

Opening Remarks by
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at the
IFSB-IOSCO Roundtable on Disclosure Requirements
for Islamic Capital Market Products
18 September 2012
Securities Commission, Kuala Lumpur, Malaysia

Mr Jaseem Ahmed, Secretary General, Islamic Financial Services Board (IFSB)

Mr. Tajinder Singh, Deputy Secretary-General, International Organization of Securities Commissions (IOSCO)

Distinguished guests, ladies and gentlemen;

A very good morning.

1. Members of the inaugural IFSB-IOSCO Roundtable, and for those who have come from overseas, it is my pleasure to welcome you to Kuala Lumpur this morning. It is certainly a significant moment for us to be able to have this Roundtable which we have been talking about for a while and finally seeing the fruition of the efforts to have this discussion on a subject that is extremely important in the area of Islamic finance. Once again, it is delightful to have such a high level participation at this Roundtable and I am very grateful for your presence today.

2. The topic of today's Roundtable, "Disclosure Requirements for Islamic Capital Markets", is certainly a very timely topic in view of the increasing cross-border transactions and activities that are happening in the Islamic capital market space and particularly against a backdrop of significant growth in the last 10 to 15 years which, by all estimates and projections, look like it is going to be sustaining further. Figures for the last decade, which was about 14% average annual growth in the global Islamic finance industry is

expected to record further expansion in the region of about 10 to 15% for the next five years.

3. In Malaysia, we have been focussing our efforts in terms of developing Islamic finance, and more broadly our own projections of growth in the next phase of the Capital Market Masterplan 2, also show that we will continue a double-digit growth for the Islamic capital market component. Much of the growth projections are to do with efforts at further internationalisation of the Islamic capital market arising from both an expansion of products as well as services, including enhancement of distribution channels, increasing collaboration with various jurisdictions and mutual recognition arrangements that we have in place and of course, greater international trade and investment flows that are likely to characterise the space in the next few years. Therefore, developments in the area of disclosures will be significant in supporting these internationalisation efforts.

Ladies and gentlemen

4. In view of this, and in view of significant developments in the Islamic capital market space globally, there is clearly a strong recognition among stakeholders for more concerted initiatives across jurisdictions to facilitate greater cross-border transactions and activities, while from a regulatory and market stand point ensuring that investors' interests remain well protected, and today's Roundtable has come about from such recognition.
5. You will shortly hear from my colleagues from the Islamic Financial Services Board, Jaseem Ahmed, Secretary General, who will talk about the work that IFSB has done and their own aspirations in terms of what the Roundtable is about, as well as from IOSCO, where IOSCO is represented by the Deputy Secretary General, Tajinder Singh who will also share with us some of the work that IOSCO has done.
6. I would like to make a couple of brief comments in terms of this area, particularly given the Securities Commission's very strong involvement in the Islamic capital market space. In 2004, we chaired the IOSCO's Islamic Capital Market Task Force which produced the first work that IOSCO had done in this area. The Islamic Capital Market Fact Finding Report in 2004, was intended to be an assessment of the landscape with a view to creating dual objectives. Firstly, it was to create awareness in terms of the

developments that were occurring in the Islamic capital market to the wider community of securities regulators and secondly, to be able to assess the application of the IOSCO Objectives and Principles, which are the core principles within which securities regulation worldwide is applied, against Islamic finance.

7. Subsequently, in 2008, IOSCO further looked at the work in this area by having another Report on the Analysis of the Application of IOSCO Objectives and Principles of Securities Regulation for Islamic Securities Products. This was an update of the work that was done earlier. The conclusions from both those work affirmed that the IOSCO Principles are generally applicable, however there are several areas for enhancements among which, are the areas relating to disclosures, for which we hope that this collaboration will provide specific recommendations that can then be incorporated into the body of work that we have on capital markets.
8. The IFSB, equivalently, also is to be commended for the continuous work that they do in this area, as well as specifically in the space of disclosure, where they have issued standards on disclosures to promote transparency and market discipline. Again, this too, provides very specific sets of principles for institutions offering Islamic financial services in making disclosures. So the challenge for us moving forward is to bring these two bodies together and look at what can be done in terms of identifying areas for cross-border activity that will provide a framework for market participants in respect of Islamic capital market regulations as well as disclosures.

Ladies and gentlemen

9. Let me just finish off by mentioning a little about what the Securities Commission does in terms of its own approach, and to bring the discussion closer to the Commission's efforts in this area. We, of course, have a disclosure-based regime operating in the Malaysian capital market. At the same time, the Securities Commission adopts a two-tier approach in respect of the Islamic capital market - the first tier requirements apply to all Islamic capital market products, regardless of whether they are conventional or Islamic, while the second tier addresses requirements specific to Islamic capital market products. This approach is consistent with the findings in the IOSCO Reports which provide that the IOSCO Principles are compatible with and can be applied to the Islamic capital market, with certain additions to address issues specific to it.

10. In this regard, the disclosure requirements and other provisions applicable specifically to Islamic capital market products are either issued as stand-alone guidelines or, in some cases, incorporated into the general guidelines. Either way, the two-tier approach ensures that investors of Islamic capital market products receive the same level of disclosure and protection as those of conventional ones, while at the same time ensuring that there is greater clarity and consistency to market participants.

Conclusion

Ladies and gentlemen,

11. As the Islamic capital market expands and becomes increasingly global, it is important that the issues surrounding investor protection and market integrity are addressed from a cross-jurisdictional perspective. It is therefore hoped that this first formal collaboration between the IFSB and IOSCO, with your participation, will lead towards strengthening disclosure requirements in the areas unique to the Islamic capital market, and contribute to greater growth in the global Islamic finance space.

10. Let me finish by thanking you, once again, for being here. I am deeply appreciative on behalf of the Securities Commission for your presence and to provide your valuable time, your thought leadership and contributions. I hope you have a valuable and useful deliberation during the Roundtable and look forward to your insights during the day.

Thank you very much.