

Press Clippings

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# Country on solid ground in Islamic finance sector

*Malaysia is uniquely qualified to be a market leader in this sector thanks to the groundwork established 30 years ago by the government*

By ALFEAN HARDY

MALAYSIA has to institute some changes to become an Islamic finance hub, said Standard Chartered Bank Malaysia Bhd director and Islamic banking and bumiputera development division head Azrulnizam Abd Aziz.

He said Malaysia is uniquely qualified to be a market leader in Islamic finance based on the groundwork that the government has put into place over the last 30 years.

"We've seen the momentum built by the government and seen so much growth and achievements over the past three decades," he told *The Malaysian Reserve* in a recent interview.

He said Malaysia has a well-thought out landscape that covered all angles and, most importantly, the government is still pushing the sector.

"We're also a well diversified financial system, which



'We need to be out there and be a global player instead of just being strong in the local market,' says Azrulnizam

has a holistic approach, and the depth of our Islamic financial system is strong.

"Add our strong multi-racial and multi-ethnic co-existence, (and) Malaysia has become a conducive market for sukuk issuers.

"Last year 255 sukus were issued in the country out of the 300 issued globally. So, people are taking the initiatives given out by the government and regulators," he said.

Azrulnizam warned, however, that the country needed to make step changes in a few areas if it wanted to sustain its position in the global Islamic finance sector, given the growing competition from various other markets eager to tap into this burgeoning sector.

According to recent estimates, the Islamic finance market is expected to hit RM9.17 trillion by 2015.

"Clearly, there are a few locations in the world that want to leverage on their existing strengths by offering Islamic finance services," Azrulnizam said.

"Hong Kong, for example, is positioning itself as a gateway to mainland China and would want to offer Islamic financial services to their clients. Singapore and London have also talked about offering Islamic finance services."

"(But) Malaysia is different, because we came out 30 years ago and are well planned.

"We need to be out there and be a global player instead of just being strong in

the local market.

"The country also needs to build up its Islamic bankers (pool) and do more research and development," he added.

Azrulnizam said at stake is the global appetite for Islamic finance products. He said the issue for Islamic finance is not demand but rather supply.

"There's un-met demand out there. Almost all the sukus issued are oversubscribed. Khazanah's third exchangeable sukuk was oversubscribed 10 times," he said.

"This is an indication that investor appetite for Islamic products is very strong and remains strong.

"Investors are looking for good economic papers or products. There's an abundance of liquidity from the Gulf that's looking for good quality papers.

"The biggest source of this demand comes from the pension funds, Islamic fund managers, takaful operators and the like, who need long- and medium-term papers," Azrulnizam said.

**TACKLING YOUR QUERIES:**

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