



malaysian ICM



Bi-annual Bulletin on the
Malaysian Islamic Capital Market
by the Securities Commission Malaysia

Contents

Enhancing the Islamic Capital Market through Digital Technology 1

SHARIAH

Shariah Advisory Council Resolutions 3

DEVELOPMENT

Budget 2020 5

Sustainable and Responsible Investment Roadmap for the Malaysian Capital Market Launched 6

REGULATORY

Revised SRI Sukuk Framework Culminated in Amended Guidelines 7

FEATURES

Green and Sustainable Finance: Opportunities for Islamic Finance and Investment 10

The Momentum Continues for the Malaysian ICM in 2019 13

News Round-up 15

STATISTICAL UPDATES

Malaysian ICM – Facts and Figures 17

ENHANCING THE ISLAMIC CAPITAL MARKET THROUGH DIGITAL TECHNOLOGY

The advent of technology and digitisation has far-reaching benefits on society. The greater traction for its growth stems from the increased participation especially among individual or retail investors via the digital platforms. Today, the pace of change in financial markets is rapidly accelerating via the use of new technology, allowing for the emergence of innovative market-based financing models. Digital finance in essence, has emerged across the global financial landscape in recent years and materially influenced the directional development of the Islamic capital market (ICM) and Islamic investments.

The Malaysian capital market is now home to alternative market-based financing platforms such as equity crowdfunding (ECF) and peer-to-peer (P2P) financing as well as a diverse range of fintech players including digital investment managers, digital asset exchanges and property crowdfunding operators. These new alternative capital-raising avenues allow for greater democratisation of finance for the underserved small businesses and entrepreneurs with innovative business ideas to raise the necessary funding through the capital market including the ICM.

These platforms have also proven to be an effective channel in improving financial access and inclusion through digital growth, as well as attracting the younger investors. As at December 2019, there were 10 ECF and 11 P2P registered recognised market operators (RMO). Ethis Ventures Sdn Bhd was registered as the first Shariah-compliant ECF RMO while Ethis Kapital Sdn Bhd was the first Shariah-compliant P2P RMO, with four successful campaigns amounting to RM245,000. Conventional RMOs are also allowed to offer Islamic ECF and P2P campaigns.

Continued to next page ►►

▶▶ *continued from cover page*

The ICM witnessed further breakthrough in innovation when international fund management company, Wahed Invest Technologies Sdn Bhd (Wahed Invest) was licenced in 2019 to undertake an Islamic fund management activity through a robo-advisory platform. Wahed Invest is the first Islamic robo-advisor to offer digital investment management (DIM) services in Malaysia, and the third to officially enter the Malaysian market after StashAway and MyTheo. Wahed Invest joins a number of wealth management firms building robo-advisers, a market initially developed by startups such as Wealthfront and Betterment, to tap affluent but not necessarily very wealthy customers.

This digital innovation bodes well for the future of the ICM as the development certainly contributes towards a new age of Islamic finance. With this development, investors are facilitated by digital technology, creating more avenues for seamless inclusive Islamic investment solutions as the Islamic robo-advisor channel provides investors with access to a diversified Shariah-compliant portfolio in an efficient and transparent manner and facilitates connectivity with international markets. As more wealth management companies establish robo-advisory channels, the companies may be able to diversify into the Islamic robo-advisor space and capitalize on the growing appetite and demand for Islamic investments from investors.

In line with the digital landscape development, the SC announced the registration of the EdgeProp Sdn Bhd

(EdgeProp) as the first recognised market operator to establish and operate a property crowdfunding (PCF) platform in Malaysia, following the revision of the SC's Guidelines on Recognized Markets in May 2019.

PCF is an initiative announced in Budget 2019 to provide an alternative financing avenue for first-time homebuyers through a property crowdfunding scheme. PCF offers the same potential as ECF and P2P financing platforms to provide an alternative source of financing, which is specifically tailored for first-time homebuyers. At the same time, it will provide investors access to a new investment option. The progress of this innovative digital solution presents opportunities to further broaden avenues for Islamic alternatives in the ICM.

The potential developments to the digital arena and ICM have also been supported by thought-leadership, capacity building programmes such as the SC-hosted SCxSC Fintech Conference. The sixth edition of the conference held in October 2019 aimed to scale up the local fintech industry, which has recently seen the entry of new players following the regulator's move to broaden the opportunities for underserved segments such as micro, small and medium enterprises (MSMEs) and new generation of investors to raise capital or achieve their financial goals. Islamic fintech has been a key discussion of the conference, including how Shariah-compliant businesses could adopt technology to widen and strengthen the Islamic finance market space especially the ICM.

SHARIAH ADVISORY COUNCIL RESOLUTIONS

The SAC periodically issues resolutions on various Shariah-related matters in relation to ICM. The SAC also reviews and updates existing resolutions where applicable, to take into consideration the dynamic changes and new development in the marketplace. Among the resolutions that have been issued by the SAC during the second half of 2019 are as follows:

(1) GUARANTEE OF PROFIT BY A THIRD PARTY, SISTER COMPANY AND ASSOCIATE COMPANY OF THE SUKUK ISSUER IN SUKUK BASED ON `UQUD ISHTIRAK AND `AQD WAKALAH BI AL-ISTITHMAR

The SAC had deliberated the issues of guarantee of profit by a third party, sister company and associate company of the sukuk issuer and imposition of *ujrah* (fee) on such guarantee in sukuk based on *`uqud ishtirak* and *`aqd wakalah bi al-istithmar*. The issue in deliberation was whether a third party, sister company and associate company of the sukuk issuer may guarantee profit and impose *ujrah* on such guarantee in sukuk based on *`uqud ishtirak* and *`aqd wakalah bi al-istithmar*.

Resolution

The SAC had resolved that it is permissible for a third party, sister company and associate company of the sukuk issuer–

- (i) to provide guarantee on profit; and
- (ii) to impose *ujrah* on such guarantee,

in sukuk based on *`uqud ishtirak* and *`aqd wakalah bi al-istithmar*.

(2) SETTLEMENT OF PURCHASE CONSIDERATION OF RECEIVABLES BY WAY OF MUQASAH

A proposal from the industry in relation to the sukuk *murabahah* asset-backed securitisation (ABS) programme

(Sukuk *Murabahah*) has been presented to the SAC. Among the issues raised was the settlement of the purchase consideration of receivables by way of *muqasah*.

In the sukuk *murabahah* proposal, the originator and the sukuk issuer have executed the contract of sale and purchase of receivables where the originator sells the receivables to the sukuk issuer. At the same time, the originator also subscribes to the sukuk *murabahah* issued by the sukuk issuer as the junior class sukukholder of the sukuk *murabahah* (junior sukuk *murabahah*).

In the above situation, the sukuk issuer needs to pay the purchase consideration of the receivables to the originator, and the originator as the sukukholder of the junior sukuk *murabahah* is required to pay to the sukuk issuer the subscription price of the junior sukuk *murabahah*.

In this industry proposal, part of the payment of the purchase consideration of the receivables will be settled by the sukuk issuer to the originator by way of *muqasah* against the payment of the subscription price of the junior sukuk *murabahah* to be paid by the originator to the sukuk issuer. Meanwhile, the balance of the purchase consideration of the receivables will be settled by the sukuk issuer to the originator in cash.

Question arises whether the settlement of the purchase consideration of the receivables by the sukuk issuer to the originator can be done by way of *muqasah* in situation where the originator also needs to pay the subscription price of the junior sukuk *murabahah* to the sukuk issuer.

Resolution

The SAC resolved that the settlement of the purchase consideration of the receivables by the sukuk issuer to the originator by way of *muqasah* against the payment of the subscription price of the junior sukuk *murabahah* that needs to be paid by the originator to the sukuk issuer is permissible.

SHARIAH

If there is a difference of value between the amount of the two debts (debt owed by the sukuk issuer to the originator and debt owed by the originator to the sukuk issuer), the difference needs to be settled on the spot basis either by way of cash, in-kind or combination of both.

(3) REVISED RESOLUTION ON UTILISATION OF SUKUK PROCEEDS FOR REFINANCING OF OUTSTANDING CONVENTIONAL BORROWINGS

The SAC had deliberated the issue in relation to the utilisation of sukuk proceeds for refinancing of outstanding conventional borrowings used for Shariah non-compliant purposes. This issue was related to the previous SAC resolution on utilisation of sukuk proceeds for refinancing of outstanding conventional borrowings where the SAC had resolved at the 190th SAC meeting held on 27 October 2016 that the sukuk proceeds may be utilised to refinance (wholly or partly) outstanding conventional borrowings (Previous Utilisation of Sukuk Proceeds for Refinancing Outstanding Conventional Borrowings Resolution).

The issue in deliberation was whether the utilisation of sukuk proceeds for refinancing of outstanding conventional borrowings used for Shariah non-compliant purposes

complies with the Previous Utilisation of Sukuk Proceeds for Refinancing Outstanding Conventional Borrowings Resolution.

Resolution

The SAC had resolved that the sukuk proceeds may be utilised to refinance (wholly or partly) outstanding conventional borrowings provided that the outstanding conventional borrowings, which were used for activities or purposes that are prohibited by Shariah is not more than 49% of the total outstanding conventional borrowings.

Notwithstanding the above, if a company carrying out Shariah non-compliant business activities is in the process of converting its business into a fully Shariah-compliant business, the sukuk proceeds may be utilised to refinance (wholly or partly) its outstanding conventional borrowings.

This resolution is applicable to the issuer and the issuer's group of companies and it shall supersede the Previous Utilisation of Sukuk Proceeds for Refinancing Outstanding Conventional Borrowings Resolution.

DEVELOPMENT

BUDGET 2020





The Government's Budget 2020 outlines key priorities that balance the need to support the Malaysian economy in this challenging global environment, while reflecting the government's commitment in restoring fiscal health.

On the Malaysian capital market front, a host of measures are introduced that would further develop the financing ecosystem to better serve the broader economy. These include:

- 01 a further **RM50 million allocation** to the co-investment fund¹ administered by the SC, with an additional RM10 million specifically assigned for social enterprises;
- 02 the comprehensive efforts to enhance Malaysia's position as a **leading Islamic finance player**; and
- 03 further **refinement of the Private Retirement Scheme**, whereby withdrawals for healthcare and housing being exempted to any tax penalty, are permitted.

In order to enhance Malaysia's position as global leader in Islamic finance, the government has established a Special Committee on Islamic Finance to formulate the Islamic economic blueprint with relevant agencies. This ensures an effective co-ordination of the initiatives involved.

The continued tax exemption will further spur the growth in Malaysia's ICM and increase the vibrancy of the country's Islamic finance ecosystem. The relevant tax exemptions are as follows:

- 01 **Tax exemption** for fund management companies managing Shariah-compliant funds has been extended for three years until year of assessment 2023; 
- 02 **Tax exemption** for fund management companies managing SRI funds (conventional and Islamic) has been extended for three years until year of assessment 2023; 
- 03 **Tax deductions** on the cost of issuance on Sukuk *Wakalah*, has been extended for five years until year of assessment 2025; and 
- 04 **Tax deductions** on the cost of issuance for SRI Sukuk, has been extended for three years until year of assessment 2023. 

¹ During Budget 2019, RM50 million was allocated to set up fund for the Government to invest together with private investors on ECF and P2P platforms. The fund is intended to increase access to financing for MSMEs through the use of ECF and P2P platforms as an alternative avenue for fundraising.

SUSTAINABLE AND RESPONSIBLE INVESTMENT ROADMAP FOR THE MALAYSIAN CAPITAL MARKET LAUNCHED

The Securities Commission Malaysia (SC) released the *Sustainable and Responsible Investment Roadmap for the Malaysian Capital Market (SRI Roadmap)* on 26 November 2019. The SRI Roadmap aims to enhance the SRI ecosystem and chart the role of the capital market in driving Malaysia’s sustainable development.

Sustainability is an important global agenda given the need to address real issues on the ground that are affecting society, with initiatives that include the eradication of poverty, providing access to education and healthcare, and addressing climate change. The capital market has a critical role to address this gap especially in the green, social and sustainable sectors.

It is estimated that in the next 10 years, the world needs about US\$5 to US\$7 trillion annually to fund the United Nation’s Sustainable Development Goals. In Malaysia, it is projected that in the next five years, the market will require RM45 billion to finance the long-term development goals.

The five-year SRI Roadmap identifies 20 strategic recommendations to drive the development of a facilitative and vibrant SRI ecosystem, and position Malaysia as a SRI centre in the region. These are mapped against the *5i-Strategy* introduced by the SC in 2014, namely widening the range of SRI *instruments*, increasing SRI *investors* base, building a strong SRI *issuer* base, instilling strong *internal* governance culture, and designing an *information* architecture in the SRI ecosystem.

The SRI Roadmap builds on the SC’s initiatives to strengthen Malaysia’s position as a regional leader in sustainable investment, which includes the SRI Sukuk Framework, first introduced in 2014 to facilitate the financing of initiatives that benefit the environment and society.

DID YOU KNOW?

SRI Roadmap Mapped against the 5i strategy

1. Widening the range of SRI **instrument** 
2. Increasing SRI **investor** base 
3. Building a strong SRI **issuer** base 
4. Instilling strong **internal** governance culture 
5. Designing **information** architecture 

One of the immediate initiatives that has been rolled out under the SRI Roadmap is the revision of the SC’s SRI Sukuk Framework, which took effect on 26 November 2019.

The revised SRI Sukuk Framework has expanded the list of eligible SRI projects, enhanced disclosure and reporting requirements, and clarified the role of external reviewer. The SC has also released a booklet to guide stakeholders and members of the public on the key features of the revised framework. The information is available at the SC website, www.sc.com.my.

REGULATORY

REVISED SRI SUKUK FRAMEWORK CULMINATED IN AMENDED GUIDELINES

SC, in relation to the revised SRI Sukuk framework (Revised Framework), issued the revised *Guidelines on Unlisted Capital Market Products under the Lodge and Launch Framework* (UCMP Guidelines), *Guidelines on Issuance of Corporate Bonds and Sukuk to Retail Investors* (Retail Bond and Sukuk Guidelines), *Prospectus Guidelines*, and *Guidelines on Sales Practices of Unlisted Capital Market Products*. The revised guidelines are collectively referred to as 'Amended Guidelines' and were issued on 26 November 2019.

The revised guidelines are intended to provide the following:

- Ensure clarity of new requirements for the core components of the Revised Framework
 - Enhance disclosure of information and other consequential amendments
1. **The key amendments** of the Amended Guidelines comprised the following:
 - (a) New requirements of the core components of the Revised Framework
 - The Revised Framework will consist of four core components that include utilisation of sukuk, process for project evaluation and selection, management of proceeds and reporting.

KEY COMPONENTS OF THE FRAMEWORK



UTILISATION OF PROCEEDS

Proceeds raised from the issuance of the SRI sukuk are utilised only for the purpose of funding any activities or transactions relating to the eligible SRI projects.



PROCESS FOR PROJECT EVALUATION AND SELECTION

Establish internal processes for evaluation and selection of the eligible SRI projects.



MANAGEMENT OF PROCEEDS

Proceeds allocated for the eligible SRI projects are credited into a designated account or otherwise tracked in an appropriate manner.



REPORTING

Annual reporting on the following:

- Original amount allocated for the eligible SRI projects;
- Amount utilised for the eligible SRI projects;
- Unutilised amount and where such unutilised amount is placed or invested pending utilisation; and
- List of the eligible SRI projects in which the proceeds have been allocated to as well as brief description of the said eligible SRI projects and their impact or expected impact.

REGULATORY

(b) Reclassification of the categories of eligible SRI projects

• Under the amendment, the eligible SRI projects will be reclassified as–

- (i) green projects;
- (ii) social projects;
- (iii) projects with the combination of green and social projects; and
- (iv) *waqf* projects that relate to the development of *waqf* properties or assets.

(c) Change in the mode of disclosure of information

Under the amendment, the disclosure on SRI sukuk framework must be made via website designated by the issuer, regardless whether the distribution is made to sophisticated investors or retail investors.

(d) Enhanced disclosure of information:

- (i) On a website designated by the issuer

With the amendment, the website designated by the issuer must include the enhanced disclosure, among others, as follows:

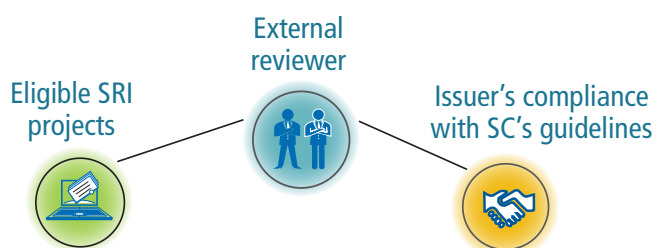
- (a) Overall SRI objectives that the issuer intends to achieve;
- (b) The utilisation of proceeds from the issuance of the SRI sukuk;
- (c) The details of the eligible SRI projects and its impact objectives; and
- (d) The criteria used by the issuer to identify and manage material environmental or social risks associated with the eligible SRI projects.



Note: There can also be a combination of green and social projects.

EXTERNAL REVIEW

An external reviewer may be appointed to assess and provide report on the eligible SRI projects or the issuer's compliance with the relevant requirements as set out in the SC's guidelines.



Further, the external reviewer's report on the eligible SRI projects or issuer's compliance with the requirements under the UCMP Guidelines and Retail Bonds and Sukuk Guidelines will be available on the website designated by the issuer.

- (ii) On product highlight sheet (PHS) and prospectus

With the amendment, where issuance of SRI Sukuk is made to retail investors, the issuer must include a statement to inform the investors that further information on the issuer's SRI sukuk framework can be obtained from the website designated by the issuer. The PHS and prospectus should

also include a summary of the external reviewer's report.

2. Other Amendments

- The UCMP Guidelines and Retail Bonds and Sukuk Guidelines have also been amended to include-
 - (a) new rulings made by the SAC applicable to sukuk issuances; and
 - (b) information that is required to be submitted to the SC for purpose of seeking the SAC's endorsement in relation to Islamic structured product.

GREEN AND SUSTAINABLE FINANCE: OPPORTUNITIES FOR ISLAMIC FINANCE AND INVESTMENT¹

A Growing Phenomenon in the Financial Landscape

The concept of 'Green and Sustainable Finance' has gained significant traction across the global financial landscape in recent years, creating an opportunity for Islamic finance to play a significant role in addressing some of the real environmental and social issues that are gravely affecting the world today and in the future.

Conversations on climate change has taken centre stage, where scientists and NGOs are not the only ones demanding more actions, but also school children around the world who have become the voice of reason as they will inherit the earth and its resources. The impact of climate change such as the increasing frequency of extreme weather occurrences around the globe, ranging from rising water temperatures to severe droughts and floods have resulted in devastating impact on people, businesses and economies.

According to the United Nations (UN), the economic cost arising from weather-related disasters worldwide rose from US\$895 billion between 1978 and 1997 to US\$2.2 trillion between 1998 and 2017. Given the severity of the impact from climate change, it is an issue that must be addressed. The COP25 Summit has recently commenced in Madrid with a warning by the UN Secretary General on the risk of the world "sleepwalking past the point of no return".

Around the world, policies have shifted towards addressing climate change and ensuring sustainable development. The Paris Agreement on Climate Change and the Sustainable Development Goals (SDGs) are two significant global agenda that are influencing policymakers, public sector, multilaterals and the private

“The close alignment in the underlying principles of Islamic finance and sustainable finance places Islamic finance in a unique position to capitalise on the substantial funding requirements for initiatives towards the SDGs.”

sector in initiating and executing policies to achieve economic prosperity underpinned by greater social inclusion, reduction of environmental degradation and preservation of the natural ecosystem.

However, substantial amount of funding is required to finance various initiatives to achieve these global goals. The UN estimated US\$5 to US\$7 trillion is required annually to fund the SDGs over the next 10 years. In this regard, there have been green and social bonds issued globally where the proceeds are channelled towards projects that have positive outcomes on the environment and society. The global green bond market has expanded at a compound annual growth rate of 46% from US\$37 billion issued in 2014 to US\$168 billion issued in 2018. Although the first labelled social bond was only issued in 2017, it has shown encouraging traction, with US\$14.2 billion issued in 2017. However, these issuances only represent a fraction of the total global funding needs for sustainable development. Thus, there is significant potential for a wider range of financing options, including Islamic finance, to mobilise investments for the SDGs.

¹ This article corresponds with a speech by Datuk Zainal Izlan Zainal Abidin, Deputy Chief Executive, SC at the Islamic Finance News (IFN) Forum 2019 on 3 December 2019 in Kuala Lumpur.

FEATURES

Sustainable Financing a Natural Fit for Islamic Finance

The close alignment in the underlying principles of Islamic finance and sustainable finance places Islamic finance in a unique position to capitalise on the substantial funding requirements for initiatives towards the SDGs. Its emphasis on shared responsibility to achieve equitable and sustainable outcomes makes Islamic finance well-suited to support social objectives. The concept of *zakat* (or almsgiving) and *sadaqah* (or charitable giving) embodies the spirit of the SDGs in ensuring that no one is left behind. In addition, *waqf* (or Islamic endowment) captures the very essence of sustainability as it aims for the preservation of assets or resources, and only allows the benefits of the assets to be harvested. This ensures that the assets will not be depleted and remain productive. In this respect, Islamic finance has embedded sustainability well before the SDG agenda was introduced.

Given the importance of ensuring sustainable development and addressing the impact of climate change among its Member Countries, the Organization of Islamic Cooperation (OIC) had adopted the SDGs at its 13th Islamic Summit in 2016. The adoption is apt as it has been reported that conflicts and natural disasters are the main drivers that cause displacement and humanitarian crisis in the OIC countries with a gap of as much as US\$15.5 billion per annum to finance humanitarian assistance, mostly in the Muslim countries. There is also a disproportionate share of the world's poor in Muslim countries. According to a 2017 report jointly published by the Islamic Development Bank Group and the UN Development Programme, OIC member countries accounted for 22% of world population but 40% of the world's poor.

The Demonstration Effect: ICM Playing its Role

In meeting the pressing financing needs towards basic amenities and humanitarian assistance, several Islamic finance solutions have been mobilised globally. In 2014, US\$500 million sukuk was issued by The International Finance Facility for Immunisation Company (IFFIm), where the proceeds were used for children immunisation in

“Among the developmental and regulatory initiatives undertaken since 2014 to support the growth of the SRI segment were the introduction of the SRI Sukuk Framework and the SRI Funds Guidelines, as well as ASEAN Standards for Green, Social and Sustainability Bonds.”

some of the world's poorest countries. A more recent sukuk innovation is the One WASH Sukuk, which is a collaboration between the International Federation of Red Cross and Red Crescent National Societies (IFRC) and the Islamic Development Bank (IsDB) to raise US\$150 million to end cholera by providing clean water, sanitation and hygiene to the target population in OIC countries.

Another example is a *zakat* arrangement between the state of Perlis (in northern Malaysia) and the IFRC, where the *zakat* funding was channelled towards drought assistance programme in Kenya. The goal of the funding was, among others, to provide the target community with access to water, food and health care. Islamic capital market instruments have also been utilised to fund green initiatives. The world's first green sukuk was issued in Malaysia in 2017 for the financing of a solar power project.

Given Malaysia's leadership in the Islamic capital market, the country is well-positioned to pursue the Sustainable and Responsible Investment (SRI) agenda with the aim of becoming a regional centre for SRI, especially Shariah-compliant SRI as articulated in the SC's *Islamic Fund and Wealth Management Blueprint* released in 2017. The foundation for the sustainability agenda has been set in the *Capital Market Masterplan 2 (CMP2)*, the 10-year strategy blueprint for the capital market covering the period from 2011 to 2020, which highlights the importance of sustainability not only for growth but also for the governance of the capital market.

To ensure a holistic development of a facilitative SRI ecosystem in Malaysia, the SC introduced the 5i-Strategy in 2014, which encompasses (i) widening the range of SRI instruments; (ii) increasing SRI investor base; (iii) building a strong SRI issuer base; (iv) instilling strong internal governance culture; and (v) designing information architecture in the SRI ecosystem. Among the developmental and regulatory initiatives undertaken since 2014 to support the growth of the SRI segment were the introduction of the SRI Sukuk Framework and the SRI Funds Guidelines, as well as ASEAN Standards for Green, Social and Sustainability Bonds.

SRI Demand Provides an Abundance of Opportunities for Islamic Finance

Several GLICs and institutional investors in Malaysia such as the Employees Provident Fund (EPF), Khazanah Nasional Bhd, and Retirement Fund (Incorporated) (KWAP) have become signatories to the Principles for Responsible Investment (PRI). To further drive SRI to a greater scale, more institutional investors are encouraged to incorporate sustainability into their investment mandates. Findings from global surveys have shown that individuals, including the millennial generation, are becoming more interested in SRI and allocating their monies towards investments that are contributing towards positive outcome to the environment and society. Thus, by enhancing their SRI intermediation capabilities, fund managers will be able to offer suitable SRI fund products and attract retail investors into this segment.

Building a strong issuer base would further strengthen the ability to raise capital to meet sustainable development needs and address climate change. To-date, most of the SRI sukuk that have been issued are for the renewable energy sector. Capital market intermediaries can play a role in encouraging a more diversified issuer base such as developers of affordable housing; and providers of essential services such as healthcare as well as manufacturers of eco-efficient products, serve to also tap into the SRI sukuk market. In addition, as the backbone

of the economy, widening access to SRI for small and medium enterprises needs to be accelerated. This can be achieved by creating more awareness on the alternative funding avenues available such as the ECF and P2P financing platforms as well as through venture capital and private equity investments. As at end December 2019, there are three green technology companies and one social-purpose company that have successfully raised financing through ECF platforms in Malaysia.

As these companies further grow and increase their scale, there is a need to have an enabling environment that can support green and social impact companies to tap into the initial public offering (IPO) market, whether through LEAP Market, ACE Market or the Main Market of Bursa Malaysia. At the end of December 2019, Solarvest Holdings Bhd was the first pure solar photovoltaic company to be listed on the ACE Market. As expectations on corporate responsibility increases, SRI should also be embedded within the governance culture of businesses in Malaysia. Corporates are now expected to strengthen their commitments to the sustainability agenda, in large part through their transparency and the ability to address material issues such as climate change.

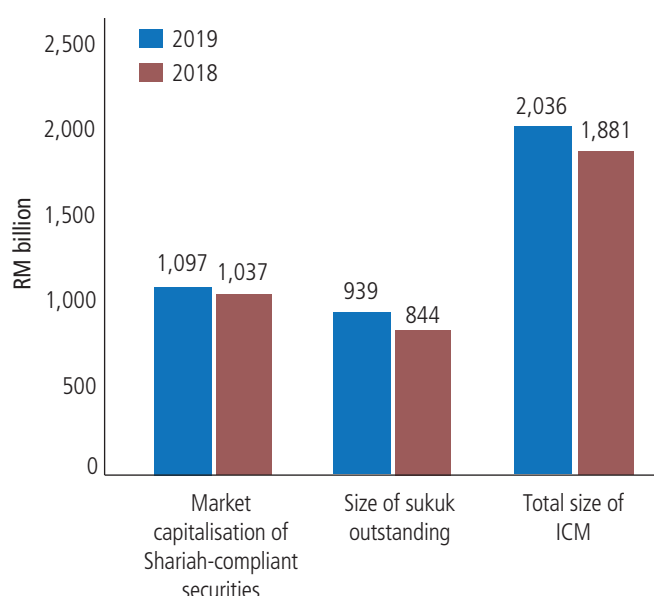
As interest towards SRI continues to grow, there will correspondingly be a rise in the demand for ancillary services such as ESG research and ratings, external reviews for issuances of green bonds and sukuk as well as investment screenings and analysis. As Shariah experts and advisors play a crucial role in supporting the development of Shariah-compliant SRI products, it is opportunistic for them to enhance their knowledge on SRI and provide SRI-related advice to their clients. This is one of the enablers that would support the development of a Shariah-compliant SRI market segment in Malaysia.

As the world transitions towards a carbon neutral and green economy, individuals and corporations globally are embracing more environmentally friendly and sustainable practices. In this regard, the role of Islamic finance as providers of responsible capital needs to be further harnessed to deliver its full potential.

THE MOMENTUM CONTINUES FOR THE MALAYSIAN ICM IN 2019

Malaysia's Islamic capital market continues to garner a larger share of the overall capital market, with a commanding 63.57%. Its market size recorded RM2,035.58 billion as at end 2019 in comparison with RM1,880.73 billion as at end 2018. This comprises total market capitalisation of Shariah-compliant equities of RM1,096.62 billion and total sukuk outstanding amounting to RM938.96 billion.

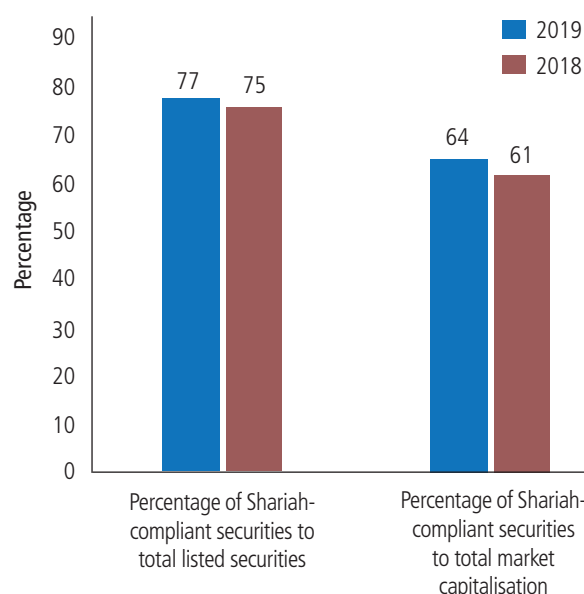
Chart 1
Size of Islamic capital market



Shariah-compliant securities

As at December 2019, Shariah-compliant securities increased to 714, which constituted 76.86% of the 929 listed securities on Bursa Malaysia. The market capitalisation of Shariah-compliant securities stood at RM1,096.62 billion or 64.06% of the total market capitalisation, an increase of 5.80% as compared to end 2018 (Chart 2). The industrial products and services sector constitutes the most Shariah-compliant securities, with 218 (30.53%) of securities, followed by consumer products sector with 145 securities (20.31%), technology with 81 securities (11.34%) and property with 78 securities (10.92%)

Chart 2
Percentage of number and market capitalisation of Shariah-compliant securities



Sukuk

Corporate sukuk issuances, represented 77.09% (2018: 68.92%) of total corporate bonds and sukuk issuances while corporate sukuk outstanding accounted for 79.58% (2018: 76.01%) of total corporate bonds and sukuk outstanding.

Sukuk issuances by Government and corporates in 2019 represented 61.11% (2018: 51.80%) of total bonds and sukuk issuances whereas total sukuk outstanding represented 63.01% (2018: 60.05%) of total bonds and sukuk outstanding.

A total of four corporate SRI sukuk were issued in 2019, bringing the total SRI sukuk issued since 2015 to 10. Corporate SRI sukuk issuances amounted to RM2.16 billion, which is 2.11% of total corporate sukuk issuances, while corporate SRI sukuk outstanding grew to RM4.71 billion, constituting 0.85% of total corporate sukuk outstanding.

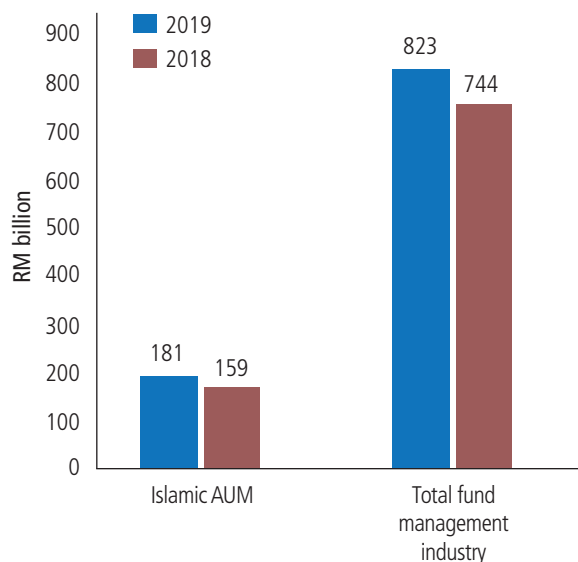
FEATURES

Islamic fund management

The Islamic AUM as at end 2019 stood at RM180.52 billion, registering 13.66% increase from RM158.83 billion as at end 2018 (Chart 3). The number of Islamic CIS saw a decrease to 330 as in 2019 from 335 in 2018, which includes two Islamic SRI funds for unit trust. In 2019, there were 54 fund management companies managing Islamic funds, with 23 full-fledged Islamic fund management companies and 31 fund management companies offering Islamic windows.

Chart 3

AUM of Islamic fund management



FEATURES

NEWS ROUND-UP

SC-OCIS Scholar in Residence Programme 2020/2021

The SC-Oxford Centre for Islamic Studies (OCIS) Scholar in Residence (SIR) Programme is an initiative for research on contemporary issues in Islamic finance, particularly relating to Islamic capital markets. The SIR Programme, is also part of the SC's ongoing broader collaboration with OCIS on thought leadership and capacity building initiatives in advancing the global development of Islamic capital markets, following a resolution made under the collaboration at an annual flagship event, SC-OCIS Roundtable in 2012.

Applicants and nominees for the Visiting Fellowship under this programme must have extensive experience in Islamic finance and/or a closely related discipline, and must be able to demonstrate competence to conduct independent academic research.

The selected Scholar will take up residence at OCIS commencing October 2020 for the academic year 2020/21, to conduct the research and participate in a range of academic activities at OCIS. The Visiting Fellow will also be expected to give occasional lectures and conduct seminars, engage in collaborative study and, upon request, provide outreach to relevant institutions and the local community.

Stakeholders Engagement

As part of its support for sustained development and growth in Islamic finance particularly the ICM, the SC representatives participated as speakers in the following events organised by various organisations during the second half of 2019:

- Universiti Kebangsaan Malaysia – *Diskusi Meja Bulat Prospek Sukuk Waqaf di Malaysia dan Layanan Undang-Undang Percukaaian* (Roundtable on the Discussion of the *Waqaf* Sukuk Prospect in Malaysia and the Tax Law Service), 24 September 2019 (Malaysia);
- Malaysia Institute of Accountant (MIA) – MIA's Islamic Finance Mini Pupilage Programme, 25 September and 9 October 2019 (Kuala Lumpur);
- *Muzakarah Ahli Majlis Penasihat Syariah Institusi Kewangan di Malaysia Kali ke-15* – 17 October 2019 (Kuala Lumpur);
- Islamic Financial Services Board (IFSB) – 14th IFSB Summit 2019, 12-14 November 2019 (Jakarta).



2020/2021
SC-OCIS SCHOLAR IN
RESIDENCE PROGRAMME
ISLAMIC
FINANCE

Visiting Fellowship section OCIS website
www.oxcis.ac.uk

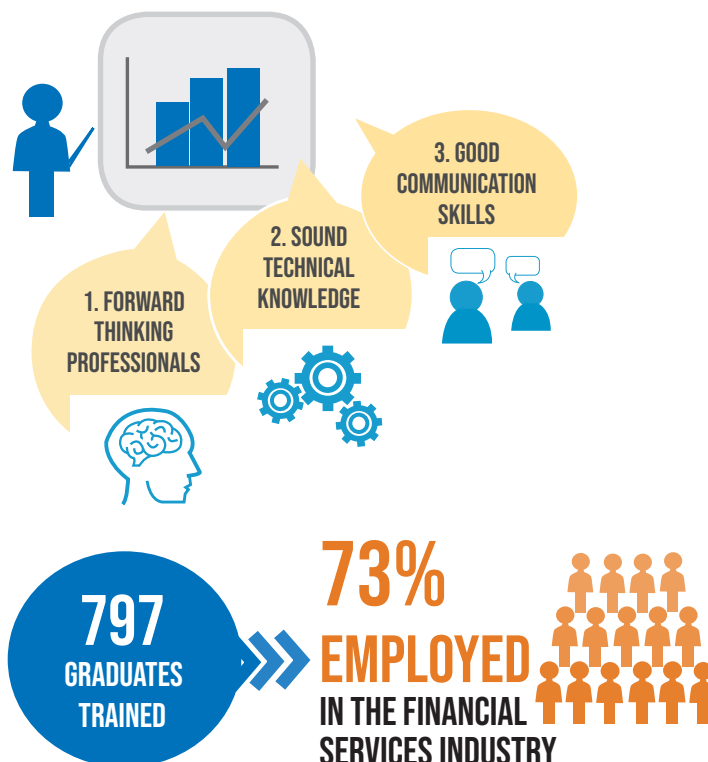
FEATURES

ICM-Related Capacity Building Programmes

Islamic Capital Market Graduate Training Scheme

ICMGTS funded by the Capital Market Development Fund (CMDf), was intended to create a pool of human capital to facilitate the development of ICM in Malaysia. To ensure the success of this key objective, emphasis will be placed on producing forward-thinking professionals with sound technical knowledge and good communication skills. The latest intake of the programme (21st ICMGTS) commenced on 13 September 2019 with 45 participants and ended on 22 November 2019.

Since the programme’s inaugural intake in 2009, it has trained 797 graduates through 20 intakes. Out of this, about 73% have been employed in the financial services industry. Essentially, the ICMGTS provides a comprehensive overview of ICM based on various teaching methodologies, comprising lectures, illustrative examples, case studies, and simulation that can be readily applied for complex ICM principles. They are able to acquire the right skills set and a basic knowledge of ICM.



ICM Series Programme

In advancing capacity building, the ICM Series is one of the initiatives by the SC to provide continuous professional development relating to ICM. It is developed to define

key issues and challenges in the market as well as to equip ICM practitioners in becoming more innovative in addressing ICM issues.

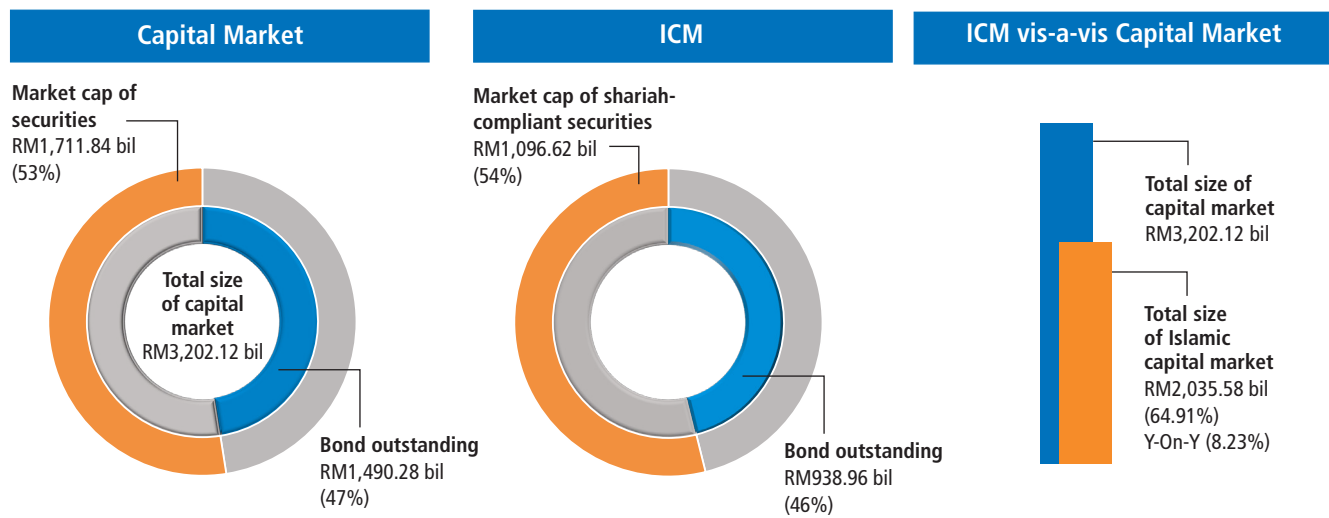
ICM series organised for 2nd half 2019

17 - 18 JULY	8 AUGUST	3 - 4 SEPTEMBER	25 SEPTEMBER	22 - 23 OCTOBER	13-14 NOVEMBER
The Shariah Rule-Making Process in Modern Islamic Finance Explained	Regulatory Requirement and Legal Documentation in ICM	Islamic Equity Market Explained	Islamic Derivatives	Accounting, Auditing and Taxation Explained	The Sukuk Market

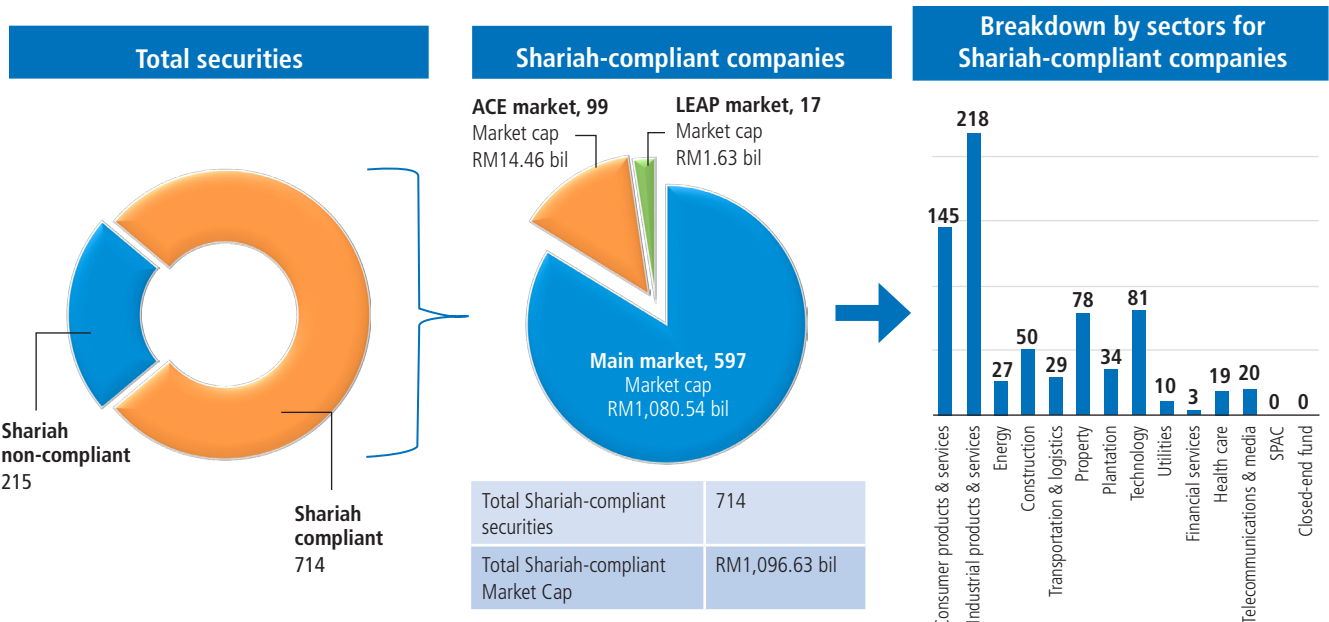
STATISTICAL UPDATES

MALAYSIAN ICM – FACTS AND FIGURES

Size of Capital Market and Islamic Capital Market as at end 2019



Islamic Equity Market as at December 2019



STATISTICAL UPDATES

Corporate sukuk

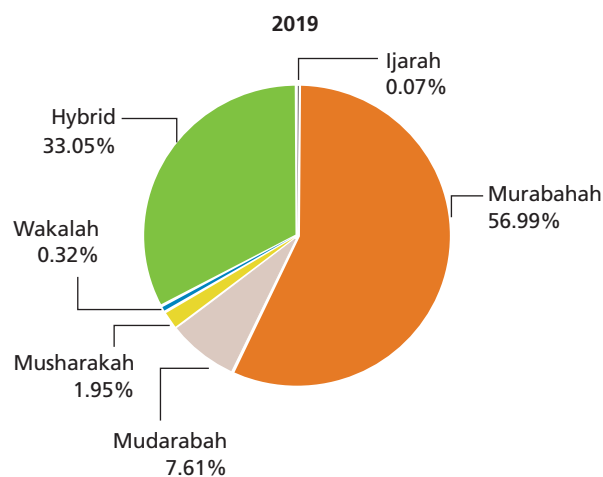
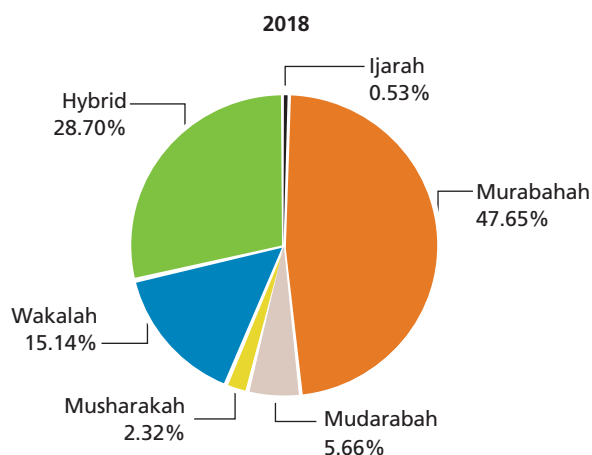
	2019	2018
Total issuance (RM billion) (long term)		
Sukuk issuance	102.39	72.68
Total corporate bonds and sukuk issuances	132.82	105.45
% of sukuk to total corporate bonds and sukuk issuances	77.09%	68.92%
Total sukuk outstanding (RM billion) (long term)		
Sukuk outstanding	555.49	497.21
Total corporate bonds and sukuk outstanding	698.04	654.11
% of sukuk to total corporate bonds and sukuk outstanding	79.58%	76.01%

Government and corporate sukuk

	2019	2018
Total issuance (RM billion)		
Sukuk issuance	235.20	199.90
Total bonds and sukuk issuance	384.85	385.93
% of sukuk to total bonds issuances	61.11%	51.80%
Total sukuk outstanding (RM billion)		
Sukuk outstanding	938.96	844.21
Total bonds and sukuk outstanding	1,490.28	1,405.78
% of sukuk to total bonds outstanding	63.01%	60.05%

Sukuk Listing	No of issuer
Bursa Malaysia's Exempt Regime	25
Exchange Traded Bonds & Sukuk (ETBS)	2
Labuan International Financial Exchange (LFX)	9

Sukuk issued by Shariah Principle



STATISTICAL UPDATES

List of companies offering Islamic stockbroking services

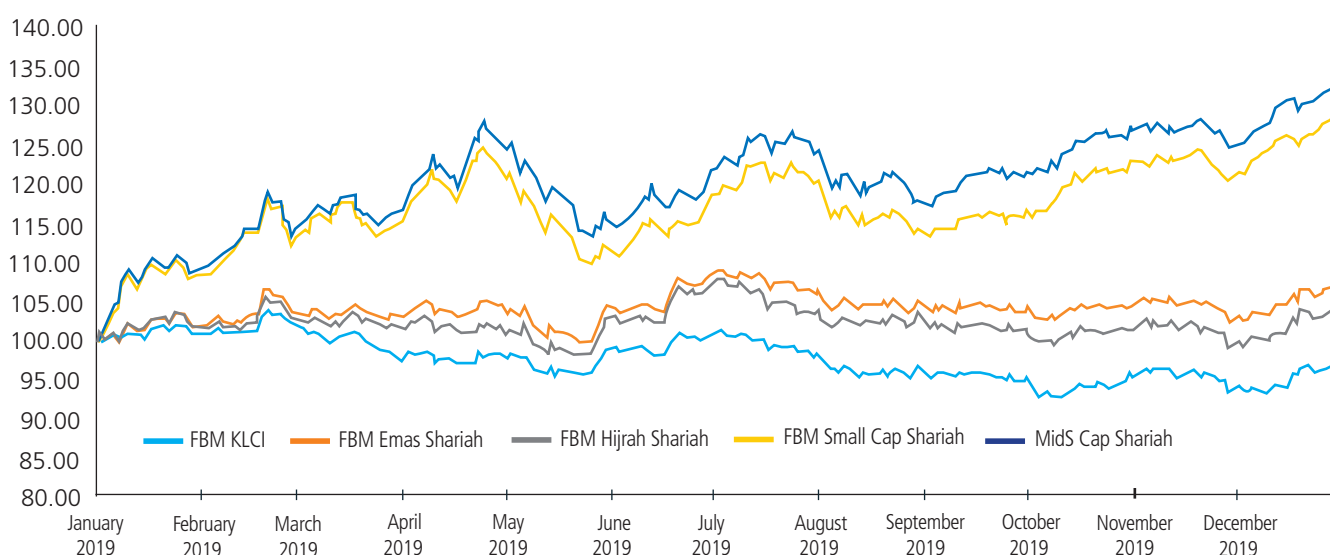
Company	Type
1. BIMB Securities Sdn Bhd	Full Fledged
2. Affin Hwang Investment Bank Bhd	Window
3. AmlInvestment Bank Bhd	Window
4. CGS-CIMB Securities Sdn Bhd	Window
5. Hong Leong Investment Bank Bhd	Window
6. Inter-Pacific Securities Sdn Bhd	Window
7. KAF Equities Sdn Bhd	Window
8. Kenanga Investment Bank Bhd	Window
9. Malacca Securities Sdn Bhd	Window
10. Maybank Investment Bank Bhd	Window
11. MIDF Amanah Investment Bank Bhd	Window
12. Public Investment Bank Bhd	Window
13. RHB Investment Bank Bhd	Window
14. TA Securities Holdings Bhd	Window
15. UOB Kay Hian Securities Sdn Bhd	Window

Equity market indices

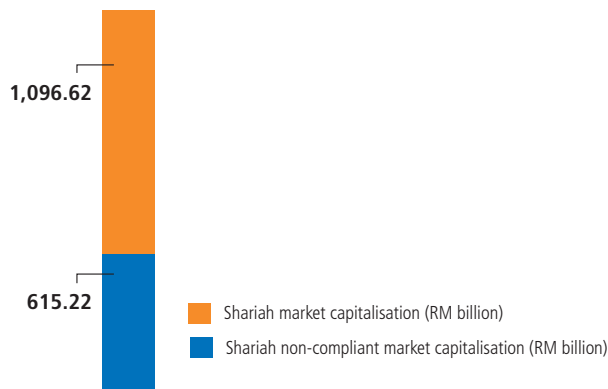
	2019	2018	% change
FBM KLCI	1,588.76	1,690.58	-6.02%
FBM EMAS Shariah	11,947.92	11,504.43	3.85%
FBM Hijrah Shariah	13,212.58	13,110.33	0.78%
FBM Small Cap Shariah	12,647.42	9,968.29	26.88%
FBM MidS Cap Shariah	14,588.24	11,208.19	30.16%

Source: Bursa Malaysia

FBM KLCI and Shariah indices 1-year performance

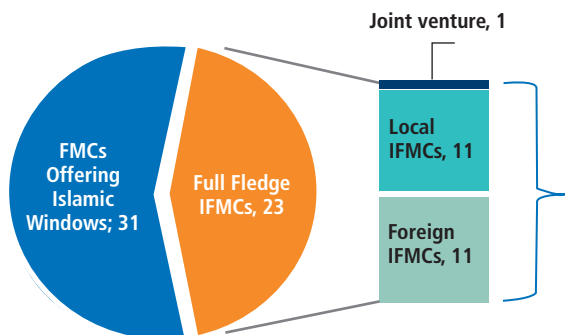


Shariah-Compliant Securities on Bursa as at end 2019



Islamic Fund Management as at December 2019

Diverse Islamic fund managers



Islamic AUM as at Dec-2019:
RM180.52 billion

Note:
AUM is sourced from collective investment schemes (CIS) and private mandates

List of Islamic fund management companies

Company	Status
1. Aberdeen Standard Islamic Investments (M) Sdn Bhd	Foreign
2. AIIAMAN Asset Management Sdn Bhd	Local
3. AmIslamic Funds Management Sdn Bhd	Local
4. Amundi Aalam Sdn Bhd	Foreign
5. BIMB Investment Management Bhd	Local
6. BNP Paribas Asset Management Najmah Malaysia Sdn Bhd	Foreign
7. Principal Islamic Asset Mangement Sdn Bhd	Joint venture
8. Eastspring Al-Wara' Investments Bhd	Foreign
9. Franklin Templeton GSC Asset Management Sdn Bhd	Foreign
10. Guidance Investments Sdn Bhd	Foreign
11. i-Vcap Management Sdn Bhd	Local
12. Kenanga Islamic Investors Bhd	Local
13. Maybank Islamic Asset Management Sdn Bhd	Local
14. MIDF Amanah Asset Management Bhd	Local
15. Muamalat Invest Sdn Bhd	Local
16. Navis Management (I) Sdn Bhd	Foreign
17. Nomura Islamic Asset Management Sdn Bhd	Foreign
18. PMB Investment Bhd	Local
19. RHB Islamic International Asset Management Bhd	Local
20. Saturna Sdn Bhd	Foreign
21. Threadneedle Asset Management Malaysia Sdn Bhd	Foreign
22. UOB Islamic Asset Management Sdn Bhd	Foreign
23. Wahed Technologies Sdn Bhd	Foreign

STATISTICAL UPDATES

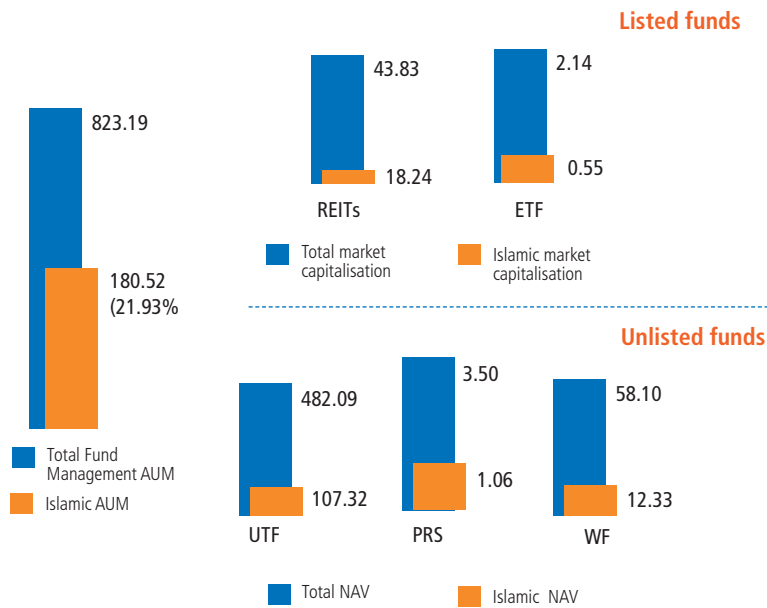
FMCs with Islamic windows

Company
1. Affin Hwang Asset Management Bhd
2. AIA Pension and Asset Management Sdn Bhd
3. Amanahraya Investment Management Sdn Bhd
4. Amara Investment Management Sdn Bhd
5. AmFunds Management Bhd
6. Apex Investment Services Bhd
7. Areca Capital Sdn Bhd
8. BNP Paribas Asset Management Malaysia Sdn Bhd
9. Eastspring Investments Bhd
10. Franklin Templeton Asset Management (M) Sdn Bhd
11. Hong Leong Asset Management Bhd
12. iFAST Capital Sdn Bhd
13. Inter-Pacific Asset Management Sdn Bhd
14. KAF Investment Funds Bhd
15. Kedah Islamic Asset Management Bhd
16. Kenanga Investors Bhd
17. Kumpulan Sentiasa Cemerlang Sdn Bhd
18. Libra Invest Bhd
19. Manulife Asset Management Services Bhd
20. Navis Management Sdn Bhd
21. Nomura Asset Management Malaysia Sdn Bhd
22. Opus Asset Management Sdn Bhd
23. Pacific Mutual Fund Bhd
24. Permodalan BSN Bhd
25. Phillip Capital Management Sdn Bhd
26. Principal Asset Management Bhd
27. PTB Unit Trust Bhd
28. Public Mutual Bhd
29. RHB Asset Management Sdn Bhd
30. TA Investment Management Bhd
31. Vcap Asset Managers Sdn Bhd

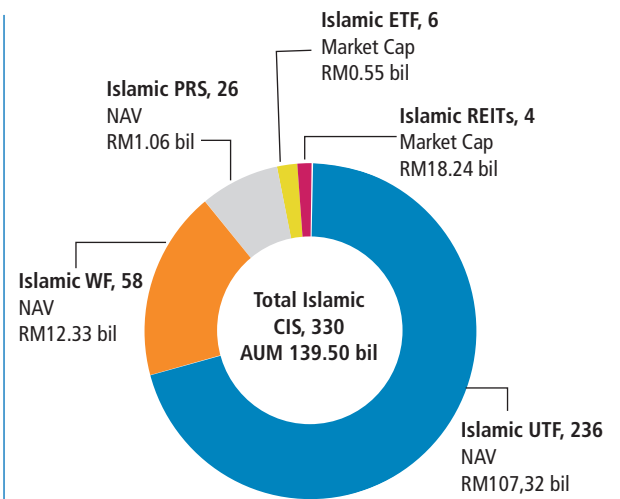
Islamic Fund Management as at December 2019

Fund Management Industry

RM in billion



Islamic CIS



Note: AUM is sourced from collective investment schemes (CIS) and private mandates.

We appreciate your feedback and comments. If you would like to know more about the Malaysian Islamic capital market or require further information from the Securities Commission Malaysia, please contact the following persons at the Islamic Capital Market Development.

Syed Azhan Syed Mohd Bakhor
Tel: +603-6204 8195
E-mail: azhan@seccom.com.my

Amir Shazlan Kamarudzaman
Tel: +603-6204 8501
E-mail: shazlank@seccom.com.my

Hanif Mohsein Mohd Fauzi
Tel: +603-6204 8235
E-mail: hanif@seccom.com.my

Securities Commission Malaysia
3 Persiaran Bukit Kiara, Bukit Kiara
50490 Kuala Lumpur Malaysia
Tel: +603-6204 8000 Fax: +603-6201 5546
Website: www.sc.com.my

© **Securities Commission Malaysia**

All rights reserved. No part of this publication may be reproduced, stored in or introduced into a retrieval system, or transmitted in any form or by any means (graphical, electronic, mechanical, photocopying, recording, taping or otherwise), without the prior written permission of the Securities Commission Malaysia.