The world in reset: redefining global finance

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As we move forward, this central question remains: how are we to recast and redefine finance, not just to prevent another crisis, but to ensure that it can fulfill its rightful catalytic and socially beneficial role in the broader economy? - Ranjit

The recalibration of finance

At the heart of global financial resilience lies the role of the financial system. Several themes have emerged that need to be addressed to ensure a stable and resilient financial system.

1. **Debt Sustainability**: As the world emerges from the global financial crisis, the sustainability of debt has become a critical issue. Investors and policymakers need to work together to ensure that debt is sustainable and does not lead to future crises.

2. **Regulatory Reforms**: The recent financial crisis highlighted the need for stronger regulations to prevent future crises. Policymakers need to re-examine the existing regulatory frameworks and ensure that they are robust enough to prevent future shocks.

3. **Inclusion and Access**: Access to finance is crucial for economic growth and development. Policymakers need to ensure that all sectors of the economy have access to finance, not just the most profitable segments.

Towards greater inclusiveness

The recalibration of finance should go beyond changes in rules and designs. Rather, it should involve the development of financial architecture that complements the existing financial architecture by offering products and services which are inclusive while continuing to fulfill the investment and financing needs of the real economy.

In the Malaysian context, the SC has focused its efforts in at least two continuous endeavors: first, striving for a balanced approach that ensures sensible and effective oversight while encouraging “positive” innovation, and second, galvanizing the entire capital market ecosystem to play its role in promoting trust and confidence.

To do so, we have emphasized the need for an enabling environment - one that is systematically designed to ensure accessibility and inclusiveness while ensuring the protection of investors, efficiency in intermediation, fair and orderly markets and mitigation of risks.

As companies and investors advance beyond national borders, we continue to meet both their funding and investment needs. We are also developing an ecosystem that provides fundraising opportunities to smaller businesses — the emerging corporate giants.

In line with this, our venture capital industry has seen its fund size increase from RM2.1 billion in 2003 to RM3.7 billion in 2013. Furthermore, the SC recently announced the introduction of MyUlM, a framework for a virtual trading platform for unlisted companies.

From the investors’ perspective, an important milestone in our efforts to expand the array of capital market products is the launch of the Private Retirement Scheme (PRS) in 2012. PRS not only provides an additional source of capital to increase the liquidity and vibrancy of the capital market, but also serves as a saving opportunity for a wider section of the population under a well-supervised and regulated framework.

Another example of our effort on inclusive and sustainable growth is the development of our Islamic wealth management segment, which caters for the requirements of individuals who demand Shariah-based capital market services.

As at 2012, assets under management of Islamic funds stood at about RM60 billion, up from RM48 billion in 2010. This concept of Islamic wealth management covers all customer segments, focusing not only on the accumulation and preservation of wealth, but also on its redistribution, with tax-saving treatments for long-term investments and platforms for inter-generational wealth transfer.

Conclusion

As we move forward, we must not waver from the path of strengthening, and continue to press on with structural reforms for sound financial markets that form the basis of sustainable growth, development and, ultimately, prosperity.

Where there is volatility and ambiguity, we must aim to provide clarity and certainty. Where there is disaffection, we must continue to redesign and build capacity. This means providing a means for people who would otherwise be excluded from the savings process to build up their asset base and gain greater control of their lives.

And in all of this, governments and their agencies must be there to encourage and support participation and innovation - but all stakeholders must also do their part. For ours is also an ecosystem, whose interactions will determine the fortune and indeed the future of our financial markets.