

International Engagements

In 2024, Bank Negara Malaysia (BNM) intensified our international engagements to support BNM's mandates and advance our strategic interests. Throughout the year, we achieved significant milestones across different platforms. These reaffirmed BNM's position as an active partner in strengthening cooperation and deepening financial integration both regionally and globally. These efforts were also critical in laying the foundation for Malaysia's ASEAN 2025 Chairmanship.

Strengthening Partnerships in a Polarised Global Landscape

With the continued uncertainties in the global economy amid an increasingly polarised landscape, BNM's priority is to strengthen our collaboration with our peers and key forums and institutions to strengthen economic and financial resilience and explore new opportunities. Throughout 2024, BNM actively engaged with regional peers bilaterally and at regional forums such as ASEAN, ASEAN+3 and EMEAP, and with global institutions such as the International Monetary Fund (IMF), the World Bank and the Bank for International Settlements (BIS).

At the bilateral level, we agreed on greater collaboration in Islamic finance, sustainability and digitalisation with the Hong Kong Monetary Authority, Bank Indonesia, Monetary Authority of Singapore and the Financial Services Authority of Indonesia (OJK). Overall, these bilateral engagements helped deepen cooperation on



BNM senior management with their counterparts of the Hong Kong Monetary Authority during a bilateral meeting on 24 May 2024 in Kuala Lumpur, Malaysia.



BNM senior management with their counterparts of OJK during a bilateral meeting on 27 September 2024 in Jakarta, Indonesia.

mutual priorities, reinforce financial sector resilience and explored solutions for shared challenges on strategic areas.

At the regional level, the focus was to reduce the region's vulnerability to volatility in major currencies and facilitate greater trade and investment. To this end, BNM collaborated with ASEAN peers to establish the ASEAN Local Currency Transaction (LCT) Framework. The framework guides members in enhancing accessibility and efficiency of local currency transactions and promotes its wider adoption by market participants in the region.



Governor Abdul Rasheed Ghaffour with the IMF Managing Director Kristalina Georgieva and Malaysia's Minister of Finance II, Yang Berhormat Senator Datuk Seri Amir Hamzah Azizan at IMF Annual Meetings, 21-27 October 2024.

Source: Melissa Lyttle | IMF Photo

On the global front, BNM leveraged engagements with the IMF Managing Director at the IMF Annual Meetings to emphasise the importance of preserving open trade globally. We highlighted the important role of the IMF to

continue highlighting the benefits of a fair, rules-based trading system and to ensure trade remains a key pillar of global growth by using its platform to discourage countries from imposing trade-restrictive measures.

29th EMEAP¹ Governors' Meeting and 13th Informal Meeting of EMEAP Governors and Heads of Supervisory Authorities

As the Chair of EMEAP Governors' Meeting and Informal Meeting of Governors and Heads of Supervisory Authorities in 2024, BNM hosted the 29th and 13th Meetings, respectively, in Penang on 15 July 2024. Both meetings, chaired by Governor Abdul Rasheed Ghaffour, brought together regional central bank governors and heads of supervisory authorities to exchange views on key challenges, including managing inflation, capital flow volatility, financial market stability, and regulation and supervision.

A major focus of the meeting was on enhancing initiatives to support regional trade and investment activities. One key issue discussed was the potential for Central Bank Digital Currencies (CBDCs) to enhance cross-border payments. The meeting also discussed challenges and solutions to encourage greater use of local currencies in the region. On supervision matters, the meeting considered challenges faced in implementing global regulations and standards, and tackling risks such as cybersecurity, scams, climate change and Artificial Intelligence (AI).



¹ EMEAP is a cooperative forum of eleven central banks and monetary authorities in the East Asia and Pacific region. It comprises the Reserve Bank of Australia, People's Bank of China, Hong Kong Monetary Authority, Bank Indonesia, Bank of Japan, Bank of Korea, Bank Negara Malaysia, Reserve Bank of New Zealand, Bangko Sentral ng Pilipinas, Monetary Authority of Singapore and Bank of Thailand.

Fortifying External Financial Safety Nets

To complement the range of tools to safeguard the country against external shocks, BNM pursued efforts on several fronts to strengthen Malaysia and the region's access to external financial safety nets. The focus in 2024 was to substantially improve the accessibility and usability of the existing financial safety net arrangements.

BNM renewed our bilateral swap agreements with Bank Indonesia² and the Bank of Korea³ with enhanced terms, in particular to improve both parties' access to these facilities when needed.



Governor Abdul Rasheed Ghaffour and Governor Perry Warjiyo of Bank Indonesia (BI) at the renewal of the bilateral swap agreement between BNM and BI.

Regionally, BNM continued to advocate for improved accessibility of the Chiang Mai Initiative Multilateralisation (CMIM). A significant milestone this year was the establishment of the Rapid Financing Facility. This new facility, which is a component of CMIM, provides expedited emergency funds to member countries without conditions during periods of urgent balance of payments needs arising from sudden external shocks such as natural disasters and pandemics. In addition, BNM remained a strong advocate of efforts to further elevate CMIM's financing structure, working alongside other ASEAN+3 members to advance the work on this. In May 2024, ASEAN+3 Finance Ministers and Central Bank Governors recognised the benefits of transitioning the CMIM to a paid-in capital model, which will centralise lending resources, enable faster disbursement of funds, and thus significantly improve CMIM's effectiveness as a regional self-help arrangement.

² Signed 27 September 2024.

³ Signed 13 May 2024.



BNM delegation representing Malaysia at the ASEAN+3 Task Force Meeting in Busan, Korea, 11-12 September 2024.



Deputy Governor Marzunisham Omar, representing BNM at the ASEAN+3 Finance Ministers and Central Bank Deputies' Meeting in Pyeongchang, Korea, 17-18 December 2024.

Maximising Trade and Investment Opportunities

As Malaysia's lead negotiator for issues relating to financial services within international trade and investment agreements, BNM continued to leverage these agreements to accord greater outward expansion opportunities for domestic players, enhance access to a wider array of quality products and services as well as technical capacity, and reinforce Malaysia's global profile as an attractive market and investment destination.

BNM's efforts supported the conclusion of the Malaysia-United Arab Emirates Comprehensive Economic Partnership Agreement (MY-UAE CEPA), Malaysia's first agreement with the UAE. This agreement enhances cooperation in Islamic finance and creates opportunities for our financial players to expand in the UAE. Similarly, we contributed to the substantial conclusion of the ASEAN-China Free Trade Agreement (ACFTA) 3.0 Upgrade, which enhances an existing

agreement between ASEAN and China. The enhanced ACFTA contains modern commitments on sustainability and digitalisation, which are synergistic to the goals of BNM and Malaysia.

Promoting Sustainability Initiatives

In promoting sustainability initiatives, advocating for a just and orderly transition to a greener economy remained an important agenda for BNM.⁴ Crucially, the focus is to ensure that Malaysia and the region's perspectives are heard and well-represented at the global arena.

BNM continued to play a key role in shaping sustainable finance initiatives in the ASEAN region. As a founding member of the ASEAN Taxonomy Board, BNM contributed towards the publication of the ASEAN Taxonomy for Sustainable Finance Version 3. This version introduces a common framework for classifying sustainable economic activities for two more focus sectors, namely Transportation and Storage; and Construction and Real Estate.⁵

As a member of the Central Banks and Supervisors Network for Greening the Financial System (NGFS), BNM hosted the NGFS Asia Pacific Plenary Outreach in December 2024. The Plenary Outreach facilitated dialogue amongst policy makers on key issues such as regulatory and supervisory experiences and regional priorities moving forward.

Advancing Malaysia's Islamic Finance Agenda

During the year, continued efforts were made to enhance Malaysia's position as an international gateway for Islamic finance.⁶

We hosted the 2024 Global Forum on Islamic Economics and Finance (GFIEF), which featured policy discussions and initiatives to strengthen international cooperation. Key resolutions were reached, focusing on anchoring

values in development and reform agendas for a resilient global economy, along with embracing innovative solutions and strong partnerships in Islamic finance to drive growth in areas such as halal trade, infrastructure networks and talent development. In particular, the forum witnessed the exchange of Memorandums of Collaborations (MOC) between the Malaysia International Islamic Finance Centre Leadership Council (MLC) and industry representatives⁷ from Indonesia, Hong Kong, Türkiye and the UK. These MOCs encourage product innovation, promote trade and financial activities, support capacity building and education within the Islamic finance ecosystem. The forum also witnessed the signing of the Murabahah Master Agreement between Islamic Development Bank (IsDB) and our Islamic financial institutions to facilitate fund placements across institutions and strengthen investment linkages.

BNM also hosted the Fourth Centralised Shariah Authorities Forum (CSAF) Working Group Meeting in Kuala Lumpur. The meeting deliberated on the governance of CSAF to enhance its credibility as a prominent reference source for financial regulatory authorities, global fatwa-issuing bodies, and international standards-setting organisations.

Islamic finance plays an important role in greening the economy. To this end, BNM launched the 'Green Halal Businesses (GHB)' pilot programme, a collaboration with the Ministry of Finance, IsDB and the World Bank Group Inclusive Growth and Sustainable Finance Hub in Malaysia. The GHB pilot programme supports greening efforts by domestic halal businesses, especially for Small-Medium Enterprises. This ensures that these businesses will continue to be competitive within the global halal supply chain.

From a regulatory standpoint, BNM continued to advocate for the alignment of global Islamic prudential standards. BNM actively participated in high-level seminars and workshops, and shared our experiences in the development of Islamic Financial Services Board (IFSB) standards related to takaful risk management and the development of risk management tools. BNM also contributed towards the publication of the IFSB flagship report on the Islamic Financial Services Industry Stability Report 2024.⁸ These efforts are critical in shaping sound regulation among institutions offering

⁴ Further details on BNM's sustainability efforts in 2024 can be found in the chapter 'Towards a Greener Financial System'.

⁵ *Version 1* of the ASEAN Taxonomy provides the overall framework of the ASEAN Taxonomy. *Version 2* consists of the: (a) complete Foundation Framework comprising detailed methodologies for assessing economic activities; and (b) Technical Screening Criteria (TSC) for the first focus sector, i.e. Electricity, Gas, Steam and Air Conditioning Supply sector (Energy sector) under the Plus Standard. TSC aims to provide a common framework for classifying sustainable economic activities in the ASEAN region. Further information on the ASEAN Taxonomy can be found in the chapter 'Towards a Greener Financial System'.

⁶ Further details on BNM's agenda on Islamic finance can be found in the chapter 'Promoting a Progressive and Inclusive Islamic Financial System'.

⁷ Komite Nasional Ekonomi dan Keuangan Syariah of Indonesia (KNEKS), Hong Kong Trade Development Council (HKTD), Finance Office of the Presidency of the Republic of Türkiye (CBFO), and Islamic Finance Council UK (UKIFC).

⁸ This Report provides a comprehensive assessment of the global Islamic finance industry's growth, development, resilience and future outlook.

Islamic financial services. Moving forward, BNM will continue ongoing efforts in supporting IFSB's strategic agenda as the Chair of IFSB's Executive Committee⁹ for 2025–26. On the Islamic financial market front, BNM continued to support the International Islamic Liquidity Management Corporation (IILM)'s goals in providing the market with Shariah-compliant financial instruments for effective cross-border liquidity management. To this end, we supported IILM's efforts towards achieving a more sustainable asset growth by successfully completing the strategic initiative to upsize its Sukuk Programme from USD4 billion to USD6 billion. BNM also provided insights and development strategies to enhance the IILM's operational efficiency and market reach.¹⁰

Driving Leadership in Digitalisation

We also continued to pursue advancements and international collaboration in the digitalisation of the financial sector. Overall, this led to greater regional connectivity, increased interoperability of payment systems, diversification of digital payment infrastructures and stronger digital readiness of Malaysia.¹¹

A cross-border QR payment linkage between Malaysia and Cambodia was launched by BNM and the National Bank of Cambodia in 2024.¹² Beyond bilateral linkages, BNM also supported the work of the BIS Innovation

Hub on Project Nexus, an initiative to develop a scalable multilateral payment connectivity infrastructure by linking the instant payment systems of participating countries. In June 2024, a detailed roadmap was completed and published to bring Nexus closer to live implementation. At the ASEAN level, BNM with other signatory member states, welcomed the signing of the MOU on Regional Payment Connectivity (RPC)¹³ by Brunei Darussalam Central Bank and Bank of the Lao PDR. The RPC initiative aims to enable faster, cheaper, more inclusive and transparent cross-border payments across ASEAN member states. These efforts underscore Malaysia's commitment to creating more inclusive and efficient cross-border payment systems to further advance payment connectivity across the region.

Additionally, BNM was actively involved in initiatives spearheaded by the BIS Innovation Hub to improve cross-border payments by leveraging on emerging technology. This also involved collaboration with other central banks.

Recognising the differing levels of development and innovation across the region, BNM also participated in knowledge-sharing initiatives with other central banks to address emerging trends and challenges in digitalisation. These include knowledge sharing on digital assets, multi-CBDC platforms and the risks and opportunities of AI.

MoU exchange on 27 February 2024 between Governor Abdul Rasheed Ghaffour and Governor Chea Serey of the National Bank of Cambodia (NBC) witnessed by the Prime Minister of Malaysia, Yang Amat Berhormat Datuk Seri Anwar Ibrahim and the Prime Minister of the Kingdom of Cambodia, Samdech Moha Borvor Thipadei Hun Manet. This MoU promotes closer cooperation between BNM and NBC, and is the precursor to the launching of the cross-border QR payment linkage on 19 September 2024.



⁹ The Executive Committee advises the IFSB Council (comprising of Governors of member regulatory and supervisory authorities) on strategic matters and oversees administrative operations, including financial procedures, funding plans and staff regulations.

¹⁰ Among others, we facilitated the formulation of strategies to scale up IILM and development initiatives such as asset transaction proposals and primary dealers' diversification.

¹¹ Further details on BNM's 2024 digitalisation efforts can be found in the chapter 'Promoting Safe and Efficient Payment and Remittance System'.

¹² Other countries that have established similar linkages with Malaysia are Indonesia, Singapore and Thailand.

¹³ The RPC involves cooperation to implement cross-border payment connectivity to support and facilitate cross-border trade, investment, financial deepening, remittance, tourism, and other economic activities, as well as a more inclusive financial ecosystem in the region. To date, 8 out of 10 ASEAN member states are part of the RPC initiative – Indonesia, Malaysia, the Philippines, Singapore, Thailand, Vietnam, Brunei and Laos.

Combating Money Laundering and Financial Crimes

BNM remained steadfast in our commitment to counter money laundering, fraud, and terrorism financing. As a member of both the Financial Action Task Force (FATF) and the Asia/Pacific Group on Money Laundering (APG), BNM supported ongoing initiatives and strategic priorities of both platforms aimed at strengthening AML/CFT/CPF¹⁴ regimes in the region. We actively participated in the peer evaluations of member country's measures to combat money laundering, terrorist and proliferation financing. Hosting the APG Typologies Workshop in 2024, BNM facilitated knowledge exchange on combating the abuse of legal entities and cyber-enabled fraud. Overall, we contributed actively towards the reinforcement of regional collaboration in addressing emerging financial crimes and ensured Malaysia's alignment with global best practices.¹⁵

Looking Ahead

As the global economy navigates ongoing challenges, BNM will continue to leverage international engagements and collaborations to strengthen Malaysia's economic resilience and promote sustainable development. Specifically, in line with supporting Malaysia's ASEAN Chairmanship theme of Inclusivity and Sustainability, BNM will pursue several key initiatives including catalysing access to financing for bankable green projects in the region and fostering inclusive instant payment connectivity among ASEAN member states.

As co-chair of the ASEAN+3 Finance Process, Malaysia will strive to make meaningful progress for CMIM's transition towards a paid-in capital model to substantially improve its effectiveness and enhance the region's preparedness against future economic shocks. This includes conducting research and facilitating exchanges on the best paid-in capital model for the region.

¹⁴ Anti-Money Laundering (AML), Countering Financing of Terrorism (CFT) and Countering Proliferation Financing (CPF).

¹⁵ Further details on BNM's efforts in 2024 can be found in the chapter 'Maintaining Financial Integrity'.