



The last decade has witnessed significant growth of fund management companies in the Southeast Asian region, and Malaysia has shown immense potential in this area. The expansion of the middle income class, outstanding talent and abundant natural resources have contributed to this growth. Despite significant developments in the recent past, the mutual fund industry in Malaysia is relatively small compared with other markets in the region. A healthy growth of the fund market in Malaysia, particularly in the area of Islamic fund administration, requires a comprehensive financial ecosystem that is globally competitive.

The Securities Commission (SC) in their “Islamic Fund and Wealth Management Blueprint” released in 2017, among others, highlighted the possibility of positioning Malaysia as a global hub for Islamic fund administration. The Centre for Islamic Asset and Wealth Management (CIAWM) at INCEIF was invited to look into this strategic thrust. Initial discussions with the Securities Commission on this matter suggests for a more informative report to deliberate this initiative as a strategic response. As part of the CIAWM’s objective is to the Islamic is to the Islamic wealth management sector, it embarked on a research project to identify strategies to make Malaysia a global hub for Islamic fund administration. The research report

will highlight not only the unique competitive advantages amidst the upgrading of all aspects that impact the financial ecosystem, but also strategies to position Malaysia as the global hub for Islamic fund administration.

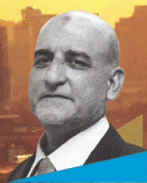
A brief evaluation of the Malaysian position as a contender identifies significant gaps in comparison to the leading jurisdictions such as Luxembourg, Ireland, Singapore and Hong Kong. Specifically, improvements are required in currency control, corruption and overall market perception. However, if the focus is on Islamic fund administration, then Malaysia has some competitive advantage over the global fund centres in terms of a well-established regulatory and operational infrastructure for Islamic finance despite the required improvements suggested above.

Luxembourg for example, is possibly the most successful fund management centre outside the US. The main driver of their success is the regulator’s initiative to make it conducive for fund management. They are perhaps the most innovative country in legal entity structures, with very efficient approval processes and systems for fund management operations.

Another country that is considered a competitor in attracting Islamic funds is the UAE. The establishment of the DIFC (Dubai International Financial Centre) in 2004 was aimed

Research Report - An Overview: MALAYSIA AS A GLOBAL HUB FOR FUND ADMINISTRATION

By:



Prof Dr Shamsher
Mohamad



Assist Prof Dr
Ziyaad Mahomed

at positioning the UAE as a global leader in Islamic fund and capital market management. The systems in place and the success of the DIFC over the last decade indicate that Malaysia has much to learn from DIFC. The DIFC, within a dedicated duty free zone, offers a unique one-stop centre that includes providing office space for the financial services industry. Therefore, further analysis of the gaps in offering is expected to provide clarity to a strategy for making Malaysia a global hub for Islamic fund administration.

In the preparation of this research report, CIAWM has convened several discussions: both with industry and regulator to gain a holistic and practical views on this initiative. The objective of the industry-based discussion was to ascertain the views of the Industry players (domestic and foreign funds) in achieving this objective. The gaps that need to be addressed to develop Malaysia as a global hub for fund administration were highlighted from the Industry perspective. In the gaps identified, there were issues that concerned the regulators, and consequently discussions were held with regulators to get their views on the related issues raised by the Industry. The report also focuses on the gaps between what is currently offered internationally and what it will take for Malaysia to effectively compete with these global fund administration centres. Among others, we postulate that the regulatory, tax and administrative

infrastructure are the main concerns of the Industry that need further deliberation to help formulate effective operational guidelines to achieve this objective.

The discussion with invited Industry players was held on 18th of January 2018 at Majestic Hotel, Kuala Lumpur. Fifteen participants included representatives from various organisations such as BNP Paribas, Amundi Islamic, PMB Investment, Standard Chartered Bank, and CIMB Islamic. The key focus areas of discussion were: Cost of fund administration, regulation of financial services and the financial ecosystem in Malaysia as per responses and published reports on the subject matter. However, several more issues raised by the participants' concerned matters on custodian, regulation and currency controls in administering funds. Two discussions were also held with regulators on this issue in December 2017.

To acquire further views and insights, a conference with the theme 'Malaysia as a Global Hub for Fund Administration' will be organised in March 2018. Invited speakers from global financial centres are expected to share their views on this initiative. The research report that will highlight the strategies to position Malaysia as the global hub for Islamic fund administration will be launched at the conference. ■