



## 2020 In Review – Driving Sustainability

The year 2020 was predominantly marked by the COVID-19 pandemic. Despite the pandemic causing repercussions including adverse market conditions and health concerns, stakeholders' drive towards sustainability initiatives remained consistent. As the global population work towards a recovery phase, the Securities Commission Malaysia (SC) continues to recognise the relevance of sustainability in the Islamic capital market (ICM), especially in light of the global health crisis.

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## 2020 In Review – Driving Sustainability in the ICM<sup>1</sup>



During this challenging time, the drive towards attaining sustainability goals remains a relevant agenda in the global space. The third quarter of 2020 saw a record US\$155 billion of sustainable finance raised, as a result of COVID-19 and wider concerns about sustainability<sup>2</sup>. As with the global economy, the Islamic finance industry including the ICM is going through a recovery phase and adjusting to the COVID-19 pandemic. For the Malaysian ICM and SC in particular, sustainability continues to be a key priority. Prior to 2020, the SC championed various efforts in facilitating sustainable finance.

At the end of 2019, the SC revised its Sustainable and Responsible Investment Sukuk Framework (SRI Sukuk Framework), expanding the list of SRI projects deemed eligible under the SRI Sukuk Framework to provide clarity while encouraging diversity and innovation in the types and variants of sustainable sukuk. By 2020, there were 12 corporate issuances financing a range of projects including large scale solar, green buildings, hydropower and education.

As the industry continues to build a holistic sustainable finance ecosystem, numerous innovative projects could be

considered and financed under this Framework. Growth and development in this space will be underpinned by the breadth of projects and innovative transactions.

To further encourage sustainable finance, the government of Malaysia in its Budget 2021 proposal, announced measures that will continue to advance Malaysia on an upward trajectory in developing its sustainable finance ecosystem. To encourage the issuance of sustainable sukuk and bonds, the SRI Green Sukuk Grant issued by the SC was extended to cover not only green

<sup>1</sup> This article is extracted from a keynote address by Sharifatul Hanizah Said Ali, Executive Director, Islamic Capital Market Development, SC at the IFN Green & Sustainable Finance On-Air Forum on 14 December 2020.

<sup>2</sup> Sustainable Finance Market Continues 2020 Growth, Refinitiv Deal Insights (2020).

sukuk but all types of SRI sukuk and SRI green, social and sustainable bonds issued under the ASEAN standards. Further, the tax exemption on this grant has been extended to five years ending in 2025.

The Government will also continue the Green Technology Financing Scheme 3.0 (GTFS3.0) with a fund size of RM2 billion for two years up to 2022. The GTFS is a special financing scheme that was first introduced in 2010 by the government to support the development of Green Technology in Malaysia.

The Malaysian government has also issued the landmark *Sukuk Prihatin* to contribute towards the country's economic recovery following the COVID-19 pandemic. Following this, the government announced the issuance of its first sovereign sustainability bond or sukuk for environmental and social initiatives in 2021. This issuance will be another significant milestone for Malaysia in signalling the commitment by the country as a whole – government, regulators, investors, corporates and intermediaries.

## Impact of COVID-19

The COVID-19 pandemic has provided greater impetus, urgency and motivation to consider environmental, social and governance (ESG) factors on how to move forward. The sustainable agenda's momentum significantly increased during 2020; a record US\$357.5 billion was raised by sustainable companies and in

sustainable products globally till the end of September; a 96 per cent increase during the same period in 2019. While funding a transition towards a low-carbon economy is still high on the sustainability agenda, there is an increased focus on how funding can make a greater impact on social issues – protecting jobs and livelihoods, ensuring greater equality and alleviating poverty.

In this regard, the capital market is well placed to utilise the concept of *waqf* or the Islamic endowment, which can be a tool for growth in the social finance space. The SC recorded another milestone when the *Waqf-Featured Fund* framework was released to facilitate the offering of unit trust funds and wholesale funds with *waqf* features that integrate commercial and social objectives. This may lead to a widening of products, with Islamic fund management companies potentially launching *Waqf-Featured Unit Trust Funds*.

For *waqf* to thrive as a capital market product, it is important that there is a stable, sustainable and consistent income stream from *waqf* assets. With greater developmental traction in this segment via more innovative, diversified use of *waqf* assets, this could potentially lead to the issuance of *waqf*-linked sukuk for Shariah-compliant social infrastructure projects.

Within the social finance space, Islamic crowdfunding has also been instrumental in facilitating fundraising through the capital market for social projects, particularly in the

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microfinance and small-to-medium enterprise (SME) segments. The SC observed that a reasonable amount has been raised through Islamic crowdfunding platforms and further growth is expected within this space as more micro enterprises and SMEs continue to seek funds to sustain and grow their businesses.

In 2020, the pandemic has given the financial services industry a new lens in viewing how and what to finance, fund and invest in. ESG principles are being prioritised more than ever before and as a whole, the business world is now placing a significantly larger emphasis on the concept of 'doing good'.

Despite the challenging environment the pandemic has presented, there is much potential for Shariah-compliant finance and funding that can take the lead in the delivery of innovative funding solutions and drive further the development of the sustainable ecosystem.

<sup>3</sup> Sustainable Finance Market Continues 2020 Growth, Refinitiv Deal Insights (2020).



## Shariah Advisory Council Resolutions

The Shariah Advisory Council (SAC) plays a significant role in contributing to the comprehensive development of ICM in Malaysia. The SAC actively reviews and update resolutions on various Shariah-related issues in relation to ICM to ensure that the transactions that are undertaken complies with Shariah requirements. The SAC also ascertains the appropriate Shariah principles that can be applied in order to facilitate new and innovative ICM products to be consistent with the latest development in the marketplace. Among the resolutions that were issued by the SAC recently relating to sukuk are as follows:



1

### INVESTMENT IN THE SHARIAH-COMPLIANT GENERAL BUSINESS BASED ON MUSHA' FOR SUKUK WAKALAH BI AL-ISTITHMAR

There are situations whereby sukuk which is structured based on the principle of *wakalah bi al-istithmar* (sukuk *wakalah*) is issued based on tranches<sup>1</sup> or series<sup>2</sup>.

When the investment made by the *wakil* (agent) is in the Shariah-compliant general business and not in a specific business, a question arises whether the investment in the former can be determined based on the concept of *musha'*<sup>3</sup> via specific percentage for each issuance of tranche or series of the sukuk.

#### RESOLUTION

The SAC had resolved that the investment in the Shariah-compliant general business, which is based on tranches or series and that is determined based on the concept of *musha'* via specific percentage is permissible.

<sup>1</sup> Tranches refers to an issuance of sukuk programme in several tranches. Each tranche of the sukuk is issued at different time with different tenures and maturity dates for each tranche.

<sup>2</sup> Series refers to tranches, which are divided into several series. Every series issued in each tranche may have different maturity dates but were issued at the same time.

<sup>3</sup> *Musha'* from the perspective of *fuqaha'* refers to joint ownership over an asset in proportion and physically undivided. For details, refer to Nazih Hammad, *Mu'jam al-Mustalahat al-Maliyyah wa al-Iqtisadiyyah fi Lughah al-Fuqaha'*, *Dar al-Qalam*, Damsyik, 2008, First Edition, pp. 417-418.

2

## SUBSCRIPTION OF SUKUK BY WAY OF MUQASAH

*Muqasah* (offset) is a concept that has been accepted by Shariah. In the structuring of sukuk based on Asset-Backed Securitisation (ABS), there is an issue related to *muqasah*, which is the *muqasah* between the sukuk subscription price by the originator and the purchase price of the asset that is payable by the issuer to the originator.

In the issuance of sukuk involving the abovementioned issue, the originator sold its asset to the issuer at a certain price. To pay the purchase price of the asset, the issuer will issue sukuk to the investors.

If the originator subscribed the sukuk as an investor, the originator is not required to make any cash payment to the sukuk issuer for the sukuk subscription price. This is because the sukuk subscription price that should be paid by the originator will be offset by way of *muqasah* against the purchase price of the asset payable by the sukuk issuer to the originator.

Hence, question arises whether Shariah permits the subscription of sukuk by the originator by way of *muqasah* against the payment of the purchase price of the asset payable by the sukuk issuer to the originator.

## RESOLUTION

The SAC had resolved that the subscription of sukuk by the originator by way of *muqasah* against the payment of the purchase price of the asset payable by the sukuk issuer to the originator is permissible.

## SC Names New Shariah Advisory Council Line-up

The SC announced the new line-up of its SAC who will serve for a three-year period commencing 1 July 2020, as assented by the Yang di-Pertuan Agong under Section 312K of the *Securities Commission Malaysia Act 1993* (SCA). The members include two new appointees namely Professor Dato' Dr. Mohd Azmi Omar and Dr. Zaharuddin Abdul Rahman. Under the SCA, the SAC is empowered to advise the SC on any Shariah issue related to ICM business or transaction. It is the central authority responsible for

determining the application of Shariah principles in ICM business or transaction. It also functions as a reference centre for all matters relating to ICM which include to issue ruling on any matter relating to ICM.

With the expertise and experience of the SAC members, it will be able to further enhance Malaysia's position as a leader in ICM. The critical function played by the SAC will support further innovations and greater internationalisation, as well as the sustainability and scalability of ICM products and services in Malaysia.

### The full list of nine SAC members are as follows:

1. Datuk Dr. Mohd Daud Bakar, Executive Chairman, Amanie Group
2. Associate Professor Dr. Aznan Hasan, IIUM Institute of Islamic Banking and Finance (IIBF), International Islamic University Malaysia
3. Dr. Shamsiah Mohamad, Former Senior Researcher, International Shariah Research Academy for Islamic Finance (ISRA)
4. Professor Dr. Engku Rabiah Adawiah Engku Ali, IIUM Institute of Islamic Banking and Finance (IIBF), International Islamic University Malaysia
5. Professor Dr. Ashraf Md Hashim, CEO, ISRA International Consulting Sdn Bhd
6. Professor Dr. Asmadi Mohamed Naim, Vice Chancellor of Universiti Islam Antarabangsa Sultan Abdul Halim Mu'adzam Shah (UniSHAMS)
7. Associate Professor Dr. Mohamed Fairouz Abdul Khir, School of Graduate and Professional Studies, International Centre for Education in Islamic Finance (INCEIF)
8. Professor Dato' Dr. Mohd Azmi Omar, President and CEO, International Centre for Education in Islamic Finance (INCEIF)
9. Dr. Zaharuddin Abdul Rahman, CEO, Elzar Shariah Solution Sdn Bhd



# List of Shariah-Compliant Securities by Shariah Advisory Council

The SC released the list of Shariah-compliant securities which took effect on 27 November 2020.

The list featured a total of 715 Shariah-compliant securities, representing 79 per cent of the 903 securities listed on the Main Market and ACE Market of Bursa Malaysia. The list included 39 newly classified Shariah-compliant securities and excluded 16 from the previous list issued in May 2020.

In addition, 28 securities listed on the LEAP market have been classified as Shariah-compliant securities by the SAC. The next list will be published in May 2021, based on the review of the audited financial statements released up to 31 March 2021.

Table 1

## List of Shariah-Compliant Securities on the Main and ACE Markets

Main Market / ACE Market	Number of Shariah-compliant securities	Total securities*	Percentage of Shariah-compliant securities (%)
Consumer products and services	141	189	75
Industrial products and services	212	257	82
Energy	29	33	88
Construction	52	56	93
Transportation and logistics	27	35	77
Property	82	99	83
Plantation	35	44	80
Technology	81	91	89
Utilities	10	13	77
Financial services	3	34	9
Health care	18	19	95
Telecommunications and media	25	31	81
SPAC	Nil	1	Nil
Closed-end fund	Nil	1	Nil
<b>TOTAL</b>	<b>715</b>	<b>903</b>	<b>79</b>

\* As at 23 November 2020



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Table 2

## List of Shariah-Compliant Securities on the LEAP Market

No.	Name of securities	Sector
1.	Amlex Holdings Bhd	Technology
2.	Aurora Italia International Bhd	Consumer products and services
3.	Baba Eco Group Bhd	Industrial products and services
4.	CE Technology Bhd	Technology
5.	Cloudaron Group Bhd	Technology
6.	Cosmos Technology International Bhd	Industrial products and services
7.	CRG Incorporated Bhd	Consumer products and services
8.	Enest Group Bhd	Consumer products and services
9.	Fibromat (M) Bhd	Industrial products and services
10.	GPP Resources Bhd	Industrial products and services
11.	IDB Technologies Bhd	Technology
12.	JM Education Group Bhd	Consumer products and services
13.	Manforce Group Bhd	Consumer products and services
14.	Matrix Parking Solution Holdings Bhd	Consumer products and services
15.	MCOM Holdings Bhd	Technology
16.	Metro Healthcare Bhd	Health care
17.	MMIS Bhd	Industrial products and services
18.	Nova Pharma Solutions Bhd	Health care
19.	Polydamic Group Bhd	Industrial products and services
20.	Polymer Link Holdings Bhd	Industrial products and services
21.	SEERS Bhd	Consumer products and services
22.	SL Innovation Capital Bhd	Technology
23.	Smile-Link Healthcare Global Bhd	Health care
24.	Supergenics Bhd	Industrial products and services
25.	Supreme Consolidated Resources Bhd	Consumer products and services
26.	Topvision Eye Specialist Bhd	Health care
27.	TT Vision Holdings Bhd	Technology
28.	Uni Wall Aps Holdings Bhd	Construction



# Shariah Advisory Council Resolution on Digital Assets

On 15 January 2020, the SC published the *Guidelines on Digital Assets* that outlines the framework for fundraising through digital token offering in Malaysia. The Guidelines came into force on 28 October 2020.

In order to complement this development, the SAC of the SC has issued resolution in relation to digital currency<sup>1</sup> and digital token (Digital Assets)<sup>2</sup>. The SAC had discussed the following issues from Shariah perspective:

- (i) Whether Digital Assets can be recognised as *mal*<sup>3</sup> (asset) from Shariah perspective;
- (ii) Whether Digital Assets can be classified as currency or *`urudh* (goods)<sup>4</sup>; and
- (iii) How to determine the Shariah status of a digital token.

The discussions on Digital Assets by the SAC are limited to Digital Assets that are regulated by the SC.

## RESOLUTION

The SAC had resolved as follows:

### (A) DIGITAL CURRENCY

Digital currency is recognised as *mal* from Shariah perspective. The SAC had viewed digital currency from two scopes, as follows:

#### (1) Digital currency that is based on technology without any underlying

Digital currency in this form is categorised as *`urudh* and it is not a currency from Shariah perspective. Such digital currency is not categorised as *ribawi* (usurious) items. Therefore, the trading of such digital currency is not subject to the principle of *ba'i al-sarf* (currency exchange).

#### (2) Digital currency that is backed by ribawi items

##### (i) Digital currency that is backed by gold, silver and currency

If a digital currency is backed by *ribawi* items comprising gold, silver and currency, it is categorised as a currency from Shariah perspective. Hence, the trading of such digital currency is subject to the principle of *ba'i al-sarf*.

<sup>1</sup> Refers to a digital currency that is approved by the SC for trading on Digital Asset Exchange (DAX).

<sup>2</sup> The definition and scope of digital currency and digital token are as prescribed under the *Capital Markets and Services (Prescription of Securities) (Digital Currency and Digital Token) Order 2019* which can be retrieved from the SC's website: <https://www.sc.com.my/api/documentms/download.ashx?id=8c8bc467-c750-466e-9a86-98c12fec4a77>

<sup>3</sup> According to the majority of Islamic scholars, *mal* refers to something that has value, can be traded and shall be subject to compensation for anyone who damage it, *al-Suyuti, al-Asybah wa al-Naza'ir*, 1983, p. 409.

<sup>4</sup> Ibn Qudamah defines *`urudh* as *mal* other than currency such as plants, animals, lands and others. Meanwhile, for al-Bujairimi, anything that is exchanged with currency, it is considered as *`urudh*. Ibn Qudamah, *al-Mughni*, v. 4, p. 249, *al-Bujairimi, al-Bujairimi 'ala al-Khatib*, v. 3, p. 55.



## RESOLUTION

### (ii) **Digital currency that is backed by ribawi items other than gold, silver and currency**

If a digital currency is backed by *ribawi* items other than gold, silver and currency, it is categorised as *amwal ribawiyyah* (*ribawi* items). Therefore, the trading of such digital currency is subject to the Shariah requirements of *ribawi* items.

### **(B) DIGITAL TOKEN**

Digital token is recognised as *mal* under the category of *`urudh* from Shariah perspective.

In determining the Shariah status of a digital token, the following matters must be fulfilled:

- (i) The proceeds raised from the issuance of the digital token must be utilised for Shariah-compliant purposes;
- (ii) The rights and benefits attached to the digital token must be Shariah-compliant; and
- (iii) In the event that the utilisation of proceeds under item (i) and the entitlement of rights and benefits under item (ii) above are for mixed activities of Shariah-compliant and Shariah non-compliant purposes, the existing SAC resolution on utilisation of sukuk proceeds and the business activities benchmark under the Shariah screening methodology for listed companies on Bursa Malaysia are applicable.

If a digital token is backed by *ribawi* items, the trading of such digital token is subject to the Shariah requirements for trading of *ribawi* items.

This resolution is not applicable to any Digital Assets, which are outside the jurisdiction of the SC.

The SAC has also resolved that investment and trading of Digital Assets that fulfil the above requirements and which are traded on DAX registered with the SC are permissible.

## Issuance of Revised Guidelines:

### Guidelines on Unit Trust Funds and Guidelines on Unlisted Capital Market Products under the Lodge and Launch Framework

The SC had released revisions to the following guidelines to facilitate offering of Islamic unit trust funds and Islamic wholesale funds with *waqf* features:

1. *Guidelines on Unit Trust Funds* (GUTF); and
2. *Guidelines on Unlisted Capital Market Products under the Lodge and Launch Framework* (LOLA Guidelines).

The requirements for the Waqf-Featured Fund Framework (Framework) has been incorporated in a new Chapter 14 of the GUTF and a new Section B, Part 1, Chapter 6, of the LOLA Guidelines.

The requirements of the Framework include:

#### (1) Investment Objective and Distribution Policy

A fund with *waqf* feature must be a fund whose primary investment objective is to provide income and allows its unitholders to channel all or part of the distribution of income for *waqf* purposes. The distribution policy of the fund must include the percentage of distribution to be channelled for *waqf* purposes.

#### (2) Eligible Waqf Recipients

The fund may only channel the distribution declared for *waqf* purposes to the following recipients-

- (a) any state Islamic religious council (SIRC); or
- (b) any institutions or organisation authorised by the SIRC to act as a *mutawalli* (*waqf* administrator) or collection agent for *waqf* purposes.

#### (3) Disclosure

The fund must disclose in its prospectus, disclosure documents, information memorandum and product highlights sheet (where applicable), detailed description of the following information -

- (a) information relating to the *waqf* arrangement including the name of the *waqf* recipient and *waqf* initiatives as well as disclosing how the investors can obtain more information on the *waqf* recipient and the progress of the *waqf* initiatives; and
- (b) policies and processes relating to the selection of the *waqf* recipient and *waqf* initiatives and the circumstances where the fund will replace the *waqf* recipient, or add additional *waqf* recipient.

In addition to the above, the following information are also required to be disclosed by the wholesale fund:

- (a) the wholesale fund's investment objective allows the unitholders to channel all or part of the distribution of income for *waqf* purposes; and
- (b) the percentage of distribution of income that is to be channeled for *waqf* purposes and the amount to be paid to the unitholders.

The management company must publish the following information relating to the *waqf* on its website:

- (a) details of the *waqf* recipient; and
- (b) hyperlink to the *waqf* recipient's website.

#### **(4) Fund Report**

The fund's reports must include a detailed breakdown of total amount distributed to the –

- (a) *waqf* recipient(s) and where applicable, further breakdown of payment to each *waqf* recipient; and
- (b) unitholders.

Only an Islamic unit trust fund and Islamic wholesale fund that comply with the requirements under Chapter 14 of the GUTF and Section B, Part 1, Chapter 6, of the LOLA Guidelines, respectively, can hold itself out as a fund with *waqf* feature.

Details and information on the Framework is available on the SC website in the revised GUTF and the LOLA Guidelines.

## Repurposing Islamic Finance for Longer-Term Opportunities<sup>1</sup>

### Introduction

To remain relevant in an ever-changing world characterised by the challenging environment, the global Islamic financial landscape must constantly be adaptive. It is an unprecedented time for the Islamic finance industry, where like the rest of the financial sector, is being stifled by the adverse economic situation.

Adaptability is indeed an intrinsic attribute of Islam and is reflected in Islamic teachings. One such passage is relevant given the pandemic situation the world is facing today. To quote one of the companions of the Islamic prophet Muhammad, Abd al-Rahman ibn 'Awf, "I heard the Messenger of Allah (SAW) say: "If you hear that the plague is in a land, do not go there, and if it breaks out in a land where you are, do not leave, fleeing from it."

Moving forward, how the Islamic financial industry can emerge from this period of upheaval, will not be



defined by the upheaval itself but by the stakeholders' response to it. The vastly changed landscape today calls for adaptation; this goes for all individually and collectively, in the case of Islamic finance. To emerge stronger, stakeholders must reprioritise the purpose. There is a need to relook at the impact of Islamic finance to the current situation. The market participants must also ensure the long-term resilience and continued relevance of Islamic financial products and services.

### Repurposing, Reprioritising, and Increasing Resilience for Islamic Finance

The ongoing pandemic has upended the established social structures and systems. Unfortunately, it has also set back efforts to reduce inequality. In October 2020, the World Bank estimated that COVID-19 could push up to 115 million people into extreme poverty within a span of a year. That is equivalent to almost the population of Japan. With shared prosperity diminished, this puts many vulnerable communities at risk.

<sup>1</sup> This article is extracted from a welcome address by Datuk Syed Zaid Albar, Chairman, SC at the virtual SC-OCIS Virtual Roundtable on 15 October 2020.



Based on this, one area that Islamic finance must prioritise, is its societal role and outreach to the *ummah* (community). Islamic social instruments such as *waqf* and *sukuk* with social impact goals can be timely in helping to rebuild those bonds within communities, and it can help forge deeper “partnerships” between markets, communities and the wider economy.

The SC as a market regulator, is committed to enhance the effectiveness of Islamic products, especially in impact investing. There is room for growth given the close alignment of Islamic investing principles, with sustainable and responsible investments.

From the SC’s perspective, *waqf* or endowment products show much promise and can be impactful in elevating the socio-economic well-being of the community. This includes leveraging *waqf* for investment products and collective investment schemes, to channel funds into social projects or initiatives where they are needed.

The other crucial aspect in this challenging time is long-term resilience. The year 2020 has displayed the underlying resilience of Islamic products. For example, Shariah funds have been outperforming their conventional peers. As at end-August 2020, Malaysian Shariah equity funds out-performed the conventional

funds. In the large cap space, the returns were 7 per cent against less than 6 per cent, for their conventional equivalents; for the mid-to small-cap funds, they had average returns of 13.1 per cent - about double the 6.6 per cent of conventional funds.

Islamic funds’ defensive nature and avoidance of volatile stocks might explain this out-performance. It also demonstrates their value in protecting investors from significant downside risk. Although this is the case, there is more work to be done to enhance the long-term resilience of Islamic financial products and services. This resilience will depend on the repositioning of Islamic finance to serve future generations to ensure its continued sustainability. Towards increasing the demand for Islamic finance, it must be assumed that the primary investors of tomorrow will be the youths of today.

The youths of today have investment preferences and interests that are significantly different from several years ago. In the modern society they are interested in digital platforms, equity crowdfunding (ECF), peer-to-peer financing (P2P financing), digital investment managers, and digital assets and tokens. It would be completely remiss for the Islamic finance industry to not offer a full suite of Shariah-compliant digital investment products and solutions to meet these needs.

In this regard, the SC’s SAC released a landmark resolution in July 2020 on the permissibility of the trading of digital assets. This significant development can be a catalyst for greater Islamic product innovation over the medium-to long-term.

The widespread adoption of digital technology or fintech across the ICM may also assist to future proof the industry. Its prevalence will improve accessibility and the security of transactions. The Islamic financial industry will also be able to reap the benefits from potentially improved productivity and improved cost savings. This will serve to increase demand and volume and in turn, further raise ICM’s capabilities.

## Conclusion

In this day and age, Islamic finance may repurpose, reprioritise, and increase long-term resilience. Moving forward, the industry has been presented with its share of challenges and with these, there are also opportunities. The more immediate task is one of recovery for the global economy. Thereafter, the stakeholders can harness the benefits from opportunities in the areas of social finance, sustainability and digital technology, to further the agenda of Islamic finance.

## 11<sup>th</sup> SC-OCIS Virtual Roundtable

The SC-OCIS Roundtable is co-organised by the SC and the Oxford Centre for Islamic Studies (OCIS). It continues to act as a strategic platform for intellectual discourse among scholars, industry practitioners, regulators and intermediaries to deliberate and bring about greater understanding on topical issues relating to Islamic finance globally.

With the need to be agile in the new norm, the 11<sup>th</sup> SC-OCIS Roundtable, themed 'Repurposing Islamic Finance for Longer-Term Opportunities' was held virtually on 15 and 16 October 2020. The Roundtable consisted of two main sessions moderated by Dato' Mohammad Faiz Azmi, Chairman of PricewaterhouseCoopers (PwC Malaysia) and Tan Sri Dr Jemilah Mahmood, Special Advisor on Public Health, Prime Minister's Office of Malaysia. Central to the discussions was the role of ICM in leading the impact investing ecosystem, which would ultimately provide greater reach with sustainable impact towards beneficiaries. The Roundtable attracted approximately 50 distinguished participants from corporates, intermediaries and academia, both locally and internationally.



## Islamic Capital Market Graduate Training Scheme 2.0

The Islamic Capital Market Graduate Training Scheme (ICMGTS) was developed by the SC and supported by the Securities Industry Development Corporation (SIDC) to facilitate the creation of human capital for the ICM since 2009.

The ICMGTS is an 8-week intensive training programme to create a pool of talents in the capital market to facilitate the development of ICM in Malaysia. ICMGTS provides an avenue for graduates to acquire the right skill set and fundamental knowledge of ICM. This intensive training programme incorporates five main building blocks - ICM, General, Behavioural, Leadership and Fintech.

In view of the COVID-19 pandemic, this programme was elevated to ICMGTS 2.0 and is now part of a capacity building programme offered by the SC/SIDC under the National Economic Revival Plan (PENJANA), which was announced by the Government in June 2020. The focus of ICMGTS is expanded to displaced workers who have been affected by COVID-19 and wish to seek career opportunities in the capital market. Unlike the previous programme, ICMGTS 2.0 introduces an internship

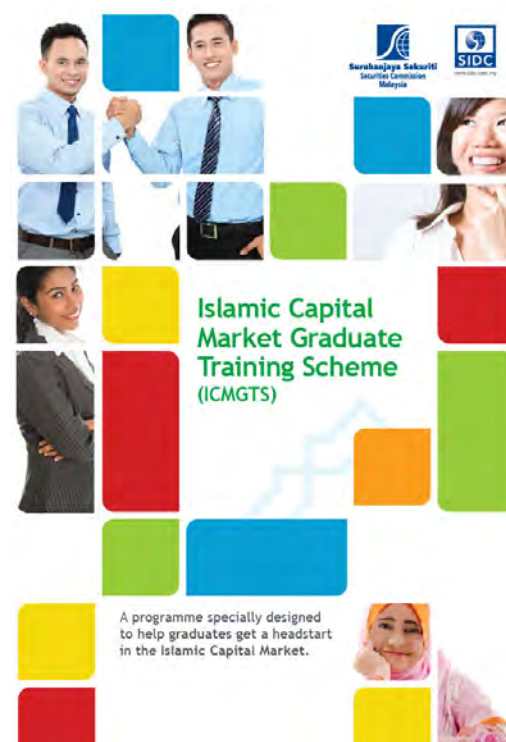
### ICMGTS 2.0 | 8-week intensive training programme incorporates 5 building blocks



For further details, refer to [www.sidc.com.my/assess/Islamic-capital-market-graduate-training-scheme-icmgts/](http://www.sidc.com.my/assess/Islamic-capital-market-graduate-training-scheme-icmgts/)

opportunity for all of its trainees, gearing towards channelling fresh talent for the developmental needs of ICM in Malaysia.

Out of 560 applications received, 50 eligible trainees were selected based on qualifying criteria, such as team work, leadership and time management skills. The trainees come from various academic background, which include accounting, finance, banking, Shariah and legal. The training programme commenced on 1 September 2020 and was completed on 31 October 2020. The programme is followed by a 4-month internship at participating financial institutions, intermediaries and relevant organisations within the financial ecosystem.



## ICM Innovation Roundtable Series

The ICM Innovation Roundtable Series congregate key relevant stakeholders to deliver forward-looking perspectives and insights that will be an important impetus to innovative solutions in ICM. It serves as a platform for exchange of ideas and views covering various themes on ICM, especially on new growth segments such as impact investment and Islamic social finance.



## Impact Investment Roundtable Series

The inaugural Impact Investment Roundtable 2020 was initiated as a furtherance to the deliberation/proceedings from the 10<sup>th</sup> SC-OCIS Roundtable in 2019, to gather subject matter experts to discuss the way forward and formulate the foundations needed to strengthen and grow the impact economy ecosystem in Malaysia. There were three roundtable series segregating distinct stakeholder groups as follows:

Date	Stakeholder group	Themes
3 AUGUST	INTERMEDIARIES	Building an Impact Investment Ecosystem: The Role of Islamic Capital Market Intermediaries in Impact Capital Intermediation
25 AUGUST	DEMAND	Achieving Sustainability and Profitability: Businesses Driving the Demand for Impact Capital
18 SEPTEMBER	SUPPLY	What's Next for Sustainable and Responsible Investment: The Impact Imperative

Each session had a congregation of approximately 40 local and international attendees from various sectors including the government, regulators, corporates, social enterprises, business incubators and accelerators, university-led entrepreneurship centres, intermediaries, capacity-building organisations and non-governmental organisations. A report will be produced for the reference of the SC and relevant stakeholders, encapsulating key findings and recommendations for strategic action and plans moving forward.

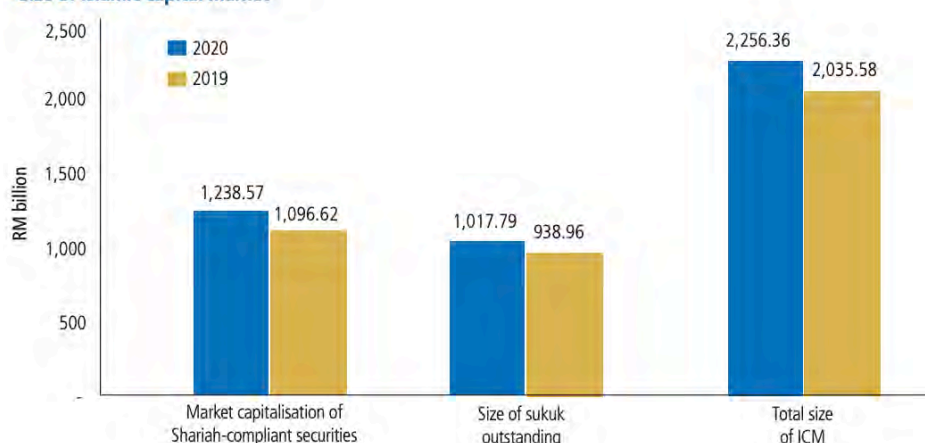


## Malaysian ICM Remains Resilient in 2020

Malaysia's Islamic capital market continues to garner a larger share of the overall capital market, with a commanding 65.85%. Its market size recorded RM2,256.36 billion as at December 2020 in comparison with RM2,035.58 billion as at end 2019. This comprises total market capitalisation of Shariah-compliant equities of RM1,238.57 billion and total sukuk outstanding amounting to RM1,017.79 billion.

CHART 1

Size of Islamic capital market

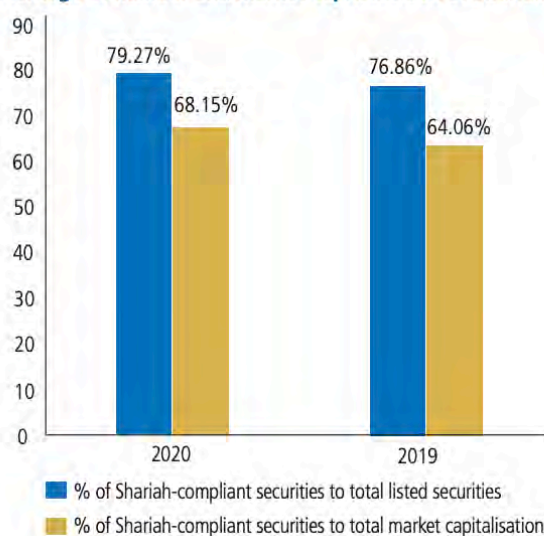


### SHARIAH-COMPLIANT SECURITIES

As at December 2020, Shariah-compliant securities increased from 714 as at end 2019 to 742, which constituted 79.27% of the 936 listed securities on Bursa Malaysia. The market capitalisation of Shariah-compliant securities stood at RM1,238.57 billion or 68.15% of the total market capitalisation, an increase of 12.94% as compared to end 2019 (Chart 2). The industrial products and services sector constitutes the most Shariah-compliant securities, with 219 (29.51%) of securities, followed by consumer products sector with 150 securities (20.22%), technology with 87 securities (11.73%) and property with 82 securities (11.05%).

CHART 2

Percentage of number and market capitalisation of Shariah-compliant securities



## SUKUK

Corporate sukuk issuances represented 73.61% (2019: 77.09%) of total corporate bonds and sukuk issuances while corporate sukuk outstanding accounted for 81.03% (2019: 79.58%) of total corporate bonds and sukuk outstanding.

Government sukuk issuances represented 56.07% (2019: 52.70%) of total Government bonds and sukuk issuances while sukuk outstanding accounted for 48.41% (2019: 48.40%) of total Government bonds and sukuk outstanding.

Sukuk issuances by Government and corporates in December 2020 represented 61.07% (2019: 61.11%) of total bonds and sukuk issuances whereas total sukuk outstanding represented 63.26% (2019: 63.01%) of total bonds and sukuk outstanding.

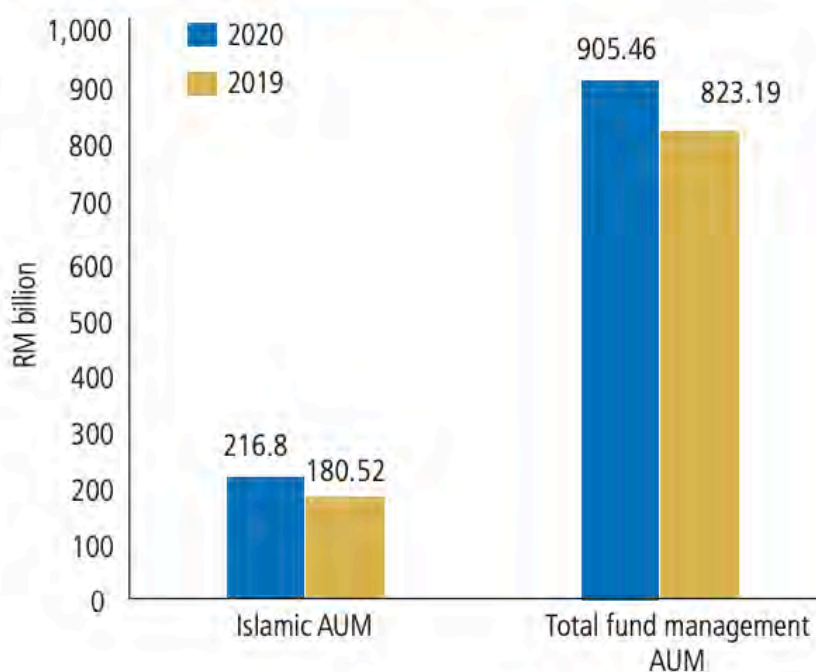
Two new corporate SRI sukuk were issued in 2020, bringing the total of SRI sukuk issuers to 13 since 2015. Corporate SRI sukuk issuances amounted to RM0.62 billion, 0.81% of total corporate sukuk issuances, while corporate SRI sukuk outstanding grew from RM4.71 billion in 2019 to RM5.25 billion as at December 2020, constituting 0.88% of total corporate sukuk outstanding.

## ISLAMIC FUND MANAGEMENT

Islamic AUM as at December 2020 stood at RM216.80 billion registering 20.10% increase from RM180.52 billion as at end 2019 (Chart 3). The number of Islamic CIS (UTF, WF, PRS, REIT and ETF) stood at 336 as at December 2020 including 5 Islamic SRI unit trust funds. There were 54 FMCs managing Islamic funds, with 23 full-fledged Islamic FMCs and 31 FMCs offering Islamic windows as at December 2020.

CHART 3

AUM of Islamic fund management



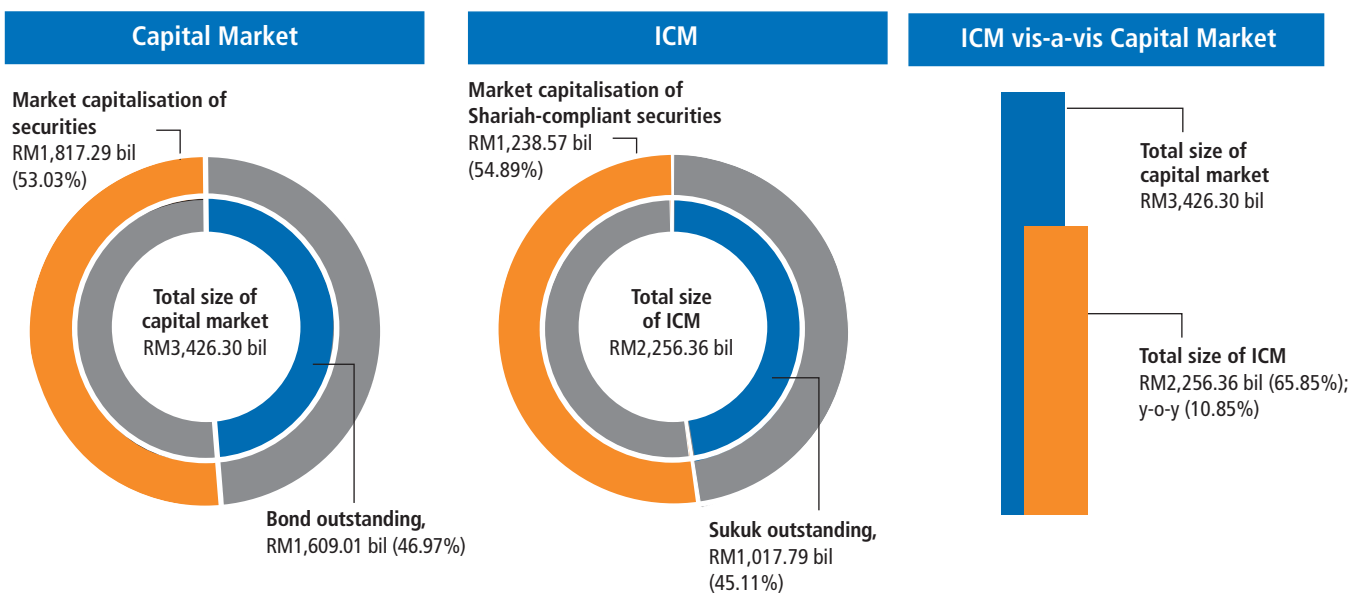
## ICM Activities In 2H 2020

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 2020:

Date	Events/Platforms
28 JULY 2020	IFSB Regulatory and Supervisory Authorities Forum on COVID-19 organised by the Islamic Financial Services Board (IFSB)
26 AUGUST 2020	SRI Virtual Conference organised by the SIDC
7 SEPTEMBER 2020	Islamic Fintech Week, a 4-day virtual programme organised by Elmangos Ventures Ltd and Ethis Malaysia
6 OCTOBER 2020	SCxSC Fintech Conference 2020 – “Crypto Conundrum in Islamic Finance” organised by the SC
24 NOVEMBER 2020	GO ESG ASEAN Corporate Sustainability Virtual Summit 2020 - “How are Asian Economies Embracing and Encouraging a Renewed Focus on Corporate Sustainability” organised by The United Nations Global Compact (UNGC) Network Malaysia
25 NOVEMBER 2020	IFN Asia Forum – “Putting Islamic Finance to Work: Sustainable, Humanitarian & Green Initiatives” organised by Redmoney Group
8 DECEMBER 2020	Virtual Roundtable on 'Sukuk Bond: A New Frontier for Financing Instrument in Bangladesh' organised by Bangladesh Malaysia Chamber of Commerce and Industry
14 DECEMBER 2020	IFN Green & Sustainable Finance OnAir Forum organised by Redmoney Group
15 DECEMBER 2020	Islamic Finance Webinar Series - “Practices & Opportunities in Islamic Capital Market” organised by CFA Society Malaysia

## Malaysian ICM – Facts and Figures

### Size of Capital Market and ICM as at December 2020



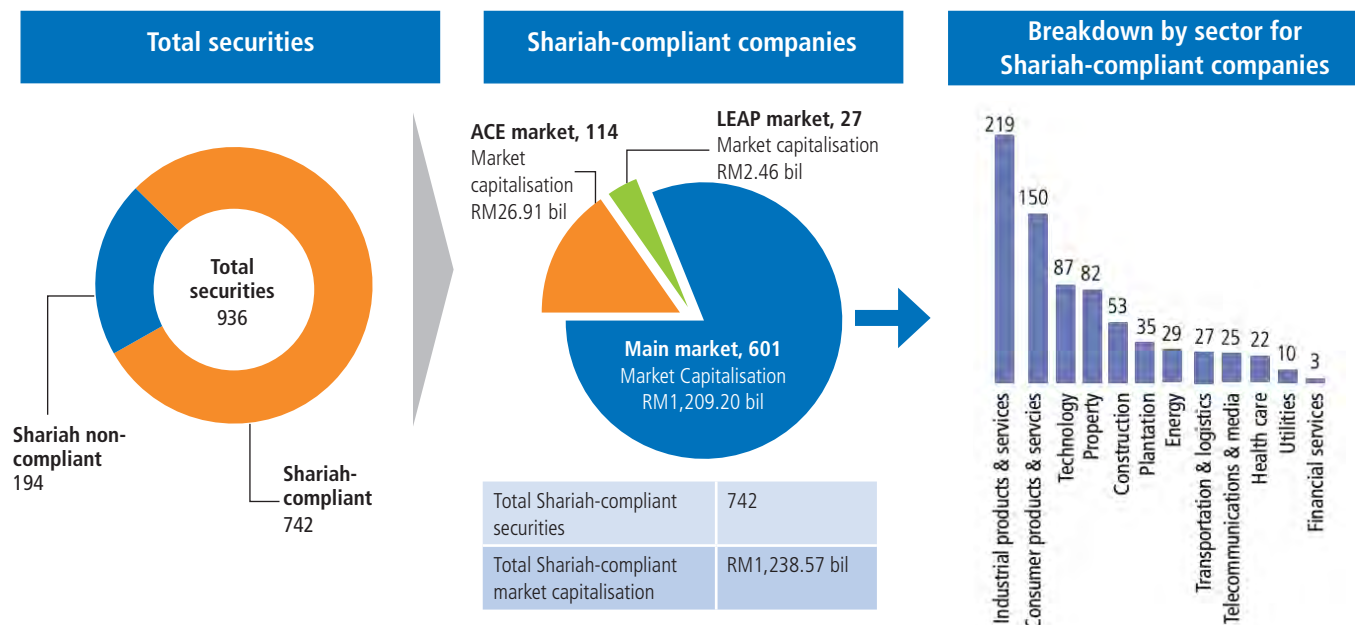
### Shariah-Compliant Securities on Bursa as at December 2020





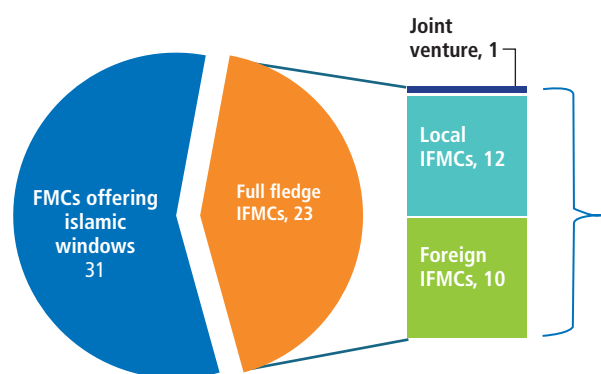
# STATISTICAL UPDATES

## Islamic Equity Market as at December 2020



## Islamic Fund Management as at December 2020

### Diverse Islamic fund managers



Islamic AUM as at Dec-2020:  
RM216.80 billion

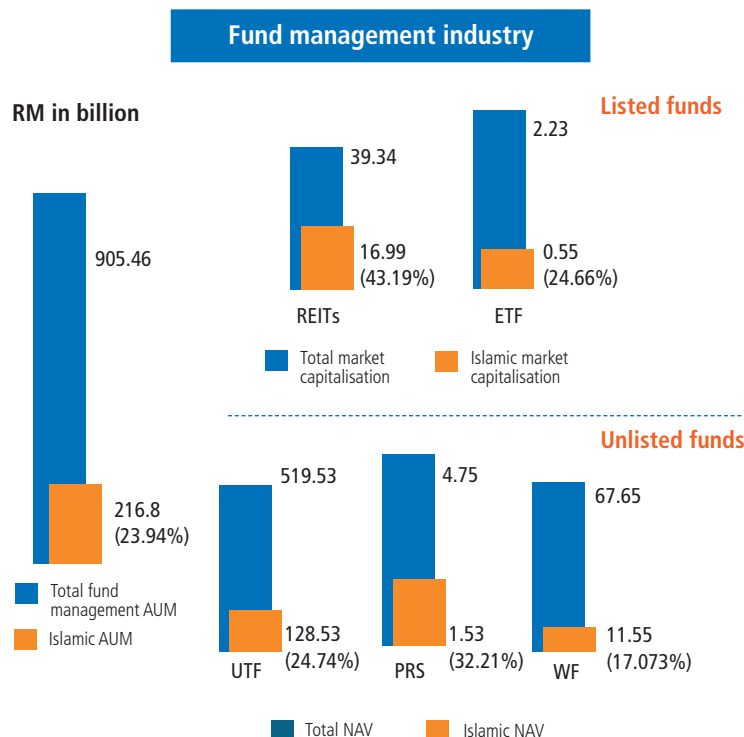
Note:  
AUM is sourced from collective investment schemes (CIS) and private mandates

### List of Islamic Fund Management Companies

No	Company	Status
1	Abbas IM Sdn Bhd	Local
2	Aberdeen Standard Islamic Investments (M) Sdn Bhd	Foreign
3	AIIMAN Asset Management Sdn Bhd	Local
4	AmlIslamic Funds Management Sdn Bhd	Local
5	Amundi Islamic Malaysia Sdn Bhd	Foreign
6	BIMB Investment Management Bhd	Local
7	BNP Paribas Asset Management Najmah Malaysia Sdn Bhd	Foreign
8	Eastspring Al-Wara' Investments Bhd	Foreign
9	Franklin Templeton GSC Asset Management Sdn Bhd	Foreign
10	Guidance Investments Sdn Bhd	Foreign
11	Hong Leong Islamic Asset Management Sdn Bhd	Local
12	i-VCAP Management Sdn Bhd	Local
13	Kenanga Islamic Investors Bhd	Local
14	Maybank Islamic Asset Management Sdn Bhd	Local
15	MIDF Amanah Asset Management Bhd	Local
16	Muamalat Invest Sdn Bhd	Local
17	Nomura Islamic Asset Management Sdn Bhd	Foreign
18	PMB Investment Bhd	Local
19	Principal Islamic Asset Management Sdn Bhd	Joint venture
20	RHB Islamic International Asset Management Bhd	Local
21	Saturna Sdn Bhd	Foreign
22	UOB Islamic Asset Management Sdn Bhd	Foreign
23	Wahed Technologies Sdn Bhd	Foreign

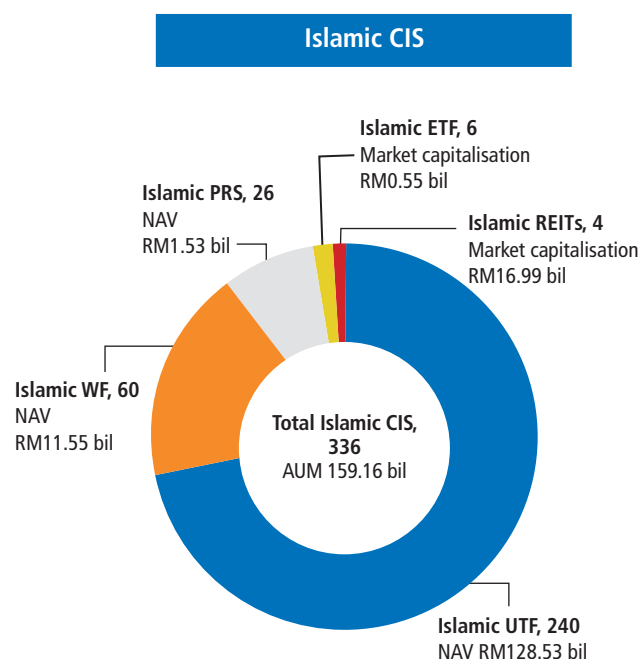
# STATISTICAL UPDATES

## Islamic Fund Management as at December 2020



### List of FMCs with Islamic Windows

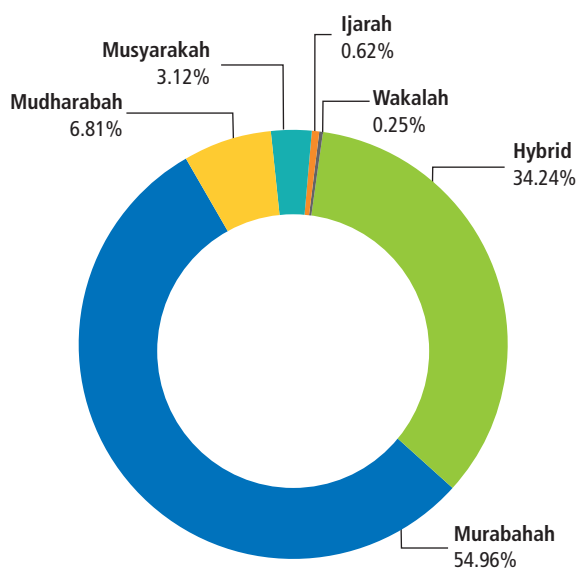
No	Company
1	Affin Hwang Asset Management Bhd
2	AIA Pension And Asset Management Sdn Bhd
3	Amanahraya Investment Management Sdn Bhd
4	Amara Investment Management Sdn Bhd
5	AmFunds Management Bhd
6	Amundi Malaysia Sdn Bhd
7	Apex Investment Services Bhd
8	Areca Capital Sdn Bhd
9	BOS Wealth Management Malaysia Bhd
10	Eastspring Investments Bhd
11	Franklin Templeton Asset Management (M) Sdn 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	Manulife Asset Management Services Bhd
19	Maybank Asset Management Sdn Bhd
20	Navis Management Sdn Bhd
21	Nomura Asset Management Malaysia Sdn Bhd
22	Opus Asset Management Sdn Bhd
23	OUA Asset Management Sdn Bhd
24	Permodalan BSN Bhd
25	Pheim Asset Management Sdn Bhd
26	Phillip Capital Management Sdn Bhd
27	Principal Asset Management Bhd
28	PTB Unit Trust Bhd
29	Public Mutual Bhd
30	RHB Asset Management Sdn Bhd
31	TA Investment Management Bhd



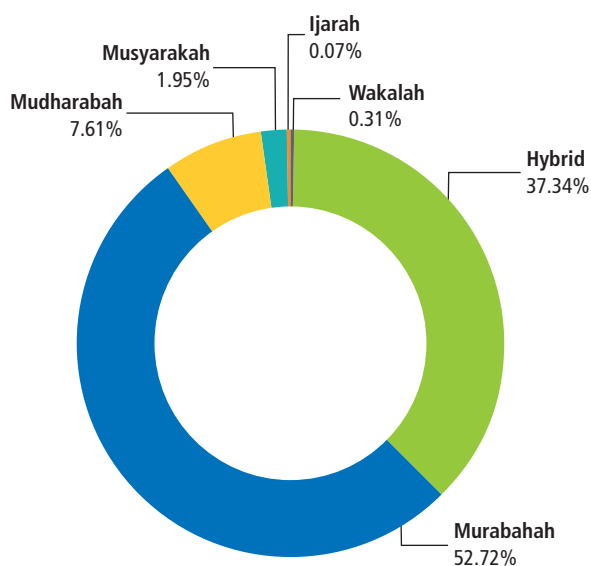
## Sukuk as at December 2020

### Sukuk issued by Shariah principle

Q4 2020



Q4 2019



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