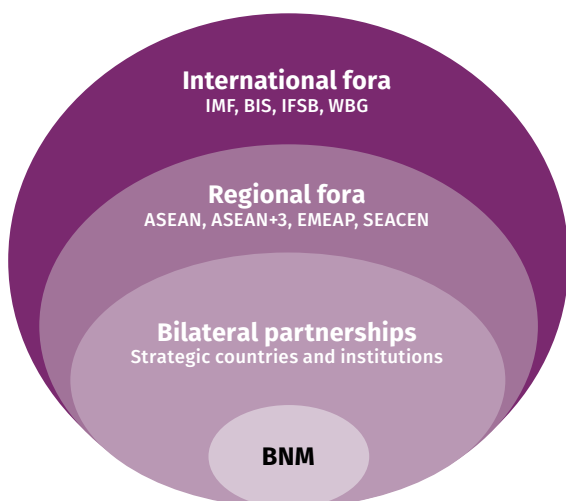


# International Engagements

As an open economy, Malaysia is deeply integrated with the global monetary and financial system. For this reason, we engage actively with our counterparts globally through a number of platforms, and on a variety of issues and areas of common interest. In addition to advancing the interest of the nation, the Bank's international engagements are also directed at supporting efforts to promote global monetary and financial stability.

Chart 1: The Bank's key international engagements



## Engagements in 2019

### Strengthening resilience

In 2019, we pursued efforts on a number of fronts to strengthen the region's financial safety net. To this end, the Bank worked towards enhancing the effectiveness of the Association of Southeast Asian Nations plus China, Japan and Korea (ASEAN+3) Chiang Mai Initiative Multilateralisation (CMIM) as a liquidity support facility by actively advocating for the need to improve accessibility of the CMIM and enhance operational readiness. In addition, we established a local currency bilateral swap arrangement with Bank Indonesia and renewed existing swap arrangements with ASEAN central banks (ASEAN Swap Arrangement) and the Bank of Korea during the year. These arrangements enable the participating central banks to access liquidity from each other to meet short-term liquidity needs, which in turn enhances the financial resources that the Bank can use in times of need.

Recent years have seen growing global recognition of the risks that climate change poses to monetary and financial stability. To deepen our understanding of these risks, the Bank joined the Central Banks and Supervisors Network for Greening the Financial System<sup>1</sup>. In addition, the Bank<sup>2</sup> organised the inaugural Regional Conference on Climate Change themed Climate Change Risks and Opportunities: Respond, Not React in September 2019 to create awareness on the challenges and opportunities for the financial sector in the green economy. The Bank also advanced the regional sustainability agenda by leading a study on the roles of ASEAN central banks in managing climate and environment-related risks. This is a collective effort by ASEAN central banks to better understand these risks and their implications to monetary and financial stability. The aim is to provide

<sup>1</sup> For more information, refer to the BNM Annual Report 2019 Feature Article titled 'Climate Change Risks and Opportunities: Respond, Not React'.

<sup>2</sup> Together with other domestic regulators such as the Securities Commission Malaysia and Bursa Malaysia.



*Assistant Governor Aznan Abdul Aziz at the Regional Conference on Climate Change Risks and Opportunities: Respond, Not React in September 2019.*

recommendations for ASEAN central banks to manage these risks, while supporting the transition to a low carbon economy.

The Bank also continued to work closely with its regional counterparts in managing risks associated with the rapid digitalisation of finance. In 2019, the Bank led an effort to establish the ASEAN Cybersecurity Resilience and Information Sharing Platform (CRISP), a platform for ASEAN central banks to share information and best practices on cybersecurity threat intelligence, as well as develop technical expertise in this field. We also signed a memorandum of understanding with Bank Indonesia for closer cooperation on innovation in payments and digital financial services, as well as surveillance on anti-money laundering and counter financing of terrorism.

### ***Deepening integration***

Another key initiative was to deepen regional financial integration to facilitate intra-ASEAN trade and investment, and develop the required infrastructure to support these flows.

In 2019, the Bank led and concluded Malaysia's negotiations for financial services liberalisation through the ASEAN Trade in Services Agreement (ATISA) and the Regional Comprehensive Economic Partnership (RCEP). These agreements were aimed at reducing the barriers to intra-regional trade and investment, and open up market access opportunities for businesses, including for financial service providers.

We also established arrangements with Bangko Sentral ng Pilipinas and Bank of Thailand under the ASEAN Banking Integration Framework (ABIF) which would provide opportunities for Malaysian banks to become Qualified ASEAN Banks (QABs) in the Philippines and Thailand respectively. These arrangements would enhance the presence and operational efficiency of banking institutions in each other's jurisdictions. They would also complement Malaysia's existing ABIF arrangement with Otoritas Jasa Keuangan, under which the first two QABs<sup>3</sup> in the region have been designated and will be able to benefit from the privileges accorded.

Building on similar arrangements that the Bank has with the Bank of Thailand and Bank Indonesia, we also engaged with Bangko Sentral ng Pilipinas during the year to explore the establishment of a local currency settlement framework (LCSF). By enabling the settlement of trade and investments in local currencies, the LCSF reduces transaction costs and foreign exchange risks, thus allowing for cross-border business needs to be better served.

### ***Strengthening partnerships***

The Bank continued to build strong relationships with central banks, international organisations and other strategic partners. In 2019, we had bilateral meetings with counterparts from Bank Indonesia and the Monetary Authority of Singapore. At the meetings, views were exchanged on economic and financial developments, policy and operational challenges,

<sup>3</sup> PT Bank Maybank Indonesia Tbk and PT Bank CIMB Niaga Tbk.

*Governor Nor Shamsiah Yunus with then Managing Director of IMF Madame Christine Lagarde during her visit to Kuala Lumpur in June 2019.*



and potential areas for collaboration to strengthen mutual financial sector resilience and deepen regional financial integration.

The Bank regularly shares our technical experience and expertise with other central banks, supervisory authorities and related institutions on a range of issues. We do this by hosting study visits, conducting seminars and workshops, and sending our staff to deliver programmes in their countries and organisations. We also work closely with other international organisations, such as the South East Asian Central Banks (SEACEN) Research and Training Centre, Alliance for Financial Inclusion (AFI) and the World Bank to deliver some of these programmes. By sharing the Bank and Malaysia’s perspectives,

we hope to support our counterparts in building capacity, and thus contribute to global monetary and financial stability. In 2019, we engaged with 61 countries under technical cooperation activities.

During the year, the Bank welcomed a number of high profile international visitors, including then Managing Director of the International Monetary Fund (IMF), Madame Christine Lagarde, and Lord Mayor of the City of London, Alderman Peter Estlin, and exchanged views on issues of strategic interest. The Bank also actively participated in various platforms at both the international and regional level, including at the IMF, Bank for International Settlements (BIS), Executives’ Meeting of East Asia-Pacific Central Banks (EMEAP), ASEAN and ASEAN+3.



*Governor Nor Shamsiah Yunus and fellow governors at the BIS Global Economy Meeting in May 2019.*



*Governor Nor Shamsiah Yunus and fellow panellists on “Managing Capital Flows: What is the Right Policy Mix?” on the sidelines of IMF-WBG Spring Meetings in April 2019.*

In 2019, the Bank used these platforms to share our perspectives and advocate views on areas of interest, including on international financial flows and policy challenges, fintech, as well as governance of central banks.

The Bank also had the opportunity to host a number of international events during the year. These included the 62nd ISI World Statistics Congress, BNM-Organisation for Economic Co-operation and Development (OECD) Conference on Financial Education and Consumer Protection in Asia-Pacific, BNM-World Bank Group (WBG) Conference on Governance, Risks and Controls in the Era of Disruption, and BNM’s Monetary Policy Conference on Policy Space Given Multifaceted Risks: Between A Rock and A Hard Place<sup>4</sup>.

### Going forward

In 2020, the Bank will continue to engage the international community to advocate our views and

support collective efforts to address challenges in the global monetary and financial system. To this end, the Bank will remain focused on strengthening external resilience and fostering strategic collaboration, with greater emphasis on advancing our sustainability agenda and meaningful financial inclusion. Of significance, the Bank will continue to strengthen our external financial safety net arrangements, deepen regional financial integration as well as elevate Malaysia’s leadership in Islamic finance.

The year ahead will also see the Bank assuming chairmanship of the Islamic Financial Services Board (IFSB) Council. The Bank looks forward to playing a part in further enhancing the effectiveness and stature of the IFSB as a recognised standards-setter for Islamic finance and to complement existing work of other standards setting bodies towards ensuring the stability and resilience of the Islamic financial services industry.

<sup>4</sup> For more information, refer to the BNM Annual Report 2019 Chapter titled ‘Promoting Monetary Stability’.