

**Welcome Speech by
the Ambassador of Indonesia
H.E. Yuri Octavian Thamrin
at the Opening of the
Indonesian Islamic Finance Forum
Hotel Mandarin, 5 November 2009**

**Your Excellencies,
Distinguished Colleagues and friends,
Ladies and Gentlemen,**

Let me first of all welcome you most warmly to this event that we call Indonesian Islamic Finance Forum. Let me inform you that, initially, the Indonesian Finance Minister, Dr. Sri Mulyani, has been scheduled to deliver the keynote speech before all of us. However, Dr. Sri Mulyani could not come to this event just in time due to the Cabinet Meeting which she attended earlier today in Jakarta.

Colleagues and friends, this event --- from its very title --- is obviously an important occasion for Indonesia to profile and introduce its huge potentials in Islamic banking as well as in sharia-compliant financial industry.

We are of the view that our potentials in this area are not at all small and exploring how these potentials could be translated into mutually beneficial cooperation involving Indonesia and its British friends as well as investors and partners from other countries is part of the priority of the Indonesian Embassy in London.

In order to effectively profile Indonesia and its potentials in Islamic banking, our gathering today will consist of two elements as follows: first, panel discussions (namely two sessions) that will highlight the existing policies, regulations, institutions, products and promising prospects of Sharia-compliant banking and financial industry in Indonesia; second, the exhibition that will display relevant information and various products of Sharia banking offered by some of our Islamic financial institutions and banks.

Let me take this opportunity to extend my sincere gratitude to Mr. Dominic Jermey --- the Managing Director of UKTI --- who will deliver a keynote speech in this forum. My heartfelt appreciation goes also to our speakers and panelists

who will share their knowledge and expertise that will help us understand better the concepts of Islamic banking in general as well as how the development of Sharia-compliant financial industry enjoys promising prospects in Indonesia.

Let me also share with you that this special event is organized through the cooperation and support of the Indonesian Ministry of Finance, the Central Bank of Indonesia, Bank Sharia Mandiri, Bank BNI Sharia, Indometal and the Indonesian Investment Coordinating Board. Therefore it is only proper for me to take this opportunity to express my sincere gratitude for all the contribution made in assisting and preparing this important event.

Ladies and Gentlemen,

The Islamic Financial sector has become recently the fastest growing financial industry, globally with an average growth of around US\$ 500 billion to US\$ 1 trillion. That figure --- quite impressive as it is --- has been quoted in *Euromoney Yearbook 2009*. Meanwhile, some prominent institutions such as Moody's Rating Agency has also predicted that globally the Islamic financial sector could reach a value of US\$ 700 billion and has the potential to expand further to US\$ 4 trillion in the future.

Moreover in relation to the recent fall out of the global financial crisis, Islamic financial institutions have also suffered from the repercussions of the economic downturn like any other economic sector, but they have managed to emerge largely unscathed from the initial banking meltdown that resulted from the global financial turmoil.

The ethos that underpins Islamic finance has attracted the interest of conventional financial institutions keen to learn the lessons from the global crisis in banking.

In this context, Indonesia as a country with a large Moslem population, has also seen a rapid growth in the Sharia-compliant or Islamic financial industry in recent years, with 30% of growth during the past five years. Several factors that have contributed to this rapid growth are naturally the large Moslem population, improvements in regulatory framework, the perceptions of prudence and the expectations of high profitability. We foresee that the

Islamic financial and banking industry in Indonesia will reach more than US\$ 13 billion in value by 2010.

The Government and the Central Bank have certainly done their part to tap the future potential of the Islamic financial sector by introducing the Law on Sharia Banking and the Law on Islamic Bonds or Sukuk in 2008 and by establishing a blueprint for the Islamic capital market. The Central Bank has further established a blueprint of where the Islamic banking industry should be by 2015, which focuses on increasing the efficiency of the Islamic banking, integrating Islamic banking into the Islamic financial industry as well as to conform to global Islamic banking standards.

Within this context, we also recognise the United Kingdom, in particular London's role as a global financial centre, also for Islamic finance. Islamic financial services in the UK have been in existence for more than 30 years and have grown substantially in terms of its wide range of products.

The UK Government has also shown considerable support and established a framework of a favourable regulatory environment to encourage Islamic banks to set up its operations. The Islamic finance industry in the UK has also enjoyed excellent support particularly from its services infrastructure such as fund managers, accountants and law firms.

This positive climate has encouraged major global banks and a dozen of Islamic banks to set up operation in the UK, which has given the UK a comparative advantage in Islamic financial services over any other country in Western Europe. This background has surely put London on the map as a leading candidate to become the Islamic financial centre in the Western world.

Ladies and Gentlemen,

Indonesia and the UK have forged solid economic cooperation. I believe that both countries have already recognized for a long time their respective importance to each other in terms of investment and trade. But I think the time has come for us to seek a more comprehensive effort to widen our economic cooperation beyond conventional economic means in order to truly create an even more advantageous economic relationship for both sides.

Therefore, considering London's leading role as a global financial hub including Islamic finance as well as recognizing the potential of the Islamic financial sector in Indonesia, it makes perfect business sense to develop the links between the UK's well-developed financial market with Indonesia's emerging Islamic financial sector. Indonesia's large potentials in Islamic finance, combined with the support of high quality financial services in the UK, could generate numerous business opportunities that will bring mutual benefit down the line not just for the Indonesian people in respect of further economic growth, but also to its external partners.

With this goal in mind, I hope that this event, supported by many distinguished speakers with their respective expertise and long experience, will clearly provide the required information and in-depth analysis to enable everyone here to understand the potentials of the Indonesian Islamic financial market. Furthermore, I trust that you will make the right and wise decision to seize the opportunity to invest in the various products that the emerging Islamic Financial and Banking sector in Indonesia have to offer.

By way of suggestion, I believe that your participation within the context of reaping mutual benefits can take several forms such as considering setting up joint ventures in Islamic banking in Indonesia, co-financing of projects managed in compliance with Sharia principles as well as considering to purchase Islamic bonds or sukuk issued by the Government of Indonesia or by its financial institutions.

In concluding, let us hope that this event could be the primary step towards further cooperation and common effort in forging business partnership and collaboration between Indonesia and the UK in the Islamic financial sector. This in turn could lead to even more solid and comprehensive future economic relations between Indonesia and the UK and other countries.

Thank you for your kind attention.