



SPEECH BY
YB DATUK JOHARI ABDUL GHANI
MINISTER OF FINANCE II

LAUNCH OF SHARIAH INVESTING
ON BURSA MALAYSIA-i

Date : 5 Sept 2016 (Monday)
Time : 2.00pm
Venue : Exchange Square, Bukit Kewangan

Yang Berbahagia Tan Sri Amirsham Abdul Aziz
Chairman of Bursa Malaysia Berhad

Yang Berbahagia Datuk Seri Tajuddin Atan
Chief Executive Officer of Bursa Malaysia Berhad,

Members of the Media,

Distinguished guests,

Ladies and Gentlemen

Assalamu'alaikum w.b.t, selamat sejahtera and a very good afternoon to all.

INTRODUCTION

Ladies and gentlemen,

1. I am pleased to be here today at the launching of Bursa Malaysia-i, the world's first end-to-end Islamic Investing platform by Bursa Malaysia Berhad. Allow me to also express my gratitude to Bursa Malaysia for inviting me to this historic event and to deliver this keynote speech.
2. Introducing firsts in Islamic finance is something that is not new to Malaysia, but every time we do create a world leading financial innovation, it re-enforces the fact that Malaysia is indeed a leading financial marketplace – conventional and Islamic.
3. Malaysia has one of the most diverse and deep financial systems in the region. Given decades of reform initiatives to diversify domestic sources of financing beyond the traditional banking system, the Malaysian capital market has grown significantly, amounting to RM2.8 trillion in June 2016, which 2.5 times the country's GDP. Malaysia is also the third largest local currency bond market in Asia, behind Japan and Korea. Despite challenging operating environment, the depth and breadth of our financial markets have ensured uninterrupted financial intermediation that continues to support the functioning of the economy.

ISLAMIC FINANCE ECOSYSTEM IN MALAYSIA

Ladies and Gentlemen,

4. Malaysia's decades of work in Islamic finance has created a global leadership position for Malaysia and led to the mainstreaming of the industry globally. More importantly, Islamic finance today has received and garnered international recognition as a viable financial system that continues to create wealth and prosperity for all while remaining true to its core principles of sustainability and fairness that have stood the test of time. Our efforts have inspired others and we are now the center to the one of the fastest growing segments of global finance.

5. Islamic finance in the country has become a key segment in the financial system. It has grown significantly over the past 10 years with Islamic banking, takaful, sukuk and now equity investing following this initiative are no longer niche segments but has become mainstream. Malaysia remains the global leader in Islamic capital market with our sukuk market constitutes more than 50% of global sukuk outstanding for the past 16 years. Shariah-compliant securities in Bursa Malaysia now amounted to RM1.1 trillion and account for about 64% of total market capitalization. Moreover, the Islamic banking assets now stand at more than a quarter (27%) of the total banking system, surpassing the 20 percent target as originally intended in the Bank Negara's Financial Sector Masterplan.

6. This is a consequence of continuous initiatives to build a solid foundation, focusing on infrastructural, institutional and capacity building measures, as well as robust regulatory and supervisory framework. For example, efforts and initiatives of the Securities Commission Malaysia as well as its Shariah Advisory Council have played an invaluable role in facilitating the development of the Islamic Capital Market products that we have today, such as Islamic REITs, Islamic ETFs and retail sukuk. These pioneering initiatives and thought leadership are the cornerstones of Islamic finance industry's sustained growth and continued innovation. We will continue to demonstrate leadership by injecting innovative solutions in the Islamic markets and strengthening the ecosystem especially in the embrace of the "maqasid al Shariah" (the objective of Shariah). In this context, it is encouraging to see Bursa Malaysia taking this leading role in championing exchange-based Shariah compliant investing and providing new options for those who wish to invest based on the principles of Islamic finance.

7. I believe the launching of Bursa Malaysia-i is a step in the right direction towards ensuring Malaysia remains the world's leading, fully integrated, Islamic investing marketplace which offers complete set of Islamic financial market instruments. This innovation is but one of many that Malaysia is proud to be able to lay a claim to, and further bolsters our country's profile of being ahead of the curve in Islamic capital market services and infrastructure.

8. We were, for example, the first jurisdiction that established a dedicated Islamic fund management framework, with special Islamic Fund Management Company licenses issued by the Securities Commission Malaysia. The Islamic capital market has also benefited from other initiatives such as the Shariah stock screening methodology endorsed by the Shariah Advisory Council of the Securities Commission Malaysia.

9. Nevertheless, these efforts alone will not suffice in advancing our cause to further mainstream the value proposition of Islamic finance globally. Support and initiative from the industry, including Islamic brokers, Public Listed Companies, Investment Banks, Shariah Advisers and Islamic Fund Managers are all equally needed if Malaysia is to retain its position as the world's Islamic finance marketplace.

ADVANCING ISLAMIC FINANCE BEYOND BORDERS

Ladies and Gentlemen,

10. Islamic finance in Malaysia has undergone a journey that is marked with significant milestones such that we are recognized globally for our thought leadership and technical expertise. Moreover, the strength and resilience of our domestic financial markets as reflected by World Economic Forum, 4th in the world for Financial Market Development, 8th most efficient for raising funds in via Equity Markets and 13th best regulated equity market in the world, is a further testament on how far have we advanced in the global stage.

11. As a highly open economy, Malaysia is now positioned at the forefront of international developments with increasing connectivity between financial centres, and more cross-border Islamic financial transactions. These interlinkages open up greater opportunities to introduce and strategically position Islamic finance services globally while providing opportunities for meaningful participation of our local players at the global and regional levels. The gains are also extended to our ancillary service providers that were able to establish greater connections with the international market. Greater innovations in

the equity markets, like the one announced today by Bursa Malaysia, are crucial to keep Malaysia at the forefront.

12 Enhanced integration with the global and regional markets has enabled greater trade and financial linkages. For Malaysia, intra-regional trade now account for more than half of our trade with the rest of the world. As such, further intensification of financial linkages within the ASEAN region will indeed position Malaysia in good place to reap the benefits from the recently envisioned ASEAN Economic Community.

13 ASEAN is home to a rapidly growing capital market, in which total market capitalization amounted to about USD2.3 trillion or 90 percent of GDP in 2015. With ASEAN households having one of the highest savings rates at about 30%, there is tremendous opportunity to bring the principled nature of Shariah-investing to the 600 million population of ASEAN. It is again our expertise, innovations and deal-flow originating from Malaysia and into ASEAN that will help positively shape the ASEAN financial landscape to be fair, just and more transparent. Multi-currency expertise, financing expertise for industries like infrastructure and energy that are well suited for Islamic finance and wealth management expertise will need to form our next wave of services that emanate from Malaysia.

ISLAMIC FINANCE FOR ALL

Ladies and Gentlemen,

14 Islamic finance is no longer just the domain for Muslim investors. In fact, the value proposition of the industry has extended beyond faith and origins that appeal to businesses and individuals from all walks of life. Principled investing practices based on Shariah are one part of the equation to living life responsibly, through investing responsibly.

15 With our target to increase Islamic financing's share of total financing in Malaysia to 40% in 2020, there is more work to be done and we will remain steadfast in providing a wide range of Shariah principled investments so all Malaysian can participate. These initiatives should also leverage on technology, accelerate innovation and develop well-rounded talent to meet future needs of Islamic finance, particularly in view of the rising significance of the digital economy. The Government and related agencies will continue to set the right policies to ensure Malaysians and investors across the globe have access to invest Shariah, when

and where they would like to. But, we all need to work together as an industry to make this a reality.

CONCLUSION

16. On that note, I would like to take this opportunity to once again congratulate Bursa Malaysia Berhad for the launching of Bursa Malaysia-i, the world's first end-to-end Shariah-compliant investing platform. Many thanks as well to the Islamic Participating Organisations for their continued support and contributions to the capital market.