

## **Zeti Akhtar Aziz: The development of Islamic finance**

Welcoming remarks by Dr Zeti Akhtar Aziz, Governor of the Central Bank of Malaysia, at the Royal Award for Islamic Finance gala dinner, Kuala Lumpur, 25 October 2010.

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It is my very great honour to welcome this distinguished audience to this special gala dinner organised by Bank Negara Malaysia and the Securities Commission to commemorate the presentation of the inaugural Royal Award for Islamic Finance. This gala dinner is also held in conjunction with the Global Islamic Finance Forum 2010 that is taking place this week, and which commenced this morning.

Tonight, in commemorating this prestigious Royal Award for Islamic Finance, we are blessed and honoured to have Kebawah Duli Yang Maha Mulia Tuanku Haji Abdul Halim Mu'adzam Shah who will graciously confer the winner with the award. Bank Negara Malaysia and the Securities Commission are proud to jointly sponsor this award under the auspices of the Malaysia International Islamic Financial Centre initiative (MIFC). Allow me to take this opportunity, as Chairman of the MIFC Executive Council, to record our utmost gratitude to the Rulers' Council of Malaysia for bestowing the Royal title to the award, giving it the highest distinction and recognition.

Earlier this year, Malaysia launched a global search for the winner of this auspicious award which seeks to honour the exceptional individual who has made the most outstanding contribution to Islamic finance. Indeed, we have seen numerous individuals who have made significant efforts and contribution to make Islamic finance what it is today. In creating such an award which will be given once every two years, it is our fervent hope that the conferment of this award will be inspirational to such involvement and contribution to Islamic finance.

Malaysia's experience in Islamic finance officially began with the establishment of the Pilgrimage Fund or the Tabung Haji in 1969 as an Islamic savings institution. Then, the first Islamic bank was set up in 1983 and in the following year, the first Takaful operator was established. Today, we have a comprehensive Islamic financial system that operates in parallel with the conventional financial system. Following liberalisation initiatives in this decade, there has been an increased foreign presence in our Islamic financial system. In particular, there has been greater foreign participation in Malaysia's Islamic financial markets. The diversity of market players has contributed to increased competitiveness of the Malaysian Islamic financial services industry. To ensure the sustainability of our Islamic financial system, it is also supported by a robust regulatory and supervisory regime, legal and Shariah framework, and payment and settlement systems.

In this decade, greater focus was particularly given to the institutional arrangements to develop the sukuk market. The sukuk market now accounts for more than fifty percent of our bond market. The market has drawn the participation from a wide range of international corporations and multilateral agencies in raising funds and investing in the sukuk issuances out of Malaysia. More recently, there has also been continuous innovation and an increasing number of issuances in foreign currency. As Malaysia offers international participation in our Islamic financial system, we offer to be an international gateway, particularly in strengthening the link between the two important dynamic growth regions of Asia and the Middle East.

Malaysia will also continue to collaborate with other regulatory authorities to ensure financial stability in the Islamic financial system. This will be through our active involvement in the Islamic Financial Services Board (IFSB), the Islamic Financial Stability Forum (IFSF), the initiatives by the Islamic Development Bank (IDB), and finally in the newly formed International Islamic Liquidity Management Corporation (IILM).

In the area of capacity building, Malaysia has also given priority to two areas: one is in human capital development and the second, in catalysing mutual recognition of Shariah

interpretations. The International Centre of Education in Islamic finance (INCEIF) was established in 2006 for advanced education for practitioners in Islamic finance, and in 2008, the International Shariah Research Academy (ISRA) was established to conduct applied Shariah research on the contemporary Islamic finance issues and to provide a platform for active international engagement among Shariah scholars.

Moving forward, Malaysia will continue its efforts in strengthening our international linkages in the global Islamic financial system through collaborative partnerships and cooperation with the objective of contributing towards greater international financial and economic integration.

Let me conclude. On behalf of the MIFC Executive Committee, I would like to express my appreciation to the members of the panel of jury for the Royal Award for Islamic Finance which is led by Yang Amat Berbahagia Tun Musa Hitam, former Deputy Prime Minister of Malaysia and also to the members of the taskforce that was chaired by Tan Sri Zarinah Anwar, Chairman of the Securities Commission, who oversaw the establishment of this prestigious award. It is my sincere hope that this Royal Award will be an inspiration to the global development of Islamic finance.