Welcome Remark
‘The IILM Sukuk Awareness Program’
by Deputy Governor of Bank Indonesia
Jakarta, 21 March 2014

Bismillahir Rahmanir Rahim,

- H.E. Professor Datuk Rifaat Ahmed Abdel Karim, CEO of the International Islamic Liquidity Management (IILM)
- H.E. Mr. Isa Rachmatarwata from Ministry of Finance
- Distinguished Resource Persons, Seminar Participants, Ladies and Gentlemen

Assalamu’alaikum warahmatullahi wabarakatuh and very good morning

1. It is my great pleasure to be here to welcome all seminar participants. Welcome to Bank Indonesia to Prof. Rifaat Ahmed Abdel Karim and the IILM team. Today we will have a half day seminar to discuss about ‘the International Islamic Liquidity Management (IILM) Sukuk Program’. Some of you probably have heard about the IILM, but probably most of seminar participants didn’t know or even never heard about the IILM, its objective and also its business model. Therefore, as a member of the IILM, today Bank Indonesia is facilitating this seminar to introduce the IILM and its sukuk program to Indonesian financial market players, not only to Islamic financial markets but also to conventional market players.

2. As you may aware, the International Islamic Liquidity Management (IILM) was established on October 25th, 2010 by 10 central banks and monetary authorities which are Bank Indonesia, Bank Negara Malaysia, Central Bank of Qatar, Kuwait, Mauritius, Nigeria, Turkey, United Arab Emirates, Luxembourg and the Islamic Development Bank. The objective of the IILM establishment is creating and issuing short-term sharia compliant instruments to facilitate effective cross-border Islamic liquidity management.

Seminar Participants,

3. Global Islamic Finance Report (GIFR) 2013 reported that the size of global Islamic finance assets reached US$1.6 trillion at the end 2012. This assets size is expected to cross US$1.8 trillion in 2013 and US$2.1 trillion by the end 2014. Islamic banking industry dominates the Islamic finance with share around 80.4%, while the share of sukuk accounted for 14.5%. Global sukuk outstanding is expected to reach US$275 billion at the end of 2013. All those global sukuk issued are medium and long-term sukuk. We can say that none of short-term global sukuk was issued.
4. For Indonesia case, the Government has issued several series of global sukuk with outstanding reached US$4.15 billion with at least 5 years tenure. For short-term sukuk, the Government has launched Sharia Treasury Bill (Surat Perbendaharaan Negara Syariah/SPNS) with maturity less than a year. Currently the outstanding of this short-term sukuk is Rp4,35 trillion or equivalent to US$0.4 billion, but all those short-term sukuk are in rupiah denomination.

5. Therefore, the IILM tries to fulfill the absence of short-term global sukuk in the market in order to promote cross-border liquidity management. The IILM has started to issue short-term sukuk last year and currently the outstanding of the IILM sukuk reached US$1.35 billion. It is still very small amount compare to global sukuk outstanding reached around US$275 billion.

**Seminar Participants, Ladies and Gentlemen**

6. We realized that currently Islamic financial markets have limited access and instruments to short-term funding options in raising liquidity as compared to conventional markets. Therefore, liquidity becomes one of the major problems in developing Islamic finance, besides product codification, legal infrastructure, regulatory framework, and human resources gap. We do hope that the presence of the IILM and its breakthrough in issuing short-term global sukuk will help the industry in managing short-term liquidity.

7. Finally, through this seminar, I wish all participants will have better understanding about the IILM business model. Thus, we can elaborate the opportunity to cooperate in promoting liquidity management and accelerating Islamic finance development. May Allah SWT give us the strength and patient to persist fulfilling our duty to develop Islamic finance in Indonesia.

*Thank you for your kind attention, Wassalamu’alaikum Wr. Wb.*

Dr. Halim Alamsyah