



presents the

2nd Annual Asian

ISLAMIC

Banking & Finance

Summit



The Malaysian Capital Market : Towards the Next Phase of Development



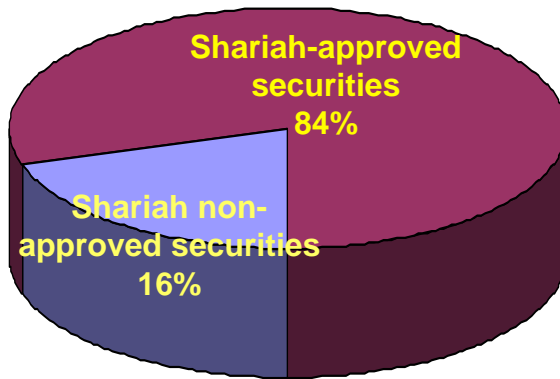
Suruhanjaya Sekuriti
Securities Commission

Nik Ramlah Mahmood
Securities Commission

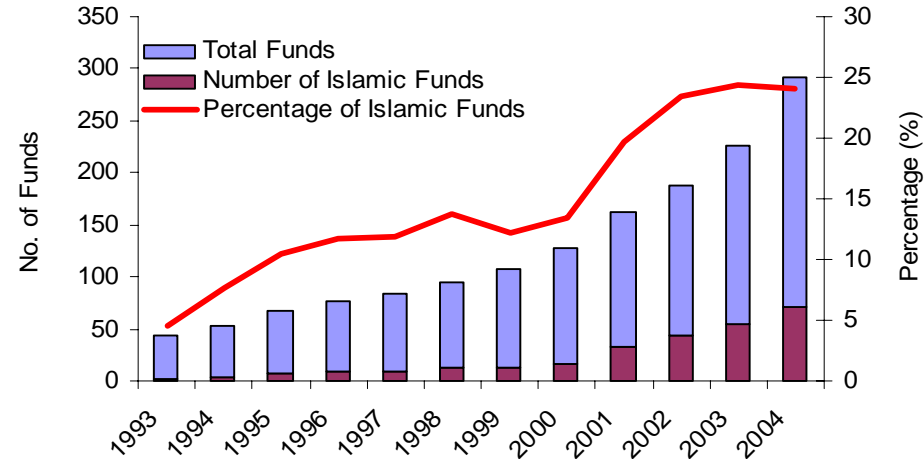


The Malaysian Islamic capital market has seen significant growth

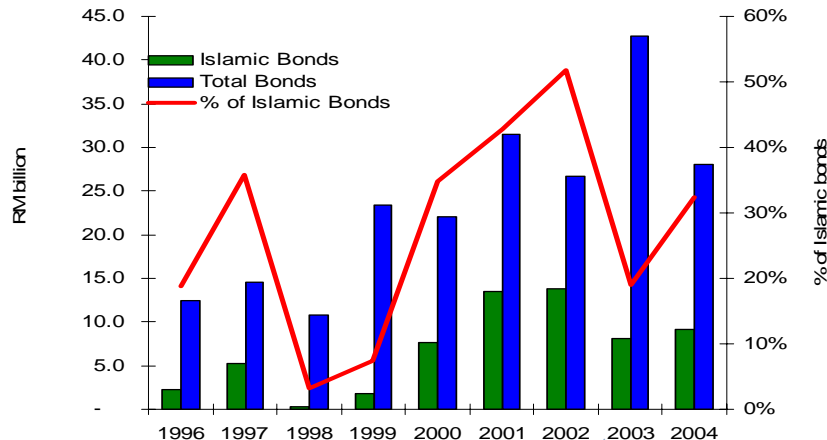
Shariah-approved securities



Islamic funds



Islamic bonds





Initial objective of effective and efficient mobilisation of Islamic funds has been achieved

- Early initiatives were driven by the need to address a gap
- ICM products now an integral part of the broader capital market landscape
- Sufficiently wide array of products and services
- Viable and competitive alternatives to conventional products



Government was the key driver in the initial phase

- Establishment of the Securities Commission
- Establishment of the SC's Shariah Advisory Council for the capital market
- Introduction of legally binding guidelines and requirements for ICM
- Shariah screening of listed companies
- Addressing regulatory and tax issues
- Education and awareness programmes



For the next phase, a strategic shift is needed

- Provide real and viable investment alternatives for all
- Shift from domestic to global focus
- Shift from product adaptation to product origination
- Shift from policy-driven to market-driven initiatives



Provide real and viable investment alternatives for all

- Domestically, ICM product are accepted as viable alternatives to conventional products
- Clear evidence of acceptability of products to non-Muslims
- This success in 'mainstreaming' ICM products must be replicated internationally
- Focus on convergence and similarities
- Target the global financial system



Provide real and viable investment alternatives
for all

Estimated size of global Islamic financial system

- Assets of Islamic Banks in the region of USD260 billion
- Deposits growing at between 10-20% annually
- Total investible funds of GCC countries in excess of USD400 billion
- Assets of high net worth individuals in GCC USD1.6 trillion



Provide real and viable investment alternatives
for all

Estimated size of global financial system

- Global stock of financial capital available for intermediation
USD118 trillion
- Expected to exceed USD200 trillion in 2010
- 80% in developed economies, almost all comprise
conventional products



From domestic to global focus

- Capital Market Masterplan provides road map
- 6th Strategic Objective of CMP is to establish Malaysia as an International Islamic Capital Market Centre
- ICM provides Malaysia with a comparative and competitive advantage



From domestic to global focus

Key recommendations of Capital Market Masterplan

- Enhance awareness of Malaysia's Islamic capital market at domestic and international levels
- Establish strategic alliances between Malaysia and other key global Islamic capital markets
- Government and government-related entities should consider issuing Islamic securities internationally
- List Malaysian Islamic equity funds in international markets



From domestic to global focus

Recent measures by SC to facilitate cross-border issuance and investment

- Supranationals allowed to issue RM bonds
- Investors allowed to invest in foreign securities on exchanges recognised by Bursa
- Sophisticated investors can execute secondary trade on non-RM bond without SC approval
- Framework for issuance of foreign currency denominated bonds liberalised
- Offering of foreign shares permitted with SC's specific approval



From product adaptation to origination

- Adaptation has worked well in the initial phase
- Continued adaptation means ICM will lag behind conventional products
- Origination requires a facilitative regulatory environment
- The SC's Guidelines on Offering of Islamic Securities facilitates origination and innovation



From product adaptation to origination

SC Guidelines on Offering of Islamic Securities

- Decouples Islamic bonds from debentures
- Enhances regulatory framework for Islamic securities
- Broaden types of Islamic bonds issued in Malaysia
- Facilitate issuance of internationally acceptable instruments



From policy-driven to market-driven initiatives

- Policy direction is clear and well articulated
- Key institutional and regulatory building blocks in place
- Efforts to fine-tune regulatory framework will continue
- Need to focus on market-driven initiatives
- Strategic alliances and participation of local intermediaries in foreign market are important



Key Challenges

- Ensuring greater Shariah convergence
- Ensuring compliance with internationally acceptable standards
- Ensuring availability of human capital
- Ensuring greater international cooperation and coordination



Thank you