

Abdul Rasheed Ghaffour: Opening address - Global Islamic Finance Forum 2025

Opening address by Mr Abdul Rasheed Ghaffour, Governor of the Central Bank of Malaysia (Bank Negara Malaysia), at the Global Islamic Finance Forum (GIFF) 2025 "Bridging tradition and tomorrow - advancing business, empowering communities", Kuala Lumpur, 13 October 2025.

* * *

Assalamualaikum and a very good afternoon.

It is a pleasure to be here today at this year's Global Islamic Finance Forum. Our theme - *"Bridging Tradition and Tomorrow: Advancing Business, Empowering Communities"* - is a reminder that the future is not merely a destination to be discovered, but a direction to be chosen. To choose wisely, one must take a moment, to look back at the values and systems that once made commerce a conduit for shared prosperity and finance for a force for human progress.

Over the past three decades, the world economy has been shaped by forces of globalisation. Between 1990 and 2020 - global trade in goods and services expanded more than fourfold, which has helped lift over a billion people out of extreme poverty¹. Capital flowed more freely; and supply chains stretched across continents; and technological advances reduced barriers that once divided nations. What enabled global trade to flourish then - was not simply commerce, but *connectedness* - a common vision for integration that transcended borders and beliefs.

This recent decade, however, has witnessed a reversal or a redrawing of that map. Trade tensions have risen; strategic rivalry weighs on global supply chains; and geopolitical rifts have brought further pressure on global growth. The outlook remains uncertain, with the International Monetary Fund (IMF) projecting a global growth of approximately 3% - and this is below the pre-pandemic average. As we contemplate the reshaping of global trade in the 21st century, it is worth pausing to reflect on the earlier moments in history, when trade began to flourish across civilisations and become a central pillar of stability, prosperity and peace.

Long before the rise of modern financial systems, Muslim merchants pioneered financial tools that enabled long-distance trade with surprising sophistication.

Instruments such as the *sakk*² - an early form of the modern cheque - as well as early trust-based money and credit transfer systems such as the *hawala*, allowed capital and funds to flow securely between markets and across countries. The principle of partnership - offered risk-sharing mechanisms that echo in venture capital and Islamic finance. The strength of these innovations lay rooted in the Quranic injunctions on fairness, trust, and mutual benefit.

History tells us that trade and finance are intricately linked. The arteries of commerce - the movement of goods and services - are the same through which capital and confidence flow. When one clogs, the other cannot circulate freely. The fracturing of global trade creates friction, reduces liquidity and increases costs. Today's environment

makes the business of financial intermediation even harder, and risk management more complex. This is exactly why, the purpose and design of finance really matters.

A financial system that is anchored on long-term value creation - better serves the economy and society. These principles are not abstract precepts; they are embedded in the architecture of Islamic financial instruments - guiding how risk is shared; how wealth is circulated; and how transactions are anchored in productive economic activities.

Several recent studies³ have found that Islamic financial institutions demonstrated greater resilience during economic downturns due to their asset-backed and risk-sharing nature - a timely reminder that financial systems rooted in real economic activity and equitable risk distribution can ensure stability in turbulent times.

In today's quest for economic stability and inclusive growth, Islamic finance offers practical tools. Durable instruments such as zakat and waqf have long supported communities - strengthening the social fabric of society. Such instruments also provide counter-cyclical support to economy and financial systems. When economic conditions tighten, zakat also acts as a stabilising force. It channels financial support to the needy, supporting the underpinning of demand in the economy and providing a safety net for those at risk. Similarly, the beauty of waqf lies in its continuity and long-term impact. These endowments could be utilised to generate sustainable income streams - often funding education; healthcare; infrastructure; and social welfare.

As we envision the next phase of growth, allow me to share five developments that Malaysia is pursuing in advancing the Islamic financial ecosystem:

- **First, we are encouraging impactful re-engineering of finance.** By expanding the use of risk-sharing structures like *Musharakah* and *Mudarabah*, Islamic financial solutions can be more diverse than transactional debt, offering distinct risk-reward propositions. The roll-out of i-CITA last month, supported by RM100 million fund from the Government to encourage risk sharing innovation, aims to support more diverse application of Shariah contracts for viable projects that bring tangible benefits to Malaysia. To complement this initiative, we are actively reviewing the Shariah Contracts and the Investment Account policies to provide more conducive regulatory environment for investment intermediation. We hope the industry will fully optimise these initiatives to test innovative solutions.
- **Second, we are redefining what inclusive development looks like.** Through innovative integration of Islamic social finance with mainstream financial systems - we seek to chart a new frontier in finance where social purpose and commercial viability does converge. The iTEKAD programme, powered by blended finance, is not just a pilot - it is a proof of concept. It shows how Islamic finance can be mobilised to uplift communities. Islamic banks, working hand-in-hand with state religious authorities and development partners, are delivering tangible outcomes such as increased employment and skillsets. I am encouraged to see the expansion of the iTEKAD programme for financial protection today, which is supported by the Government's matching grant of RM5 million for takaful contributions. The collaboration between banks and takaful operators further enriches this ecosystem. The challenge now is to scale it up. We must move from selected success to systemic transformation. The tools are in place. The partnerships are forming. The time to accelerate is now.

- **Third**, Malaysia is **positioning Islamic finance as the vanguard of two global growth frontiers: first is the halal economy and second is the sustainable finance**. These are not niche markets - they are trillion-dollar opportunities waiting to be unlocked. Through the MIFC Leadership Council, we have laid strategic groundwork for global connectivity. Stronger execution by industry is now paramount. That is why we are supportive of the formation of the MIFC Business Network or MBN as the next phase of MLC transition. MBN, as a coalition of industry champions — will be pertinent in charting our way forward. They will be tasked with deepening sectoral collaboration - securing tangible business outcomes, and scaling impact in Malaysia and beyond. I am pleased to announce that nine (9) industry players comprising entities from banking, takaful, capital markets and ancillary services have committed to be the founding members of MBN. Invitation for wider participation from industry players will be announced soon. The Bank, alongside other regulators and key stakeholders, will remain committed to supporting the industry in advancing the MIFC agenda.
- **Fourth**, Bank Negara Malaysia plans to move forward with **a new benchmark**. Beginning 1 July 2027, Malaysian Islamic Overnight Rate, or we call it MYOR-i, will become the mandatory reference rate for Islamic financial products. This is not just a technical adjustment; it is a structural transformation. As the world's first transaction-based Islamic benchmark rate, MYOR-i brings transparency, consistency, and Shariah alignment to the heart of Islamic finance.
- The fifth and **final frontier in advancing Islamic finance is talent** - and the ideas and innovation that talent can unlock. Institutions like INCEIF University are evolving beyond education into engines of innovation, embedding the *Maqasid Shariah* into economic and policy frameworks. Regionally, IBFIM is scaling up capacity through the enhanced Associate Qualification in Islamic Finance (AQIF), now tailored for the ASEAN markets. With country-specific modules for Brunei, Indonesia, the Philippines, and Singapore, this programme is building a workforce that is not only technically proficient, but regionally attuned and innovation-ready. The need is clear, if we want Islamic finance to lead, we must invest to build and nurture talent that can imagine, design, and deliver its future.

Yang Amat Berhormat, Ladies and gentlemen,

In closing, the global Islamic finance industry is on course to surpass USD9.7 trillion by 2029⁴. But this journey cannot be defined by scale alone - it must be underpinned by robust substance. This promising growth requires strong leadership and innovation with purpose. I hope this forum will serve as a bridge, honouring the wisdom of our values while boldly reimagining the future of Islamic finance.

Thank you.

¹ World Trade Organization statistics. https://www.wto.org/english/res_e/statistics_e/trade_evolution_e/evolution_trade_wto_e.htm

² Islam, Z. (1984). Banking In The Abbasid Period A Special Study Of The Tenth Century A. D., 45, 780–789. <http://www.jstor.org/stable/44140275>

³ IFSB, Islamic Financial Services Industry Stability Report 2024; Butt, U.; Chamberlain, T. "Performance of Islamic Banks During the COVID-19 Pandemic: An Empirical Analysis and Comparison with Conventional Banking" J. Risk Financial Manag. 2025, 18 (6), 308. <https://www.mdpi.com/1911-8074/18/6/308>

⁴ LSEG Islamic Finance Development Indicator (IFDI) Report 2025