



KEYNOTE ADDRESS
BY
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Distinguished speakers, ladies and gentlemen.

Assalamualaikum Warahmatullahi Wabarakatuh, and a very good morning.

1. Firstly, welcome to the Securities Commission Malaysia. It is good to see you all in person, face to face, compared to virtual events in the past. The month of September typically marks the start of the annual meeting of the United Nations General Assembly (UNGA). This year is no different, and coincidentally, it is also the first in-person General Assembly since the start of the pandemic.
2. The focus of the General Assembly this year is on "solutions through solidarity, sustainability and science". This is an acknowledgement that there are some extremely pressing challenges for humanity today.

3. According to the United Nations Intergovernmental Panel on Climate Change – the UN IPCC, global warming has already reached 1.1 degrees Celsius above pre-industrial levels, the warmest in 125,000 years¹.
4. The effects that had long been predicted are now occurring, such as shifting weather patterns, melting glaciers, rising sea levels, and devastating floods.
5. In light of this, the UN estimated² that climate change adaptation financing for developing countries alone will cost USD 127 billion per year by 2030, and higher by USD 295 billion per year by 2050.
6. To make matters worse, COVID-19 has set back efforts to achieve the UN Sustainable Development Goals or SDGs by 2030. Estimates³ suggest that the impact of COVID-19 on SDG financing needs in developing countries is expected to increase the funding gap by 70% post-pandemic.
7. This suggests sizeable amounts of funding are required for critical global challenges, coupled with existing and planned initiatives to reduce economic and social disparities.

Ladies and gentlemen,

8. I believe that **the Islamic capital market, or ICM, is well-suited to contribute towards addressing the funding gap for the SDGs, as well as climate and other sustainability issues.** This is due to its emphasis towards ensuring wider societal benefits, and promoting inclusiveness, which are core Shariah principles. ICM can, and must, be mobilised to scale up towards meeting global sustainable development needs and climate initiatives.

¹ The IPCC's Sixth Assessment report, published in 2021

² By United Nations Commission on Trade and Development (UNCTAD)

³ By OECD, in 2020.

9. To do so requires solidarity and shared purpose, among Islamic market practitioners and countries, to encourage greater Islamic finance innovation in tackling pressing global issues. In fact, this was one of the key discussion points at the SC's annual thought leadership roundtable with the United Kingdom's Oxford Centre of Islamic Studies, held earlier this month. It was attended by eminent Islamic finance scholars and practitioners.
10. In particular, they noted how **Maqasid al-Shariah**, or the objective of Shariah, is both manifested and embedded in sustainable practices. Initiatives by the SC such as the SRI Sukuk Framework, Waqf-Featured Fund Framework and the SRI-linked Sukuk Framework, which integrates Shariah and SRI, facilitate product innovation for issuers and investors and have gained market traction. It is developmental success such as this that **underscores the vast potential for Islamic Finance to serve the common good of society.**
11. Indeed, Malaysia's decades-long experience in Shariah products and services, highlights **three critical pre-requisites** for continued market and industry evolution. These are:
- i. A facilitative regulatory framework
 - ii. A supportive ecosystem, and
 - iii. Like-minded partners
12. **Firstly**, facilitative regulatory frameworks are required to promote the development of Islamic social, sustainability and green products. This will ensure an available pool of Islamic financial instruments that is ready to support the global 'call to action'.
13. In Malaysia's case, the presence of dedicated regulatory structures, particularly for Islamic SRI, has allowed Islamic instruments and investments to flourish. For example, the SRI Sukuk Framework and Guidelines on SRI Funds, which were introduced by the SC in 2014 and 2017 respectively, facilitated the development

of the SRI asset class. To further enhance diversity and innovation, the SRI Sukuk Framework was revised in 2019 to expand the list of eligible SRI projects.

14. Many of you may know that the first SRI Sukuk was issued in 2015, which funded the development of trust schools in Malaysia. This was then followed by the world's first green sukuk in 2017 to finance the construction of large-scale solar power plants. Altogether, there has been 21 SRI Sukuk issuers⁴ from 2015 to 2021, with close to USD 2 billion raised.
15. **Secondly**, a supportive market infrastructure, resources and ecosystem is required to ensure continued innovation. These are key pillars of the SC's SRI Roadmap for the Malaysian Capital Market, which outlines 20 recommendations to accelerate the sustainability agenda.
16. In addition, it is important to have well-defined taxonomies and market terminologies to minimise market uncertainties. **In line with the SRI Roadmap recommendations, we are currently developing an SRI Taxonomy for the Malaysian Capital Market.** By classifying what economic activities are considered as sustainable, the SRI Taxonomy will encourage capital allocation to sustainable initiatives. It will also shape transparency on climate risk management and transition financing, as well as broaden stakeholder engagements. Together with technical capacity building programmes, this will foster continued adoption of ESG and other sustainability goals.
17. **Last but not least**, the collective involvement of like-minded parties is essential to address multi-stakeholder issues and barriers to growth that may arise. In Malaysia, we have been blessed with supportive ministries and government agencies, as well as good working relationships with other regulatory authorities. We have also benefitted from the technical capabilities and dedication of a strong

⁴ The Bond and Sukuk Information Exchange (BIX) Malaysia

pool of Shariah advisors, experts and industry players. This has allowed Islamic finance to prosper domestically and gain strength regionally.

18. From a regional perspective, most Southeast Asian countries have pledged their commitment to work towards net zero carbon emissions. ASEAN governments have also signalled their desire to undertake sustainable development, encompassing measures across the economic, social, cultural, physical and environmental spectrum.
19. The ASEAN Capital Markets Forum (ACMF), of which the SC is a member, leads the development of sustainable finance within the region, as well as an ASEAN sustainable asset class. **The ACMF is also actively involved in developing the ASEAN Taxonomy for Sustainable Finance**, which seeks to identify sustainable economic activities and attract sustainable investments and funding to the region.
20. The ACMF is also instrumental in the introduction of a set of ASEAN Green, Social and Sustainability Bond Standards in 2017 and 2018. These standards are aligned to globally accepted principles and guidelines.
21. Since its introduction, this initiative has steadily gained traction. As of 19 August 2022, total issuances of labelled ASEAN Green, Social and Sustainability bonds and sukuk amounted to USD 27.2 billion, with Malaysia accounting for 20% of the total. This includes Malaysia's sovereign sustainability sukuk, which is aligned to the ASEAN Sustainability Bond Standards.

Ladies and gentlemen,

22. **ICM is certainly no stranger to social and sustainability causes.** In 2014, the International Finance Facility for Immunisation Company issued the world's first social impact sukuk. Proceeds were channelled to a commendable cause, which is, facilitating children's immunisation in the world's poorest countries. This

sukuk demonstrated Islamic finance's viability to address a major social issue. It also helped raise the profile of the Islamic capital market internationally.

23. As such, I urge market stakeholders here today to ensure that existing, as well as new, Islamic social and sustainable finance instruments, continue to be effective in channelling funding and investments.
24. In terms of Islamic social finance, Islamic funds with Waqf features are a potential emerging product class. In an effort to spur such innovative funds, the SC introduced the Waqf-Featured Fund Framework in 2020. This provides investors more opportunities to invest and contribute towards socially impactful activities.
25. Another promising product is sustainability-linked bonds, or SLB, and sustainability-linked sukuk, or SLS. SLB and SLS allow issuers to commit to and fulfil sustainable goals and targets. They are the fastest growing sustainability-themed instruments. Last year, issuance volume globally was USD 130.2 billion with 271 deals⁵.
26. The SC's recently launched SRI-linked Sukuk Framework dovetails nicely with growing interest in this segment. We anticipate that the SRI-linked Sukuk Framework will bring companies further along the sustainability journey, given its unique features that bind to the issuer's sustainability commitments. Greater traction for this SRI-linked sukuk will encourage more companies, particularly those in high-emitting industries, to transition to net zero.
27. Indeed, Islamic finance has come a long way in its journey to champion sustainable, inclusive and socially beneficial outcomes for communities and nations. As the momentum for sustainability intensifies globally, it must step up and showcase its effectiveness in meeting the SDGs.

⁵ Climate Bonds Initiative

28. Market stakeholders must ensure that the necessary foundations are in place to provide suitable Islamic solutions for pressing global challenges. This may require harnessing Islamic social finance instruments in the immediate term to support the sustainability agenda.

Ladies and gentlemen,

29. Before I end, I would like to repeat my call for solidarity and shared purpose among Islamic market practitioners. Innovation and collaboration are crucial to enhance the Islamic capital market's potential to meet social and sustainability goals. As guardians, or *khalifah*, of this planet, we must work together for the greater good of the industry, and ultimately, preserving the Earth.

30. On that note, I would like to express my appreciation to the organisers for inviting me to deliver the keynote address and wish you all a productive conference.

Thank you.