



Keynote Address
Dato' Seri Dr. Awang Adek Hussin
Chairman, Securities Commission Malaysia
at the 5th Islamic Sustainable Finance & Investment Asia Forum
Tuesday 3 October 2023

Key Highlights:

In his keynote address, Dato' Seri Dr. Awang Adek Hussin, Chairman of the Securities Commission Malaysia (SC), stressed the need to address climate change and social inequality. He has called for efforts to capitalise on the close alignment between Shariah principles and sustainability, and to scale up the Islamic capital market.

He reiterated that "Islamic finance and sustainability are not mutually exclusive, but rather complementary aspects of our financial ecosystem."

Here are highlights from his speech:

1. Investing in renewable energy, green infrastructure and social impact initiatives can help the industry meet ESG objectives.
2. He cited figures from the UN SDG 2023 report, about Malaysia's performance:
 - Malaysia ranks 78 out of 166 countries, scoring 69.9%, which is slightly higher than the regional average of 67.2%.
 - 36.6% of Malaysia's SDG targets have been met or are on track, the remaining 63.4% showing limited progress or even worsening.
3. A scalable ICM ecosystem required a facilitative framework and active collaborations among like-minded parties.
4. In 2022, outstanding SRI Bonds and sukuk totaled RM296.84 billion, with SRI Sukuk accounting for RM18 billion. Additionally, 58 SRI funds were issued with 20 of them being Islamic.

5. To bridge the sustainable investments funding gap, he proposed 3 points:
 - Increased awareness on the role of finance in addressing climate issues, with ICM offering a 'win-win' solution.
 - Promote innovation and leverage more on social finance tools to meet the 'S' under the 'ESG', as reflected by waqf initiatives.
 - Broaden the ICM ecosystem to support the transition to net-zero for Micro, Small and Medium Enterprises (MSMEs).
6. Besides currently working on guiding principles focused on Maqasid al-Shariah, the SC is also looking to establish an Islamic social exchange.

Full Speech:

Salutations

Mr. Andrew Morgan and Mr. Andrew Tebbutt from Red Money and Islamic Finance News
Distinguished guests,
Ladies and Gentlemen

Introduction

Assalamu'alaikum warahmatullahi wabarakatuh, and a very good morning.

1. Welcome to the Securities Commission Malaysia and to the 5th Islamic Sustainable Finance & Investment Asia Forum. I would like to thank Islamic Finance News, sponsors and partners for making this forum possible and for inviting me to speak this morning.
2. This forum serves as an important platform for the exchange of ideas and collaboration, and by bringing together diverse perspectives, we can work to advance further the Islamic finance agenda.
3. The World Economic Forum's Global Risks Report this year, highlighted the current state of our global landscape. The "Cost of-living crisis" was identified as the most severe global risk, with a peak expected in the next two years¹. "Goeconomic confrontation"

¹ Global Risks Report 2023, World Economic Forum

and “erosion of social cohesion and societal polarisation”, are among other top 10 risks for the coming decade².

4. As we approach the half-way point of the Paris Accords timeline, the world is still grappling with these multi-faceted issues, all occurring at the same time.
5. But we must not lose sight of our longer-term goals. In September, world leaders at the UN General Assembly unanimously adopted a sweeping Political Declaration, reaffirming their shared commitment to end poverty and hunger. Other areas include combating inequalities and building peaceful societies, that leave no one behind³.
6. Moreover, there is an urgent need for action to address the challenges of climate change and social inequality. The world needs to quickly move to meet the Sustainable Development Goals (SDGs).
7. Towards this end, the finance and investment industry has a unique opportunity to contribute to solutions by directing more capital towards sustainable and inclusive projects.
8. By channelling investments in to renewable energy, green infrastructure and social impact initiatives, the industry can play a crucial role in driving positive change and accelerating progress towards meeting the ESG objectives.

Current State of Sustainability and Potential of ICM

Ladies and gentlemen,

9. Allow me to share some statistics on Malaysia’s performance based on the recently issued UN SDG 2023 report:

² Global Risks Report 2023, World Economic Forum

³ <https://news.un.org/en/story/2023/09/1140857#:~:text=The%20goals%20include%20ending%20extreme,education%20and%20lifelong%20learning%20opportunities.>

- a) Malaysia ranks 78 out of 166 countries, with a country score of 69.9%. This is slightly higher than the regional average of 67.2%⁴.
 - b) Only 36.6% of Malaysia's SDG targets have been met or are on track, with the remaining 63.4% showing limited progress or even worsening.
10. These numbers highlight the critical issues we face and emphasise the need for continuous action.
 11. Perhaps, now is the moment for us to capitalise on the close alignment between Shariah principles and sustainability. As we know, both offers cross-leveraging opportunities to benefit from each other's strengths to better address global sustainability issues.
 12. In the Islamic finance space, we are seeing an increase in the availability of sustainability-related products. This includes the introduction of ESG-Shariah indices and funds, the establishment of the world's first Islamic voluntary carbon market, and a surge in the issuances of sustainability-related sukuk.
 13. This trend highlights the potential for Islamic finance to play a significant role in financing sustainable development projects globally. Therefore, the Islamic capital market (ICM) must be scaled up to meet this challenge.
 14. To do this, it is necessary to build a vibrant and robust ICM ecosystem supported by several key elements, including a **facilitative regulatory framework** and **active collaborations** among like-minded parties.
 15. Facilitative frameworks will help the ICM develop and accelerate innovation in the area of sustainability. Our commitment to the SDGs has remained steadfast. Over the past few years, the SC introduced various key initiatives with Sustainable and Responsible Investment (SRI) as a main focus.

⁴ <https://dashboards.sdginde.org/static/profiles/pdfs/SDR-2023-malaysia.pdf>

16. For example, the SC's Waqf-Featured Fund Framework has been a significant step forward in promoting social finance. This initiative aims to channel *waqf* funds into investments that have a positive impact on society.
17. In terms of active collaborations, Malaysia has benefited from supportive ministries and government agencies, as well as good working relationships with other regulatory bodies regionally, through the ASEAN Capital Market Forum for instance, to build climate resilience and strengthen sustainable finance.
18. Malaysia has also achieved global rankings in sustainability and knowledge, due to a deep pool of talent and experts from the market, academia and Shariah advisers.
19. The SC's commitment to facilitating and regulating sustainable and ethical investment practices in Malaysia, means we are ready to collaborate, guide and support all our stakeholders in this journey.

Notable Sustainability Achievements in the Malaysian ICM

Ladies and gentlemen,

20. These collaborations have indeed helped Malaysia's progress in its sustainability journey. Beginning in 2015 with Khazanah's Sukuk Ihsan issuance, right up to the first fund under the SC's Waqf-Featured Fund framework in 2020, it has helped to mobilise funds to address social and environmental concerns, thereby contributing to the country's SDGs.
21. In between, progress was sustained through continuous efforts to widen and deepen offerings. The world's first green sukuk in 2017 for renewable projects, and Malaysia's Cagamas' inaugural ASEAN Sustainability SRI Sukuk, and Islamic Medium-Term Notes issuance in 2020, have all contributed towards the achievement of multiple SDGs.
22. Last year, outstanding SRI Bonds and sukuk stood at RM296.84 billion, with SRI Sukuk accounting for RM18 billion. In the same year, we also saw 58 SRI funds issued, with 20 of them being Islamic⁵.

⁵ Annual Report 2022, Securities Commission Malaysia

23. Malaysia's regional contribution to the sustainability agenda is also evident. In 2022, Malaysian issuances constituted 24% of the total sustainable sukuk issued under the ASEAN Standards⁶. This makes Malaysia the leading issuer in ASEAN, highlighting our Islamic finance capacity and sustainability commitment in the region.

Moving Forward

Ladies and gentlemen,

24. For us to play a bigger role in becoming an international ICM hub, we must harness Islamic finance's value propositions to meet climate and societal goals.
25. This includes bringing the nation closer to net-zero by 2050⁷ and reducing poverty and inequalities by 2027⁸. Additionally, with developing countries facing a USD 4 trillion funding gap in sustainable investments⁹, we see further opportunities to use Islamic finance and the ICM to bridge this financial gap.
26. I'd like to touch on three ideas of how we can move forward to drive change and address these gaps.
27. **Firstly**, there is a need for greater awareness on the role of finance in addressing climate issues, and how ICM can offer a win-win solution.
28. We need to help people understand that addressing climate change require compromises and looking at things that goes beyond profits. When making financial and investment decisions, we must also consider the people and the planet. Focusing on awareness or educational programs with targeted messages, through traditional and more creative platforms, can certainly help to achieve this.
29. **Secondly**, we should promote innovation in the sustainability segment and leverage more social finance tools to meet the 'S' under the 'ESG'. This is best shown by *waqf*. It

⁶ Annual Report 2022, Securities Commission Malaysia

⁷ <https://theedgemalaysia.com/article/12mp-malaysia-committed-becoming-carbonneutral-nation-2050-says-pm>

⁸ <https://www.nst.com.my/news/nation/2023/09/956918/unga78-what-expect-un-general-assembly-2023>

⁹ <https://news.un.org/en/story/2023/07/1138352>

has a huge amount of potential to support social impact projects, given that the estimated value of Waqf assets is RM1.3 trillion¹⁰ in Malaysia.

30. I encourage the private sector to consider this Islamic structure and look into more ways to infuse social finance in traditional financial instruments, while also leveraging on the existing SRI and SRI-linked frameworks and grants.
31. **Thirdly**, broadening the ICM ecosystem is crucial to better support the transition to net-zero for Micro, Small and Medium Enterprises (MSMEs). As of now, ECF and P2P platforms raised around RM4.4 billion¹¹ benefitting over 7200 MSMEs. MSMEs contribute to a significant portion of the nation's GDP at 37%¹².
32. Moving forward, more needs to be done to broaden the depth and breadth of alternative platforms, to help MSMEs raise capital and transition towards energy efficiency and social change. Last week, the SC signed an MoU with SME-Corp to assist MSME's sustainability transition as well as corporate governance practices¹³.
33. The SC has recently established its Board Committee on Sustainability to underscore our commitment on the sustainability journey.
34. The SC is also currently working on guiding principles focused on *Maqasid al-Shariah*. This will encompass social finance, impact investing, SRI, Islamic funds and wealth management.
35. We are also looking at the possibility of establishing an Islamic social exchange, to further integrate Islamic finance into sustainable development and social finance. We hope this will attract greater interest in these areas in Malaysia, which will lead to more socially beneficial outcomes.

Closing

¹⁰ <https://www.bharian.com.my/rencana/lain-lain/2020/11/752375/pelan-induk-wakaf-nasional-urus-aset-lebih-sistematik>

¹¹ Annual Report 2022, Securities Commission Malaysia

¹² Annual Report 2022, Securities Commission Malaysia

¹³ <https://www.sc.com.my/resources/media/media-release/sc-sme-corp-malaysia-sign-mou-on-capital-market-financing-for-msmes>

Ladies and gentlemen,

36. In closing, I would like to reiterate that Islamic finance and sustainability are not mutually exclusive, but rather complementary aspects of our financial ecosystem.
37. The global demand for responsible stewardship and ethical investment has never been greater, and the Islamic finance community is well-positioned to lead this charge.
38. On that note, I would like to express my appreciation and gratitude to all the distinguished speakers, panelists and attendees here today. I am confident that their contributions will help enrich our understanding and ignite our imagination for a more inclusive and sustainable landscape.
39. To the organisers, sponsors and partners who have made this forum possible, your dedication to promoting Islamic finance is highly commendable, and we look forward to working together in the years to come.
40. Thank you, and I wish you all productive sessions ahead.