

Marzunisham Omar: Supporting the robust growth of Islamic finance in Malaysia

Welcoming remarks by Mr Marzunisham Omar, Assistant Governor of the Central Bank of Malaysia (Bank Negara Malaysia), at Malaysia Country Showcase - IFSB Summit 2017, Kuala Lumpur, 22 October 2017.

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Welcome to Malaysia Country Showcase. I would like to express my sincere appreciation to all of you for being here today. I hope that today's showcase will enhance your understanding of the critical role that professional ancillary services and talent development institutions play in supporting the robust growth of Islamic finance in Malaysia. Indeed, these professional services, which include Shariah consultancy, legal, accounting and talent development, are an integral part that make up Malaysia's vibrant Islamic finance system.

With Islamic finance fast gaining a strong foothold in many countries, Malaysia hopes to be able to contribute to this dynamic phase of Islamic finance development by providing an array of reliable, high quality professional services; one that is backed by decades of experience.

Today, Malaysia has a competitive Islamic finance that forms part of the mainstream financial system. Islamic banking assets now account for 28% of Malaysia's total banking assets, while more than half of our bond market comprises sukuk. We have a diverse range of Islamic financial institutions, both domestic and foreign, which provide competitive, innovative products to meet the varied and unique needs of individuals and businesses.

What we have today was not built overnight. The Islamic finance journey in Malaysia has been long and its beginnings were humble. It is the product of three decades' work in building strong foundations for the sector to thrive and grow. In reflecting on our journey of developing a vibrant Islamic financial system, imperatives in three areas stand out – Infrastructure; Players; and Talent.

Allow me to briefly elaborate on these three areas.

First, infrastructure. Similar to developing a conventional financial system, having a robust regulatory and supervisory regime is critical for the development of a strong, resilient and inclusive Islamic financial system. What is unique about Islamic finance is the need for a clear Shariah governance framework to ensure Shariah compliance. In Malaysia, the Islamic Financial Services Act 2013 sets out a regulatory framework for end-to-end Shariah compliance. Bank Negara Malaysia is vested with comprehensive legal powers under this Act to regulate and supervise the Islamic financial system. Complementary to this is the role of the Shariah Advisory Council in ensuring greater certainty in Shariah. While our Shariah Governance Framework has met its intended objectives, we are now in the midst of reviewing and strengthening the framework in response to the evolution of the industry. The Securities Commission Malaysia and the Labuan Financial Services Authority are also vested with similar powers, and are equally committed to building a robust and comprehensive framework for Islamic finance in Malaysia.

Our policies also strive to be forward looking and responsive to the needs of the world. For example, the Sustainable and Responsible Investment or SRI Framework developed by the Securities Commission has enabled the issuance of SRI sukuk for education in 2015, and green sukuk just a few months back, which was the world's first. Our Islamic finance industry is also backed by robust market infrastructure, including an Islamic Interbank Money Market that provides funding and liquidity support for the Malaysian Islamic banking system. For Islamic fund management, Bursa Malaysia's Islamic securities exchange platform provides a marketplace that is conducive for Shariah investing.

Second, a vibrant Islamic financial system must have a wide array of players and participants. These range from Islamic financial institutions, fund management companies, takaful operators and investors – both retail and institutional investors.

Another key player of a vibrant Islamic financial system is professional services firms. In Malaysia, these firms play a critical role as facilitators of growth, providing support to various stakeholders of Islamic finance. We have more than 60 experienced professional services firms offering specialised services in Islamic finance. Collectively, this ancillary network offers a wealth of expertise – in Shariah advisory, law, I.T, tax, audit, research and training, to name a few. Over the years, some of these professional services firms have developed a strong reputation for their technical excellence, and have established an international presence.

Our professional services firms are keen to share their experiences and to assist foreign clients and countries interested to develop Islamic finance. Our experiences include provision of advisory services to Shariah funds and asset management companies in the U.S, Switzerland and South Korea; and to sovereigns and corporates on sukuk issuances. Our legal firms have also played a part in the development of legal and regulatory frameworks for Islamic finance in a number of countries. Contributions have also been made in the area of research, education and training, with more than 50 international projects, training and customised programmes delivered to international clients since 2010.

The third imperative is in the area of talent. The success of an Islamic finance system depends critically on having the right set of quality talent. This is more so as we aspire for Islamic finance to reach greater heights, in this new normal of rapid advances in technology and changing demographics.

Accordingly, Malaysia has made significant investments in developing a complete ecosystem dedicated to meeting the human capital needs of the Islamic finance industry. Our talent infrastructure caters to every level, for both academic and professional needs. Dedicated talent entities for Islamic finance have also been set up, such as INCEIF – a global university for Islamic finance – and ISRA, a globally recognised institution in enriching research and knowledge on Shariah.

An important aspect of talent development is elevating the quality and professionalism of talents in Islamic finance – not just in Malaysia, but globally. In realising this vision, the Chartered Institute of Islamic Finance Professionals was set up to promote the highest standards of professional practice among Islamic finance practitioners. This is complemented by the establishment of the Association of Shariah Advisors in Islamic Finance to enhance the qualification and professionalism of the Shariah fraternity. Two specialised certifications will be launched by the Association early next month which aim to strengthen technical and ethical rigour of Shariah advisors and practitioners.

With an increasing range of options for professional qualifications for Islamic finance, the Finance Accreditation Agency's Islamic Finance Professional Qualification Structure – to be launched today – is a timely and much welcome milestone. As a learning reference structure, it streamlines and classifies the levels for Islamic finance professional learning programmes. For Islamic finance professionals and the organisations they represent, this will help them make better informed decisions when evaluating the suitability of the wide array of professional learning programmes on offer globally.

I hope that today's event would help bring you a step closer to realising your respective organisation's goals in Islamic finance. With that, I wish you a productive afternoon.