

Malaysia's Islamic FinTech Frontier

Strategic Infrastructure Development
and Ecosystem Innovation

Positioning Malaysia as the Global Hub for Islamic Finance Technology

Executive Summary

Malaysia commands 24% of global Islamic finance market share with **\$13B in Islamic FinTech assets**

CRITICAL OPPORTUNITY

Global Islamic FinTech market projected to reach \$306B by 2028 (13.6% CAGR)

KEY CHALLENGE

Legacy infrastructure and institutional capacity constraints limit innovation velocity

STRATEGIC IMPERATIVES

- Modernize settlement infrastructure from DVP to PVP atomic mechanisms
- Establish a federated data management framework with agentic AI to drive interoperability and connectivity
- Deploy 3-year tokenization roadmap for real-world assets

Global Islamic FinTech Market Trajectory

\$161B

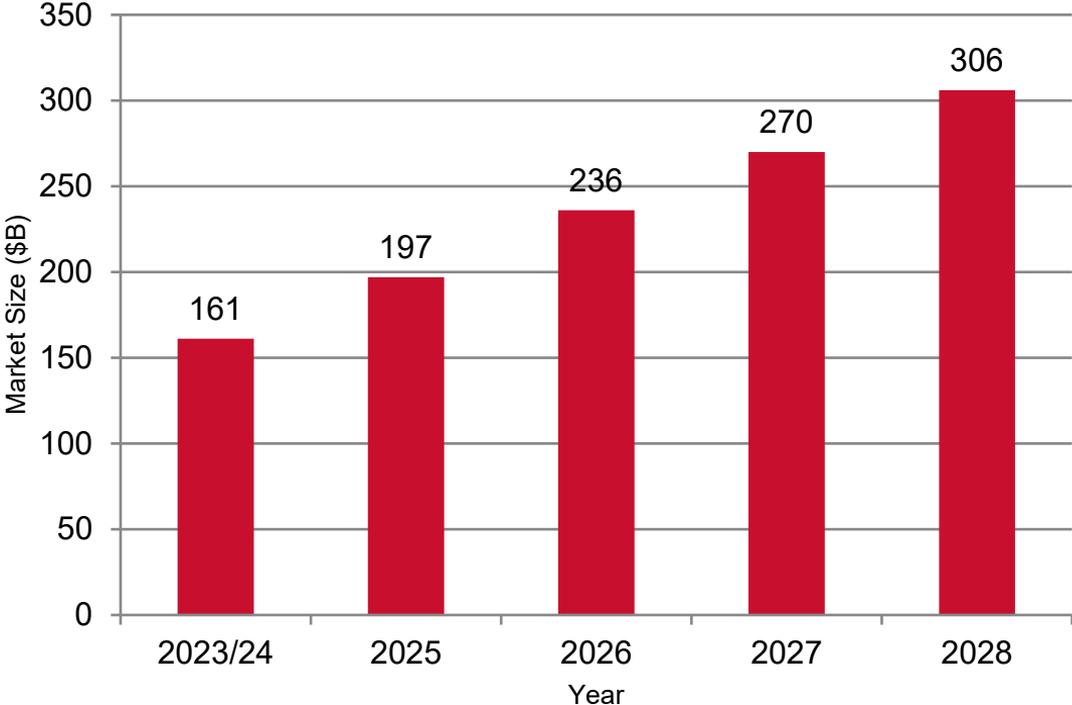
2023/24 Market Size

\$306B

2028 Projection

13.6% CAGR

Outpacing conventional FinTech growth



Malaysia's Structural Advantages

24% of Global Market Share

Second largest after GCC

79% Listed Stocks is Shariah-Compliant

817 of total securities

60% Sukuk Dominance

Of debt capital market

FOUR INSTITUTIONAL PILLARS

Dual Regulatory Framework

Parallel conventional and Shariah structures since 1980s – huge alignment with ESG pillars (85% overlap)

Mature Sukuk Infrastructure

RM 2.1 trillion outstanding, world's first green sukuk issuer

Regulatory Innovation

BNM and SC sandboxes with Standard and Green Lane tracks

Critical Infrastructure Gaps

Primary constraint is not regulatory clarity or capital — it's outdated infrastructure

Legacy Settlement Systems

- DVP vs PVP mechanisms
- Batch vs real-time settlement
- Settlement risk asymmetries

Data Management Deficits

- Disjointed data flows
- Security vulnerabilities
- Information asymmetry
- MITM risk – especially for data-in-transit

Required Transformation

- Distributed ledger infrastructure enabling PVP atomic finality and real-time gross settlement
- Deployment of Agentic AI to improve interoperability & interconnectivity

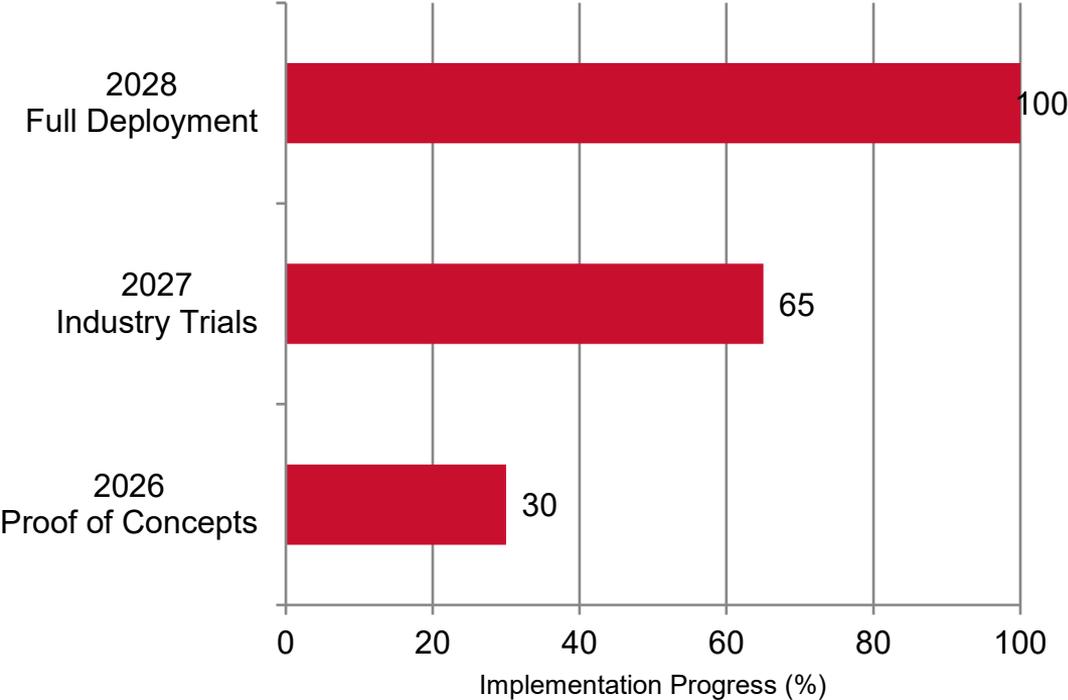
BNM's 3-Year Asset Tokenization Roadmap

Focus Areas

SME Invoice Financing
Address RM 101B gap via tokenized receivables

Islamic Finance Automation
Smart contracts for RM 2.4T sukuk market

Sustainability Instruments
Green bonds with verified climate metrics



Micro-Sukuk: Democratizing Islamic Capital Markets

CURRENT MARKET

\$200K

Minimum issuance

12+ months

Minimum tenure



MICRO-SUKUK INNOVATION

\$2.5K-\$25K

Issuance sizes

3-12 months

Flexible tenures

Economic Impact Potential

\$5-10B annual MSME capital access

200-300 bps cost reduction

4-6% retail investment returns

The Human Capital Challenge

60

Average age of directors

50%

Accounting/legal backgrounds

RESULTING CONSTRAINTS

Knowledge Blind Spots

Limited distributed systems understanding

Paradigm Rigidity

Anchored to analog processes

Strategic Conservatism

Risk frameworks for legacy models

Preference for Precedent

Proven technologies vs first-principles

Implementation Roadmap

Phase	Timeline	Key Initiatives
Immediate	0-12 months	<ul style="list-style-type: none">• Infrastructure acceleration – enhance, federated, inter-operate• Talent transformation – new, reskill, and hybridize• Regulatory alignment – conventional, Shariah & ethical
Medium-Term	12-36 months	<ul style="list-style-type: none">• Ecosystem integration – embed, integrate & inter-operate• Scaling innovation – biz model, ecosystem & regulation• Expansion – beyond borders, stakeholder-centric & data-driven
Long-Term	36+ months	<ul style="list-style-type: none">• Positioning - originating, expert-users, co-create• Infrastructure – nimble, mature & secured• Leadership – collaboration, value-based & digital ecosystem

The Choice Ahead

Malaysia can continue as a sophisticated adopter — or embrace the originator path – or both

Infrastructure modernization initiatives create a window of strategic opportunity. Proper execution positions Malaysia to capture disproportionate value as Islamic FinTech grows to \$306B by 2028.

REQUIRED

Strategic Courage

REQUIRED

Operational Excellence



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