

# Driving Innovation within ICM through the Inquisitive Mind of Shariah Scholars and Advisers



An integral component of the Islamic capital market (ICM) lies in the wisdom, persistence and inquisitive mind of Shariah scholars or advisers to provide impactful, practical Shariah rulings and resolutions within the ICM that serve to contribute towards greater *maslahah* or interest of the *ummah*.

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## Driving Innovation within ICM through the Inquisitive Mind of Shariah Scholars and Advisers<sup>1</sup>

An integral component of the ICM lies in the wisdom, persistence and inquisitive mind of Shariah scholars or advisers to provide impactful, practical Shariah rulings and resolutions within the ICM that serve to contribute towards greater *maslahah* or interest of the *ummah*.

The SC Shariah Advisory Council (SAC) has produced more than 120 resolutions on practical and contemporary issues confronting the industry based on consensus and unity.

The SAC has established itself as a fundamental body which facilitates in developing and expanding the tenets of Shariah for ICM. As an apex Shariah advisory body at the regulatory level, the SAC invaluable contributions have enabled navigation of complex issues and continues to play its significant role in providing practical, actionable, strategic and impactful Shariah resolutions that drive innovation and spur the development of ICM products and services for the benefit of ICM and Islamic finance industry in Malaysia.

Shariah or Islamic law has a comprehensive set of principles and approaches according to universal objectives to manage financial transactions and wealth accordingly. There are approaches and principles

“There are approaches and principles of Islamic financial dealings and transactions of wealth based on Shariah’s rules as well as objectives of Shariah, or *maqasid al-Shariah*, a concept which places value on advocating righteous behaviour, moral conduct and acts of goodness.”


of Islamic financial dealings and transactions of wealth based on Shariah’s rules as well as objectives of Shariah, or *maqasid al-Shariah*, a concept which places value on advocating righteous behaviour, moral conduct and acts of goodness. According to Ibn Ashur, a renowned Shariah scholar in the field of *maqasid al-Shariah*, in one of his classifications of *maqasid al-Shariah*, highlighted on specific *maqasid al-Shariah* in relation to financial transactions which includes transparency, *wudhuh*, and certainty, *thabat*.

Under the objective or *maqasid* transparency, it was emphasised that all financial transactions must be conducted in such a manner to avoid all causes of risk and disputes to any party involved. This *maqasid* is supported by verse 282 of *Surah al-Baqarah* which mentioned that any financial transaction should be

recorded to achieve fairness between the parties involved. On the other hand, *maqasid* certainty emphasises on the certainty of ownership over property or wealth to its owner without risk and dispute. This *maqasid* is supported by verse 41 of *Surah al-Rum* which mentions that corruption has appeared throughout the land and sea by the hands of people and there will be consequences to them, perhaps even returning to righteousness.

Through the spirit of *maqasid al-Shariah* as highlighted by Ibn Ashur, transparency and certainty are part of the main objectives that need to be taken into account in the deliberation of SAC resolutions to prevent such resolutions from being misunderstood, misused or disputed, and to avoid incongruence among stakeholders.

<sup>1</sup> This article content is extracted from the Opening Remarks of the Nadwah of Shariah Advisers in Islamic Capital Market 2023 inaugural event, delivered by Puan Sharifatul Hanizah Said Ali, Executive Director, ICM, SC.



As an example, the SAC of SC issued a comprehensive resolution on Shariah-compliant preference shares. As a result of this resolution, it provides greater clarity and exploratory options for market-based funding and a wider array of instruments.

The expanding range of Islamic finance is defining the future landscape of tomorrow. Islamic fintech and sustainability are becoming increasingly important and influential in shaping the future. Shariah advisers can pave the way to foster an ecosystem and future proof the industry by inculcating the spirit of learning and continuously upskilling themselves.

The complexity of Shariah issues is also expected to grow and evolve with the passage of time. In line with the SC's objective, SC Nadwah (Capacity Building Programme for Shariah Advisers in ICM) aims to enhance the professionalism and competency of Shariah Advisers. To this end, the SC invites Shariah committee members and Shariah officers of Islamic financial institutions to participate as registered Shariah advisers.

The SC is committed to foster a culture of continuous learning while enhancing the skills and aptitude of registered Shariah advisers with the introduction of an annual mandatory participation for attending Securities Industry Development Corporation (SIDC) CPE-approved courses. With elevated breadth of capabilities and knowledge, the modern-day Shariah fraternity will be in prime position to influence and shape the future of ICM. Greater focus on building capacity and continuous enhancement to the capabilities of ICM practitioners in the area of Shariah governance is of utmost importance.

Today, the Islamic Capital Market Development of the SC is exploring outcomes towards meeting the *maqasid al-Shariah*. This aligns with the SC's *Capital Market Masterplan 3*, which aims to establish a stakeholder economy by making *maqasid al-Shariah* a fundamental framework for business dealings. This approach will promote a more sustainable and accountable ecosystem in the capital market. Strategic thought leadership promoting greater ICM contribution towards *maqasid al-Shariah* will be

developed, focusing on areas such as social finance, impact investing, SRI as well as Islamic fund and wealth management. This was also reflected in the SC's collaborative partnership with the Oxford Centre for Islamic Studies (OCIS) in 2022, whereby the roundtable conversations touched on how *maqasid al-Shariah* can serve as a unifying framework to ensure Islamic financial products and services are designed and implemented in a way that promotes the welfare of society and the environment. In addition, it provides a tool to assess and evaluate the ethical, environmental, and social impact of financial activities. It is hoped that the recommendations to be accomplished will facilitate a higher level of alignment in achieving the objectives of Shariah.

Through collaborative efforts and the unwavering commitment and support of all parties, especially the relevant stakeholders, towards the developmental agenda for the ICM in Malaysia, full confidence is given that the ICM can sustain and solidify Malaysia's position as the pre-eminent global marketplace for Islamic finance.



## Shariah Advisory Council Resolutions

The SAC plays a significant role in contributing to the comprehensive development of ICM in Malaysia. The SAC actively reviews and updates resolutions on various Shariah-related issues in relation to ICM to ensure that the transactions that are undertaken complies with the Shariah requirements. Apart from that, the SAC also ascertain the appropriate Shariah principles that can be applied to facilitate new and innovative ICM products to be consistent with the latest development in the marketplace. Among the resolutions that were issued by the SAC:



### 1 **Sukuk *Wakalah bi al-Istithmar* and its Tradability**

Sukuk *Wakalah bi al-Istithmar* (Sukuk *Wakalah*) refers to certificates of equal value evidencing the certificate holder's undivided ownership in the investment assets pursuant to their investment through the investment agent.

Sukuk *Wakalah* may be structured whereby the Shariah-compliant *wakalah* investment portfolio (*Wakalah Portfolio*) comprises a combination of non-debt investment assets and debt investment assets.

For instance, under the structure of Sukuk *Wakalah*, the sukuk trustee

(Sukuk Trustee) (acting on behalf of the sukukholders) enters into a *wakalah* contract with the sukuk issuer. The sukuk issuer is appointed by the Sukuk Trustee as its agent<sup>1</sup> (*Wakil*) to perform certain services which include investing the Sukuk *Wakalah* proceeds received from the sukukholders into a *Wakalah Portfolio* and managing the *Wakalah Portfolio* in accordance with the agreed terms.

The *Wakalah Portfolio* may comprise of investment in Shariah-compliant business or tangible assets<sup>2</sup> and Shariah-compliant commodities which are traded under the Shariah principle of *murabahah* (via *tawarruq* arrangement) (Commodity *Murabahah Investment*)<sup>3</sup>. The income

generated from the *Wakalah Portfolio* will be distributed to the sukukholders based on the agreed terms and conditions.

Based on the above instance, the SAC had focused its deliberation to the investment of Sukuk *Wakalah* in a *Wakalah Portfolio* comprising a combination of non-debt investment assets and debt investment assets. In this regard, several questions have been raised as follows:

#### (i) **Minimum Percentage for Non-Debt Investment Assets in a *Wakalah Portfolio***

What is the minimum percentage for non-debt investment assets

<sup>1</sup> Guidelines on Islamic Capital Market Products and Services (ICMPS Guidelines), Chapter 3, Definition.

<sup>2</sup> Among the examples of non-debt investment assets.

<sup>3</sup> Among the examples of debt investment assets.

to ensure that such sukuk complies with the features of Sukuk *Wakalah* that invest in a *Wakalah* Portfolio comprising a combination of non-debt investment assets and debt investment assets?; and

## (ii) Tradability of Sukuk *Wakalah*

Is Sukuk *Wakalah* that comprises of non-debt investment assets (the percentage of which is less than the percentage of debt investment assets) considered as debt and is the tradability of such Sukuk *Wakalah* in the secondary market subjected to the principle of *bai' al-dayn* (sale of debt)?

## Shariah Justification

The main Shariah justification for the above SAC resolution is based on the principle of *khultah*. Literally, *khultah* means co-mingling of one to another. Technically, it refers to a property owned by two or more persons that are co-mingled based on *musha'*.<sup>4</sup>

In the context of Sukuk *Wakalah*, the principle of *khultah* is viewed from the perspective of co-mingling of investment assets in the *Wakalah* Portfolio i.e. a combination of non-debt investment assets and debt investment assets.

Sukuk *Wakalah* can be traded based on mutually agreed price if such sukuk

## RESOLUTION

In the 266<sup>th</sup> SAC meeting held on 16 March 2023, the SAC had deliberated several issues in relation to Sukuk *Wakalah bi al-Istithmar* (Sukuk *Wakalah*) where the *Wakalah* Portfolio comprises a combination of non-debt investment assets and debt investment assets. The SAC resolved as follows:

### (A) Minimum Percentage for Non-Debt Investment Assets in *Wakalah* Portfolio

- (i) At least 33% of the Sukuk *Wakalah* proceeds shall be invested into non-debt investment assets. This minimum percentage must be complied with at the time of each issuance of Sukuk *Wakalah*.
- (ii) It is not required to maintain such percentage throughout the tenure of the Sukuk *Wakalah*. However, the non-debt investment assets shall at all times be a component of the *Wakalah* Portfolio.

### (B) Tradability of Sukuk *Wakalah*

- (i) Sukuk *Wakalah* that has a component of non-debt investment assets (even when its percentage is less than the percentage of debt investment assets) is considered as a portfolio of assets. Therefore, such Sukuk *Wakalah* is not categorised as debt.
- (ii) Such Sukuk *Wakalah* can be traded in the secondary market at any negotiated price between the contracting parties without being subjected to the principle of *bai' al-dayn*, as long as the non-debt investment assets shall at all times be a component of the *Wakalah* Portfolio.

involves investment in tangible assets and usufructs that are co-mingled with debts and currency although the ratio of the said tangible assets and usufructs are lesser than the debts and currency. This is because when such debts and currency are co-mingled with the tangible assets and usufructs, it adopts the ruling of tradability of tangible assets.<sup>5</sup>

The above matter is in line with the *hadith* narrated by Ibnu Umar r.a. that Rasulullah S.A.W. said:<sup>6</sup>

مَنْ بَاعَ عَبْدًا وَلَهُ مَالٌ فَمَالُهُ لِلَّذِي  
بَاعَهُ إِلَّا أَنْ يَشْتَرِطَ الْمُبْتَاعُ

Meaning: "When a person sells a slave who has wealth, then the wealth is for the seller, unless the buyer stipulates this so."

The above *hadith* implies that when a slave as a sale item is co-mingled with his property (such as money) and it is stipulated that the property is included as part of the sale item, such property

<sup>4</sup> Nazih Hammad, *Mu'jam al-Mustalahat al-Maliyyah wa al-Iqtisadiyyah fi Lughah al-Fuqaha'*, Dar al-Qalam, Damsyik, 2008, First Edition, p. 198-199. *Musha'* from the perspective of *fuqaha'* refers to joint ownership over an asset in proportion and physically undivided. *Ibid.* p. 417-418.

<sup>5</sup> Husain Hamid Hassan, *Sukuk al-Istithmar al-Islami*, al-Dawrah al-Tasi' 'Ashr Li Mu'tamar Majma' al-Fiqh al-Islami al-Dawli, 2013, p. 615, 617-618.

<sup>6</sup> Al-Imam al-Hafiz Abi 'Isa Muhammad 'Isa Al-Tirmidzi, *al-Jami' al-Kabir*, Dar al-Gharb al-Islami, Beirut, Lebanon, 1996, vol. 2, p. 525.

is considered as one single item together with the slave without being subject to the principle of *bai' al-sarf* (currency exchange). This is clarified by Ibn Qudamah where such *hadith* indicates that the trading of slave who owns a property is permissible if the intention of the buyer in such transaction is to own such slave, whether such property is known by the buyer or not, is from the same value

(*thaman*) or not, is based on an asset or debt, or its value is less or more.<sup>7</sup>

Based on the said *hadith*, the tradability of Sukuk *Wakalah* that has co-mingled investment assets in the *Wakalah* Portfolio in a secondary market is permissible at any mutually agreed price provided that the element of *khultah* in such portfolio exists and it is not a requirement for the non-debt

investment assets to be more than the debt investment assets.

With regard to the determination of the 33% Sukuk *Wakalah* investment proceeds into non-debt investment assets, the SAC is of the view that such percentage is reasonable by taking into account the current practice in the ICM in Malaysia.

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<sup>7</sup> Yusuf `Abdullah al-Shubaili, *Abhath Fi Qadhaya Maliyah Mu`asirah*, Dar al-Maiman, Riyadh, Saudi Arabia, 2020, vol. 2, p. 109.

## List of Shariah-Compliant Securities by the SAC

The SC released the *List of Shariah-Compliant Securities*, which took effect on 26 May 2023. The list featured a total of 802 Shariah-compliant securities, representing 82% of the total securities of 980 listed on Bursa Malaysia. It included 27 newly classified Shariah-compliant securities and excluded 9 from the previous list issued in November 2022.

The next list will be made available in November 2023, based on the review of the audited financial statements released up to 30 September 2023.



**Table 1**  
**List of Shariah-Compliant Securities**

Main / ACE / LEAP Markets by Sector	Number of Shariah-compliant securities	Total securities*	Percentage of Shariah-compliant securities (%)
Industrial products and services	241	281	86
Consumer products and services	160	206	78
Technology	92	115	80
Property	89	99	90
Construction	64	66	97
Plantation	36	43	84
Transportation and logistics	30	34	88
Energy	26	31	84
Healthcare	26	27	96
Telecommunications and media	22	30	73
Utilities	11	13	85
Financial services	5	33	15
Closed-end fund	Nil	1	Nil
SPAC	Nil	1	Nil
<b>TOTAL</b>	<b>802</b>	<b>980</b>	<b>82</b>

\* As at 22 May 2023.



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## FIKRA ACE to Spur Islamic Fintech Innovation, Growth for ICM

The SC announced the launch of FIKRA ACE in June 2023, a fintech initiative that aims to enhance the ICM ecosystem by facilitating the development of Islamic fintech through a structured approach.

FIKRA ACE is the enhanced, three-year initiative following the launch of SC's inaugural Islamic fintech accelerator programme – FIKRA, in May 2021.

Expanding from a single accelerator approach, FIKRA ACE now consists of three components:

- (a) **FIKRA ACE ACCELERATOR**  
**Accelerator** which is an Islamic-solutions focused accelerator programme;
- (b) **FIKRA ACE CIRCLE**  
**Circle**, a networking platform to connect relevant stakeholders of the ICM and fintech industry; and
- (c) **FIKRA ACE EXCEL**  
**Excel**, a platform for collaborations with higher learning institutions for capacity building

The initiative will identify companies with fintech solutions to nurture, grow, and connect with the ICM ecosystem in various segments. The initiative also supports the Islamic fintech space by building capacity and a talent pipeline for the industry.

“Malaysia has the capability to sustain a thriving Islamic fintech ecosystem by capitalising on its global leadership in the ICM.

As we witness the remarkable growth and innovation in Islamic fintech, we are reminded of the potential it holds for both the Islamic finance industry and the broader global economy.”

– Chairman Dato' Seri Dr. Awang Adek Hussin

For the 2023 cohort, three focus areas of FIKRA ACE are Islamic social finance, Shariah-compliant SRI and Islamic fund and wealth management.

In 2021, Islamic fintech transactions in Organisation of Islamic Cooperation (OIC) countries totaled US\$79 billion. While this represents 0.8% of global fintech transaction volume, this segment is projected to grow to US\$179 billion by 2026 at a 17.9% compounded annual growth rate (CAGR)<sup>1</sup>.

FIKRA ACE is organised in collaboration with the Malaysia Digital Economy Corporation (MDEC) as the ecosystem and strategic partner. The accelerator programme for 2023 cohort is expected to commence in August 2023.

Companies with innovative fintech solutions are invited to submit applications, which are open until 4 August 2023.

<sup>1</sup> <https://www.sc.com.my/resources/media/media-release/scs-fikra-ace-to-spur-islamic-fintech-innovation-growth-for-icm>.



# Cagamas Sustainability Podcast Series: SC Driving the Islamic SRI Agenda in Malaysia<sup>1</sup>

## Principles-Based SRI Taxonomy for the Malaysian Capital Market

By Sharifatul Hanizah Said Ali, Executive Director, ICM, SC

### Question 1:

**If we were looking to set the scene, how big is the global market for SRI products?**

To set the context, environmental, social, and governance (ESG) assets under management (AUM) are expected to exceed US\$53 trillion by 2025<sup>2</sup>, reflecting investors' increasing awareness on the importance of making a positive impact on the environment, local communities, and society at large.

The pandemic has accelerated this trend even further by exposing social vulnerabilities, and similar, if not, more profound impact of climate change; thus, highlighting the urgent need for a more sustainable and resilient future.

Despite significant market volatility last year, interest in ESG has not waned. In fact, sustainable funds globally received US\$37 billion of inflows in the last quarter of 2022, while the wider fund universe suffered outflows over the same period<sup>3</sup>.

Worldwide, spending by governments, business and individuals will need to rise by US\$3.5 trillion annually if we want to have a chance of getting to net-zero in 2050<sup>4</sup>. Looking at the bond market, transition bonds have seen a growth in issuance volumes by 5% to US\$3.5 billion, compared to other types of sustainable bonds such as green, social, sustainability and sustainability-linked bonds. This growth is driven by needs of companies to transition towards a more sustainable and low-carbon future.

### Question 2:

**And if we looked purely at Malaysia, what is the potential size of the SRI market?**

The SRI market in Malaysia is growing rapidly, driven by various factors such as facilitative regulatory frameworks and ecosystem for SRI in the Malaysian capital market, investor demand, and awareness by Malaysian companies on the importance of sustainable and responsible business practices.

There has been an increase in the growth of SRI products in Malaysia, including SRI funds. As of December 2022, there are 58 qualified SRI funds with RM7.05 billion asset net value (NAV), a compound and annual growth rate (CAGR) of 39% as compared to 34 SRI funds with NAV of RM5.08 billion in 2021. More than half of these funds are unit trust funds, demonstrating the increasing interests from retail investors for sustainable investments.

In terms of bonds and sukuk, as of 31 December 2022, RM10.58 billion worth of SRI sukuk was issued in 2022, bringing the cumulative issuances of SRI sukuk to RM18.92 billion, since the introduction of the SRI Sukuk Framework in 2014. This includes the issuance of the world's first green sukuk in 2017. Out of the total SRI sukuk issuances, RM16.58 billion were dually recognised under both the SRI Sukuk Framework and the ASEAN Standards. Issuances from Malaysia accounted for 24% of total issuances labelled under the ASEAN Standards, where Malaysia ranked third in terms of total issuances behind Thailand and Philippines.

<sup>1</sup> This is an excerpt from an IFN Podcast Interview with Sharifatul Hanizah Said Ali, Executive Director, ICM, SC in conjunction with Cagamas's 35<sup>th</sup> Anniversary.

<sup>2</sup> ESG assets may hit US\$53 trillion by 2025, a third of global AUM, Bloomberg Intelligence, 2021.

<sup>3</sup> 2016 Global Sustainable Investment Review, Global Sustainable Investment Alliance, 2017.

<sup>4</sup> The net-zero transition: What it would cost, what it could bring. Mekala Krishnan, H. S. McKinsey Global Institution, (2022).

The growth in SRI has been very much driven by the corporate sector as many companies and their value chain are adopting sustainable practices and recognising the need for transition towards a sustainable future, as well as the increasing awareness by institutional investors on the importance of ESG factors in investment decisions.

Malaysia has set ambitious climate goals, including a target to reduce its economy-wide carbon intensity (against GDP) of 45% in 2030 compared to 2005 level and aspirations to achieve net-zero emissions by 2050. These targets are likely to drive increased investment in sustainable and low-carbon industries as well as spur innovation and technology development.

For Malaysia to embark on a net-zero pathway, a total of about RM350 billion to RM400 billion of investments will be required from the public and private sectors between 2021 and 2050<sup>5</sup>.

Given the huge financing needs, reliance on public finance alone will no longer be sufficient. Hence, the capital market can play a significant role in financing these efforts for industries and businesses to become greener.

**Question 3:**  
**As an industry in Malaysia, are we capitalising fully on opportunities presented by the development of investment products that are both sustainable and Shariah-compliant?**

Malaysia being the major player in Islamic finance has been at the forefront to develop its SRI space. The significant commonalities and convergence of underlying principles between Shariah and ESG principles such as social responsibility, inclusiveness, equitable sharing of risks augurs well with the national agenda to transition to a low carbon-economy. We are placing ourselves in an optimal position.

In granular, the SC has facilitated development of Shariah-compliant SRI products through various frameworks such as the SRI Sukuk Framework introduced in 2014, Guidelines on SRI funds in 2017 and the SRI-Linked Sukuk Framework in 2022. The statistics and number that we shared earlier in terms of the number of funds, size of sukuk and bond

issuances are all evident to where each framework has taken us. Whether we have capitalised fully lies in all the action of all the actors in the whole ecosystem, taking it up, being consistent about it, and sustaining it.

We also explored the feasibility of bringing the social part to the ICM and tying it with the ESG agenda. The Waqf-Featured Fund Framework introduced in 2020 also enables Shariah-compliant funds to allocate returns wholly or partially to social impact projects. As another milestone for Islamic finance, the framework facilitates further market convergence of commercial and social objectives.

We can see for certain the increase in market-based instruments linked to green, social or sustainable goals in the industry, signifying rising investor interest and potential for the SRI segment in Malaysia.

Whether we are capitalising fully on the opportunities presented through these developments, though we have witness significant achievements, it is still a work in progress. Nevertheless, it is key to pursuing economic growth while focusing on country's resilience against climate change and well-being of future generations through the various enablers.

**Question 4:**  
**Where does the recently released Principles-Based SRI Taxonomy for the Malaysian Capital Market fit in with other SC initiatives, such as the SRI Sukuk Framework (2014) and Guidelines on SRI Funds (2017)?**

An ecosystem has always been made up of several different building blocks. The SC introduced several sustainability initiatives for the capital market since 2014, which have laid the foundations for the development of a facilitative SRI ecosystem for the Malaysian capital market. As the SRI market segment continues to expand and more products are being introduced in the market, greater clarity and standardisation is required by market participants to help them identify activities which could qualify as SRI. This is also critical to mitigate greenwashing risks which are of a great concern today.

<sup>5</sup> *Securing Our Future: Net Zero Pathways for Malaysia*. BCG, W., (2021). WWF Malaysia and Boston Consulting Group.

This has led to the development of the SC's *Principles-Based SRI Taxonomy for the Malaysian Capital Market* (SRI Taxonomy) which was published in December 2022. The SRI Taxonomy is principles-based, providing a set of common guiding principles on the classification of economic activities that are aligned with environmental, social and sustainability objectives.

The principles-based approach was a deliberate decision made on the SC's end, as we are cognisant of the different levels of market readiness among the capital market constituents and the wider stakeholders. The SC recognises that although we aim to provide greater standardisation in the market, this needs to be conducted in a phased approach to ensure an orderly development, greater awareness and acceptance, and readiness of the capital market players in adopting the taxonomy.

Given the significance of the SRI Taxonomy to the capital market as well as the relevant economic sectors, the SC collaborated with capital market practitioners on the development of the SRI Taxonomy, through an Industry Working Group (IWG) that included representatives from different segments of the capital market, as well as with the World Bank Group Inclusive Growth and Sustainable Finance Hub in Malaysia as the Lead Technical Expert and IWG Facilitator.

**Question 5:**  
**What are the prime objectives of the SRI Taxonomy, and how is it expected to assist in the development of the sustainable investment sector in Malaysia?**

The implementation of the SRI Taxonomy is voluntary, hence it can already be applied and implemented by capital market constituents, including capital market intermediaries, issuers, corporates, asset owners, and investors, as well as a wider range of users such as analysts, rating agencies,

and the public sector, in identifying and classifying economic activities in alignment with the environmental, social and sustainability considerations.

The SRI Taxonomy complements other SC's SRI frameworks and could help to drive greater product innovation within the SRI market segment. In addition, the considerations for the environmental objectives in the SRI Taxonomy could provide additional guidance in determining eligible green projects.

Additionally, the SRI Taxonomy and Guidelines on SRI Funds can be used together to create a comprehensive approach to sustainable investing. The SRI Taxonomy can be used to identify potential investments that are aligned with environmental, social and sustainability objectives while the Guidelines on SRI Funds provides guidance on the fund's disclosures and reporting.

The SRI Taxonomy could help to increase transparency and clarity in the market, as well as making it easier for investors to identify and invest in sustainable opportunities. With this, the SRI Taxonomy also plays a crucial role in facilitating the transition towards a low-carbon economy. By classifying and assessing investments based on their environmental and social objectives, the SRI Taxonomy would help to steer capital towards sustainable projects and away from those that contribute to environmental degradation and social harm as well as allay the risk of greenwashing.

As there has been greater calls for more guidance from the industry, the SC is currently working on the next stage of the SRI Taxonomy development, where we will be developing the *SRI Taxonomy Plus-Standards* (Plus-Standards). The Plus-Standards aim to provide more granular and detailed guidance in terms of thresholds, metrics, indicators, targets, for key economic sectors which are consistent with national policies and targets, while considering the alignment with the *ASEAN Taxonomy's Plus-Standard*, where relevant.

## SC Nadwah of Shariah Advisers in Islamic Capital Market 2023

The SC Nadwah of Shariah Advisers in Islamic Capital Market 2023 (SC Nadwah) was held on 6 March 2023 at the SC. The inaugural gathering garnered the participation of close to 200 attendees from Islamic finance industry practitioners, Shariah committee members, Shariah advisers registered with the SC, to various stakeholders of the ICM. The event to be held annually signals the SC's continued commitment in advancing applied Shariah knowledge-sharing, and charting the next wave of innovative Shariah solutions within the ICM.

Among the main objectives of SC Nadwah are for the participants to gain insights as well as to be kept abreast on the latest resolutions of the SAC of SC and regulatory updates and development in the ICM. In line with this objective, the event also seeks to increase professionalism and competency of Shariah advisers' knowledge and experience in the ICM through the interactive and engaging panel sessions conducted throughout the event.

Furthermore, in tandem with the SC's initiative to broaden the expertise and depth of the Shariah advisers fraternity, the SC Islamic Capital Market Development Business Group (ICMD) through SC Nadwah aims to contribute to the increase in the number of Shariah committee members and Shariah officers of Islamic financial institutions as registered Shariah advisers with the SC.





## Islamic Capital Market Talent Development

The Islamic Capital Market Talent Development (ICMTD) programme is a capacity-building initiative developed by the SC and run by the SIDC to facilitate the development of human capital for the ICM. Its main objective is to produce entry-level professionals with strong fundamental knowledge and skills for the industry. Since its inception in 2009, the ICMTD programme has produced 980 graduates, of which more than 86% have found employment after completing this programme.

The first cohort for ICMTD 2023 (Batch 25) commenced on 12 May 2023. The promotional activities for the second cohort (Batch 26) are currently ongoing.

To learn more about the ICMTD programme, email to: [ICMTD@sidc.com.my](mailto:ICMTD@sidc.com.my) or visit [www.sidc.com.my](http://www.sidc.com.my)



## SC-OCIS Strategic Collaboration

### 14<sup>TH</sup> SC-OCIS ROUNDTABLE

The SC will be organising the 14<sup>th</sup> SC-OCIS Roundtable 2023, scheduled to be held on 24 – 25 August 2023 in Kuala Lumpur inception (held alternately between UK and KL), the Roundtable have served as an important platform to stimulate discussion and discourse on Islamic finance, providing direct and indirect benefits by way of facilitating the developmental agenda in the ICM.

Themed “Investing Towards the Common Good: Impact, Stewardship and Ethical Considerations”, the event will be held in Kuala Lumpur and graced by HRH Sultan Nazrin Muizzuddin Shah.

### SCHOLAR IN RESIDENCE

The Scholar in Residence (SIR) programme is a joint initiative between the SC and the OCIS, and is an outcome of the annual SC-OCIS Roundtable. SIR was set up following a resolution made at the SC-OCIS Roundtable, which has received global response from various jurisdictions, representing the diversity and worldwide acceptance of Islamic finance.

The selected academician or practitioner of Islamic finance will be expected to conduct research on a topic of contemporary relevance to the field and participate in a range of academic activities at Oxford. The tenure of the Visiting Fellowship is for one academic year. Candidates for this year have been considered and will commence in October 2023.

## SAC's 36<sup>th</sup> Special Offsite Meeting and Stakeholder Engagements

The SC's ICM Department organised a series of engagements with stakeholders in the area of social finance based in Penang. The engagements were arranged in conjunction with the SAC's 36<sup>th</sup> Special Offsite meeting held at Penang from 13 to 15 May 2023. The key highlight of the stakeholder engagement included a courtesy visit to the Head of State of Penang (Yang Di-Pertua Negeri of Penang) Tun Dato' Seri Utama Ahmad Fuzi Haji Abdul Razak's office, followed by a luncheon. A dinner reception was also held with key figures and drivers of Islamic social finance in Penang.

The objective of the engagements is to foster relationships and facilitate open and in-depth discussions, and exchanges of views for the advancement of the ICM in Malaysia, particularly in the area of social finance.

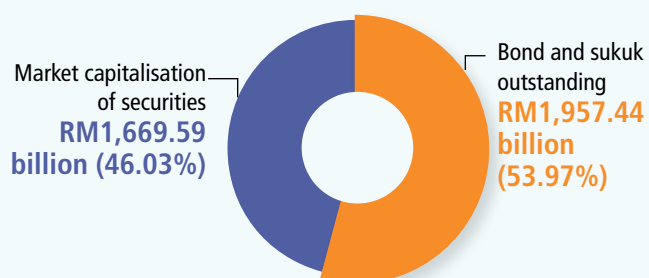
The SC's Chairman in his speech emphasised that such engagements can be a catalyst in establishing co-operative relations between the state and agencies such as the SC, in advancing the agenda of the ICM, finance and social finance.



## Malaysian ICM – Facts and Figures

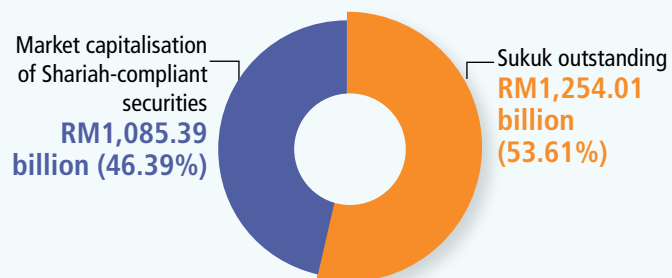
### ICM AS AT JUNE 2023

#### CAPITAL MARKET



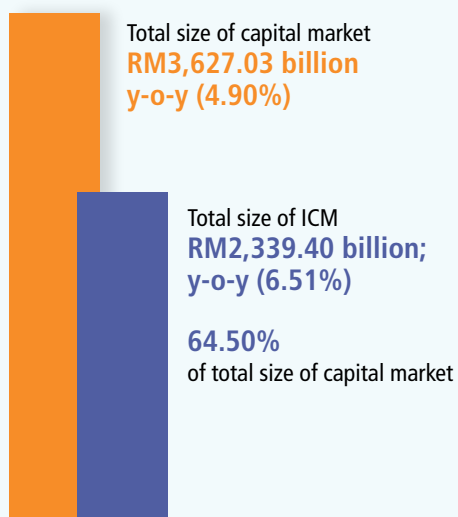
**Total size of capital market:  
RM3,627.03 billion**

#### ICM



**Total size of ICM:  
RM2,339.40 billion**

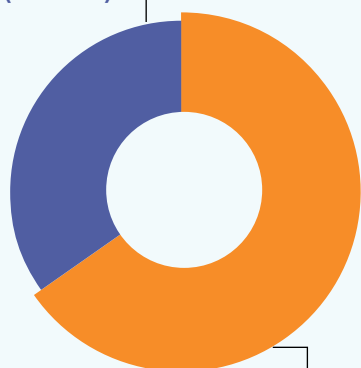
#### ICM VIS-A-VIS CAPITAL MARKET





## SHARIAH-COMPLIANT SECURITIES AS AT JUNE 2023

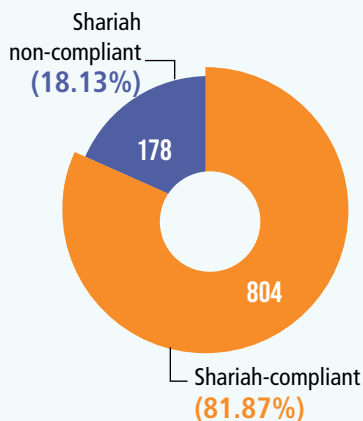
Market capitalisation of Shariah non-compliant securities  
**RM584.20 billion**  
(34.99%)



Market capitalisation of Shariah-compliant securities  
**RM1,085.39 billion**  
(65.01%)

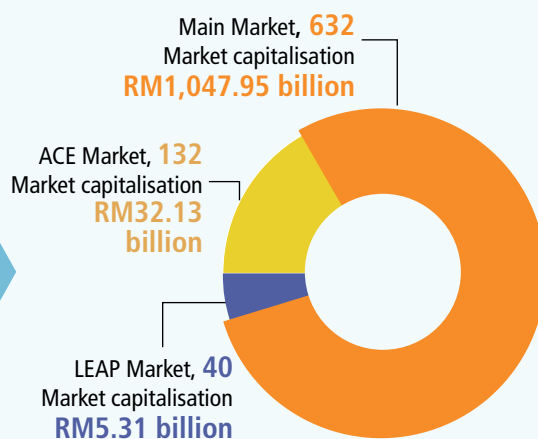
**Total market capitalisation of securities:  
RM1,669.59 billion**

### TOTAL SECURITIES



**Total securities: 982**

### SHARIAH-COMPLIANT SECURITIES



**Total Shariah-compliant securities: 804**  
**Total market capitalisation of Shariah-compliant securities:  
RM1,085.39 billion**

### BREAKDOWN BY SECTORS FOR SHARIAH-COMPLIANT SECURITIES



**241**  
(29.98%)  
Industrial products and services



**160**  
(19.90%)  
Consumer products and services



**93**  
(11.57%)  
Technology



**89**  
(11.07%)  
Property



**64**  
(7.96%)  
Construction



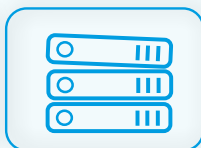
**36**  
(4.48%)  
Plantation



**30**  
(3.73%)  
Transportation and logistics



**26**  
(3.23%)  
Energy



**26**  
(3.23%)  
Healthcare



**23**  
(2.86%)  
Telecommunication and media



**11**  
(1.37%)  
Utilities

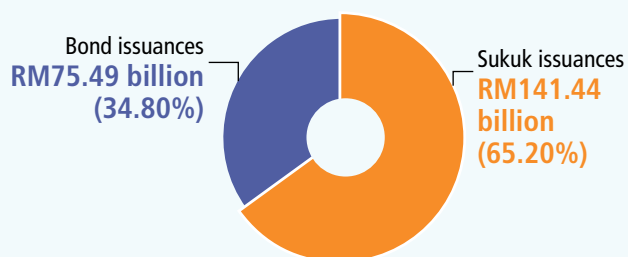


**5**  
(0.62%)  
Financial services

# Malaysian ICM – Facts and Figures

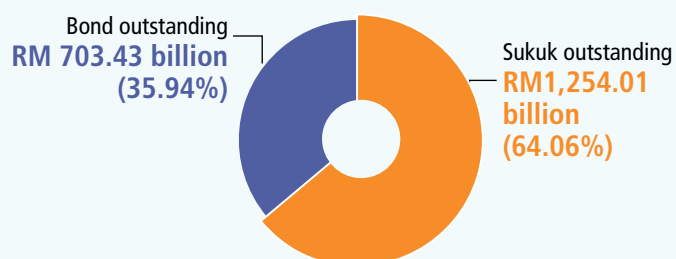
## SUKUK AS AT JUNE 2023

### SUKUK ISSUANCES



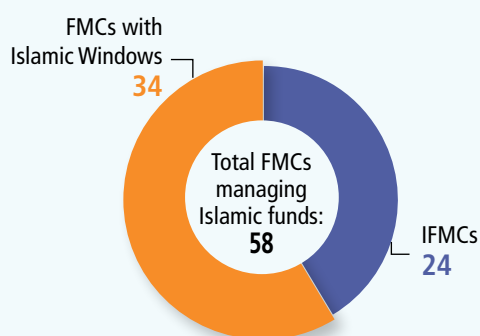
Total bond and sukuk issuances  
RM216.93 billion

### SUKUK OUTSTANDING



Total bond and sukuk outstanding  
RM1,957.44 billion

## ISLAMIC FUND MANAGEMENT AS AT JUNE 2023



**Islamic AUM as at June-2023**  
**RM218.50 billion**

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

## LIST OF ISLAMIC FUND MANAGEMENT COMPANIES

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

## ISLAMIC FUND MANAGEMENT AS AT JUNE 2023

### LIST OF FUND MANAGEMENT COMPANIES WITH ISLAMIC WINDOWS

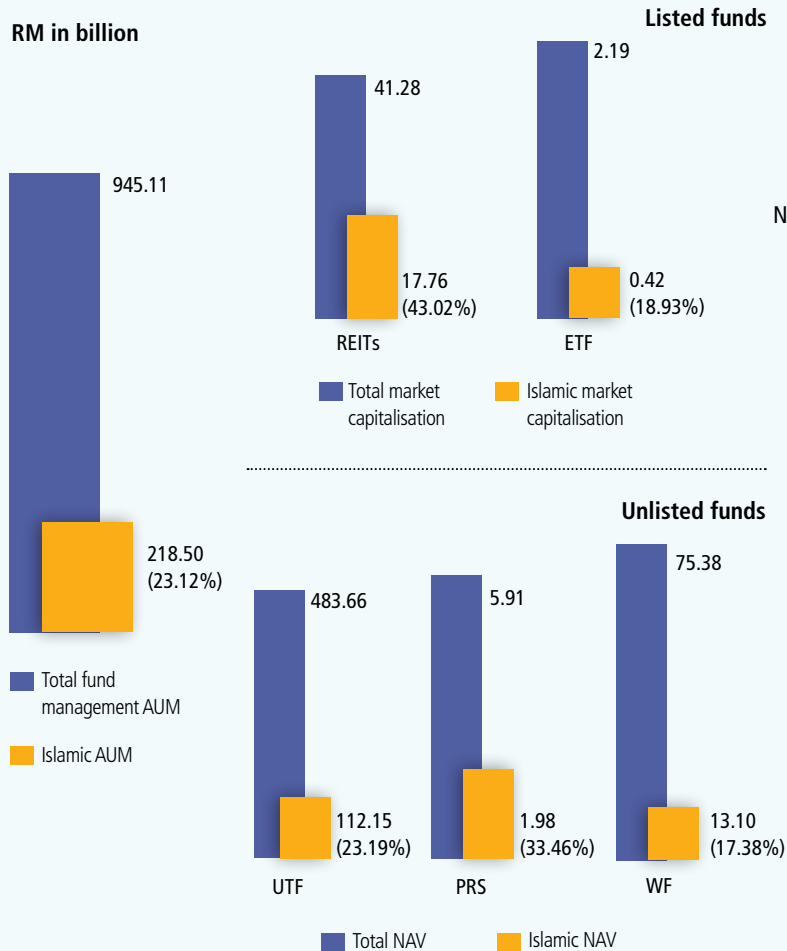
No	Company
1	AHAM Asset Management Bhd
2	AIA Pension and Asset Management Sdn Bhd
3	Amanahraya Investment Management Sdn Bhd
4	Amara Investment Management Sdn Bhd
5	AmFunds Management Bhd
6	Amundi Malaysia Sdn Bhd
7	Areca Capital Sdn Bhd
8	Astute Fund Management Bhd
9	BOS Wealth Management Malaysia Bhd
10	Eastspring Investments Bhd
11	Franklin Templeton Asset Management (M) Sdn Bhd
12	iFAST Capital Sdn Bhd
13	Inter-Pacific Asset Management Sdn Bhd
14	KAF Investment Funds Bhd
15	Kedah Islamic Asset Management Bhd
16	Kenanga Investors Bhd
17	Manulife Asset Management Sdn Bhd

No	Company
18	Maybank Asset Management Sdn Bhd
19	Navis Management Sdn Bhd
20	Nomura Asset Management Malaysia Sdn Bhd
21	Opus Asset Management Sdn Bhd
22	OUA Asset Management Sdn Bhd
23	Permodalan BSN Bhd
24	Permodalan Nasional Bhd
25	Pheim Asset Management Sdn Bhd
26	Phillip Capital Management Sdn Bhd
27	Principal Asset Management Bhd
28	PTB Unit Trust Bhd
29	Public Mutual Bhd
30	RHB Asset Management Sdn Bhd
31	Singular Asset Management Sdn Bhd
32	TA Investment Management Bhd
33	UOB Asset Management (M) Bhd
34	Value Partners Asset Management (M) Sdn Bhd

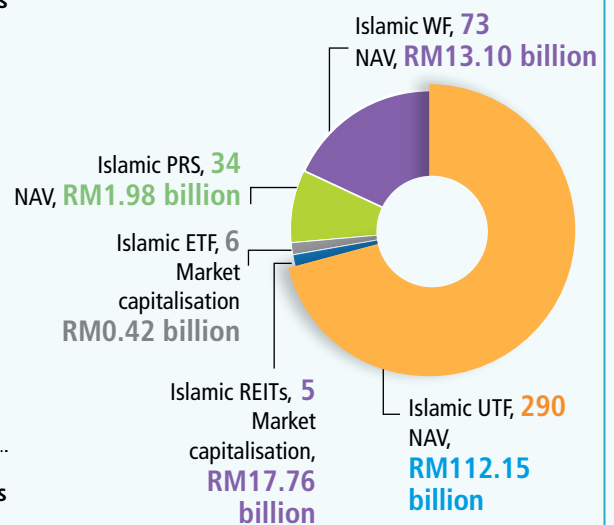


## ISLAMIC FUND MANAGEMENT AS AT JUNE 2023

### FUND MANAGEMENT INDUSTRY



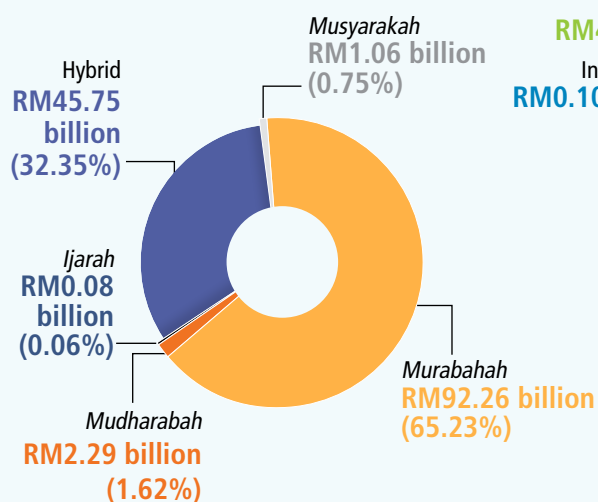
### ISLAMIC CIS



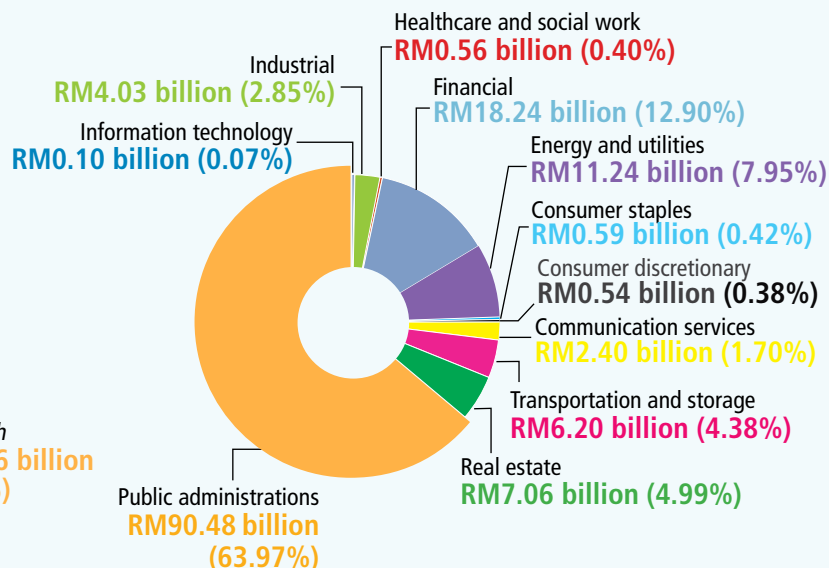
**Total Islamic CIS: 408**  
**AUM of Islamic CIS: RM145.38 billion**

## SUKUK ISSUANCES

### SUKUK ISSUED BY SHARIAH PRINCIPLE



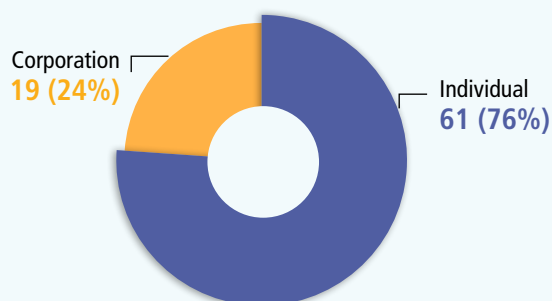
### SUKUK ISSUED BY SECTOR



Sukuk issuances:  
RM141.44 billion

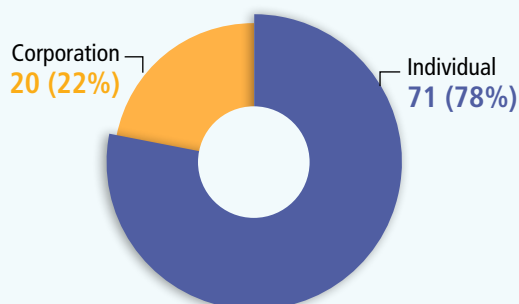
## REGISTERED SHARIAH ADVISERS

### Q2 2022



Total Shariah advisers: 80

### Q2 2023





Total Shariah advisers: 91

### **Securities Commission Malaysia**

3 Persiaran Bukit Kiara, Bukit Kiara

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We appreciate your feedback and comment.

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