

ENHANCING MALAYSIA'S ISLAMIC CAPITAL MARKET LEADERSHIP

The ICM remained a key pillar of Malaysia's capital market in 2025, reflecting the SC's long-standing commitment to market integrity, ethical stewardship, and sustainable development. Anchored by *Maqasid al-Shariah* principles – including the promotion of justice, the protection of wealth and the advancement of societal well-being – and supported by strong governance, robust regulatory framework, and an evolving ecosystem of Shariah-compliant products and services, the ICM plays a central role in supporting inclusive economic growth and strengthening investor confidence.

During the year, the SC advanced initiatives aimed at reinforcing transparency, accountability, and resilience across the ICM ecosystem.

Domestically, the introduction of an enhanced disclosure regime for Shariah screening reviews represented a decisive step towards strengthening accountability, improving data transparency, and reinforcing market discipline among PLCs. At the international level, the SC deepened engagement with global partners across academia, multilateral institutions, and the financial industry to advance thought leadership, facilitate knowledge exchange, and institutional capacity in Islamic finance. Collectively, these efforts support the continued evolution of the ICM and reinforce Malaysia's position as a credible and values-driven Islamic finance ecosystem.

In 2025, Malaysia's international profile and visibility is further bolstered through strategic dialogues, high-level engagements, and collaborations with global counterparts, positioning Malaysia as a capital market that supports long-term national priorities including sustainability, environmental stewardship, social equity, and inclusive economic development.

STRENGTHENING GLOBAL COLLABORATION AND THOUGHT LEADERSHIP IN ISLAMIC FINANCE

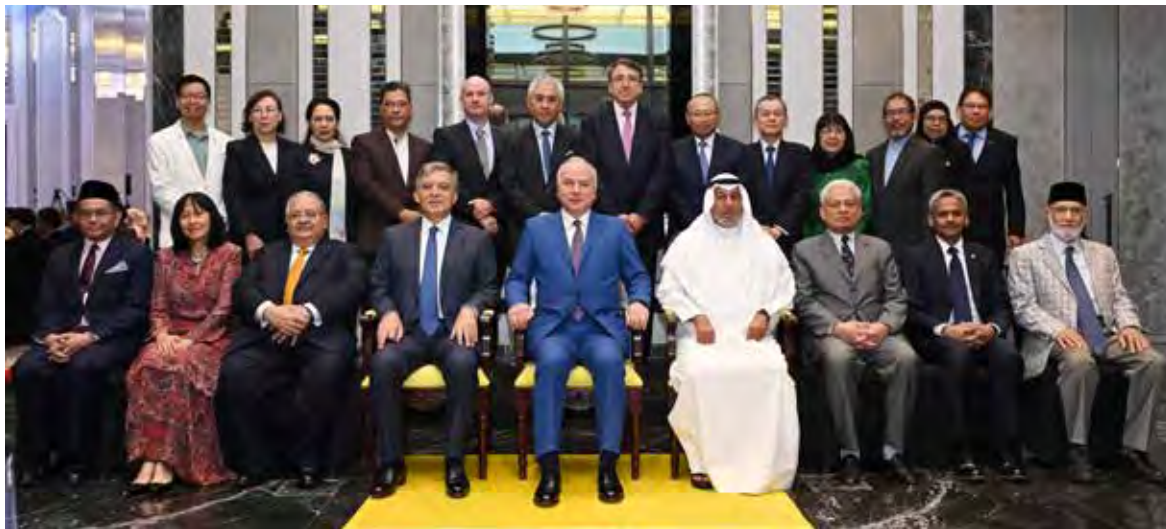
Beyond rules and supervision, a credible ICM is sustained by the quality of leadership and the institutions that shape how the market behaves. Anchored by the objectives of Shariah (*Maqasid al-Shariah*), the SC approaches market development with an emphasis on the substance of its market, ensuring that financial activity remains connected to real economic purpose, social well-being, and long-term resilience.

In this context, selected global collaborations play a vital role. They provide a platform to test ideas, develop talent, and strengthen institutional thinking, helping to ensure that Maqasid-based principles are not treated as abstractions, but are continually interpreted and applied in response to evolving economic and social challenges.

Academic and Thought Leadership Partnerships

Collaborations with Oxford Centre for Islamic Studies (OCIS)

The long-standing relationship between the SC and OCIS reflects a sustained effort to ground Islamic finance discourse, in both intellectual rigour and contemporary relevance. In 2025, the **SC-OCIS 16th Roundtable** was held on 30 September in Kuala Lumpur and focused on the theme 'Guardians of the Earth: Climate Action through the Lens of *Maqasid al-Shariah*'. Rather than treating sustainability as an external overlay, discussions during the Roundtable centered on how environmental stewardship naturally follows from Islamic conceptions of responsibility, trust, and intergenerational justice. The Roundtable brought together scholars, policymakers, and practitioners to examine how these principles can meaningfully inform investment decisions, governance standards, and market conduct, particularly as climate risks become more financially material.



Additionally, the SC-OCIS Scholar-in-Residence Programme and the Sultan Nazrin Shah Fellowship continued to drive research, innovation, and thought leadership in Islamic finance.

The 2025 SC-OCIS Scholar-in-Residence Programme attracted 28 applications from Southeast Asia, the Middle East, Europe, and the Americas, with the selected scholars taking residence at OCIS from October 2025 for the 2025/2026 academic year. Meanwhile, the Sultan Nazrin Shah Fellowship Programme, jointly organised by the SC and OCIS, will consist of extensive activities encompassing research and development, thought leadership and branding and profiling, focusing on key areas within the ICM.

Talent Development and Capacity Building

SC–Durham Islamic Capital Market Summer School

A values-based market ultimately depends on people who are able to exercise sound judgment, not just technical competence. With this in mind, the SC launched the inaugural **SC–Durham Islamic Capital Market Summer School** following the signing of a memorandum of understanding with Durham University in 2025. The programme was designed to provide participants with exposure to both academic perspectives and regulatory realities, with a focus on how ethical considerations, risk awareness, and long-term thinking are applied in practice, and ultimately, shape a new generation of ‘Maqasid ambassadors’.

Jointly developed with the Durham Centre for Islamic Economics and Finance and the Durham University Business School, the one-month blended programme combined three weeks of online learning with an intensive in-person masterclass at Durham University from 8 to 12 September 2025. The inaugural cohort of 15 participants from diverse backgrounds, underscores the SC's commitment to building a future-ready talent pipeline anchored in the principles of *Maqasid al-Shariah* for the Islamic finance ecosystem.



Multilateral and Development Partnerships

Islamic Development Bank (IsDB)

The SC's collaboration with the IsDB focuses on exploring opportunities to support productive economic activity and social development through the ICM. Following the MOU signed in 2024, the SC embarked on numerous initiatives to catalyse partnerships across the 57 IsDB member countries, promoting the use of ICM instruments to support private sector growth.

A key milestone was the SC–IsDB Reverse Linkages Programme, held on 29 April 2025 in Kuala Lumpur. It focused on mobilising ICM instruments such as sukuk, ECF, and P2P financing, while exploring cross-border opportunities, particularly within the halal economy and mid-tier corporate segments. The event resulted in two companies pledging over RM175 million in prospective cross-border initiatives, signalling tangible outcomes for future ICM-driven fundraising.

In addition, the SC and IsDB jointly organised the **Awareness Programme on the IsDB Awqaf Properties Investment Fund (APIF)** on 2 December 2025. The session brought together over 40 participants from State Islamic Religious Councils (SIRCs), waqf corporations, Islamic financial institutions, and ecosystem partners under the theme *Funding Economic Development through Waqf*. The discussions moved beyond conceptual models, focusing on practical considerations such as project structuring, governance, and eligibility. The level of engagement reflected a growing willingness among institutions to adopt market-based approaches in advancing social objectives, consistent with the broader aims of Islamic finance.

In practice, market outcomes are shaped by both decision-making behaviour and the regulatory frameworks within which they operate. By engaging selectively with global partners, the SC seeks to ensure that the objectives of Shariah remain embedded in market practice, informing judgement, strengthening capability, and anchoring the ICM to real economic and social purpose as it continues to evolve.

Revised Approach to Shariah Screening Review for Public Listed Companies

In a sustained pursuit to foster the advancement of ICM in Malaysia, the SC has been mandated, since 1997, by the Shariah Advisory Council (SAC) of the SC to conduct Shariah screening review for securities listed on Bursa Malaysia. To enable a democratised access for the industry in managing Shariah-compliant investment mandates, the SC issues a bi-annual *List of Shariah-Compliant Securities by the SAC* of the SC that is published on the final Friday of the May and November.

After nearly three-decades and various efforts demonstrated by stakeholders, Shariah-compliant securities listed on Bursa Malaysia have shown significant growth that represents more than two-fold increase, from 371 Shariah-compliant securities in 1997 to 859 Shariah-compliant securities as at 25 November 2025. This reflects the vibrancy of ICM and an upward trajectory of Shariah-compliant securities within the broader securities market in Malaysia.

In charting the way forward for the ICM ecosystem, the SC recognises the importance of sustaining investors' confidence and to progressively optimise efficiency in an ever-evolving market landscape. Underpinned by this commitment, the SC has embarked into a refined approach for Shariah screening review through the introduction of an enhanced disclosure regime, mandated via Bursa Malaysia's Listing Requirements. The requirement entails disclosure on additional financial information in a prescribed format, as part of the breakdown of the annual audited figures, relating to Shariah non-compliant components within the business activities of the PLCs.

The enhanced disclosure aims to foster greater transparency and in turn, strengthen accountability amongst PLCs, as the board of directors are aware that their decisions and outcomes are subject to closer scrutiny. By continuing to provide comprehensive, timely and accurate financial data, public listed companies allow stakeholders to better assess their performance and risk exposure.

As the market evolves, PLCs now operate across multiple sectors with diverse financial disclosures. This has created data intricacies that renders screening assessments increasingly complex as the assessment needs to rely on the unstructured data format in the

disclosure published by the public listed companies. With the enhanced disclosure approach, it enables a more seamless data extraction flow for purpose of Shariah screening review undertaken by the SC.

In order to facilitate effective implementation of the new requirement, the SC has rolled out an awareness programme to enhance PLCs' understanding of the additional financial disclosures. This is achieved through series of webinars that aim to provide guidance on regulatory expectation of the enhanced disclosure. Following the awareness phase, the SC continued its engagement through ongoing email support and the publication of video tutorials and frequently asked questions as reference materials for PLCs.

The SC also remains committed to anchor market's practices with values derived from *Maqasid al-Shariah*. With the enhanced transparency in the disclosure attributed from the additional information provided by the PLCs, this resonates well with the SC's *Maqasid al-Shariah Guidance Islamic Capital Market Malaysia* (Maqasid Guidance), particularly through Aspiration 3 in fostering clarity and transparency of information to stakeholders. Clearer disclosure cultivates and facilitates well-guided and informed decision-making by investors, upholding public interest and promoting a harmonious and ethical society.

Whilst the existing approach has catalysed the growth of Shariah-compliant equities market, the enhanced disclosure regime envisages a more proactive and adaptive information architecture available to investors with an emphasised transparency. This gears the market's landscape forward, with long-term value created and continues to cement Malaysia's leadership foresight in elevating the standard upward to preserve investors' confidence and access to material information.

Maqasid al-Shariah Task Force for Islamic Capital Market

In charting the future development of ICM in Malaysia, the SC recognises the adoption of Maqasid Guidance issued in November 2023, as a critical enabler. This groundbreaking principle-based document reaffirms that the higher objectives of Shariah which encompasses justice, social well-being, sustainability, and ethical stewardship, should serve as the guiding foundation for ICM activities going forward.

Market adoption of the Maqasid Guidance has exceeded initial expectation. As of 31 December 2025, the SC has received 42 sukuk submissions that are aligned with the Maqasid Guidance, which represents 78% of the total sukuk submissions received in 2025. While adoption of the Maqasid Guidance is voluntary, this level of uptake reflects the industry’s increasing understanding, awareness and commitment to purpose-driven finance.

To sustain the relevance and accelerate the adoption of the Maqasid Guidance across ICM ecosystem, the SC has established the *Maqasid al-Shariah* Task Force for ICM (MaTF) on 26 May 2025. The MaTF serves as a coordinated platform bringing together key stakeholders including financial institutions, regulatory authorities, academicians, and market participants to drive collective actions towards embedding Maqasid Guidance in ICM. Beyond domestic implementation, the MaTF also aspire to position Malaysia’s Maqasid Guidance as a reference point globally.

The MaTF plays a pivotal role in fostering alignment, identifying opportunities for strategic collaboration and innovation between regulators and industry players, and providing leadership amid increasing interest and diverse initiatives to introduce Maqasid-

aligned frameworks and stewardship across the capital market.

Anchored by three core mandates, the MaTF seeks to:

1. Promote and harmonise the adoption of the Maqasid Guidance across the ICM landscape.
2. Develop stewards and champions among industry participants to advocate greater awareness, understanding, and practical implementation of the Maqasid Guidance.
3. Facilitate innovation in financial products and solutions that are aligned with the spirit and objectives of the Maqasid Guidance.

The inaugural meeting of the MaTF was convened on 13 November 2025 and chaired by the SC Chairman. The meeting deliberated and agreed on key priorities and considerations to guide the MaTF in driving the adoption and implementation of the Maqasid Guidance in ICM. Through coordinated initiatives, the MaTF aims to embed the objectives of Shariah and the ethical values aligned with the Maqasid Guidance at the core of the ICM’s growth, thereby ensuring its continued relevance, purposeful and positive societal impact.

FIGURE 1
Maqasid al-Shariah Task Force Members



40 Hadith Series Publication: Advancing Thought Leadership in the Islamic Capital Market

In 2025, the SC embarked on the publication of the 40 Hadith Series comprising a collection of five thematic volumes based on authentic hadiths as part of its ongoing thought leadership initiatives. The publication series commenced when the SC published two of five volumes planned namely *40 Hadiths on Sustainability* and *40 Hadiths on Ethical Sales Transactions*.

Inspired by the esteemed legacy of Imam al-Nawawi, who meticulously gathered forty authentic hadiths in response to the Prophet Muhammad's s.a.w. encouragement to preserve the core teachings of Islam, this initiative reflects the SC's aspiration to integrate knowledge between the traditional method and modern application for the ICM.

The 40 Hadith Series serves as an ethical and intellectual reference for Shariah advisers, industry practitioners, policymakers, academicians, and other stakeholders of the ICM. These publications articulate on the enduring ethical principles in commercial dealings and sustainability in Islam across four thematic dimensions: (i) Humans as Khalifah (Stewards of the

Earth); (ii) Humanity; (iii) Social Responsibility; and (iv) Compassionate Stewardship.

The publication also reflects the SC's continued commitment to integrating Shariah principles into market practices, particularly in promoting ethical conduct, sustainability, good governance, and Islamic social finance. Through this initiative, the SC aims to strengthen the alignment between Islamic ethical values and modern financial practices, fostering a more responsible, inclusive, and resilient ICM environment.

This initiative complements the Maqasid Guidance, which serves as an essential reference for Shariah advisers in aligning ICM products and services with the Maqasid Guidance. It further facilitates broader industry adoption of the Maqasid Guidance while enhancing the quality, consistency, and credibility of Shariah decision-making process across the ICM.

Through this initiative, the SC continues to demonstrate thought leadership in shaping the development of the ICM, reinforcing Malaysia's position as a global centre of excellence in Islamic finance, and upholding its commitment to aligning market practices with the Maqasid Guidance.