



**6th Annual World Islamic Banking Conference | Asia Summit
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9:40 a.m. to 9:50 a.m.

Keynote Session:

**Spearheading Islamic Finance To The Next Level:
Crafting New Strategies in Asia**

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Distinguished participants of
The 6th Annual World Islamic Banking Conference
Asia Summit 2015,

Ladies and gentlemen.

Assalamualaikum warrahmatullahi wabarakatuh
and a very good morning to all.

1. It is my great pleasure to be here today at the 6th Annual World Islamic Banking Conference Asia Summit that gathers the industry leaders and experts across Asia and other parts of the world. I must first express my thanks to the organiser with the support of the Monetary Authority of Singapore for all their efforts in staging this event and for inviting me to be part of the congregation. I believe this conference serves as a valuable platform for the leading Islamic finance leaders who are eager to keep abreast with the latest development of Islamic finance and explore new opportunities and trends in Asia, as well as to forge new business linkages across the globe.

Ladies and Gentlemen.

2. Asia Pacific has regained its share of the world's economy over the last decade. The markets are deepening and widening every year. In 2013, Asia's share of world GDP grew at 7% to be at 35% of the global GDP; whilst Asia Pacific & ASEAN foreign direct investment (FDI) inflows outgrew FDI inflows into Americas and Europe-Middle East-Africa.

3. In the equity market, Asia Pacific nations' market capitalisation and trading value showed positive gain at 10% and 7% growth, respectively. The Asset under Management (AUM) is projected to grow with a 9.8% CAGR providing a new and substantive marketplace, and is expected to reach 16% of the global AUM by 2020. This shows that the Asia Pacific region being one of the most exciting parts of the world is clearly rising.

4. Closer to home is ASEAN - the region that connects 10 nations of different markets, varying economic developments, and diverse cultures, and is home to nearly 10% of the world's population. ASEAN has expanded 300% since 2001 and is now the second fastest growing economy in Asia, after China and the 7th largest economy in the world, making it one of the most competitive regions in the world today. By 2018, it will be the world's 5th biggest economy, and it is projected to grow to be the world's 4th largest economy by 2030. This is backed by the strong economic growth projected at an average of 5.6% for the next five years, where ASEAN's growth rate will only be marginally behind India and China, and well ahead of other emerging and developed markets.

5. On the ASEAN capital market front, the total ASEAN market capitalisation as a percentage of GDP is approximately 90%, with Singapore having the highest at 238% of GDP. ASEAN's resilience contributed to the region's increased attractiveness among investors in recent years. ASEAN's FDI is 8% of the world's total FDI and more than three quarters of ASEAN's FDI inflow came from outside the region.

6. The region is now becoming more deeply integrated in many ways, especially with the creation of ASEAN Economic Community (AEC) by end of 2015. Challenging as it may be, I think it is in the right direction to build a strong community.

Ladies and Gentlemen.

7. The Malaysian market has seen some growth over the last six years since 2009. The highlights include FTSE Bursa Malaysia Kuala Lumpur Composite Index (or in short FBM KLCI)

growth of 109% supported by market capitalisation growth of 162% and an 84% growth in average daily volume (ADV) trading. In terms of total funds raised, Bursa Malaysia ranked highest in ASEAN with an impressive amount of USD7.4 billion. We are also one of the best performing Bourse's in terms of dividend yield. These indicators have been successful in building confidence amongst the international investment community in Malaysia.

8. From a global competitiveness perspective, in 2014, Malaysia was ranked 6th out of 148 economies for a well-developed and sound financial market, and is also ranked 6th out of 189 economies in the World Bank's Doing Business Report 2014 as one of the best business destinations around the world.

9. At the same time, The Exchange (Bursa Malaysia) has also been commended for its key role in driving better corporate governance culture in Malaysia. This combination of Malaysia's developed market framework with the growth opportunities of an emerging market is a strong proposition for many investors.

Ladies and Gentlemen.

10. In Islamic finance space, Malaysia has developed a comprehensive and sophisticated marketplace and ecosystem, where you can access the integrated sectors of an international Islamic finance services that comprise Islamic banking, takaful and re-takaful, Islamic capital market and money market and Islamic fund management.

11. There are 16 Islamic banks in Malaysia, of which 6 are international, and 12 takaful and 4 re-takaful operators. Whilst the global Islamic banking assets control the big chunk at 80% of the financial assets, the Islamic capital market has continued to register unprecedented growth rates, and has become a significant sector of the overall Islamic finance industry. This is mainly contributed by the take-off of sukuk on the global market and till date, sukuk remains as a preferred funding choice. The global sukuk market had witnessed solid growth as annual issuances almost tripled from USD45 billion in 2011 to USD118.8 billion in 2014¹. For 1Q2015, Malaysia continues to lead the sukuk issuances accounting for 42.3% of global issuances.

12. Malaysian Islamic funds industry has also progressed tremendously in tandem with the global Islamic funds and the industry has demonstrated impressive growth with the Islamic fund size of USD30 billion, representing 17.6% of total fund management industry. There are currently 20 Islamic Fund Management Companies (IFMCs); of which 6 of the top global IFMCs are from Malaysia.

13. Within the space of the Malaysian Islamic Capital Market, Bursa Malaysia is a significant venue to facilitate Islamic capital market activities. Bursa Malaysia is an integrated exchange that offers a good breadth of quality stocks. To-date more than 900 companies are listed on Bursa Malaysia and 671 of them are Shariah-compliant, which makes up 74.3% of the market.

¹ ISRA

Ladies and Gentlemen.

14. The Malaysian market has been growing tremendously with 363% increase in market capitalization since 1997; and to-date Shariah market capitalization makes up 64% of the total market capitalization of USD459 billion.

15. In November 2013, Malaysia revised its Shariah screening methodology, bringing our compliance to be in line with other jurisdictions and to further internationalise the appeal of our marketplace. This step has generated interest, and has boosted trading in Shariah-compliant stocks and overall market capitalisation of the approved Shariah securities on Bursa Malaysia despite the reduced number of qualified stocks.

16. The FTSE Bursa Malaysia Hijrah Shariah is a tradable index which comprises the 30 largest Shariah-compliant companies on the FTSE Bursa Malaysia EMAS Index. The FTSE Bursa Malaysia Hijrah Shariah Index has consistently outperformed the FTSE Bursa Malaysia KLCI growing 38% from 2012 to April 2015. We expect it to continue this growth trajectory in the near future on the back of the continuous growth of Islamic funds. It is also interesting to note that from the list of the top 10 active stocks in 2014 on Bursa Malaysia's Main and ACE markets, every single one of them is Shariah-compliant. With ethical investing and Socially Responsible Investments (SRI) on the rise, the FTSE Bursa Malaysia Hijrah Shariah Index provides an equivalent opportunities for greater demand in Shariah-compliant stocks.

17. Other listed Shariah-compliant products such as Islamic ETFs and Islamic REITs are also viable alternatives for investors with differing risk appetites, and we expect more of such products to gain popularity.

18. In Sukuk market, Malaysia still retain its status as the leader in global sukuk issuance. We have also moved a step further to improve its liquidity by bringing the sukuk trading capability in the secondary market with the launch of exchange traded bonds and sukuk (or ETBS in short) in January 2013, which enables even the global institutional and retail market to invest and trade in high quality sukuk listed on ETBS. We hope to expand this further in the near future for other tradable sukuk to be on exchange platform aside from OTC market.

19. On the commodity trading platform front, Bursa Suq Al-Sila' continues to strengthen its position as the world's first and leading Shariah-compliant commodity trading platform. The 77% growth in ADV trades and the increase of 76% total accumulated commodity trade value in 2014 are strong endorsement of the platform's acceptance by Shariah and growing popularity among traders. The improved trading activity is also an indicative of growing interest in Islamic investing and financing using Murabahah and Tawarruq.

20. In December 2014, Bursa Malaysia has announced the launch of the Environmental, Social and Governance (ESG) Index. The ASEAN's first globally benchmarked FTSE4Good Bursa Malaysia (F4GBM) Index is in line with the Malaysian Prime Minister's vision in Budget 2014. The Index is to measure the performance of companies demonstrating strong

ESG practices, and as part of our support towards ethical finance. It is worth to note that two thirds of the Index constituents are Shariah-compliant.

21. I think I have provided enough evidence of viability and excitement of Bursa Malaysia. I for one believe there is something for everyone on Bursa Malaysia. In April 2014, Bursa Malaysia launched Bursa Marketplace, a first-of-its-kind virtual marketplace that gives a comprehensive view of market information and insights on the Malaysian market. The platform provides alpha factor ratings by S&P, more than 14,000 research reports, ability to follow opinion leaders from the industry and track your portfolio performance. In addition, the platform features a Shariah toggle, which with just a click, filters the entire market to show only Shariah-compliant information.

Ladies and Gentlemen.

22. The solid growth potential in Asia represents one of the most important economic stories in the past decade. Between 2000 and 2013, emerging and developing Asia grew by an average of 7.9%, while the growth in advanced economies averaged just 1.8%². The ASEAN GDP is expected to reach USD3 trillion by 2017³, three times its size in the last decade.

23. Recognising this collective economic potential, ASEAN region would expand to a total of 600 million⁴ strong population. This would lead to rapid urbanisation that can

² IMF (October 2014), KFH Research

³ "ASEAN's rapid economic growth and future potential", opening address of ASEAN Fixed Income Summit (September 2014)

⁴ Invest in ASEAN website

fuel the growth of the Asia and ASEAN regions' economies and massive infrastructure spending. Talk to most global multinational companies today and you will find they already have a plan for capitalising on the ASEAN opportunity.

24. The growth in Asia and ASEAN will also see a surge in the Gen Y population or the millennials entering into the work force that will drive up incomes, whereby ASEAN as a region will be the world's 3rd largest with household income of UDS10,000 or more in 2018, creating a giant middle class that leads to the rise of ASEAN consumer story.

25. We have on the table so many opportunities and possibilities when you see ASEAN as a single market:

- 94 million new urban consumers by 2030
- 250 million consuming class households by 2030
- Third largest travelling consumers in the world
- Fifth largest vehicle consumers in the world

26. And these consumers are rapidly connecting via the power of disruptive technology that will drive connectedness in a region of 600 million consumers. This diversity leads the economy to a wide range of opportunities and an expansive list of possibilities.

Ladies and gentlemen.

27. The growth of global Muslim population coupled with the increase of global high-net-worth individuals have been a factor to the rising demand for Islamic financial services and wealth management; and this growing population has driven

the growth of global Islamic funds for us to tap into. Importantly, the ASEAN region will need to mobilise this funds. It is reported that the savings rate in South East Asia is one of the highest in the world at around 30%⁵.

28. With this increasing fund size, the development of ASEAN economies, the infrastructure needs and cross border activities in trade and finance; the outlook for future demand for ASEAN Islamic finance industry remains bright. It is expected to grow almost double (98%) by 2018 to bridge the demand for Islamic finance and to support the mobilization of funds in South East Asia. This will bring to the question of product innovation to preserve and grow the wealth of the Asian and ASEAN population.

29. What the Exchanges of ASEAN has done so far, Malaysia together with SGX and The Stock Exchange of Thailand had collaborated in developing the ASEAN Exchanges to facilitate more efficient trading across ASEAN. The ASEAN Exchanges was officially launched at the 15th ASEAN Financial Ministers Meeting at Bali, Indonesia on 8th April 2011 with the goal of creating ASEAN as an asset class.

30. The ASEAN Trading Link was established in September 2012, and the ASEAN Post Trade services, an extension to the ASEAN Trading Link went live in August 2014. ASEAN post trade services is the latest initiative to boost visibility, connectivity and ease of access throughout ASEAN. It facilitates participating brokers in the clearing and settlement

⁵ World Bank data (2013)

of their outbound trades executed on the respective participating stock exchanges.

Ladies and Gentlemen.

31. I strongly believe that financial integration among the Asian and ASEAN markets is a vital component to a dynamic and vibrant marketplace. In the case of Malaysia, we have been steadfast in working hand-in-hand with our ASEAN partners to stimulate interest amongst the global investors to invest in Asia and particularly in thriving ASEAN market.

32. Malaysia as the world's largest Islamic finance marketplace strives towards providing the regional and global markets with our comprehensive and sophisticated Shariah-compliant financial instruments. And, I am here today to remind you that the Malaysian market has much to offer. It has a resilient financial system and innovative ecosystem that are open to the world, which can help reinforce your existing financial strategy and a diverse market that means there is something for everyone.

33. In conclusion, I would like to reiterate:

- Population growth will lead to rapid urbanization;
- The surge of millennials will give rise to bigger middle income class; and
- Disruptive technology will drive connectedness of 600 million ASEAN consumers

These will be the main driver of the huge growth potential in Asia, and in particular ASEAN. The expected demographical changes in ASEAN with the enablement by disruptive technology will lead to integration of its market in all aspects including the financial markets with increased focus in Islamic finance.

34. Islamic finance is no more just the domain of Muslim, it has grown to be USD2 trillion industry and continues to facilitate larger fund raising demand due to availability of liquidity that is keen to seek investment that are backed by real underlying and ethical.

35. Malaysia will continue to play its leading role in the future growth of Islamic finance in ASEAN by facilitating cross-border financial activities that will support and spur the growth of its partners in ASEAN.

36. With that, I end my keynote and I wish all of you an insightful day ahead.

Thank you.

Wassalamualaikum warrahmatullahi wabarakatuh.