

**ADDRESS BY
YAB DATO' SERI ABDULLAH BIN HAJI AHMAD BADAWI
AT THE LAUNCH OF THE INTERNATIONAL SHARI'AH RESEARCH ACADEMY
FOR ISLAMIC FINANCE
AT MANDARIN ORIENTAL, KUALA LUMPUR
11 NOVEMBER 2008**

[DI BACA OLEH YB DATO' SERI DR. AHMAD ZAHID BIN HAMIDI]

BISMILLAHIR RAHMANIR RAHIM

ASSALAMUALAIKUM WARAHMATULLAHI WABARAKATUH AND GOOD AFTERNOON

Y.BHG. TAN SRI ZETI AKHTAR AZIZ
GOVERNOR, BANK NEGARA MALAYSIA

Y.M. PROFESOR DI-RAJA UNGKU A. AZIZ
CHAIRMAN, ANGKASA

Y.BHG. SAHIBUS SAMAHAH DATO' HJ. WAN ZAHIDI WAN TEH
MUFTI FOR WILAYAH PERSEKUTUAN

EXCELLENCIES AND DISTINGUISHED GUESTS

LADIES AND GENTLEMEN

1. I AM PLEASED TO BE HERE TO WITNESS THE AUSPICIOUS LAUNCH OF THE INTERNATIONAL SHARI'AH RESEARCH ACADEMY FOR ISLAMIC FINANCE, ALSO TO BE KNOWN BY ITS ACRONYM: "ISRA"*

2. THE LAUNCH OF "ISRA" IS YET ANOTHER MILESTONE IN THE REMARKABLE GROWTH STORY OF MALAYSIA'S INVOLVEMENT IN THE ISLAMIC FINANCE INDUSTRY* IT IS WITH GREAT PRIDE THAT I TAKE THIS OPPORTUNITY TO SHARE SOME OF MY THOUGHTS ON THE STATE OF THE ISLAMIC FINANCE INDUSTRY TODAY, AND ON THE ROLE THAT "ISRA" CAN PLAY IN THIS FAST-GROWING SECTOR*

3. THE ISLAMIC FINANCE INDUSTRY IS UNIQUE FOR ITS FASCINATING DUAL NATURE* ON THE ONE HAND, THE ISLAMIC FINANCE INDUSTRY IS A PART OF THE WORLD OF HIGH FINANCE, WITH MASSIVE VOLUMES OF FUNDS RESIDING IN GLOBAL CENTRES OF TRADE AND COMMERCE, SUCH AS LONDON, NEW YORK, AND HONG KONG* ON THE OTHER HAND, ISLAMIC FINANCE IS ALSO INEXTRICABLY LINKED TO THE VALUES AND PRINCIPLES OF ISLAM, WHICH STRETCHES BACK TO THE TIME OF THE PROPHET MUHAMMAD S.A.W., 1,400 YEARS AGO*

4. WITH THIS IN MIND, WE MUST REALISE THAT ALL THOSE WHO PRACTICE ISLAMIC FINANCE HAVE A VERY IMPORTANT MISSION TO EXECUTE* IT IS A CIVILISING MISSION, IN WHICH WE ARE CALLED UPON TO IMBUE OUR EVERYDAY LIFE WITH THE GUIDING LIGHT OF ISLAM*

5. THIS IS ESPECIALLY TRUE IN THE WORLD OF FINANCE AND COMMERCE* 1,400 YEARS AGO, THE QUR'AN WARNED US AGAINST THE EVILS OF INJUSTICE* IN PARTICULAR, THE QUR'AN WARNED US AGAINST THE TYRANNY OF USURY, AND IT WARNED US THAT WEALTH MUST NEVER BE SOUGHT FOR ITS OWN SAKE* INSTEAD, WEALTH IS SEEN AS A TRUST – AN “AMANAH” – THAT MUST BE DISPENSED WITH JUSTICE AND HONOUR* THIS IS THE WAY OF ISLAM*

6. THIS IS ALSO THE WAY THAT HAS GUIDED ISLAMIC FINANCE PRACTITIONERS OVER THE PAST FEW DECADES, AS THE GLOBAL ISLAMIC FINANCE INDUSTRY SLOWLY CAME INTO BEING* TODAY, WE WITNESS THE ASTONISHING RISE OF GLOBAL ISLAMIC FINANCE: A SYSTEM THAT IS BASED ON THE PRINCIPLE OF PROFIT-SHARING, WHERE BOTH PARTIES IN THE CONTRACT ARE SUBJECTED TO POTENTIAL LOSSES AND RETURNS* IT IS A SYSTEM THAT IS BOTH FAIR AND EQUITABLE: BOTH PARTIES ARE PRESENTED WITH A WIN-WIN SITUATION, SUCH THAT LOSSES WOULD NOT BURDEN ONLY ONE PARTY*

7. THE RECENT GLOBAL FINANCIAL MELTDOWN ILLUSTRATES THE DESPERATE NEED FOR SUCH A SYSTEM* THIS CRISIS HAS ITS ORIGINS IN THE INNOVATION OF SECURITISING SUB-PRIME MORTGAGE LOANS, WHERE POOLS OF SUB-PRIME LOANS WERE RE-PACKAGED, AND THEN SOLD AS TRADABLE SECURITIES* VERY SOON, FINANCIERS WERE ACTIVELY TRADING BUNDLES OF SUB-PRIME LOANS, MOST OF WHICH HAD RISK PROFILES THAT NO ONE TRULY UNDERSTOOD*

8. IN REALITY, THESE RE-PACKAGED SUB-PRIME LOANS WERE NOTHING MORE THAN ARTFUL WORKS OF DECEPTION, THAT FED THE SPECULATIVE EXCESSES AND HUBRIS IN THE FINANCIAL MARKETS* WHEN THE BUBBLE FINALLY BURST, THE GLOBAL FINANCIAL SYSTEM WAS NEARLY BROUGHT TO ITS KNEES*

9. TODAY, OBSERVERS ARE CONSIDERING THE ISLAMIC FINANCIAL SYSTEM WITH A MEASURE OF ENVY AND RESPECT* AFTER ALL, ISLAMIC FINANCE PROHIBITS SUCH SPECULATIVE EXCESSES* ISLAMIC BANKS DO NOT BUY OR TRADE DEBT; RATHER, THEY MANAGE CONCRETE ASSETS, WHICH ARE TIED TO REAL ECONOMIC ACTIVITIES* THE PROHIBITIONS AGAINST HIGH LEVELS OF DEBT, UNSECURED DEBT AND SPECULATION RESULT IN A HIGH LEVEL OF FINANCIAL PRUDENCE* THESE ETHICAL AND MORAL SAFEGUARDS ARE MISSING IN THE CONVENTIONAL FINANCIAL SYSTEM*

10. NEVERTHELESS, THE ISLAMIC FINANCE COMMUNITY SHOULD NOT BE COMPLACENT, OR UNDULY PROUD* WE MUST CONTINUE TO CRITICALLY EVALUATE OURSELVES* FOR INSTANCE: HAVE WE TRULY ESTABLISHED AN ALTERNATIVE SYSTEM, OR ARE WE STILL VERY MUCH MIMICKING THE ESTABLISHED CONVENTIONAL SYSTEM?*

11. WE MUST PROVE TO THE GLOBAL MARKET THAT THE ISLAMIC FINANCIAL SYSTEM IS TRULY A ROBUST AND VIABLE ALTERNATIVE TO THE CONVENTIONAL SYSTEM* THE CURRENT FINANCIAL CRISIS GIVES US THE OPPORTUNITY TO DEMONSTRATE THE UNIQUENESS OF ISLAMIC FINANCE; WE MUST USE THIS OPPORTUNITY WISELY*

LADIES AND GENTLEMEN

12. AS WE CONTINUE OUR WORK TOWARDS ESTABLISHING ISLAMIC FINANCE AS A VIABLE AND COMPETITIVE INDUSTRY, WE MUST ALSO CONTINUE THE WORK OF

CLARIFYING AND RESOLVING SOME ISSUES WHICH STILL CALL OUT FOR MEANINGFUL SOLUTIONS*

13. FOR INSTANCE, SOME OF THE ISLAMIC BANKING AND FINANCE PRODUCTS WHICH ARE ALLOWED IN ONE MUSLIM COUNTRY IS CONSIDERED TO BE DUBIOUS, AT BEST, IN ANOTHER* OF COURSE, ISLAM ALLOWS FOR DIFFERENCES IN THE INTERPRETATION OF THE SHARI'AH* HOWEVER, THERE IS CLEARLY MUCH MORE THAT CAN BE DONE TO BRING ISLAMIC FINANCE – AS IT IS BEING PRACTICED IN VARIOUS DIFFERENT JURISDICTIONS – INTO GREATER HARMONY*

14. ANOTHER ISSUE WORTH REVIEWING IS THE DEVELOPMENT AND PRICING OF NEW ISLAMIC FINANCIAL PRODUCTS* IN MALAYSIA, WHERE BOTH THE ISLAMIC AND CONVENTIONAL BANKING SYSTEMS RUN CONCURRENTLY, THE PERFORMANCE OF THE CONVENTIONAL BANKING SYSTEM IS STILL SEEN TO BE AHEAD*

15. OBVIOUSLY, ONE MUST CONSIDER THE “FIRST MOVER ADVANTAGE” ENJOYED BY THE CONVENTIONAL BANKING SYSTEM* BUT AFTER TAKING THIS ADVANTAGE INTO CONSIDERATION, WE MUST CONTINUE TO INVESTIGATE THE MEANS BY WHICH WE CAN MAKE THE ISLAMIC BANKING SYSTEM MORE COMPETITIVE COMPARED TO ITS CONVENTIONAL COUSIN* IN THIS REGARD, THE DESIGN AND PRICING OF ISLAMIC FINANCIAL PRODUCTS MUST SURELY PLAY A ROLE*

16. THESE AND VARIOUS OTHER ISSUES SURROUNDING THE DEVELOPMENT OF ISLAMIC BANKING AND FINANCE SHOULD BE CAREFULLY CONSIDERED AND STUDIED* IN OTHER WORDS, THE CASE FOR KNOWLEDGE CREATION WITHIN THE ISLAMIC FINANCE INDUSTRY MUST BE FORCEFULLY MADE* FOR US HERE IN MALAYSIA, OUR COMMITMENT TOWARDS THE DEVELOPMENT OF KNOWLEDGE WITHIN THE ISLAMIC FINANCE INDUSTRY HAS ALWAYS BEEN DEEP AND STRONG*

17. INDEED, MALAYSIA SPEARHEADED THE WORLD'S FIRST GLOBAL SOVEREIGN SUKUK, WHEN OTHERS WERE STILL HESITANT, IF NOT RESISTANT* WE ARE ALSO HOST TO THE ISLAMIC FINANCIAL SERVICES BOARD, A STANDARD-SETTING BODY WHICH SEEKS TO HARMONISE PRUDENTIAL, SUPERVISORY AND DISCLOSURE PRACTICES IN THE GLOBAL ISLAMIC FINANCE INDUSTRY*

18. IN MARCH 2006, WE FOUNDED THE INTERNATIONAL CENTRE FOR EDUCATION IN ISLAMIC FINANCE (I.N.C.E.I.F.) AS A GLOBAL UNIVERSITY FOR ISLAMIC FINANCE* WITH THE ESTABLISHMENT OF “ISRA” AS A CENTRE FOR RESEARCH AND DEVELOPMENT FOR THE ISLAMIC FINANCE INDUSTRY, MALAYSIA REAFFIRMS ITS COMMITMENT TOWARDS THE DEVELOPMENT OF ISLAMIC FINANCE, ESPECIALLY IN THE AREA OF KNOWLEDGE CREATION AND INNOVATION*

19. AS A FULL-FLEDGED RESEARCH ORGANISATION, “ISRA” WILL FOSTER COLLABORATION BETWEEN MUSLIM SCHOLARS IN DIFFERENT COUNTRIES, TO DEVELOP KNOWLEDGE IN AREAS OF SPECIFIC INTEREST TO THE GLOBAL ISLAMIC FINANCE COMMUNITY* IN PARTICULAR, “ISRA” WILL HELP TO FIND A MIDDLE GROUND FOR THE STANDARDISATION OF ISLAMIC FINANCE PRACTICES AMONGST MUSLIM COUNTRIES*

20. IN THAT REGARD, I AM PROUD TO NOTE THAT WE HAVE A NUMBER OF RENOWNED SCHOLARS WHO HAVE GRACIOUSLY AGREED TO SIT ON THE BOARD OF “ISRA”* I TRUST THAT THIS STRONG COMMITMENT FROM SUCH LEARNED SCHOLARS WILL BRING MUCH PROGRESS TO THE DEVELOPMENT OF ISLAMIC

FINANCE, AND WILL BE JUSTLY REWARDED BY ALLAH S.W.T.*

21. I AM ALSO PROUD TO NOTE THAT "ISRA" HAS ALREADY BEEN ENTRUSTED TO UNDERTAKE A NUMBER OF CRITICAL RESEARCH PROJECTS BY BOTH LOCAL- AND OVERSEAS-BASED ORGANISATIONS* THESE ORGANISATIONS INCLUDE MALAYSIA'S OWN M.N.R.B. HOLDINGS BERHAD (FORMERLY KNOWN AS MALAYSIAN NATIONAL RE-INSURANCE BERHAD), AS WELL AS THE AL-AWAEEL CENTRE FOR ECONOMIC CONSULTATIONS, BASED IN SAUDI ARABIA*

22. IT HAS ALSO BEEN BROUGHT TO MY ATTENTION THAT "ISRA" IS NOW PARTNERING ITSELF WITH SOME HIGHLY REPUTABLE ORGANISATIONS, NOTABLY THE O.I.C. MAJMA' FIOH, AS WELL AS THE BAHRAIN INSTITUTE OF BANKING AND FINANCE (B.I.B.F.)* THESE PARTNERSHIPS AUGUR WELL FOR THE FUTURE OF GLOBAL ISLAMIC FINANCE, AND MARKS AN EARLY VOTE OF CONFIDENCE IN THE ABILITIES OF "ISRA"*

23. IN ORDER TO PROVIDE QUALITY RESEARCH CAPABILITIES FOR THE ISLAMIC FINANCE INDUSTRY, "ISRA" WOULD NEED THE SUPPORT OF FINANCIAL INSTITUTIONS, AS WELL AS INSTITUTIONS OF HIGHER LEARNING, WHERE THE BULK OF RESEARCHERS RESIDE* THEREFORE, I WOULD ASK INSTITUTES OF HIGHER LEARNING IN MALAYSIA TO BE FORTHCOMING IN THEIR SUPPORT FOR "ISRA" AND OTHER INSTITUTIONS OF ITS LIKE*

24. ISLAMIC FINANCE IS AN IMPORTANT NATIONAL INITIATIVE, AS WELL AS AN IMPORTANT COMPONENT IN THE DEVELOPMENT OF THE MUSLIM WORLD IN GENERAL; AS SUCH, I WOULD EXPECT THAT ALL NECESSARY SUPPORT WOULD BE RENDERED TO "ISRA" TO ENSURE ITS SUCCESS*

LADIES AND GENTLEMEN

25. IN MY TENURE AS PRIME MINISTER OF MALAYSIA, I HAVE STRIVED TO FURTHER THE FRONTIERS OF PROGRESS IN ISLAMIC FINANCE* IN DOING SO, I HAVE BUILT UPON STRONG FOUNDATIONS, FROM THE GOOD WORK THAT HAS BEEN DONE BY MY PREDECESSOR AND MANY OTHERS*

26. MY INTEREST IN ISLAMIC FINANCE IS MAINLY BORNE OUT OF MY DEEP SYMPATHY AND PASSION FOR THE DEVELOPMENT OF THE MUSLIM WORLD* DURING MALAYSIA'S CHAIRMANSHIP OF THE O.I.C., I HAVE EMPHASISED THE DEVELOPMENT OF THE ECONOMIC FACE OF THE MUSLIM WORLD* TOWARDS THIS END, WE HAVE LAUNCHED THE WORLD ISLAMIC ECONOMIC FORUM, AS AN INSTITUTIONAL PLATFORM TO PROMOTE GREATER ECONOMIC LINKAGES BETWEEN MUSLIM COUNTRIES*

27. I EXPECT THAT "ISRA" WILL BE YET ANOTHER IMPORTANT INSTITUTION WHICH WILL CONTRIBUTE TOWARDS THE DEVELOPMENT OF ISLAMIC FINANCE, AND CONSEQUENTLY THE ECONOMIC DEVELOPMENT OF THE MUSLIM UMMAH* WE WILL DO WELL TO REMEMBER THE SAYING BY SAIDINA ALI IBN ABI TALIB THAT:

QUOTE

“KNOWLEDGE IS BETTER THAN WEALTH* YOU HAVE TO LOOK AFTER WEALTH;
WHILE KNOWLEDGE LOOKS AFTER YOU*”

END QUOTE

28. ON THAT NOTE, WITH THE RECITATION OF BISMILLAHIR RAHMANIR RAHIM, I
HEREBY OFFICIALLY LAUNCH THE INTERNATIONAL SHARI’AH RESEARCH ACADEMY
(“ISRA”)*

THANK YOU*