

## **Zeti Akhtar Aziz: New platform to serve the Islamic financial industry**

Keynote address by Dr Zeti Akhtar Aziz, Governor of the Central Bank of Malaysia, at the launch of Bloomberg's Enhanced Islamic Finance Platform, Kuala Lumpur, 21 February 2011.

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It is my pleasure to join you this morning at this Launch of the Bloomberg Enhanced Islamic finance platform. This development is timely as Islamic finance is envisioned to continue to make great strides in this new decade. Such an information platform is an important element for the more efficient functioning of the Islamic financial markets in the international financial system. In this recent ten years we have seen significant developments in Islamic finance in both our domestic and the international financial system. In this more challenging and uncertain environment, Islamic finance has demonstrated its resilience and viability and has sustained its growth momentum.

Today, with the increasing internationalisation of Islamic finance, its continued growth and expansion will very much depend on extensive information which can be efficiently accessed. Bloomberg has for two decades been serving the Islamic financial community providing access to news offerings and timely data and information. The initiative today to enhance its Islamic finance platform is thus a highly welcomed development. The seamless flow of information in the Islamic financial markets is integral to facilitate the efficient price discovery process and maintain the vibrancy of the Islamic financial industry. Data and news that transcends boundaries in real time are important for not only investors and financial institutions but also for researchers and scholars in Islamic finance. It will contribute towards enhancing competitiveness, product innovation and strengthen the international financial inter-linkages.

As we enter this new decade, the challenge for the world is to sustain the economic recovery. While there continues to be many problems still to be addressed in the developed world, most emerging economies have continued to do well. In Malaysia, our economy recorded a strong growth of 7.2% in 2010 driven by strong domestic demand and our stronger economic and financial linkages with other emerging economies. An important part of this recovery is the strong recovery in private investment as capacity utilisation increases and as the dynamic nature of our economy presents new investment opportunities in new growth areas.

For the Islamic finance industry, the year 2011 is set to be an exciting period. The global sukuk issuance in the year 2010 surpassed that of the previous year by more than 20 per cent. Against this positive growth, renewed confidence of investors and issuers is evident. In 2011, the sukuk issuance is projected to surpass the level recorded in 2007 when it sustained the highest level of issuances. The year 2010 also saw Malaysia's evolution as a multi-currency sukuk origination platform with four foreign currency sukuk issuances amounting to about USD3 billion. This trend will benefit from the Bloomberg AIBIM Bursa Malaysia Sovereign Shariah Index (BMSSI) developed by the Association of Islamic Banking Institutions Malaysia (AIBIM), Bursa Malaysia and Bloomberg that is also being launched today as part of the enhancement in the Islamic finance platform.

The launch of this ringgit sukuk index marks another significant milestone in the Malaysian Islamic financial environment as it measures the performance of ringgit denominated Shariah compliant government securities in addition to the benchmarking purposes. This development has been part of the continuous support by AIBIM and Bursa Malaysia to further strengthen Malaysia's position as a leading sukuk market in the world. The collaboration between AIBIM, Bursa Malaysia and Bloomberg is also expected to see a ringgit corporate sukuk index in the offing. Moving forward, efforts are underway between Bank Negara Malaysia and Bloomberg to broaden this initiative to develop a foreign currency

sukuk index. The liberalization of our financial markets is expected to attract more such foreign currency sukuk issuance by sovereign entities, multilateral institutions and multinational corporations.

In further strengthening the infrastructure for the sukuk market, the Malaysian Electronic Clearing Corporation or MyClear, a wholly-owned subsidiary of Bank Negara Malaysia that operates the country's real time gross settlement system and securities depository system, is also undertaking an initiative to promote cross-border financial transaction that is efficient, reliable and secured. This initiative reflects our commitment towards financial integration in the ASEAN region and the global financial system through closer linkage with other central securities depositories, namely Euroclear and the Central Moneymarkets Unit (CMU) of the Hong Kong Monetary Authority. It is expected that other central securities depository will participate in this initiative to heighten this cross-border linkage. MyClear is thus set to be one of the key multilateral settlement platforms that will facilitate sukuk trading transactions. The implementation of this initiative which is scheduled to be completed in the second half of 2011 offers cost-effective access for foreign investors to invest in Malaysian securities deposited with MyClear. At the same time, it will enable Malaysian investors to invest in foreign securities deposited with international and regional central securities depositories institutions. Moving forward, MyClear will continue to expand its horizon to other regions across the world.

Another infrastructure development that is taking shape in the international Islamic financial system is the establishment of the International Islamic Liquidity Management Corporation (IILM). Launched in October 2010, the IILM has begun its operations in Kuala Lumpur on the 1st of February. Its main task is to issue short-term multi-currency liquidity instruments to facilitate the cross-border liquidity management between financial centres and at the same time enhance the financial inter-linkages. The IILM is scheduled to roll out the issuance of liquidity instruments later this year. This will allow for more efficient management of financial flows across borders and thus contribute towards the efficient internationalisation of Islamic finance.

As the Islamic financial community significantly grows in size, it is congruent that this enhanced Islamic finance platform being launched today has widened its outreach to the subscribers globally and from contributors of data and information from institutions around the world. To support this new enhanced Islamic finance platform, Bank Negara Malaysia and the other community members under the MIFC initiative is pleased to be one of the contributors. The MIFC page in the enhanced platform provides insights on Shariah, MIFC business opportunities and key developments. It also hosts the extensive network of Islamic financial community in Malaysia.

On this note, I wish to congratulate Bloomberg, AIBIM, Bursa Malaysia and the many teams that worked on this initiative to serve the Islamic financial industry.