

# THE BULLETIN



## Event Report: Roundtable on Sustainable Sukuk in the Philippines

### Introduction

Capital Markets Malaysia, alongside Bangko Sentral ng Pilipinas, the Securities and Exchange Commission of the Philippines and the World Bank organized a half-day virtual Roundtable on Sustainable Sukuk on 19th January 2021 to provide a platform for the Philippines, as a potential sovereign issuer, and its various partner agencies to engage in a meaningful discussion with Malaysia's financial intermediaries experienced with the process of arranging sustainable sukuk and the potential investment opportunities it affords. The roundtable is part of a broad range of initiatives by CMM to highlight the role that Islamic financial instruments can play in financing the green economy.

The forum was opened by **Emilio B. Aquino**, Chairman of the Securities and Exchange Commission Philippines who welcomed participants and set the current scene of the Islamic market in the Philippines. The Chairman highlighted that sukuk will play an integral role as a financial instrument to fund sustainable public and private projects in the country's transition to sustainability.

Further, Chairman Aquino noted sukuk's potential to fund infrastructure projects as part

of the 'Build, Build, Build' Development Program which is a USD 177 billion infrastructure program under President Duterte's administration. Additionally, rehabilitation of Marawi City, the spiritual and cultural centre of the Philippines was identified as a pilot project for the utilization of Islamic finance in the country.

Next, **Datuk Syed Zaid Albar**, Chairman of Securities Commission Malaysia delivered his welcome address. The Chairman shared his observations of the growing trend of sukuk as an appealing asset class within the ASEAN region. He also pointed out that Islamic financial instruments were steadily becoming an attractive value proposition for both the Shariah-conscious and conventional investors.

Given the maturity of Malaysia's Islamic capital market, the SC Chairman also said that the SC and Malaysian market participants are ready to support the Philippines on its Islamic finance journey, as both countries work towards growing ASEAN into a regional leader in sustainable finance

The roundtable commenced with a presentation entitled 'Philippine Legal Framework on Islamic Banking and Finance' by **Atty. Arifa A. Ala**, Managing Director for the Financial Super-

vision Sub Sector III from Bangko Sentral ng Pilipinas (BSP) which began with an explanation on the Islamic banking law R.A No 11439 which was signed into law by President Duterte in August 2019.

**Proceeding R.A No 11439, BSP has issued two circulars-**

- (1) Guidelines on the Establishment of Islamic Banks and Islamic Banking Units and
- (2) Shariah Governance Framework which regulates: The establishment of an independent Shariah advisory council
  - Management oversight over Shariah compliant securities
  - Independent compliance and internal audit functions

**Some salient features of R.A. No 11439:**

- (1) Establishes a legal framework for the regulation and organization of Islamic banks
- (2) Grants the BSP supervision and regulatory powers over Islamic banks (Sec. 4)
- (3) Authorizes the BSP to formulate implementing rules and regulations for the extension of financial facilities to IB/IBU pursuant to R.4 NO.7653 as amended (Sec.12)

(4) Provides for tax neutrality between Islamic banking transactions and conventional banking transactions

(5) Mandates the government to provide programs to raise awareness and capacity building

A FAQ on Islamic Banking was issued in June 2020 followed by the Revenue Regulation 17-2020 which addresses the issue of Tax Neutrality between Conventional and Islamic banking structures.

the terminology and conventions relating to green and sustainable bonds. Rozani clarified that 'sustainable' refers to instruments that have green, social and sustainability aspects, while 'green' or 'social' bonds are specifically referred to when the proceeds are only used for environmental and social purposes respectively.

#### The Green Bond/Sukuk Scene in ASEAN

On the Philippines's perspective on debt instruments and the initiatives done throughout the Philippines and ASEAN to promote green and sustainable financing. Commissioner **Ephyro Amatong** highlighted these points:

- The idea of thematic investing to fund significant infrastructure was first introduced to the Philippines when AP Renewables Inc. issued Philippines's first green bond in 2016

- Out of the USD 8.5 billion that have been issued as ASEAN green, social and sustainability labelled bonds, approximately USD 3.5 billion of bond issuance are from the Philippines, mainly from their private sector, Land Bank and Development Bank of the Philippines

- The Capital Market Development Council is embarking on a large push this year to mainstream green finance in partnership with Asian Development Bank

**Aileen Ruiz-Zarate** shared that the IFC has issued a total of 170 green bonds in 20 currencies amounting to over USD10 billion. Notably, the Amundi Planet Emerging Green One (EGO) green bond fund with Amundi Bank and the Real Economy Green Investment Opportunity (REIGO) fund with HSBC Bank. IFC Philippines' Sustainable Energy Finance Program, which assisted client banks to identify and develop energy projects in their pipeline, has built about USD 1 billion of climate smart loans and IFC has also supported banks through risk sharing facilities to provide loans and technical advice to energy projects

**Nor Masliza Sulaiman** shared CIMB's experience with Indonesia in the issuance of their inaugural USD 1.25 billion world debut sovereign green sukuk noting that the sukuk

had a dual issuance structure based on the Islamic structure of Wakalah. The portfolio comprised 51% of state-owned assets including land and buildings and 49% from potential project assets. The bond was awarded a medium-green shading by CICERO.

The sovereign bond achieved 29% of green investor participation with the rest being agnostic investors. There was heavy participation from Islamic investors at (32%), Asia (25%), US (18%), Europe (15%) and Indonesia (10%). The utilization of proceeds went to fund sustainable transport and renewable energy projects.

#### Impact Reporting to Build Investor Confidence

Lending onto this discussion, **Wong Kwok Kuan (KK)** gave his insights regarding impact reporting and the green investor mindset. KK Wong mentioned that aside from the fundamental underlying credit of the fund, green investors take interest in the ESG score of the issuer themselves. There is also a heavier emphasis from investors for allocation and impact reporting of the green issuances. Proper preparation to develop mechanisms to tag and track the achievements of the funded projects is key, an example given was Indonesia's issuance of a Green Bond and Green Sukuk Framework under the ICMA green bond principles before issuing their sovereign sukuk.

#### Green Sukuk and Shariah Compliance

KK Wong remarked that Shariah investing and sustainable investing are closely aligned in their conduct and practices such as protecting the welfare of people and the prohibition of harmful activities - making for an easy transition from sukuk to green sukuk. In addition, being an Islamic bond, a Green sukuk will typically require endorsement from Islamic scholars on the Shariah structure.

#### Who Would Sustainable Sukuk Appeal to in the Investor Universe

Market participants note the increasing awareness to participate in green-based instruments among investors. A green sukuk would gain

## Roundtable on Sustainable Sukuk

### Moderator:

Isaku Endo, Senior Financial Sector Specialist, the World Bank Group

### Panelists:

**Ephyro Amatong**, Commissioner, Securities and Exchange Commission of the Philippines

**Noel P. Tiana**, Deputy Director, Supervisory Policy and Research Department, Bangko Sentral ng Pilipinas

**Nor Masliza Sulaiman**, Senior Managing Director & Head, Capital Markets, CIMB Investment Bank

**Wong Kwok Kuan**, Managing Director, Regional Head of Debt Markets, Maybank Kim Eng

**Aileen Ruiz-Zarate**, Senior Investment Officer, International Finance Corporation

**Rozani Osman**, Senior Financial Sector Specialist, the World Bank Group

### Roundtable Discussion

#### Terminology and Conventions for Green Bonds

The discussion was opened with a question posed to **Rozani Osman**, senior financial sector specialist in the World Bank Group to discuss

participation from green investors, Islamic investors and agnostic conventional investors. Therefore, this Shariah-compliant structure allows for a more sustainable program as it appeals to the 3 different parts of the market.

Commissioner Ephyro also shared his observation that the Philippines' green issuers are experiencing expansion base of thematic investors who are concerned with green and sustainable investing.

### Challenges faced in the development of Islamic financial instruments in the Philippines

Noel P. Tianela mentioned that the lack of awareness among investors and even regulators still posed a significant challenge in the implementation of the R.A. No. 11439 Islamic banking law. Awareness-raising remains a key agenda for the Philippines. The Philippines has adopted an open approach utilizing a single regulatory framework for both the conventional banks and Islamic banks. Through this streamlined regulatory framework, the country believes that players will be encouraged to introduce more Islamic products as equivalent alternatives to conventional banking products/services.

### Issuance of a Sovereign Green Sukuk

In response to a question regarding possibility of issuing a sovereign sukuk, Tianela affirmed that the Philippines' legal framework supports the issuance of a sovereign sukuk. Tianela noted the different constraints of a sovereign sukuk such as the constitutional aspect of the government transferring ownership of property.

### Transfer of Assets and Lessons from Malaysia's Experience

Tax and legal issues are impediments to the implementation of Islamic finance. In the context of Malaysian law, the country utilizes the English common law with the Islamic Shariah law running concurrently alongside. For Islamic Finance, the laws in Malaysia have been specifically amended within the capital

gain tax act to ensure that the transfer of assets pursuant to facilitating an Islamic finance transaction is not taxable. This is an important consideration to ensure parity between conventional and Islamic finance. Similarly, under a tax perspective, any theoretical gains that is derived from the sale of assets pursuant to an Islamic finance transaction is not subjected to such tax. Overall, it is crucial to preserve the parity of Islamic finance vs conventional finance.

### Costs of Issuing A Green Sukuk

The Malaysian panellists noted that additional costs to employ a second party opinion or certification providers are quite minimal and easily absorbed in the transaction of the issuance as compared to a potential lowering of yield. From Malaysia's experience, investor yields will continue to grow over the years arising from greater investor participation and demand. In the valuation of a Green sukuk issuance, issuers should also consider the business value and economic impact created from the issuance aside from a mono-angled view of cost and profits. With a greater urgency for sustainability practices within companies like the triple-bottom-line, the issuance of a green sukuk acts to compliment the issuer's ESG journey as a company. Green sukuk also has more demand in a volatile market due to its wider investor base as compared to a conventional bond.

### Pricing of Green Sukuk

With regard to pricing differences between conventional sustainable bonds and sustainable sukuk it was noted that the pricing performance of sustainable bond issuances are matched to its non-green equivalent and is somewhat mirrored by sukuk issuances. Although having sustainable issuance broadens the potential investor base, the panellists commented that pricing for sustainable sukuk was 'flat-ish' for the most part. Ultimately, pricing levels are determined by demand. As Green sukuk is a new financial instruments within the market, the expected benefits of issuing a sustainable sukuk will translate into

savings for issuers in the future when there is more market participation. This is affirmed by Malaysia's own experience whereby the costs for sukuk issuances are cheaper than its conventional counterparts due to tax incentives from the government.

### Closing Remarks

The closing keynote address was delivered by **Chuchi Fonacier**, Deputy Governor of Bangko Sentral ng Pilipinas. who acknowledged the potential of sukuk as an alternative method of financing sustainable projects and welcomed further collaboration on this.

The second closing address was made by **Cecile Thioro Niang**, Practice Manager, Finance Competitiveness and Innovation from the World Bank Group. As climate change is a pressing matter globally, financial resources like green sukuk will be required to fund climate mitigation and adaptation measures. In closing, Cecile noted that environmental protection and sustainability was a natural fit with the Islamic agenda of protecting the welfare of people.

### Co-hosted by:





## New Initiative to Encourage Sustainable Finance

On 21 January 2021 the Securities Commission Malaysia (SC) expanded its Green SRI Sukuk Grant Scheme to encourage more companies to finance green, social and sustainability projects through SRI sukuk and bonds issuance.

With this expansion, the grant is now renamed as SRI Sukuk and Bond Grant Scheme and applicable to all sukuk issued under the SC's Sustainable and Responsible Investment (SRI) Sukuk Framework or bonds issued under the ASEAN Green, Social and Sustainability Bond Standards (ASEAN Standards).

With a size of RM6 million, the Green SRI Sukuk Grant Scheme was established in 2018 to assist issuers in defraying up to 90% of the external review costs for green SRI sukuk. Thus far, it has benefitted eight issuers involved in renewable energy, green building and sustainable projects.

*“As a regional leader in sustainable and responsible investment, Malaysia’s capital market offers companies efficient and reliable access to financing of sustainable projects that can positively contribute to the environment and society, in alignment with the country’s commitment to the Sustainable Development Goals*

*and the climate change agenda,”* said Datuk Syed Zaid Albar SC Chairman.

Already recognised as a pioneer in Islamic finance and more recently for climate-friendly sukuk offerings, Malaysian issuances made up 19% of sukuk and bonds issued under the ASEAN Standards. As at December 2020, RM5.4 billion SRI sukuk have been issued under the SRI Sukuk Framework, out of which 58% or RM3.1 billion are also recognised under the ASEAN Standards, and another RM635 million bonds issued under the ASEAN Standards. This signifies the demand for an asset class that meets the criteria for Shariah as well as sustainable and responsible investing.

The SRI Sukuk and Bond Grant Scheme is now opened for application where eligible issuers can claim the grant to offset up to 90% of the external review costs incurred, subject to a maximum of RM300,000 per issuance. The SRI Sukuk and Bond Grant Scheme is administered by Capital Markets Malaysia, an affiliate of the SC. An income tax exemption is provided for recipients of the Grant Scheme for a period of five years until 2025.

For more information on the SRI Sukuk and Bond Grant Scheme and to download the

application form please visit: <https://www.capitalmarketsmalaysia.com/public-sri-sukuk>

Apart from the expansion of the Grant Scheme, several other initiatives have recently been launched and announced to promote sustainable finance in Malaysia:

YEAR	INITIATIVE / POLICY
2020	<p><b>Tax Deduction of SRI Sukuk Issuances</b></p> <p>A tax deduction for expenditures from the issuance of all types of bonds and sukuk that achieve green, social and sustainable standards in Malaysia that are approved by the Securities Commission Malaysia. Eligible up till year of assessment 2025</p> <hr/> <p><b>Green Technology Financing Scheme (GTFS 3.0)</b></p> <p>A financing scheme introduced by the government to support the development of Green Technology (GT) in Malaysia. First introduced in 2010, and renewed twice since its introduction, it supports six main sectors and has historically included a government guarantee and rebate on interest loans.</p> <p>The following sectors that are eligible for funding under GTFS are</p> <ul style="list-style-type: none"> <li>• Energy</li> <li>• Water</li> <li>• Building &amp; township</li> <li>• Transport</li> <li>• Waste</li> <li>• Manufacturing</li> </ul> <p>GTFS 3.0 was announced by the government in 2020 with a fund size of RM 2 billion for two years up to 2022 with a guarantee by Danajamin Nasional to encourage the issuance of SRI sukuk.</p> <hr/> <p><b>Malaysian Sustainable Finance Initiative (MSFI)</b></p> <p>An initiative by Capital Markets Malaysia (CMM) to support the Malaysian financial sector in further embracing the tenets of sustainable financing with the objective to provide the necessary impetus for industry stakeholders to facilitate capacity building, upskilling, awareness and thought leadership on sustainable finance. This Initiative will support market development by way of capacity development for financial sector intermediaries and through a knowledge platform for sharing best practices, initiatives, case studies, and emerging opportunities.</p>
2019	<p><b>Sustainable and Responsible Investment Roadmap</b></p> <p>To create a facilitative SRI ecosystem and map the role of the capital markets in driving Malaysia's sustainable development</p> <p><b>5 Key focus areas include:</b></p> <ul style="list-style-type: none"> <li>• Widening the range of SRI instruments</li> <li>• Increasing SRI investor base</li> <li>• Building a strong SRI issuer base</li> <li>• Instilling strong internal governance culture</li> <li>• Designing information architecture in the SRI ecosystem</li> </ul> <hr/> <p><b>Joint Committee on Climate Change (JC3)</b></p> <p>JC3 was formed to pursue collective efforts in building climate change resilience with the Malaysian financial sector in the transition to a low-carbon economy. The Joint Committee is co-chaired by the National Bank and Securities Commission of Malaysia and features members such as Malaysia's stock exchange (Bursa Malaysia) and 19 other industry participants. It comprises of 4 sub-committees which focus on key areas to aid businesses in their transition towards sustainable practices. These areas are risk management, governance and disclosure, product and innovation and engagement and awareness</p>

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### ***Touch 'n Go First E-Wallet to Offer Investment Products***

TNG Digital Sdn Bhd (TNGD) has become the first e-wallet to be granted a conditional approval to operate as a Recognised Market Operator (RMO) by the Securities Commission of Malaysia (SC) allowing the company to directly deliver capital markets products, including money market unit trust funds, through the Touch n'Go eWallet platform, made possible through its partnership with Principal Asset Management.

### ***Up to 10 years' jail for UPCs Offering Shares Without Prospectus***

The SC has cautioned unlisted public companies (UPC) that offering shares to retail investors without a prospectus is a violation of the Capital Markets and Services Act 2007 (CMSA), which requires UPCs to issue a prospectus that is registered with the SC once shares of the company are offered to retail investors. The reminder was issued in response to an increasing number of queries and complaints pertaining to UPCs offering their shares, including preference shares, to both retail and sophisticated investors.

### ***UOBAM (Malaysia) Launches Shariah-compliant ESG Fund6 Jan***

UOB Asset Management (Malaysia) has launched its first Shariah-compliant ESG fund for retail investors. The United-i Asia ESG Income Fund (UiAIF) invests in a diversified portfolio of equities and debt instruments issued by companies across Asia (excluding Japan) that comply with Shariah principles and adopt ESG considerations into their business models and practices. UOBAM (Malaysia) is the manager of the UiAIF, while UOB Islamic Asset Management Sdn Bhd is the investment manager.

### ***SC blacklists FXCM, Investopedia among others***

Nine additional entities including FXCM, Investopedia, AMC Management & Services, Infinox, DS Investment, Cappacity Fx Trading, Bitto Exchange Pte Ltd, Jebat Crypto and Esmash Investment Plan have been added to the SC's investor alert list. FXCM and Investopedia were added for carrying on unregulated activities. Meanwhile, Bitto Exchange, Jebat and Esmash were added to the SC's investor alert list for operating a digital asset exchange (DAX) without registration.

### ***Malaysia Bags three IFN Deal of the Year Awards***

Three Malaysian transactions were awarded in the 2020 Islamic Finance News Deals of the Year, namely Axiata Group's US\$800 million multicurrency sustainability-linked Shariah facilities in the Green Project category, Government of Malaysia's RM666 million Sukuk Prihatin as Most Innovative and Sime Darby's RM800 million ASEAN Sustainability SRI Sukuk Musharakah issuance in the Real Estate category.

### ***RAM Launches New Suite of ESG Ratings***

RAM Sustainability has launched a new suite of rating services to benchmark industry and entity environmental, social and governance (ESG) risks. Known as the R1ESGo, which is an acronym for RAM One Earth Shared Goals, the ratings offer ESG guidance and analytics to investors, banks and other stakeholders in the financial market. The ratings are risk-focused evaluations of the relevance and impact of an array of ESG factors on different industries and the relevant companies' management of these risk factors.

### ***Kenanga Acquires ValueCAP ETF Business***

Kenanga Investment Bank Bhd has acquired Shariah-compliant investment management services provider i-VCAP Management Sdn Bhd in its bid to develop new investment solutions to capture a wider audience. The acquisition of i-VCAP, which primarily focuses on Islamic exchange traded funds (ETFs), was done via Kenanga Investment Bank's fully-owned asset management firm Kenanga Investors Bhd (KIB) following approval by the SC.

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### ***HSBC Amanah Offers ESG Credit Card Feature***

HSBC Bank Malaysia has revealed the HSBC Amanah Environmental, Social and Governance (ESG) charity feature for HSBC Amanah Credit Cards, making it the first Islamic international bank in the country to link a charity feature with its recycled plastic credit cards. HSBC has partnered with social business, Incitement, to establish a dedicated digital platform for customers to support local charities and non-profit organizations.

### ***Malaysia in 57th position in Corruption Perceptions Index***

Malaysia takes 57th position among 180 countries after its 6 spots decline in the Transparency International (TI) Corruption Perception Index (CPI) for 2020. Assessed by Transparency International, the global anti-corruption coalition, scores are awarded based on 13 surveys and expert assessments which measure the perceived level of corruption in the country's public sector on a scale from zero (perceived to be highly corrupted) to 100 (perceived to be very clean). Denmark and New Zealand were in the leading bracket of 'clean countries' with 88 points each.

### ***Penjana Kapital to Sue Those Inferring Irregularity in VC Appointments***

Penjana Kapital has emphasized its stance to take legal action against anyone who makes inference or suggestion of any irregularity in respect of the appointments on venture capital (VC) fund managers for the Danjana Penjana Nasional (DPN). The DPN is a matching fund-of-funds programme managed by Penjana Kapital with a target total fund size of at least RM1.2 billion. The company said it assumed its responsibilities seriously and fulfilled them with transparency and checks-and-balances. It stated that unsubstantiated allegations could affect investors' confidence and derail ongoing fundraising initiatives to support continuous innovation in the country.

### ***MDEC's Alternative Funding Program to Support Start-ups***

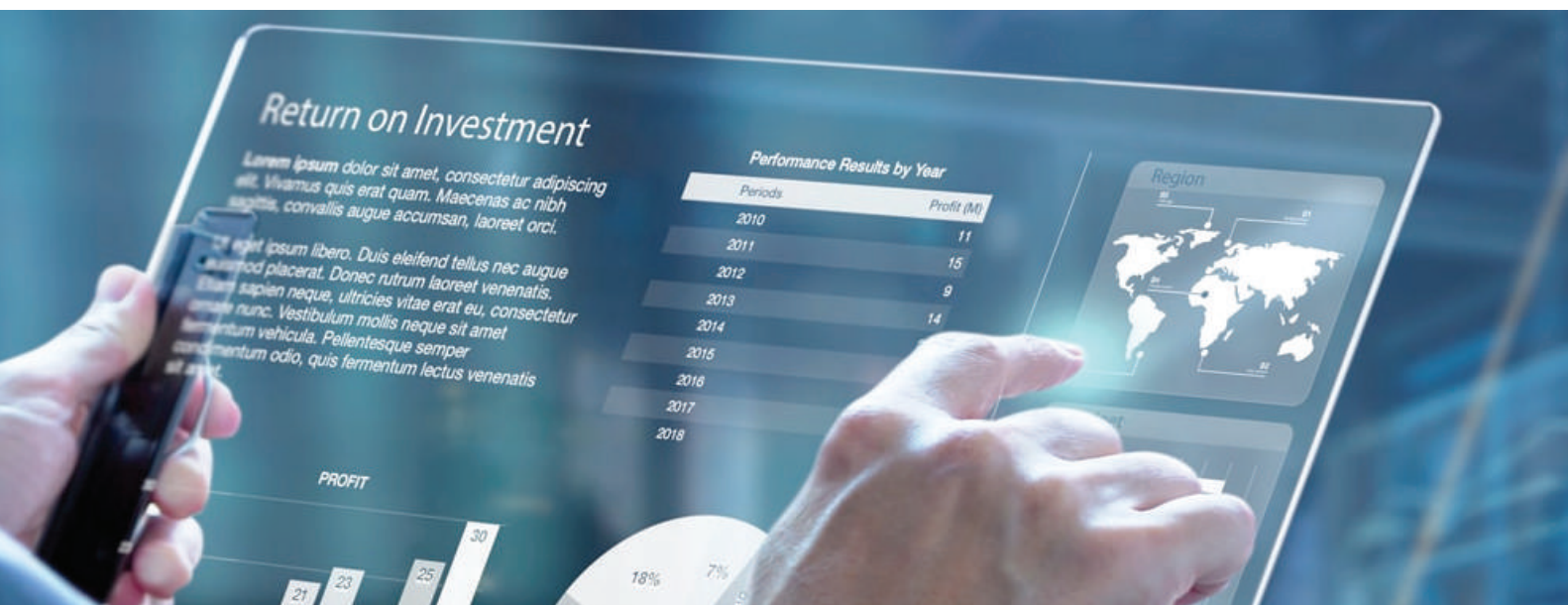
In the second year of its programme, Malaysia Digital Economy Corporation (MDEC) is partnering with 11 crowd-funding operators to help entrepreneurs under its Alternative Funding Program. The programme is led by its Global Growth Acceleration Division (GGA). In 2020, a total of 16 companies successfully listed on participating platforms with a total of RM19.89 million raised.

### ***SC and Bursa Malaysia Advise Caution of Social Media Chatrooms***


The SC and Bursa Malaysia are closely monitoring the local stock market in light of the current price surge of selected stocks in the US markets, fuelled by social media chatrooms against short-sellers. Investors are to be wary of discussions in these chatrooms that may trigger securities breaches such as the provision of investment advice or stock recommendations without a licence. Investors are also reminded that the market dynamics between the US and Malaysia differ. In Malaysia, Regulated Short Selling (RSS) is only applicable to Approved Securities in the RSS list, which currently comprises 218 securities. Limits are also imposed to prevent excessive short-selling activities.

### ***Versa Launches Digital Cash Management Platform***

Versa, launched in partnership with Affin Hwang Asset Management, seeks to provide Malaysians with an opportunity to tap into money market funds (MMFs) as an alternative to fixed deposits in the current low interest rate environment. It is a recognised market operator (e-service platform) approved by the SC. Versa's CEO said that the solution opens up the opportunity for retail investors to access MMFs as this asset class is typically dominated by corporate investors and high-net-worth individuals.



## What is Islamic Peer-to-Peer (P2P) Microfinancing and Why it Matters More Than Ever in 2021

By Tunku Danny Mudzaffar, Founder & CEO,  


Microfinance, also referred to as microcredit, is a form of lending intended to help low-income individuals or micro-enterprises receive financing purely for business purposes. Often, this is the underserved or unbanked community that needs the funds the most. Peer-to-Peer (P2P) Financing, also called P2P Lending or Marketplace Lending in other countries, involves 2 parties: the Issuer (borrower) and the Investor (lender), who are private entities where the former is a business requiring funds and the latter is an interested party seeking investment opportunities. P2P Financing marries the two and provides a platform where a multitude of Investors may finance one Issuer. Typically, banks require an applicant to undergo a stringent process where up to three years' worth of credit score and a long approval process are typically needed. However, small businesses and micro-entrepreneurs may not even have been around for that long to build up the required status by banks needed for funding approval. Oftentimes, several months can result in many changes especially for smaller organisations, meaning a long approv-

al period would hinder overall company growth and progress.

For micro-enterprises, these issues merely scratch the surface of the problems plaguing the finance industry and its effectiveness when run by banks. While this is the fault of no particular party, there has definitely been a growing need for alternative financing methods such as P2P Financing to ease the burden of banks. To date, there are 11 P2P Financing platforms regulated by the Securities Commission Malaysia (SC) with microLEAP being one of them. These platforms function to provide MSMEs (Micro, Small and Medium Enterprises), startups as well as one-man businesses with the required funds to either stay afloat or expand.

Before the pandemic struck, Malaysian businesses were already struggling to keep up with economic conditions making running a business all the more difficult. Enter COVID-19 and people around the world, just like Malaysians, were plunged into uncertainty - a financial nightmare. Social distancing and movement restrictions imposed by the government in an effort to curb the spread of COVID-19 posed a huge threat to the economy,

as consumers were forced to stay at home and not spend, resulting in a downward spiral for most businesses unless they had an online presence. While larger entities have been able to cut operation costs and manage assets more efficiently to stay afloat, the same cannot be said for much smaller businesses that rely on day-to-day cash-flow to keep themselves above water.

Hence, the importance of alternative funding methods became clearer as not just another method of obtaining financing, but a crucial means of keeping businesses alive. The micro-economy depended heavily on private entities such as microLEAP and other P2P financing platforms to help spur them on amid a global crisis. With P2P financing believed to have surpassed RM 1 billion in value of financing disbursed in 2020, and COVID-19 as a catalyst, 2021 should prove to be no different. In fact, the familiarity of both Issuers and Investors with such platforms should mean greater awareness and in turn, increase the number of transactions.

Here is where Islamic P2P micro-financing comes in. It is the very essence of microLEAP and it is our DNA if you will. Based on the



Here is where Islamic P2P micro-financing comes in. It is the very essence of microLEAP and it is our DNA if you will. Based on the Shariah principles of Commodity Murabahah, it allows Issuers to raise Shariah-compliant financing and at the same time allow P2P Investors, when they lend, the ability to invest in Islamic assets. The Issuer of course must not be involved in non-Shariah compliant industries such as alcohol, tobacco & dangerous drugs, pornography, gambling and pork & it's by-products (full list may be found in microLEAP's Islamic FAQs).

For microLEAP, we have a Shariah Pronouncement proclaimed by our Shariah Advisors and approved by the SC Shariah Advisory Council. Therefore, Investors may invest in our Islamic Investment Notes, safe in the knowledge that their funds are used in a Shariah-compliant manner. Having said that, it is not only Muslims on our platform that invest with us. We have people from many other communities that believe in microLEAP's vision, as they believe in ethical and socially responsible investments. The beauty of Islamic finance is that ethical and social principles go hand in hand with Islamic teachings, and this is the core of what I believe in, that Islamic investments are open to all.

Islamic P2P microfinancing is all about impact investments. As we allow Issuers to raise financing from as little as RM1,000 to RM50,000 on our platform, a small amount of funds will have a stronger social and economic impact for these small businesses than medium-sized SMEs. The type of micro-enterprises that we have helped to raise working capital financing include an entrepreneur selling halal confectionery from his bedroom in Pahang, a restaurant that sells pisang goreng online and offline in Johor, a food truck driver that sells nasi lemak and kuih muih in Negeri Sembilan, and many other businesses that would generally find it difficult to raise funds from a traditional bank.

As we head into the early days of 2021, the work that we do at microLEAP and other Islam-

ic microfinance institutions matter even more. Lockdown and MCOs, though I do see the necessity for it, is detrimental to a business, even more so for the micro-enterprises that we serve. Thus far, the Malaysian government must be commended for their efforts to curb the spread of COVID-19 and along with the vaccine believed to be administered soon in stages, 2021 looks to be a recovery period from an economic standpoint. Through this gradual recovery, many businesses will still need ample support to ensure survivability, much less to expand or grow their business. As 2021 looks to be a recovery period for many individuals and businesses alike, Islamic P2P microfinancing platforms will be crucial to rebuilding Malaysia's micro-economy.

