

Zeti Akhtar Aziz: Fostering linkages in Islamic finance

Opening remarks by Dr Zeti Akhtar Aziz, Governor of the Central Bank of Malaysia, at the Global Islamic Finance Forum 2007: "Fostering Linkages in Islamic Finance", Kuala Lumpur, 27 March 2007.

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Bismillahir Rahmanir Rahim
Yang Amat Berhormat Dato' Seri Abdullah Badawi,
Honourable Prime Minister of Malaysia

Your Excellencies,

Distinguished Guests,

Ladies and Gentlemen,

It is my very great pleasure and honour to welcome you to this Global Islamic Finance Forum (GIFF) 2007, hosted by Bank Negara Malaysia in conjunction with the Islamic Financial Services Board (IFSB) Annual Meetings and Seminars. Allow me to first express my gratitude to the Honourable Prime Minister of Malaysia, Yang Amat Berhormat Dato' Seri Abdullah Ahmad Badawi, for graciously accepting to be with us this afternoon to deliver the keynote address and to officiate this important forum.

The significant gathering at this forum, with the theme fostering Greater Linkages in Islamic Finance', is a manifestation of the increasing interest towards evolving the international dimension of Islamic finance. Indeed, building stronger alliances and greater intermediation inter-linkages forms part of the endeavor to facilitate greater international trade and investment flows.

The Islamic financial system, comprising the financial institutions, the markets and the financial infrastructure, has demonstrated its viability and robustness as a form of financial intermediation. Its growing role in mobilising and channeling the funds to productive investment activities across borders brings two significant benefits to the global economy. Firstly, it enhances the potential for higher global growth, while also contributing towards some rebalancing of the global growth.

Secondly, the strengthened international financial linkages allows for greater potential for the diversification of risks. The increase in the Islamic financial products, the growing number of assets classes being offered, the increased cross ownership of assets all have expanded the possibilities for greater diversification of risks and the potential for return.

Today, Islamic finance represents a multi-billion dollar industry which has a presence in many countries and more recently, there has been widening participation by established financial centres. There are now more than 200 Islamic financial institutions, some of which are global players, offering an extensive range of Shariah compliant products and services to a broad spectrum of consumers and businesses that transcends beyond the Muslim world.

This global forum has aimed to bring together the industry practitioners, issuers and investors, the regulators, scholars as well as those in related services, including the IT services, legal, accounting and auditing professionals and those in human resource development. It is our hope that the deliberations today will play a catalytic role in building greater collective efforts through multi-stakeholder dialogues and network-building activities whilst discovering opportunities and also improving our understanding on important areas in Islamic finance.

Ladies and Gentlemen,

As we know today, there are already clusters of cross-border collaborative activities taking place on several fronts that serve to contribute towards increasing the international integration process of Islamic finance. These activities have taken many forms ranging from equity and non-equity business collaboration, regulatory cooperation in setting the global development blueprint, information exchange and building consensus on issues for international prudential standards development, to inter-governmental memorandums of understanding for collaborative developmental initiatives in Islamic finance, and many others.

Ladies and Gentlemen,

As Islamic finance continues to make significant inroads in the international financial markets with expanding scale, growing magnitude and greater sophistication, a critical need emerges for an expanded discourse on the developments and emerging issues with its global relevance and impact, of interest to all its major stakeholders. This is the first time that Bank Negara Malaysia has organized a full-scale, multi-disciplinary, international event of this nature on Islamic finance. These sessions include the annual Investors & Issuers Forum, and Financial Regulators Forum and the biannual Banking and Financial Law School. It is our hope that participants will benefit from any of the parallel sessions of their interests and have increased opportunities for network building among the widening groups of stakeholders participation in the Forum. These forums have been designed to provide dynamic and interactive formats to encouraging open and inclusive dialogues that foster a greater collective understanding in Islamic finance.

Let me record our appreciation to the many distinguished speakers from various international institutions, financial practitioners, legal fraternity, regulatory bodies and other prominent thought leaders in Islamic finance. It is our sincere hope that this global forum will be rewarding and may the collective wisdom derived from the deliberations lead to more collective actions that will be to our increased mutual benefits.

Let me once again express our appreciation to Yang Amat Berhormat Dato' Seri Abdullah Badawi for his presence here this afternoon and for accepting to deliver the keynote address at our Forum today.

Thank you.