

Financial institutions need to connect stakeholders to make green financing work

Kuala Lumpur (21st September 2022): It is paramount for financial institutions to connect stakeholders to work together in setting appropriate standards to develop a sustainable finance roadmap, concurred panellists at the one-day conference “Developing and Financing Green Housing in Asia”.

During a panel session titled “Innovation in Green Home Financing”, Maybank Chief Sustainability Officer, Shahril Azuar Jimin said, “Maybank has actually been on a sustainability journey for more than a decade but in the last two years, we have regrouped and refreshed our purpose as a financial institution, given that we know we have the power to move capital away from harm to a positive social development”.

“We have come out with four commitments; the first one is to provide RM50 billion by 2025 in sustainable financing, a significant amount of which is actually within the wholesale banking system, while we really want to make a difference in the retail side,” he said during the conference organised by Cagamas Berhad.

The conference was organised in collaboration with the ASEAN Catalytic Green Finance Facility and the ASEAN+3 Asian Bond Markets Initiative.

Sharing an affordability housing problem in India, second speaker, IIFL Home Finance Limited Chief Executive Officer and Executive Director, Monu Ratra said that the country is dealing with not just sustainability issues but also with housing shortages.

“We estimated based on a population of 140 crore people, a housing shortage of about 10 crores until 2030, and out of that, almost 97%-98% represent the economically weaker section or the lower income group.

“So, we are dealing with an absolutely different kind of a monster here and trying to address that. Every country will have its own baseline and should work from the baseline they have. Maybe Malaysia needs to talk about a different baseline given such high urbanization and how the infrastructure is developed.

“But I think for a country like India, the baseline would be to ensure the financial inclusion of the economically weaker section and lower income group. So, it's a chicken and egg story. If they don't get financing, they don't build homes the way we want them to build. Otherwise, they will build the way they think they can, and it might result in a climate issue of a different magnitude”, he also said.

“So, what you need to solve first is ensuring that the financing reaches the people it needs to reach. Only then the second part would come in, of how they should pay,” he added.

He further explained that the company has worked on its own captive technology and algorithms and has managed to reach almost 20 cities, and it seeks to reach about 500 cities in about two years.

Meanwhile, third speaker, Head, Sustainability Services of RAM Sustainability Sdn Bhd, Gladys Chua, said that RAM is one of the first few climate bond verifiers in the ASEAN market.

“We provide confidence to investors to put their money in a particular portfolio. What we look at is the certification level. Locally, we do have our Green RE for green building rating, so that is one basis we look at, with regards to standards for green home financing.”

Earlier in his welcoming remarks, Cagamas Chairman, Dato’ Bakarudin Ishak said Cagamas, as a national mortgage corporation, has been promoting the broader spread of homeownership while contributing to the growth of the bond and sukuk market through its issuances.

To date, Cagamas has issued cumulatively RM1.7 billion worth of sustainability-related bonds and sukuk.

Cagamas is firmly committed to doing its part to ensure that finance works for sustainable development and looks forward to advancing the development of sustainability-related instruments, both conventional and Islamic, to deepen market liquidity for green bonds.

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About Cagamas

Cagamas Berhad (Cagamas), the National Mortgage Corporation of Malaysia, was established in 1986 to promote the broader spread of home ownership and growth of the secondary mortgage market in Malaysia. It issues bonds and sukuk to finance the purchase of housing loans from financial institutions and non-financial institutions. The provision of liquidity to financial institutions at a reasonable cost to the primary lenders of housing loans encourages further expansion of financing for houses at an affordable cost.

The Cagamas model is well regarded by the World Bank as the most successful secondary mortgage liquidity facility. Cagamas is the second largest issuer of debt instruments after the Government of Malaysia and the largest issuer of AAA corporate bonds and sukuk in the market. Since incorporation in 1986, Cagamas has cumulatively issued circa RM369.3 billion worth of corporate bonds and Sukuk.

Cagamas’ bonds and sukuk continue to be assigned the highest ratings of AAA/Stable/P1 by RAM Rating Services Berhad and AAA/MARC-1 and AAA_{IS}/MARC-1_{IS} by Malaysian Rating Corporation Berhad, denoting its strong credit quality. Cagamas is also well regarded internationally and has been assigned local and foreign currency long-term issuer ratings of A3 by Moody’s Investors Service Inc. that are in line with Malaysian sovereign ratings.

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About ASEAN Catalytic Green Finance Facility (ACGF)

The ACGF is a regional, country-owned \$2 billion facility under the ASEAN Infrastructure Fund, administered by ADB, aiming to accelerate the development of green infrastructure in ASEAN by better utilizing public funds to create bankable projects and catalyse private capital, technologies and management efficiencies.

[ASEAN Catalytic Green Finance Facility | Asian Development Bank \(adb.org\)](http://ASEAN Catalytic Green Finance Facility | Asian Development Bank (adb.org))

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