



IFN INVESTOR ASIA 2024
Keynote Address by Sharifatul Hanizah Said Ali
Executive Director, Islamic Capital Market
Securities Commission Malaysia
9.05am – 9.20am
26 September 2024
Speech Title:
“Building a Resilient and Innovative ICM for Global Impact”

Bismillahirrahmanirrahim

Esteemed guests,

Ladies and Gentlemen,

Assalamualaikum and good morning.

1. It is always a privilege to be part of and continuing the long-standing collaboration between the Securities Commission Malaysia (SC) and Islamic Finance News (IFN), in championing Islamic finance thought leadership efforts. Over the years, the industry has seen IFN become a staple enabler in driving deep and meaningful discussions around Islamic finance, all over the world.
2. On the capital continuum, investors, asset owners, asset managers continue to navigate and evolve. It is forums like this that propagates conversations and ideation on opportunities and potential.
3. This breadth of discussion reminds us how far the Islamic Capital Market (ICM) has come—from a niche offering to being a mainstream financial system, that encompasses multiple areas and impacts various facets of life and the real economy.
4. In this continually evolving landscape, whilst being a gatekeeper, the SC remains firmly committed to nurturing the ICM’s growth and shaping its future potential. We can do so, as it is our dual mandate to regulate and support the developmental agenda.

5. It is therefore crucial that we stay grounded in **resilience**, yet embrace **innovation**, and promote **collective action**. With that as an introduction, I will unpack these elements and share why they are important.

ICM landscape: from Niche to Mainstream

6. But first, let's take stock of where we stand. Islamic finance has truly become a mainstream force. A quick glance at Google Trends shows that searches for "Islamic finance"¹ peaked almost two decades ago and have since stabilized. Today, specific terms like "sukuk"², "halal investment"³ and "Islamic fintech"⁴ have been gaining traction, reflecting the growing awareness of Islamic finance's multifaceted nature and propositions.
7. This mirrors the global narrative. Islamic finance industry has grown into a USD 4 trillion industry (as at 2022) and is expected to hit USD 6.7 trillion within the next 2 – 3 years (by 2027)⁵. This growth will be driven by key asset classes such as Sukuk, which is expected to increase from USD 788 billion (as at 2022) to USD 1.3 trillion (i.e. increase by 71%), and assets managed by Islamic finance institutions like investment firms and fintech companies, which are forecasted to grow from USD 167 billion to USD 200 billion (i.e. increase by 20%) by 2027⁶. These figures illustrate the dynamic growth across multiple sectors that drive the evolution of Islamic finance and its increasing global relevance.
8. In Malaysia, the ICM has reached RM 2.6 trillion as of July 2024, growing 10% year-on-year from July last year. This is remarkable alongside Malaysia's GDP growth of 5.9% in Q2 2024 year-on-year (from Q2 of 2023)⁷, underscoring the resilience of the ICM.
9. By sector, our sukuk market stood at RM 1.3 trillion in July 2024, with over RM 28 billion recognized as Sustainable and Responsible Investment (SRI) sukuk⁸. It is noteworthy to highlight that the SRI sukuk segment started from just RM100 million over a decade ago in just one sector (Education, Sukuk Ihsan by

¹ Trend for "Islamic Finance" on Google Trends: <https://trends.google.com/trends/explore?date=all&q=islamic%20finance&hl=en>

² Trend for "sukuk" on Google Trends: <https://trends.google.com/trends/explore?date=all&q=sukuk&hl=en>

³ Trend for "halal investment" on Google Trends: <https://trends.google.com/trends/explore?date=all&q=halal%20investment&hl=en>

⁴ Trend for "Islamic fintech" on Google Trends: <https://trends.google.com/trends/explore?date=all&q=islamic%20fintech&hl=en>

⁵ Based on ICD -LSEG Islamic Finance Development Report 2023. The global Islamic finance industry has increased its assets size by 11% to US\$4.5 trillion in 2022 and forecasted to reach US\$6.7 trillion by 2027.

⁶ Based on ICD -LSEG Islamic Finance Development Report 2023

⁷ The Malaysian economy advanced by 5.9% in the second quarter of 2024 (1Q 2024: 4.2%). The growth is driven by stronger domestic demand and further expansion in exports. https://www.bnm.gov.my/-/qb24q2_en_pr#:~:text=Strong%20economic%20growth%20of%205.9,and%20further%20expansion%20in%20exports.

⁸ SC data, BIX

Khazanah) and has since expanded to include areas such as energy and utilities making up close to 46% of that followed by transportation and real estate⁹.

10. Malaysia also continues to lead the sukuk market globally, contributing more than one-third of the market share in global sukuk outstanding¹⁰.
11. Our Shariah-compliant equity market is equally robust, standing at RM 1.3 trillion in market capitalization, accounting for almost 80% of listed stocks across Bursa Malaysia's Main, ACE and Leap markets⁷.
12. The Islamic fund management ecosystem takes Malaysia to be among the top 3 in the world with assets under management (AUM) of USD 32 billion as at 2022¹¹. It comprises shariah-compliant funds, consisting of private mandates and collective investment schemes including listed like REITs and ETFs, and unlisted investment products like unit trust fund, wholesale funds and private retirement schemes.
13. Meanwhile, from the traditional segments, it should be highlighted that the Venture Capital (VC) and Private Equity (PE) market is also prospering, supported by a thriving ecosystem backing early-stage startups and high-growth companies.
14. In 2023, the VC/PE market had RM 17.9 billion in committed funds, spanning both shariah and non-shariah investments, reflecting sustained interest from corporate and institutional investors¹².
15. Alternative financing is flourishing as well. Today, we have 12 equity crowdfunding (ECF) players and 13 peer-to-peer (P2P) platforms offering Islamic solutions. In 2023, Islamic funds raised through these platforms grew more than 4 times to RM 524.8 billion in 2023 from 2022 at RM140.8 billion.
16. In the social finance space, we are also recording rise of waqf-featured funds, with the growing focus on waqaf as a capital market enabler. The introduction of the Waqaf Featured Fund Framework in 2020 and then the expansion of the Framework in 2022 to include listed Islamic funds such as Exchange Traded Funds (ETFs) aims to deepen investor product choices.

⁹ SC data, BIX

¹⁰ICD -LSEG Islamic Finance Development Report 2023

¹¹ ICD -LSEG Islamic Finance Development Report 2023

¹² SC Annual Report 2023

17. And following that, it is encouraging to know that this year, in sha Allah, we will see the **first waqf-featured ETF to be issued in the world**¹³, enabled by that regulatory facilitation.

Ladies and Gentlemen,

Resilience

18. Now that we have set the stage, let me bring you back to the 3 inter-related elements I mentioned earlier for ICM to continue evolving: resilience, innovation and collective action.
19. First, **resilience** is essential for long-term sustainability and growth, and the SC's initiatives are intricately woven into building the resilience of the ICM through deepening and broadening of its products and services.
20. Several initiatives over the past decade underpin Malaysia's leadership in the ICM and sustainable finance ecosystem, supported by ongoing enhancements and development of frameworks and regulatory guidance. This included the pioneering SRI sukuk frameworks, Waqf-featured fund framework, Islamic Fund and Wealth Management Blueprint, and the one view Guidelines on ICM Products and Services.
21. Additionally, the SC has expanded its efforts in fintech adoption, facilitating digital platforms for Shariah-compliant investments through opening of the registration window for ECF/P2P players with Islamic solutions in 2022, and the FIKRA ACE programme—a comprehensive regulator led initiative involving an accelerator, hackathon, and support circle components, introduced in June 2023.
22. More recently, the **Maqasid al-Shariah Guidance Islamic Capital Market Malaysia**, was introduced last year. It is a key developmental initiative that aims to ensure the ICM remains ethical, resilient, and impactful, offering clarity in principles to navigate today's challenges, tying ICM to sustainability, manifesting its commonalities.

¹³ [Eq8 Collaborates with Yayasan Waqaf Malaysia for World's First Waqf ETF | Eq8](#)

23. The Guidance was introduced under a principle-based approach to allow for greater flexibility and innovation while upholding key Shariah values. As we move into the next phase which will be rule based, the emphasis is on encouraging the industry to actively integrate these principles into their practices, creating a structured yet adaptable ICM environment. It has been an encouraging journey as we have received more than 20 submissions the past year reflecting its adoption in product pronouncement submissions.
24. It is also useful here to share that whilst investors and stakeholders strive to meet targets and hurdle rates, the Guidance also touches on Humanity as its first Objective of Financial transaction. As we delve into the various principles and aspirations outlined, under Humanity in Finance, we must not ignore the balance between profit maximization versus adequate profits and societal returns, the shift from wealth accumulation to wealth creation and redistribution, and the critical need for impact measurement despite its complexity.
25. Following that, one focus of the **Maqasid al-Shariah Guidance** that I would like to highlight today is **Aspiration 4: Flexibility and Innovation**—encouraging dynamism while upholding Islamic finance's core values. As it brings us to the second element for ensuring evolution of ICM, which is **Innovation**.

Innovation

26. Innovation is fundamental to resilience and growth. It's not just about new technologies but also about refining existing strategies to meet evolving market needs. In Islamic finance, this includes innovating when we manage risk and allocate resources to remain adaptable and future ready.
27. An example of opportunity in innovation is when addressing Micro, Small and Medium Enterprises (MSMEs) funding challenges, and mobilizing market-based options and directing capital into impactful sectors by balancing risk-return expectations.
28. MSMEs, as we know contribute over 39% of Malaysia's GDP and nearly half of its workforce, and is a key engine for economic growth, job creation, and SDG progress, with Malaysia already achieving 43% of its targets¹⁴.

¹⁴ Malaysia has outpaced global average in sustainable development goals' progress — PM. <https://theedgemaalaysia.com/node/726988>

29. So, through **Malaysia's MyCIF (Malaysia Co-Investment Fund)**, (an effort by the Government, supported by SC in administering), we have been able to combine public and private funds through equity crowdfunding and peer-to-peer financing platforms to support MSMEs. Through the Malaysia Co-Investment Fund (MyCIF), over 6,000 MSMEs have benefited from the ECF/P2P platform, expanding financial inclusion¹⁵.
30. Going back to my earlier point on waqf as a tool for social finance, the SC sees great potential in further leveraging MyCIF for waqf-related projects. The mechanisms and tools are already in place for the industry to seize the opportunity. By financing waqf-related initiatives, such as healthcare, education, and affordable housing, this innovation can help provide Shariah-compliant funding that promotes both financial inclusion and social impact.
31. But we need to remind ourselves, these discussions must be translated into practical solutions, which brings us to the third element for continued evolution of ICM, which is **collective action**.

Collective Action

32. No multifaceted challenge can be solved without collective action. The growth of the ICM is a testament to the likeminded partnerships formed across sectors and geographies, enabling a more dynamic and resilient ecosystem. Local, regional and international cooperation is essential to scaling our efforts. Through platforms like the ASEAN Capital Markets Forum (ACMF) and leveraging on our ASEAN Chairmanship in 2025, the SC will work to enhance cross-border investment flows and foster greater alignment among member jurisdictions to promote sustainable finance.
33. One example on collective action is the upcoming Social Exchange, which the SC announced at the Global Forum for Islamic Economic and Finance (GFIEF) in May this year. The Social Exchange will further facilitate multiple stakeholders in the 3rd sector, mobilising public, private and philanthropy capital to meet the needs of underprivileged and directing it to areas of need. We are now currently establishing an advisory committee as we progress on the runway towards its pilot phase by the end of the year.

¹⁵ SC Annual Report 2023

34. Reaching the last mile, be it for traditional or alternative products, be it aspirations in our sustainable agenda, requires innovative and wholesome ICM solutions that will cater to diverse needs, risk profiles, and goals. This will involve redefining risk-sharing and finding ways to make capital more accessible. The collaboration between the public, private, and social sectors, will be crucial to making this a reality.
35. This resonates with **Aspiration 6** of the Maqasid al-Shariah Guidance, which entails fostering an environment that encourages participation by all parties in the industry, to create an accessible and inclusive ICM that maximizes participation and wealth distribution. While large-scale coordination can be complex, grassroots efforts are essential.
36. Our goal should be to make Islamic finance and ICM not just a vehicle for financial transactions, but as tools for advancing human welfare, in line with Maqasid al-Shariah.
37. As Islamic economist, Nejatullah Siddiqui once said, **“Islamic economics is not just about financial transactions; it is a way of life where ethics, fairness, and justice are deeply embedded in every aspect of business and economic activity.”**

Conclusion

Ladies and Gentlemen,

38. In conclusion, I encourage everyone to engage fully in today’s discussions, with a focus on **innovation** and **collaboration** to build a more **resilient ICM**. By enabling the aspirations outlined in the **Maqasid al-Shariah Guidance**, particularly around **resilience, flexibility, and ethical impact**, we can ensure that the ICM continues evolving, while remaining dynamic, inclusive, and sustainable. Let’s work together to harness the collective power of these principles and drive the ICM forward, shaping a future that benefits both markets and society.
39. I look forward to seeing how our collective efforts will contribute to the growth and impact of the ICM. Thank you, and I wish all a productive day ahead.

- END -