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**Opening address  
by  
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Securities Commission**

**24 September 2001  
at the Seminar on Islamic Private Debt Securities:  
Exploring New Opportunities in the Capital Market  
Securities Commission**

Asalamualaikum warahmatullahi wabarakatuh. Alhamdulillah, I would like to thank Allah s.w.t. whose grace and blessing has enabled the Securities Industry Development Centre (SIDC) and the Islamic Banking and Finance Institute Malaysia (IBFIM) to jointly organise this Seminar on Islamic Private Debt Securities (Islamic PDS). It is also my great pleasure to welcome all of you to the Seminar. This seminar which carries the theme, " Islamic Private Debt Securities: Exploring New Opportunities in the Capital Market" is a timely initiative, in tandem with the rapid changes and development in Islamic PDS in Malaysia.

Ladies and Gentlemen,

The growing interest in using Islamic PDS as a means of long term financing can be traced as far back as 1990 when a multinational company raised significant amount of funds to finance the acquisition of assets through the application of Islamic PDS.

Some of you may recall that the first Islamic PDS issued in Malaysia was in 1990 by Shell MDS Sdn. Bhd. A syndicate of financiers arranged the Bai Bithaman Ajil or BBA transaction of RM75 million for a tenure of 5 years and another RM50 million for the tenure of 8 years. This was followed by another issue structured along the concept of Musyarakah Mutanaqisah by Sarawak Shell Bhd in 1991.

Since then, the growing response to Islamic PDS issues has encouraged many corporate bodies to raise new funds through the issuance of Islamic PDS under Islamic principles. A significant number of issues were undertaken by corporate bodies to finance their long-term funding needs. For example, in the year 2000 the total funds raised through Islamic PDS was valued at RM7.66 billion or 24.7% of the total funds raised from the bond market (1999: RM1.73 billion or 6.5%). For the year 2001 until 30 June 2001, SC has already approved 55 PDS submissions valued at RM 26.5 billion; 14 of these are Islamic PDS issues valued at RM9.7 billion or 37% of the total new PDS issues in the country.

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To further push for changes and accelerate the development of bond market trading in Islamic PDS in Malaysia, the Government established the National Bond Market Committee (NBMC) in June 1999 to provide policy direction and to rationalise the regulatory framework for the development of the bond market. As an initial step to rationalise the regulatory framework, the SC was made the single regulatory authority for the supervision and regulation of the private debt securities market effective 1 June 2000.

In responding to this mandate, the SC has initiated various efforts in facilitating the development of Islamic PDS by introducing the Guidelines on the Offering of Private Debt Securities (PDS Guidelines), Guidelines on the Minimum Contents Requirements for Trust Deeds, Securities Commission (Shelf Registration Scheme for Debentures) Regulations 2000 and Guidelines on Contents of Prospectus for Debentures on 1 July 2000 which included provisions to facilitate the issuance process of Islamic PDS and to ensure the instruments structured are advised by Syariah scholars. The PDS Guidelines also provide a list of Syariah principles and concepts that have been approved by the SC's Syariah Advisory Council or SAC for the structuring of Islamic PDS by corporate issuers such as principles of BBA and Murabahah or sale and purchase of assets, Ijarah or leasing, Mudarabah or trust financing / profit sharing) and Musyarakah partnership.

On its part, the SC would like to see more Islamic product diversification and new innovation to be undertaken by the issuers and we encourage Syariah scholars and financial advisers to pioneer these principles so that Islamic PDS will be more attractive and competitive in the near future, be it for the domestic market or the global market.

Ladies and Gentlemen,

In achieving the objective of positioning Malaysia as an Islamic financial centre, the Capital Market Masterplan(CMP) listed 13 recommendations. One of the CMP recommendations stipulates that efforts to increase the pool of Islamic capital market expertise through training and education will be enhanced. In this regard, the SC through the Securities Industry Development Centre in collaboration with relevant training organisations such as the Islamic Banking and Finance Institute Malaysia will continue to provide training and education to promote awareness of Islamic products such as the IPDS.

This effort was also evidenced in the colloquium on Islamic PDS for Syariah scholars and advisers organised early this month by SIDC that emphasised among other matters, the important role of Syariah advisers for the proper growth and development of the Islamic PDS. In addition, this 2-day seminar jointly organised by SIDC and IBFIM is designed to enhance our understanding and to keep us informed and updated on developments pertaining to the Islamic PDS in Malaysia. The seminar will hopefully, enlighten you on the efforts that have and are being made to develop the Islamic PDS in Malaysia. As such, I hope you will take the opportunity to participate in the Q & A sessions after the presentations. We at SC remain



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open to any suggestions that you might have for the betterment of Islamic PDS industry.

Finally, allow me to convey the SC's recognition and gratitude to the organizers, SIDC and IBFIM, our panel of speakers and paper presenters for their effort and contributions towards making this seminar successful. I would also like to thank you for allocating precious time to be here for this seminar.

Thank you. Wassalamu'alaikum warahmatullahi wabarakatuh.

**SECURITIES INDUSTRY DEVELOPMENT CENTRE**  
**24 September 2001**