



# malaysian ICM

Quarterly Bulletin of  
Malaysian Islamic Capital Market  
by the Securities Commission

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Malaysian Islamic Capital Market  
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MARCH 2007 VOL 2 NO 1

## CONTENTS

- 1 Remarkable Progress in 2006

### SHARIAH SECTION

- 2 Understanding the Principle of Bay` Muzayadah
- 3 Recent SAC Rulings

### REGULATORY SECTION

- 5 Pioneering Islamic Equity-based Investment Industry

### PRODUCT DEVELOPMENT

- 6 Shariah-compliant Equity-linked Structured Investment
- 8 Sukuk
- 9 First Islamic Plantation REIT
- 10 New Shariah Benchmark Index

### FEATURES

- 11 Malaysian ICM: A Year in Review
- 14 Understanding Regulatory Aspects of ICM
- 17 Book Review: Resolutions of the Securities Commission Shariah Advisory Council (2nd Edition)
- 19 News Roundup

### STATISTICAL UPDATES

- 22 Malaysian ICM – 2006

## REMARKABLE PROGRESS IN 2006

Capital seekers and providers have continued to show great interest in the Malaysian Islamic capital market (ICM) in line with the growing demand for Islamic financial services. Islamic equity and *sukuk* markets have expanded rapidly with the introduction of various innovative Shariah-compliant products over the past few years.

To position Malaysia as a global ICM hub, essential regulatory, tax and Shariah frameworks have been put in place. Broad-based initiatives have also been aggressively pursued to widen the range of instruments to cater to the different needs of issuers and varying risk-return appetites of investors. As a result, we have seen more sophisticated and innovative ICM products being developed, most of which are internationally acceptable.

Several significant milestones were achieved in 2006 to fulfil the government's agenda of issuing more globally accepted *sukuk*, based on concepts of *mudharabah*,

►► page 7





## UNDERSTANDING THE PRINCIPLE OF BAY` MUZAYADAH

In Islamic financial transactions, price is determined on a willing buyer, willing seller basis. In most instances, the seller will sell to the highest bidder. From a Shariah perspective, a transaction that involves bidding is known as *bay` muzayadah*.

*Bay` muzayadah* is the offering of goods for sale in a market by a seller, with numerous buyers competing to offer the highest price. This process ends with the seller selling the goods to the highest bidder. It is similar to an auction and other names for this principle used by past Islamic jurists include *bay` fuqara'*, *bay` man kasadat bidha'atuhu*, *bay` mahawij*, and *bay` mafalis*.

This concept is relevant in many issues for the ICM, especially in relation to the behaviour of market participants profiteering from price differences. It is also used as an argument to permit speculation so long as it does not contradict Shariah principles.

### Reference and evidence of bay` muzayadah

*Bay` muzayadah* is a form of trading which has existed and has been applied in the *muamalat* system for a long time. Past Islamic jurists had debated the topic to determine its status. Thus, in evaluating its status from the Shariah aspect, the opinions of the past Islamic jurists were studied.

### Athar as basis

The following are the *athar* (practices based on the Companions of the Prophet s.a.w.) supporting *bay` muzayadah*:

- Imam Bukhari had written a specific topic on the

concept and views of `Ata' who said that *bay` muzayadah* was practised by society in the sale of war booty.

- Anas had reported the Prophet s.a.w. calling out for customers when selling a carpet and a water vessel. A man offered to buy them for one dirham. The Prophet s.a.w. then asked for a higher bid. Another man offered two dirham and the Prophet s.a.w. sold him the wares.

### Opinions of the past Islamic jurists

There were two dividing opinions among past Islamic jurists on the Shariah status of *bay` muzayadah*. The majority viewed it as permissible by Shariah, while the minority thought otherwise. The main reason for the difference in opinion was the interpretation of the *hadith* of the Prophet s.a.w., which prohibited bidding on another person's bidding (*saum `ala saum akhihi*).

Al-Kasani, a jurist of Hanafi *Mazhab*, said that *bay` muzayadah* is not prohibited because the Prophet s.a.w. himself practised it. Ibnu Humam, another jurist of Hanafi *Mazhab*, also permitted the principle using the same argument.

Ibnu Juzay, a jurist of Maliki *Mazhab* permitted this principle because it is different from *saum `ala saum akhihi* which is forbidden, and there is no element of unfairness in choosing goods. Ibnu Qudamah, a jurist of Hanbali *Mazhab*, stated that *bay` muzayadah* is permitted according to *ijma`* based on what was practised by the Prophet s.a.w.

In summary, although there are different views on the permissibility of *bay` muzayadah*, the majority of jurists allow it.



## RECENT SAC RULINGS

For more than 10 years, the Shariah Advisory Council (SAC) of the SC has facilitated the development of the ICM industry through its key resolutions on various ICM issues. All key resolutions of the SAC since 1996 were published in the book, *Resolutions of the Securities*

*Commission Shariah Advisory Council* in 2003. The second edition of the book was launched in conjunction with the SAC's 10th anniversary in 2006. Table 1 lists the key resolutions made by the SAC in 2006, while Table 2 lists the current members of the SAC.

Table 1  
Key resolutions made by the SAC in 2006

Equity	
Redeemable preference shares	<p>Redeemable reference shares (RPS) are in line with the Shariah principles. The ruling was made on the basis that the application of buy back in <i>musyarakah mutanaqisah</i> can be similarly applied in RPS.</p> <p>For RPS to conform with Shariah principles, the purchase price set at the time of issuance must be based on the principle of <i>wa'd</i>, in which the issuer promises to buy back the preference shares from the shareholders at a future date based on the purchase price promised at the date of issuance.</p>
Regulated short selling	Regulated short selling (RSS) is Shariah compliant because there is no element of <i>gharar</i> (ambiguity) involved. However, the underlying securities must be Shariah compliant.
Benchmark for non-permissible rental activities of listed companies	The benchmark for non-permissible rental activities of listed companies is 20%, consistent with the benchmark for non-permissible rental activities of Islamic real estate investment trusts (REITs).
Futures	
Single stock futures	Single stock futures are Shariah compliant provided that the underlying assets are Shariah-compliant securities. This resolution is made on the basis that the instruments are free from elements of <i>muqamarah</i> (gambling), <i>bai' ma'dum</i> (buying and selling something which does not exist), <i>jahalah</i> (ignorance) and <i>gharar</i> (uncertainty). The instrument is traded in clear quantities and pricing is based on market demand and supply.
Sukuk	
The usage of <i>sukuk</i> for the issuance of Islamic bonds	The term <i>sukuk</i> will be used for all Islamic bonds. However, it must be used together with Shariah principles applied in the structure, such as BBA, <i>murabahah</i> and <i>istisna`</i> for underlying transactions based on indebtedness, or <i>musyarakah</i> and <i>mudharabah</i> for underlying transactions based on partnership.



Table 1 (continued)

## Key resolutions made by the SAC in 2006

Sukuk	
Maintenance of <i>ijarah</i> asset	Parties who are responsible for the maintenance of <i>ijarah</i> properties must adhere to the terms as stated in the contract; otherwise they must follow <i>`urf</i> or custom.
The use of asset from mixed-activities as underlying asset in <i>sukuk ijarah</i>	Assets from mixed activities can be utilised as an underlying asset in a <i>sukuk ijarah</i> structure, provided the amount of rental received from Shariah non-compliant activities is below 20% of the total rental revenue.

Table 2

## SAC members

Name	Designation
Datuk Sheikh Ghazali Haji Abdul Rahman (Chairman)	Director General/Shariah Chief Justice, Department of Shariah Judiciary Malaysia
Datuk Haji Md Hashim Haji Yahaya	Very Distinguished Academic Fellow, Ahmad Ibrahim Kulliyah of Laws, International Islamic University Malaysia
Prof Dr Abdul Monir Yaacob	Lecturer, Shariah and Law Department, Academy of Islamic Studies, University Malaya
Dato' Hassan Haji Ahmad	Mufti of Penang
Dato' Dr Abdul Halim Ismail	Executive Director, BIMB Securities Sdn Bhd
Dato' Abdul Hamid Haji Mohamad	Judge, Federal Court of Malaysia
Dr Mohd Daud Bakar	President/CEO, Amanie Business Solutions Sdn Bhd
Assoc Prof Dr Abdul Halim Muhammad	Lecturer, Law Faculty, Universiti Kebangsaan Malaysia
Dr Mohd Ali Haji Baharum	Deputy President, Angkatan Koperasi Kebangsaan Malaysia Bhd



## PIONEERING ISLAMIC EQUITY-BASED INVESTMENT INDUSTRY

Shariah-compliant securities are securities (ordinary shares, warrants and transferable subscription rights) of a Bursa Malaysia-listed company which have been classified as Shariah permissible for investment, based on the company's compliance with Shariah principles in terms of its primary business and investment activities.

In the 1970s and 1980s, participation of Muslim investors in the ICM was minimal as there was insufficient guidance on which securities Muslims can invest in. Although investments in equities were generally permissible, the lack of clear guidance and authoritative views made it difficult for Muslim investors to identify securities that were deemed permissible from the Shariah point of view. Companies that issued securities were involved in various kinds of business activities, some of which were deemed impermissible for Muslims to invest in as the returns in the form of dividends or capital gains could contain non-permissible elements. This, to a large extent, handicapped Muslims in this area of economic activity which had undergone rapid growth and transformation from a simple to a much more sophisticated market. This missed opportunity was felt most in the early 1990s when a significant number of companies were listed on the stock exchange.

In response to the need for such investment guidelines, Bank Islam Malaysia Bhd (Bank Islam) took the initiative to review and identify companies which were deemed permissible for Muslims to invest in. It provided the much needed breakthrough for Muslim investors to meaningfully participate in the stock market. Bank Islam provided investors with a list of Shariah-compliant shares by excluding shares of companies that were involved in activities with non-permissible elements such as *riba*, gambling and gaming, non-*halal* food and liquor-related activities.

The effort was given a further boost with the introduction of the Shariah-compliant securities

list in June 1997 by the Shariah Advisory Council (SAC) of the SC. In the process of determining the Shariah status of listed securities, the SAC developed several basic Shariah criteria as guidance. The criteria were based on the Quran and the Sunnah, as well as the general principles of *Syara'*. In this process, the SAC focused on the core activities of the companies, such as goods and services that were offered to their customers. Goods and services which are involved in the following activities were considered Shariah non-compliant:

- Financial services based on *riba* (interest)
- Gambling and gaming
- Manufacture or sale of non-*halal* products or related products
- Conventional insurance
- Entertainment activities that are non-permissible according to Shariah
- Manufacture or sale of tobacco-based products or related products
- Stockbroking or share trading in Shariah non-compliant securities
- Other activities deemed non-permissible according to Shariah.

The SAC gave further consideration to companies that were involved in both Shariah-compliant and non-compliant activities by applying the concept of *maslahah* (public interest) and *umum balwa* (common plight). For this purpose, specific benchmarks and additional criteria, such as interest income and image were formulated to enable the SAC to determine the

►► page 6



## SHARIAH-COMPLIANT EQUITY-LINKED STRUCTURED INVESTMENT

Shariah-compliant structured investment products are still new to the Malaysian market and the demand for such products is considered to be at the infancy stage. Broadening our globally accepted ICM product and services range has always been our main agenda under the Malaysia International Islamic Financial Centre (MIFC) initiative. Up till February 2007, Malaysia witnessed the approval and launch of two Shariah-compliant structured investment products. Both products are capital protected if held until maturity and

linked to Shariah-compliant equity assets. Basically, structured investment products allow investors to invest in an offshore market based on their risk profiles and investment objectives.

### Restricted mudharabah structured investment

The first Shariah-compliant structured investment

►► page 5

Shariah status of such companies. In such cases, where the financial contributions from the non-permissible activities fall below the benchmark level, the SAC will classify the securities of these companies as Shariah compliant.

The Shariah-compliant securities list is updated twice a year by reviewing the companies' annual financial reports, responses to a survey aimed at obtaining detailed company information and through specific inquiries made to the respective company's management. From 1997 until 2006, the updated lists were released to the public in April and October. In March 2007, the SC revised the months of the official release to May and November. The release of this list has, to a large extent, given investors the necessary guidance, opportunities and also confidence to choose and invest in listed securities that comply with Shariah principles.

The list of Shariah-compliant securities also stimulates the development of Shariah-based unit trust funds by providing necessary means for Muslim investors who

prefer their investments to be managed professionally. Just like conventional unit trusts, Islamic unit trusts are regulated under the *Guidelines on Unit Trust Funds*. Since the early 1990s, the number of Shariah-based unit trust funds has grown steadily. Although there were only two Shariah-based unit trust funds as at end-December 1993, this number increased significantly to 100 funds by end-December 2006, with total net asset value (NAV) and total units in circulation amounting to RM9.17 billion and 18.54 billion units respectively.

Furthermore, the list also resulted in the introduction of an Islamic index that tracks the performance of Shariah-compliant securities on Bursa Malaysia. In April 1999, Bursa Malaysia introduced its first Shariah index, the Kuala Lumpur Syariah Index (KLSI). In January 2007, the market witnessed the launch of new index known as the FBM EMAS Shariah Index by Bursa Malaysia in collaboration with the FTSE Group (FTSE), a global index provider. Although both indices are in use currently, the FBM Emas Shariah Index will replace the existing KLSI effective from 1 November 2007.



product was launched in January 2007 by the CIMB Group. The product known as the Islamic All-Stars Global uses the "restricted *mudharabah*" Islamic principal, which is based on profit-sharing and linked to the performance of 20 Shariah-compliant global blue-chip multinationals stocks.

Generally, the Islamic All-Stars Global aims to cater to the needs of investors looking for a Shariah-compliant investment which is fully competitive with conventional products. Its minimum investment amount is RM250,000 and the product allows investors to efficiently access global equity markets, while still being assured that their capital, if held until maturity, is fully protected.

### Equity-linked structured investment

In February 2007, OCBC Bank (M) Bhd introduced a Shariah-compliant structured investment product, the three-year closed-ended Equity-Link RM Structured Investment (ELRSI). The product is based on the *wakalah fi al-Istithmar* contract.

Major portions of the fund will be invested in Islamic money markets/Islamic fixed income securities to enable the fund to protect the principal if held until maturity, while the rest will be invested in Shariah-compliant foreign derivative options trading activities linked to an underlying equity asset. The ELRSI is targeted at both equity and institutional investors, and the minimum investment is RM250,000.

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*musyarakah* and *ijarah*, as investors are now getting more mature and sophisticated. The issuance of globally accepted *sukuk* has shown remarkable progress in which 27 out of 64 *sukuk* approved by the SC were based on the profit and loss sharing (*musyarakah*), leasing (*ijarah*), progressive sale (*istisna`*) and profit sharing (*mudharabah*) principles. In terms of value, *sukuk* structured using *musyarakah* contributed RM29.4 billion or 70% of the total *sukuk* approved.

In line with the SC's objective to widen the range of Islamic collective investment schemes, the number of new Shariah-based unit trusts funds has grown substantially while the types of funds offered are now more diversified in terms of structure. From a small number of simple-structured Islamic equity funds in the early years, we now have a wide spectrum of funds, such as *sukuk* funds, Islamic real estate

investment trusts (REITs) and global funds. The availability of these funds has attracted the interest of various investors with different risk appetites, who need to diversify their investment portfolios and enhance their investment yields; hence creating greater opportunities for the industry.

Several liberalisation measures were introduced in 2006 to facilitate cross-border issuance. These include the issuance of foreign currency-denominated *sukuk* by multilateral development banks, multilateral financial institutions, sovereigns and quasi-sovereigns, and local or foreign multinational corporations.

The Malaysian ICM is expected to experience rapid growth in the future. There is strong momentum for Malaysia to become an international centre for the origination, distribution and trading of ICM products.





## SUKUK

### Subordinated sukuk mudharabah

In November 2006, OCBC Bank (M) Bhd (OCBC) introduced a subordinated *sukuk mudharabah* in the Malaysian capital market, making it the first bank in the country to offer another innovative Islamic instrument based on the Islamic principle of *mudharabah* (profit sharing).

The *sukuk* was based on a 15 years non-call 10-year structure, which is currently the longest dated bank capital instrument in Malaysia. It represents a pioneering initiative for raising *mudharabah*-based debt capital market products.

In this structure, under the *mudharabah* principle, OCBC acts as a *mudharib* – administrator of the investment capital and the assets of the *mudharabah* venture – while investors participate as *rabb al-mal* (investment capital providers). These comprise a pool of specifically identified Islamic financing portfolios and/or any other Shariah-compliant financing contracts concluded between OCBC and its customers.

This *sukuk* was rated AA2 by Rating Agency Malaysia Bhd (RAM), which qualifies as Tier-2 capital and was offered by way of private placement to strategic investors.

### Subordinated sukuk musyarakah

Another subordinated *sukuk* was introduced in the Malaysian capital market by Amlslamic Bank, a subsidiary of AMMB Holdings in December 2006. The RM400 million *sukuk* was known as subordinated *sukuk musyarakah* (SSM).

In this *sukuk* structure, Amlslamic Bank issued SSM to investors in consideration of their capital contributions. The *musyarakah* venture refers to the

participation by the investors in Amlslamic's Shariah-compliant financial activities. Amlslamic was appointed by the investors as their manager in respect of the *musyarakah* venture, to receive the investors' capital contributions and apply the funds towards the *musyarakah* venture, with the potential of receiving a portion of the income generated from the venture.

This unlisted SSM has been awarded a long-term rating of A3 by RAM and bears an expected profit rate of 4.80% per annum for the first five years.

### AEON Credit's inaugural effort to tap into the Malaysian capital market

A diversified retail company, AEON Credit Service (M) Sdn Bhd (AEON Credit), issued a seven-year bank guaranteed conventional and Islamic commercial papers/medium-term notes (CPs/MTNs) programme with an aggregate nominal value of up to RM400 million.

The Islamic CPs/MTNs or *sukuk* was issued under the Shariah principle of *musyarakah* which is a partnership between the holders of the CP/MTN to invest in the *sukuk*. The CPs/MTNs were accorded the highest stand-alone short-term investment grade rating of P1, as well as the highest investment grade rating of AAA (bank guarantee) by RAM for the CPs/MTNs programme.

The programme will accord AEON Credit the flexibility to issue CPs and/or MTNs at different length of tenors to meet its short- to medium-term funding requirements. Aseambankers Malaysia Bhd, Bank of Tokyo-Mitsubishi UFJ (M) Bhd and CIMB Investment Bank Bhd are the joint-lead arrangers, managers and

►► page 9



## FIRST ISLAMIC PLANTATION REIT

Since the introduction of real estate investment trusts (REITs), the SC has approved a total of 11 issues with a total market capitalisation of over RM3 billion. The first Islamic REIT, the Al-'Aqar KPJ REIT was listed on the Main Board of Bursa Malaysia on 10 August 2006. In February 2007, the second Islamic REIT, Al-Hadharah Boustead REIT made a commendable debut on Bursa Malaysia. The Al-Hadharah Boustead REIT, the first REIT to be backed by plantation assets offers investors an attractive alternative to plantation stocks, with a profit sharing of at least 98% of its distributable earnings to be paid to unit holders for the first three financial years.

Apart from being the first Islamic plantation REIT, the sale and lease-back of plantation assets of the Boustead Group provide investors with the opportunity to participate in plantation ownership. The Al-Hadharah Boustead REIT which is managed by Boustead REIT Managers Sdn Bhd can be an example

*“The Al-Hadharah Boustead REIT, the first REIT to be backed by plantation assets offers investors an attractive alternative to plantation stocks, with a profit sharing of at least 98%...”*

for other industry participants to attract local and international investors alike. The REIT includes eight oil palm estates and two palm oil mills, all located in Peninsular Malaysia.

With the listing of both KPJ and Boustead REITs on Bursa Malaysia, Malaysia has the distinction of being the first market in the world to list Islamic REITs. This achievement will further enhance Malaysia's position in the forefront of Islamic REIT markets.

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►► page 8

book runners for the programme, whereas Mizuho Corporate Bank Ltd Labuan Branch (Mizuho Corporate Bank), Malayan Banking Bhd and Bank of Tokyo-Mitsubishi UFJ Ltd Labuan Branch are the bank guarantors for the programme. The bank guarantee was arranged by Mizuho Corporate Bank, as the lead arranger, through syndication.

Under the programme, AEON Credit has the alternative to issue CPs in various tenors of below 12 months and MTNs in tenors of one year up to five years. Further

the CPs/MTNs are expected to be well received by investors as the programme caters to both conventional and Islamic investors, and AEON Credit's receivables comprise both conventional and Islamic receivables.

The establishment of the programme marked an important chapter in the continued growth and evolution of AEON Credit, representing its inaugural effort to tap into the Malaysian capital markets for its funding needs.

























## SC becomes a new member of Islamic Financial Services Board

In December 2006, the SC joined the Islamic Financial Services Board (IFSB) as a new member, bringing the total IFSB membership to 110. The admission of the SC into the IFSB marked a major step as it is the first from an IOSCO member country to do so. The admission of the SC also marked the entry of a securities regulatory authority in the IFSB since it

opened its full membership to securities, insurance and *Takaful* regulators. The SC was admitted at an IFSB council meeting in Jeddah on 29 November 2006. The IFSB now comprises 27 regulatory and supervisory authorities, five international inter-governmental organisations and 78 market players from 21 countries.

## Roundtable on Malaysia's debt capital markets<sup>2</sup>

*Institutional Investors*, the international magazine, organised a roundtable on Malaysia's debt capital market on 8 January 2007 in Kuala Lumpur. Prominent figures in the Malaysian finance industry and from regulatory bodies attended the discussion. The SC was represented by Dr Nik Ramlah Mahmood, Senior Executive Director of Strategy and Development.

The discussion was aimed at highlighting Malaysia's debt capital market with strong emphasis on the developments of the market and the potential for further achievements under the Malaysia International Financial Centre (MIFC) initiative. The establishment of the MIFC is aimed at positioning Malaysia in the global arena by providing a common platform catering to investors' different backgrounds and investment needs. Malaysia has come long way since the first Islamic banking licence was issued in 1983. To date, about 50% of the domestic bond market comprises *sukuk* – on par with its conventional counterparts.

The roundtable also touched on product innovative issues, i.e. various *sukuk* structures based on various Shariah principles. Topics of interest included the US\$750 million Khazanah Nasional Bhd exchangeable *sukuk* which was well received by international investors.

Moving forward, further products innovations in the forms of currency and derivative products will need to be developed in order to widen the Islamic finance sphere and to address the supply and demand issues. These new products should also deliver the same economic benefits to their users in a similar fashion to their conventional counterparts. Looking forward, the Malaysian *sukuk* market is expected to benefit from the country's sound macroeconomic fundamentals, the Shariah Advisory Council's (SAC) continuous efforts to provide support at the regulatory level, and the strong underlying infrastructure.

<sup>2</sup> Source: Institutional Investor Sponsored Roundtable, February 2007.



## SC-Citigroup Global Shariah Dialogue on Sukuk Market

On 6 March 2006, the SC and Citigroup successfully organised the Global Shariah Dialogue on Sukuk Market. The SC Chairman, in her welcoming remarks at the event, urged the local industry to benchmark against and comply with global standards of compliance, transparency and governance, given the increasing internationalisation of the *sukuk* market. The dialogue aimed to promote greater cross-fertilisation of Shariah views to facilitate the smooth development of the ICM globally.

The dialogue, with a theme of "Recent Trends in the *Sukuk* Market", attracted more than 100 participants from local and international Islamic financial institutions, as well as Shariah experts from both the SC and Citigroup. The Citigroup's global Shariah scholars were represented by Dr Nazih Hammad, Dr Mohammed Elgari and Sheikh Nizam Yacuby, while the SAC of the SC were represented by Dr Mohd Daud Bakar, Dr Abdul Halim Muhammad and Dato' Dr Abdul Halim Ismail (who acted as a moderator).

The objective of the dialogue was to update participants on the latest trends and developments in the *sukuk* market, particularly, in the Middle East. Moreover, this dialogue deliberated on the recent innovations in the *sukuk* market, and the latest developments and opportunities in the Middle East through case studies of various *sukuk* issuances, such as the US\$3.5 billion Convertible Musharakah Sukuk by the Ports and Customs and Free Zone Corporation, UAE and the US\$2.35 billion Exchangeable Mudarabah Sukuk by Aldaar Properties, UAE.

The dialogue, held at the SC, was in line with the country's aspiration to promote greater interaction between Malaysian and foreign Shariah scholars. It also promoted greater awareness among Malaysian companies, encouraging them to issue ringgit-denominated and non-ringgit denominated Islamic instruments such as *sukuk*, in accordance with the MIFC initiative.





# MALAYSIAN ICM – 2006

## Shariah-compliant securities on Bursa Malaysia

Number of Shariah-compliant securities – Oct 2006 <sup>1</sup>	886 securities		
% of Shariah-compliant securities to total listed securities	86%		
<b>Market capitalisation (end-January 2007)</b>	<b>(RM billion)</b>		
Shariah-compliant securities	591.62		
Total market capitalisation	920.70		
% of Shariah-compliant securities to total market capitalisation	64.26%		
<b>Equity market indices</b>	<b>30 Dec 06</b>	<b>31 Jan 07</b>	<b>% change</b>
Kuala Lumpur Composite Index	1,096.24	1,189.35	8.5%
Kuala Lumpur Shariah Index	157.36	169.55	7.7%
FBM EMAS Shariah Index <sup>2</sup>	n/a	7,868.37	n/a

<sup>1</sup> The SAC released the updated Shariah-compliant securities list in April and October 2006.

<sup>2</sup> Launched on 22 January 2007.

## Shariah-based unit trust funds

<b>Number of approved funds</b>	<b>2005</b>	<b>2006</b>
Shariah-based	83	100
Total industry	340	416
<b>Net asset value (NAV) of approved funds</b>	<b>2005</b>	<b>2006</b>
Shariah-based	RM8.5 billion	RM9.2 billion
Total industry	RM98.5 billion	RM121.8 billion
% of Shariah-based to total industry	8.6%	7.6%

## Sukuk

	<b>2005</b>	<b>2006</b>
Size of outstanding <i>sukuk</i> (excluding government <i>sukuk</i> )	RM91.3 billion	RM105.2 billion
% of outstanding <i>sukuk</i> to total outstanding bonds	43.85%	47.75%
<b>Sukuk approved by the SC</b>	<b>2005</b>	<b>2006</b>
Number of <i>sukuk</i>	77	64
Size of <i>sukuk</i>	RM43.32 billion	RM42.02 billion
Size of total bonds approved	RM60.66 billion	RM75.83 billion
% of size of <i>sukuk</i> to total bonds approved	71.41%	55.41%

Chart 2  
KLCI vs KLSI performance

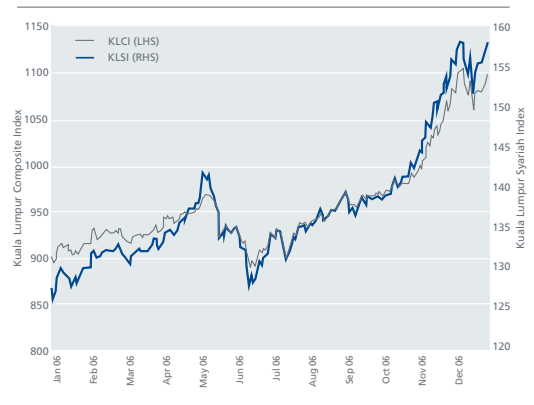
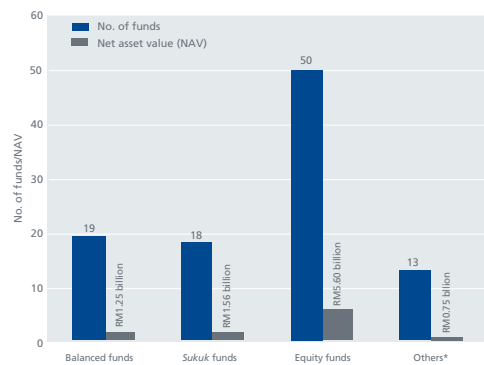


Chart 3  
Shariah-based unit trust funds by category



\* Including feeder funds, fixed income funds, money market funds and structured products.

Chart 4  
Sukuk approved based on various Shariah principles

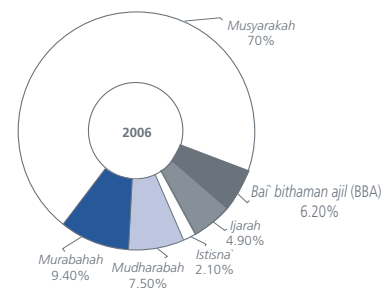




Table 6

## Sukuk approved by the SC in Q4 2006

Issuer	Shariah principle	Facility	Size of issues (RM million)	Date of issuance	Rating
1. AEON Credit Service (M) Sdn Bhd	<i>Musyarakah</i>	Bank guaranteed ICP/MTN (combined limit)	200	31 Jan 07	AAA (bg) P1
2. Amlslamic Bank Bhd	<i>Musyarakah</i>	Subordinated <i>sukuk</i>	400	21 Dec 06	A3
3. Boon Koon Group Bhd	<i>Murabahah</i>	ICP/MTN	100	7 Dec 06	A <sub>ID</sub> MARC-2 <sub>ID</sub>
4. Gamuda Bhd	<i>Musyarakah</i>	ICP (combined limit)	100	n/a	P1
5. Gamuda Bhd	<i>Musyarakah</i>	IMTN (combined limit)	700	n/a	AA3
6. KMCOB Capital Bhd	<i>Murabahah</i>	MTN	630	14 Dec 06	AA-ID(cg)
7. Kuala Lumpur Sentral Sdn Bhd	<i>Musyarakah</i>	Serial <i>sukuk</i>	720	n/a	AA2(s)
8. Nucleus Avenue (M) Bhd	<i>Musyarakah</i>	Senior <i>sukuk</i> MTN	5,600	n/a	AA3
9. Nucleus Avenue (M) Bhd	<i>Musyarakah</i>	Senior <i>sukuk</i> CP/MTN	600	n/a	AA3 P1
10. Nucleus Avenue (M) Bhd	<i>Musyarakah</i>	Cumulative non-convertible junior <i>sukuk</i>	1,700	n/a	A2
11. OCBC Bank (Malaysia) Bhd	<i>Mudharabah</i>	Redeemable Islamic subordinated bonds	200	24 Nov 06	AA2
12. Sabah Ports Sdn Bhd	<i>Bai` Bithaman Ajil</i>	<i>Sukuk</i>	80	n/a	AA3
13. Sabah Ports Sdn Bhd	<i>Murabahah</i>	MUNIF/IMTN	70	n/a	AA3 P1
14. Sunway City Bhd	<i>Murabahah</i>	MTN	500	n/a	A2 P2
15. Sunway City Bhd	<i>Murabahah</i>	CP	100	n/a	P2
<b>Total</b>			<b>RM11,700</b>		

n/a: not applicable.





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, please contact:

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