BANK NEGARA MALAYSIA
SASANA SYMPOSIUM 2023

Islamic Finance: Global Connectivity & Innovation

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8 June 2023



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SASANA SYMPOSIUM 2023

The next phase of Islamic finance in Malaysia aims to capitalize its strengths in advancing value-based finance



Leveraging existing contributions and strengths

Enabling access to finance & protection

44.5%
Share of total financing (with DFIs)

23.0%
Share of takaful net contributions

Supporting the economy

RM 185bil
Higher sukuk issuance to fund real economic sectors

81.2%
Listed securities on KLSE are Shariah-compliant

Spearheading sustainability objectives

RM 302.2bil
VBI-aligned initiatives since introduction of VBI strategy

>RM 65.2mil
Distributed by Islamic social finance tools (Oct 2020 – Sept 2021)

Source: Adapted from Chapter 5 of BNM's Financial Sector Blueprint 2022- 2026 and BNM 2022 Annual Report

Priorities in elevating contribution and impact of Islamic finance



Islamic finance to contribute to economic growth that is balanced, progressive, sustainable and inclusive

Key strategic priorities	Examples of initiatives
Strengthening ecosystem enablers to advance digitalisation of Islamic financial sector and deepen Islamic financial market and liquidity	• Digital Banks • Sandbox • IFMC
Positioning Malaysia as an international gateway for Islamic finance with stronger industry stewardship to foster greater market dynamism	• MIFC Leadership Council (MLC) • RAIF
Mainstreaming value-based finance and improving impact measures to achieve greater ecosystem alignment in VBI implementation	• VBI and VBIT • VBIAF • Maqasid score card
Spur innovation and promote application of diverse Shariah contracts in addressing contemporary economic and social needs	• iTEKAD • CSAA • Investment Account • Perlindungan Tenang • CAKNA

Formation of MLC to drive the next phase of Islamic finance

MIFC vision and key priorities

Global gateway for Islamic finance markets in Asia and OIC

- Connect businesses, investors and other stakeholders to Islamic finance opportunities in Asia and OIC
- Specialise in sustainable finance and halal economy
- Industry-led initiatives, supported by Malaysia's talent services ecosystem

MIFC key 5-year priorities for the Islamic financial market

- Improve IF industry's global distribution capabilities to better tap opportunities outside of Malaysia.
- Facilitate nascent Islamic financial innovations, including scaling up of new products and services.
- Strengthening Malaysia's competitiveness as an Islamic finance gateway.
- Strengthen global partnerships to advance Islamic financial innovations beyond Malaysia's borders
- Enhance the role of Islamic finance to support national halal agenda

Source: BNM Financial Sector Blueprint 2022-2026

Key strategic thrusts and priorities of Islamic capital market

Shaping a stakeholder economy with SRI and ICM

Relevant to broader *halal* MSMEs	Relevant to environment	Relevant to society
Facilitate funding access for MSMEs in the *halal* economy	Empower investors and businesses that are responsible and sustainable	Enable socio-economic development of the nation, leveraging Islamic social finance

Source: Capital Market Masterplan 3 (2021-2025)

"The MIFC Leadership Council (MLC) will provide thought leadership, drive strategy formulation and implementation to enhance Malaysia's position as an international gateway for Islamic finance."

Tan Sri Nor Shamsiah Mohd Yunus, Governor BNM @ GIFF2022 (5 October 2022)

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The future of Islamic finance in financial times

FIRESIDE CHAT WITH TAN SRI AZMAN MOKHTAR (CHAIRMAN OF MIFC LEADERSHIP COUNCIL) AT THE GLOBAL ISLAMIC FINANCE FORUM 2022





AWARENESS

01 We are living in financial times

Financialization is one of the great megatrends besides the free markets and globalization. The global stock of financial assets is about US$470 trillion. (according to Tan Sri Andrew Sheng)

02 The global financial system is broken

The global financial or architectural system is broken based on rising issues e.g. inequality, severe climate change, and inflation. This fractured system causes increasing financial crises that have been on the rise over the last 25-30 years.

03 But, the financial system has nonetheless created value

Despite its flaws, the current financial system has also proven to offer value to the market, from creating career opportunities to providing financial accessibility through loans

04 Islam and Islamic Finance as the solutions

Islam is syumul (complete), perfect, rahmatul al alamin, Islamic finance involves the prevention of harm, attainment of maslahah and benefits, circulation of wealth, social justice etc.

AUTHENTICITY

05 Overcoming greenwashing

With proper measurement, data tracking, leadership, governance, laws and regulation, civic awareness, consumer rights, and employees, organizations that claim to uphold ESG and SDG values may be better held accountable for their actions.

06 Overcoming green-flagging

Green flagging is a phenomenon that involves organizations or individuals who overclaim themselves as Islamic. overcoming this hinges on moving from form to substance and on to spirit or from halal to toyyib.

07 The risk of "green-spanning"

It was derived from the term Greenspan Put, a monetary policy response to financial crises by Alan Greenspan. It led to periods of extreme speculation led by investment banks overusing the put's repurchase agreements and creating successive asset price bubbles.

ACTION

08 Halal to Toyyib

Leaders must now pivot the focus within the Islamic finance sector to other pressing topics such as affordable housing, the night market economy, and the equity market. "Are we answering the needs of society? This is what we need to do and is the challenge behind halal to toyyib.

09 Together!

Stakeholders must come together to support one another. Finance has to serve the real economy, and the real economy has to serve society. We must work together to bring Islamic finance in Malaysia forward for the ummah and as an example to the world."

10 Malaysia Boleh!

Many times this nation has come together to come through many things. We should recognize and build on their [past leaders] shoulders. E.g. in 1998, We established Dana Modal, Dana Harta, banking consolidation, and selective capital controls - we came together and solved it.

SUMMARY OF THE FIRESIDE CHAT ON THE FUTURE OF ISLAMIC FINANCE PRESENTED AT GIFF 2022 BY TAN SRI AZMAN MOKHTAR (IN CONVERSATION WITH IBRAHIM SANI OF ASTRO AWANI). THIS INFOGRAPHIC IS PREPARED BY MLC SECRETARIAT OF WHICH THE CONTENT WAS ALSO ADAPTED FROM SUMMARY KEY TAKEAWAYS PREPARED BY UMAR MUNSHI OF ETHIS.

MLC: Strategic Approach

A Key References

BNM's Financial Sector Blueprint (2022-2026)



SC's Capital Market Masterplan 3 (2021-2025)



Other relevant masterplans/ strategy documents e.g.



SC's Sustainable and Responsible Investment Roadmap



Halal Industry Master Plan 2030



Digital Economy Blueprint 2030



Labuan IBFC Strategic Roadmap 2022-2026

(The list is not exhaustive and will include industry plans e.g. VBI/VBIT)

B 3-pronged strategy



Building on the shoulders (4 decades of IF ecosystem development)



Transformation 'acupuncture' (impact projects to hit critical pressure points)



Complementary advantage (complement strength through partnership and networks)

C 7 megatrends

1. Technology and disruption
2. Financialisation
3. Inequality
4. Climate crisis and pandemic
5. Geo-politics and geoEconomics
6. Demographics: 8 bn to 11bn
7. Post-truth society

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Tan Sri Azman Mokhtar (Chairman)



Tan Sri Andrew Sheng



Dato Dr. Nik Ramlah Mahmood



Dato Paduka Iqbal Ahmad Khan



Dato' Mohammad Faiz Azmi



Dato' Abdul Rahman Ahmad

MIFC MALAYSIA INTERNATIONAL ISLAMIC FINANCIAL CENTRE
LEADERSHIP COUNCIL

In support of MALAYSIA WORLD'S ISLAMIC FINANCE MARKETPLACE



Rejina Rahim



Datuk Prof. Dr. Mohamad Akram Laldin



Datuk Abdul Rasheed Ghaffour



Sharifatul Hanizah Said Ali

MLC Secretariat Office

ILLUSTRATIVE WIP

	MWP1	MWP2	MWP3	MWP4	MWP5
MLC Work Programme (MWPs)	Malaysia as Islamic fund raising and investment destination	Addressing inequality	Addressing sustainability	Human capital and knowledge	Digital empowerment
MLC Impact Projects (MIPs)	Actions to drive 'halal' to 'tayyib'	Islamic social finance e.g. zakat waqf, sadaqah	Food security	Publication (e.g. MLC 100 on Shariah applications in real world)	Islamic fintech
	Increase equity-based instruments	Affordable housing	Water	Professional education	Social-driven innovation
	Address IF instruments supply gaps	International refugees/ migration issues	Energy		
	Deepen existing initiatives by IFIs, sukuk etc	'Pasar malam' economy			
MLC Engagement Track	Industry engagement series	Industry engagement meetings	MIFC Tea Talk Series		

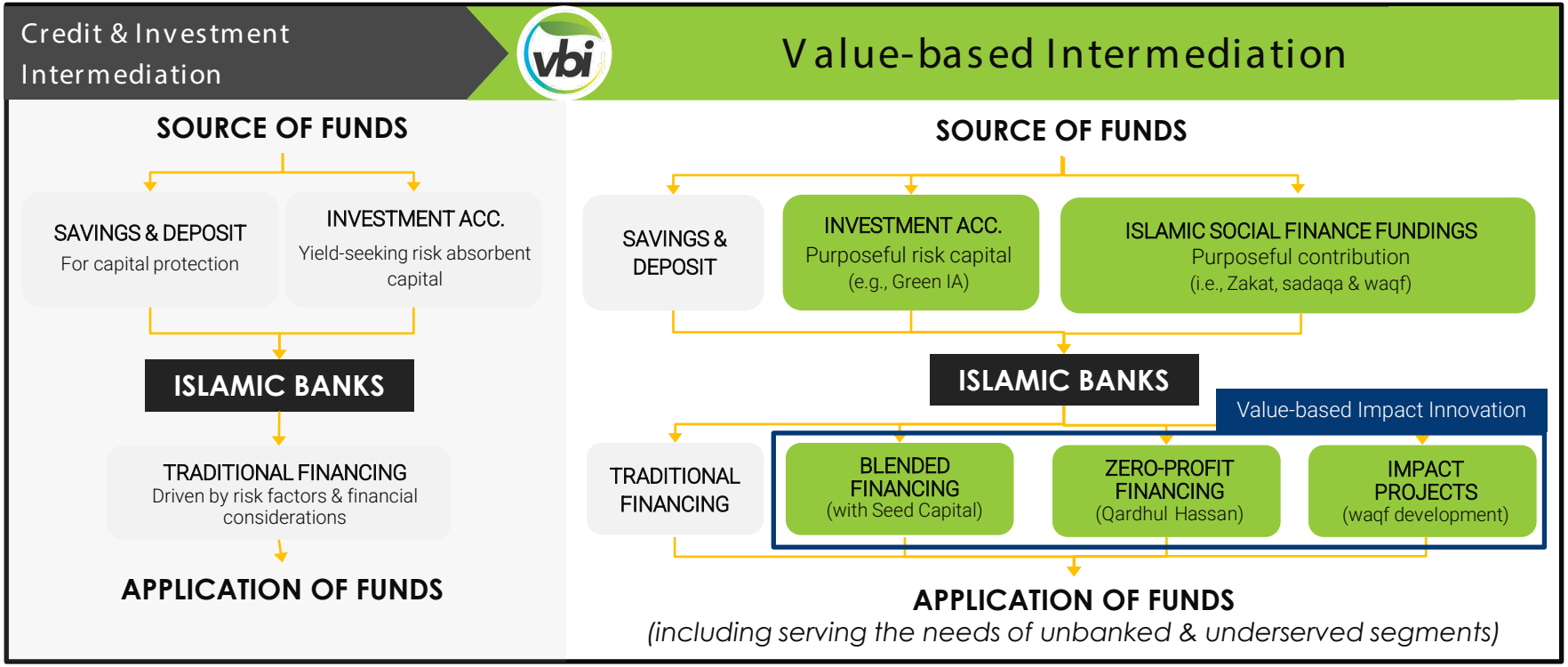
A 'Position Paper' to be developed for respective MWPs

Note:
List of MIPs are examples not exhaustive

This chart is illustrative. Scale of projects and initiatives are not on equal weightage and may differ for different MWPs

Advancing Value-based Innovation

REIMAGINING OUR INTERMEDIATION FUNCTION



The Vision of Value-based Intermediation

DELIVERING THE HIGHER PURPOSE OF MAQASID SHARIAH

AIBIM myZakat

Amount of myZakat distribution

RM236k+

Number of Asnaf entrepreneurs

81



AIBIM myWakaf

9 Waqf projects
4 completed

RM8.3m collected
RM16.5m target

Health and Healthcare	Community Empowerment	Education	Investment
To manage, provide or finance healthcare related efforts.	To manage, provide or finance community empowerment efforts.	To manage, provide or finance in educational or research efforts.	To manage waqf investment in property and financial instrument.

iTEKAD

- Seed Capital
- Microfinancing
- Structured Training & Monitoring

Offered by

10 Participating Financial Institutions

in partnership with

Implementation Partners

BANK ISLAM

iTEKAD BangKIT
0% profit rate

iTEKAD Maju

RM 10.7m
microfinancing disbursed

benefitting **610**
microentrepreneurs

BANK ISLAM Sadaqa HOUSE

IMPACT PROJECTS

- Perpetual Funds
- General Funds
- Direct Funds

ijn foundation

MERCY MISSION

BUKU JALANAN CHOW KIT

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Thank You

The slides will be made available on bnm.gov.my/ss2023

