



Keynote Address

Yang Mulia
Hajah Rokiah binti Haji Badar
Pengarah Urusan
Brunei Darussalam Central Bank (BDCB)

Brunei Islamic Capital Market (BICAM) Conference 2024
Mobilising Islamic Capital Market for Sustainable Development
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The Mulia Hotel, Brunei Darussalam

Bismillah Hir Rahman Nir Rahim

Alhamdulillah Rabbil 'Aalameen, Wassalaatu Wassalaamu 'Alaa Asyrafil Ambiya
E'walmursaleen, Sayyidina Muhammadin Wa'ala Aalihee Wasahbihee Ajma'een, Waba'du

Yang Mulia Puan Hajah Rashidah binti Haji Sabtu and Yang Mulia Puan Hajah Noorrafidah
binti Sulaiman, Deputy Managing Directors of BDCB

Yang Mulia BDCB Executive Management

Yang Mulia Puan Hajah Sufinah binti Haji Sahat, BILIF Chief Executive Officer

Yang Mulia Members of BILIF Board of Directors

Senior Executives from the Public and Private Sectors

INCEIF Representatives

Distinguished Speakers, Panelists and Participants,

Ladies and Gentlemen,

Assalamualaikum Warahmatullahi Wabarakatuh and a very good morning,

1. Firstly, I would like to express my sincere gratitude to the Brunei Institute of Leadership & Islamic Finance (BILIF) and our event partner, the International Centre for Education in Islamic Finance (INCEIF) University, for inviting me to deliver this keynote address and for organising the Brunei Islamic Capital Market Conference (BICAM) 2024. The theme of this year's conference, "Mobilising Islamic Capital Market for Sustainable Development," is not only timely but also critically important. This significant event brings together thought leaders and industry experts to explore the dynamic field of Islamic finance.

2. I would like to begin by highlighting the recently released IFSB Islamic Financial Services Industry Stability Report 2023, which mentioned the Islamic Financial Services Industry grew by 6.2%, reaching USD 3.2 trillion at the end of 2022. The overall Islamic capital market segment, comprising sukuk, Islamic funds, and Islamic equities, is valued at USD 966.3 billion, accounting for 29.8% of global Islamic financial services industry assets. The sukuk sub-segment maintained its dominance within the Islamic Capital Market, registering a year-on-year growth of 7% in 2022, while Islamic funds grew marginally by 1.0% during the same period.
3. These figures underscore the resilience of the Islamic Capital Market amidst global shocks such as the COVID-19 pandemic, geopolitical tensions, and banking crises. However, they also highlighted the need for continued vigilance and proactive measures to ensure the stability and growth of the Islamic Capital Market.
4. This growth trend in the Islamic finance industry mirrors developments in our local market. In 2023, the finance sector in Brunei Darussalam expanded by 37.4%, with Islamic finance contributing 57.2% of the nation's financial market share, totaling BND 13.3 billion by the fourth quarter of 2023. Additionally, Brunei's financial services sector experienced significant growth in Q4 2023, with the overall Gross Value Added (GVA) increasing by 42% to BND 753.5 million in Q4 2022. This impressive growth was driven by notable performances in specific areas, including the banking sector, which surged by 33.9% driven by the high interest and profit rates. Takaful and insurance industry also recorded positive growth of 144.6% to BND 104.1 million, largely due to improved investment income from global interest rate spikes.
5. Despite the global trend of growth, Brunei Darussalam's capital market industry saw a temporary decline of 11.7%, attributed to a decrease in revenue from fund management fees that may reflect the industry's response to market volatility and

evolving client investment strategies. By leveraging our unique strengths and embracing innovative strategies which will undoubtedly be shared in today's conference, we can transform this period into an opportunity for growth and resilience.

6. There is clearly a growing recognition among investors of the unique value proposition offered by Islamic finance and the Islamic capital market. This includes equitable distribution of wealth, ethical investment practices, and fostering societal well-being, all of which inherently align with the global sustainability agenda.
7. For instance, the surging global interest in sukuk is frequently met with oversubscription and competitive selling rates worldwide. As an example, On 4 June 2024, the Central Bank of Bahrain (CBB) announced that its monthly issuance of short-term Islamic leasing bonds, Sukuk Al-Ijarah, received over BD 83.887 million in subscriptions, despite only issuing BD 26 million. This astonishing demand represents an oversubscription rate of 323%.
8. Similarly, on 17 January 2024, the Kuala Lumpur-based International Islamic Liquidity Management Corporation (IILM) auctioned short-term sukuk in three tenors totaling US\$840 million, drawing an oversubscription rate of 2.3 times for its first issuance of the year.
9. In the context of Brunei Darussalam, the nation's capital market industry, with a Gross Value Added of BND 7.9 million as of Q4 2023, also shows immense potential for growth while being governed by robust regulations, including the Securities Markets Order, 2013, and the Securities Markets Regulations, 2015. As of the first week of June 2024, the total Brunei Government Sukuk Al-Ijarah issued stood at BND 17.05 billion, with BND 313.75 million outstanding. The diversity in sukuk maturities, ranging from short-term three-month sukuk to long-term ten-year sukuk, reflects a strategic approach to catering to various institutions' investment horizons and

needs. This diversity enhances market resilience and strengthens the financial sector.

10. Additionally, the introduction of the BDCB Islamic-Bills Programme facilitates liquidity management for banks and diversifies the money market instruments available. Since its maiden offering, BDCB has issued BND 4.433 billion worth of short-term BDCB I-Bills, with total outstanding holdings standing at BND 74.5 million as of first week of the month.
11. These developments highlight the dynamic nature of Brunei's financial services sector. While the banking and takaful/insurance sectors demonstrate robust growth, the capital market presents an opportunity for innovation and improvement. By leveraging the positive trends in the Islamic financial sector, Brunei can further enhance its financial market, catering to diverse investor preferences and ensuring balanced growth across all sectors of the financial sector industry.
12. In support of the national agenda for transitioning towards low carbon and climate resilient pathways for a sustainable future, BDCB is steadfast in its commitment to fostering the development of sustainable finance. One of the key initiatives is the formulation of the strategic framework to guide the financial sector's transition towards sustainability and climate resilience. This framework seeks to improve the management of sustainability-related risks and promote corporate sustainability practices through regulatory instruments, international collaboration, human capacity development, and enhanced data availability.
13. On a regional level, Brunei Darussalam, through BDCB, is actively supporting ASEAN's commitment to sustainability. The ASEAN Capital Market Forum (ACMF) has issued the Roadmap for ASEAN Sustainable Capital Markets and various ASEAN Standards, including Bond Standards for Green, Social, Sustainable, and Sustainability-linked bonds. Despite these comprehensive standards, we have yet

to see their full utilisation in Brunei Darussalam. I urge the local financial industry to seize this opportunity to explore sustainable capital market products, tapping into the more than USD 48 million of ASEAN-labelled bonds issued across the region accumulated since 2016 to date.

14. BDCB is also driving sustainable finance initiatives within ASEAN. BDCB has been appointed as Chair of the ASEAN Taxonomy Board for Sustainable Finance (ATB) since April 2021, lending a hand to drive the development three versions of the ASEAN Taxonomy. This taxonomy provides financial institutions with clarity and confidence to fund sustainable projects and harmonises sustainable finance practices across the region. Additionally, BDCB joined the Single Access Point for ESG Data (in short, SAFE) Community Leadership Committee to develop the SAFE Platform, promoting sustainable finance in ASEAN by supporting sustainability-related disclosures.
15. Through these initiatives, BDCB solidifies its role in advancing sustainable finance, ensuring the financial sector drives economic growth while fostering environmental and social well-being, aligning with Brunei's commitment to sustainable development and global sustainability objectives.
16. I'd like to underscore the immense potential of the Islamic finance industry, particularly the Islamic Capital Market, to significantly bolster our nation's economy. It's imperative for the industry to embrace boldness and innovation in applying Islamic finance principles to tackle challenges and sustainably achieve our national goals. A stellar illustration of this ethos is Indonesia's groundbreaking issuance of the Blue Sukuk used to finance projects such as marine conservation efforts, sustainable fisheries, renewable energy projects in marine environments, coastal infrastructure development, and other initiatives aimed at preserving and enhancing the health of the oceans. Indonesia's groundbreaking innovation has successfully raised a substantial JPY 20.7 billion (US\$150 million) in the Japanese debt capital market,

significantly advancing the sustainable utilization of marine ecosystems. This achievement has been pivotal in helping Indonesia bridge its financing gap for the SDGs, which is projected to reach US\$1 trillion by 2030.

17. Furthermore, in the pursuit of innovation and advancement, we must not overlook the pivotal role of technology. While the integration of technology into Islamic finance has been gradual, we cannot ignore its transformative potential in expanding the industry's reach and efficiency. An exemplary case lies in the intersection of Islamic finance and blockchain technology, offering a promising pathway to unlock the vast potential of the Waqf sector in advancing Sustainable Development Goals (SDGs). Collaborative endeavors between esteemed global entities like UNDP and Waqf boards are propelling initiatives to seamlessly integrate blockchain technology into Waqf management systems.

18. Extending beyond the Waqf sector, blockchain's fundamental principles of decentralisation and immutability harbor transformative potential across various domains. By circumventing intermediaries and enabling peer-to-peer transactions, blockchain streamlines financial processes, driving efficiency and reducing costs. Its transparent and tamper-proof nature makes it an indispensable tool for governance, identification, and record-keeping.

19. In addition to its myriad applications in Waqf management, blockchain technology holds promise for addressing a wide spectrum of socio-economic challenges in regions like Asia-Pacific. From fostering financial inclusion to modernising land registry and optimizing supply chain management, blockchain offers innovative solutions that can catalyse sustainable development and uplift millions across the region.

20. As we confront emerging challenges such as cyber-resilience, FinTech, and climate change, collaboration becomes paramount. By working hand in hand with market

participants, regulators, and stakeholders, we can develop holistic solutions that address these challenges while advancing sustainable development goals.

21. Focusing on sustainable development is not solely about economic growth. It is about creating a future where our economic activities do not compromise the ability of future generations to meet their needs. It is about ensuring that our progress today does not come at the expense of our environment or social equity.
22. By leveraging on our robust regulatory frameworks, fostering regional collaborations, and maintaining our unwavering commitment to sustainability, Brunei Darussalam can drive meaningful progress and position itself as a leader in the global financial landscape. Our dedication to these principles not only supports our national economic goals but also aligns with the broader objectives of sustainable development.
23. In closing, I wish you all a productive and insightful two-day conference and may the discussions and endeavours be blessed and considered as good deeds under Allah's guidance, Insya'Allah. May this conference bring a wealth of knowledge and innovative ideas to all of us, fostering collaboration and progress towards our shared goals.

I look forward to the fruitful discussions and collaborations that will emerge from this conference.

Wabillahi Taufik Walhidayah

Wassalamualaikum Warahmatullahi Wabarakatuh