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IOSCO Seminar Training Programme
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ISLAMIC CAPITAL MARKET: STRUCTURE, PRODUCTS AND REGULATORY FRAMEWORK

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Islamic Capital Market Business Group

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PRESENTATION OUTLINE



PART A ISLAMIC CAPITAL MARKET OVERVIEW

PART B LEGAL AND REGULATORY FRAMEWORK

PART C STRUCTURES & PRODUCTS

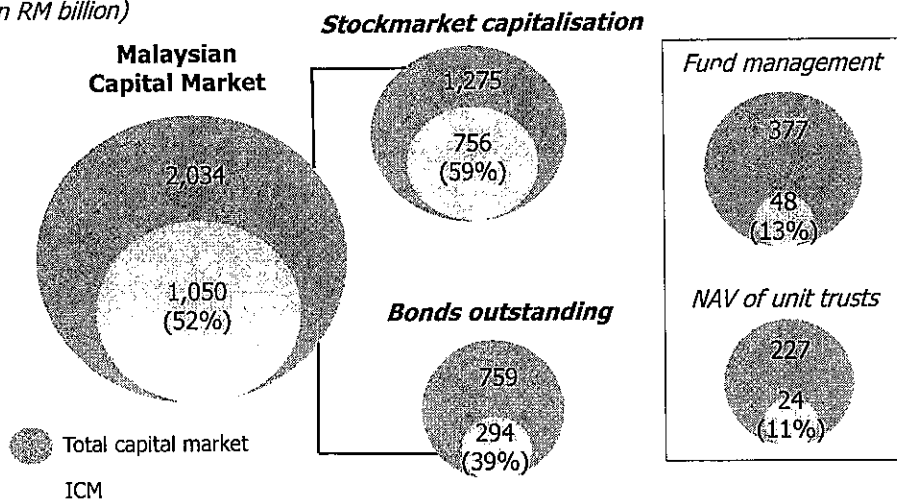
PART D OPPORTUNITIES, CHALLENGES & OUTLOOK

PART A

ISLAMIC CAPITAL MARKET OVERVIEW

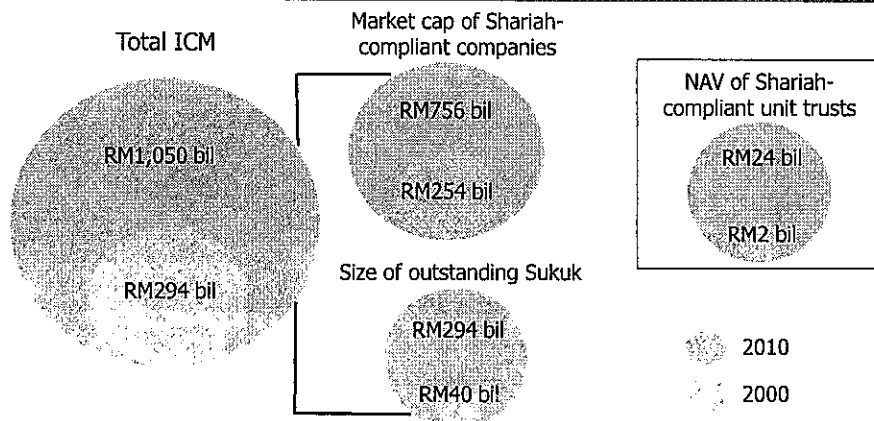
Islamic Capital Market (ICM): Key Component of Malaysian Capital Market

(in RM billion)



ICM represented 52% of total Malaysian capital market as at end-2010

Development of ICM in Malaysia, 2000-2010 (CMP1)



Malaysia's leadership in ICM

- ✓ Largest sukuk market: 65% of global outstanding
- ✓ Largest no. of Shariah funds, 2nd largest by NAV
- ✓ First listed Islamic REIT globally
- ✓ First Islamic ETF in Asia
- ✓ Many "First"s in sukuk
- ✓ First Islamic commodity trading platform
- ✓ Comprehensive regulatory, legal, tax and Shariah governance framework

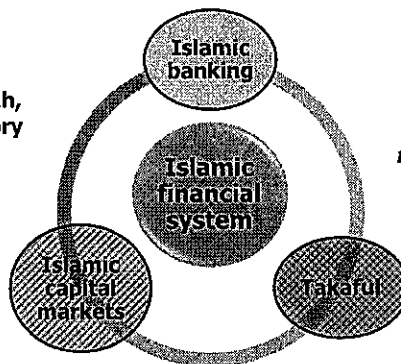
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Islamic Finance in Malaysia



Dedicated Shariah,
Legal & Regulatory
Framework



Supportive
government
(fiscal incentives &
tax neutrality policy)

Dual financial
system running in
parallel

Conventional financial system

Islamic financial system

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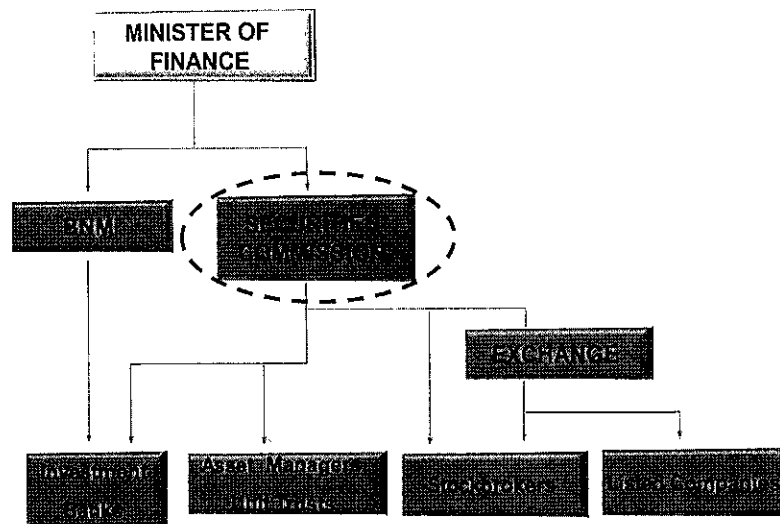
Islamic Finance in Malaysia



The evolution of Islamic finance in Malaysia:

- 1963 : Establishment of Pilgrims Fund Board
- 1983 : Islamic Banking Act enacted and the establishment of first Islamic bank
- 1984 : Takaful Act enacted and the establishment of first takaful company (Islamic insurance)
- 1992 : First al-Rahn operations in Malaysia
- 1993 : Skim al-Rahn introduced by BNM in collaboration with Yayasan Pembangunan Ekonomi Islam Malaysia (YPEIM) and Bank Kerjasama Rakyat Malaysia Berhad
- 1993 : Securities Commission Act enacted providing SC with mandate to develop capital market
- 2007 : Capital Markets and Services Act

Capital Market Institutional Framework



PART B

LEGAL AND REGULATORY FRAMEWORK

Subscribing to international best practices

IOSCO's Objectives and Principles of Securities Regulation

The protection of investors

- ❖ Protection of misleading, manipulative and fraudulent practices
- ❖ Full and timely disclosure

Ensuring markets are fair, efficient and transparent

- ❖ Regulation should detect, deter and penalise market manipulation and other unfair trading
- ❖ Regulation should aim to ensure investors are given fair access to the market

Reduction of systemic risks

- ❖ Reduce risk of financial failure of market intermediaries
- ❖ Promote and allow effective risk management

Emphasis on disclosure for both Islamic and conventional capital markets



...Protection of investors is achieved through disclosure...conforms to IOSCO's Principles of Securities Regulations

Disclosure, transparency and governance apply equally to both Islamic and conventional products, hence same legal and regulatory protection

No requirement for separate regulation in developing Islamic Capital Market



How to promote the development of ICM while ensuring that the objectives and principles of securities regulation are achieved?

- Report of the ICM Task Force of the IOSCO (July 2004) – to assess the extent of the development from a regulatory perspective and potential regulatory issues relating to ICM

"the conventional securities regulation framework and principles equally apply to the ICM, with the addition of some form of a Shariah approval or certification process - no need to formulate separate regulatory principles for the Islamic capital market. By extension, IOSCO's objectives and principles of securities regulation can be applied to the Islamic capital market"

Compatibility of IOSCO's Core Principles



- Analysis of the Application of IOSCO's Objectives and Principles of Securities Regulation for Islamic Securities Products (September 2008) – to assess the compatibility of IOSCO's core principles with the products and practices of Islamic finance

"The analysis of this report has not identified any concerns with respect to the compatibility of the IOSCO Core Principles with the Islamic securities market"

The overall findings are broadly consistent with the findings of the Report of the ICM Task Force of the IOSCO (July 2004) which notes that: *"[there is] ... no need to formulate separate regulatory principles [as] IOSCO's objectives and principles of securities regulation can be applied to Islamic capital markets."*

Three-pronged approach to ensure a well-regulated capital market



Self-discipline

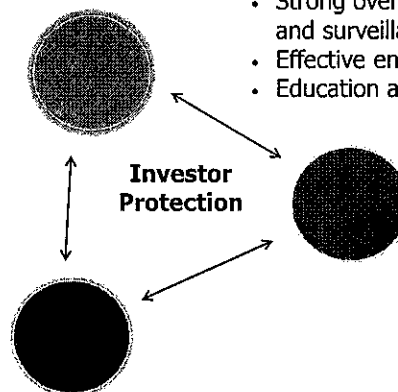
- Disclosure, transparency, risk management, ethical conduct and compliance culture for intermediaries and companies

Regulatory discipline

- Strong regulatory framework
- Strong oversight – supervision and surveillance
- Effective enforcement
- Education and awareness

Market-discipline

- Shareholder activism and market discipline
- Investor associations, watchdog groups, investment analysts and media

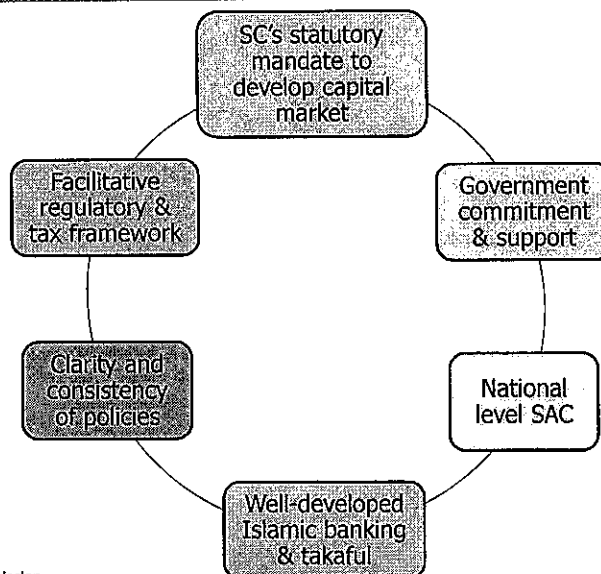


SC's regulatory mandate for maintaining fair and orderly market and to safeguard investor interest



Rule-making	<ul style="list-style-type: none"> • Custodian of Capital Markets and Services Act 2007 and various securities-related regulation and guidelines
Supervision	<ul style="list-style-type: none"> • Conducts oversight of intermediaries and exchange for ethical business conduct and prudent compliance and risk management practices
Licensing	<ul style="list-style-type: none"> • A gatekeeping function: assesses individuals and companies operating in the capital market meet "fit and proper" requirements and have relevant capabilities
Surveillance	<ul style="list-style-type: none"> • Conduct surveillance of markets to ensure fair and orderly markets and of PLCs to ensure timely and accurate disclosures and good governance
Approvals	<ul style="list-style-type: none"> • A gatekeeping function: Regulates offerings and issuance of securities and financial products
Enforcement	<ul style="list-style-type: none"> • Undertakes various enforcement actions for breaches of securities laws
Others	<ul style="list-style-type: none"> • As the capital market expands, SC's responsibilities and oversight have expanded to cover a broader range of participants such as trustees, rating agencies and activities such as investor education and the audit oversight board

Malaysia's ICM operates within an established and facilitative regulatory environment



Regulation of ICM is part of overall capital market regulations



ICM business and transactions accord same level of investor protection as in conventional market, e.g. process of regulation, supervision and enforcement;

Common regulatory approach to regulating ICM products – same liability on the part of the intermediaries, e.g. due diligence and representation; and

Disclosure, transparency and governance apply equally to both conventional and Islamic products, hence same legal and regulatory protection.

Bringing regulation of ICM into the mainstream



Application of Common Law

Application of Securities Regulation

Common Law is predominantly used in Malaysian capital market transactions



Common law legal system facilitates Islamic finance transactions e.g. sukuk:

the concept of trust which allows for direct ownership of, or interest in, the sukuk assets by the sukukholders

e.g. SPV issues sukuk to investors and the proceeds are invested in assets that are held **on trust*** for the sukukholders. This provides mechanism for the sukukholders to own an **interest** in the assets.

** via declaration of trust over the asset by the trustee*

the concept of "equity" which allows the separation between legal and equitable (or beneficial) ownership – legal title to an asset is held by one party who will hold the asset for the benefit of the other party, where the latter has rights to the asset through the beneficial ownership. In certain cases, this may facilitate transfer of an asset without incurring tax or registration burdens.

the transfer of asset – by way of sale, lease or assignment

e.g.: transfer by way of sale - takes place by way of purchase and sale agreement. The purchase agreement must effect a full and complete transfer of the assets to the issuer.

Application of Securities Regulations in ICM business and transactions



Capital Markets and Services Act 2007 (CMSA) facilitates the development of the ICM

CMSA defines "Islamic capital market business or transaction" as

- (a) the business of carrying on any regulated activity;*
- (b) any proposal that falls within subsection 212(2);*
- (c) any transaction relating to a futures contract; or*
- (d) the establishing, operating or maintaining of a stock market or a futures market,*

which does not involve any element that is inconsistent with the principles of Shariah as may be determined by the Shariah Advisory Council"

Application of Securities Regulations in ICM business and transactions (cont.)



Empowering the Minister/ Commission to facilitate capital market transactions

Power of Minister to prescribe – Section 5 of the CMSA

e.g. Minister prescribed "Islamic securities" as securities for the purpose of the application of CMSA to further spur the development of the Sukuk market that are based on the participatory contracts

Application of Securities Regulations in ICM business and transactions (cont.)



Power to make regulation – Section 378(1) of the CMSA

"The Commission may with the approval of the Minister, make such regulations as may be –

(a) required or permitted by securities law to be prescribed by regulations;

(b) necessary or expedient for –

(i) giving full effect to the provisions of this Act;

(ii) carrying out or achieving the objects and purposes of this Act; or

(iii) the further, better or more convenient implementation of the provisions of this Act"

e.g.: **Schedule 10** [Section 378(3) of the CMSA] – Power to make regulations

Guidelines on ICM



Specific Guidelines on ICM:

- Guidelines on Islamic Securities (Sukuk Guidelines)
- Guidelines on Islamic Fund Management
- Guidelines for Islamic Real Estate Investment Trusts
- Guidelines and Best Practices on Islamic Venture Capital
- Registration of Shariah Advisers Guidelines

Guidelines that include ICM perspective:

- Guidelines on Unit Trust Funds
- Guidelines on Wholesale Funds
- Guidelines on the Offering of Structured Products

ICM regulatory practice: Two-tier approach



Tier 1

Universal / General Regulatory Requirements

- Guidelines on the Offering of Asset- Backed Securities
- Guidelines on the Offering of Structured Products
- Guidelines on Unit Trust & Wholesales Funds
- Guidelines on ETF

Bonds - Trust deed, mandatory rating, eligible persons, etc
Unit Trust - Investment committees, trustees, management company, etc.
REITs - At least 75% investment in real property

Tier 2

Specific Shariah Requirements

- Islamic Securities Guidelines (Sukuk Guidelines)
- Guidelines on Islamic REITs
- Guidelines of Islamic Fund Management
- Guidelines and Best Practices on Islamic Venture Capital

Sukuk - Additional disclosure on Shariah adviser, utilisation of proceeds
Islamic Unit Trust - Shariah adviser to certify that fund complies with Shariah requirement
Islamic REITs - Tenants' activities and rental income must comply with Shariah requirement

Cross-Border Regulation of ICM



- Mutual cooperation between jurisdictions to pave way for the development of a common platform for cross-border offerings
- SC has entered into Mutual Recognition Agreements (MRAs) with two other jurisdictions, which serve to promote and facilitate the cross-border offerings of Islamic funds
- Requirements for the offering of Islamic funds beyond respective home jurisdiction are simplified

MRA between Malaysia and Dubai



- MRA with the Dubai Financial Services Authority - 2007
 - ❖ The MRA was the first of its kind between two Islamic markets
 - ❖ To promote and develop respective ICM segments
 - ❖ Enables cross-border marketing and distribution of Islamic funds in Malaysia and Dubai with reduced regulatory intervention
 - ❖ Principles of:
 - (i) co-operation - in achieving the objectives of the MRA; and
 - (ii) investor protection - in the area of supervision and enforcement of securities laws to ensure adequate investor protection

MRA between Malaysia and Hong Kong



- MRA with the Securities and Futures Commission of Hong Kong - 2009
 - ❖ Facilitating the cross-border marketing and distribution of Islamic Collective Investment Scheme (CIS) in both jurisdictions
 - ❖ Establishing Malaysia as a centre for Islamic product intermediation and enhancing the attractiveness of both Malaysia and Hong Kong as a market place for global Islamic CIS products
 - ❖ Collaborating in capacity building as well as information sharing in the development of legal and regulatory framework, mutual exchange of regulatory experience relating to Shariah principles governing Islamic CIS and conduct of training in respect of international best practices

ICM regulatory mandate is supported by an effective Shariah governance framework



Shariah Governance Framework from regulator to industry

Regulatory Level: National SAC

- National level SAC established under the CMSA
- Comprises prominent Shariah scholars, jurists and market practitioners
- Acts as a reference point for industry
- Publication of Resolutions of the SAC

Industry level: Shariah Committees or Shariah Advisers

- Mandated by regulation
- To advise, review and endorse compliance of products/services with Shariah principles

Regulatory level: Supervision of Shariah Advisers at industry level

- Registered with SC based on compliance with Registration of Shariah Advisers Guidelines
- Guidelines: general roles and responsibilities, fit and properness, academic qualification, experience and requirements for continuous professional development

Empowering a National Shariah Advisory Council



- The CMSA has a specific provision for the establishment of the SAC
- Main objectives of the specific provision are as follows:
 - ❖ To strengthen the SC's SAC set up;
 - ❖ To place the SAC on sound legal footing in order to ensure that the SAC will continue to play an important role in the development of the ICM; and
 - ❖ To allow any court or arbitrator to take into consideration any ruling of the SAC and to refer any matters pertaining to ICM to the SAC for its ruling. The SAC rulings shall be binding on the person or entity concerned.

Functions of the SAC



To ascertain the application of Shariah principles on any matter pertaining to Islamic capital market business or transaction and issue a ruling upon reference made to it

To advise the Commission on any Shariah issues relating to Islamic capital market business or transaction

To provide advice to any person on any Shariah issues relating to Islamic capital market business or transaction

Such other functions as may be prescribed by the Minister of Finance

Shariah governance framework strengthened by registration requirements for Shariah advisers



Registration and Role of the Shariah Adviser

- Qualification and experience as well as fit and properness criteria are applied. Continuous professional development is emphasised.
- ICM products approved by SC require prior certification, as well as ongoing Shariah-compliance monitoring, by a registered Shariah adviser
- As at end-October 2011, SC has registered
 - ❖ 40 individuals
 - ❖ 10 corporations

as Shariah advisers to advise on the issuance of any ICM products and services. These registered Shariah advisers include foreign corporations and individuals.

Islamic Standard-setting Bodies



Islamic Financial Services Board (IFSB)

- Promotes and enhances soundness and stability of Islamic financial services industry by issuing global prudential standards and guiding principles for the industry
- 189 members from 42 jurisdictions



Accounting and Auditing Organization for Islamic Financial Institutions (AAOIFI)

- Develops accounting and auditing thoughts relevant to Islamic financial institutions
- Prepares accounting, auditing, governance, ethics and Shariah standards for Islamic financial institutions and the industry
- 200 members from 45 countries



International Islamic Financial Market (IIFM)

- Encourages self-regulation for development and promotion of Islamic Capital and Money Market through standardisation of Islamic financial products, documentation and related processes
- 7 founding and permanent members

PART C

STRUCTURES AND PRODUCTS

Shariah Stock Screening

SAC's approach in screening listed stocks....

Based on Shariah criteria sourced from Quran, Hadith, Qiyas, Ijma' and general Shariah principles

Determine income contribution from Shariah prohibited activities of listed companies using Shariah methodology and criteria set out by the SAC



Classify a stock as Shariah-compliant if income contribution from the prohibited activities is within Shariah tolerable level

Shariah Compliance Review Criteria



Classified as Shariah-compliant if the company is not significantly involved in the following activities:

- Financial services based on riba (interest)
- Gambling
- Manufacturing or sale of non-halal products
- Conventional insurance
- Entertainment
- Manufacture or sale of tobacco-based products or related products
- Stockbroking or share trading in Shariah non-compliant securities
- Other activities deemed non-permissible

The SAC also takes into account the level of:

- a) Interest income from conventional fixed deposits/ interest bearing instruments
- b) Dividend received from investment in Shariah non-compliant stocks

The Financial Benchmarks Applied by SAC



- 1** The 5-percent benchmark to assess the level of mixed contributions from activities that are clearly prohibited such as riba (interest-based companies like conventional banks), gambling, liquor and pork
- 2** The 10-percent benchmark to assess the level of mixed contributions from activities that involve the element of 'umum baiwa' which is prohibited element affecting most people and difficult to avoid e.g. interest income from fixed deposits in conventional banks and tobacco-related activities
- 3** The 20-percent benchmark to assess the level of non-permissible rental activities of listed companies
- 4** The 25-percent benchmark to assess the level of mixed contributions from activities that are generally permissible according to Shariah and have an element of *masalah* to the public, but there are other elements that may effect the Shariah status of these activities e.g. hotel and resort operations, share trading, stockbroking, as these activities may also involve other activities that are deemed non-permissible to the Shariah

Shariah-Compliant Equity Securities



	May-2011
Shariah-compliant securities*	847
% to total listed securities	89%
Market capitalisation (Sep 2011)	
Shariah-compliant	RM723 bn
Total market	RM1,172 bn
% to total market capitalisation	62%

* The list of Shariah-compliant securities is updated twice yearly i.e. end-May and end-Nov

- The SC has issued the list of Shariah-compliant securities since 1997
- Islamic funds that invest in Shariah-compliant securities that later become non-compliant must dispose of such securities in a manner prescribed by the SAC

The List has Catalysed other ICM Products and Services



- The List of Shariah-compliant securities has spurred the growth of Islamic equity investment products and services:
 - ✓ Islamic unit trust, wholesale, and other funds
 - ✓ Discretionary fund management activities
 - ✓ Shariah equity indices on Bursa Malaysia:
 - ✓ (a) FBM Emas Shariah
 - ✓ (b) FBM Hijrah Shariah
 - ✓ Broadening of investor base

Islamic Fund Management (IFM)



- ❑ IFM in Malaysia is conducted through Islamic Fund Management Companies (IFMCs) and 'Islamic windows' of fund management companies that also offer conventional fund management services
- ❑ IFMCs are allowed 100% foreign ownership and permitted to invest 100% of their assets under management (AUM) abroad
- ❑ 10-year stamp duty exemption & tax incentives on wide range of Islamic investment instruments
- ❑ Income tax exemption on all Islamic fund management fees until 2016
- ❑ Mutual recognition arrangements with DFSA and HKSCF to facilitate greater cross-border marketing and distribution of Islamic collective investment schemes
- ❑ To-date, 16 IFMCs – 9 foreign-owned, 4 locally-owned, 3 local-foreign JVs

Islamic Unit Trusts



Number of approved funds	Dec-2010	Jun-2011
Islamic unit trusts	155	160
Total industry	584	595
Net asset value (NAV)	Dec-2010	Jun-2011
Islamic unit trusts	RM24.04 bn	RM 26.18 bn
Total industry	RM226.81 bn	RM 249.61bn
% to total industry	10.6%	10.5%

- Strong CAGR of 30% (in terms of NAV) over past 10 years
- High growth from a small base and greater demand for Shariah-compliant (as well as ethical and socially responsible) investments – many investors in Islamic UTs are non-Muslims
- Largest number of Islamic unit trust funds in the world
- Islamic unit trusts must not invest in any non-compliant securities

Islamic Real Estate Investment Trusts



Number of Listed REITs	Dec-2010	Jun-2011
Islamic REIT	3	3
Total REITs	12	14
Market capitalisation (RM million)	Dec-2010	Jun-2011
Islamic REIT	2,360.0	2,600.0
Total REITs	10,580.0	11,800.0
% to total REITs	22.3%	22.0%

- Malaysia is the first jurisdiction globally to issue Guidelines for Islamic REITs (2005) and to have a listed Islamic REIT
- Three (3) Islamic REITs listed on Bursa Malaysia:
 - Hospital REIT (Al-'Aqar KPJ REIT) - first Islamic REIT in the world
 - Plantation REIT (Al-Hadharah Boustead REIT)
 - Commercial building REIT (Axis REIT)

Islamic Real Estate Investment Trusts (cont.)



Shariah requirements for Islamic REITs (as per SC's Guidelines for Islamic REIT):

- Rental from non-permissible activities must not be more than 20% of total turnover of the REIT
- No individual property in which all tenants operate non-permissible activities even if rental from that property is not more than 20% of total turnover of the REIT
- For tenants involved in mixed (permissible and non-permissible) activities, calculation of non-permissible rental is typically based on % area/space occupied for such activities
- Takaful schemes must be used to insure the properties in the REIT unless Takaful is not available in the relevant jurisdiction
- Investment, deposit and financing instruments must be Shariah-compliant

Islamic Exchange Traded Funds (ETF)



Number of approved ETFs	Dec-2010	Jun-2011
Islamic ETF	1	1
Total ETF industry	5	5
Net asset value of approved ETFs	Dec-2010	Jun-2011
Islamic ETF	RM613.0 mil	RM579.0 mil
Total ETF industry	RM 1,223.0 mil	RM 1,194.0 mil
% to total ETF industry	50.1%	49.0%

- The fund, MyETF Dow Jones Islamic Market Malaysia Titans 25 (MyETF-DJIM25), tracks the performance of its Benchmark Index – Dow Jones Islamic Market Malaysia Titans 25
- Shariah-related features of MyETF-DJIM25 include:
 - *Stock screening of Benchmark Index components by Shariah Advisory Board of Dow Jones*
 - *Stocks included in the Fund must be in list of Shariah-compliant securities approved by SAC of SC*
 - *Purification of dividend income received by the Fund*

Sukuk



Malaysia has a well established sukuk market

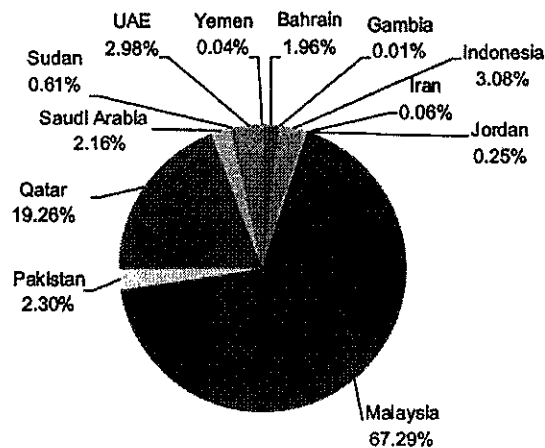


Corporate Sukuk approved	2009	2010	Jun-2011
Number of sukuk	11	21	19
Size of sukuk	RM33.96bn	RM40.33bn	RM32.0bn
Size of total bonds approved	RM57.50bn	RM63.58bn	RM47.9bn
% sukuk to total	59.1%	63.0%	68.0%
Corporate Sukuk issued	2009	2010	Jun-2011
Size of sukuk issued	RM32.30bn	RM30.24bn	RM24.6bn
% sukuk to total	52%	57%	72.0%
Corporate Sukuk outstanding	2009	2010	Jun-2011
Size of outstanding sukuk	RM172 bn	RM181bn	RM196bn
% sukuk to total	57%	57%	58%

Malaysia has a well established sukuk market (cont.)



Sukuk Issuance by Domicile (1H11)



- In 2011 to-date, 72% of total corporate bond issued were sukuk
- Amount of corporate sukuk issued in 2011: RM24.6 bn
- 58% of outstanding corporate bond in Malaysia are sukuk
- 64% of total sukuk outstanding globally are from Malaysia (source: IFIS)

Differences Between Sukuk and Bond



	SUKUK	BOND
Features	<ul style="list-style-type: none"> Asset in exchange for monies Profit/income derived from asset Ownership of undivided share in asset Utilisation of proceeds for Shariah-compliant purposes Trade - Sale of asset 	<ul style="list-style-type: none"> Paper in exchange for monies Interest Creditor's right against issuer No restriction on utilisation of proceeds No sale of asset

Differences Between Sukuk and Bond (cont.)



	SUKUK	BOND
Relation-ship	<ul style="list-style-type: none"> Relationship between issuer and investor/asset owner depends on the type of Shariah contract. Issuer may be a partner/ agent/ manager/ lessor/ lessee and Investor may be partner/ lessor, etc. depending on the Shariah contract. 	<ul style="list-style-type: none"> Relationship between issuer and investor is a borrower-creditor relationship.

Differences Between Sukuk and Bond (cont.)

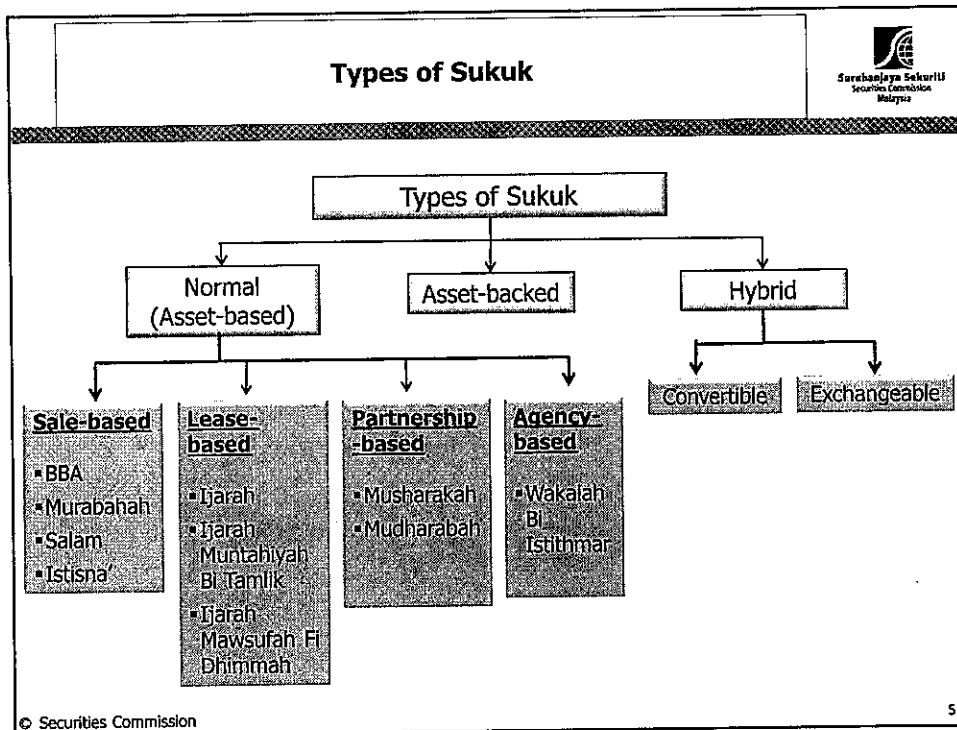


	SUKUK	BOND
Ownership	<ul style="list-style-type: none"> Represents ownership shares in assets that brings in profits or revenues, like leased assets, or commercial or industrial enterprises, or investment vehicles that may include a number of projects. 	<ul style="list-style-type: none"> Bond does not represent ownership on the part of the bondholders in the commercial or industrial enterprises for which the bonds were issued. Rather, they document the interest-bearing debt owed to the holders of the bonds by the issuer, the owner or the enterprise.

Differences Between Sukuk and Bond (cont.)



	SUKUK	BOND
The Malaysian context: Regulatory Requirements	<ul style="list-style-type: none"> Subject to Islamic Securities Guidelines (Sukuk Guidelines) Utilisation of proceeds shall be for Shariah-compliant purposes only. Requirement for the appointment of a registered Shariah Adviser. Sukuk to be issued based on Shariah principles approved by the SC's SAC 	<ul style="list-style-type: none"> To be issued pursuant to the Guidelines on the offering of Private Debt Securities. No restriction on utilisation of proceeds. No such requirement. No such requirement.



Sukuk Listing

- To promote the debt securities markets whilst enhancing the breadth and depth of investment options on Malaysian capital market, Bursa Malaysia is now offering a platform for the listing of sukuk and debt securities.
- Hence, the Listing Rules have been amended to introduce a framework for the listing of sukuk and debt securities on Bursa Malaysia under an Exempt Regime.
- This regime is specially catered for issuers that intend to list their sukuk or debt securities on the Exchange for the listing status and profiling purpose.
- By an "Exempt Regime", it means that sukuk or debt securities that are listed on the Exchange are not quoted or traded on the Exchange.
- Currently there are 17 sukuk listings valued at USD27.3 billion.

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PART D

OPPORTUNITIES, CHALLENGES AND OUTLOOK

Global Opportunities for Islamic Finance

Expand application of Islamic finance in international trade and investments

Enhance linkages and cooperation among governments and businesses

Cater to growing affluence of Muslim countries as well as broader interest in ethical and socially responsible investing

Promote universal values of Islamic finance (transparency, fairness, no excessive risks) amidst global uncertainties

Offer choices and alternatives in terms of product structure and risk-reward profile

Challenges for Islamic Finance Globally



Legal enforceability and tax efficiency

Harmonisation of Shariah rulings and interpretations

Liquidity management

Human capital requirements

Standardisation of legal and transactional documentation

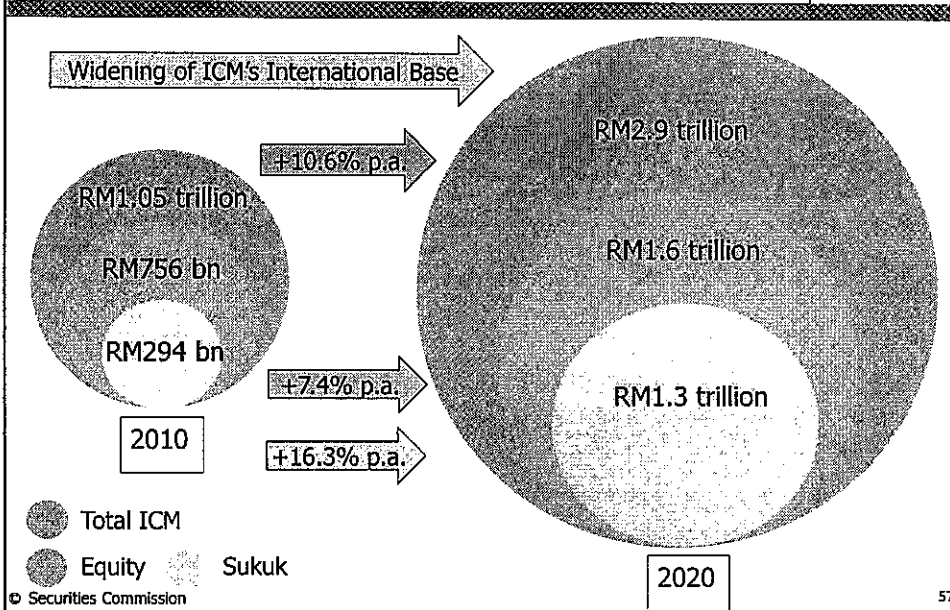
Industry oversight, e.g. regulatory, audit

CMP2: Growth Strategies for ICM



- 1 Build scale in the Shariah-compliant equity, sukuk and investment management segments
- 2 Strengthen service and operational infrastructure to expand ICM's international reach
- 3 Promote shift from Shariah-compliant to Shariah-based approach
- 4 Collaborate with industry to expand range of Shariah-compliant stockbroking and portfolio products and services
- 5 Develop seeding strategy to increase diversification of value-add Islamic investment strategies and styles
- 6 Increase international collaboration on Shariah research and product development
- 7 Develop a code of conduct for Shariah advisers
- 8 Strengthen training and professional development to increase supply of Shariah experts

Growth Prospects for ICM (CMP2 Projection)



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Thank You

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