

APFF

Asia-Pacific Financial Forum

Document: AGFSCB 36-016

Draft: **FIRST**

Date: 15 April 2016

Source: ABAC Malaysia

Meeting: Port Moresby, Papua New Guinea

Workshop on Developing an Islamic Infrastructure Investment Platform (I3P)



Workshop on Developing an Islamic Infrastructure Investment Platform (I3P)

Sasana Kijang, Kuala Lumpur, Malaysia

Economies in Asia and the Pacific will need to invest about \$8 trillion in infrastructure over the present decade to fully realize the region's potential for inclusive growth, according to ADB estimates. In addition to Public-Private Partnerships (PPPs), Islamic finance has significant potential to meet long-term funding needs for infrastructure projects, which are suitable for its asset-based and risk-sharing nature. The global Islamic capital market has been growing in size and depth across jurisdictions, with a combined market capitalization of over \$21.5 trillion spread across 70 jurisdictions now covered by the Dow Jones Islamic Market indices.

At the 2015 APEC Finance Ministers' Meeting hosted by the Philippines in Cebu, one of the ideas discussed between ministers and the private sector during their dialogue was the development of an Islamic Infrastructure Investment Platform (I3P), in order to facilitate the mobilization of capital in Islamic institutions to fund infrastructure across the region. Following this meeting, the government of Brunei hosted a workshop with the APEC Business Advisory Council in October 2015. Following were the key conclusions of this workshop:

- Efforts being undertaken by APEC and other fora and institutions to promote bankable infrastructure projects should be intensified.
- There is a need to promote a definition of infrastructure that reflects the fact that it is a real asset and its natural compatibility with Islamic finance.
- To expand investment opportunities, governments should be encouraged to promote conventional projects that are designed to be Shariah-compliant from the very beginning, as well as Islamic infrastructure funds designed to finance both Islamic and qualifying conventional projects.
- Next steps should focus on collaboration to (i) develop commonly accepted definitions of Shariah-compliant infrastructure projects and financial instruments; (ii) develop Islamic hedging instruments; (iii) develop instruments to allow Islamic long-term financial institutions to invest in infrastructure; (iv) address tax discrimination against Islamic finance; and (v) agree on common approaches to international regulatory issues.
- Interested APEC economies should establish the I3P through which the steps previously outlined could be undertaken.

In order to advance these discussions and realize the I3P, the government of Malaysia has agreed to host a second workshop in conjunction with the Global Islamic Finance Forum. This workshop will build on the knowledge gained from Malaysia's rich experience in promoting Islamic investment in infrastructure. It is hoped that the discussions in this workshop will result in an agreement on a broad outline for I3P that can be included in the private sector's recommendations to APEC Finance Ministers this year, as well as the formation of a network of public and private sector experts and institutions who can collaborate going forward to accelerate the mobilization of Islamic finance to fund the region's infrastructure needs.

AGENDA

09:30 - 10:00

Registration & Refreshments

10:00 - 10:30

OPENING SESSION

Welcome and Opening Remarks

Tan Sri Dato' Azman Hashim, Co-Chair, ABAC Finance and Economics Working Group; and Chairman, Ambank Group
TBC, Bank Negara Malaysia

Keynote Address

TBC, Malaysian Government

10:30 - 10:45

Break

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10:45 - 12:00

SESSION ONE: Expanding the role of Islamic Finance in cross-border funding of Infrastructure: Key considerations, common approaches and financial instruments

Promoting cross-border infrastructure investment by Islamic institutions faces a number of legal, tax and regulatory challenges. This challenge has intensified as more economies establish their own Shariah boards and the number of innovative and sophisticated products with new features being introduced that require interpretation grows. The establishment of global Shariah practices has been proposed by practitioners and commentators, but the detailed discussions and forging of consensus these efforts entail will take much time. Meanwhile, the infrastructure needs of the region's developing economies continue to grow and opportunities to productively and profitably invest in these long-term real assets are forfeited. While this presents a challenge, it also offers an opportunity for the region's economies to play a leadership role in advancing the development of common practices in the infrastructure investment space, and demonstrate concrete results in the process. Drawing from the perspectives of regulators, scholars, market participants and experts from multilateral institutions, this session will discuss the issues that need to be addressed in order to develop common practices for Shariah-compliant infrastructure projects and financial instruments.

Moderator: TBC, Ashurst

Rapporteur: Dr. Allan Trevor Wain, Head of Strategic Development, Hastings Funds Management Limited

5 minutes

Introduction by Moderator

15 minutes

Presentation: Overview of issues surrounding the use of Islamic finance for cross-border funding of infrastructure projects
Dato' Mohammad Faiz Azmi, Executive Chairman, PwC Malaysia

35 minutes

Panel discussion (5 minute initial responses each to moderator questions and additional responses to follow up questions):
TBC, Islamic Development Bank (Focus: developing common definitions of Shariah-compliant infrastructure projects)
Dato Dr. Daud Bakar, Group Chairman, Amanie (Focus: product structuring and Shariah compliance)
En. Mohd Radzuan A Tajuddin, General Manager & Head (Development), Islamic Capital Markets, Securities Commission Malaysia (SC) (Focus: facilitating convergence of Islamic finance practices through dedicated Islamic guidelines)
Mr. Christophe Dossarps, Chief Executive Officer, Sustainable Infrastructure Foundation (SIF) (Focus: facilitating convergence through the International Infrastructure Support System)
Mr. Mohamed Rafe bin Mohamed Haneef, CEO CIMB Islamic (Focus: experiences in overcoming challenges in using sukuk to fund infrastructure projects)

Follow-up questions by the Moderator to Panelists and panelist discussions

15 minutes

Open forum

5 minutes

Summary of discussions by the Rapporteur

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12:00 - 13:20

SESSION TWO: Key requirements for building dynamic Islamic infrastructure investment markets

The recent rapid growth of Islamic finance and its resilience in the face of the 2008 Global Financial Crisis demonstrate its significant potential as a major source of funding to meet the region's infrastructure needs. For most emerging markets, however, realizing this potential requires addressing a number of regulatory and market infrastructure-related challenges. These include, generally, the adoption of Shariah accounting and auditing standards formed by the Accounting and Auditing Organization for Islamic Financial Institutions (AAOIFI) as well as the regulatory and supervisory standards and stronger regulatory frameworks developed by the Islamic Financial Services Board (IFSB). More specifically, market participants have identified, among others, developing Islamic hedging instruments; promoting innovative structures to facilitate Islamic pensions and insurance invested in Islamic infrastructure funds; promoting tax policies that do not burden Islamic finance more than conventional finance; and agree on common approaches to facilitating convergence of Islamic finance practices through dedicated Islamic guidelines. In this session, panelists will seek to identify concrete measures to move forward on these issues.

Moderator: Mr. Ramlie Kamsari, Chief Executive Officer, Nomura Islamic Asset Management Sdn. Bhd.

Rapporteur: Mr. H.K. Yong, Senior Fellow, Institute of Strategic and International Studies Malaysia

5 minutes Introduction by Moderator

15 minutes **Presentation: Overview of key issues in promoting infrastructure investment by Islamic institutions**
Mr. Zamir Iqbal, Head, Global Islamic Finance Development Center, World Bank Group

40 minutes **Panel discussion** (5 minute initial responses each to moderator questions and additional responses to follow up questions):
Mr. Tariq Zafar Rasheed, Partner, Derivatives & Derivatives Clearing, Berwin Leighton Paisner (Focus: development of Islamic hedging instruments)
Ms Nida Raza, Director, Advisory Services Department, Islamic Corporation for the Development of the Private Sector (ICD) (Focus: sukuk issuance for infrastructure projects)
Mr Nick Edmondes, Partner, Trowers & Hamlins (Focus: development of financial market practices to facilitate cross-border investment in infrastructure)
Mr. Nor' Azamin Salleh, CEO Maybank Asset Management Group (Focus: Providing investors with Shariah-compliant infrastructure investments in emerging and high growth markets)
TBC, EY (Focus: promoting tax policies that provide level playing field for sukuk and conventional infrastructure bonds)
TBC, Danajamin Nasional Berhad (Focus: Shariah-compliant guarantees to promote infrastructure investment)

Follow-up questions by the Moderator to Panelists and panelist discussions

15 minutes **Open forum**

5 minutes **Summary of discussions by the Rapporteur**

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13:20 – 14.20

Luncheon

14:30 - 15:30

SESSION THREE: Developing an Islamic Infrastructure Investment Platform (I3P)

Successful development of common Shariah compliance practices for infrastructure projects and financial structures and efforts to address the most important requirements for building dynamic Islamic infrastructure investment markets require close collaboration among key stakeholders, including regulators, policy makers, market practitioners, experts and scholars from various relevant domestic and international institutions. This session will discuss the potential for an Islamic Infrastructure Investment Platform (I3P) to attract these stakeholders to undertake such collaboration, and how this platform can be structured, organized and enabled to be used by APEC economies to pursue the promotion of cross-border Islamic investment infrastructure and to grow the market.

Moderator: Dr. Julius Caesar Parreñas, APFF Coordinator and Senior Advisor, Nomura

Rapporteur: Mr. Paul Lynch, Regional Director, Government Relations, Prudential Corporation Asia

5 minutes Introduction by Moderator

25 minutes **Panel discussion** (5 minute initial responses each to moderator questions and additional responses to follow up questions):
Ms. Haslina Hj Mohd Taib, Chief Executive Officer, BAG Networks Sdn Bhd
Ms. Madeleine Varkay, Principal Private Sector Development Specialist, Southeast Asia Department, Asian Development Bank
TBC, Monetary Authority of Brunei Darussalam (AMBD)
TBC, Ministry of Finance Malaysia
TBC, OJK, Indonesia

15 minutes **Open forum**

5 minutes **Summary of discussions by the Rapporteur**

15:20 – 15:30

CLOSING SESSION

10 minutes **Concluding remarks**
TBC, MIFC
Tan Sri Azman Hashim (TBC), ABAC Malaysia

15:30

End of Workshop