



SFC-SC Joint Seminar on Islamic Funds Opening remarks

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Colleagues from the Securities Commission Malaysia, ladies and gentlemen. Good morning.

It is with great pleasure that I welcome you all to the first seminar on Islamic funds jointly organised by the Hong Kong Securities and Futures Commission (SFC) and the Securities Commission of Malaysia (SC). We are privileged to have with us today Mr Zainal Izan Zainal Abidin, Executive Director of Islamic Capital Market of the SC, who leads a delegation of Islamic finance experts from Malaysia to share with us their invaluable insights and experience on a wide range of current issues concerning Islamic finance and specifically, Islamic funds.

There is no doubt that Islamic finance is a growth industry and has made tremendous progress. Shariah-compliant funds continue to expand rapidly on a global scale. According to the MIFC Global Islamic Fund Insights issued in December 2013, the global Islamic funds industry has grown from a USD29.2 billion market in 2004 to a USD73.7 billion market as at December 2013. The number of Islamic funds has grown almost four-fold, in the same period. Further, according to AsianInvestor of March this year, the Shariah-compliant assets of the top 50 Islamic fund houses rose by a quarter, representing an increase of 25.6% last year. This significantly outpaces the conventional global AUM growth.

Further developing the Islamic finance market in Hong Kong

Hong Kong is certainly keen to further develop its Islamic finance market. We see Islamic finance as a valuable proposition, one which can contribute towards innovation and diversity in our financial market.

Preparations are already underway to lay the appropriate foundation and structure for a robust Islamic finance market. For instance, in July last year, Hong Kong enacted new tax laws to provide a market-friendly taxation framework for Islamic bonds, or sukuk. Early this year, Hong Kong passed a bill to amend the Loans Ordinance to accommodate the issuance of sukuk under the Government Bond Programme. These initiatives help diversify the range of financial products and services for investors, further promotes the Islamic finance market

Currently, I imagine it would be easy to overlook Hong Kong as a platform for Islamic finance. Indeed, if Hong Kong's standing in the world of Islamic finance is directly proportionate to the availability of halal food in the city: we do have a fair distance to go! We do not have any resident body of Shariah scholars, and there is a lack of natural demand for Islamic products domestically.



That said, Hong Kong has a deep pool of talent and a wealth of expertise in being a strong asset management centre for international investors. Our 2012 Fund Management Activities reached a record high of USD1.6 trillion in 2012. International investors contributed over 60% to this



The SFC authorised the first actively managed Islamic equity fund under the mutual recognition framework in 2012. We are pleased to note that the first actively managed Islamic balanced fund under the mutual recognition framework will be launched today. The SFC will continue to work closely with SC Malaysia, as well as the global Islamic finance

This is only the beginning. We expect more of such products to be introduced in Hong Kong. The synergies between our markets are considerable and we would encourage the Islamic finance community in Malaysia to make full use of the existing mutual recognition framework to bring more of your Islamic funds to Hong Kong. We also encourage international and local fund managers to set up Hong Kong domiciled funds including Islamic funds in Hong Kong.

Other opportunities in Hong Kong

I would like to take this opportunity to highlight some of the other initiatives for the broader asset management market in Hong Kong.

Mutual recognition of funds with Mainland

On mutual recognition of funds with Mainland China, we have reached broad agreement with the relevant Mainland authorities. Once implemented, this arrangement will significantly