



Keynote Address By

The Honourable
Pehin Orang Kaya Indera Pahlawan
Dato Seri Setia Haji Suyoi bin Haji Osman
Minister of Development /
Deputy Chairman Autoriti Monetari Brunei Darussalam
Brunei Darussalam

At
The 8th Annual Brunei Roundtable
Global Economic And Financial Markets: A New And Provocative
Perspective

On:
Wednesday, 3rd October 2012

At:
Empire Hotel and Country Club
Brunei Darussalam

At:
8.45 am

Key Discussion Points:

- Introduction and Welcoming
- Insights to the current Global Financial Crisis and its impact
- Important role of Asset Management Companies and Domestic Financial Market [Include financial literacy, economic and financial developments, role of AMBD and current development in AMBD]
- Potential of Islamic Capital Market
- Opportunities in international cooperation

بِسْمِ اللَّهِ الرَّحْمَنِ الرَّحِيمِ

الحمد لله رب العالمين
والصلاة والسلام على أشرف الأنبياء والمرسلين
سيدنا محمد وعلى آله وصحبه أجمعين

Yang Mulia Dato Paduka Haji Ali bin Apong, Deputy Minister
at the Prime Minister's Office and Chairman of Brunei
Economic Development Board;

Yang Mulia Mr Tan Lee Hock, Publisher and Chief Executive
Officer, Asia Asset Management;

Permanent Secretaries, Deputy Permanent Secretaries;

Senior Executives from the Public and Private Sectors;

Distinguished Speakers, Panelists and Participants; Ladies
and Gentlemen

السلام عليكم ورحمة الله وبركاته
and Good Morning

1. First and foremost, allow me to express my sincere thanks and gratitude to Asia Asset Management, for inviting me as the Guest of Honour at this important event and to deliver a keynote address this morning. I am pleased to note that the Annual Brunei Roundtable is in its 8th year and has continued to garner interest and support from both local and international institutions. Let me extend a very warm welcome to all participants especially to our guests from overseas.
2. I trust that this Roundtable will not only provide a platform for knowledge-sharing and interaction on current issues of significance, but also keep us up with the pace of change. It will certainly contribute to the nation's efforts in further developing the domestic financial industry and towards fulfilling our

aspirations to be a key player, both regionally and globally.

Insights to the current Global Financial Crisis and its impact

Ladies and Gentlemen,

3. The current global financial crisis, which initially stemmed from the financial institutions and corporates, had spilled to the real economy, and escalated to sovereign debt crises in some countries. Therefore, the theme of this year's Roundtable could not have been more appropriate considering the unprecedented challenges facing the global financial market today.

4. The global financial crisis has brought about various policy responses including the use of unconventional tools such as quantitative easing to stimulate the

economy; bond-buying programs to keep interest rates low; and austerity measures to improve fiscal conditions. This mix of traditional and non-traditional policy responses have influenced investors' behaviour and shaped the current global financial landscape. These developments have presented both challenges and emerging opportunities which I am sure will be discussed today.

In the context of Brunei Darussalam's economy and financial markets

5. There are many valuable lessons that can be learnt from the global financial crisis. Especially from a central bank's perspective and in the context of Autoriti Monetari Brunei Darussalam, the crisis has reminded us that safeguarding the resilience of our financial system is of paramount importance. This is in line with AMBD's main objective to ensure the stability of the financial system. As a regulator, we

continue to implement sound and prudent regulations and promote good governance. Furthermore, we will ensure that a strong and effective legal framework and a robust financial infrastructure are in place in accordance with international best practices. At the same time, we strive to foster an enabling environment to facilitate and promote business and investments.

6. Fortunately, Brunei Darussalam's economy, remains resilient amidst the global slowdown. The overall economic growth has shown a positive trend over the past few years. Inflation continues to be well contained, and the country's monetary discipline and prudent fiscal policy has enabled it to continue to exercise flexibility in dealing with any potential disruptions to the domestic economic stability. Moreover, this macroeconomic stability coupled with a stable political environment has boosted the

country's image as an attractive destination for investment.

7. The oil and gas sector remains the major contributor to the economy. We have also developed downstream activities to benefit from the abundance of our natural resources. Nonetheless, diversification of the economic base continues to be the nation's main priority. The financial services sector has been identified as one of the drivers for growth. Although its contribution to GDP is still low, the total assets of the financial industry has increased substantially by 70 percent since 2000. The sector has sustained growth with high capitalisation, liquidity and respectable profitability.
8. In supporting the development of the financial sector in Brunei Darussalam, one of AMBD's recent initiatives is the establishment of the Credit Bureau. The Credit

Bureau aims to help the financial industry to significantly improve credit risk management, reduce information gaps and make more informed decisions efficiently. Besides that, it will instil greater financial discipline amongst borrowers so that they maintain good credit history.

9. Another important milestone in ensuring financial system stability was the establishment of a Deposit Protection Scheme in 2011 under the Ministry of Finance. This scheme serves as an addition to the financial safety net currently in place and has helped to keep depositors' confidence. It also puts Brunei Darussalam on par with the financial systems internationally which already have such depositor protection schemes, thereby preventing capital outflow.

Important Role of Asset Management Companies

Ladies and Gentlemen,

10. In line with today's agenda, the shift in capital flows as a result of the financial crisis, has created both opportunities and challenges as mentioned earlier. Emerging economies in this region have demonstrated their resilience by capitalising on the opportunities to further develop and strengthen their capital market including asset management activities. However, the challenge to remain sustainable will depend on the capability to innovate, to be dynamic and efficient as well as to remain competitive.

11. To that end, although Brunei Darussalam is a newcomer in this arena, we are committed to providing a favourable business avenue that will support a strong asset management industry. At the

moment, a number of local and international asset management companies are registered under the Authority. The Authority has taken various efforts to promote this industry. AMBD is in the process of enhancing its legal and regulatory framework and financial infrastructure to cater for a more dynamic and progressive capital market. Amongst others, the establishment of the Payment and Settlement Systems which is fundamental in the development of a well-functioning and efficient financial market will be given top priority. Furthermore, AMBD is finalising the proposed Securities Markets Order which will become the cornerstone of Brunei Darussalam's capital market architecture. This will also benchmark ourselves against international best practices.

Ladies and Gentlemen,

12. Today's investment products are becoming more sophisticated and complex. There is a need to enhance transparency of the new investment products of various asset classes. I would therefore urge participants of this Roundtable, especially financial institutions and regulators, to continue to take on a more active role, particularly in improving financial literacy.

13. By enhancing financial literacy, the general public would be able to make informed and effective decisions pertaining to the nature of the investment product befitting their risk appetite. In this regard, I would like to take this opportunity to remind the general public to be wary of unlicensed and fraudulent financial activities such as pyramid schemes and other get rich quick schemes. I would also strongly advise potential investors to conduct their own due diligence and consult with the Authority regarding the

authenticity of investment operators and schemes before making any investment decisions.

Islamic financial markets

Ladies and Gentlemen,

14. Moving on, Islamic finance has continued to gain importance and recognition in the global financial markets due to strong demand from both Islamic and non-Islamic investors. According to a recent study, total global Islamic financial assets are estimated to amount to USD1.6 trillion by the end of this year, compared to USD150 billion in the 1990s. Yet, despite the strong growth, Islamic financial assets are still relatively modest compared to conventional financial assets. Therefore, there is tremendous potential for growth in Islamic finance.

15. The *sukuk* market has become one of the most significant and vibrant segments in the international Islamic financial system. It has rapidly generated significant cross-border flows, as funds are raised from beyond domestic financial markets and as investors diversify their portfolios into assets from other jurisdictions. In many jurisdictions, continuous efforts are being taken to widen the pool of available and acceptable *sukuk*.

16. Recent figures have shown that the global *sukuk* market continues to grow rapidly by 36 percent year-on-year with more than USD68 billion issued during the first half of 2012. In the case of Brunei Darussalam, the *sukuk* market is dominated by short-term Government issuances. To date, a total of 79 Government *sukuk* have been issued amounting to B\$4.8 billion since its maiden issuance in 2006. This programme aims mainly to act as a catalyst to

promote the development of our domestic capital market.

17. It is the vision of His Majesty the Sultan and Yang Di-Pertuan of Brunei Darussalam to promote the country as an Islamic Financial Hub. Since the first Islamic financial institution was established in the country two decades ago, the progress and penetration has been tremendous. Currently the total assets of Islamic banks represent almost 40 percent of the overall banking industry, reflecting an average growth rate of 21 percent for the past decade. Meanwhile, the Takaful Industry represents 30 percent of the Insurance Industry in Brunei Darussalam.
18. This progress clearly reflects the underlying customers' demand for Islamic products. This significant achievement can be attributed to many factors. The country's impeccable Islamic credentials;

unrivalled political and economic stability; and strategic geographical location in the most dynamic part of Asia; are key attributes that position Brunei Darussalam to ideally pursue its aspirations to become a hub for Islamic Finance. Combined with the presence of huge liquidity and comprehensive regulatory framework, the country also offers excellent physical and administrative infrastructures for conducive Islamic financial activities.

19. I would like to urge industry players to explore the opportunities available in Brunei Darussalam and at the same time, use Brunei Darussalam as a platform to further expand your business regionally.

Closing Remarks

20. In closing, let me once again thank the organisers for the excellent arrangement. I wish you all an insightful and productive discussion through the sharing of experiences among participants. May I also take this opportunity to wish our overseas guests a memorable stay in Brunei Darussalam, “the Abode of Peace”.

وبالله التوفيق والهداية
والسلام عليكم ورحمة الله وبركاته

Thank you.