

3RD SC-OCIS ROUNDTABLE
SOLUTIONS FOR LIQUIDITY MANAGEMENT

12–13 March 2012

Securities Commission Malaysia

Day 1 – Monday, 12 March 2012	
9.00am – 9.30am	Arrival of Delegates Welcome coffee
9.30am	Arrival of HRH Raja Dr Nazrin Shah, Crown Prince of Perak, Malaysia and Financial Ambassador to the Malaysia International Islamic Financial Centre <ul style="list-style-type: none"> • Welcome coffee • Group photo with Roundtable delegates
10.00am – 10.05am	Welcome Address by Tan Sri Zarinah Anwar, Securities Commission Malaysia
10.05am – 10.10am	Welcome Address by Dr Farhan Nizami, Oxford Centre for Islamic Studies
10.10am – 10.30am	Keynote Address by HRH Raja Dr Nazrin Shah
10.30am – 10.45am	Coffee Break Departure of HRH Raja Dr Nazrin Shah
10.45am – 1.15pm (2.5 hours)	<p>Panel Session 1: Reaching Consensus on <i>Sukuk</i> Trading</p> <p><i>Sukuk</i> has its successes in respectively satisfying the need for corporations and governments to meet their capital and national expenditure. Despite being one of the most important tradable asset classes, <i>sukuk</i> must be capable of meeting the essential needs of liquidity to enable the broadening of markets and facilitate liquidity management, particularly for the Islamic finance institutions, as otherwise, <i>sukuk</i> cannot stand at par with the traditional fixed income securities. A secondary market, not just home-based, but also within a facilitative cross-border framework would certainly enable dynamic liquidity management and link regions thus overcoming most problems faced by countries that lack a vibrant <i>sukuk</i> market. In short it would also strengthen the international <i>sukuk</i> market and improve market integration.</p> <p>There needs to be a consensus in order to bridge the gaps and form a community of investors and issuers that will make up a vibrant secondary market. Issues such as source of law, legality, regulatory requirements, minimum disclosures, Shariah standards, trading platform, accounting, rating, credit enhancements and standardized information disclosures; will need to be resolved in order to support the robustness of <i>sukuk</i> as a viable and dynamic Islamic investment instrument.</p> <p>Chair: Mushtak Parker, Islamic Banker, UK Presenter 1: Ijlal Ahmed Alvi, International Islamic Financial Market (IIFM), Bahrain Presenter 2: Neil Miller, KPMG, Dubai Respondent 1: Norashikin Mohd Kassim, Bank Islam Malaysia Berhad Respondent 2: Hooman Sabeti-Rahmati, International Islamic liquidity Management (IILM)</p>
1.15pm – 2.30pm	Lunch and Zuhur Prayers (<i>Zuhur approx 1.25pm</i>)

<p>2.30pm – 5.00pm (2.5 hours)</p>	<p>Panel Session 2: Developing Participatory Instruments as Liquidity Tools There have been increasing demands from the market to diversify Islamic finance assets to other asset classes from the overwhelming traditional debt-based instruments. Liquidity instruments are almost entirely made up of debt-based instruments, as they carry lower risk weight because of their capital protected feature. Because some Islamic banks are guided by Basel or IFSB, in terms of capital charge, equity-participatory instruments are a less desired choice as liquidity instruments. How can we promote participatory instruments given this disadvantage? Can we look into drawing a liquidity framework that favours or incentivizes participatory instruments?</p> <p>Chair: Professor Datuk Dr Rifaat Abdel Karim, International Centre for Education in Islamic Finance (INCEIF) Presenter 1: M Iqbal Asaria, Afkar Consulting Ltd and Visiting Faculty, CASS Business School, UK Presenter 2: A Rushdi Siddiqui, Thomson Reuters Respondent 1: Jaseem Ahmed, Islamic Financial Services Board Respondent 2: Dato' Muhammad Ibrahim, Bank Negara Malaysia</p>
<p>5.00pm</p>	<p>Refreshments & End of Day 1</p>

<p>Day 2 – Tuesday, 13 March 2012</p>	
<p>8.30am – 9.00am</p>	<p>Arrival of Delegates / Morning Coffee</p>
<p>9.00am – 11.30am (2.5 hours)</p>	<p>Panel Session 3: Commodity <i>Murabahah</i> and its Variants Commodity <i>murabahah</i> is based on the concept of <i>tawarruq</i>, i.e. receiving cash on spot and paying a higher amount- via an intermediation process. It is an important short-term liquidity tool in meeting short term-liquidity needs and has gained wide acceptance amongst Islamic banks.</p> <p>However the structure is not without its critics as some scholars view it as organized <i>tawarruq</i> – a synthetic and fictitious transaction and therefore frowned upon in Shariah. In diffusing the pronouncement by <i>Majma Fiqh</i>, practitioners have defended that the prearrangement under <i>tawarruq</i> is a necessary development (as an innovation from the classical application) and is the evolution of the trading mechanism as transactions become more sophisticated. The practice of leaving transactions un-hedged is simply not conducive in today's complex financial system. The absence of an organized structure will expose banks and their clients to un-hedged risks.</p> <p>Without alternatives that are fully Shariah-compliant, Islamic banks find a practical solution in commodity <i>murabahah</i>. While we accept that it is necessary to consider the application of organized <i>tawarruq</i> (where Islamic finance is developing against a backdrop of an established conventional finance framework and needs to be commercially viable), commodity <i>murabahah</i> however, is seen by many as being a stop-gap measure. How do we move forward and what are the likely issues and solutions.</p> <p>Chair: Daud Vicary, International Centre for Education in Islamic Finance (INCEIF) Presenter 1: Professor Dr Said Bouheraoua, International Shari'ah Research Academy for Islamic Finance (ISRA) Presenter 2: Khairul Nizam, Accounting and Auditing Organization for Islamic Financial Institutions (AAOIFI), Bahrain Respondent 1: Ahmad Suhaimi Yahya, Shariah Advisory Council, SC Respondent 2: Tariq Al-Samahiji, BNP Paribas Najmah</p>

11.30am – 12.00pm	Coffee Break
12.00pm – 1.15pm (1.15 hours)	<p>Concluding Panel Session</p> <p>Liquidity woes can only get worse as the growth of Islamic deposits outrun the snail-pace development of liquidity instruments. The challenge for the Islamic liquidity market is even greater when we consider the following:</p> <ol style="list-style-type: none"> i. Shariah restrictions on debt trading, ii. Islamic financial markets are relatively less developed, iii. Basel's higher capital charge on equity-based assets, and iv. A secular system preventing Islamic finance from having the same level-playing field. <p>There is thus a need for a concerted effort to facilitate the growth and creation of new liquidity instruments, and a paradigm shift on the capital treatment of risk-sharing instruments. It is hoped that this discourse would enable the global Islamic financial market to deliberate further on undertaking research and application in these areas.</p> <p>Chair: Zainal Izlan Zainal Abidin, Islamic Capital Market Business Group, SC</p> <p>Panel:</p> <ol style="list-style-type: none"> 1. Mushtak Parker 2. Professor Datuk Dr Rifaat Abdel Karim 3. Daud Vicary
1.15pm	Luncheon End of the 3 rd SC-OCIS Roundtable 2012

The above agenda is subject to change and is correct at time of print.

OR THE SC-OCIS ROUNDTABLE