GFIEF
GLOBAL FORUM ON ISLAMIC ECONOMICS AND FINANCE

Fireside Chat: Unlocking Global Islamic Finance Opportunities

Kuala Lumpur Convention Centre, 29 May 2024

MIFC®
MALAYSIA INTERNATIONAL ISLAMIC FINANCIAL CENTRE
LEADERSHIP COUNCIL

In Support of

MALAYSIA
WORLD'S ISLAMIC FINANCE MARKETPLACE



MIFC LEADERSHIP COUNCIL POSITION PAPER

ESTABLISHING ISLAH THROUGH ISLAMIC FINANCE

Building on the shoulders of 60 years of Islamic finance; co-creating the next wave towards a more inclusive and sustainable world

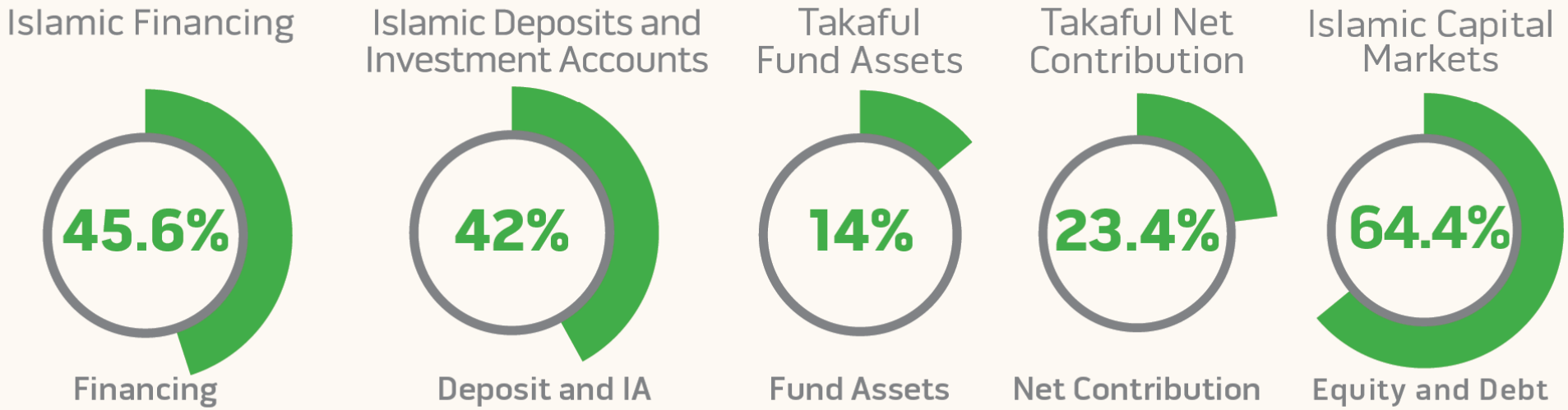
ISLAMIC FINANCE IN MALAYSIA AND THE WORLD

DEVELOPMENT OF ISLAMIC FINANCE IN MALAYSIA

The origins on modern-day Islamic finance in Malaysia can be traced back to the establishment of Lembaga Tabung Haji in 1963 to help Muslims to save for their pilgrimage to Mecca.

DEVELOPMENT PHASE	Building Foundation	Mainstreaming	Driving Diversification & Innovation	The Next Phase of Islamic Finance
	1983: First Islamic bank established	Wider set of players, entry of foreign Islamic banks, widen solutions, Islamic funds	2006: Malaysia as International Islamic Financial Centre (MIFC) agenda announced	BNM's Financial Sector Blueprint (2022-2026) SC's Capital Market Masterplan 3 (2021-2025)
STRATEGIC INTENTS	▪ Promote financial inclusion for Muslims ▪ Provide alternative solutions	▪ Broaden range of solutions beyond the Muslim community ▪ Achieve scale, enhance capacity and widen solutions	▪ Address ecosystem gaps and global expansion ▪ Drive innovations solutions and diversification	▪ Advance value-based finance through Islamic finance leadership including advancing MIFC ▪ Shaping a stakeholder economy with Islamic capital market
KEY MILESTONES	BANK ISLAM TAKAFUL malaysia	PERBANKAN ISLAM AIBIM Bank Muamalat	MALAYSIA WORLD'S ISLAMIC FINANCE MARKETPLACE IBFIM INCEIF	Maqasid Al-Shariah Guidance iTEKAD MIFC MALAYSIA INTERNATIONAL ISLAMIC FINANCIAL CENTRE LEADERSHIP COUNCIL BANK NEGARA MALAYSIA VBI

Market share of Islamic financial services in Malaysia



Global Recognition

Ranked 1st in

Islamic Financial Development Indicator 2023

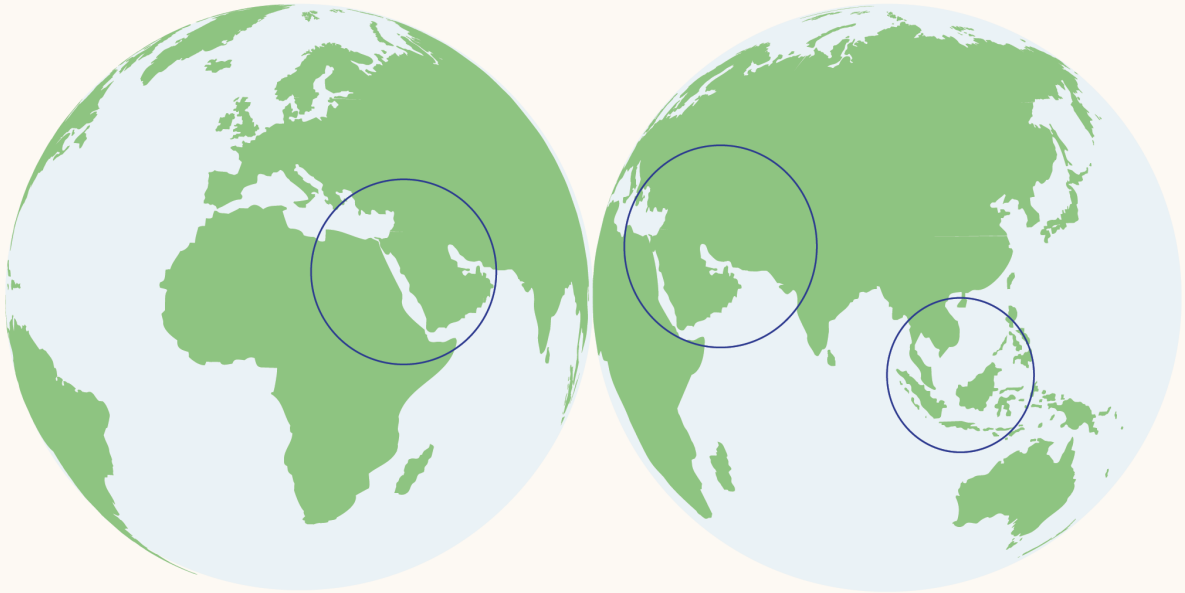
Global Islamic Economy Indicator 2023/24

Global Islamic Fintech (GIFT) Index 2023/24

THE CASE AND OPPORTUNITY FOR CHANGE

THE STATE OF GLOBAL ISLAMIC FINANCE

Islamic finance, rooted in an ethical system and moral code shaped by divine guidance and rich tradition. The last 60 or so years, Islamic finance has seen a rediscovery and increasing adoption among the Muslim ummah.



24% Muslims in the world

9% of global GDP

USD4.5 tr global Islamic financial assets

Make up just **1%** of global financial assets of USD450 tr

THE CASE FOR CHANGE AND THE OPPORTUNITY FOR MALAYSIA AND ISLAMIC FINANCE

With these current and emerging challenges, the Islamic financial system in Malaysia is entering this period from a position of stability and relative strength.

7 PRINCIPLES FOR CHANGE

As we embark on this step change, MLC proposes the following seven anchoring principles of change to help shape, remind and guide us.

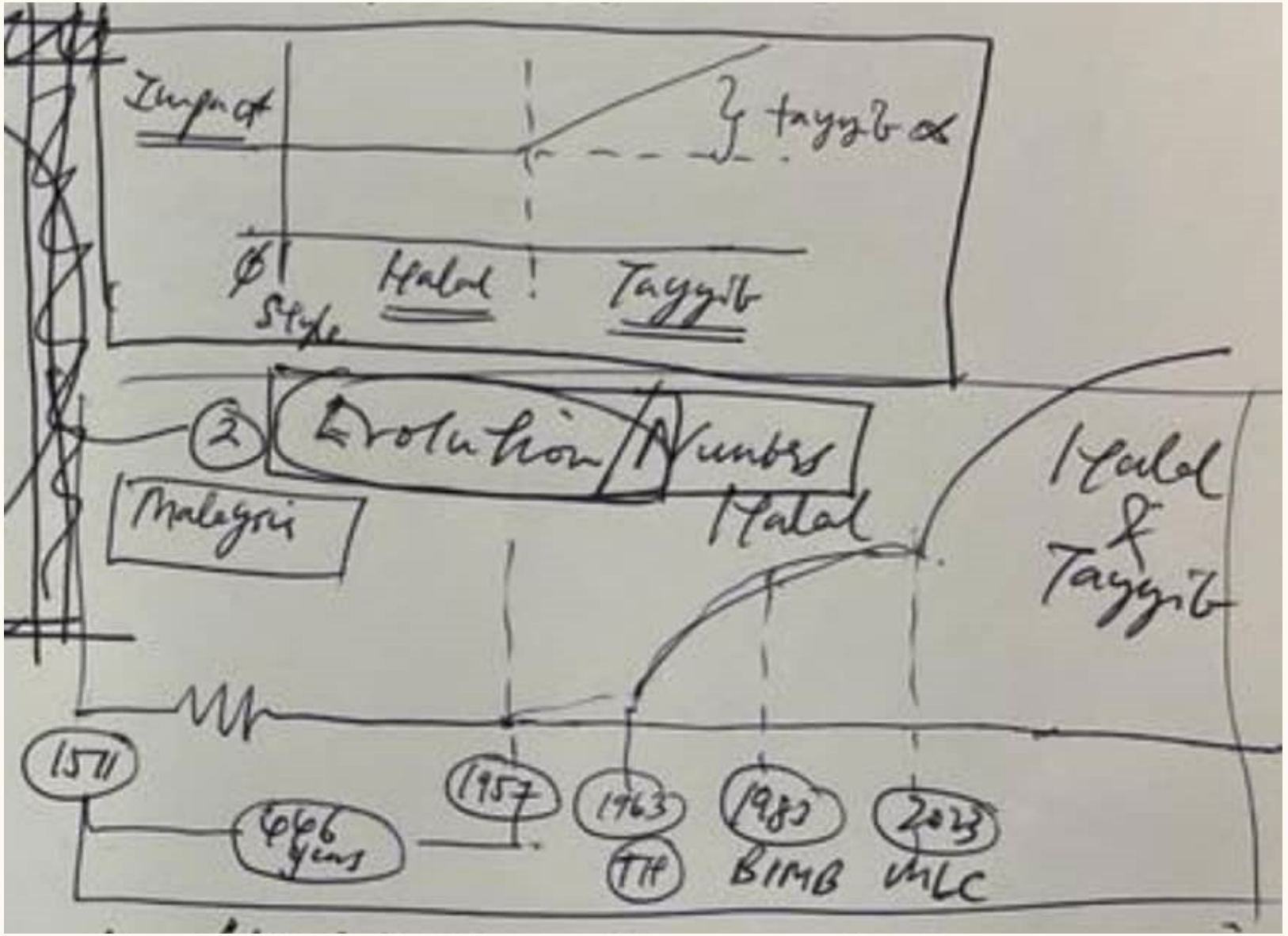
1. **Pragmatism, progressivism and balance**
2. **Recognition of an inevitable S-Curve**
3. **Strengthen existing Islamic finance initiatives – first part of the S-Curve**
4. **Seed, broaden and grow new Islamic finance initiatives – the second part of the S-Curve**
5. **Collaborate with conventional finance on all good and universal sustainability and inclusivity frameworks and programmes**
6. **Solve and support national development plans and programmes**
7. **Anchor and focus on MIFC mandate**

قَالَ يَـٰقَوْمِ أَرَءَيْتُمْ إِن كُنتُ عَلَىٰ بَيِّنَةٍ مِّن رَّبِّى وَرَزَقَنِى
مِنْهُ رِزْقًا حَسَنًا ۚ وَمَآ أُرِيدُ أَنْ أُخَالِفَكُمْ إِلَىٰ مَآ أَنْهَىٰكُمْ
عَنْهُ ۚ إِنْ أُرِيدُ إِلَّا **ٱلْإِصْلَـٰحَ مَا ٱسْتَطَعْتُ** ۚ وَمَا تَوْفِيقِىٓ
إِلَّا بِٱللَّهِ ۚ عَلَيْهِ تَوَكَّلْتُ وَإِلَيْهِ أُنِيبُ ٨٨

He said, “O my people! Consider if I stand on a clear proof from my Lord and He has blessed me with a good provision from Him. I do not want to do what I am forbidding you from. I only intend reform to the best of my ability. My success comes only through Allah. In Him I trust and to Him I turn.

Surah Hud, Verse 88 (11:88)

Evolution, S-Curve, Islah Curve, Halal to Tayyib



10 SHIFTS FOR CHANGE: A *HIJRAH* TO *ISLAH*

Further to the principles for change outlined above, below are ten proposed shifts or themes of what a move or hijrah to an Islah curve will look like.

1. **Legal form to more equitable substance, from *Halal* to *Halal* and *Tayyib***
2. **Increase equity risk capital formation**
3. **Broaden and deepen philanthropic capital formation**
4. **Better locate Islamic finance within Islamic economics**
5. **Greater financial inclusion and access**
6. **Greater individual and societal empowerment through Islamic finance instruments**
7. **Not just amar maaruf, but also nahi mungkar**
8. **Better harness technology and good innovation**
9. **Better talent formation and capacity and institutional building**
10. **Better thought leadership and knowledge development**

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A CALL TO ACTION: CO-CREATING THE NEXT *ISLAH* CURVE FOR ISLAMIC FINANCE AND ECONOMICS

5 KEY THRUSTS

The Islah curve, the next wave for Islamic finance, consisting of key building blocks.

1. **Strengthening the S-Curve part 1: Strengthen existing initiatives and programmes**
2. **Seeding and developing part 2 of the S-Curve: Building a new *Islah* curve for Islamic finance**
3. **Demonstration effect through MLC Impact Projects**
4. ***Berjemaah*: Doing this together**
5. **The discipline of implementation and execution**

10 MLC KEY FOCUS AREAS (MKFAs) AND 18 INITIAL MLC IMPACT PROJECTS (MIPs)

MLC has outlined 10 MLC Key Focus Areas, and within that, 18 initial MIPs as tabulated below.

MLC KEY FOCUS AREAS (MKFAs)	MLC IMPACT PROJECTS (MIPs)
1. Advancing MIFC International Agenda	(1) MLC collaboration with Komite Nasional Ekonomi dan Keuangan Syariah, Indonesia (KNEKS) (2) MLC collaboration with Hong Kong Trade Development Council (HKTDC), Hong Kong (17) MLC collaboration with Finance Office of Presidency of The Republic of Türkiye (CBFO), Türkiye (18) MLC collaboration with Islamic Finance Council UK (UKIFC), United Kingdom
2. Unlocking Philanthropic Capital	(3) Establish the Social Exchange for social enterprises (by the Securities Commission)
3. Unlocking Equity Risk Capital	(4) RM3bn Shariah-based Dana Pemacu by KWAP
4. Strengthening Waqf	(5) Waqf-linked Sukuk for Impact Projects
5. Strengthening Zakat	(6) "Project Hassan" Smart Sawah Berskala Bersar Asnaf (Smart SBBA) by Lembaga Zakat Negeri Kedah with INCEIF University and AIBIM member banks

MLC KEY FOCUS AREAS (MKFAs)	MLC IMPACT PROJECTS (MIPs)
6. Elevating Knowledge, Capacity Building and Institutional Building	(7) Establishment of Centre of Excellence for Islamic Economics (an initiative by INCEIF University and MLC) (8) Development of a Global Programme for Islamic Economist (an initiative by BNM and implementation partners) (9) Issuance of a Discussion Paper on the Scholars Review of the Tayyib Concept (by ISRA-INCEIF University)
7. Strengthening Takaful	(10) Development of a Maqasid Shariah Scorecard (by Malaysian Takaful Association) (11) Launch of a Post-Retirement Medical Takaful Scheme (by Malaysian Takaful Association)
8. Elevating Inclusivity and Entrepreneurship	(12) Scaling up iTEKAD (by BNM, AIBIM member banks) (13) Elevating entrepreneurship financing schemes (by AIBIM member banks)
9. Elevating Sustainability	(14) RM1bn Biodiversity SRI Sukuk (by MOF) (15) Greening Halal Business – (an initiative by MOF, BNM, IsDB and World Bank Hub in Malaysia)
10. Accelerating Adoption of Digital Innovation & Technology	(16) Development of Shariah-compliant stock screening approach driven by technology (including AI, Big Data, Blockchain)

A CALL TO ACTION: ESTABLISHING *ISLAH* THROUGH ISLAMIC FINANCE

The time has come to inject a new sense of *Islah* or reforms in order to chart the next phase of growth and development.



Establishing *Islah* through Islamic finance

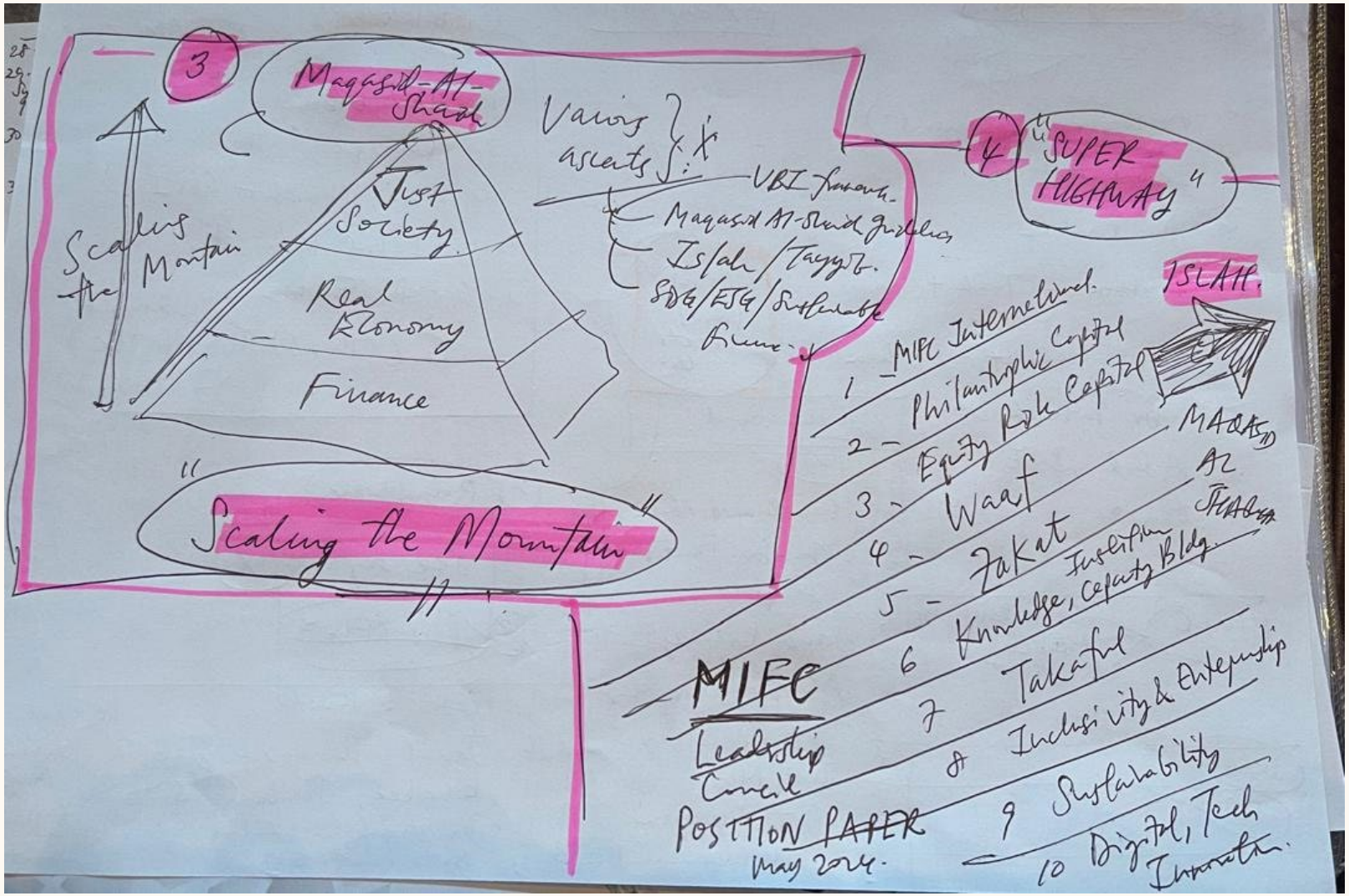


Building on the shoulders of 60 years of Islamic finance



Co-creating the next wave towards a more inclusive and sustainable world

Scaling the Mountain and an Islah Superhighway through IFE



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THANK YOU



BANK NEGARA MALAYSIA
CENTRAL BANK OF MALAYSIA

Suruhanjaya Sekuriti
Securities Commission
Malaysia

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MIFC LEADERSHIP COUNCIL

The MIFC Leadership Council (MLC) was established in October 2022 as a joint initiative of BNM and the SC to drive the next phase of development in positioning Malaysia as an international Islamic financial centre. The Council serves as a platform to provide industry stewardship in enhancing Malaysia's proposition as a global marketplace and an international gateway for Islamic finance. The MLC is guided by national strategic development plans, including BNM's Financial Sector Blueprint 2022 - 2026 and the SC's Capital Market Masterplan 3 (CMP3).

CEREBRATE
CONNECT
CATALYSE

In discharging its role, it is worth highligthing that MLC is not a regulatory and policy-making body, nor a financial intermediary or issuer of financial instruments. The MLC has gradually defined its role to cover three main functions:

- To **cerebrate**–further the development and advocacy of thought leadership in Islamic finance; and
- To **connect** and **convene** various parts of the Islamic finance "ecosystem" both domestically and internationally;
- To **curate** and **catalyse** relevant initiatives and programmes in Islamic finance.

MLC KEY OBJECTIVES

The roles of the MLC include providing thought leadership, driving strategy formulation, and monitoring industry initiatives to solidify Malaysia's leading position in Islamic finance.

Mandate

Strategy **Action** **Advocacy**

A platform to lead the development and promotion of MIFC by identifying international opportunities, industry strategic priorities and monitoring industry initiatives. This includes accelerating the implementation of initiatives that will:

- Nurture new ideas, strategy or initiatives
- Deepen and diversify strategic linkages between domestic and international partners; and
- Deliver industry thought leadership.

Intended Outcomes

- Improved global competitiveness of Malaysia's Islamic finance industry to tap opportunites outside Malaysia
- More financial innovation delivering positive impact to economy, community and environment
- Deepen financial linkages and international partnerships
- Sustained global thought leadership in Islamic finance

Source: BNM Annual Report 2022

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MEMBERS OF THE MIFC LEADERSHIP COUNCIL

As at May 2024



Tan Sri Azman Mokhtar
Chairman



Adnan Zaylani Mohamad Zahid
Member, Ex-Officio, Deputy Governor, Bank Negara Malaysia



Sharifatul Hanizah Said Ali
Member, Ex-Officio, Executive Director of Islamic Capital Market, Securities Commission Malaysia



Tan Sri Andrew Sheng
Member



Dato Dr. Nik Ramlah Nik Mahmood
Member



Dato' Mohammad Faiz Azmi
Member



Dato' Abdul Rahman Ahmad
Member



Prof. Datuk Dr. Mohamad Akram Laldin
Member



Rejina Rahim
Member



Dato Paduka Iqbal Ahmad Khan
Member