



ISLAMIC BANKING: MALAYSIA'S PERSPECTIVE

Expert Group Meeting on Islamic Banking and Finance
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Jabatan Perangkaan
MALAYSIA

Department of Statistics Malaysia

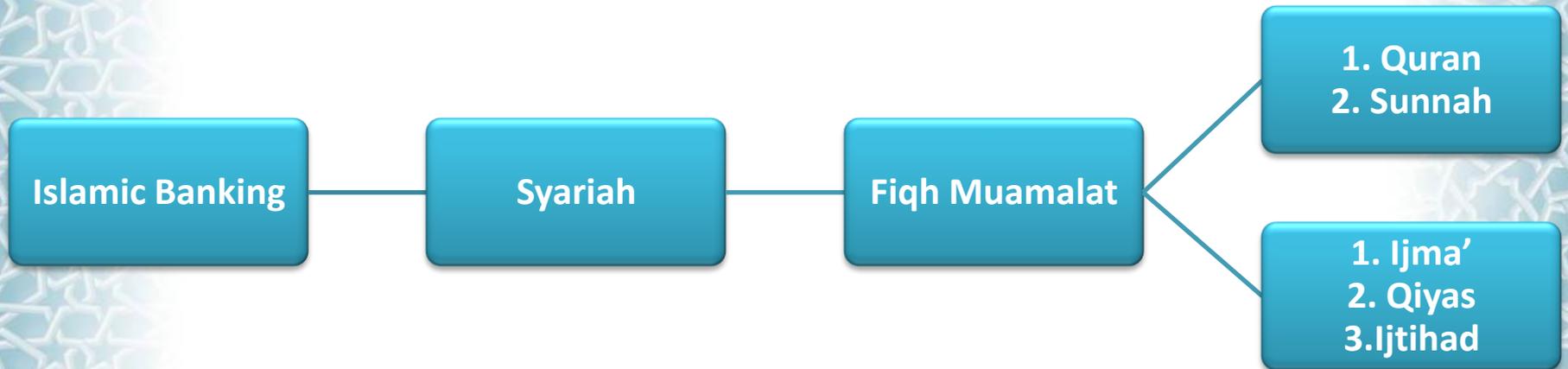
Outline

بِسْمِ اللَّهِ الرَّحْمَنِ الرَّحِيمِ

In the Name of Allah, the Most Merciful, the Most Beneficent

- Introduction
- Development of Islamic banking and finance in Malaysia
- Islamic bank and Takaful value added
- Islamic banking and Takaful statistics
- Conclusion

Islamic Banking



Islamic Banking-Syariah Principle

The Syariah principle are

Free from interest-based (riba')

Free from speculations (gharar)

Free of oppression (zulm)

Zakat

Discouragement of the production of goods and services that are harmful to humankind (ethical business) and contradict the Islamic principles or value ("haram")

Islamic Banking-Quran Verses

Those who consume interest cannot stand [on the Day of Resurrection] except as one stands who is being beaten by Satan into insanity. That is because they say, "Trade is [just] like interest." **But Allah has permitted trade and has forbidden interest.** So whoever has received an admonition from his Lord and desists may have what is past, and his affair rests with Allah . But whoever returns to [dealing in interest or usury] - those are the companions of the Fire; they will abide eternally therein.

Surah Al-Baqarah 275

And whatever you give for interest to increase within the wealth of people will not increase with Allah . But what you give in zakah, desiring the countenance of Allah - those are the multipliers.

Surah Ar-Rum 39

O you who have believed, do not consume usury, doubled and multiplied, but fear Allah that you may be successful.

Surah Aal-e-Imran 130

الَّذِينَ يَأْكُلُونَ الرِّبَا لَا يَقُومُونَ إِلَّا كَمَا يَقُومُ الَّذِي يَتَخَبَّطُهُ
الشَّيْطَانُ مِنَ الْمَسِّ ذَٰلِكَ بِأَنَّهُمْ قَالُوا إِنَّمَا الْبَيْعُ مِثْلُ الرِّبَا وَأَحَلَّ
اللَّهُ الْبَيْعَ وَحَرَّمَ الرِّبَا فَمَنْ جَاءَهُ مَوْعِظَةٌ مِنْ رَبِّهِ فَانْتَهَى فَلَهُ مَا
سَلَفَ وَأَمْرُهُ إِلَى اللَّهِ وَمَنْ عَادَ فَأُولَٰئِكَ أَصْحَابُ النَّارِ هُمْ فِيهَا
خَالِدُونَ ﴿٢٧٥﴾

وَمَا عَاتِبْتُم مِّن رَّبِّ الرِّبَا فِي أَمْوَالِ النَّاسِ فَلَا يَرْبُوا عِنْدَ اللَّهِ وَمَا
عَاتِبْتُم مِّن زَكَاةٍ تُرِيدُونَ وَجْهَ اللَّهِ فَأُولَٰئِكَ هُمُ الْمُضْعِفُونَ ﴿٣٩﴾

يَأَيُّهَا الَّذِينَ ءَامَنُوا لَا تَأْكُلُوا الرِّبَا أَضْعَافًا مُّضَاعَفَةً
وَاتَّقُوا اللَّهَ لَعَلَّكُمْ تُفْلِحُونَ ﴿١٣٠﴾

Islamic Banking Act

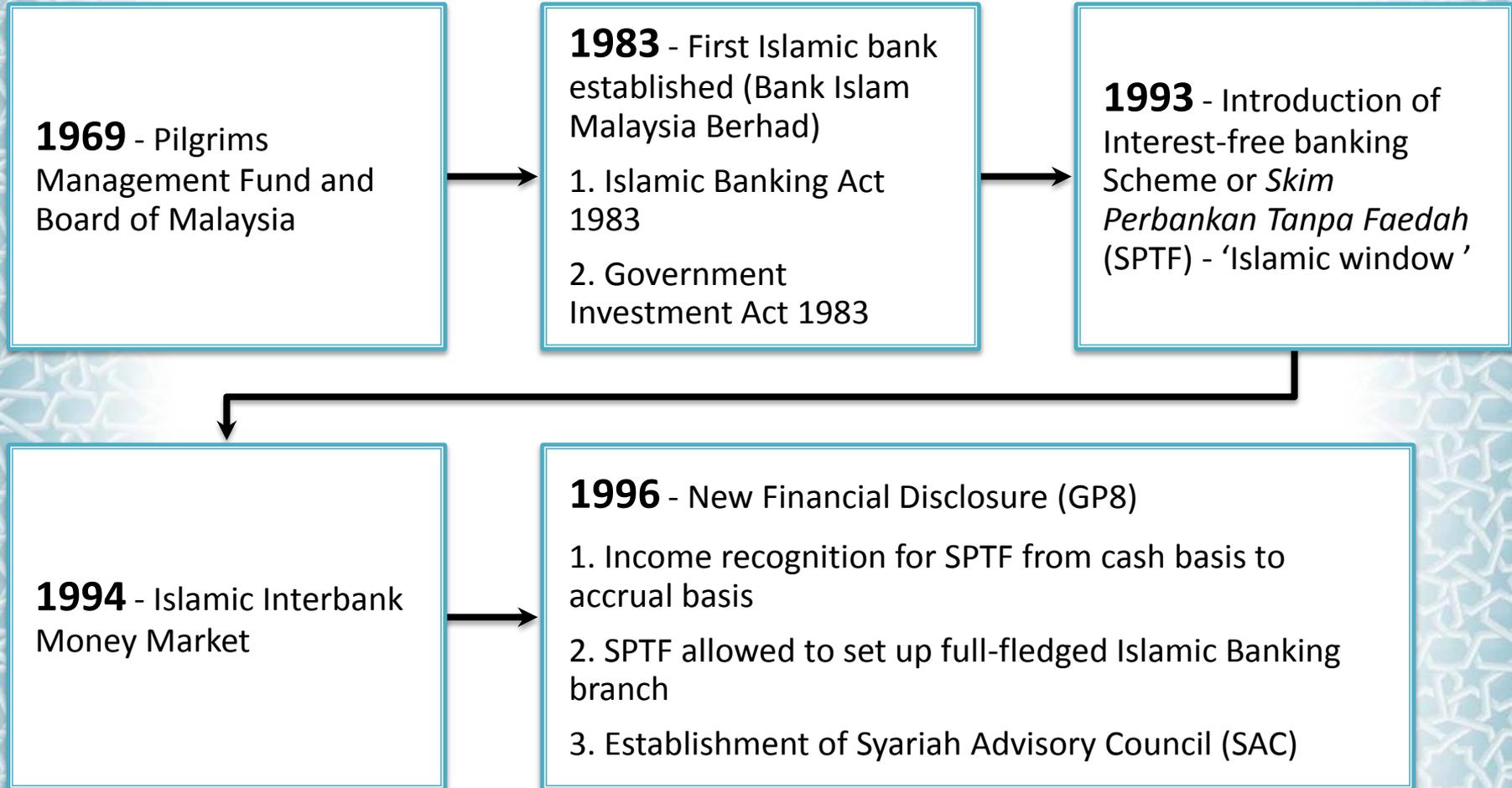
Islamic Banking Act 1983

- “Islamic banking business” means banking business whose aims and operations do not involve any element which is not approved by the Religion of Islam;

Islamic Financial Services Act 2013

- An institution shall at all times ensure that its aims and operations, business, affairs and activities are in compliance with Shariah.

Malaysia Islamic Banking - Development



Malaysia Islamic Banking - Development

1999 - Bank Muamalat Malaysia Berhad started operation as second Islamic bank

2004 – Three licenses issued to foreign Islamic bank:

1. Kuwait Finance House
2. Al-Rajhi Banking & Investment Corporation
3. A consortium of Islamic financial institutions (Qatar Islamic Bank, RUSD Investment Bank Inc. and Global Investment House)

2006

- International Centre for Education in Islamic Finance (INCEIF)
- Malaysia International Islamic Financial Centre (MIFC)

2008 - Issuance International Islamic Banking licenses (IIB)

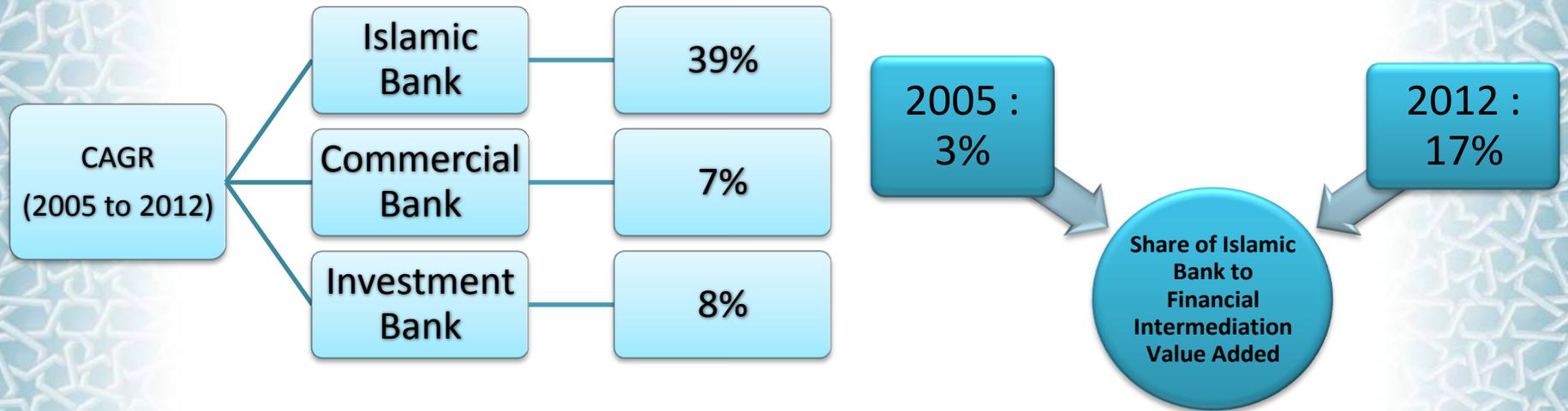
2010 Onwards

- NKEA - National Key Economic Areas
- Blueprint Financial Sector

Islamic Banking-Value added

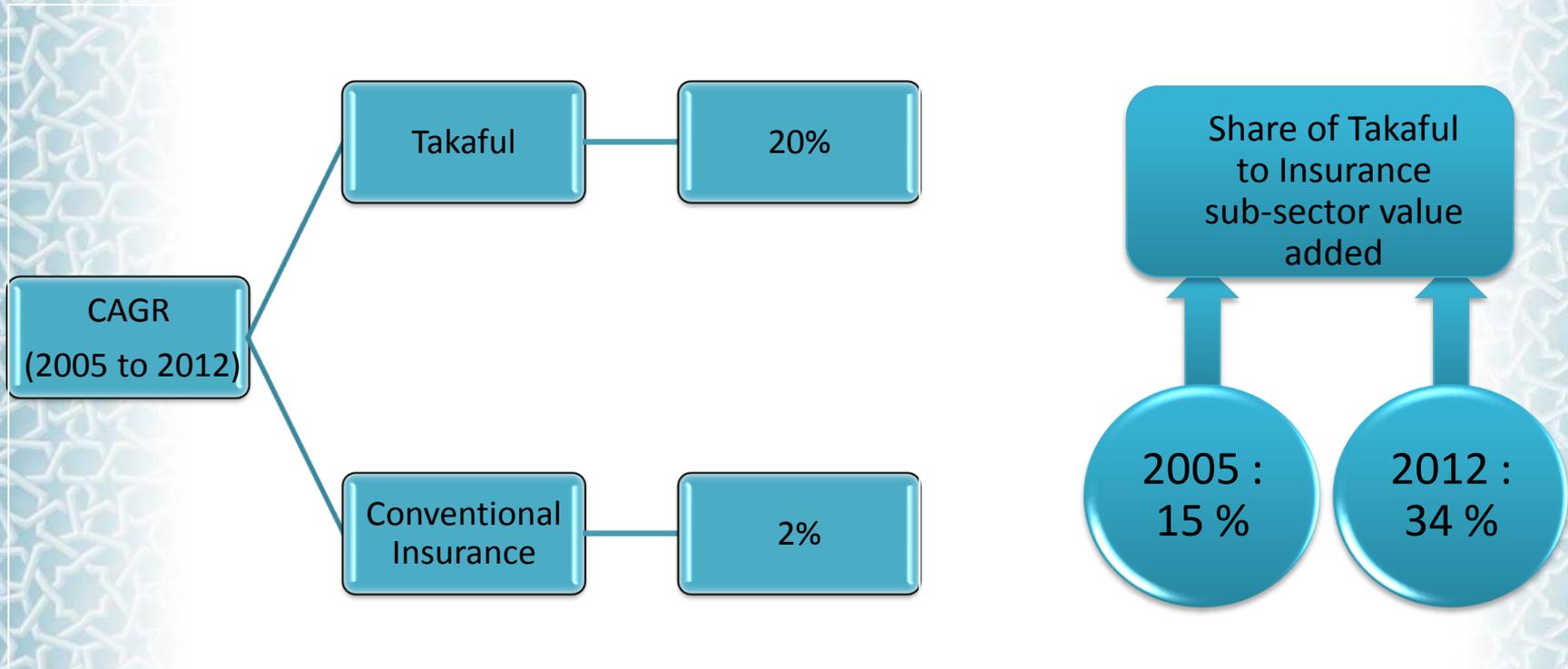
- DOSM as official statistics provider.
- DOSM produce wide range social and economy statistics.
- Compilation of Islamic banking and Takaful value added started in 2000.
- System of National Accounts 2008 recommended use FISIM in estimating output for Financial Intermediation activity.

Islamic Banking-Value added



Based on Constant 2005 prices

Takaful-Value added



Based on Constant 2005 prices

Islamic Capital Market

- Islamic Capital Market activities:
 - Stock broking
 - Unit Trust
 - Other financial activities
- In 2010, MIFC, BNM, SC, Labuan FSA, Bursa Malaysia and DOSM work together in estimate value added Islamic capital market activities .
- Nature of capital market structure in Malaysia, where the same enterprises offering both products.

Islamic Banking Statistics

	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012 ^P
Number of Institutions	47	46	41	43	42	47	54	54	55	56	56
Commercial Bank	35	34	29	27	22	22	22	22	23	25	27
Merchant/Investment Bank	10	10	10	10	10	14	15	15	15	15	13
Islamic Bank	2	2	2	6	10	11	17	17	17	16	16

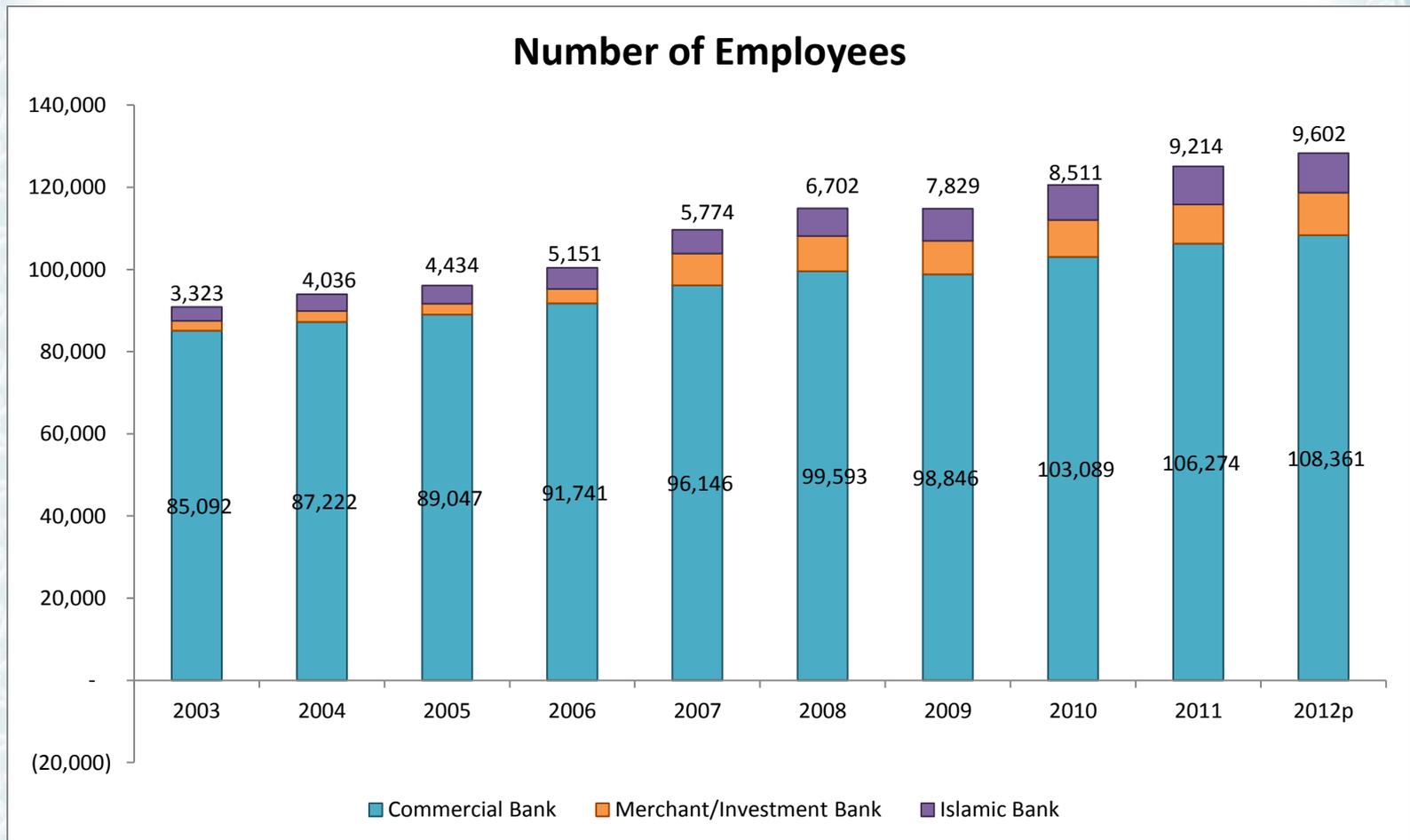
	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012 ^P
Office Network	2,531	2,563	2,429	2,244	2,139	2,245	2,271	2,298	2,312	2,435	2,481
Commercial Bank	2,386	2,414	2,276	2,072	1,952	1,968	1,979	1,999	2,006	2,050	2,056
Merchant/Investment Bank	17	17	17	19	19	120	131	131	133	133	148
Islamic Bank ¹	128	132	136	766	1,167	1,272	2,039	2,087	2,102	2,147	2,171

¹ Includes Islamic bank branches that are shared with conventional bank branches

^P Preliminary

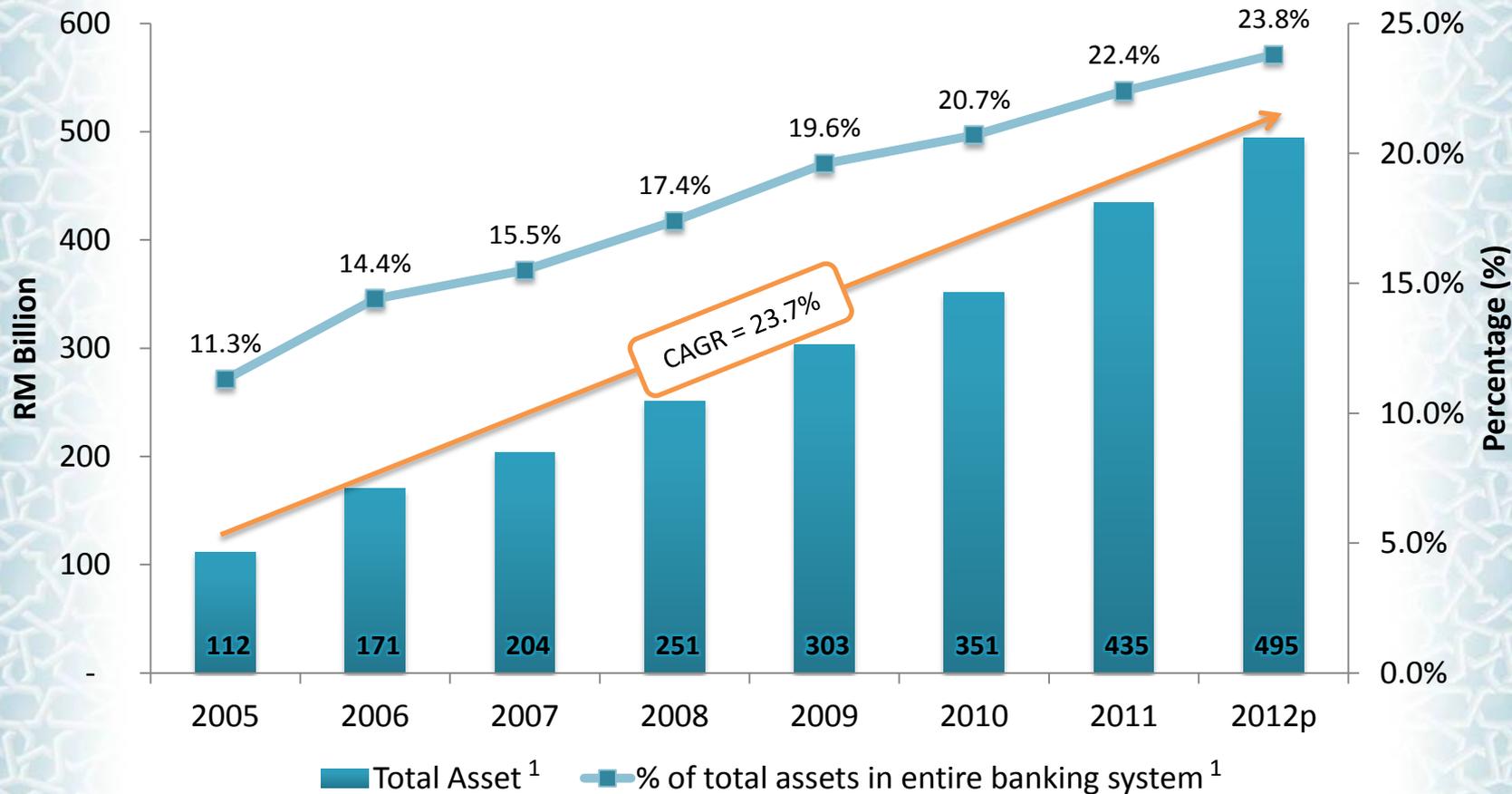
source : Bank Negara Malaysia

Islamic Banking Statistics



source: Bank Negara Malaysia

Islamic Banking Statistics - Asset

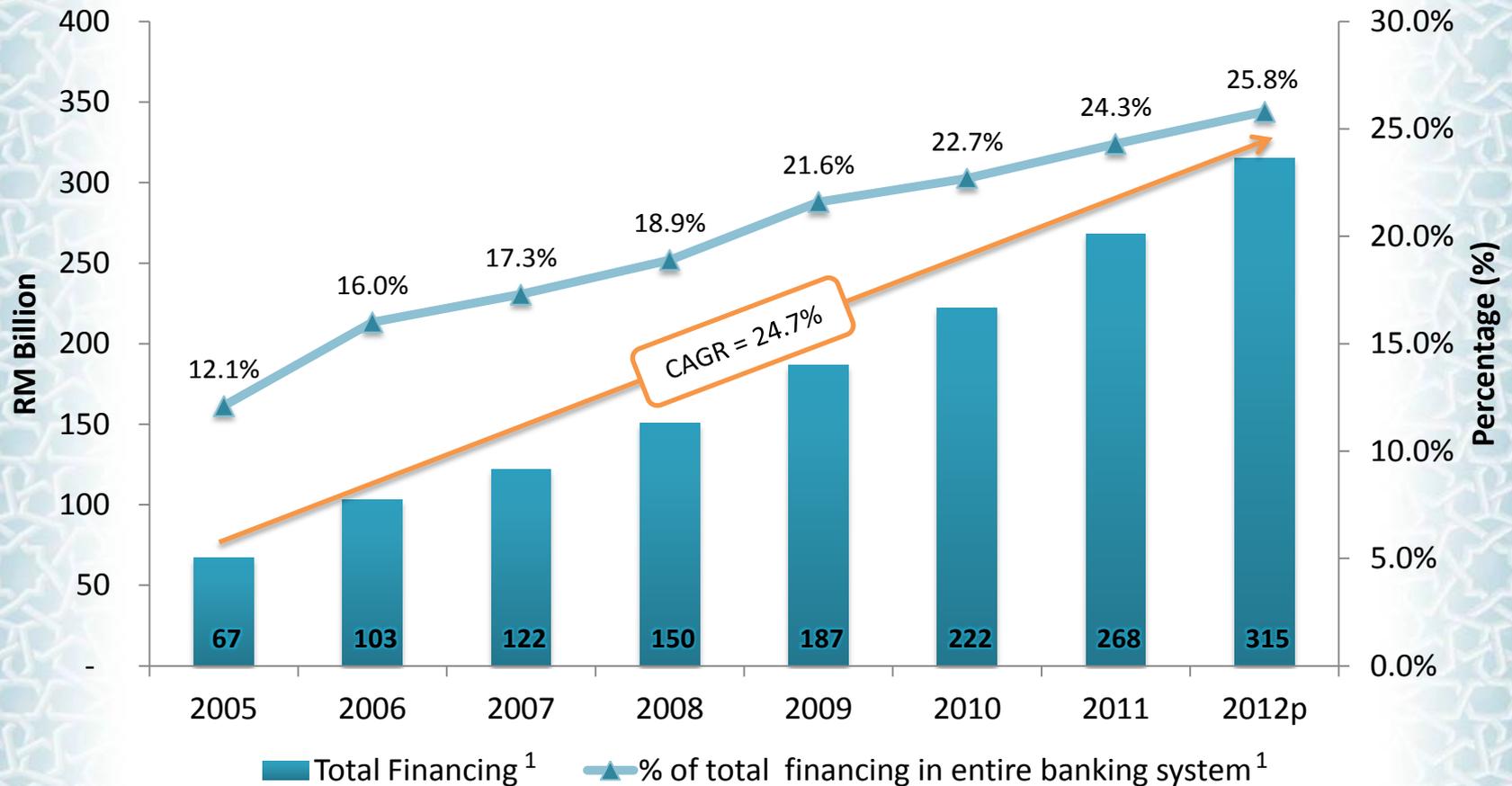


¹ Including development financial institutions under the Development Financial Institutions Act 2002

^p Preliminary

source: Bank Negara Malaysia

Islamic Banking Statistics - Financing

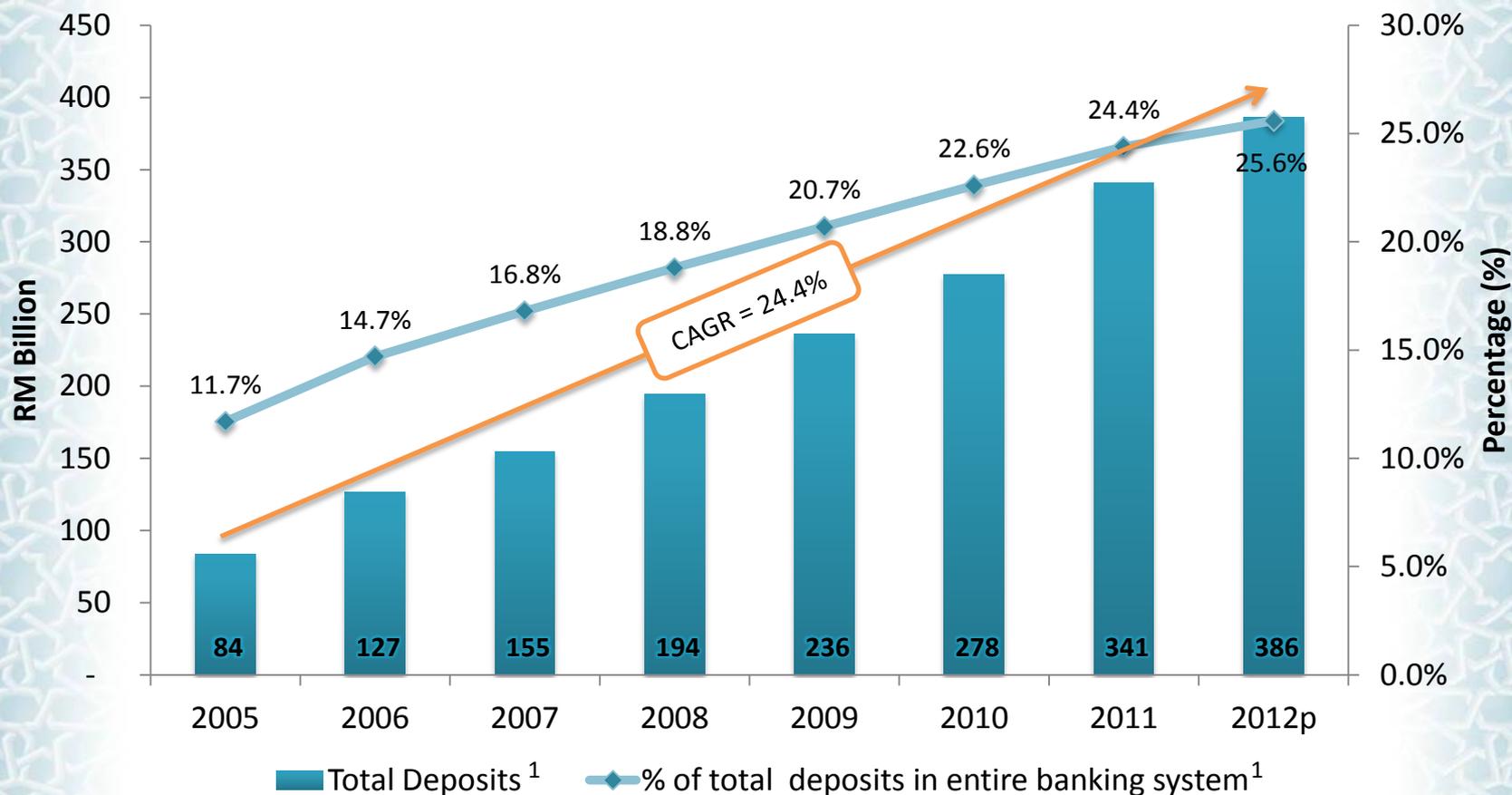


¹ Including development financial institutions under the Development Financial Institutions Act 2002

^p Preliminary

source: Bank Negara Malaysia

Islamic Banking Statistics - Deposits



¹ Including development financial institutions under the Development Financial Institutions Act 2002

^p Preliminary

source: Bank Negara Malaysia

Islamic Banking Statistics

Per-tax Profit	For the Calendar year						
	2006	2007	2008	2009	2010	2011	2012p
	RM million						
Banking System ¹	12,949	17,702	19,170	16,991	22,959	26,196	29,421
Commercial Bank ¹	12,083	15,655	18,489	15,759	22,207	25,095	28,280
Investment bank	866	2,046	681	1,232	752	1,101	1,141
Islamic Bank	1,612	1,894	1,811	2,641	3,199	3,027	4,895

Risk-Weighted Capital Ratio	As at end						
	Ratio						
	2006	2007	2008	2009	2010	2011	2012p
Banking System	13.5	13.2	12.6	15.4	14.8	15.7	15.2
Islamic bank	17.0	15.8	14.0	15.6	15.5	15.0	14.3

¹ Includes Islamic Banks

^p Preliminary

List of Banking Institutions with Islamic Business

Commercial Banks



BNP PARIBAS

citibank

Deutsche Bank



Islamic Banks



Hong Leong
Islamic Bank

AFFIN ISLAMIC

HSBC AMANAH
Islamic Finance for Life

RHB
RHB Islamic Bank Berhad

CIMB ISLAMIC

بيت التمويل الكويتي
Kuwait Finance House



BANK ISLAM



Maybank
Islamic

ALLIANCE ISLAMIC BANK

OCBC Al-Amin

PUBLIC ISLAMIC BANK
WHOLLY-OWNED SUBSIDIARY OF PUBLIC BANK

ASIAN FINANCE BANK

Standard Chartered
saadiq

AmIslamic

Al Rajhi Bank مصرف الراجحي



Investment Banks

ALLIANCE INVESTMENT BANK

Maybank
Investment Bank



AmInvest

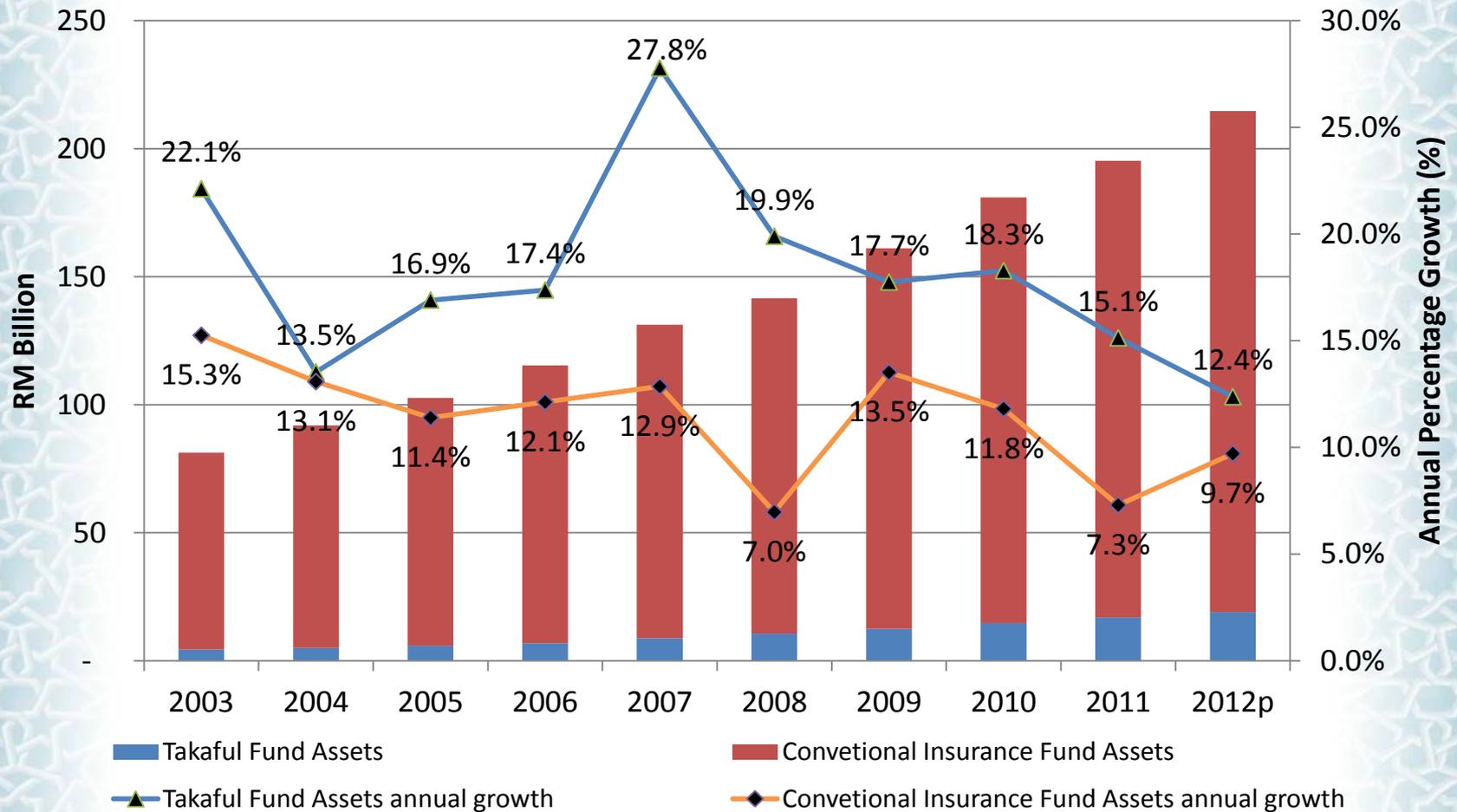
CIMB

midf
AMANAH

KENANGA INVESTMENT BANK BERHAD

KIF
INVESTMENT BANK BERHAD

Islamic Banking Statistics - Takaful and Conventional Insurance



Islamic Banking Statistics - Takaful

	As at end											
	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
No. of Registered Takaful Operator	2	3	4	4	5	8	8	8	8	9	11	12
No. of Agents	6,528	9,191	11,433	14,370	14,059	15,194	43,843	60,197	88,895	74,089	100,308	105,552
Family	5,391	7,227	9,893	11,842	11,781	11,188	32,987	44,222	55,898	42,698	66,338	68,009
General	1,137	1,964	1,540	2,528	2,278	4,006	10,856	15,975	32,997	31,391	33,970	37,543
No. of Office	125	127	132	134	147	151	146	157	104	197	207	231
No. of Employees	1,553	1,716	2,161	2,376	2,670	2,967	2,846	2,411	2,499	2,713	2,846	3,575

Takaful


MAA Takaful


AIA AFG TAKAFUL


AmTakaful
Family


Takaful
IKHLAS


Sun
Life Malaysia


HSBC AMANAH
TAKAFUL


Hong Leong MSIG
Takaful


AIA PUBLIC
TAKAFUL

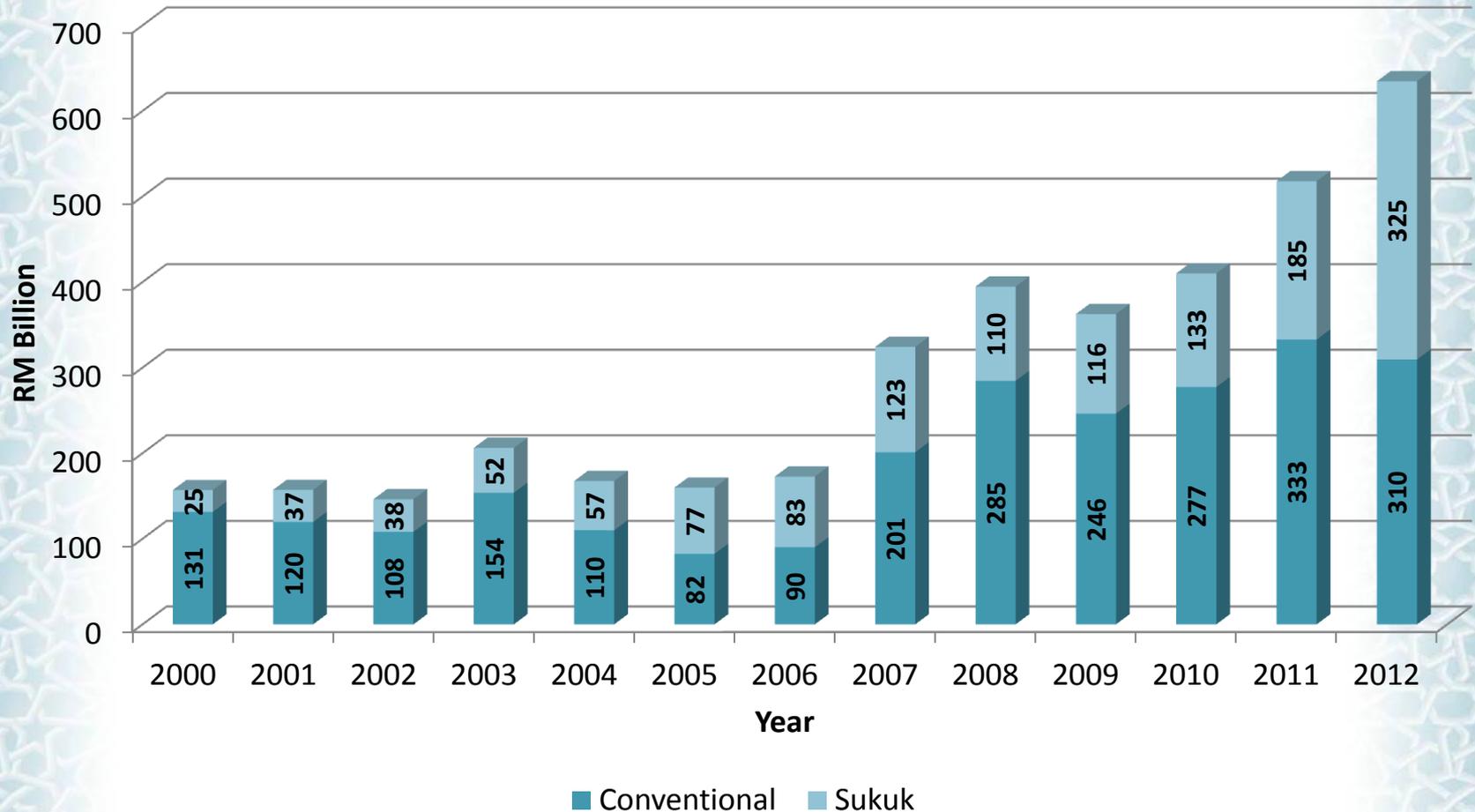

eTiqa
Takaful


Great Eastern
TAKAFUL


PRUDENTIAL BSN
TAKAFUL


TAKAFULmalaysia

Islamic Banking Statistics - Debt Securities Issuance in Malaysia

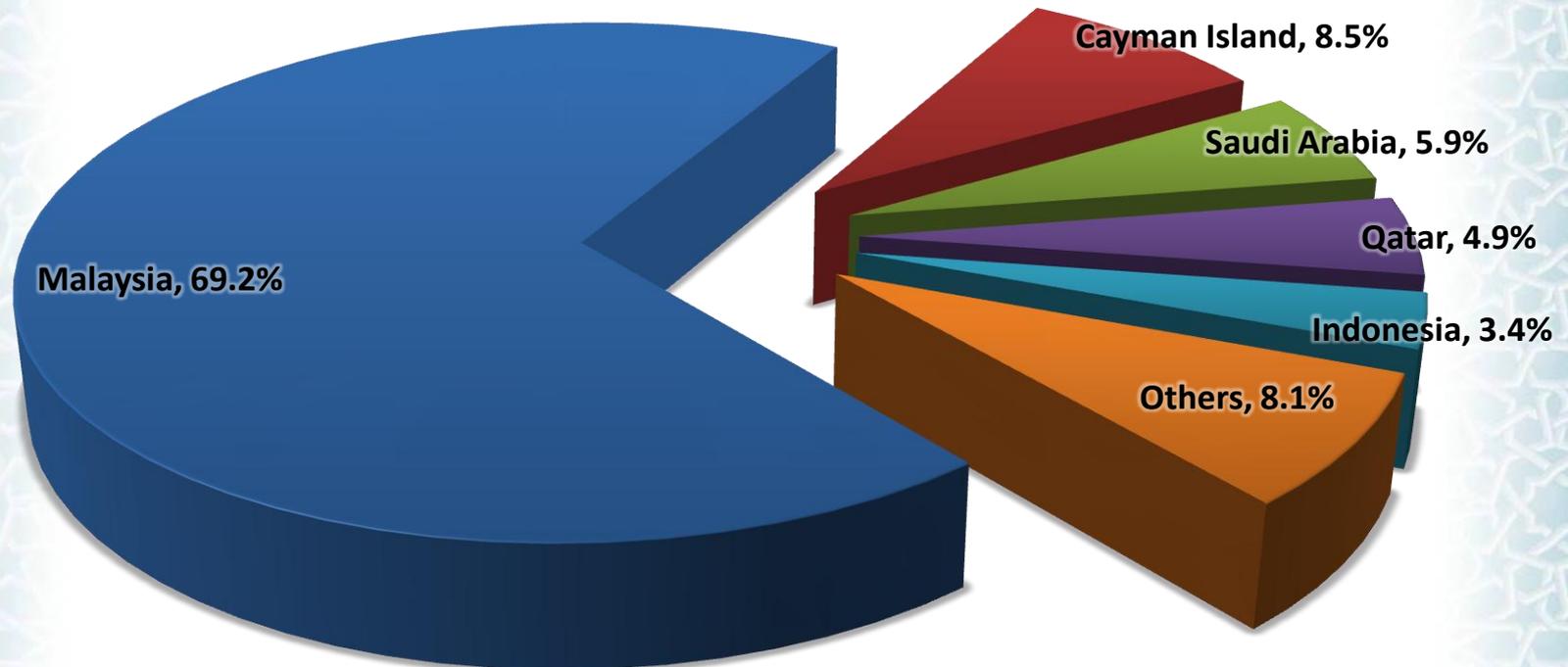


Notes: Refers to those of all tenors, i.e. both short-term and long-term securities listed on FAST, BNM. Reflects nominal value as at time of issue.

source : Bank Negara Malaysia

Sukuk Outstanding

Share of Global Sukuk Outstanding in 2012 by issuer country domicile



US\$279,958 million

Conclusion

- Islamic banking and finance in Malaysia has become one of the most progressive and innovative in providing Islamic banking services and products.
- In line with development in Islamic banking and finance, DOSM from time to time will evaluate the methodology used in compiling the value added in Islamic banking and Islamic capital market.
- DOSM will continue the collaboration with regulators such as BNM, SC, Bursa Malaysia and Labuan FSA in compiling the statistics.
- Moving forward, a universal guideline is needed to make the estimate of Islamic banking and finance more comparable among countries.



Thank You