

# Islamic Banking in Malaysia thirty years later-lessons and experience for the future

## Slide1 Introduction

Pilgrimage funds for Hajj and the value of Islamic finance and investment

Direct and indirect benefits of Islamic finance practices to social well being

Awareness of Islamic worldview and Islamic perspective to development

Establishment of Islamic bank, Islamic insurance and Islamic University

## Slide 2Emerging Phase

Islamic Banking Act 1983 and Takaful Act 1984

The first Islamic bank established in 1983 and takaful in 1984

Government Investment Certificates 1983 for liquidity

Filled by committed officers from conventional banks and Insurance companies

Conventional laws pertaining to Companies, taxes, land codes, Hire purchase Acts etc

Monetary infrastructure conventional

## Slide 3Developing Phase (1993-20

Listed in main board of stock exchange in 1992 due to monopoly position

Players, instruments and inter- bank markets required in a viable dual banking system

Competition is good for industry and new players allowed under windows approach

Twenty one Islamic financial products offered -and Islamic Inter- bank Money market in 1994

Mudharabahinter bank investment scheme, Islamic interbank cheque clearing system

National Shariah Advisory Council formed to prevent Shariah Non Compliance

Upgrading from windows to subsidiaries as the preferred option of Government

#### Slide 4 Forming phase (2001-2012)

Financial Sector Master Plan 2001

Islamic Financial Services Board established

Full -fledged subsidiaries and the abolishing of windows

Shariah governance framework and two tier Shariah advisory

Shariah Advisory Council of Central Bank as source f reference for adjudication and Arbitration

By the end of this stage, Islamic banking constituted 20% of domestic banking

#### Slide 5 Transforming Stage (2013 onwards)

Islamic Financial Services Act 2013 –Clear definition of duties and liabilities

Six months jail and RM 25 million fine for Shariah non- compliance –Shariah risk and controls

Linking Islamic financial system to National and global Economic systems-mega banks

From conventional mind set to Islamic mind set

Role of boards and their strategies in providing direction for the future

Deposit based or Investment based financing-optimal strategy of players

## Slide 6 Issues for the future

Global competition and role of Islamic banks

Reviewing ethical value proposition of Islamic banking products

Human capital strategies-develop, attract, retain and reward

Shariah scholars as professionals

Board composition and responsibilities

Maqasid beyond instruments and contracts