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Opening Remark at Seminar on Islamic Finance 2009

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Secretary-General Rifaat,
Distinguished speakers,
Honored guests, and
Ladies and gentlemen,

I am pleased to welcome all of you to the Seminar on Islamic Finance 2009. I thank you for joining us here in Seoul for this important event, especially speakers and guests from afar who are here with us to show their interest and support for greater understanding and development of Islamic finance in Korea and elsewhere. I also thank President Lee Myung-Bak for his warm welcome message and Professor Rifaat, IFSB Secretary-General, and Dr. Jun Kwang-Woo, Chairman of the FSC, for co-organizing the Seoul Seminar with us.

This is the first Seminar on Islamic Finance for Korea and the third for the IFSB. For those of us in Korea who are looking to promote local awareness and development of Islamic finance, today's seminar is a truly exciting and unique occasion.

Amid discussions on fresh approach to global financial challenges, it is also a timely forum that will help us shed new light on opportunities for the Islamic financial services industry, its crucial linkage to global finance, and its potential to contribute to the global economy. So we are delighted to have IFSB as our partner in this important endeavor.

Let me also note that we have with us today an outstanding group of regulators, supervisors, business executives, finance professionals, and academics. So I have no doubt that we all can look forward to many stimulating discussions and debates today.

Unlike conventional banking, Islamic banking operates in accordance with Shariah. In recent years, it has emerged as a key segment in global finance and has attracted growing interest from many non-Islamic countries for its growth potential.



The IFSB, together with the Accounting and Auditing Organization for Islamic Financial Institutions, has been at the forefront of establishing sound global standards for Islamic finance. We commend their leadership and expect Islamic finance to be firmly established as one of the major pillars of global finance in the very near future.

Many markets in the Gulf region are feeling the effect of the global financial crisis as are markets elsewhere. But the outlook for the Islamic financial sector as a whole very much remains bright. For instance, the number of Islamic financial institutions is projected to increase from 265 in 2004 to about 600 in 2009.

Shariah-compliant global investment products such as Dow Jones Islamic Market Index and FTSE Global Islamic Index Series have been in active trading since 1999. And more than eleven billion dollars in assets are believed to be managed by some 250 Islamic mutual funds worldwide. It is also noteworthy that the volume of Sukuk bond issues worldwide increased five-fold in the past four years to about 120 billion dollars at the end of 2008. In terms of assets managed by Islamic financial institutions, the total value is projected to exceed one trillion dollars by 2010, compared with about 750 billion dollars in 2006.

The global financial crisis is pushing the world economy deep into a recession, and the prevailing expectation is that a broad economic slowdown will persist for some time to come. To some extent, today's global economic troubles can be traced to excessive leveraged financing activities that diverged from real economic activities. So I believe it will be a worthwhile endeavor to look to the principles of Islamic finance that are firmly rooted in our real economic activity for some fresh perspectives on the challenges we must now contend with.

In the face of the robust growth of Islamic banking in the past decade or so as well as difficulties stemming from the global financial crisis, Korean financial institutions, businesses, and regulators are developing a keen interest in Islamic banking. To be sure, we do have some work to do before we can introduce Islamic banking and integrate it into our financial system.

First, we are mindful of the fact that it took even well-developed markets about a decade or so to adopt Islamic banking, and local financial institutions and businesses are only beginning to take the first step. So our initial focus will be on building the necessary legal and regulatory frameworks as well as market infrastructure. In this endeavor, we intend to look to the experiences of other countries for guidance on what works best.

We will also take a thorough look at Shariah and the prudential standards promoted by IFSB so that we can move toward a supervisory framework that facilitates



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Islamic banking alongside the conventional banking. Further down the road, I believe there are steps we can explore—such as encouraging the growth of home-grown Islamic banking practitioners—to support Islamic banking at home. We also intend to become a regular participant in international Islamic finance forums and conferences to build a close network with Islamic finance industry professionals and supervisors.

With the right preparation, I believe Korea can become an attractive marketplace for Shariah-compliant investment. For investors, it can mean safe and potentially unmatched investment opportunities in Korea's high-tech sector and world-class industrial companies. For local companies, it will mean steady, globally competitive source of capital that fuels innovation and value generation at home.

Over the past decade or so, Islamic banking has experienced a robust growth worldwide. Many attribute that success to highly dedicated Islamic finance practitioners like you who are utilizing their expertise to facilitate more effective use of capital to the benefit of all.

The fact that Korea—the world's 13th largest trading economy—is only beginning to take its first step into Islamic finance bespeaks, I believe, the enormous potential ahead for Islamic financial services industry to emerge as a key linkage to global finance. So we must work together to ensure concerted efforts and cooperation not only among financial supervisors but also among Islamic and conventional finance practitioners.

Today's seminar very much reflects Korea's desire to be a part of that endeavor. So we are honored and delighted to have you and welcome you to today's seminar. There is much we would like to learn from you. So we will be listening intently to what you have to say.

Thank you.