

“ENHANCING THE INFRASTRUCTURE FOR ICM”

Islamic capital market (ICM) has evolved to become an integral component of the global Islamic financial system. The growing significance of ICM has witnessed its increasing role in bridging economies through the mobilisation and channelling of funds to productive investment activities across borders and at the same time providing investment opportunities. A robust financial infrastructure plays an important role in the successful development and growth of ICM in any country or jurisdiction. Therefore, this report is intended to examine four building blocks aimed at strengthening the Islamic financial infrastructure for ICM so as to promote a resilient and efficient Islamic financial system.

1. Legal, Tax & Regulatory Framework

One of the biggest challenges facing the development of ICM are the legal, tax and regulatory framework that originates from the *lex loci* (law of the place) of the respective jurisdictions. These challenges can be in the forms of harmonization of Shariah in the existing legal system, product trading issues, double taxation issues, lack of regulatory frameworks benchmarked against the international standards, etc. Hence, it is imperative to find out the existing legal, tax and regulatory challenges facing the jurisdictions that had adopted and aspires to establish ICM.

Therefore, this section aims to:

- Examine the appropriate legal, tax and regulatory framework for ICM to operate effectively;
- Draw from the experiences of selected jurisdictions with diverse sets of legal, tax and regulatory framework and to form a comparative overview on its impacts; and
- Highlight some observation on how improvement can be made to meet future challenges

2. Shariah Governance

Shariah governance is considered the single important component for ICM as an additional layer added to the existing corporate governance principles. The most significant difference between Shariah governance and corporate governance is that the principles of Shariah corporate governance are derived from the tenets of Islamic law, whereas the principles of corporate governance are derived from the ethical rules perceived through intrinsically derived means.

The effective implementation of the Shariah governance framework will promote stakeholders' confidence and the integrity of the Islamic financial industry thereby reducing Shariah non-compliance risks and contribute towards maintaining financial stability.

Thus, this section aims to:

- Discuss various approaches and models used by the Member States in implementing Shariah governance framework; and
- Identify best practices and encourage harmonisation of Shariah governance practices across jurisdiction.

3. Product & Services

Product and services are one of important factors in the development of capital market. Well-developed capital markets provide avenues for issuers/public listed companies to raise funds and for investors to mobilise their excess funds for investment. Development of Shariah compliant products and services would support cross border ICM businesses and transactions and promote jurisdictional linkages between Member States. Similarly, development of Islamic product such as sukuk plays an integral role in facilitating liquidity management of Islamic financial institutions.

Therefore, this section aims to:

- Gauge the development stage of members' country ICM products and services;
- Identify principles that govern ICM products and services offered by Members' States and highlight issues in offering ICM products and services; and
- Identify possible areas of cooperation and improvements to be made for ICM product and services.

4. Talent Development

The phenomenal growth in Islamic finance globally has created a strong demand for Islamic finance professionals to help develop and drive the industry forward. As the market gears up for further growth, it is imperative that industry leaders, members of the academia and regulators pool their resources to ensure sustainable supply of qualified and skilled talents.

In the efforts to develop and retain talent, this section aims to:

- Provide a platform to Member States for sharing of experiences and develop a general blueprint for the formulation of masterplan for the development of human capital through education, training and research initiatives in Islamic finance in their respective jurisdictions; and
- Identify programmes and certifications focussing on Islamic finance offered by universities, dedicated institutions of higher learning, professional entities, training agencies and industry groups.