

Asia Asset Management

9th Annual Brunei Darussalam Roundtable

Theme: “Building and sustaining growth”

Date: 30 October 2013

OPENING ADDRESS

BISMILLAHIRRAHMAANIRRAHIM

ALHAMDULILLAHI RABBIL ALAMIN

WASSALATU WASSALAMU 'ALA

ASYRAFIL AMBIYA E'WALMURSALEEN,

SAYYIDINA MUHAMMADIN WA'ALA ALIHI

WASAHBIHI AJMAIN

WA BA'ADU

**Mr. Tan Lee Hock, Publisher and Chief Executive Officer, Asia Asset
Management Hong Kong, Co-Chair of the Organising Committee**

**Yang Mulia Dato Paduka Haji Ali bin Apong, Deputy Minister, Prime Minister's
Office**

Members of Autoriti Monetari Brunei Darussalam Board of Directors

Permanent Secretaries

Senior Executives from the Public and Private Sectors

Distinguished Speakers, Panelists and Participants

Ladies and Gentlemen

ASSALAMUALAIKUM WARAH MATULLAHI WABARAKATUH

AND A VERY GOOD MORNING

1. I am delighted to be here with you all this morning for the 9th Annual Brunei Darussalam Roundtable. I would like to take this opportunity to thank the organisers, Asia Asset Management and the Centre for Islamic Banking, Finance and Management for inviting me again this year, to be the Guest of Honour for this prestigious event and to deliver the opening address. I am very pleased to note that the Roundtable has continued to attract interest from both local and international participants. The presence of distinguished guests and speakers today are testament of the high expectations on the opportunities and prospects of the financial services industry in Brunei Darussalam.

2. As one of the highlights of the Roundtable today, we are grateful and privileged to have His Excellency Datuk Ranjit Ajit Singh, Chairman of Securities Commission Malaysia, who took time out of his busy schedule to deliver the keynote presentation. Last week, I understand that the Securities Commission celebrated its 20th anniversary. In this regard, I would like to extend my warmest congratulations to the Securities Commission and we look forward to hear from the Chairman of the SCM on Malaysia's success stories in the development of their securities industry.

3. This Roundtable is one of the major events for the financial industry in Brunei Darussalam, which we hope will provide further impetus to our endeavour in promoting the country as a prominent financial centre in the region. Certainly from our country's perspective, I believe we will greatly benefit from the wealth of knowledge and experience of the panelists and speakers present

today. On the same token, I hope that participants will also immensely benefit from the exchange of views and discussions on the current and pertinent issues affecting the global financial arena. I am confident that the outcomes of discussions today will significantly contribute towards “Building and Sustaining Growth”, the very theme of this Roundtable.

4. The theme is indeed timely and relevant. As we are aware, the global economy is on the road to recovery, however the journey looks certain to be long and patchy. We have observed that the still unresolved fiscal issues in a number of advanced economies remain one of the main threats to global growth. We hope this issue will be addressed quickly and effectively. The continued and prolonged state of uncertainty could result in detrimental consequences for many economies, in particular the developing economies that are dependent on the economic health of the advanced countries. As of now, we are thankful that the generally strong economic fundamentals have contributed to the resilience of most economies in the region. However due to strong interlinkages with the global economy and persistent external pressure, the stable outlook could be exposed to vulnerabilities.
5. In these challenging times, policymakers are increasingly focused on achieving a sustainable growth model based on robust domestic and external demand, while ensuring a stable and strong macroeconomic environment. In this regard, the role of investment to further stimulate economic activities and generate higher employment is crucial for sustainable economic growth. This is especially important to small and open economies like Brunei Darussalam,

which give priority to economic diversification as one of the major long-term growth and development objectives.

Ladies and gentlemen,

6. The financial services sector has always been considered an essential driver of economic growth that facilitates trade and investment. Likewise for Brunei Darussalam, the financial sector on its own and as a facilitator for other sectors, has been identified as a major contributor to the diversification efforts. Based on the current data, the banking and other deposit taking institutions sector contributes about 94% to the financial sector assets, whilst the insurance and takaful sector accounts for 5%, and the capital markets represents not more than 1% of the overall financial assets. In terms of the contribution to GDP over the past few years, the overall financial sector contributes around 4%. This state of condition underlines the pressing need to further develop and diversify the financial services sector, especially in the area of capital markets to complement the banking industry as viable options for long-term financing.
7. Despite the small size of the domestic market, consumers' appetite in Brunei Darussalam for investment instruments has shown promising trend for further expansion of the market. The total mutual fund size in the market, which comprises both Islamic and conventional mutual funds, has risen steadily by almost 20 percent over the last two years to B\$176 million in 2013. Likewise, on the institutional side, the assets under management of licensed investment

advisers have grown substantially over the years from B\$1 billion in 2008 to almost B\$5 billion in 2013.

Ladies and gentlemen,

8. In anticipating the increase in demand, all stakeholders need to fulfil and further strengthen their roles, including the regulatory agency and the market players. I am pleased to share that to facilitate this development, at this stage AMBD's strategies has also focused on establishing and improving the necessary infrastructures as well as strengthening capacity to meet these upcoming challenges.
9. The enactment of the Securities Markets Order (SMO), 2013 as consented by His Majesty the Sultan and Yang Di-Pertuan of Brunei Darussalam in July this year has further strengthened the capital market legal and regulatory framework. The new and comprehensive legislation provides for the regulation and supervision of a broader range of capital market activities and products. In addition, the improved disclosure requirements will result in greater investor protection and increased market confidence. Furthermore, it will also help to raise our regulatory standards in line with the International Organisation of Securities Commissions (IOSCO) standards and best practices.
10. With regards to financial infrastructure, work on the establishment of the national payment and settlement system is well under way. The three key components of this system are the Real-Time Gross Settlement, Automated

Clearing House and Central Securities Depository. The completion of these three components will further enhance the efficiency of the financial sector and greatly contribute to the development and facilitation of the capital markets.

11. At this juncture, I would like to take this opportunity to call upon the continued support and cooperation of all stakeholders in ensuring the smooth implementation of this very important project. I strongly believe that the successful completion of the project will represent another historic milestone in the development of the domestic financial sector, to bring us at par with other jurisdictions.

12. On the sukuk market, AMBD acts as the agent to the Government of His Majesty for the issuance and management of its Sukuk al-Ijarah programme. These sukuk issuances are intended to establish a yield curve and to provide investors with an indication of future rates and economic activity. At present, the sukuks are short tenor and only available in the primary market. Inshaa Allah, the authorities plan to extend the programme to include longer maturities and create a secondary market, in the near future.

13. The establishment of the Centre for Islamic Banking, Finance and Management in 2010, now a subsidiary of AMBD, was an initiative to support our aspiration to develop Brunei Darussalam as a significant player in Islamic financial services. The ultimate long-term objective of CIBFM is to be a centre of excellence in providing professional learning and development solutions in

major disciplines such as banking, finance, insurance, capital market as well as management and professional studies. One of the flagship programmes, the Fiqh Mu'amalat Professional Programme, focuses on bridging the gap between the fields of Shari'ah and finance with the aim of increasing the number of qualified experts in both fields. I am happy to note that these programmes have been receiving strong support and participation from the public sector as well as the industry players.

14. In the efforts to develop our capital market, we are conscious of the need to educate and protect the public at large. Towards this, relevant agencies including AMBD would need to work together in enhancing financial literacy for the benefit of greater segments of society. Much work has been done in this area in many countries. In this respect, we could learn from the experience of other jurisdictions, in particular in the design of a national financial literacy strategy. This would be one of the upcoming initiatives of the authorities.

15. At the same time, to fully benefit from the development in the capital market, our private sector needs to better position themselves by enhancing their corporate governance, transparency and accounting standards. Financial institutions need to be more innovative and offer more viable investment products and services. Professional services, including legal and audit firms, should prepare themselves to provide the necessary support. Other stakeholders, including education and training institutions should take into

account the industry's needs and requirements in the design of their programmes.

Ladies and gentlemen,

16. The ultimate objective of these various initiatives is to elevate Brunei Darussalam to become a premier Islamic financial centre. The country's political and unrivalled macroeconomic stability, strong commitment towards enhancing the ease of doing business, and well-developed physical infrastructures, are just some of the many attributes that make Brunei Darussalam an attractive investment destination. We are working hard to further improve the facilities to create a more conducive business environment. Furthermore, with the nation's impeccable Islamic credentials and a strong philosophy of a Malay Islamic Monarchy, we have tremendous potential to promote Islamic Finance not only nationally but globally. We certainly welcome inputs and comments from you all to help us realise this important objective.

Ladies and gentlemen,

17. Let me conclude by thanking you all for being here. I wish you all a productive discussion and for our overseas guests I hope you have a pleasant and memorable stay in Brunei Darussalam.

وبالله التوفيق والهداية
والسلام عليكم ورحمة الله وبركاته

Thank you.