

## **Zeti Akhtar Aziz: A milestone towards a more efficient and internationally integrated global Islamic financial system**

Speech by Dr Zeti Akhtar Aziz, Governor of the Central Bank of Malaysia, at the global launch of Thomson Reuters Islamic Finance Gateway, Kuala Lumpur, 22 February 2010.

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In this more challenging global economic and financial environment, Islamic finance has remained dynamic with a steady pace of innovation and fast growing as its expansion gains further momentum. This has demonstrated not only its viability and resilience but also its ability to remain competitive. This decade has also seen the increased internationalisation of Islamic finance as it extends its outreach to serve the global community. The accelerated development of the Islamic financial markets and the supporting international Islamic financial architecture as well as the trend towards greater liberalisation have increased the integration of Islamic finance into the international financial system.

Today's launch of the Islamic Finance Gateway by Thomson Reuters is indeed a welcome development. The timely access to a broad range of key information on Islamic finance including on the products terms, structures and Shariah rulings will contribute to enhanced transparency in the Islamic financial markets. As a platform that allows for price discovery, it will contribute towards the more efficient functioning of the various Islamic financial markets across the world. It will also foster a greater international understanding of Islamic financial practices in the various Islamic financial markets.

I have been informed that this Gateway will also include in its content, the Shariah resolutions database of the International Shariah Research Academy (ISRA) following the signing of the memorandum of understanding between Thomson Reuters and ISRA that is scheduled today. ISRA was established in 2008 to provide a platform for greater engagement amongst practitioners, scholars, regulators, academicians in the area of Shariah and to promote applied research contemporary issues in Islamic finance. Their efforts have contributed to the harmonisation of Shariah interpretations and thus the standardisation of Shariah applications and practices in Islamic finance. ISRA has now become an important repository of knowledge for Shariah views or fatwas. The Reuters Islamic Finance Gateway thus has the potential to become an important vehicle for worldwide dissemination of high quality information on Islamic finance.

In performing the function as an aggregator of information on Islamic finance, the Gateway will showcase the dynamic pulse of the global Islamic financial services industry. This increased information flow across borders in real time will also reinforce the trend of the internationalisation of Islamic finance. There is already an increasing level of foreign participation in the Islamic financial markets resulting in the increase of cross border flows in the international Islamic financial system. The increased information flow would allow for the raising of funds in different jurisdictions and for the investor base to be broadened further. Liberalisation has also brought greater foreign institutional presence in national jurisdictions resulting in diversity of players in the Islamic financial systems. Cumulatively, these developments have strengthened further the international financial linkages between different jurisdictions and have contributed towards the more efficient allocation of resources across borders.

This recent global financial crisis has highlighted the risks associated with financial globalisation. Equally important in the process of internationalisation is therefore the quality of this financial globalization in Islamic finance. Let me touch on two aspects of the financial globalisation of Islamic finance. Firstly, that Islamic finance has been more inclusive in terms of its outreach to not only the participation from the developed world but also from the emerging world, particularly from Asia and the middle-East. This leads to diversification and

avoids risk arising from over concentration in particular jurisdiction. Moreover, with the relatively better growth prospects in the emerging world, strengthening the economic and financial inter-linkages among the emerging world would mutually reinforce these prospects. The increasing role of Islamic finance in bringing together different parts of the emerging world, and enhancing its links with the developed world would facilitate further this globalisation process.

The second aspect relates to the current increased global engagement by the international community to drive the financial reform agenda. As part of this process, it is important for this engagement to be extended to the prudential standard setting entities for Islamic finance as Islamic finance becomes a growing component of the international financial system. While there needs to be recognition of the prudential standards that have been issued by the Islamic Financial Services Board, there also needs to be awareness by the international community of the implications of the new standards that is being introduced on the Islamic financial system. This is important given the common interest of global financial stability.

Let me conclude by saying that today's launch of the Islamic Finance Gateway by Thomson Reuters marks another important milestone in the international development of Islamic finance. Such a comprehensive information and trading portal for foreign and domestic participation in the Islamic financial system will contribute towards its efficiency and effectiveness as a form of financial intermediation. On this note, I wish to congratulate Thomson Reuters on the occasion of the official global launch of this Islamic Finance Gateway.