

## **Zeti Akhtar Aziz: Progress and advancement of Islamic finance**

Speech by Dr Zeti Akhtar Aziz, Governor of the Central Bank of Malaysia (Bank Negara Malaysia), at the Islamic Economy Award 2014, Dubai, 14 January 2015.

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It is my very great honour to receive the Lifetime Achievement Award for the global development of Islamic finance conferred under the patronage of His Highness Sheikh Mohammed bin Rashid Al Maktoum. I am most humbled to receive this award. It has been my privilege to contribute to the international efforts to create the foundations for a sustainable and resilient Islamic financial system in the global financial system. This recent decade has been highly challenging for the world of finance, yet the experience of confronting the challenges has been tremendously fulfilling. The overall progress and advancement of Islamic finance has continued to be accompanied by growth, dynamism and stability.

Islamic finance brings immense benefits to the overall economy. It is a form of financial intermediation that is well anchored to the real economy. With its internationalisation, that began at the turn of the millennium, it now serves to enhance and strengthen the interlinkages between economies, facilitating international trade and cross border investment activities. This trend has marked the beginning of intensified collective efforts to enhance the Islamic financial infrastructure to create a robust and resilient global Islamic financial system.

The focus has gradually shifted from strengthening intermediaries in the domestic Islamic financial industry to fortifying the regulatory, supervisory, Shariah and liquidity framework necessary for such a robust financial system. This has involved greater international cooperation and collaboration in this new environment. A further development has been the evolution of the domestic Islamic financial markets into international markets. This has manifested itself in the form of foreign participation in raising funds and in investment activities in these markets, thus generating increased cross border financial flows. This has drawn participation from both emerging and the developed world in Islamic and non-Islamic countries. Going forward, the Islamic financial system is envisaged to have an increasing important role in connecting the world economies – through the strengthening of financial linkages, it will in turn facilitate increased international trade and investment activities.

This internationalisation of Islamic finance will require the intensification of international collective efforts to establish the international Islamic financial architecture, and the development of mechanisms for more effective cross-border liquidity management. Central to achieving this next thrust of development is to develop a high caliber and competent talent base to cultivate financial innovation. Therein lies the investment needed in human capital development to support the industry.

While Malaysia's own experience and aspirations is to evolve into an international Islamic financial centre, we also continue to promote a more inclusive financial system to support a more balanced growth. On the international front, the aim is to enhance our international connectivity and thus establish greater economic linkages with other economies. In Dubai, the efforts by the authorities to create the Islamic economy initiative to further enhance the inter-linkages with other Islamic financial centres is also a step towards strengthening the international economic connectivity especially between our regions. The efforts will not only enhance Islamic finance as an effective financial intermediary but also as a binding force for the other segments of the Islamic economy, including with other parts of the world.

Our collective efforts in developing Islamic finance will provide an important platform to unlock the potential opportunities that lie therein to benefit every segment of the society and the business community that now extends beyond our domestic borders. In this highly dynamic and rapidly changing world environment, efforts will need to be unrelenting on

developing further the enabling infrastructure, the foundations for stability and enhancing the internal capability. And with the greater international linkages, the greater will be the importance of working collectively for the common goals we aspire and for which the benefits will be mutually reinforcing.