16 JANUARY – JUNE 2017 VOL 12 NO 1

Suruhanjaya Sekuriti
Securities Commission
Malaysia

malaysian ICM

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

Contents

Growing Innovations in Islamic Capital Market

Malaysia's Islamic capital market (ICM) has maintained its growth trajectory at an annualised rate of 8% over the last five years. In part, the growth of ICM has been characterised, driven and supported by innovation led by both regulatory authorities and industry players. These innovations have resulted in the diversity and competitiveness of ICM products and services, thus offering investors and issuers more choices and opportunities in the capital market.

Malaysia has demonstrated its outstanding innovation capacity by offering *waqf* shares structured under a social enterprise model, reinforcing its effort to promote development of the social economy. The offering of waqf shares through an initial public offering (IPO) is a landmark event for the global Islamic finance industry.

Larkin Sentral Property Bhd, through Waqaf An-Nur Corporation, is offering 850 million new shares worth RM85 million (US$19.86 million) to the wholesale and retail markets. Proceeds from issuance of the shares, which have been endorsed as Shariah compliant by the Shariah Advisory Council of the Securities Commission Malaysia (SC), will be utilised to finance the upgrading of Larkin Sentral Terminal. Under the scheme, share subscribers will endow the shares together with all its rights and entitlements to a trustee and the dividend from the *waqf* shares aimed to help small traders from the low-income and single-mother groups to pay reasonable rental rates for the market's shoplots.

continue to page 2 ▶

continue from page 1 ▶

In the area of sustainable and responsible financing, the SC, Bank Negara Malaysia (BNM) and the World Bank Group are working together to develop the green sukuk market – an innovative channel to address global funding gaps in green financing – under the SC's Sustainable and Responsible Investment (SRI) Sukuk framework. The launch of Malaysia's first green sukuk will mark another significant milestone in product innovation that strengthens Malaysia's position as a leading Islamic finance marketplace as well as its value proposition as a centre for sustainable finance.[1]

Malaysia has established a strong green financing ecosystem to promote the green agenda with key initiatives that include the *SRI Sukuk Guidelines* by SC, sustainability reporting requirements for all public-listed companies (PLCs) by Bursa Malaysia as well as the introduction of relevant incentives for green initiatives. A comprehensive policy and incentives will encourage more green sukuk issuances and attract more issuers. Development of the green financing segment will support the SC's initiative to introduce an SRI Funds framework which is expected to be issued in the fourth quarter of 2017.

In an effort to further strengthen capacity and knowledge in ICM, SC partnered with the International Shari'ah Research Academy for Islamic Finance (ISRA) and Khazanah Nasional Bhd to publish a textbook on sukuk, following the success of previous joint publication on ICM.

This second textbook discusses both theoretical and practical aspects of sukuk, which marks another milestone in fulfiling the needs of students in higher learning institutions, academics, including practitioners as well as other stakeholders.

---

[1] Malaysia's first green sukuk was issued by Tadau Energy Sdn Bhd on 27 July 2017 for RM250 million.

Application of Bai` wa Salaf: Potential Shariah Issue in ICM

Introduction

The evolution in ICM witnesses the development of innovative instruments, which could potentially raise Shariah issues that require immediate solutions. One of the issues that surfaced recently was the combination of sale and loan (*qardh*) contracts, categorised as *bai` wa salaf* which is prohibited by Prophet Muhammad PBUH.

Definition of Bai` wa Salaf

The term *bai` wa salaf* was derived from a combination of two terms, *al-bai`* that carries the meaning of sale and *al-salaf* that denotes *qardh*. The term *al-salaf* however is not only limited to *qardh*, as it also covers *salam* as part of its wider definition.

According to Imam Al-Nawawi, *bai` wa salaf* can be defined as sale with a condition of *qardh*[1]. This definition and scope was adopted by both the Shariah Advisory Council (SAC) of SC and BNM.

The Opinion of Classical Shariah Scholars on Bai` wa Salaf

The issue of *bai` wa salaf* arose following the hadith of Prophet Muhammad PBUH that prohibits the sale with a condition of *salaf*[2]:

لاَ يَحِلُّ سَلَفٌ وَبَيْعٌ

Meaning: "The condition of a loan combined with a sale is not lawful."

According to Ibn Qudamah, the prohibition refers to a situation where a sale contract is conditioned by providing a loan. He was of the view that there is an element of price increment in the sale due to the condition of loan attached to it which would tantamount to *riba*[3]. While for Shafi`e school of thought, it was opined that sale with a condition of loan has an element of unknown price as the sale contract will not be executed unless the loan is provided.[4]

Both elements of *riba* and unknown price would render a sale to be prohibited. Based on the abovementioned hadith and arguments of the classical scholars, it can be concluded that *bai` wa salaf* is not permissible. Example of *bai` wa salaf* as described by al-Mawardi is as follows[5]:

> A person sells his slave with a price of $100 (dirham) with a condition that the buyer provides him loan for $100 (dirham).

Resolution of the SAC of SC on Bai` wa Salaf

The SAC of SC has discussed the issue on the combination of sale and loan contracts and resolved that, for any ICM products which includes the structure of sale contract and loan contract, there should not be any conditions which indicate any link or connection between the sale and loan contract. It is because this situation would fall under the prohibition in the aforementioned hadith by Prophet Muhammad PBUH on *bai` wa salaf.*

---

1 Al-Nawawi, Abu Zakariya Yahya bin Sharaf, *Rawdhatu al-Talibin wa `Umdatu al-Muftin*, Al-Maktab al-Islami, Kitab al-Bai`, juz 3, p. 66.
2 Ibn Hajar al-`Asqalani, Abu al-Fadhl Ahmad bin `Ali bin Muhammad bin Ahmad, *Bulughul Maram min Adillah al-Ahkam, Dar al-Qubs li al-Nashr wa al-Tawzi`*, Riyadh, Arab Saudi, first edition, 2014, p. 307.
3 Ibn Qudamah, Abdullah bin Ahmad, *al-Mughni*, Dar `Alam al-Kutub, 2011, juz 6, p. 334.
4 Al-Mawardi, Abi Hasan Ali bin Muhammad bin Habib, *Al-Hawi al-Kabir*, Dar al-Kutub al-Ilmiah, 1994, juz 5, p. 351
5 *Ibid.*

The SAC of SC also resolved that the main criteria of combination between sale and loan contracts that can be classified under *bai` wa salaf* are as follows:

(i) There is interconnectivity between sale and loan contracts; and/or

(ii) There is an opportunity by the contracting parties to take advantage or manipulate the pricing for the benefit of the creditor from the loan contract that has connection with *`uqud mu`awadhat* (contracts of exchange).

Potential Issue of Bai` wa Salaf in ICM

The issue of *bai` wa salaf* may arise in ICM through the structure of sukuk. Generally, sukuk are structured based on a combination of various contracts. If the combination of contracts involves a combination of sale and loan contract, it may lead to the issue of *bai` wa salaf.*

The issue of *bai` wa salaf* in sukuk *musharakah*:

- In general, issuer of sukuk *musharakah* is required to pay the expected profit distribution amount (PDA) based on the schedule, as agreed between the issuer and sukukholders.

- However, if the actual income generated from the *musharakah* venture is less than the expected PDA, the issuer may opt to provide an advance part payment to the sukukholders by lending out an amount to top up the shortfall of the actual income generated. This is to avoid the issuer from defaulting on the PDA based on the agreed schedule. In the event where the PDA is defaulted, an event of default may occur and consequently would lead to the dissolution of sukuk *musharakah*.

- However, the advance part payment would be set off against the relevant exercise price pursuant to either one of the following:

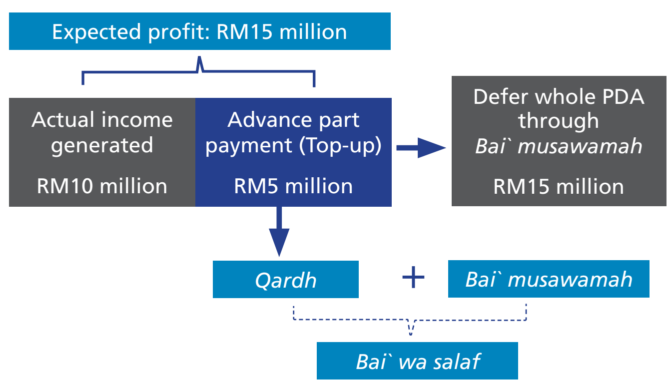
  (a) Purchase undertaking when the sukuk *musharakah* has reached its maturity period; or

  (b) Sale undertaking during an event of default.

- The advance part payment is to be executed by way of *qardh* to top up the shortfall of the actual profit generated; and

- In this structure, the issuer is given option to defer the PDA. If the issuer defers the PDA (which may include the PDA that has been topped up), it will be done by executing a sale contract and would take place by way of *bai` musawamah.*

Diagram 1
Example of situation that may trigger the issue of Bai` wa Salaf



DESCRIPTION:

i. Total sukuk *musharakah* issuance: RM500 million (nominal value), with 6% annual PDA (to be paid to sukukholders semi-annually):

Calculation for semi-annual PDA:
RM500 million x 6% / 2 = RM15 million

ii. Actual profit generated from *musharakah* venture:

RM10 million (short of RM5 million)

iii. Advance part payment or top-up made by the issuer (as lender) as *qardh* to the sukukholders (as borrower):

RM5 million (through *qardh*)

iv. After the advance part payment has been made, the deferment of the whole PDA is to be executed through the sale of commodity by way of *bai` musawamah*.

Defer semi-annual PDA (RM15 million)
(*bai' musawamah*)

v. RM5 million that has been advanced to the sukukholders by way of *qardh* will be set off against the relevant exercise price pursuant to the purchase undertaking or sale undertaking based on *wa`d* (promise) made by the issuer and sukukholders respectively with regard to the sukuk *musharakah* assets.

Note:
All figures presented in the diagram and its descriptions are for illustration purposes only.

Based on the above, it can be seen that there is a combination of *qardh* and *bai` musawamah* in the sukuk *musharakah*. This situation leads to the issue of *bai` wa salaf* due to the combination of both *qardh* and *al-bai`* that falls under the prohibition by Prophet Muhammad PBUH.

Conclusion

Based on the hadith on the prohibition of *bai` wa salaf* and opinions of the classical scholars given above, it can be concluded that the combination of sale and loan contract is not permissible in any transaction. Meanwhile, for any sukuk issuance, the SAC of SC has resolved that *bai` wa salaf* is not permissible and should be avoided in any sukuk structure.

SC and World Bank Group Discuss Greater Role of Islamic Infrastructure Finance

SC and the World Bank Group jointly organised a conference on Islamic finance and public-private partnership (PPP) for infrastructure development from 8 to 9 May 2017. The conference was the first collaboration between SC and World Bank Group on a multi-year engagement involving Islamic finance and infrastructure financing. It brought together practitioners, policy makers, regulators and stakeholders involved in Islamic finance and infrastructure to discuss policy, regulatory and institutional interventions that can offer solutions for global infrastructure development needs.

SC Chairman delivers his welcome remarks

According to a World Bank study, annual global infrastructure investments are estimated to be in the region of US$2.65 to US$3.7 trillion with Emerging Markets and Developing Economies (EMDE) facing an annual infrastructure investment gap of US$452 billion.

[From left to right]: Jose De Luna Martinez, Lead Financial Sector Specialist, World Bank; Abayomi A Alawode, Head of Islamic Finance, World Bank; Laurence W Carter, Senior Director Public Private Partnerships, World Bank; Tan Sri Ranjit Ajit Singh, Chairman, Securities Commission Malaysia; Dato' Ahmad Fairuz Zainol Abidin, Deputy Chief Executive, Securities Commission Malaysia; Zainal Izlan Zainal Abidin, Managing Director, Development and Islamic Markets, Securities Commission Malaysia; Walid Abdel Wahab, Director, Infrastructure Department, Islamic Development Bank at the conference.

During the conference, Malaysia's extensive experience was shared on how it leverages Islamic financial instruments to support infrastructure development. Data shows 61% of the world's infrastructure sukuk was issued out of Malaysia while Global Infrastructure Investment Index 2016 ranks the country as the second most attractive destination for infrastructure investment in Asia, and fifth in the world.

The discussion on day one focused on the key issues in mobilising Islamic finance for infrastructure needs while the second day involved a closed-door roundtable where senior industry stakeholders elaborated on technical matters, workable solutions and possible pilot projects.

Thought Leadership – 8th SC-OCIS Roundtable

The 8th SC–Oxford Centre for Islamic Studies (OCIS) Roundtable, an annual flagship thought leadership programme, was held at Ditchley Park, Oxfordshire, UK on 25 and 26 March 2017. A select group of about 40 policymakers, senior industry practitioners, scholars and academicians participated in this closed-door Roundtable.

Themed 'Creating Shared Values Through Risk Sharing', this year's Roundtable looked into the philosophy and economics of risk sharing and examined possible models, structures or platforms towards realising collective risk-sharing financing arrangements, thereby, reducing debt reliance in Islamic finance. His Royal Highness Sultan Nazrin Muizzuddin Shah, Sultan of Perak Darul Ridzuan and the Royal Patron for Malaysia's Islamic Finance Initiative, graced the roundtable and delivered a Special Address.

The Roundtable deliberated on the following:

- To evaluate the impact of incorporating shared values in the formulation of risk sharing in Islamic finance;
- The advent of Big Data which can enhance decision-making for such investments;
- Platforms such as partnership, co-operative partnership, limited liability partnership and mutual association for profit and loss sharing arrangements;
- A membership bank model was shared where the bank was able to sustain itself because members were attracted to the sharing of profits and expenses with other members; and
- Sustainable finance for Islamic finance to get more Islamic finance institutions to be involved in Sustainable Development Goals, Equator Principles and Principles of Responsible Investments to appeal Islamic finance to the masses and also to be consistent with the objective of Shariah.

2017 SC-OCIS Roundtable delegates with HRH Sultan Nazrin Muizzuddin Shah, the Royal Patron for Malaysia's Islamic Finance Initiative

DEVELOPMENT

Malaysia's Green Finance Initiative and Green Sukuk Agenda

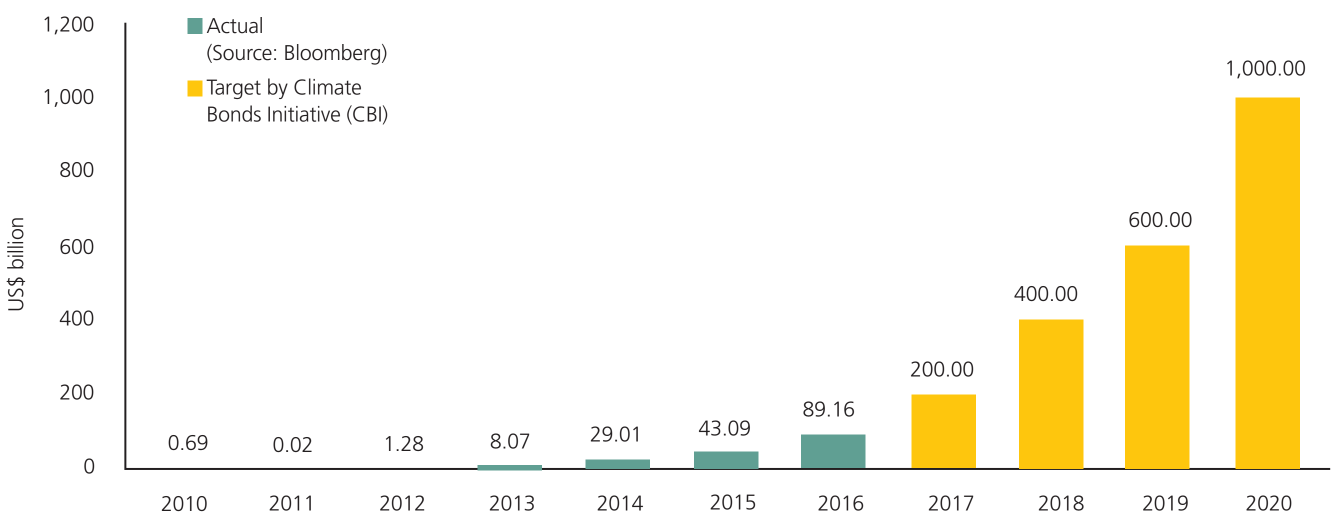
SC will be announcing the issuance of Malaysia's first green sukuk – an innovative channel to address global funding gaps in green financing in the second half of 2017 – under its Sustainable and Responsible Investment (SRI) Sukuk framework.[1] The launch of Malaysia's first green sukuk marks another significant milestone in product innovation that strengthens Malaysia's position as a leading Islamic finance marketplace as well as its value proposition as a centre for sustainable finance. Development of SRI is one of the strategic thrusts of the SC's *Islamic Fund and Wealth Management Blueprint* which aims to establish Malaysia as a regional centre for Shariah-compliant SRI.

Sustainable financing such as green financing has been identified as a major growth area by the SC and this initiative will further enhance the country's value proposition as a centre for Islamic finance globally. Green sukuk is expected to be issued under SC's *SRI Sukuk Guidelines* which is aligned to International Capital Market Association's Green Bond Principles. Such issuance is intended to generate demands for investors who value similarities in principles and values implemented in both traditional responsible finance approaches and Islamic finance

Malaysia has so far established an increasingly conducive environment to promote the green agenda with key initiatives that include the *SRI Sukuk Guidelines* by SC, sustainability reporting requirements for all PLCs by Bursa Malaysia as well as the introduction of relevant incentives for green initiatives. The policy and incentives are building up strong pipeline for more green sukuk issuances while attracting more issuers.

Initiatives undertaken in Malaysia to support sustainable regional growth and meet investor interest for green investments are also part of the ASEAN Capital Markets Forum's (ACMF) broader efforts in developing green finance within ASEAN region. While the SRI guidelines is already in place, more standards and global initiatives are expected to be developed such as the ASEAN Green Bond Standards to enhance transparency, consistency and uniformity on the application of green finance.

Chart 1
Global Green Bond Issuances



[1] Malaysia's first green sukuk was issued by Tadau Energy Sdn Bhd on 27 July 2017 for RM250 million.

To complement the SRI Sukuk framework and promote greater utilisation of green sukuk as a fundraising channel, several incentives were introduced to attract green issuers including:

- Tax deduction until year of assessment 2020 on issuance costs of SRI sukuk approved or authorised by or lodged with the SC;
- Tax incentives for green technology activities in energy, transportation, building, waste management and supporting services activities (www.mida.gov.my and www.greendirectory.my); and
- Financing incentives under the Green Technology Financing Scheme (GTFS) with total funds allocation of RM5 billion until 2022 (www.gtfs.my).

To be eligible for tax deductions under SRI Sukuk incentives, issuers utilising the SRI sukuk framework towards green projects must ensure that proceeds raised are used to fund eligible SRI projects in the natural resources, renewable energy and/or energy efficiency sectors. In accordance with international practices, issuers are also encouraged to appoint independent expert/s to undertake an assessment on the eligibility of the project prior to issuance of the green sukuk.

Globally, the issuance of certified green bonds increased by 125%[2] from US$0.69 billion to US$89.16 billion from 2010 to 2016[3]. This is due to the increasing awareness on the benefits of green bonds to both issuers and investors. For the issuers, issuance of green bonds demonstrate their sustainability approach that encompasses the whole value chain, including financing avenues. Meanwhile for the investors, investments in green bonds satisfy their SRI mandates.

2 Compound Annual Growth Rate.
3 Bloomberg.

Second Tranche of Khazanah SRI Sukuk

The second tranche of RM100 million SRI sukuk was launched in June 2017 via an independent special purpose vehicle, Ihsan Sukuk Bhd, spearheaded by Khazanah Nasional Bhd.

Following the inaugural RM100 million SRI sukuk introduced in 2015, this second tranche of sukuk will fund the rollout of Yayasan AMIR Trust Schools Programme to at least 20 schools. Yayasan AMIR Trust Schools Programme is a non-profit foundation incorporated by Khazanah which aims to improve accessibility of quality education in Malaysian Government schools through a Public-Private Partnership with the Ministry of Education. As at the end of 2016, the Trust Schools Programme has been rolled out to 83 schools across 10 states, creating better outcomes for over 65,000 young Malaysians.

The SRI sukuk is part of Khazanah's continuing efforts to push innovation in Islamic finance, in support of Malaysia's position as a global Islamic financial centre. This second tranche of RM100 million SRI sukuk includes a retail portion to enable individual Malaysians to participate in supporting the further implementation of the Trust Schools Programme. The unique step-down returns structure and option to waive the principal of the SRI sukuk allows investors to make staggered contributions to the Trust School Programme.

"The SRI sukuk is part of Khazanah's continuing efforts to push innovation in Islamic finance, in support of Malaysia's position as a global Islamic financial centre."

The structure of the SRI sukuk is in accordance with the Islamic principle of wakalah bi al-istithmar. CIMB Investment Bank Bhd is the sole lead arranger, while Maybank Investment Bank and RHB Investment Bank are the joint bookrunners and joint lead managers for this SRI sukuk transaction.

DEVELOPMENT

First Corporate Waqf Shares

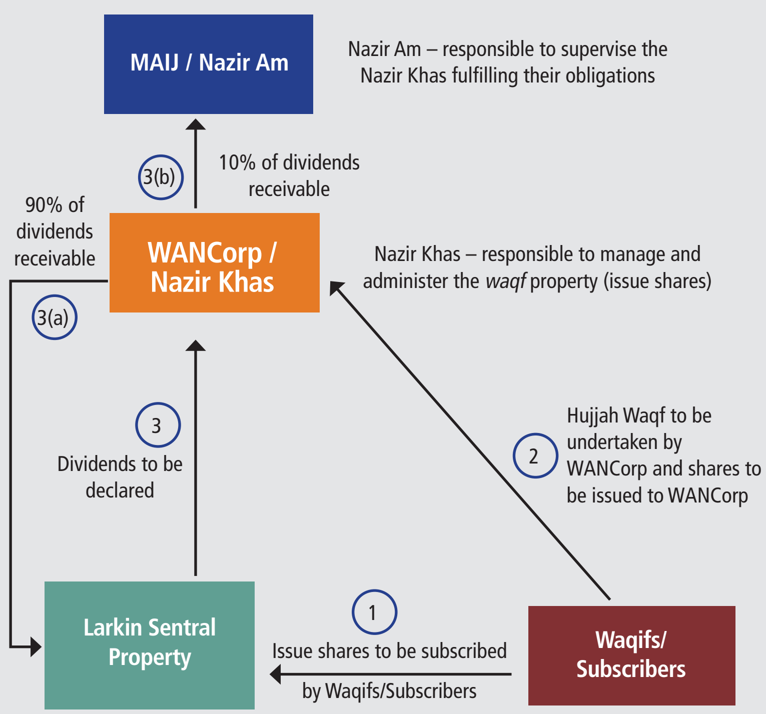
Malaysia continues to demonstrate leadership in Islamic finance with a public offering of *waqf* shares structured under a social enterprise model, reinforcing its effort to promote development of the social economy.

Larkin Sentral, through Waqaf An-Nur Corporation (WANCorp), is offering 850 million new shares worth RM85 million (US$19.86 million) to the wholesale and the retail markets. WANCorp is an entity set up by Johor's state-owned conglomerate, Johor Corporation and appointed by Majlis Agama Islam Negeri Johor (MAIJ) as Special Administrator of the Waqf (Nazir Khas) to manage the assets and shares it endows. Proceeds from issuance of the shares, which have been endorsed as Shariah compliant by the Shariah Advisory Council of the SC, will be utilised to finance the upgrading of Larkin Sentral Terminal, the main and largest public transport terminal in Johor Bahru, its adjacent market and the acquisition of land for the construction of a multi-storey carpark. The upgrading project is expected to be completed in 2019.

Under the scheme, subscribers will endow the shares together with all its rights and entitlements to a trustee, WANCorp. Subscribers of the *waqf* shares will be eligible for tax deduction of up to 7% and 10% of aggregate income for individuals and institutions respectively. The dividend from the *waqf* shares is aimed to help small traders from low-income and single-mother groups to pay reasonable rental rates for the market's shoplots. Activities include developing entrepreneurship skills to become self-sustainable; and subsidising rentals of the business premises and space.

Diagram 1

Structure of Larkin Sentral Corporate Waqf



Source: *Larkin Sentral Property Prospectus*, 18 June 2017.

Notes:

1. The Subscribers (Waqifs) will subscribe for Larkin Sentral shares with the intention to bequeath their Larkin Sentral shares to WANCorp. The Larkin Sentral shares will be allotted to the Waqifs. However there will be no issuance of share certificates to the Waqifs as there will be no issuance of Larkin Sentral shares to the Waqifs.
2. The Waqifs will appoint and authorise WANCorp to undertake the Hujjah Waqaf with MAIJ (on behalf of the Waqifs before two witnesses) such that the Larkin Sentral shares subscribed by the Waqifs will then be issued and bequeathed to WANCorp.
3. Dividens from Larkin Sentral will be distributed in the following manners:
   (a) 90% to Larkin Sentral for reinvestment and charitable purposes;
   (b) 10% to MAIJ where 5% is to be retained by MAIJ while the remaining 5% is for charitable purposes.

WANCorp to issue a receipt to the Waqifs for tax rebate of up to 7% and 10% of aggregate income for individuals and corporations respectively. Donations are exempted from income tax under section 44(6) of the *Income Tax Act 1967*.

Larkin Sentral is the operator of a transportation terminal in the city of Johor Bahru, Malaysia. The proposed structure will enable investors to participate in an organisation that applies commercial strategies and integrate within its core business the elements of social welfare. Larkin Sentral Terminal integrates land transportation facilities, which has served to over 9 million consumers a year. The terminal accommodates 49 bus companies that offer services to major cities across the country as well as Singapore and Thailand. Moreover, the market provides 471 shoplots, while the terminal main building accommodates 248 shoplots.

The SC has taken on a number of initiatives to explore effective ways to revive the role of *waqf* in economic and social development through the ICM. This includes taking a key role in reviewing and advising the Shariah aspects of this offering and its benefits to the ICM. This offering of *waqf* shares demonstrates that the application of *waqf* could be feasibly integrated in the ICM. Such application may spur innovation and promote growth in the Islamic economy.

The launch of this initiative provides an opportunity for all parties to participate in the noble effort to contribute to the society through *waqf* shares. It could also potentially open new doors or set a benchmark for the *waqf* segment that is widely considered as untapped.

SC-ISRA Joint Publication on Sukuk

SC and the International Shari'ah Research Academy for Islamic Finance (ISRA) will be releasing a joint publication, *Sukuk: Principles and Practices* in the second half of 2017. This is the second publication under the collaboration following the success of previous joint publication, *Islamic Capital Markets: Principles & Practices* in 2015. The textbook project was jointly sponsored by SC and Khazanah Nasional Bhd, and co-ordinated by ISRA. It serves as a vital source of reference to academicians, students and practitioners to gain greater understanding on sukuk and in turn, contribute towards continuing growth and expansion of the sukuk market globally.

Today, sukuk represent a viable alternative to bonds and have garnered international recognition from global capital market participants as even governments in non-Muslim countries in Europe, Africa and Asia have issued their inaugural sovereign-backed sukuk. The role of sukuk in mobilising long-term capital to fund infrastructure development projects further signifies the importance of Islamic finance in funding real economic activities. This in turn has created multiple opportunities in various sectors of the economy and raised the economic status of the population.

The textbook focuses on the theory and practice governing sukuk. It adopts a global perspective when discussing the subject. From basic discussions that provide an overview on sukuk and its market, the book takes the reader to a deeper level of understanding by delving into more advanced topics. It peruses the views and practices relating to sukuk across various jurisdictions, thus providing the reader with a broader analysis of the issues discussed.

The chapters include examining the framework of sukuk issuance, both the Shariah requirements and the general framework; discussing the different types of sukuk based on Shariah contracts and commercial and technical features; covering the market requirements for rating and restructuring in cases of default; as well as looking into the issues, challenges and prospects of the sukuk market.

Presented in an easily accessible and illustrative format, the textbook provides details through in-depth explanations, exhibits, boxes, figures and tables. Each chapter has a summary and a list of review questions and case studies to challenge the understanding of the reader.

NEW RELEASE

Sukuk
Principles & Practices

Key Features of the Book

- It elucidates the principles and practices of the *ṣukūk* market with an academic rigour.
- It sheds light on the cutting-edge practical issues faced by the industry.
- Every chapter contains relevant case studies and supportive illustrations.
- Multiple choice questions (MCQs), discussion questions and case study questions are provided at the end of each chapter.

Key Subjects

From basic concepts, the textbook takes readers to a deeper level of understanding of their context and application by discussing the following key areas:

- Growth and development of the *ṣukūk* market
- Sharīʿah and general frameworks for *ṣukūk* issuance
- Types of *ṣukūk* based on Sharīʿah contracts
- Types of *ṣukūk* based on commercial and technical features
- *Ṣukūk* rating
- *Ṣukūk* default and restructuring
- Future directions, prospects and challenges of the *ṣukūk* market

PRICE

RM200 (hard cover)
RM150 (soft cover)

ISBN 978-967-349-653-2
ISBN 978-967-349-627-3 (hbk.)

ISRA
الأكاديمية العالمية للبحوث الشرعية
International Shari'ah Research Academy for Islamic Finance

Suruhanjaya Sekuriti
Securities Commission
Malaysia

KHAZANAH NASIONAL

DEVELOPMENT

Updated List of Shariah-Compliant Securities

SC released an updated list of Shariah-compliant securities approved by its Shariah Advisory Council (SAC) which took effect on 26 May 2017. The list features a total of 676 Shariah-compliant securities which constitute 75% of the total 901 listed securities on Bursa Malaysia.

The list includes 23 newly-classified or reclassified Shariah-compliant securities and excludes 13 from the previous list issued in November 2016. The full list, updated twice a year based on the companies' latest annual audited financial statements, is now available on the SC website.

The next updated list will be made available in November 2017, based on the review of the audited financial statements released up to 30 September 2017.

Table 1
Shariah-compliant securities on Bursa Malaysia

Main Market/ Ace Market	Number of Shariah-compliant securities	Total securities*	Percentage of Shariah-compliant securities (%)
Consumer products	100	129	78
Industrial products	192	238	81
Mining	Nil	1	Nil
Construction	42	46	91
Trading/Services	152	215	71
Properties	79	98	81
Plantation	32	41	78
Technology	71	87	82
Infrastructure (IPC)	4	5	80
Finance	2	33	6
SPAC	1	3	33
Hotels	1	4	25
Closed-end fund	Nil	1	Nil
TOTAL	**676**	**901**	**75**

Development of ASEAN Green Bond Standards

Recognising the importance of green finance as a new asset class, the ASEAN Capital Market Forum (ACMF), chaired by SC, is taking a leadership position in driving the agenda in the ASEAN region, beginning with its efforts to develop the ASEAN Green Bond Standards (ASEAN GBS).

One of the key initiatives being endorsed at the ACMF's 26th meeting, hosted by SC, is a co-operation between ACMF and the International Capital Market Association (ICMA) to introduce ASEAN green bond standards that will be applied across capital markets in the region. This initiative will facilitate ASEAN capital markets in tapping green finance to support sustainable regional growth and meet investor interest for green investments.

The ASEAN Green Bond Standards will be developed based on ICMA's Green Bond Principles (GBP). The standards are intended to provide additional guidance on the application of the GBP, as well as to enhance transparency, consistency and uniformity of ASEAN green bonds which will also contribute to the development of a new asset class.

While the issuances of Shariah-compliant green bonds or green sukuk potentially within the ASEAN region is developing, this initiative will be an avenue to help accelerate the green sukuk development and ultimately contribute towards greater economic growth of the ICM in the long run.

Revision of SC Guidelines

Unit trust funds

SC issued the revised *Guidelines on Unit Trust Funds* on 24 May 2017 to ensure that regulations and guidelines continuously remain relevant and effective in assuring the risk associated is proportionately addressed.

The revised guidelines are intended to address the following matters:

- Streamlining requirements to enhance clarity and ensure consistency throughout the Guidelines.
- Clarifying certain requirements by rephrasing the requirements or providing guidance and clarifications in the requirement without any change in policy; and
- Consequential amendments pursuant to *Companies Act 2016.*

Offering, marketing and distribution of foreign funds

As part of its ongoing efforts to enhance the depth and breadth of the capital market, SC issued the revised *Guidelines for the Offering, Marketing and Distribution of Foreign Funds* on 4 May 2017.

The revision covers the following:

- References to Shariah-compliant funds are replaced with Islamic funds;
- Reference to specific SC's guidelines and the *Main Market Listing Requirements of Bursa Securities* are incorporated under specific requirements for clarity;
- Inserted new, and amended existing requirements to facilitate the offering of two new categories of permitted foreign funds; and
- Editorial amendments.

The revised *Guidelines on Unit Trust Funds* and *Guidelines for the Offering, Marketing and Distribution of Foreign Funds* which takes effect immediately, and the summary of the Amendments are available on the SC website, www.sc.com.my.

SC Releases new Malaysian Code on Corporate Governance to Strengthen Corporate Culture

On 26 April 2017, SC released the new *Malaysian Code on Corporate Governance* (MCCG), a set of best practices to strengthen corporate culture anchored on accountability and transparency.

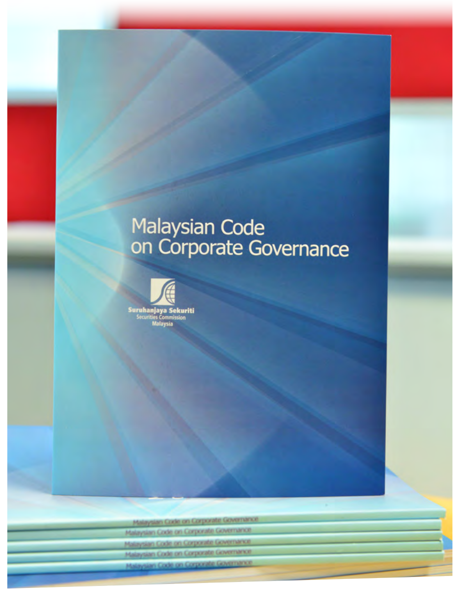
The new code is an important milestone in Malaysia's continuous journey in promoting good corporate governance to ensure the sustainability and resilience of the capital market as it serves as a compass for boards to steer their companies forward and to deepen understanding on the importance of corporate governance.

A key feature of the new code is the introduction of the Comprehend, Apply and Report (CARE) approach, and the shift from `comply or explain' to `apply or explain an alternative'. This is meant to encourage listed companies to put more thought and consideration when adopting and reporting on their corporate governance practices.

The MCCG also adopts a differentiated and proportional approach in the application of the code taking into account the differing size and complexity of listed companies. The code now identifies certain practices and reporting expectations to only apply to companies in the FTSE Bursa Malaysia Top 100 Index, and those with a market capitalisation of RM2 billion or more.

Another new dimension in the code is the introduction of 'Step Up' practices to encourage companies to go further in achieving corporate excellence. This includes the practice which requires Audit Committee to comprise only of independent directors and the establishment of a Risk Management Committee.

The new MCCG is the result of a comprehensive review by SC in 2016, drawing inputs from domestic and international stakeholders, past lessons and recent corporate governance failures including changes in market structures and business needs.



"A key feature of the new code is the introduction of the Comprehend, Apply and Report (CARE) approach, and the shift from `comply or explain' to `apply or explain an alternative'."

The code, which was first introduced in 2000 following the recommendations made by the High Level Finance Committee in 1999, was reviewed in 2007 and 2012. The newly revised MCCG took effect on 27 April 2017 and the first batch of companies that are expected to report their application of the practices will be those with financial year ending 31 December 2017.

More information on the new MCCG is available on the SC website, www.sc.com.my.

Islamic Finance and Public-Private Partnership for Infrastructure Development[1]

The need for infrastructure financing

The world is moving towards a broader economic recovery, due to a cyclical improvement in commodity prices and stronger market sentiment. In both advanced and emerging economies, the focus is based on how economic activity and productivity can be sustained in a steady, lasting and inclusive manner. A key component of this agenda is to ensure that public infrastructure is adequate and sufficient for the country's growth needs.

Reliable and well-functioning energy sources, telecommunication networks, clean water supply, and transportation connectivity, whether by land, air or sea, are basic essentials of a productive and competitive economy as well as that of a modern, civilised society. Good quality infrastructure not only promotes economic and social development by cultivating and linking sources of supply and demand, but also lays the foundation for such growth to be shared through local and regional connectivity.

The Organisation for Economic Co-operation and Development (OECD) estimates that over US$80 trillion of global infrastructure investments are needed up till 2030. The demand for infrastructure is particularly acute in Asia, where it is estimated US$26 trillion worth of infrastructure investment is required from 2016 to 2030.

Market-based financing and challenges in fulfilling infrastructure financing needs

The critical imperative for infrastructure financing is not so much about securing the required quantum of investment as it is about successfully bridging the gap between the demand and supply of capital.

"The Organisation for Economic Co-operation and Development (OECD) estimates that over US$80 trillion of global infrastructure investments are needed up till 2030."

Over the years, there has been an increasing emphasis and reliance being placed on capital markets as a source of financing. This is partly a consequence of the structural shifts which have occurred in the banking sector in the past decade. In an environment where investors are searching for higher yields and there is a sharpening focus on alternative asset classes, the infrastructure asset class potentially offers consistent income streams, and diversification of opportunities through its low sensitivity to business cycles as well as low correlations to other asset classes.

On the other hand, infrastructure assets also possess unique features which may make the matching of investment demand and capital supply a challenging task. Most infrastructure assets only begin to generate cash flows after some years, with earlier phases of the development bearing high risks which may include construction, operational, legal, regulatory and sometimes political risks.

Also, they are often complex in legal and financing structure. A key concern for both governments and private investors alike is the configuration of Public-Private Partnership (PPP) projects through legal contracts and financing structures which will distribute the relevant risks and returns in a

[1] This article is extracted from a speech by Tan Sri Dato' Seri Ranjit Ajit Singh, Chairman, Securities Commission Malaysia at the Securities Commission Malaysia-World Bank Group Conference on Islamic Finance and Public-Private Partnership for Infrastructure Development on 8 May 2017 in Kuala Lumpur.

manner which is fair for all parties involved, and more importantly incentivises good operational performance.

The influence of these challenges is real, and is reflected today in the relatively low levels of private investor partnership in infrastructure projects. While there has historically been a strong uptake of publicly-listed infrastructure stocks and bonds among investors, there remains significant headroom for the involvement of private capital, especially in the East Asia Pacific region, where private investor participation of around 0.1% of gross domestic product (GDP) falls well below the global average of 0.6%.

Islamic capital market and infrastructure: The Malaysian experience

The utilisation of market-based financing is one way in which Malaysia has managed its infrastructure development needs, with the first PPP project launched more than three decades ago. These projects were supported by the long-term financing capabilities of Malaysia's established and vibrant bond market – the third largest today in Asia. This has contributed to more than half of the private-sector infrastructure investments since the early 1990s.

Over the decades, Malaysia has been able to diversify its market-based funding avenues through the development of its ICM segment. SC has long recognised the promising potential of sukuk, given its asset-based and risk-sharing nature, as an alternative asset class for large-scale long-term financing. Coupled with its ability to be combined with support and guarantee features which allow for the alleviation and management of risk, sukuk structures are particularly apt for infrastructure financing.

Over the years, SC has put into place initiatives to create a facilitative ecosystem for the sukuk industry to develop, ranging from tax incentives to approval process and supportive regulatory framework. These initiatives were intended to allow sukuk issuers to enjoy greater efficiency in costs and time-to-market, as well as creating greater flexibility in innovative structures.

Today, the Malaysian sukuk market accounts for 46.4% of the world's sukuk issuances as well as 52.6% of outstanding sukuk globally. Our pools of institutional funds, as well as the growing Islamic fund management industry, which is the second largest in the world, provides ample liquidity for the sukuk market's continued growth. The size and depth of Malaysia's sukuk market has allowed it to carve a further niche – 61% of the world's infrastructure sukuk was issued in Malaysia. These efforts have paid off for Malaysia whose quality of infrastructure and its attractiveness as a venue for infrastructure investment has received international recognition.

Building upon such recognition, SC has embarked on further efforts to expand the range of sukuk structures as well as attract new market participants. Initiatives such as the *Islamic Fund and Wealth Management Blueprint* as well as the first-ever SRI Sukuk Framework incorporate a focus on a growing trend – ethical and green investing – which synergised with the principles of Islamic finance and investment. Today, an increasing number of infrastructure project issuers are considering the issuance of green bonds and sukuk to tap into this emerging demand.

"The SC has worked over the years put into place initiatives to create a facilitative ecosystem for the sukuk industry to develop, ranging from tax incentives, creating a facilitative approval process and supportive regulatory framework."

Regional Efforts: Malaysia's Leadership Role

For SC, these initiatives are part of an ongoing agenda to promote infrastructure financing beyond our domestic borders and within the region. In an increasingly competitive global landscape, the ASEAN region must ensure that it is well-equipped, not only to optimise its economic potential, but also to ensure that progress occurs in an inclusive manner. There is, for example, a real need for enhancements of transportation linkages and telecommunication penetration to enable a freer intra and inter-regional flow of trade, commerce and investment.

The ASEAN Capital Markets Forum (ACMF) is mindful of the benefit of facilitating cross-border investment to fulfill the region's infrastructure needs and the importance of close collaboration in achieving that outcome. The ACMF has encouraged cross-border equity and bond offerings through the introduction of facilitative frameworks for such offerings.

A priority in the near term is to further advance connectivity among the region's bond markets. One such initiative that the ACMF is working on is the ASEAN Infrastructure Fund (AIF), an innovative investment vehicle designed to mobilise ASEAN's very significant and deep pool of savings to fulfill the large infrastructure financing needs of the region. There is much work to be done in this area.

The AIF is a regional partnership between the ASEAN member countries and a multilateral development bank, focusing on critical infrastructure in countries with developmental gaps. It is envisaged that the AIF to eventually encourage greater private sector participation in regional infrastructure development through debt issuances via the capital market, the proceeds of which will be directly channeled to PPP projects as private investments.

These supplement other regional initiatives such as the Asian Bond Market Initiative (ABMI), whose work has entailed improving market infrastructure, as well as demand for local-currency denominated bonds through enhancements to credit guarantee facilities and availability of market information.

The value of collaborating with multilateral development banks

The initiatives described are but a few of the many illustrations of the unique value and significant impact that multilateral development banks (MDBs) can bring to any nation and indeed, the world at large. With their rich portfolio of technical expertise and operational experience spanning many jurisdictions of various developmental stages, MDBs such as the World Bank Group provide investors with the assurance and confidence that a project will be designed, implemented and delivered with efficiency and in accordance to global best practices.

This sharing of knowhow also translates into cultivating wider stakeholder awareness so often vital to generate traction in any nascent or growing field of development, as well as the adoption of innovative ideas and structures. These collaborations are also highly valuable for all market participants to ensure that the capital markets continues to enable the productive and efficient financing of the economy.

Malaysian Capital Market Grew Amid Global Uncertainties

Despite global uncertainties and a series of pronounced volatility affecting markets, the Malaysian capital market remained resilient with orderly market conditions. The Malaysian capital market grew to RM2.84 trillion in 2016 with total capital raised amounting to RM98.5 billion. The market recorded growth across several market segments with favourable investor interest, providing sustainable long-term financing for issuers.

The outlook for the capital market in 2017 reflects increased optimism, underpinned by renewed interest in emerging markets and sustained domestic GDP growth expectations. It is expected that in 2017, there will be higher levels of fundraising with current estimates of between RM102 and RM105 billion.

Chart 1
Size capital market

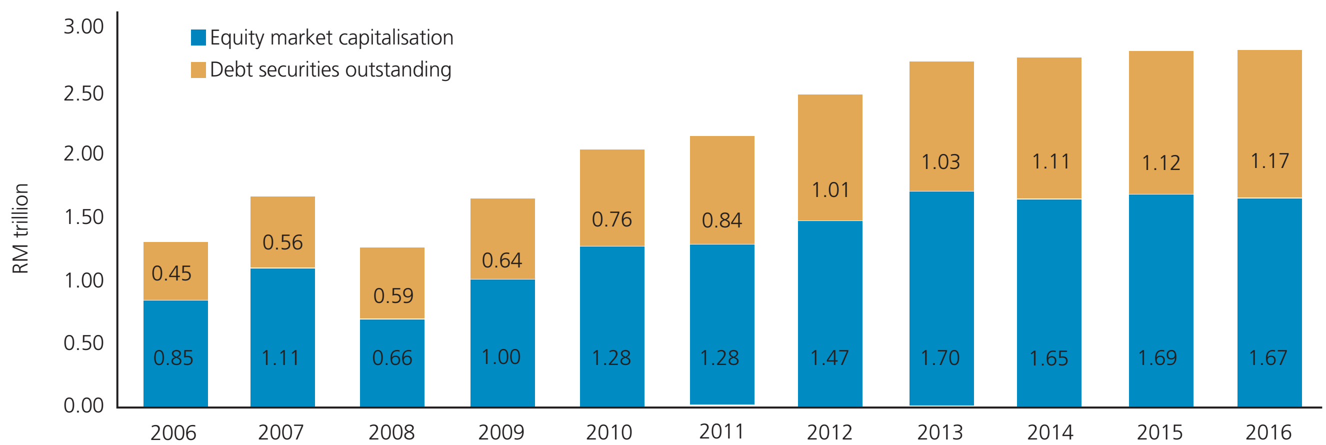
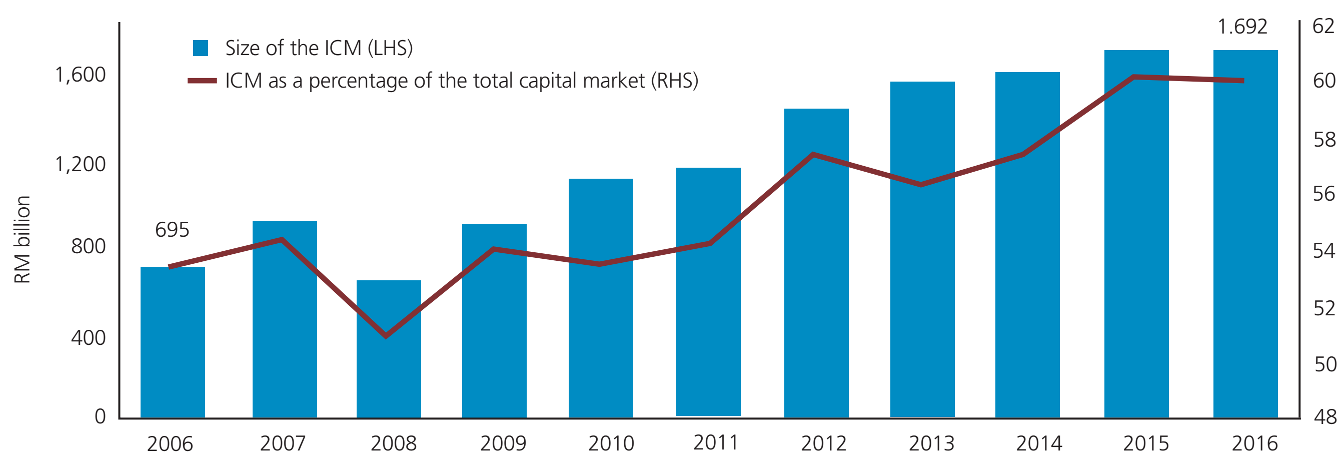


Chart 2
Size of Islamic capital market



Malaysian capital market: 2016 Review

In 2016, RM86.7 billion was raised through the primary market, with corporate sukuk and bond issuances of RM85.7 billion and new equity listings of RM1.0 billion. In addition, RM11.8 billion was raised through the secondary equity market. The bond market grew to RM1.17 trillion, while equity market capitalisation ended the year at RM1.67 trillion.

The fund management industry continued its upward trajectory, with assets under management (AUM) growing 4.3% from RM667.9 billion in 2015 to RM696.3 billion last year. Unit trust funds maintained overall net sales over redemption of RM26.0 billion, registering an increase of 3.4% to reach RM358.5 billion in net asset value (NAV).

Size of the Islamic capital market totaled RM1.69 trillion, representing 60% of the domestic capital market. Corporate sukuk outstanding increased by 8.9% to RM393.5 billion, while corporate sukuk issuances represented 75.7% of total corporate sukuk and bond issuances. Islamic fund management grew 13% to RM149.6 billion in AUM, primarily driven by expansion of Islamic unit trust funds.

Private Retirement Schemes (PRS) registered an NAV of RM1.5 billion and saw an increase in total membership to 221,000 individuals. SC has also expanded the scope of permitted activities under the *Real Estate Investment Trust Guidelines* (REITs Guidelines) and reviewed the *Principal Adviser Guidelines* to further drive competitiveness and efficiency of the market.

To facilitate wider accessibility to market-based financing, SC crafted a holistic digital markets strategy. In 2015, Malaysia became the first in the region to introduce Equity Crowdfunding Framework (ECF), and in less than a year, 14 issuers collectively raised a total of RM10.4 million through six of SC registered ECF platforms. SC also introduced the peer-to-peer (P2P) financing framework to further broaden financing avenues for micro, small and medium enterprises. Six P2P operators were registered and are expected to be fully operational in 2017.

Leveraging Malaysia's well-developed Islamic finance ecosystem, SC undertook initiatives to enhance the country's competitive position, with particular focus on Islamic fund and wealth management (IFWM). In this regard, the *Islamic Fund and Wealth Management Blueprint* was developed to chart the medium and long-term strategic direction to enhance international connectivity and develop capabilities of Malaysia's service providers and intermediaries.

The SC continues to focus on enhancing the vibrancy of key market segments, including exchange-traded funds (ETF), mid-cap public-listed companies (PLCs) and venture capital and private equity (VC/PE). Dedicated taskforces comprising industry and other stakeholders were set up to develop strategic recommendations to spur further growth in these areas.

Moving forward

In 2017, SC will continue to develop and strengthen the positioning of key market segments while reinforcing market conduct and governance. Key initiatives include:

- Operationalisation of *Islamic Fund and Wealth Management Blueprint*, including issuing framework for SRI investment funds and setting up global capacity building centre for Islamic capital market;
- Issuance of the Digital Investment Management Framework;
- Implementation of key recommendations to drive growth for ETF, mid-cap PLCs and VC/PE segments;
- Introduction of new *Malaysian Code on Corporate Governance* and establishment of Institute of Corporate Directors Malaysia;
- Issuance of revised *Principal Adviser Guidelines and new Licensing and Conduct Handbook*; and
- Talent development and capacity building through the implementation of Capital Market Professional Qualification (CMPQ) programme.

News Round-up

SC-OCIS Scholar in Residence Programme

SC-OCIS Scholar in Residence (SIR) is an ongoing thought leadership and capacity building initiative for advancement of Islamic finance globally.

The selected scholar (Visiting Fellow) will take up residence in Oxford commencing October 2017 for the academic year 2017/18, to conduct research relating to the development of Islamic finance on a topic of contemporary relevance to this field, and to participate in a range of academic activities at OCIS. This includes conducting occasional lectures and seminars, engaging in collaborative study, and providing outreach to relevant institutions and the local community.

There were 31 applicants for this year's programme, with applications received from Malaysia, Pakistan, UK, Saudi Arabia, India, France, Bangladesh, Turkey and Bahrain. After thorough assessment of the 8 shortlisted candidates, SC and OCIS awarded the SIR fellowship for academic year 2017/2018 to Dr Siti Raihana Hamzah, a senior lecturer from University Sains Islam Malaysia (USIM) to conduct her research on `Empirical Analysis of Risk Shifting and Risk Sharing in Bonds and Sukuk: Application to Equity Crowdfunding'.

Shariah Professionals Programme for Islamic Capital Market

The Shariah Professionals Programme for Islamic Capital Market is one of the initiatives by the SC to provide continuous professional development relating to ICM. It is developed with the objective of defining key issues and challenges in the market. It also aims to equip the ICM practitioners in becoming more innovative in addressing Islamic capital market issues. Funded by the Capital Market Development Fund (CMDF) and organised by the Securities Industry Development Corporation (SIDC), the programme is offered on a modular basis with a total of 5 modules ranging from 1 to 2 days per module.

The inaugural programme began on 3 September 2016 with Module 1: Fundamentals of Shariah Rulings and Module 2: Regulatory Requirements and Legal Documentation in ICM. The remaining modules i.e. Module 3: Accounting, Auditing and Taxation in ICM, Module 4: Islamic Equity Market, Module 4A: Islamic Derivatives and Module 5: The Sukuk Market were conducted beginning 11 February 2017 and was completed on 8 April 2017. A total of 105 industry practitioners has participated in the programme of whom 79 of them attended in 2017.

16th Islamic Capital Market Graduate Training Scheme

The Islamic Capital Market Graduate Training Scheme (ICMGTS), designed for fresh graduates, is the career development programme to produce entry level professional with strong fundamental knowledge and skills for the industry. The latest intake of the programme (16th ICMGTS) commenced on 19 May 2017 with 38 participants and ended on 27 July 2017.

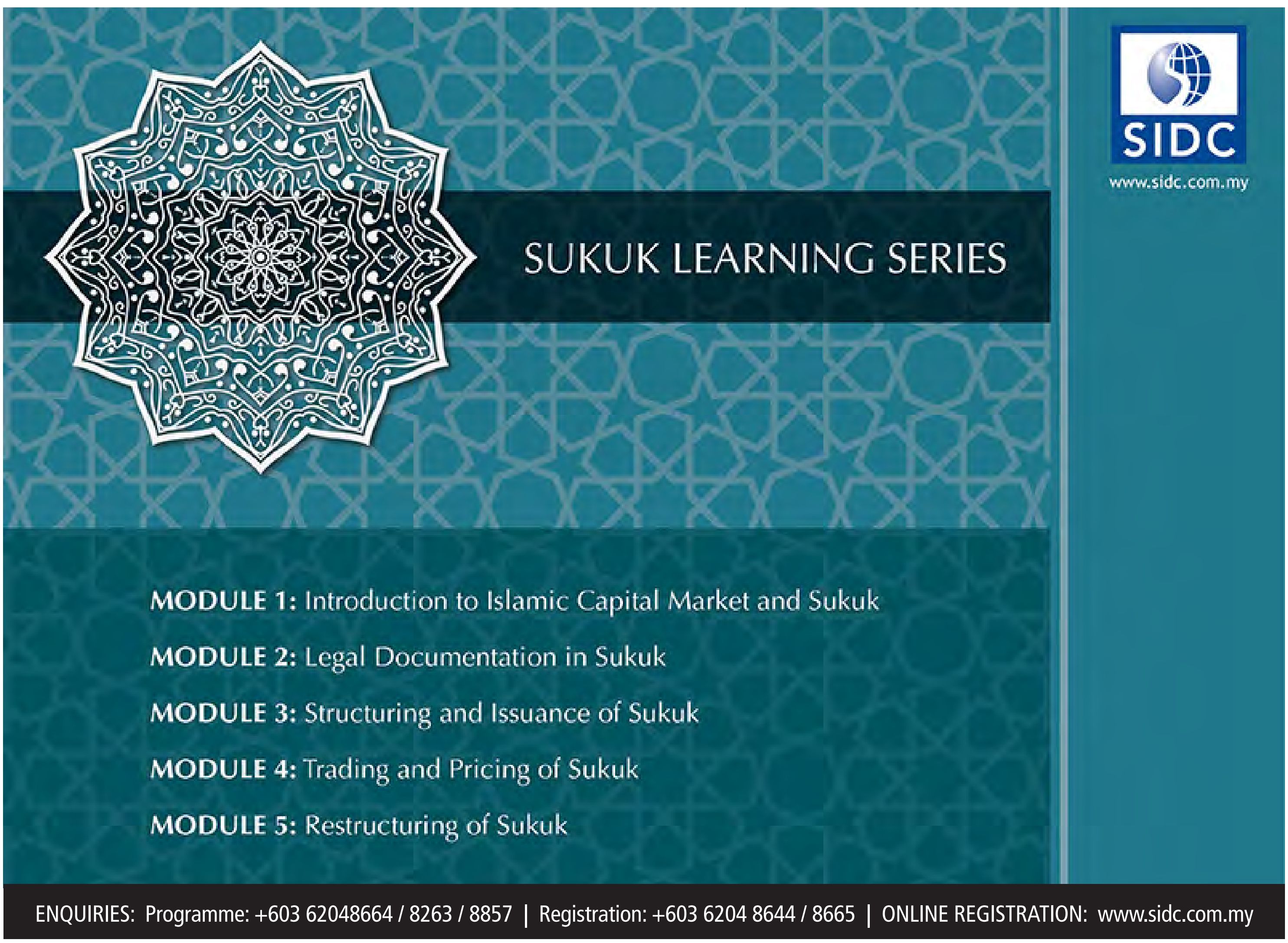
Since the programme's inaugural intake in 2009, it has produced 639 graduates. Out of this, about 77% have been employed in the financial services industry.

Stakeholders Engagement

During the first half of 2017, SC representatives participated as speakers in the following Islamic finance-related events organised by various organisations:

- Seminar on Islamic Finance and Global Regulation, 4 April 2017 (Kuala Lumpur).
- IFN Asia Forum, 10 April 2017 (Kuala Lumpur).
- 4th MFPC International Conference on Islamic Wealth Management and Financial Planning, 15 April 2017 (Kuala Lumpur).
- Shariah Investing Forum 2017, 17 April 2017 (Kuala Lumpur).
- Bengkel Semakan Semula Manual Pengurusan Harta, 25–27 April 2017 (Taiping, Perak).
- Sukuk Model Law Regional Consultation Workshop, 25–26 April 2017 (Brunei).
- Workshop on Shariah and Legal Issues in Islamic Banking and Capital Market, 3–4 May 2017 (Kuala Lumpur).
- Wealth Management in Practice – What Should Islamic Wealth Managers Focus On?, 16 May 2017 (Kuala Lumpur).
- Muzakarah Cendekiawan Syariah Nusantara Ke-11, 17 May 2017 (Kuala Lumpur).
- Seminar Pembiayaan dan Pembangunan Wakaf IPT 2017, 23–24 May 2017 (Kuala Lumpur).

Get a Headstart in Capital Markets!
Join the Islamic Capital Market Graduate Training Scheme!
Over 600 graduates have participated, of which 77% successfully found employment in various financial service organisations
Islamic Capital Market Graduate Training Scheme
Eligibility:
❖ Malaysian citizens aged 30 years and below
❖ Graduates with CGPA of 3.0 and above
❖ Have at least an upper second class degree or its equivalent
What you will gain:
❖ Unparalleled training that will enhance your career
❖ Interview opportunities with potential employers from the industry
❖ A monthly allowance of RM2000 for the duration of the programme
Suruhanjaya Sekuriti
SIDC
Register now! T: (03) 6204 8753 | E: sidc@sidc.com.my | W: www.sidc.com.my



SIDC
www.sidc.com.my
SUKUK LEARNING SERIES
MODULE 1: Introduction to Islamic Capital Market and Sukuk
MODULE 2: Legal Documentation in Sukuk
MODULE 3: Structuring and Issuance of Sukuk
MODULE 4: Trading and Pricing of Sukuk
MODULE 5: Restructuring of Sukuk
ENQUIRIES: Programme: +603 62048664 / 8263 / 8857 | Registration: +603 6204 8644 / 8665 | ONLINE REGISTRATION: www.sidc.com.my

Malaysian ICM – Facts and Figures

Islamic capital market

	1H 2017	1H 2016
	(RM billion)	(RM billion)
Market capitalisation of Shariah-compliant securities	1,113.08	1,033.53
Size of sukuk outstanding	718.41	637.28
Total size of ICM	1,831.49	1,670.81
% ICM to total capital market	59.28%	59.05%
Year-on-year growth	9.62%	

Capital market

	1H 2017	1H 2016
	(RM billion)	(RM billion)
Total market capitalisation of securities	1,838.18	1,660.34
Size of outstanding bonds	1,251.63	1,169.31
Total size of capital market	3,089.81	2,829.65

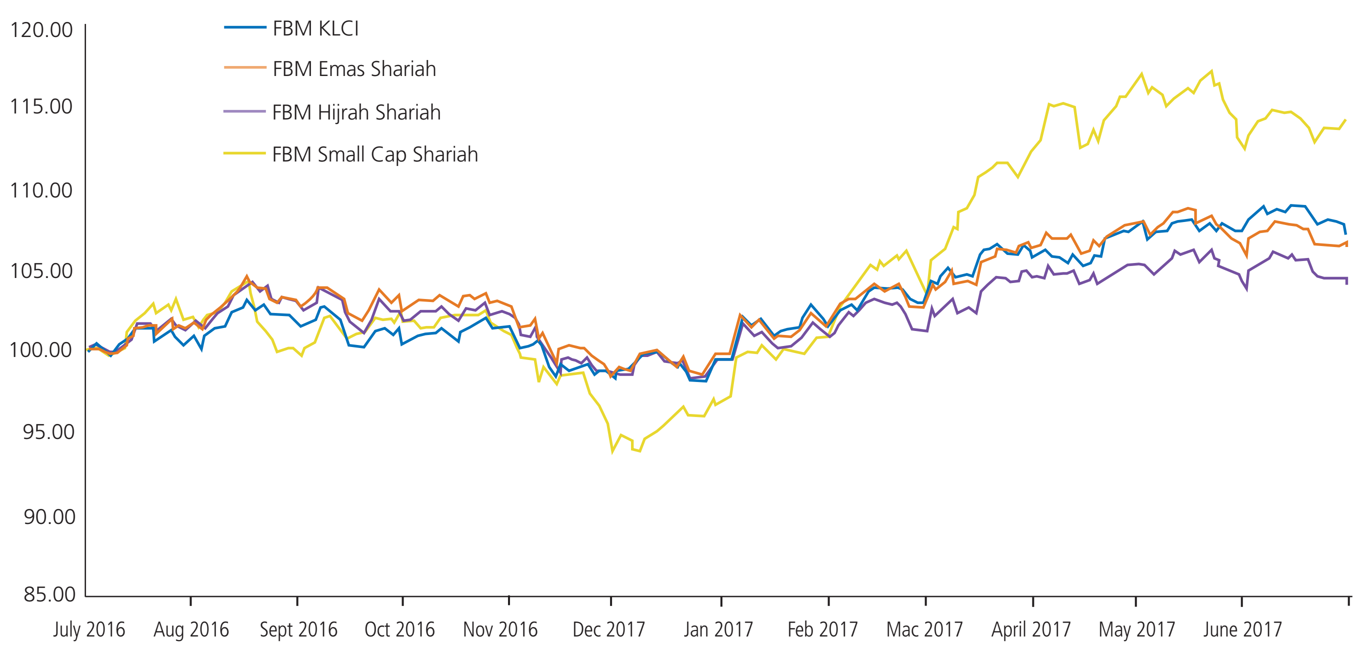
Shariah-compliant securities

	1H 2017	1H 2016
Number securities		
Shariah-compliant securities	677	669
Total listed securities	901	905
% Shariah-compliant to total listed securities	75.14%	73.9%
Market capitalisation (RM billion)		
Shariah-compliant securities	1,113.08	1,033.53
Total market capitalisation	1,838.18	1,660.34
% Shariah-compliant securities to total market capitalisation	60.55%	62.2%

Equity market indices

	1H 2017	1H 2016	% change
FBM KLCI	1,763.67	1,654.08	6.63%
FBM EMAS Shariah	12,822.15	12,102.94	5.94%
FBM Hijrah Shariah	14,064.20	13,574.26	3.61%
FBM Small Cap Shariah	16,225.87	14,277.07	13.65%

Chart 1
FBMKL KLCI and Shariah indices 1–year performance



Corporate sukuk

	1H 2017	1H 2016
Sukuk approved/lodged		
Number of sukuk	19	18
Size of sukuk (RM billion)	28.27	33.99
Size of total corporate bonds and sukuk (RM billion)	60.74	72.93
% of sukuk to total corporate bonds and sukuk	46.54%	46.60%
Total issuance (long term)		
Sukuk issuance (RM billion)	36.64	29.09
Total corporate bonds and sukuk issuances (RM billion)	54.78	38.68
% of sukuk to total corporate bonds and sukuk issuances	66.89%	75.21%
Total sukuk outstanding (long term)		
Sukuk outstanding (RM billion)	421.96	374.47
Total corporate bonds and sukuk outstanding (RM billion)	571.73	517.87
% sukuk to total corporate bonds and sukuk outstanding	73.80%	72.31%

Government and corporate sukuk

	1H 2017	1H 2016
Total issuance		
Sukuk issuance (RM billion)	79.01	62.66
Total bonds issuances (RM billion)	148.24	124.36
% sukuk to total bonds issuances	53.30%	50.39%
Total sukuk outstanding		
Sukuk outstanding (RM billion)	718.41	637.28
Total bonds outstanding (RM billion)	1,251.63	1,169.31
% sukuk to total bonds outstanding	57.40%	54.50%

Sukuk listing as at 30 June 2017

	Bursa Malaysia	Labuan International Financial Exchange
No. of issuers	24	9
No. of programmes	34	12

Source: Bursa Malaysia

Islamic assets under management (AUM)

	1H 2017	1H 2016
Islamic AUM (RM billion)	159.53	138.47
Total fund management industry (RM billion)	750.65	676.27
% Islamic AUM to total fund management industry	21.25%	20.48%

Islamic unit trust funds

	1H 2017	1H 2016
Islamic UTF	206	198
Total industry	637	620
NAV of Islamic UTF (RM billion)	69.54	54.56
NAV of total industry (RM billion)	409.45	349.48
% NAV of Islamic UTF to total industry	16.98%	15.61%

Islamic wholesale funds

	1H 2017	1H 2016
Islamic WF	86	98
Total industry	302	313
NAV of Islamic WF (RM billion)	34.94	36.66
NAV of total industry (RM billion)	81.89	94.37
% NAV of Islamic WF to total industry	42.67%	38.85%

Islamic private retirement funds

	1H 2017	1H 2016
Islamic PRF	25	20
Total industry	56	50
NAV of Islamic PRF (RM billion)	0.58	0.43
NAV of total industry (RM billion)	1.74	1.24
% NAV of Islamic PRF to total industry	33.43%	34.57%

Islamic exchange-traded funds

	1H 2017	1H 2016
Islamic ETF	4	4
Total industry	8	8
Market capitalisation of Islamic ETF (RM billion)	0.43	0.32
Market capitalisation of total industry (RM billion)	1.93	2.21
% Market capitalisation of Islamic ETF to total industry	22.29%	14.56%

Islamic real estate investment trusts

	1H 2017	1H 2016
Islamic REIT	4	4
Total industry	18	17
Market capitalisation of Islamic REIT (RM billion)	17.95	17.12
Market capitalisation of total industry (RM billion)	44.71	41.07
% Market capitalisation of Islamic REIT to total industry	40.15%	41.68%
Number of Islamic funds	325	324
AUM of Islamic CIS	123.44	109.10

List of companies offering Islamic stockbroking services

Company	Type
1. BIMB Securities Sdn Bhd	Full fledged
2. Affin Hwang Investment Bank Bhd	Window
3. AmInvestment Bank Bhd	Window
4. CIMB Investment Bank Bhd	Window
5. Hong Leong Investment Bank Bhd	Window
6. Jupiter Securities Sdn Bhd	Window
7. Kenanga Investment Bank Bhd	Window
8. Malacca Securities Sdn Bhd	Window
9. Maybank Investment Bank Bhd	Window
10. RHB Investment Bank Bhd	Window
11. TA Securities Holdings Bhd	Window

Source: Bursa Malaysia

List of Islamic fund management companies

Company	Status
1. Aberdeen Islamic Asset Management Sdn Bhd	Foreign
2. AIIMAN Aset Management Sdn Bhd	Joint venture
3. AmIslamic Funds Management Sdn Bhd	Local
4. Amundi Islamic Malaysia Sdn Bhd	Foreign
5. BIMB Investment Management Bhd	Local
6. BNP Paribas Investment Partners Najmah Malaysia Sdn Bhd	Foreign
7. CIMB-Principal Islamic Asset Management 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. KFH Asset Management Sdn Bhd	Foreign
14. Maybank Islamic Asset Management Sdn Bhd	Local
15. Muamalat Invest Sdn Bhd	Local
16. Nomura Islamic Asset Management Sdn Bhd	Foreign
17. PMB Investment Bhd	Local
18. RHB Islamic International Asset Management Bhd	Local
19. Saturna Sdn Bhd	Foreign
20. Threadneedle Asset Management Malaysia Sdn Bhd	Foreign

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 Development and Islamic Markets.

Mohd Radzuan A Tajuddin
Tel: +603–2091 0644
E-mail: radzuan@seccom.com.my

Syed Azhan Syed Mohd Bakhor
Tel: +603–2091 0673
E-mail: azhan@seccom.com.my

Nik Izrin Thani Nik Norzrul Thani
Tel: +603–2091 0654
E-mail: izrint@seccom.com.my

Securities Commission Malaysia
3 Persiaran Bukit Kiara, Bukit Kiara
50490 Kuala Lumpur Malaysia
Tel: +603–2091 0770 Fax: +603–2091 0660
Website: www.sc.com.my