

**MIF 2008 – ISSUERS & INVESTORS FORUM  
WEDNESDAY, 13 AUGUST 2008 (EQUITIES DAY)**

**KEYNOTE SPEECH  
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BURSA MALAYSIA BERHAD**

A very good morning,  
Distinguished guests,  
Ladies and gentlemen,

Firstly, I wish to thank Redmoney for giving me the opportunity to speak today. Before I proceed further, I would like to congratulate the Malaysia Islamic Financial Centre or MIFC for the successful launch of its global communication campaign as well as to Red Money for the introduction of their new magazine “Islamic Finance Asia”. I am indeed pleased to be here at the Equities Day portion of the MIF 2008. Events such as this present a perfect opportunity for regulators, industry players, issuers and investors to exchange insights on the future direction and development of the Islamic finance sector in Malaysia. It is my hope that the sharing of thoughts and experience amongst the delegates gathered here will contribute towards the progress and development of the Malaysian Islamic investment landscape, specifically the Islamic capital market.

I am aware that there are lingering questions on the sustainability of our market given the effects of the global economic slowdown. We should take advantage of this present situation as there is a shift of interest to Islamic funds as a preferred choice of investment among investors. Islamic finance and capital market specifically, continue to thrive at an estimated annual growth rate of 20% under current market conditions and Malaysia has been acknowledged worldwide as the champion of the Islamic finance industry. While the conventional funds are facing volatility as a result of a confluence of global economic issues, Islamic finance has proven its resilience through continuous growth. The Shariah principles behind the investment architecture consider risk-averse management and stricter asset allocation as strong factors to business as well as funds sustainability. Suffice to say that, globally, investors are slowly turning to Shariah-compliant investments as a way to mitigate uncertainties in the financial markets and more importantly, as an alternative option equivalent to or if not, better than conventional products.



This brings me to my point on how the Malaysian Islamic capital market is already a vibrant marketplace in its own right. As it stands, our country offers a comprehensive Islamic capital market in terms of infrastructure and regulatory framework. The rising demand for ethical investments has spurred Malaysia to offer Shariah-compliant products, making Malaysia one of the region's foremost providers in serving investors' discerning interests in this area. The market is well-positioned to become a strategic access point for Islamic investments through its offering of products and services to international investors. To date, the Islamic capital market products that are traded on the exchange include debt and equity instruments, global Islamic bonds or *sukuk*, Islamic real estate investment trusts (REITs) and Islamic exchange traded funds (ETFs) –of which quite a number of these products are world's firsts.

The strength of our Malaysian Islamic capital market also lies in its size. As mentioned by both Yang Berbahagia Tan Sri Zeti and Yang Berbahagia Dato' Zarinah in their speeches, in the equity market segment, 85% of the companies currently listed on Bursa Malaysia are Shariah-compliant and this accounts for 64% of our market capitalisation. We also have a very well developed *sukuk* market in which we are the world's largest *sukuk* issuance centre. Asia's first Islamic ETF (MyETF-DJIM25) which is originated from Malaysia, and other Shariah-compliant assets are appealing to the Muslim community while providing an avenue for non-Muslim investors to invest in ethical fund.

All these key propositions point to an opportune avenue for more innovation, and on Bursa Malaysia's part, we have been working towards producing solutions that will meet investors' needs on the Islamic front, both domestic and international. An upcoming project that is in the pipeline is an Islamic spot-commodity exchange, known as the Commodity Murabahah House or CMH for short, which will start off as a single-commodity Ringgit market and eventually evolve into a multi-commodity and multi currency market that will fulfil international market demands. The Shariah Advisory Council (SAC) of the Securities Commission has approved this framework which will assist the development of various financial products based on Islamic contracts such as Murabahah, Tawarruq and Musawwamah. The first commodity that is to be used under CMH is crude palm oil (CPO). In time, CMH will open up to other asset classes to cater for other different types of commodities and assets

Another innovation that the exchange is excited about is the Shariah-compliant alternative to securities borrowing and lending (i-SBL) which is a structure that uses

*waad* (unilateral promises) to support the creation and redemption of Islamic ETFs. Transactions involve real transfer of ownership of permitted Shariah-compliant stocks between contracting parties as opposed to the conventional practice of borrowing and lending. Therefore, this Islamic structure provides a complete end-to-end Shariah solution for financial institutions to develop and offer more Islamic ETFs to global investors. This structure will be made available to the market in the first half of next year.

I must say that there is still untapped opportunity in the structured products space which can potentially lead to innovation towards developing many Shariah-compliant structured products. Currently, the range of structured products available in the market is in the form of conventional instruments but we definitely see potential in the Islamic capital market to be capitalised. Our Islamic index - FTSE-Hijrah Shariah Index which is benchmarked against global standards, has already set the foundation for the creation of new Islamic structured products. This will allow us to provide added diversity to our offerings, therefore closing another gap between us and other global Islamic markets.

Ladies and gentlemen,

This MIF Forum, I believe, is a useful platform for all of us to gain knowledge and better understanding of the new concepts, new instruments as well as opportunities in the Islamic finance. I hope you will benefit from this forum greatly and put the learnings you gain here into practice for the benefit and further progress of this industry. More needs to be done to uncover the potential investment opportunities under the Islamic Capital Market space. As all of us have witnessed, the growth of global Islamic markets is a force to be reckoned with. The equity and *sukuk* markets have definitely taken centre stage. Hence, there is still room for growth for other Islamic products such as iREITs, iETF, Islamic derivatives and structured products. It is therefore, the role of everyone be it regulators, issuers, intermediaries or investors to work together in ensuring that the development of these products will come to fruition for the sustainability of the global Islamic financial space. Furthermore, cross-border linkages and strategic alliances amongst exchanges have established the stepping stone necessary for becoming a globally competitive capital market and are deemed as an area of growth. We envisage that through cooperative opportunities, we will effectively respond to the increasingly fierce competition among the global Islamic markets.



As a market operator and frontline regulator, Bursa Malaysia welcomes any initiatives to develop this segment of the capital market. On that note, our doors are opened for market players to further explore the right approach and most suitable products which will contribute towards the development of the Malaysian Islamic capital market.

Thank you.