index](#)

⁶ SC Annual Report 2022, page 58

ENHANCING THE STEWARDSHIP ROLE

13. In Islamic finance, the idea of stewardship comes from the concept of *Khalifah*. As stewards of Islamic finance, we all are responsible and accountable to oversee and ensure adherence to fairness, justice, accountability and transparency within the financial ecosystem. Therefore, asset owners and asset managers, for example, are expected to optimize returns and effectively allocate financial resources to promote equitable wealth-creation and distribution.
14. We know that the global commitment is to transition towards net zero. We know that greater social equality demands for greater action on the part of corporates, capital market intermediaries and regulators.
15. Towards this objective, the SC has taken on its **stewardship** role, to issue the Corporate Governance Strategic Priorities 2021 – 2023 (CG Strategic Priorities) to promote ESG fitness and leadership of boards in listed companies. It outlines 11 targeted initiatives, which includes promoting awareness, capacity building and engagement, targeting directors, investors and youths⁸.
16. Subsequently, the SC has updated its Malaysian Code of Corporate Governance (MCGG), to incorporate new best practices in listed companies when addressing ESG risks and opportunities⁹.
17. With that, we are happy to share that the SC is planning to launch a principles-based Maqasid al-Shariah guidance before year-end, to promote greater alignment of Islamic capital market initiatives to Shariah objectives.
18. These are just a few examples of stewardship in ensuring governance, while we navigate through risks. With a growing call to embrace impact investing as a more proactive and intentional approach to address pressing social and environmental challenges, **there is an equally growing need to enhance and leverage on the stewardship roles.** This is to create positive impact through Islamic finance. Stewardship is also

⁸ [SC Issues Corporate Governance Strategic Priorities 2021-2023 - Media Releases | Securities Commission Malaysia](#)

⁹ [SC Updates the Malaysian Code on Corporate Governance to Promote Board Leadership and Oversight of Sustainability - Media Releases | Securities Commission Malaysia](#)

instrumental in addressing risks such as greenwashing and ethical improprieties (for instance labour violations and human rights abuses).

19. And this can be achieved through rigorous due diligence, robust reporting, adherence to standards and guiding principles, and ongoing engagements and discourses as we do in our sessions today and tomorrow.

Honourable guests, Ladies and Gentlemen,

CONCLUSION

20. Before I conclude, I would like to share a few key insights from the SC's Impact Investment Roundtable Series held two years ago.

Amongst others;

- (i) A structured approach via platforms and alliances is important as there are multiple stakeholders in this ecosystem and visibility of efforts can add value to solutions and provide positive demonstration effects;
 - (ii) Clearer definitions on the scope and principles of impact investing would be useful towards building a culture of impact-focused finance;
 - (iii) Establishing a common language, through taxonomies or guidance, will make it easier to demonstrate success stories in their compliance with Islamic finance and SRI frameworks;
 - (iv) In order to support the demand and supply of capital in this space, more efforts must be introduced to grow players that can support innovation and capacity, towards a thriving ecosystem;
 - (v) A good product mix will be necessary to enable scalability and variety of capital;
 - (vi) The need to leverage on technology is also important as it can bridge supply-demand gaps and act as ecosystem enablers.
21. While we may not have all the solutions to the above at the moment, our commitment is to continue to drive progressive improvements.
 22. This Roundtable should therefore continue the conversations and catalyse innovation and transformation in bringing us closer to the truly positive impact we hope to create.

23. On that note, allow me to express my deepest appreciation once again to His Royal Highness, for gracing our event today. I would also like to thank everyone present and wish you all meaningful discussions these two days.

Thank you very much, Wassalamualaikum.

Ampun Tuanku.