

Ravi Menon: Islamic finance – continued growth

Remarks by Mr Ravi Menon, Managing Director of the Monetary Authority of Singapore, at the 5th World Islamic Banking Conference Asia Summit, Singapore, 3 June 2014.

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Distinguished guests, ladies and gentlemen, good morning. And to all our foreign guests, a warm welcome to Singapore.

The sun is shining on Islamic finance. Let me highlight three promising global developments.

First, Islamic finance continues to grow rapidly. The industry grew at double digits last year, as it has for the previous five years, despite global economic uncertainties and market volatility. Global Islamic financial assets are estimated to have reached US\$1.8 trillion by the end of 2013, from US\$1.5 trillion in 2012.

Second, global regulatory standards and best practices are being established for Islamic finance. The Islamic Financial Services Board (IFSB), the Accounting and Auditing Organisation for Islamic Financial Institutions (AAOIFI), and the International Islamic Financial Markets (IIFM) have been at the forefront of this effort, helping to narrow differences in market practices and regulatory treatment.

Common standards are good for facilitating cross border transactions. They help to address risks that are idiosyncratic to Islamic finance, such as Shariah non-compliance risk. In so doing, these standards serve to bolster confidence in the safety and soundness of the Islamic finance industry.

Third, more countries are catering for Islamic finance. In Asia, Indonesia has set out to significantly grow its Islamic banking sector and develop its Islamic capital markets. India started introducing Islamic financial products and services last year. It has launched its first Islamic stock market index on the Mumbai stock exchange and also licenced a non-bank financing company to operate on Shariah principles.

As more countries cater for Islamic finance, the scope for cross-border Islamic finance increases. We are beginning to see more cross-border sukuk issuance within Asia as well as between the Middle East and Asia.

Singapore has benefitted from this favourable global environment for Islamic finance.

- Singapore is the only non-Muslim majority country among the top 15 countries for Islamic finance.
- Islamic assets under management have surged nearly fourfold over the last five years. More than 40% of the Islamic assets in Singapore are managed by our asset management industry.
- 15 banks are involved in Islamic banking, double the number five years ago. They hold about a third of the Islamic assets in Singapore.
- The rest of the Islamic assets are in outstanding sukuk and takaful. Singapore has had nearly 30 sukuk issuances to-date, with seven in 2013 alone.

The prospects for Islamic finance in Singapore look bright.

- More funds continue to be established here, to meet demand from clients in Asia as well as from the Middle East.
- Several corporations have established sukuk programmes in Singapore to tap the market over the next few years.

We can grow faster when we grow together. WIBC Asia provides a valuable platform to bring together stakeholders in Islamic finance, from Asia and the Middle East, to foster stronger collaboration for sustained industry growth. I wish you fruitful discussions. Thank you.