

## **Islamic Finance** *news* **ROADSHOW**

# **The Promise of Islamic Finance In Reforming the Global Financial Markets**

**Raja Teh Maimunah**  
**Global Head**  
**Islamic Markets**

**MIFC**  
MALAYSIA INTERNATIONAL  
ISLAMIC FINANCIAL CENTRE

**shaping** MALAYSIA  
**islamic**  
**finance** **together**



## **Contents of Presentation**

- **The Global Economic Crisis**
- **Changes in Global Investment Landscape**
- **What Islamic Finance is Offering?**

## The Western financial crisis led to the current Global Economic Crisis...

It started to in middle of 2007 and continued until now...

US sub-prime mortgage market collapsed

Global stock market fell

Large financial institutions collapsed & been bailed out

Trusts in the system is deteriorating



Federal Takeover by approximately above USD 100 billion



USD 613 billion of debts;  
USD 1 trillion of creditors claims



\$30 billion bailout by US Federal Reserve



Taken over by the US Government backed Bank of America for USD 50 billion



USD 45 billion bailout with risk of financial portfolio worth USD 301 billion



USD 182 billion bailout by US Federal Reserve



\$45 billion bailout

## Among possible contributors...

**Exotic  
securitization**

**Involvement in  
speculative /  
toxic products by  
FIs**

**Naked short-  
selling caused  
dramatic falls in  
share prices**

**Alleged moral  
irresponsibility**

**Goldman  
Sachs**

“Goldman wrongly permitted a client that was betting against the mortgage market to heavily influence which mortgage securities to include in an investment portfolio...”  
*US Securities and Exchange Commission*

Goldman collected about \$15 million in fees and Paulson & Co reaped a \$1 billion profit. The remaining investors lost more than \$1 billion.

*CNN, Financial Times  
& Various Sources*

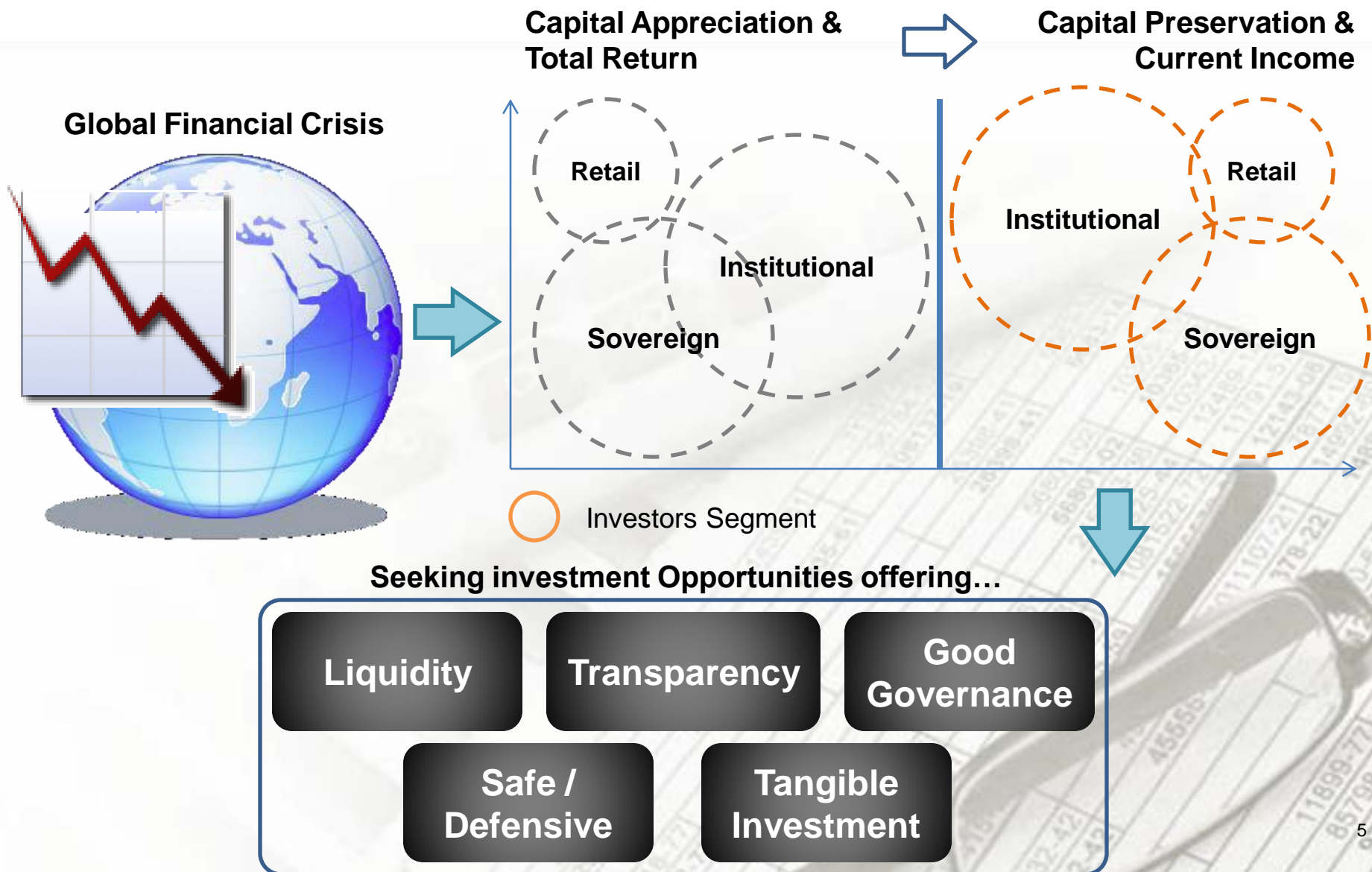


**Merrill Lynch**

Merrill Lynch is accused of paying its staff as much as \$4 billion in bonuses days before it became part of Bank of America

*CNN & Various sources*

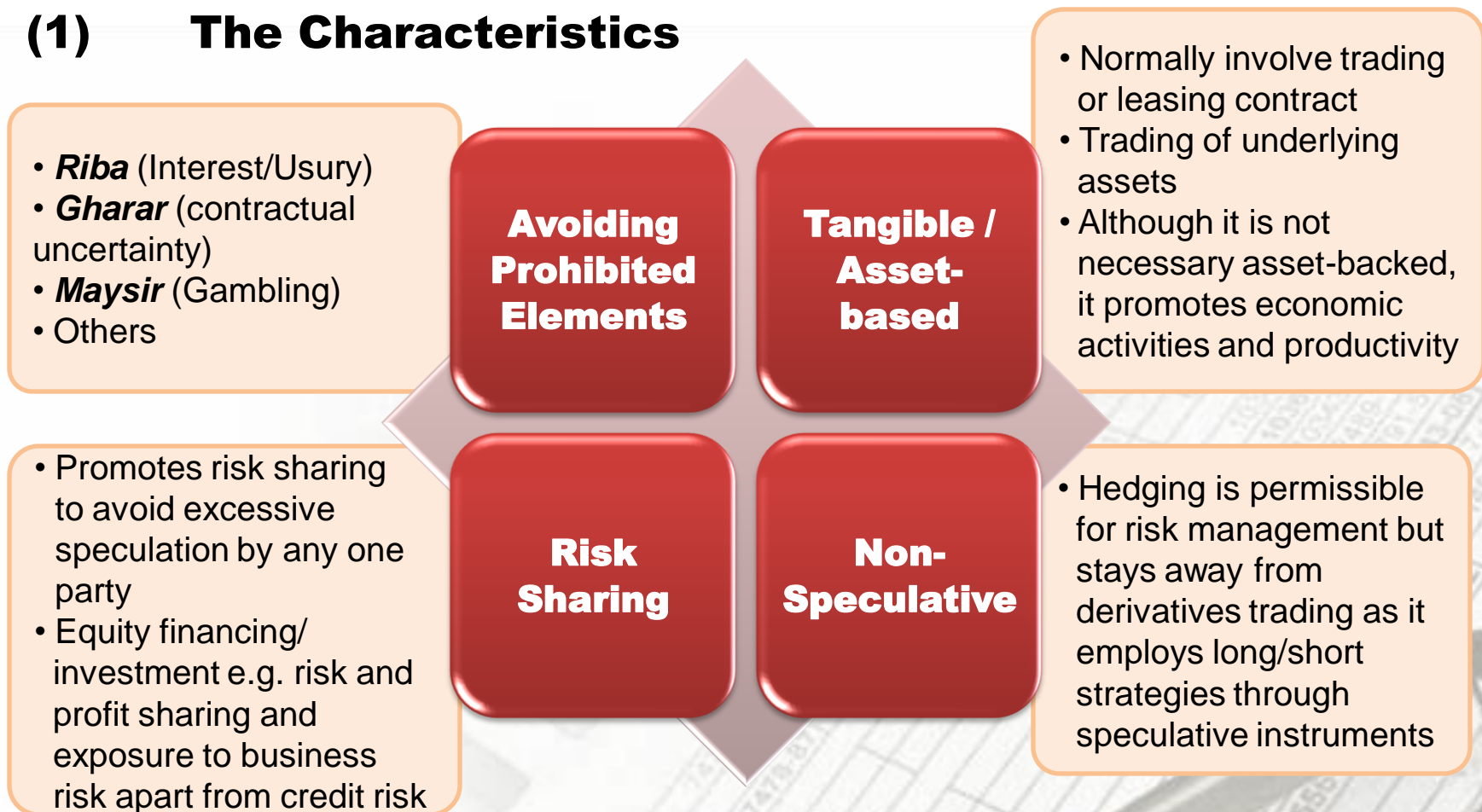
## Changes in Global Investment Landscape...





# What Islamic Finance is Offering?

## (1) The Characteristics



## **What Islamic Finance is Offering?**

### **(2) Advantages to Prospective Issuers and Investors**

**At a niche market, waiting to be tapped**

**Investors**

**Issuers**

**Diversification of  
Asset Class**

**Wider Investor  
base**

**Ethical Investment**

**Open-up market to  
GCC Investors**

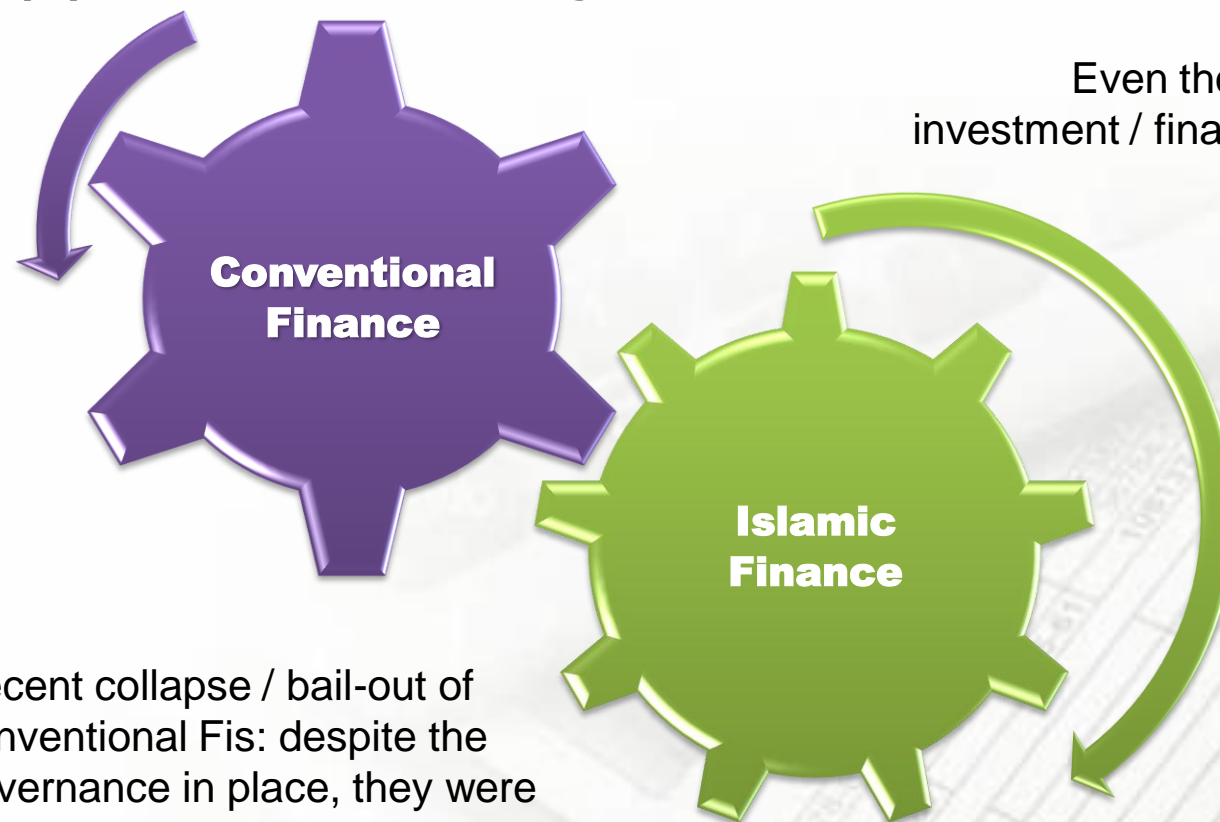
**Tangible  
Investment**

**Prudent financial  
undertaking**

**Investment avenue for Islamic investors**

## What Islamic Finance is Offering?

### (3) Sustainability Approach



Recent collapse / bail-out of conventional Fis: despite the governance in place, they were exposed to excessive risk

Without them being involved in equity-based investment / financing

Even though the Islamic equity-based investment / financing are deemed risky, there are plus points



- IFIs may also participate in management of the underlying venture / investment thus have certain control in profitability achievement
- Loss of IFIs are limited to the capital contributed, IFIs are not exposed to aggravate impact of financial losses as posed by derivative instruments
- IFIs may enjoy greater share of profit sharing



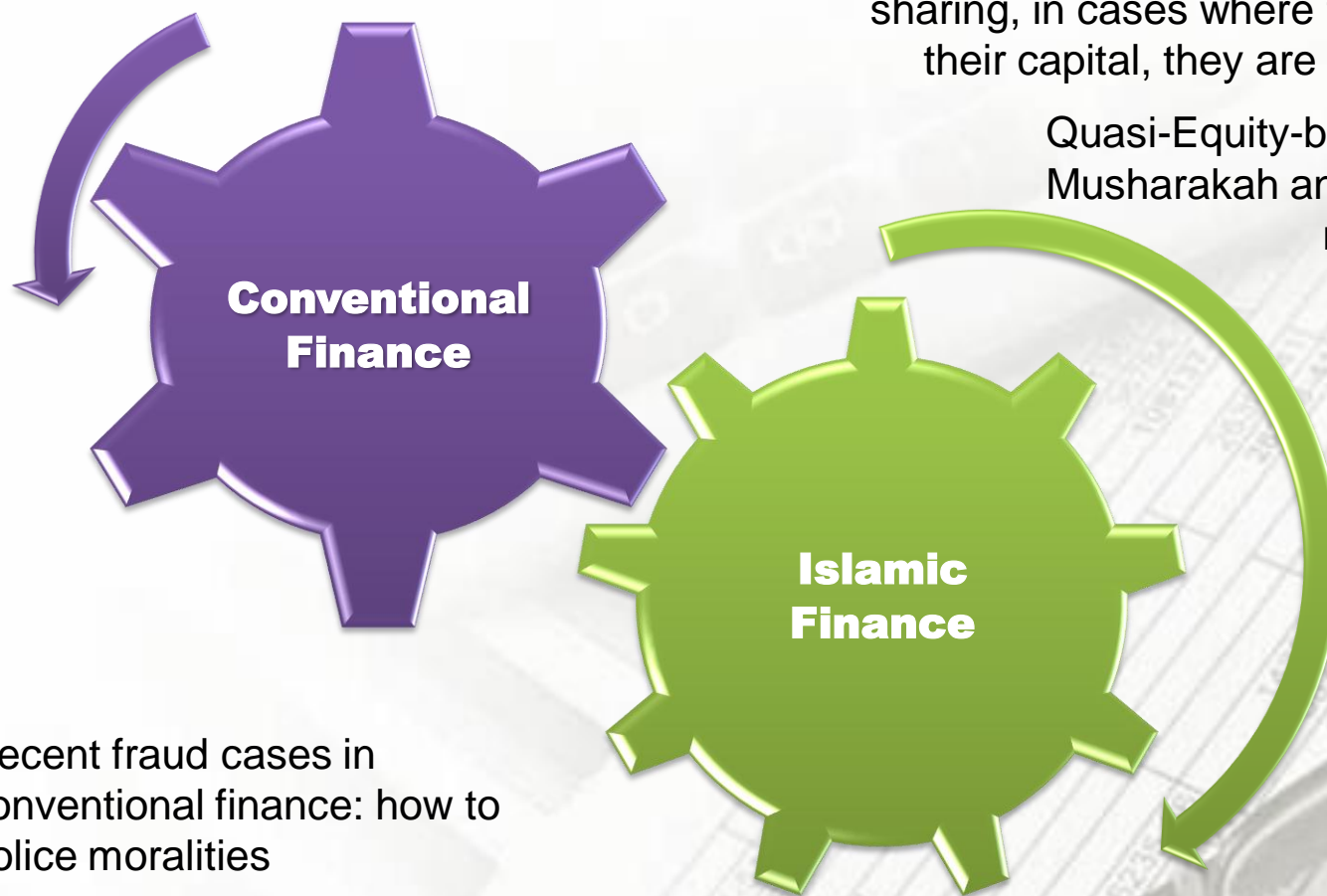
## What Islamic Finance is Offering?

### (3) Sustainability Approach (cont'd)

Islamic finance promotes partnership and profit sharing, in cases where the IFIs are contributing their capital, they are unlikely to commit fraud

Quasi-Equity-based structures such as Musharakah and Mudharabah reduces reliance on debt funding

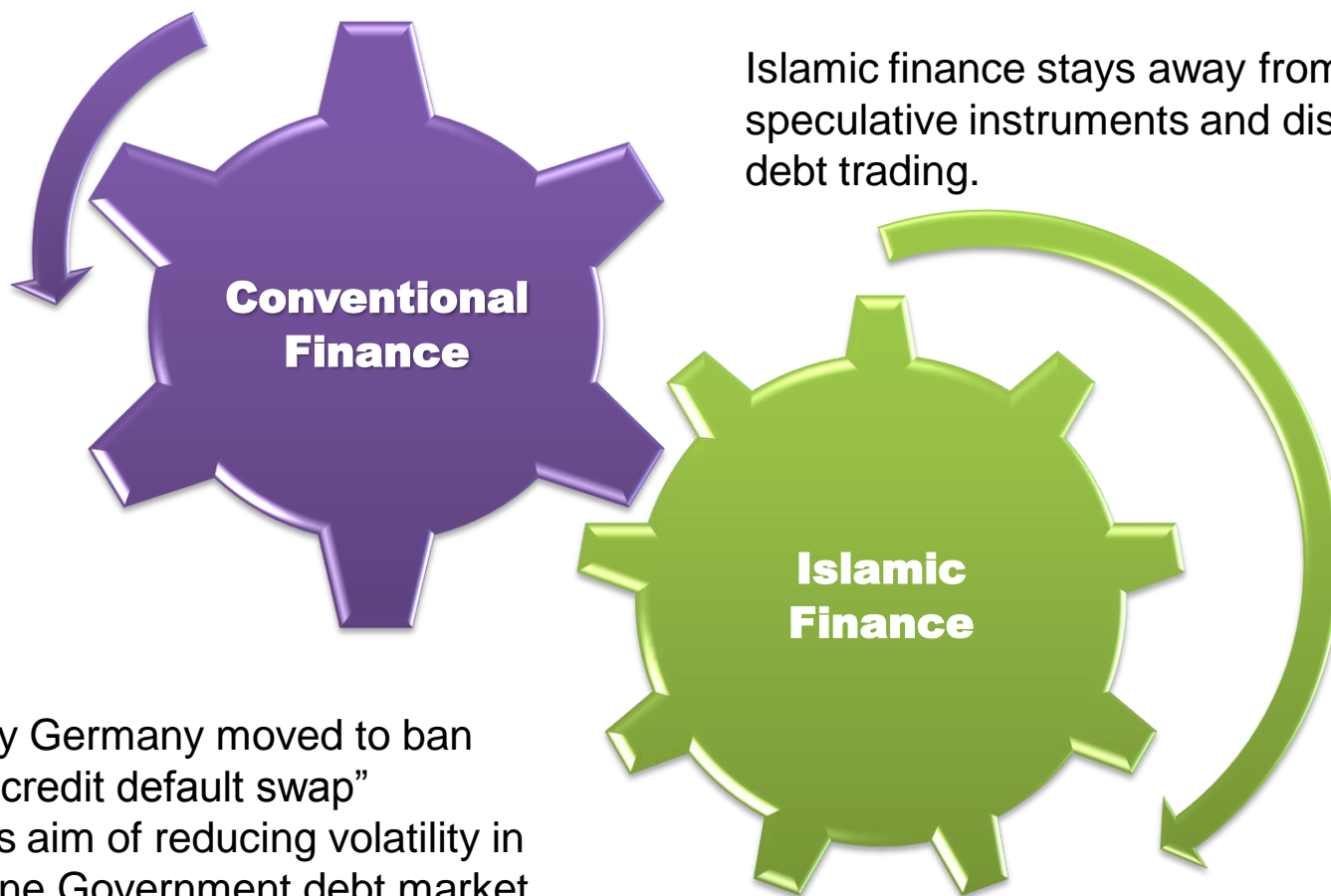
Islamic finance promotes ethical business practices and investment contracts



Recent fraud cases in conventional finance: how to police moralities

## What Islamic Finance is Offering?

### (3) Sustainability Approach (cont'd)



Recently Germany moved to ban “Naked credit default swap” activities aim of reducing volatility in Euro zone Government debt market

# THANK YOU

12<sup>th</sup> Floor, Exchange Square,  
Bukit Kewangan, 50200 Kuala Lumpur  
T: 60 3 2034 7000 F: 60 3 2072 4261  
[www.bursamalaysia.com](http://www.bursamalaysia.com)  
[www.mifc.com](http://www.mifc.com)

---

## DISCLAIMER

**Bursa Malaysia and its Group of Companies (the Company) reserve all proprietary rights to the contents of this Presentation**

**Whilst the company endeavors to ensure that the contents in the presentation booklet are accurate, complete or have been obtained from sources believed by the Company to be accurate and reliable, neither the Company nor the Presenter make any warranty, express or implied, nor assume any legal liability or responsibility for the accuracy, completeness or currency of the contents of this Presentation.**

**In no event shall the Company be liable for any claim, howsoever arising, out of or in relation to this presentation booklet to the recipient of this Presentation booklet and/or any other third party.**