

International Engagements

The Bank's approach to international engagements in 2022 was centered on enhancing discourse on policy challenges especially for emerging economies. It also aims to improve global and regional collaboration in strengthening resilience and promoting sustainability.

Enhancing global discourse on policy challenges

During the year, the Bank worked with many international organisations across various platforms to advance policy discussion and identify solutions on issues of importance to Malaysia and emerging market economies. The Bank co-organised a joint seminar with the IMF¹ on *Policy Challenges and Tools in an Uncertain, Complex and Evolving Landscape*. The seminar discussed the effects of rising global interest rates, interaction between fiscal and monetary policies, and potential responses to these policy challenges.

We also partnered with the BIS² to publish a report on *Foreign Exchange Markets in Asia-Pacific*. The report provided an overview and policy takeaways on the region's foreign exchange market, including the development of hedging markets and the relationship between the foreign exchange market and capital flows. As chair of the BIS Markets Committee Workshop on Funding for Lending Programmes, the Bank led discussions on the nature of low-cost funding by central banks for

targeted lending programmes (such as BNM's SME³ Automation and Digitalisation Fund, and Special Relief Facility), including programme objectives, design and trade-offs. *Insights from the workshop* provided central banks with lessons that can facilitate future policy design relating to funding for lending and its implementation.

Strengthening resilience and promoting sustainability

Transitioning towards a greener economy: The Bank intensified our international advocacy for a just and orderly transition towards a greener economy. Together with partners such as Banque de France, Deutsche Bundesbank, De Nederlandsche Bank and the Monetary Authority of Singapore, we advanced the sustainability agenda across various major platforms such as ASEAN, EMEAP⁴ and the NGFS.⁵ Given that expertise in climate-related risks remains limited within the financial sector, we emphasised the importance of capacity building and adaptability in our frameworks and approaches when presenting at COP27,⁶ the IMF and UNESCAP.⁷

The Bank also collaborated with the World Bank to produce a joint report titled *An Exploration of Nature-Related Financial Risks in Malaysia*. The report highlights how Malaysian banks are exposed to a broad range of nature-related physical and transition risks. These risks include resource overuse and pollution, sudden introductions of climate policy, and severe flooding. The exercise helped the Bank better understand the impact of nature-related risks to the Malaysian financial sector. This is further detailed in Chapter 2.2: *Towards a Greener Financial System*.

We remain committed to developing the ASEAN Taxonomy for Sustainable Finance through the ASEAN

¹ International Monetary Fund

² Bank for International Settlements

³ Small and medium enterprises

⁴ Executives' Meeting of East Asia-Pacific Central Banks

⁵ Network for Greening the Financial System

⁶ The 2022 Conference of the Parties of the United Nations Framework Convention on Climate Change (COP27), held in Egypt on 6-20 November 2022, was the latest in a series of annual UN conferences involving the 198 signatory countries of the UNFCCC. The COPs discuss policy action and assess progress relating to climate change.

⁷ United Nations Economic and Social Commission for Asia and the Pacific.

International Engagements

Taxonomy Board. Beyond ASEAN borders, as the co-chair of the NGFS Task Force on Capacity Building, the Bank led efforts to identify good practices for central banks and supervisors. These include designing and developing capacity building programmes, mapping training needs and supply, and facilitating the upskilling of practitioners.

Advancing Islamic finance: The Bank continued to make good progress in elevating Malaysia's leadership in Islamic finance globally, in line with our aspiration to position Malaysia as an international gateway for Islamic finance. To this end, we shared Malaysia's developmental experience and challenges faced in Islamic finance and fintech with OIC⁸ member countries.

The CSAA,⁹ a global network of Shariah scholars pioneered by the Bank to deliberate on Shariah issues, continues to gain support as the number of participating countries increased to 18 in 2022.¹⁰ As a member of the IFSB,¹¹ we supported their efforts as an international standard-setting body for the Islamic financial services industry. We participated in the 4th IFSB Innovation Forum as well as the SC-UNDP International Islamic Finance Conference. Through these engagements, the Bank shared the importance of embracing digitalisation, role of Shariah boards in supporting innovation for social and sustainable development, building a wide network of trusted partners, and leveraging the financial sector to enable an orderly transition to a greener economy.

Preventing and combating money laundering, terrorism financing and proliferation financing: In 2022, the Bank actively participated in the activities of FATF¹² and FATF-style regional bodies. In July, the Bank, as co-chair of the APG,¹³ hosted the first hybrid APG Annual Meeting. The meeting attracted 400 international delegates. It discussed policy issues relating to serious financial crimes and technical assistance for APG member countries. The Bank also assumed the role of co-chair of FIGG¹⁴ comprising financial intelligence agencies from ASEAN, Australia and New Zealand. As

FIGG co-chair, Malaysia's priority includes the Multi-Jurisdictional Anti-Fraud Project aimed at coordinating operational strategies to combat frauds and scams. The FIGG will also be organising a hackathon in May 2023 to encourage public and private sector use of data analytics for anti-money laundering and terrorism financing operations.

Strengthening external financial safety nets¹⁵: The Bank's external financial safety net arrangements augment Malaysia's foreign exchange reserves by providing an additional layer of resilience against potential financial crises. In June, the Bank signed the *Renminbi Liquidity Arrangement* with the BIS. This arrangement allows participating central banks – comprising the Bank, the People's Bank of China, Monetary Authority of Singapore, Bank Indonesia, Hong Kong Monetary Authority, and the Central Bank of Chile – to access liquidity from a reserve pool which will provide support in times of market volatility. Each central bank contributed a minimum of RMB15 billion or equivalent in USD towards this reserve pool placed with the BIS, which implements this arrangement.

The Bank also renewed the Local Currency Bilateral Swap Agreement with Bank Indonesia in September. The agreement was first signed in 2019 and provides liquidity of up to RM8 billion or IDR28 trillion that acts as a backstop facility to alleviate frictions in cross-border settlements.

The Bank also promoted discussions on financial safety nets by organising the RFSN¹⁶ in August. The discussions focused on how RFSN in East Asia could play a more functional and prominent role within the global financial safety net framework. In particular, participants engaged on the importance of CMIM¹⁷ as a safety net arrangement that is useable and accessible to members, as well as grounded in the spirit of regional cooperation and self-help.

⁸ Organisation of Islamic Cooperation

⁹ Centralised Shariah Advisory Authorities in Islamic Finance

¹⁰ The CSAA is elaborated further in Chapter 1.5: *Promoting a Progressive and Inclusive Islamic Financial System* and the Spotlight Article on *Fostering International Connectivity among Central Shariah Boards in Islamic Finance*.

¹¹ Islamic Financial Services Board

¹² Financial Action Task Force

¹³ Asia/Pacific Group on Money Laundering, which the Bank co-chaired with the Australian Federal Police.

¹⁴ Financial Intelligence Consultative Group

¹⁵ Financial safety nets provide insurance via financing to mitigate against the impact of crises. These safety nets have four main layers: countries' own international reserves; bilateral swap arrangements whereby central banks exchange currencies to provide liquidity to financial markets; regional financial arrangements by which countries pool resources to leverage financing in a crisis; and the IMF. (Source: IMF)

¹⁶ Roundtable on Regional Financial Safety Net. 19 central banks, ministries of finance and international organisations participated in the event, including the Monetary Authority of Singapore; Bank Indonesia; the Ministries of Finance of China, Japan and Brunei Darussalam; and the ASEAN+3 Macroeconomic Research Office.

¹⁷ Chiang Mai Initiative Multilateralisation. CMIM is a multilateral currency swap arrangement for liquidity support among ASEAN+3 members. Its core objectives are to address balance of payment and/or short-term liquidity difficulties in the ASEAN+3 region, and supplement existing international financial arrangements.

Sharing knowledge in relevant areas of central banking:

Financial and monetary stability within our region can only be possible if all central banks share a high level of proficiency, especially in a relatively new field such as sustainable finance. The Bank co-developed the *ASEAN Learning Curriculum on Sustainable Finance* in 2021 with the SEACEN Centre. Capacity building programmes based on this curriculum were introduced for the region's central bankers in 2022. Further, leveraging on the International Centre for Settlement of Investment Dispute, the Bank organised the ASEAN Investor-State Dispute Settlement (ISDS) Capacity Building Programme from February to April. The programme, which was aimed at enhancing the understanding of ISDS mechanisms and practising skills in the dispute settlement process, was attended by almost 100 participants from central banks, ministries and government agencies from all ASEAN countries.

In 2022, the Bank conducted 42 capacity building programmes in response to requests from 20 countries including ASEAN member countries, Türkiye, South Korea, Brazil, and Sri Lanka. These programmes were focused on the areas of Islamic finance, payments systems, and cash management. This provided opportunities for the Bank to foster stronger relationships, through the mutual exchange of experiences and lessons learnt between the Bank's and our international counterparts.

Deepening integration for trade and investment:

To promote higher levels of trade and investments in the region, we signed the Memorandum of Understanding on Cooperation in Regional Payment Connectivity (RPC) with the Monetary Authority of Singapore, Bank Indonesia, Bank of Thailand and Bangko Sentral ng Pilipinas. The RPC will enable faster, cheaper inclusive payments among the five countries through participation in the next phase of Project Nexus, an initiative to connect the real-

time payment systems of participating countries through a multilateral connectivity model. In turn, greater regional payment connectivity is expected to be a significant contributor to regional economic recovery and inclusive growth. The Bank's efforts to enhance cross-border payment services including participation in Project Nexus are detailed in Chapter 1.5: *Promoting Safe and Efficient Payment and Remittance Services*.

As the regulator of the financial sector, the Bank plays an active role in supporting Malaysia's participation in international trade and investment agreements and cooperation frameworks. The Bank negotiates elements relating to the financial services sector and investment matters to facilitate trade and investment, alongside advancing national priority areas. In 2022, the Bank participated in the review of the ASEAN-Australia-New Zealand Free Trade Agreement and the Frameworks on Cooperation in Digital Economy and Green Economy with Singapore, as well as the expansion of the Malaysia-Turkiye Free Trade Agreement.

Going Forward

Amidst the challenging economic and financial market environment in 2023, international cooperation and collective efforts are essential to enhancing mutual awareness of economic and financial developments. Such cooperation also contributes towards promoting the global and regional monetary and financial system while mutually strengthening the resilience of our economies.

The Bank will continue to collaborate with regional and strategic partners to deepen regional economic and financial linkages, advance the sustainability and climate change agenda, and further accelerate digitalisation and financial inclusion.