



Opening Address
Dato' Seri Dr. Awang Adek Hussin
Chairman, Securities Commission Malaysia
Global Forum on Islamic Economics and Finance (GFIEF)
The Development of Islamic Capital Market in Malaysia:
The Way Forward
29 May 2024

Key Highlights:

In his opening address, SC Chairman, Dato' Seri Dr. Awang Adek Hussin, urged key stakeholders to rise to the challenge in unlocking the true potential of Islamic finance by cultivating and promoting a comprehensive and sound Islamic ecosystem. He also reflected on the SC's Islamic capital market (ICM) journey over the past decades, and shared the SC's ICM strategies going forward.

Here are highlights from his opening address:

1. Globally, Islamic finance assets have skyrocketed over the past 60 years, reaching an estimated US\$4.5 trillion in 2022, and is projected to rise to US\$6.7 trillion by 2027.
2. Malaysia remains the global leader for sukuk in terms of issuance. In 2023 it accounted for 35% of global outstanding sukuk.
3. Today, there are 816 Shariah-compliant securities representing more than 80% of the total listed companies.
4. There are 58 Islamic asset management companies managing Islamic portfolio of RM236.6 billion.
5. SRI Shariah screening for public listed companies (PLCs) will be introduced in 2024 to support the national sustainability agenda and strengthen Malaysia as a regional SRI hub.
6. The SC is in the process of establishing a Social Exchange to address societal needs and promote inclusive economic development.

Full Speech:

H.E. Ibu Sri Mulyani Indrawati, Minister of Finance Indonesia
YBhg Datuk Abdul Rasheed Abdul Ghaffour, Governor BNM,
Excellencies,
Distinguished Guests,
Ladies, and Gentlemen,

Assalamualaikum and a very good morning,

1. It is an honour to be here to commence the second day of the Global Forum on Islamic Economics and Finance (GFIEF).
2. As we gather here today for this forum amidst global economic uncertainties and geopolitical shifts, we have an opportunity to learn from each other and figure out how to navigate challenges in order to shape a modern and resilient global Islamic economy.
3. Globally, Islamic finance assets have skyrocketed over the past 60 years, reaching an estimated US\$4.5 trillion in 2022¹, and is projected to rise to US\$6.7 trillion by 2027.²
4. This impressive growth should not lull us into complacency. Instead, the challenge is to strive to unlock the true potential of Islamic finance by cultivating and promoting a comprehensive and sound Islamic ecosystem. An ecosystem that promotes an inclusive and just society. One that meets the new demands of new and young investors. One that facilitates the growth of sustainable investments and the use of new technology. There should also be room for greater collaboration between regulatory bodies, financial institutions, investors, and policymakers, especially among the Muslim countries to unlock these new opportunities.

¹ ICD-LSEG Islamic Finance Development Report 2023.

² ICD-LSEG Islamic Finance Development Report 2023.

Malaysia's ICM

Ladies and gentlemen,

5. Malaysia has come a long way over the past few decades to expand the breadth and depth of the Islamic finance ecosystem in the country. Bank Negara Malaysia spearheaded the efforts in Islamic banking and takaful, while the Securities Commission Malaysia (SC) led the development of the Islamic Capital Market (ICM).
6. Indeed, the ICM has grown to be one of the key components of our economy, accounting for nearly 64% of Malaysia's capital market. It grew to reach RM2.4 trillion as at end 2023. Total sukuk outstanding exceeded RM1.2 trillion, Islamic fund assets under management surpassed RM226 billion and Shariah-compliant equities accounted for RM1.2 trillion.
7. Malaysia remains the global leader for sukuk in terms of issuance, and at the end of last year³, it accounted for 35% of global outstanding sukuk.
8. Another important part of the ecosystem is the dominant presence of Shariah-compliant securities on our Stock Exchange. The SC announced the first official list of Shariah compliant securities on 18 June 1997. This inaugural list comprised 371 companies, representing half the listed companies at the time. Today, there are 816 Shariah-compliant securities representing more than 80% of the total listed companies.⁴
9. In the area of asset management, there are now 58 Islamic asset management companies managing Islamic portfolio of RM236.6 billion, consisting of 19 locally incorporated foreign companies with a total AUM of RM63.8 billion (27%) and 39 local companies with a total AUM of RM172.8 billion (73%).
10. It is also important to recognise the role of digital technology in sustaining our economy and society. Malaysia has witnessed a proliferation of innovative fintech solutions that enhance financial inclusion, accessibility, and efficiency. Digital banking, digital

³ <https://www.bixmalaysia.com/learning-center/articles-tutorials/malaysia-bond-and-sukuk-quarterly-report-4q2023>

⁴ Public data as at Q1 2024

exchange, blockchain and artificial intelligence are revolutionising the financial landscape, offering new opportunities for Islamic finance to expand its reach and impact.

11. The SC introduced alternative financing platforms in 2015, when we launched the Guidelines on Recognized Markets, which led the way for Equity Crowdfunding (ECF) and Peer-to-Peer (P2P) financing to be launched. Last year, Shariah-compliant ECF and P2P financing accounted for 24% of overall ECF and P2P funds raised, compared to just 8% in 2022. The total funds raised through Shariah-compliant financing in both markets have increased by almost four-folds to RM524.8 million last year, from RM140.8 million in 2022.
12. Micro, Small and Medium Enterprises (MSMEs) also benefited from better access to financing through the introduction of Malaysia Co-Investment Fund (MyCIF). With aggregate disbursement by the Government of RM250 million since its inception in 2019, the amount has been recycled to a total of RM930 million, benefiting 54,695 ECF and P2P financing campaigns. More importantly, this has crowded in funds from private investors amounting to RM3.82 billion. With the announcement by our Prime Minister yesterday on co investment for Waqf development, with 0% financing rate on government funding on P2P platforms, it is expected to generate greater growth in the private market as well as development of Waqf assets.
13. Accessibility has always remained paramount for capital markets. The advent of robo advisory or Digital Investment Management (DIM) helped widen the access to high-quality investment advisory service. By 2023, the AUM of DIMs had grown 400 times since the introduction of the DIM Framework in 2017, reaching RM1.6 billion, with more than half of the clients comprising those living outside of Klang Valley and almost a third being women⁵.
14. To promote innovation and capacity building in the fintech space, the SC introduced FIKRA ACE in 2023 to help scale up, guide and connect potential start-ups with innovative Islamic fintech solutions. More than 20 start-ups globally from various

⁵ SC Annual Report 2023

fintech verticals have participated in the programme to date in 3 focus areas – wealth management, social finance and sustainability.

15. In the spirit of expanding the ecosystem, the SC has laid the groundwork for sustainable growth and development. The natural convergence of Islamic finance with the sustainability agenda formed the basis for several initiatives. One of these was the pioneering SRI Sukuk Framework, introduced in 2014 to facilitate the financing of sustainable and responsible investment, integrating Shariah and sustainability. In 2019, the SRI Roadmap was issued, and in 2022, the SRI-linked Sukuk Framework was introduced to facilitate the transition to net-zero.

Ladies and Gentlemen,

16. Innovation is driven by both supply and demand factors, and to facilitate innovation, we must ensure that robust Shariah governance is in place. When the SC Shariah Advisory Council (SAC) was formed in 1996, we introduced a two-tier Shariah governance framework – a national-level SAC and Shariah advisers at the level of intermediaries, where they must be registered with the SC. This was to ensure a harmonized understanding of Shariah rulings and empower the industry to develop ICM products. Now we have a total of 102 Shariah advisers (comprising 82 individuals and 20 corporations) in the country. The role they play has been immense.

ICM – They Way Forward

Ladies and Gentlemen,

17. In today's world, we believe we are all at the threshold of new opportunities and challenges. Returning to the core objectives of Islamic finance is key in pushing ICM to new frontiers. Shariah compliance may be necessary, but not sufficient condition to avoid harm done to the society. Junk food may well be Shariah compliant but harmful to consumers.
18. This is why the *Maqasid al-Shariah Guidance ICM* (Guidance) was introduced last November. The guidance is envisioned as the Shariah plus standards to avoid harm and to fortify its impact and positive contributions to society and humanity. This means

going from transactional-based contracts, to integrating the intent of the Maqasid, embodied through 6 aspirations and 15 principles of the Guidance. The 6 Aspirations are Humanity, Justice and Benevolence, Clarity and Transparency, Flexibility and Innovation, Fiduciary and Accountability, and Accessibility and Inclusivity.

19. The first Aspiration, "Humanity", for instance, underscores the importance of human well-being such as the provision of food security, affordable healthcare and quality education, which should be reflected in good financial practices. This aspiration also calls for financial innovations that are beneficial and address societal needs.
20. The SC is also putting in place concrete steps to support the national sustainability agenda and strengthen Malaysia as a regional SRI hub. SRI Shariah screening for public listed companies (PLCs) will be introduced later this year. It is hoped that these efforts will refresh the regulatory ecosystem for sustainability, facilitate a just transition, and enhance further the alignment between Shariah and sustainability.
21. All of these have laid the foundation for social finance. As announced by our Prime Minister yesterday, the SC is in the process of establishing a Social Exchange to address societal needs and promote inclusive economic development. This initiative provides a platform for social enterprises and non-profit organisations to raise funds at zero coupon and zero capital repayments for projects benefiting the under-privileged segment of the society, which in the process will foster a more inclusive and equitable financial ecosystem.
22. Towards this end, the SC will establish an Advisory Committee to speed up its implementation by the end of the year, with proper governance and assurance framework in place, to promote raising of funds, and more importantly, ensure funds raised in the Exchange, will be used properly for their intended purposes.
23. In Islamic finance, focusing on social finance tools will also open up avenues for enablers to leverage on Waqf and encourage the development of more Waqf-based financial instruments, through structures such as *Musyarakah* or equity-sharing, in line with Maqasid al-Shariah.

Ladies and Gentlemen,

24. I have briefly outlined the areas of expansion of Islamic finance ecosystem from the traditional equities and the Sukuk market, to fund management, robo advisory, digital investment services, as well as new avenues of fundraising through ECF and P2P platforms in the private market. All these are made possible by rapid developments in innovation in financial technology (Fintech) and increasing digitalisation of the financial system. Islamic finance should take full advantage of these new developments to expand the range of products and instruments to meet the new needs of investors. Likewise, Islamic finance should be at the forefront of sustainable investment and social finance, given the commonalities it shares with value-based investing.
25. Only through expansion of the Islamic finance ecosystem can we grow Islamic finance activities in our respective jurisdictions in a more meaningful way, and the total sum across jurisdictions and for the entire muslim world will be more impactful.
26. It is precisely for this reason that the SC recently signed a Memorandum of Understanding (MoU) with the Islamic Development Bank (IsDB) to pave the way for greater collaborations to promote Islamic finance globally, especially in the area of financial innovation. To quote the President of the IsDB at the MOU signing ceremony, we must work together to promote 'financial engineering' in Islamic finance, which is sorely needed, to create new products and investment opportunities to support its future growth.

Closing

27. Indeed, continuous improvement in keeping with time, is essential in every endeavour. As narrated in a hadith, the Prophet Muhammad (peace be upon him) said,
"When any of you perform a good deed, he should perfect it."
28. I trust our discussion these two days will bring us closer towards perfecting our Islamic financial system globally, in syaa Allah.

Thank you and Wassalam.