

# Managing the Bank

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# Managing the Bank



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## People

Our people are our most important asset. It is through them that the Bank is able to deliver on our mandates. The Bank therefore seeks to attract the nation's best and foster an environment that brings out the best in them.

The pandemic posed challenges to our people in adapting to new ways of working. Collaborating effectively, communicating and keeping engaged with one another in the absence of physical interaction required some adaptation, and accelerated the use of virtual meeting technologies. Our people were able to remain nimble and adjusted well to

this new norm. Particular attention was paid to putting in place working arrangements that would continue to support the safe and timely flow of critical information for risk assessments and decision making. We also emphasised protecting the personal well-being of our staff in these exceptional times. This also entailed providing a supportive environment for staff to continue to achieve a high level of productivity and employee engagement.

### Keeping our people safe and sound during challenging times

The Bank established a cross-functional taskforce to comprehensively address all aspects of staff safety and well-being and ensure business continuity. This included reviewing work arrangements to comply with physical distancing requirements and minimise infection risk. We regularly reminded staff of their responsibilities, and we distributed personal health kits to all staff early on. Emphasis was also placed on supporting and promoting mental health, supported by our Worklife Assistance Programme.

*Assistant Governor Fraziali Ismail briefing the media virtually on BNM's Targeted Repayment Assistance (TRA) programme.*



As much as possible, we encouraged staff to work remotely, with only 20% coming into office. The work from home (WFH) arrangements posed particular challenges in assimilating new hires, maintaining engagement levels and fostering an environment for quality interaction among team members. To address this, we extensively leveraged on virtual learning platforms to ensure our people remained engaged and were clear on the Bank's priorities in managing the crisis. Through multiple pulse-checks, deployed to understand issues faced by our people, we learned that a majority of our people were coping well under extended WFH arrangements. While concerns were raised on decreased social interaction with colleagues, our people adapted quickly to greater use of digital tools for more efficient decision-making and collaboration. These insights will continue to help us support our people effectively as we make the most out of technology to optimise new working norms in the longer-term.

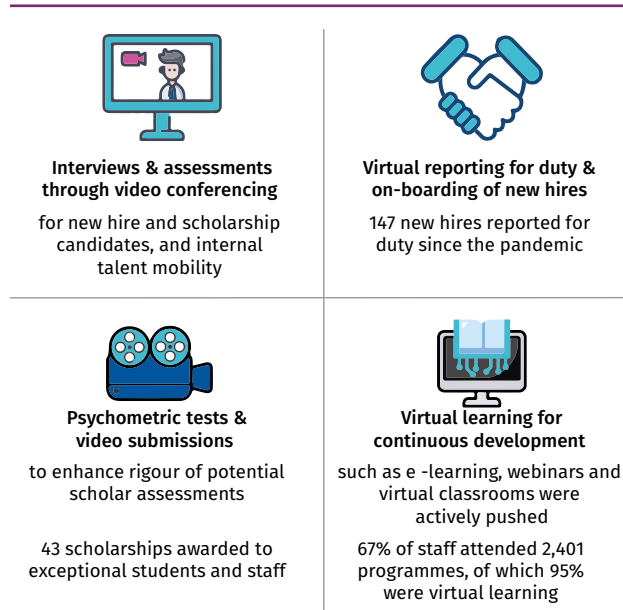
## Pivoting the way we work

We progressively equipped all staff with the necessary tools to enable them to work remotely in a secure and efficient manner. This complemented ongoing efforts to enhance the Bank's digital infrastructure, especially to enhance work processes and increase cyber resilience. We also adapted the way we collaborated to improve our effectiveness in managing and speed in responding to the crisis. We established multiple cross-functional teams comprising all the relevant functional expertise to focus on addressing specific issues. These teams not only focused on our policy responses to the crisis, but also issues regarding our internal organisation. Concurrently, we remobilised staff to higher priority areas.

In tandem with equipping staff with the necessary tools, we adapted our talent management processes - from awarding scholarships, recruitment and talent mobility, to learning and development. In 2020, a total of 43 scholarships were awarded to exceptional students to pursue pre-university, first degree and post-graduate programmes. We also provided just-in-time upskilling on usage of digital tools and resources. Many of these changes will increase the Bank's agility going forward amid new norms of working and changes in employee expectations.

We also adjusted and simplified our performance review process to reflect the special circumstances

**Diagram 1: Adapting talent management process to the pandemic**



Source: Bank Negara Malaysia

of 2020. Performance categories and descriptors were revised, while still ensuring sufficient data points on individuals for critical talent management processes and preserving the culture of a performance-based organisation. The simplified approach takes into account changes in the Bank's operating environment which required changes in organisational priorities and staff having to adjust to new normal working arrangements.

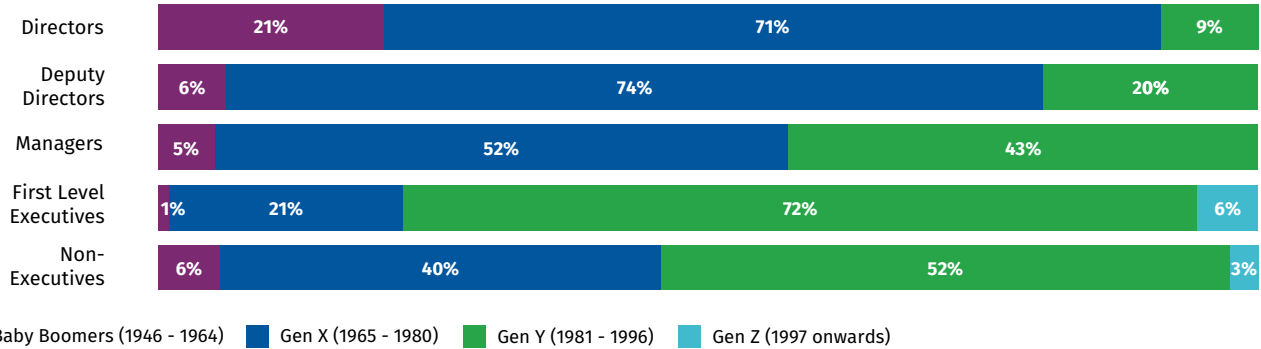
We also focused on planning ahead to ensure that the Bank's human capital strategies remain relevant in the post-pandemic environment. The more rapid adoption of remote technology, shift to remote working and increased emphasis on cross-functional teams highlighted the need to redesign functions and upskill certain groups of our people for them to remain effective. This includes targeted development in digital fluency, and professional office and administrative management for our administrative support group. We also continued to provide support for employees to pursue professional qualifications and studies in areas related to our mandates.

## Continued strengthening of talent management

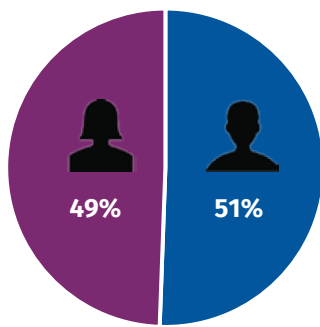
We continued to promote greater alignment between our people, mandates and organisational priorities.

Diagram 2: Talent Demographic

Millennials make up the largest segment, at 56% of the Bank's workforce



Note: Millennials (or Gen Y) are defined as persons who were born between the years 1981 to 1996.



Headcount: 3,096

Job level	Gender composition	
Senior Management	43%	57%
Managers	58%	42%
First Level Executives	57%	43%
Non Executives	37%	63%

Source: Bank Negara Malaysia

This reflects the need for the Bank to increase its agility as an organisation in order to remain effective amid fast-changing conditions. We have begun a review of our organisational structure, with the aim to strengthen our culture of collaboration and accountability, better harness the collective intellectual capacity and experience of our people, and optimise our resources. Additionally, a review was initiated to evaluate and optimise manpower needs across the Bank and encourage and enhance talent interchangeability and mobility. We also realigned various functions within our corporate services, and re-activated a high-level governance committee to focus on oversight of operational matters such as facilities management and organisational security. This committee includes external members comprising industry experts with a wealth of professional perspectives. These enhancements to our corporate services is aimed at ensuring operational matters in the Bank are run more efficiently.

We recently established an Ethics & Integrity Office. The purpose of this office is to reinforce and sustain a strong culture of integrity in the Bank by providing greater advocacy of the desired ethical standards and conduct. These functions will also provide staff with an independent avenue to obtain impartial advice and support on matters relating to conduct rules, formal processes or other ethical concerns.

We continued to ensure our people grow professionally by providing them the opportunities to enhance their skill sets for expanded roles, accelerate time-to-competence and build capabilities for the future of work. These capabilities include data science and analytics, climate-risk related technical areas, digital fluency and agility and resilience. We also focused on building new capabilities to improve operational excellence in targeted areas, such as greater adoption of technology, robotics and automation to modernise the minting, secure storage

and logistical distribution of coins and currency. In order to sustain a healthy talent pipeline, our succession planning continues to be a key priority,

with further process improvements undertaken to identify and nurture the Bank's future leaders through targeted, individualised development plans.

**Diagram 3: Learning and Development**



**Learning and development (L&D) investment over gross salary: 4.12%**

[3-year average (2017-2019): 6.92%]

**Notes:**

- L&D investment comprising learning programmes, international meetings for on-the-job exposure to new insights and networks, staff postgraduate scholarships, leadership profiling and L&D staff costs.
- Lower investment due to pandemic restrictions on face-to-face learning and international meetings.



**Average learning hours per executive: 30 hours**

[3-year average (2017-2019): 56 hours]

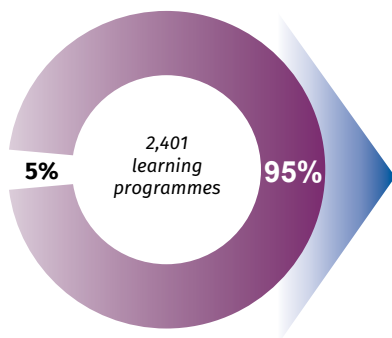
**Note:**

- Despite lower learning hours, number of programmes was higher at 2,401 (3-year average: 1,343), where majority were virtual learning. These virtual sessions were shorter but with higher learning interactions and engagements.

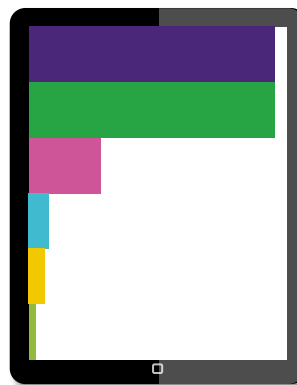
**Ratio of virtual to face-to-face learning - 95:5**

[(3-year average (2017-2019) - 1:99)]

**Face-to-face learning**



**Virtual learning**



- 39% Online webinars
- 39% E-learning
- 11% Virtual classrooms
- 3% Podcasts
- 2% Online engagements
- 1% Online certifications

Source: Bank Negara Malaysia

# Towards a Greener Financial System

In 2020, the Bank continued to advance its climate strategies and initiatives to support an orderly transition to a greener economy.<sup>1</sup>

## Introduction

Climate change has wide ranging and significant implications on our physical world, the economy and the financial system.<sup>2</sup> For the Bank, preparing our financial system to become more climate-resilient is not only consistent with, but integral to achieving our goals of preserving monetary and financial stability. This calls for appropriate regulation and supervision to ensure that financial institutions are adequately measuring, mitigating and protected against climate risks. This will enable them to play a catalytic role in supporting the transition to a low-carbon economy. Internally, we are making changes to the Bank's operations to be consistent with sustainable practices. For the first time, as part of our annual reporting, we will be disclosing our governance and strategy for climate risk management, in line with the recommendations by the Task Force on Climate-related Financial Disclosures (TCFD).

## Whole-of-bank approach

Within the Bank, there is clear responsibility and accountability of senior management roles. The Bank embraces a whole-of-bank approach to managing climate risks under the oversight of the

Management Committee, led by the Governor. A Deputy Governor leads the work on developing the Bank's climate strategies and oversees their implementation. The Deputy Governor is supported by a Lead Coordinator who is tasked to link-up and coordinate Bank-wide climate initiatives, as well as provide regular reports to the Management Committee of the Bank on the overall progress. Senior management in turn, periodically reports on climate risk developments and initiatives to the Board as part of the Bank's regular financial stability, reserve management and organisational risk reviews.

Consideration to climate sustainability is embedded within the various functions in the Bank. The implementation of the Bank's climate risk strategies is supported by seven internal cross-functional workstreams (Diagram 1). An internal climate strategy team supports alignment, information flows, external engagements and responses to cross-cutting issues across the workstreams and provides support to the Lead Coordinator.

## Identifying clear priorities

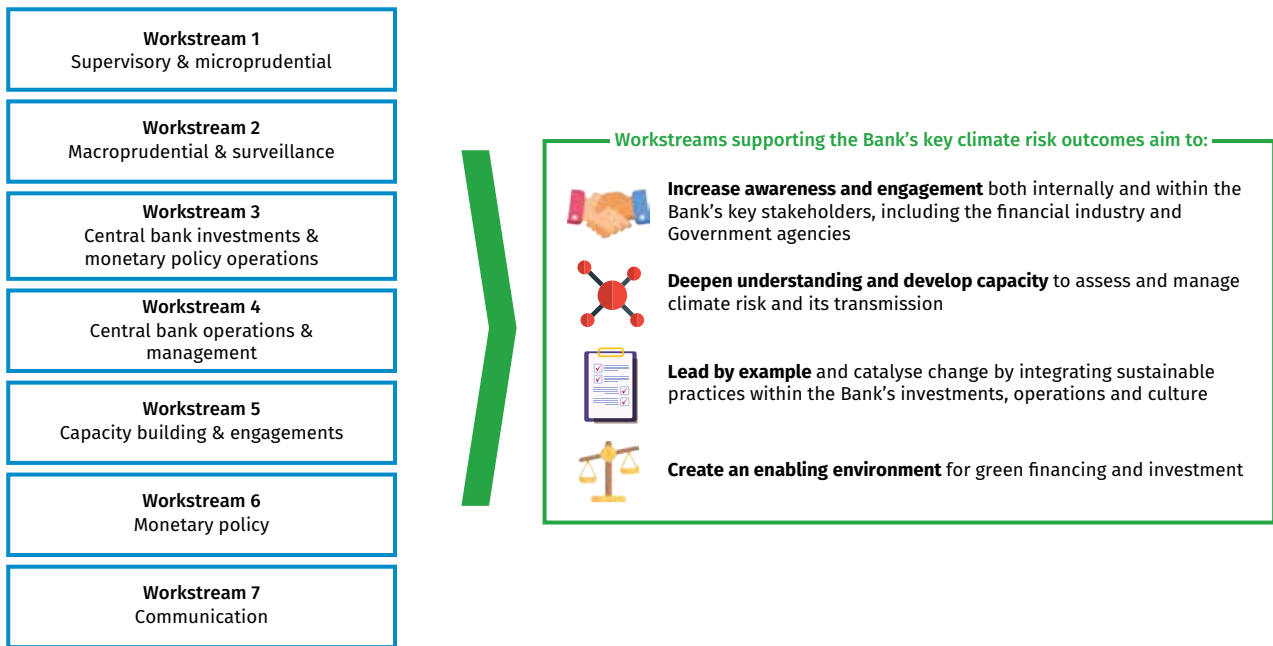
Five key thrusts underpin the Bank's priorities for managing climate risks and supporting an orderly transition to a greener financial system (Diagram 2). Significant focus is given to putting in place the necessary building blocks for financial institutions to strengthen climate risk management practices, while supporting transitioning efforts by economic agents. Within the next three years, we aim to fully integrate climate-related risk considerations in our supervisory assessments, and achieve material progress in appropriately reflecting climate risk in our prudential framework and macroeconomic and financial stability assessments.

Throughout 2020, we continued our close engagements with the financial industry on two areas. Firstly, progress by financial institutions in

<sup>1</sup> Responding to climate risk remains a priority to the Bank, given its direct relevance to the Bank's mandates to preserve monetary and financial stability - Feature Article on "Climate Change Risks and Opportunities: Respond, Not React" in the Bank's Annual Report 2019. [https://www.bnm.gov.my/documents/20124/2724769/ar2019\\_en\\_box1.pdf](https://www.bnm.gov.my/documents/20124/2724769/ar2019_en_box1.pdf)

<sup>2</sup> About 11.7% of the assets held by Malaysian financial players are in sectors that are potentially exposed to climate change - Feature Article on "Climate Change Risks and Opportunities: Respond, Not React" in the Bank's Annual Report 2019. [https://www.bnm.gov.my/documents/20124/2724769/ar2019\\_en\\_box1.pdf](https://www.bnm.gov.my/documents/20124/2724769/ar2019_en_box1.pdf)

Diagram 1: Workstreams in the Bank to manage climate risk



embedding climate risk considerations within their business and risk strategies. The financial industry is increasingly incorporating climate risk management considerations into their operations and decision making, although progress remains uneven across institutions due in part to gaps in knowledge, data

and competent resources. Secondly, on opportunities to expand and mainstream financial products and services that support low carbon and climate resilient activities and investments. This is especially important to achieve a sustainable economic recovery in the post pandemic era.

Diagram 2: Key thrusts of the Bank's climate strategy

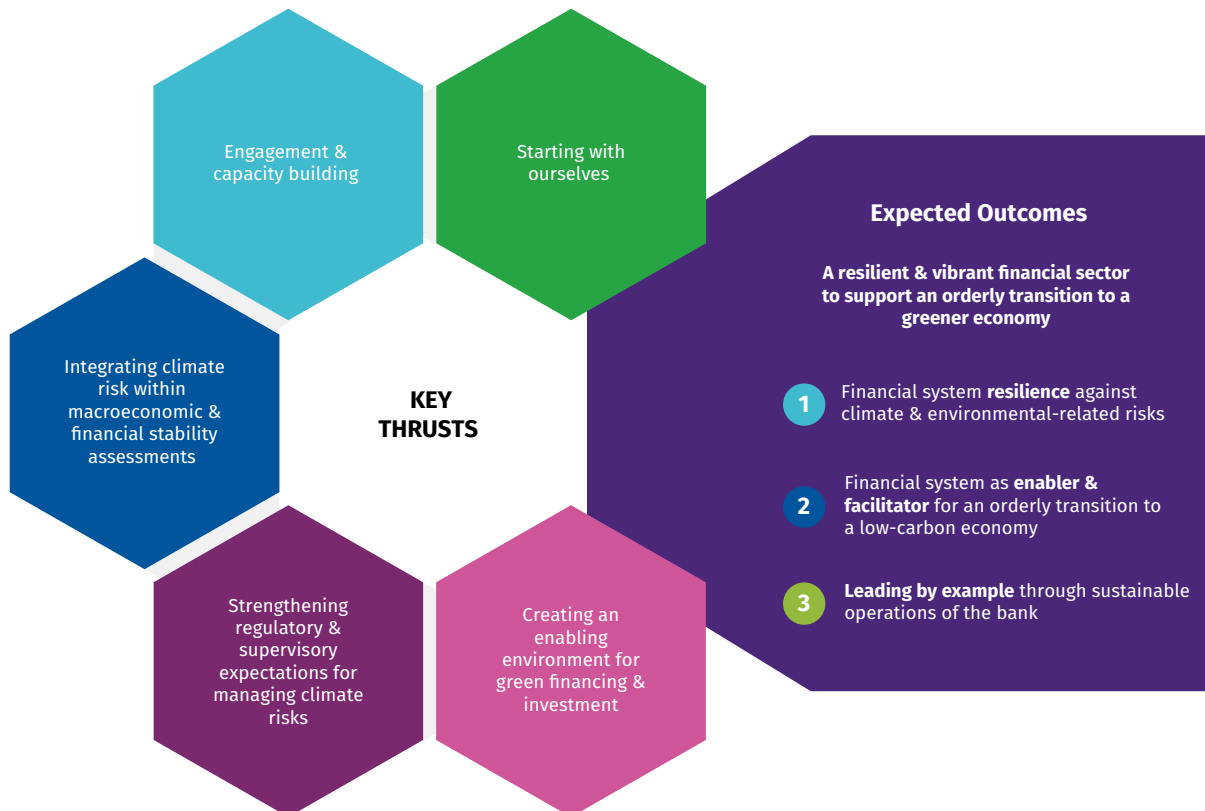


Table 1: Progress and outcomes of initiatives under the five key thrusts for 2020

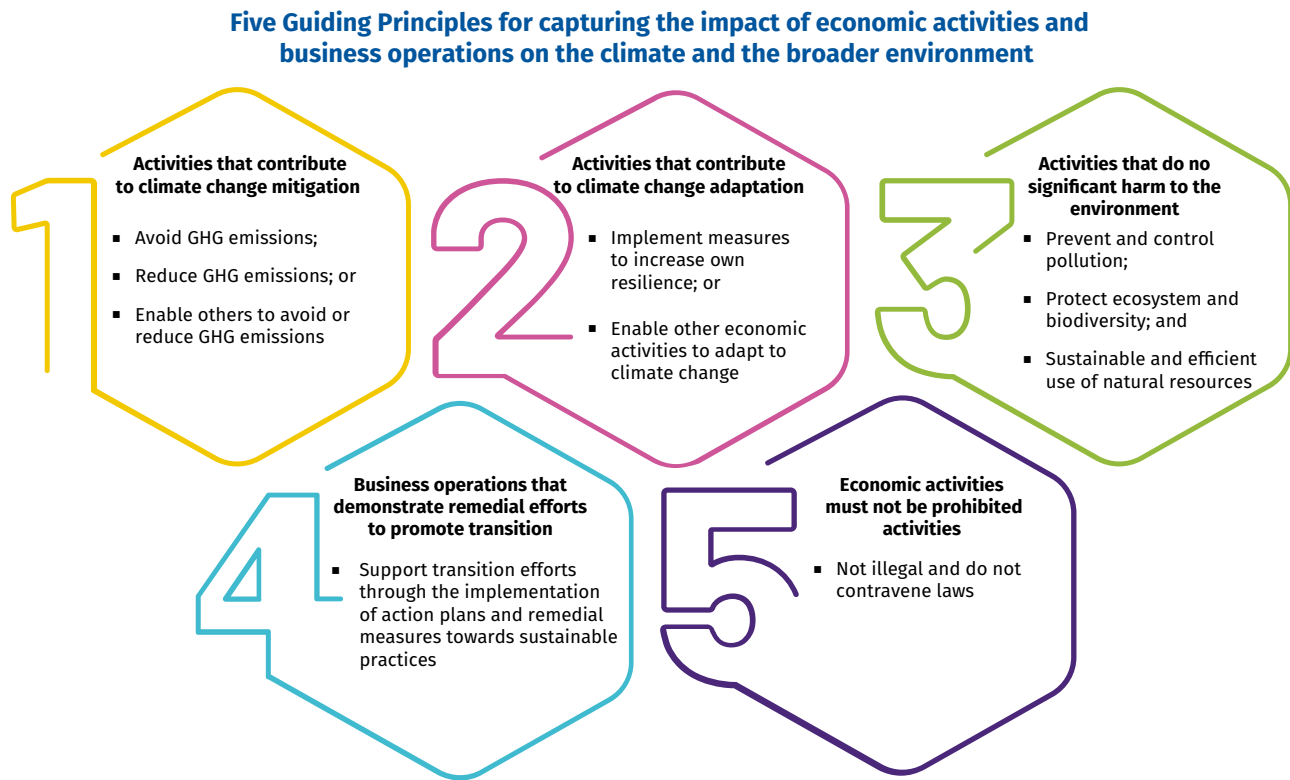
KEY THRUSTS	OUTCOMES	PROGRESS
<b>Starting with ourselves</b>	Factoring sustainability in investment	Sustainability factors are integrated in the Bank's reserves management practices, through the inclusion of Environmental, Social and Governance (ESG) and Socially Responsible Investing (SRI) criteria in our investment processes
		Implemented efficient energy management and monitoring programme to establish electricity consumption profile and to develop framework and initiatives towards energy efficiency
		Fully implemented the use of environmental friendly packaging at the Bank's food and beverage outlets, and intensified actions to minimise single-use plastics in these outlets and during events. Overall, use of plastic has been reduced by about 60% in 2020
	Reduction in carbon footprint in the Bank's operations	Promoted longer-lifespan banknotes that lead to lower disposal volume over time, by leveraging (i) more durable substrates e.g. polymer banknotes which represented 43.7% of the total CIC* volume; (ii) recirculation of fit banknotes that accounted for 73.3% of the annual banknotes issuance in 2020; and (iii) intensified public awareness on the proper handling of banknotes to extend their usage over a longer time period
	Accelerated migration to e-payments. Total number of e-payment transactions continued recording a double-digit growth of 14% to 5.5 billion transactions in 2020. On average, a person in Malaysia made 170 e-payment transactions each in 2020 (from 150 transactions in 2019)**	
	Intensified online learning offerings by Museum and Art Gallery through virtual guided tours, virtual 360° exhibitions and online educational activities	
<b>Engagement &amp; capacity building</b>	Clarity on national policies and greater policy alignment	Organised dialogues and roundtables with relevant ministries and agencies to gain greater clarity on national policies, and promote alignment between the Government and financial sector responses to climate risk
	Closer collaboration with the Government	Participated in Government climate-related outreach events and webinars organised by the Ministry of Environment and Water, and Malaysian Green Technology and Climate Change Centre
	Deeper awareness and knowledge on climate risk among Bank staff and the financial industry	Conducted a series of capacity building programmes to build awareness and enhance technical understanding and capability on climate risk for the Bank's staff and industry players, through collaboration with external stakeholders such as the ASEAN Low Carbon Energy Programme, Climate Governance Malaysia and Islamic Banking and Finance Institute Malaysia (IBFIM)
	Embedded module on climate change in induction programme for the Bank's new hires in the supervision and regulation departments. More than 30 learning opportunities for staff through the Bank's Learn from Anywhere platform	
<b>Integrating climate risk within macroeconomic &amp; financial stability assessments</b>	Greater understanding of climate risk transmission channels	Mapped transmission channels for climate-related risks (physical and transition) to understand the potential impact on the Malaysian economy (sectors and agents). This also supports the development of expanded sensitivity analysis and stress scenarios capturing climate risk pathways for the financial system (by end-2021)
	Enhanced macroeconomic surveillance and forecasting	On-going research focusing on enhancing our surveillance and forecasting to allow for better incorporation of impact of climate risk on macroeconomic variables
<b>Strengthening regulatory &amp; supervisory expectations for managing climate risks</b>		Reviewed the Climate Change and Principle-based Taxonomy Discussion Paper (key features in Diagram 3) following feedback from the public consultation process (expected issuance of final document in early 2021)
	Strengthened resilience to climate risk in the financial sector	On-going supervisory engagements with financial institutions on actions taken to improve climate risk management practices following the Bank's communication of supervisory expectations on the issue  Conducted benchmarking on best practices on climate-related risk management practices (to be captured in proposed guidance to be issued in 2021)
<b>Creating an enabling environment for green financing &amp; investment</b>	Greater financial sector visibility in national sustainability policies	Advocated sustainability and green considerations in national policies from financial sector perspectives through a series of roundtable and bilateral engagements with relevant Ministries and the Economic Action Council
	Implementation of impact-based assessment for assessing financing and investment proposals	Collaborated with financial industry to issue VBIAF*** Sectoral Guides on Palm Oil, Renewable Energy and Energy Efficiency in August. Work on developing Sectoral Guides on Manufacturing, Construction and Infrastructure as well as Oil and Gas is in progress (to finalise by end-2021)

\* Currency in circulation

\*\* More trends in Chapter 1.5 on Promoting Safe and Efficient Payment and Remittance Systems

\*\*\* Value-based Intermediation Financing and Investment Impact Assessment Framework. The VBIAF Sectoral Guides are part of a sectoral and activity impact-based risk management toolkit (further details in Chapter 1.4 on Promoting a Progressive and Inclusive Islamic Financial System)

Diagram 3: Key features of the Climate Change and Principle-based Taxonomy



## Partnering with other regulators and financial institutions

A key platform for regulator-industry cooperation on climate resilience is the Joint Committee on Climate Change (JC3). Through this platform, the Bank and Securities Commission Malaysia work closely with the financial industry to drive and support efforts in the financial sector in managing climate-related risks and facilitating businesses to transition towards sustainable practices.

In 2020, the JC3 supported the delivery of the following plans to advance climate risk practices in the financial sector:

- Pilot implementation and enhancements to the Climate Change and Principle-based Taxonomy developed for financial institutions. Going forward, the implementation of the taxonomy by financial institutions will inform the development of reference practice documents on climate risk management and scenario analysis.
- Survey of climate-related disclosure practices of financial institutions in Malaysia against recommendations of the TCFD. Observations from the survey will serve as input to an Application

Guide on Climate-Related Disclosures which is being developed to facilitate the voluntary adoption of the TCFD recommendations and improve the quality of disclosures.

- Identification of market gaps and measures to enhance the demand and supply of green finance. The possible measures include exploring alternative funding instruments and reducing barriers to innovative solutions.
- Development and organisation of several foundational and outreach programmes, in partnership with selected knowledge partners, as part of the JC3's holistic approach in building the industry's capacity and raising awareness of relevant stakeholders on climate change, its impact and need for climate actions.
- Advocacy of national policies to facilitate and accelerate the financial sector's response to climate risks through various engagements with relevant ministries and agencies. This included periodic engagements with the Ministry of Environment and Water as a platform for close engagements between the JC3 members and the Government.
- Establishment of a Data Workstream initiative to bridge the prevailing gaps in climate and environmental risks-related information which is

critical for climate risk management, disclosure and scenario analysis. The JC3 has since endorsed a preliminary workplan to take this effort forward in the coming year.

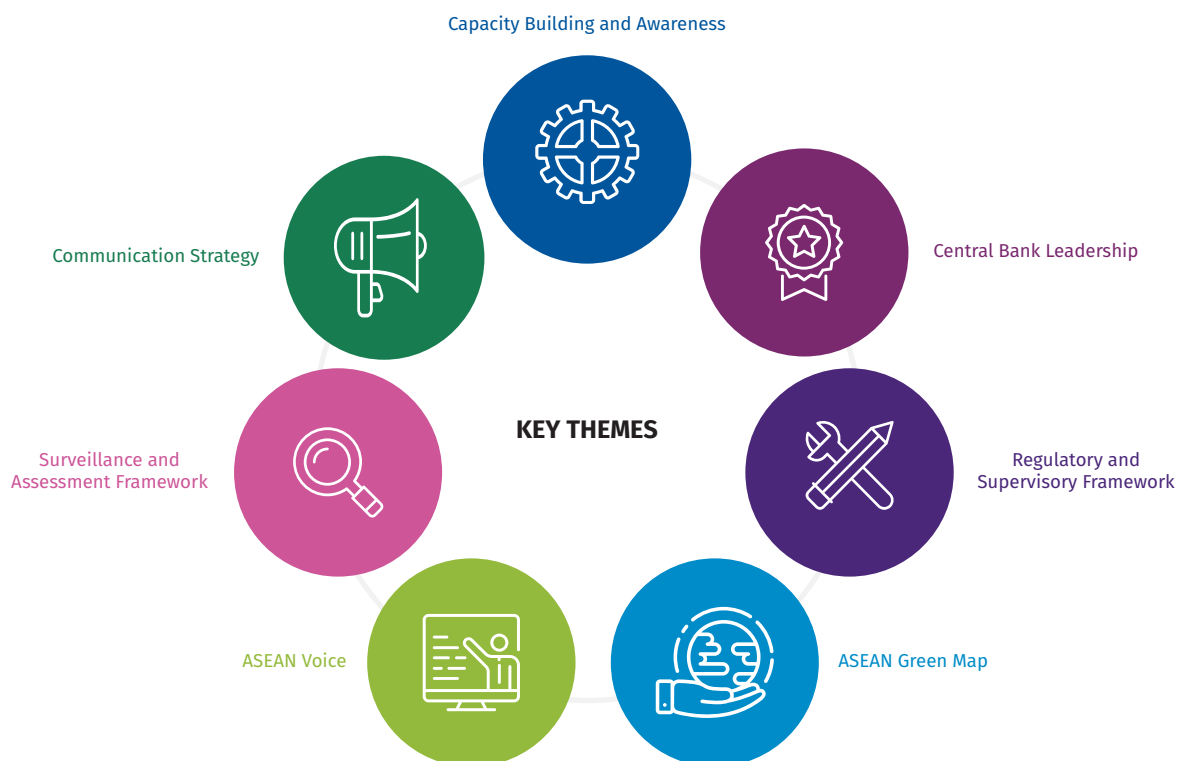
## Contributing to regional and international thought leadership

The Bank is active at both the regional and international levels on climate-related issues affecting the Bank’s mandates. Within ASEAN, the Bank led the Task Force on the Roles of ASEAN Central Banks in Managing Climate and Environment-related Risks. The aim was to better understand how ASEAN central banks view the implications of climate and environment-related risks for both financial and monetary stability, as well as their roles and limitations in addressing these risks. A report was published in November 2020, putting forth a set of non-binding recommendations for ASEAN central banks, following approval by ASEAN Governors in October 2020 (Diagram 4). The non-binding recommendations focus on the banking sector and

at the same time highlight the importance of cross-sectoral and multi-stakeholder collaboration. Key priorities include developing a regional taxonomy, enhancing technical capacity, developing an ASEAN Green Map and considering establishment of an ASEAN data collection framework.

Beyond the region, the Bank became a new member of the Steering Committee of the Central Banks and Supervisors Network for Greening the Financial System (NGFS), reflecting its commitment and active involvement in the mission and initiatives of the NGFS. The NGFS is an important platform for policymakers to come together, share best practices and contribute to the development of climate risk management in the financial sector. The network continues to make significant strides in providing intellectual leadership through its research projects, and developing a strong suite of practical resources for supervisors and policymakers to aid efforts to mainstream green financial services. The increasing diversity in its membership is welcomed to encourage an inclusive process in responding to what is ultimately a global challenge.

**Diagram 4 : Key themes of the non-binding recommendations from the “Report on the Roles of ASEAN Central Banks in Managing Climate and Environment-related Risks”**





Group photo of ASEAN Task Force members

## Increasing awareness through communication

During the year, the Bank stepped up its initiatives to enhance awareness on climate risk and its impact on financial stability. These included efforts to share the Bank's climate initiatives and perspectives on the need for financial sector to manage climate and environment-related risks. Our senior management members and officers participated as speakers in various domestic and international climate change-related forums and webinars. These included the Financing Climate Action Conference 2020 organised by the Malaysian Green Technology and Climate Change Centre; the Climate Change Webinar organised by the Ministry of Environment and Water;

the Working Meeting on Climate Finance that was chaired by the French President Emmanuel Macron to commemorate the fifth year anniversary of the Paris Agreement; the Economist Climate Risk Asia Week; and the Launch of the World Bank Sustainable and Inclusive Finance Forum.

Through these engagements, the Bank continued to advocate and support collective actions to address the climate challenge. In particular, key focus areas of the Bank's external engagements include collective actions in support of efforts to improve climate-related financial disclosures and strengthen climate risk analysis and management in the financial sector. As an ASEAN economy, we also benefitted from continued close cooperation with central banks in the region. The sharing of valuable

Governor Nor Shamsiah Yunus as a speaker in a Working Meeting on Climate Finance: Towards Carbon Neutrality 2050 chaired by French President Emmanuel Macron





*Governor Nor Shamsiah Yunus as a speaker in Climate Risk Asia Week 2020, organised by The Economist*

perspectives, insights and experiences in addressing common climate and environmental issues faced by economies in the region serve as important inputs to inform the policies and strategies pursued by the Bank to secure an orderly transition to a greener economy. Such cooperation is also being extended to leverage the regional operations of financial institutions in ASEAN to accelerate and scale up climate risk management and green financing initiatives.

### Going forward

Looking ahead, we aim to further empower the financial sector to drive the sustainable finance

agenda as we continue to strive for a conducive and coherent ecosystem towards a low-carbon economy. Advancing the readiness of the financial industry on climate risk management and disclosure remains a priority. In the coming year, our focus will be on creating strong familiarity and traction for the industry-wide adoption of the Climate Change and Principle-based Taxonomy and the VBIAF. This will facilitate better understanding and measurement of climate and environmental impact from economic activities. In addition, a risk management and scenario analysis reference guide is being developed for consultation with financial institutions later this year. These will support concurrent initiatives to promote the wider adoption of climate-related

*Deputy Governor Jessica Chew Cheng Lian as a panellist in a webinar organised by Climate Bonds Initiative*



*Assistant Governor Fraziali Ismail delivered the Closing Remarks at the Climate Governance Malaysia Showcase during Climate Week New York 2020*

disclosure by financial institutions in line with the TCFD recommendations.

Another priority is to widen green finance instruments and address market gaps in sustainable finance, particularly for products and solutions that cater to business disruptions from frequent climate disasters faced by the country such as floods. Alongside these efforts, we will work with the industry through the JC3 to further expand the availability of structured

technical programmes to build capacity in climate risk management within the financial sector.

We will also continue to engage relevant Government ministries and agencies to align financial sector priorities with nationally determined contribution and commitments to a greener economy. This will include providing inputs to the Government on the role of the financial sector in the fight against climate change and environmental degradation.

# Risk Management and Internal Controls

The Bank is exposed to a range of risks, which if not managed, may affect our ability to deliver on our mandates.

As the country's central bank, the Bank's financial risk exposure comes from activities and operations that impact our balance sheet, such as our holding and management of international reserves. These include exposure to market risk whereby movements in exchange rates, interest rates and other market prices have the potential to adversely affect the value of our investments. The Bank is also exposed to credit risk, the potential for loss arising from default of an issuer or a counterparty.

We are exposed to non-financial risks arising from our day-to-day operations and a wide range of external factors. These include operational events that can disrupt our operations or cause systemic implications. The Bank is also exposed to reputational risk from the conduct of staff, engagement with stakeholders and events relating to our operations and policy decisions.

To systematically address these risks, the Bank has put in place a risk management framework that helps ensure that we conduct our operations and activities prudently and responsibly. We adopt an integrated and cohesive approach towards risk management, ensuring that significant risks confronting the organisation are identified, assessed, monitored and managed effectively.

In addition to formal structures and processes, the Bank emphasises a strong risk culture that promotes risk awareness and open communication on risk. Our aim is for all staff – at all levels and from all across the organisation – to be able to identify, understand, escalate and act on risks facing the Bank.

Our risk governance structure emphasises a shared responsibility for risk that begins with business units and is reinforced through strong risk management and control functions. The Board – supported by the Board Risk Committee – has overall responsibility on risk governance and oversight. The Board also sets the “tone from the top” in fostering a sound risk culture.

Management is responsible for implementing sound risk management frameworks and practices across the functions and operations of the Bank. This is discharged through the Risk Management Committee (RMC) and Reserve Management Committee. These committees meet regularly to deliberate on strategic and critical risks faced by the Bank. The Financial Risk Management Committee and the Operational Risk Management Committee support the RMC in providing oversight on the management of financial and operational risks respectively.

To support the Board and Management in discharging their risk oversight, responsibility within the organisation for addressing and managing risk is clearly assigned through a “three lines of defence” model. Each of the three lines has an important part to play to effectively manage risks.

Delivering on our mandates requires the Bank to take on risks. We recognise that we cannot eliminate all risks. Rather, we seek to operate within our Board-approved risk appetite and tolerance. We also evaluate the costs, benefits and other trade-offs involved in controlling or mitigating risks. For this purpose, a process for identifying, assessing, prioritising, reporting and monitoring our financial, operational and reputational risk exposures is in place.

To manage financial risks, the Bank closely monitors its market, liquidity and credit risk exposures, and has in place risk limits and controls. In our international reserves portfolio, investments are guided by a Board-approved diversified investment

benchmark that outlines the Bank’s long term appetite for risk and returns. Deviation from the benchmark is controlled using risk limits, clearly defined decision authorities and investment guidelines. The Bank also has in place a credit risk framework that outlines permissible investments and activities. For the Bank’s general operations such as budgeting, procurement and payments, governance and controls are in place to ensure that the Bank allocates its expenditures and manages its finances prudently.

To manage non-financial risks, the Bank has put in place structures to identify and monitor risks on an ex-ante or pre-emptive basis. These include tools for the first line to conduct risk assessments, monitor risk levels and conduct simulations based on scenarios. These tools aid the Board and Management in ensuring that there are effective and adequate safeguards to mitigate the risks that the Bank is exposed to. An incident reporting system also complements these tools by facilitating systematic escalation of risk incidents, which in turn enables the

organisation to respond more quickly to operational incidents, including business disruptions. A consistent framework for analysing the impact and likelihood of risks enables the Bank to identify and respond expeditiously to risk of disruptions that may have systemic implications, supported by business continuity and crisis management plans that are regularly updated.

### Managing risks during the pandemic

The Covid-19 pandemic posed new challenges that tested the Bank’s resilience as an organisation. The Bank swiftly implemented measures to ensure we would be able to deliver on our mandates. This entailed managing risks in four areas, namely, the safety and well-being of staff, continuity of critical functions, vulnerabilities posed by remote working, and reputational risks arising from policy decisions (Diagram 1). Valuable experiences from the crisis were used to review and strengthen our risk management

Diagram 1: Risk Management Focus Areas during COVID-19



Source: Bank Negara Malaysia

practices and crisis preparedness, so that we will be better prepared to face future challenges.

### **Business continuity and crisis management**

All critical systems and functions continued to operate smoothly without any major disruption. These included critical functions such as treasury operations, currency management and payment systems. Staff in these critical functions were divided into three recovery teams, and split operations were activated at the onset of the crisis. Pre-identified isolation sites were also provided to staff who may have been exposed to higher risk of infection. Effective and clear lines of communication were established, including with relevant authorities<sup>1</sup>. This enabled swift transmission of information, timely escalation of critical issues, and quick decision-making.

### **Managing health risk**

Keeping the staff safe was a priority for the Bank (for more information on the way the Bank adapted its working arrangements, refer to the chapter on People). Public-facing functions and processes such as press conferences, meetings, BNM LINK and Museum and Art Gallery operations were migrated online. We also introduced initiatives to support staff's well-being. These included provision of counselling and mental health programmes, online training and learning, as well as regular virtual engagement with the Bank's leaders.

### **Information security, cyber security and technology risk management**

The Bank remained vigilant against cyber risks. In 2020, we continuously improved and strengthened our information security controls for remote access and information sharing to manage risks associated with working from home. The controls aimed to mitigate risk of data loss, exposure to technology risk and cyber threats. We continued our efforts to inculcate a more robust cyber security awareness culture among staff.

### **Reputational risk management**

We focused on stakeholder management and communication strategies to manage the risks arising from the policies to assist individuals and businesses affected by the pandemic. The strategies were useful to help the public understand our policies and increase their efficacy. We utilised

various communication channels, including social media in our outreach efforts. Engagement with stakeholders played a key role in supporting the effective implementation of policy measures in response to the pandemic. This included regular engagements with the financial industry and affected borrowers in implementing and fine-tuning the relief and recovery funds established by the Bank, as well as the loan repayment assistance measures to help borrowers in need.

## Internal audit

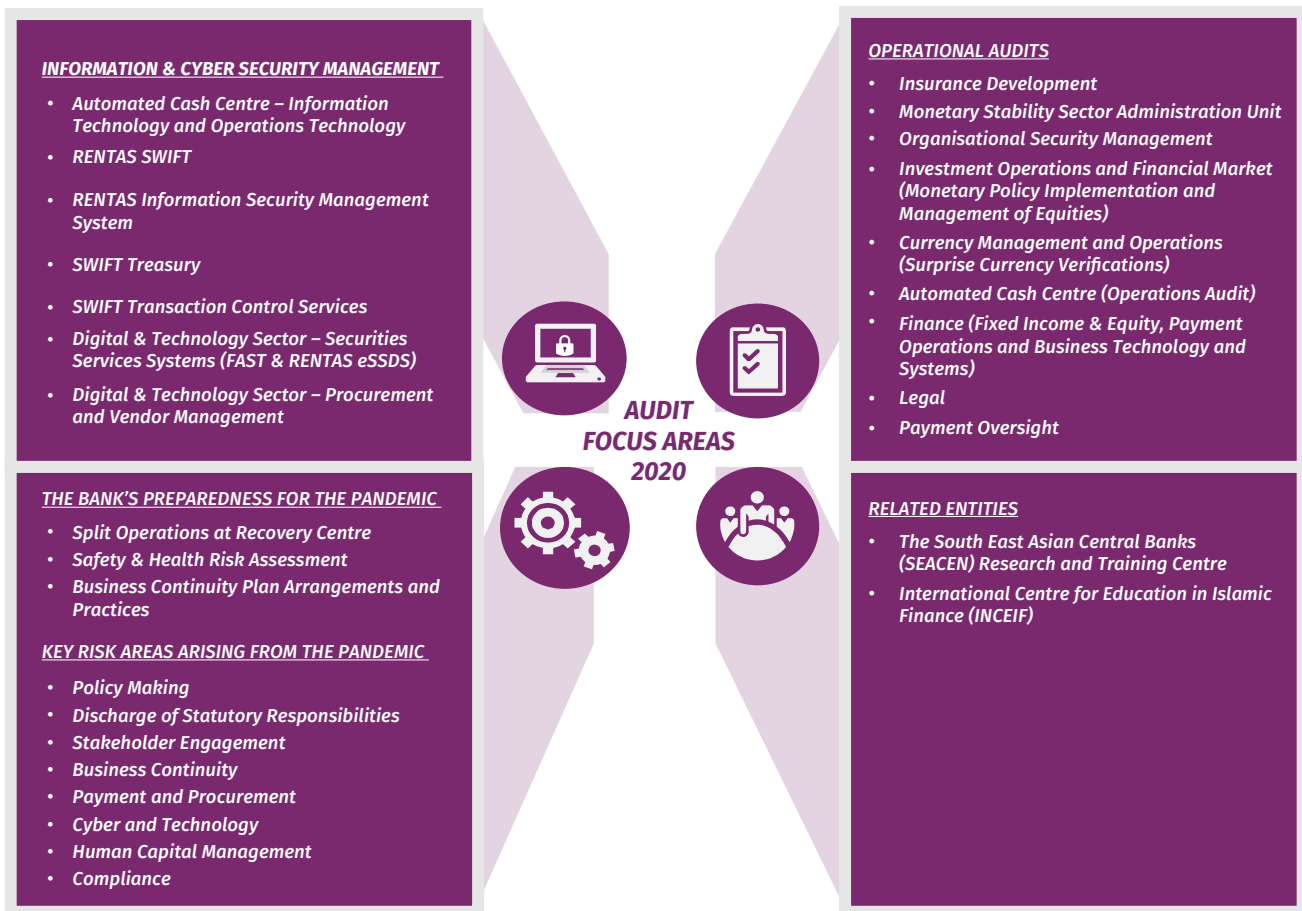
The Board Audit Committee (BAC) is responsible for reviewing the effectiveness of the Bank's internal controls and compliance with legal and regulatory requirements. It provides oversight over the internal audit function of the Bank. It is also responsible for the integrity of our financial statements.

The Internal Audit Department provides independent assurance to the BAC on the adequacy and effectiveness of the Bank's governance, risk management and internal control processes. The department conducts regular assessments on the activities of the Bank and entities related to the Bank, to identify and address risks. An audit plan is developed each year and reviewed quarterly to ensure that audit activities reflect changes in the Bank's risk profile and emerging risks. Apart from providing assurance, the department also participates as an independent observer in several of the Bank's key projects and committees to help ensure that internal controls and governance arrangements are consistently upheld. Audit activities are conducted in conformance to the requirements of the Institute of Internal Auditors' International Standards for the Professional Practice of Internal Auditing. The principles espoused by the Committee of Sponsoring Organizations of the Treadway Commission are embedded in the audit approaches for assessing the Bank's control environment.

The Internal Audit Department also provides the Minister of Finance with an independent quarterly report on the Bank's international reserve management activities. This is to assure the Minister that the international reserves have been managed effectively in accordance with established policies and guidelines approved by the Board.

<sup>1</sup> These include the National Security Council, Royal Malaysian Police and Ministry of Health.

Diagram 2: Audit Focus Areas



Source: Bank Negara Malaysia

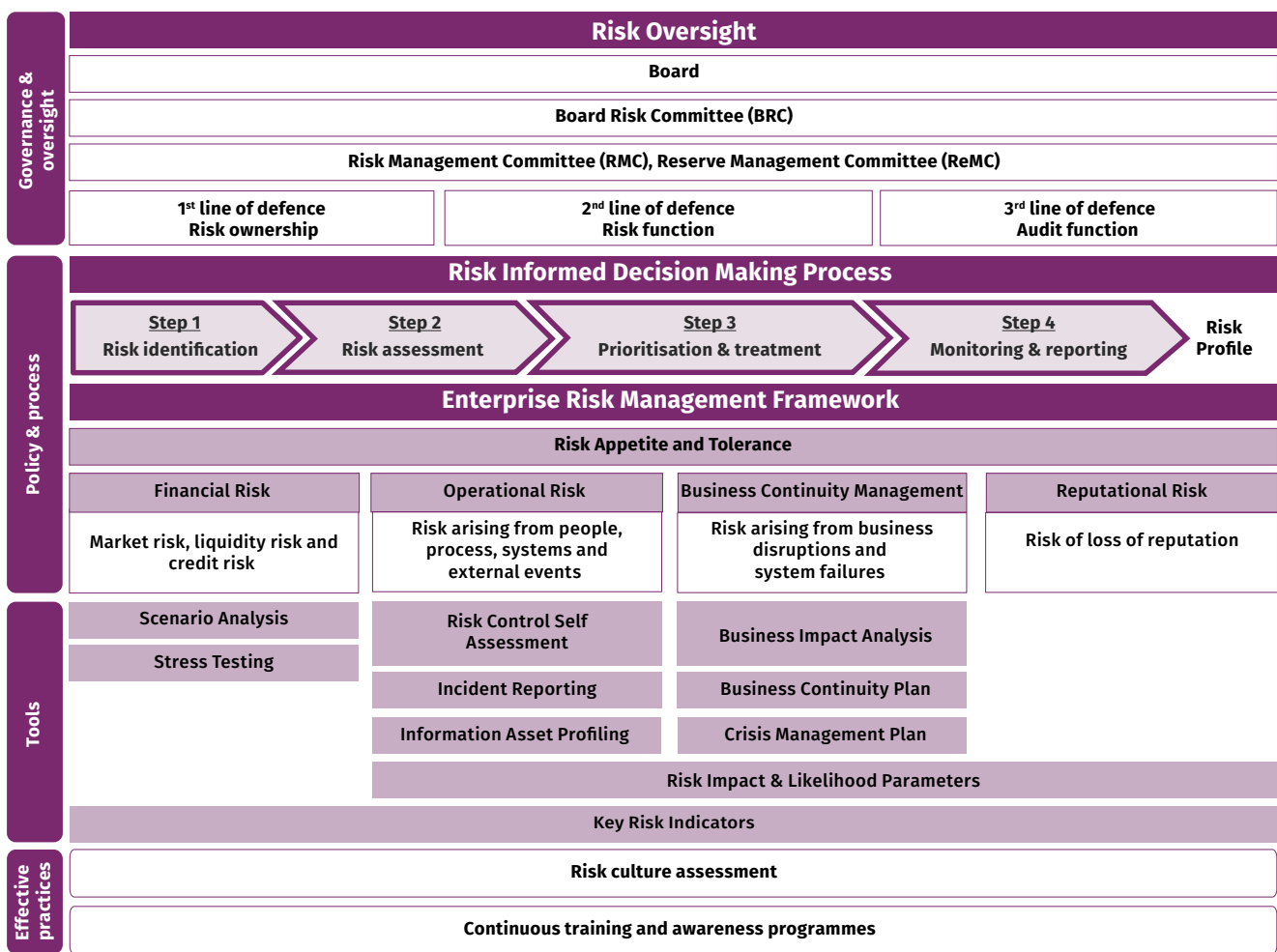
Audit priorities in 2020 were adapted and aligned to account for the changes in the Bank's priorities and risk arising from the pandemic. Audits conducted during the year focused on the Bank's cybersecurity and technology infrastructure, stakeholder engagement, human capital management, policy formulation, and compliance with legal and regulatory requirements (Diagram 2). Several measures were also undertaken to improve the audit framework and assessments. These included introducing continuous off-cycle audit engagements, greater use of technology and data analytics in audit assessments and assessments on value for money to help improve the effectiveness and efficient use of resources. Good practices observed in audit assessments across the Bank were also shared to improve quality of controls.

## Conclusion

The pandemic has further reinforced the need for risk management and internal governance arrangements to be both pragmatic and agile to respond to emerging threats. This involves consistently aligning our risk management philosophy with best practices, specifically in risk analytics, technology and cybersecurity. It also entails strengthening the risk culture throughout the Bank. Prudent risk management is key to ensure the Bank is effective in discharging our mandates and responsible in managing our resources.

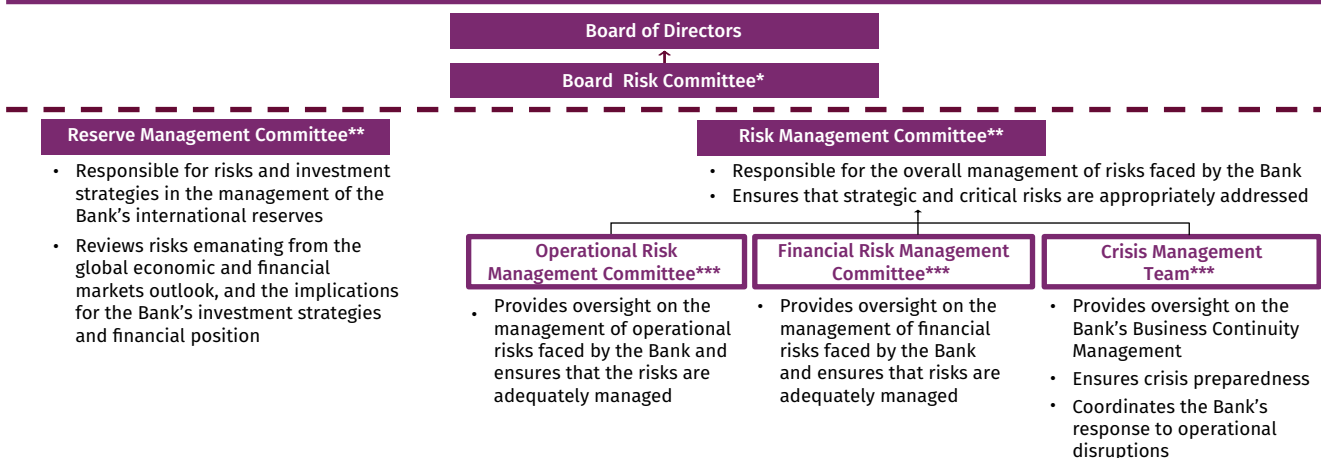
## References

### Enterprise Risk Management



Source: Bank Negara Malaysia

### Risk Management Governance Structure



\* Chaired by an Independent Non-Executive Director of the Bank

\*\* Chaired by Governor

\*\*\* Chaired by a Deputy Governor

Source: Bank Negara Malaysia

# Engaging Malaysians

Our policies and actions affect millions of Malaysians and businesses. For this reason, we strive to maintain an open and transparent approach in our communications, to help our stakeholders understand the Bank's work and mission.

Engagements with stakeholders were key in implementing our policies to mitigate the wide-ranging effects of the pandemic. We thus intensified our outreach efforts to members of the public, financial institutions and the business community through virtual meetings, webinars and engagement sessions. We also reached out to various stakeholders through print, digital and social media platforms. Through these, we were able to respond to the needs of the public for information, especially to help individuals and businesses manage their financial circumstances through a highly challenging period.

## Measures to support affected individuals and small and medium enterprises (SMEs)

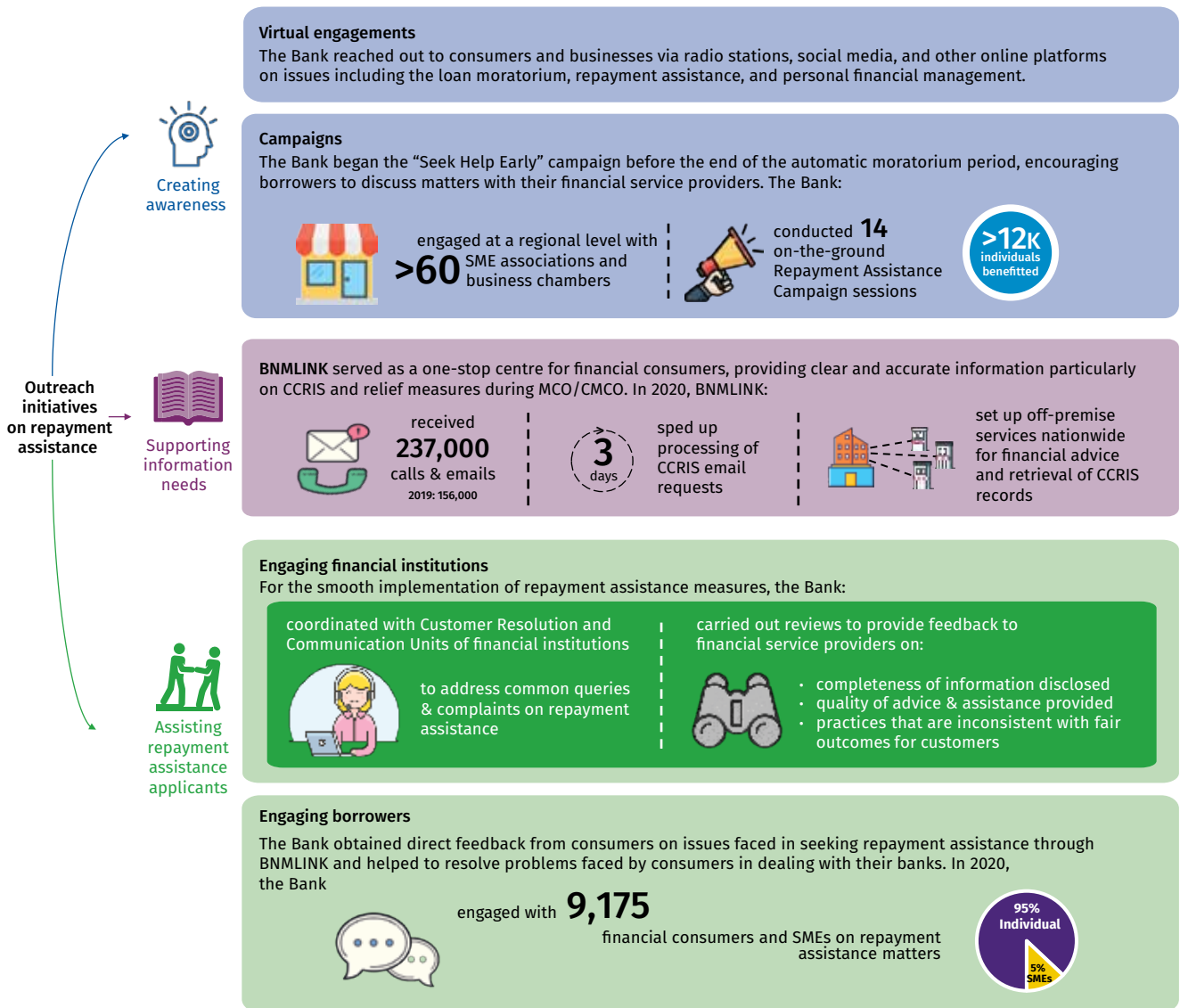
To support the implementation of the automatic loan moratorium and the Targeted Repayment Assistance (TRA) programme (refer to the chapter "Promoting Financial Stability" for more information), we worked closely with *Agensi Kaunseling dan Pengurusan Kredit* (AKPK), the banking associations and banks, to provide information and advice to affected borrowers. In addition, we published pathway-to-action guides and other postings on our social media platforms to help borrowers through the processes involved in obtaining relief assistance.

The "Seek Help Early" campaign was launched to encourage affected borrowers to discuss their financial obligations with their financial service providers. In total, more than 150 awareness programmes were conducted on TRA that helped more than 1.2 million borrowers manage their loan repayments.

We reached out directly to various stakeholders such as businesses, business chambers, consumer associations, government ministries and agencies, members of parliament and religious leaders across the country on the measures that the Bank implemented to mitigate the impact of the pandemic. This included explaining the intent, cost and benefits of repayment assistance including the loan moratorium. In addition, many of the engagement sessions were used to promote and obtain feedback on the financing facilities established by the Bank, including the High Tech Facility–National Investment Aspirations (HTF-NIA) fund. We also transferred the functions of the Small Debt Resolution Scheme (SDRS) to AKPK in order to make it more convenient for SMEs to get assistance and advice to restructure their loans. For more information, please refer to the chapter "Promoting a Progressive and Inclusive Financial System".

Print and electronic media played an important role in the dissemination of information on the automatic moratorium, TRA and the SME financing facilities. We spoke at more than 17 programmes on regional radio stations, reaching out to more than 400,000 listeners and worked with several television stations to run a series of public service announcements on the TRA. In addition, we worked with government agencies, regulators and telecommunication companies to create awareness and address the misconceptions on the moratorium and TRA via public service announcements (SMS blasts) to a total of 43 million subscribers.

Diagram 1: Public engagement and communication initiatives for repayment assistance



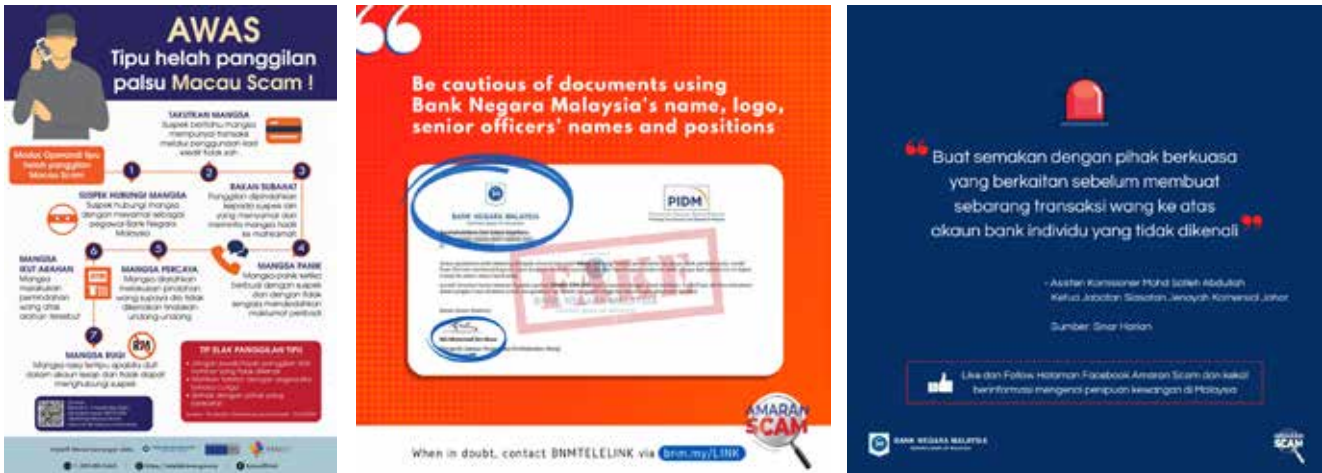
## Enhancing awareness on financial scams

The challenging economic conditions, low interest rates on deposits and various assistance packages offered by financial institutions and the Government led to scammers fabricating financial opportunities to take advantage of the vulnerable and less informed members of the public. Thus educating the public on financial scams took on a greater urgency. We established a Facebook page called *Amaran Scam* on 1 July 2020 to provide regular updates, including posts from other law enforcement agencies, on financial scam-related information, tips and the modus operandi of

various financial scams. The page content is designed to be easily shareable and equally important, the public can share their personal experiences on this page. The aim is to remind the public to stay alert and make informed decisions regarding their finances.

## Avenue for the public

BNMLINK acts as a key touchpoint for engaging with the general public and small businesses. Its services are accessible from its main office in Kuala Lumpur and our five BNM Offices around the country. However, due to movement restrictions and containment measures, engagements were



Various tips on financial scams are shared on the Amaran Scam Facebook page to create awareness amongst the public to avoid falling victim to these scams.

mostly conducted virtually during the year. An electronic form called “eLINK” was introduced to manage inquiries and complaints from individuals and businesses more efficiently.

Against the backdrop of movement restrictions, BNMLINK became an important reference point for financial consumers seeking information on matters such as repayment assistance, loan moratorium, Central Credit Reference Information System (CCRIS) and financial scams. There was a 74% increase in daily average interactions (pre-MCO: 453 interactions; MCO: 787 interactions). BNMLINK via

bnm.my/RAsurvey served as a key touchpoint to refer and resolve issues faced by affected borrowers with their respective banks on the TRA.

We continued to provide access to CCRIS reports to assist financial consumers in assessing their outstanding financial obligations. We shortened the turnaround time for CCRIS report email requests to three days to meet the more urgent needs of borrowers. The Bank offices throughout the nation also set-up temporary kiosks to provide financial advisory and access to CCRIS reports for financial consumers.



As part of efforts to reach out to the public, we worked with broadcast channels to share information on Targeted Repayment Assistance.



Financial service providers came together as part of a Repayment Assistance Campaign (RAC) event in Shah Alam to provide the public with an avenue to discuss their loan repayment options, face-to-face.

**8 Tanggapan Salah Mengenai Bantuan Bayaran Balik Pinjaman Bersasar**

- Tanggapan Salah #1: "Tanpa moratorium menyeluruh, peminjam sukar mendapat bantuan"**
  - Peminjam yang tidak mempunyai pendapatan adalah penerima TRB sementara bantuan diarahkan kepada peminjam lain.
  - Bantuan hanya diberikan kepada peminjam yang memenuhi syarat.
  - Bagi peminjam yang tidak mempunyai pendapatan yang layak untuk menerima bantuan, mereka boleh memohon bantuan lain.
- Tanggapan Salah #2: "Bantuan bayaran balik pinjaman bersasar hanya untuk B40"**
  - Bantuan diberikan untuk semua yang terjejas akibat pandemik.
  - Memohon:
    - Bantuan hanya diberikan kepada peminjam yang terjejas.
    - Tidak semua peminjam yang layak akan menerima bantuan pinjaman bersasar.
- Tanggapan Salah #3: "Bank minta terlalu banyak dokumen"**

BAG*	Tidak perlu
MAM*	Tidak perlu
PKS*	Dokumen mudah
- Tanggapan Salah #4: "Proses permohonan terlalu lama"**

Penerima BSH dan perusahaan mikro	24 Jam
Penerima BPN	5 Hari
PKS	14 Hari
- Tanggapan Salah #5: "Saya tidak dapat memohon kerana PKPD dan PKPB"**
  - Bank masih beroperasi.
  - Anda boleh memohon melalui beberapa saluran seperti: telefon, e-mail atau secara dalam talian.
- Tanggapan Salah #6: "Bantuan masih tidak cukup untuk menampung hutang"**
  - Anda boleh bocong dengan bank untuk bantuan-bantuan lain.
  - Memohon:
    - Bantuan lain seperti pinjaman bergaji, pinjaman peribadi.
    - Tawaran pinjaman lain.
    - TRB bantuan bayaran balik pinjaman bersasar.
  - Hubungi AKPK untuk bantuan lanjut.
- Tanggapan Salah #7: "Tiada kos tambahan untuk bantuan bayaran balik pinjaman bersasar"**
  - Faedah akan terus dikenakan ke atas semua pinjaman.
  - Pertimbangan pinjaman anda dengan TRB.
  - Sambung ansuran pinjaman jika anda mampu.
- Tanggapan Salah #8: "Rekod CCRIS saya akan terjejas"**
  - Semua permohonan Bantuan Bayaran Balik Pinjaman Bersasar sebelum 30 Jun 2021 tidak akan dipaparkan dalam rekod CCRIS anda.

**Sekiranya memerlukan bantuan bayaran balik pinjaman, ingat 3 langkah ini**

1. Hubungi bank anda terlebih dahulu.
2. Telefon, e-mail atau datang berhadapan dengan bank anda untuk bantuan lanjut.
3. Hubungi AKPK untuk dapatkan nasihat atau pilihan bantuan bayaran balik alternatif.

*Jika masih menghadapi kesulitan, adakah bank atau lembaga pembiayaan lain yang boleh membantu?*

8 misconceptions on Targeted Repayment Assistance were identified and clarified through a series of social media postings.

## Engagement with youths

In line with our emphasis on the importance of financial education and upskilling, we had more virtual engagements with youth, focusing on students in public and private universities. Through highly interactive sessions with students at University Technology MARA (Sarawak branch), International Medical University (IMU), Sunway University, Universiti Utara Malaysia (UUM) and INCEIF, we listened to the aspirations of young

Malaysians and heard their views on key economic and financial issues faced by the country. By sharing our perspectives on the impact of COVID-19 on the Malaysian economy, the policy measures to mitigate its impact, the importance of personal financial management and other contemporary topics of interest such as climate change and youth unemployment, we aim to stimulate more interest and awareness among the next generation of graduates on important issues of the day, and what it takes to succeed and be resilient.



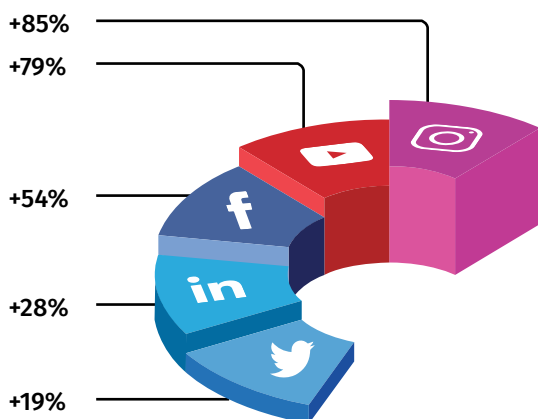
The virtual engagement sessions with the university students had at one time 1,000 participants, indicating their wide acceptance and interest in sessions such as these.

## Growth of the Bank’s digital media platforms

A positive effect of the pandemic was the much greater interest among the public in the Bank’s activities. This led to significant growth in our social media presence via Facebook, Instagram, Twitter, LinkedIn and YouTube. Press conference and other informational videos, testimonials from SME business owners and infographics, were widely disseminated through digital channels to help the public and businesses identify relevant solutions and gain information to improve their financial well-being. To encourage two-way interaction, we developed interactive and bite-sized information snippets for social media platforms.

Chart 1: Greater public engagement via social media

Growth in followers of BNM’s social media platforms, year-on-year (%)



Source: Bank Negara Malaysia

With more regular scheduled postings, and new features including interactive engagements such as polls and stories, the Bank’s social media presence grew significantly in the past year. The restrictions in movement also saw the need for video content, with more than triple the number of videos produced and uploaded on our YouTube channel.

## Museum and Art Gallery (MAG)

Our Museum and Art Gallery in Kuala Lumpur serves as an important informal learning platform for engaging the public. Through its exhibitions and education programmes, the Museum not only encourages an appreciation for numismatic and art heritage, but also promotes public awareness and understanding of the Bank’s role in the economy and financial sector.

In 2020, MAG had to temporarily close its doors to the public due to the pandemic, but we transformed our contents virtually. These included a virtual tour of MAG and two virtual exhibitions on the Bank’s 60th anniversary, ‘For the Nation: 60 Years of Central Banking’ ([bnm.gov.my/bnm60th](http://bnm.gov.my/bnm60th)) and one on technology in finance (Fintech), ‘Technology in Finance: Bricks to Clicks’ ([bnm.gov.my/fintech](http://bnm.gov.my/fintech)). Our virtual educational programmes are aimed at all levels of society and mainly revolved around financial education, national numismatics and socioeconomic-related art heritage and climate change. The programmes which are available across MAG’s social media channels, included stories, short lessons, contest-based learning

## Engaging Malaysians

and virtual talk series. These exhibitions and educational programmes reached over five million visitors virtually, including students, children and

young adults, and hopefully provided them with a meaningful learning experience to the world of finance and economics.



MAG transformed two of its exhibitions 'For the Nation: 60 Years of Central Banking' and 'Technology in Finance: Bricks to Clicks' virtually, enabling the public to access and interact with these exhibitions.

## A Primer on Taking Control of Your Finances

Managing our finances well is an important life skill. As with any skill, it requires knowledge, patience, perseverance and practice to be successful.

The way we make financial decisions is influenced by many factors<sup>1</sup>. Being aware of these factors and understanding our individual strengths and weaknesses help us tune our behaviour to be consistent with our goals. For example, if we want to retire comfortably, we need to save, not overspend and manage our finances accordingly. This will require planning for the long term and discipline in making the necessary lifestyle adjustments.

The first step on this journey to manage our finances is to be financially literate. The survey conducted by Bank Negara Malaysia in 2018 showed that one in three Malaysians considered themselves to have low level of financial knowledge<sup>2</sup>.

There are many aspects of financial literacy. The first is to understand basic financial concepts (Diagram 1) such as the time value of money, inflation, interest rates and compounding interest. There is also a need to understand the nature of financial risks and the benefits of diversification.

**Diagram 1: Basic Financial Concepts**



Knowing these key concepts will help empower consumers to make informed financial decisions throughout their lives. They will be more likely to achieve their goals of effectively managing their finances.

Understanding these concepts will help consumers better appreciate the importance of managing their finances prudently. This especially applies to saving and building emergency funds. A good guide of sufficient buffer is to have savings of between three to six months of monthly expenses. As with most habits, it is important to start small and be consistent in saving. Perseverance is key. There are also many other simple tips that can make a huge difference in improving our finances. Diagram 2 highlights some of these important tips.

<sup>1</sup> This relates to the concept of behavioural biases. For example, see Kahneman, D. (2011). Thinking, fast and slow. London: Allen Lane.


<sup>2</sup> Excerpts from Bank Negara Malaysia Financial Stability and Payment Systems Report 2018 on Financial Capability and Inclusion Demand Side Survey (page 102-104).

**Diagram 2: Tips on Prudent Financial Management**





-  Pay yourself first – spend what is left after savings and not the other way around
-  Protect your wealth against losing it. You work hard for it
-  Start saving now, no matter how small. Don't forget emergency funds. Automate your savings, e.g. auto-debit or salary deduction
-  Identify risks, e.g. higher educational and medical costs, natural disaster, loss of income. Include insurance/takaful as part of financial planning
-  Try to pay in full, otherwise have small outstanding balance due on your credit card. Review statements periodically to monitor usage
-  Be alert. Avoid falling prey to financial scams
-  Have a budget to keep track of your expenses, even the small ones
-  Plan for retirement regardless of your age
-  Diversify your investment portfolio to minimise risks
-  Review and align your financial plans with the changing reality

Part of managing our finances may include borrowing prudently to fund large purchases such as our home, cars and motorcycles or to expand our businesses. In doing so, one should not only be aware of how borrowings work (e.g. how interest is calculated), the terms and conditions, but also the rights that consumers have (Diagram 3). As a good guide, the total monthly debt repayments should not be more than 60% of a borrower's net income, after taking into account statutory deduction for taxation, contribution to the Employees Provident Fund and the Social Security Organisation.

**Diagram 3: Tips on Responsible Borrowing**

- 
- 1** Borrow within your means
  - 7** Understand key terms and fine prints in loan agreements before signing (ask if you are not clear)
  - 2** Shop around and consider options
  - 8** Understand costs and other charges for different loan products
  - 3** Understand debt to income ratio (learn how to keep it low)
  - 9** Negotiate the terms (e.g. instalment amount, loan tenure) with your bank
  - 4** Ensure sufficient balance after loan repayments for daily expenses and buffers for emergencies
  - 10** Know when and where to seek help when financially distressed
  - 5** Do not forget additional costs (out of pocket expenses) related to the borrowings, e.g. legal fees, car maintenance, insurance premium
  - 11** Notify financial institutions if you change your contact details
  - 6** Make loan repayments by due date (to avoid additional charges)
  - 12** Respond to financial institutions promptly when contacted via letter, email or phone

#### Diagram 4: Rights of Borrowers to Disclosures

- 
 To be given a Product Disclosure Sheet which contains key information on effective financing rate, monthly instalment, total repayment amount, fees and charges
- 
 To be provided with a loan statement at least once a year
- 
 To be notified 7 days in advance when your monthly instalment is revised due to a change in financing rate
- 
 To be notified 21 days in advance before the financial institution makes any changes to the terms of your loan agreement

Being prepared for changes in life circumstances is important. Just as the recent pandemic has shown, unexpected challenges can alter our lives in many unexpected ways. Consumers should be aware of steps that they can take when this happens. In this regard, consumers who are struggling to repay debt should seek help early and discuss their situation with their financial institutions.

Alternatively, consumers who are financially affected can reach out to *Agensi Kaunseling dan Pengurusan Kredit* (AKPK) for help. This help includes financial counselling and practical advice on money management. AKPK also provides financial education on the responsible use of money and debt management at various life stages.

In the event that borrowers experience difficulties with financial institutions, they may lodge a complaint with BNMTLELINK at [bnm.my/RAsurvey](http://bnm.my/RAsurvey). Consumers seeking redress can also approach the Ombudsman for Financial Services (OFS) at [www.ofs.org.my](http://www.ofs.org.my). The OFS provides an independent, fair and efficient avenue to resolve disputes against financial institutions.

#### Diagram 5: Assistance and Advisory Services for Consumers



##### AKPK

- ✓ Financial counselling and advice on financial management
- ✓ Financial education on responsible use of money and debt management at various life stages
- ✓ More information at [www.akpk.org.my](http://www.akpk.org.my)



BANK NEGARA MALAYSIA  
CENTRAL BANK OF MALAYSIA

##### BNMTLELINK

- ✓ Complaints on Repayment Assistance via [bnm.my/RAsurvey](http://bnm.my/RAsurvey)
- ✓ Complaints and advisory services for financial consumers via [www.bnm.gov.my/complaint-redress](http://www.bnm.gov.my/complaint-redress)



OMBUDSMAN FOR FINANCIAL SERVICES  
OMBUDSMAN PERKHIDMATAN KEWANGAN

##### OFS

- ✓ Independent, fair and efficient avenue to resolve disputes against financial institutions
- ✓ More information at [www.ofs.org.my](http://www.ofs.org.my)

Last but not least, an informed consumer will also be able to differentiate between genuine investments and financial scams. This comes from understanding that risks are inherent in financial activities, and promises of high returns without risk is more often than not, a warning sign. Diagram 6 below highlights some of the key features of scams to look out for and Diagram 7 highlights some ways on how to avoid being victims of financial scams. For more information, consumers can visit *Amaran Scam Facebook* at <https://www.facebook.com/amaranpenipuan>.

Diagram 6: Key Features of Financial Scams to Look Out for



Diagram 7: How to Avoid Being Victims of Financial Scams



In conclusion, managing our finances well is a responsibility that we have towards our dependents and ourselves. By taking control, we can avoid considerable difficulties and challenges in life. Taking control of our finances can improve our lives by giving us more freedom and peace of mind. Financial consumers can benefit from practising useful money management tips readily available from books, webinars, podcasts, articles and sharing by legitimate financial experts.

# International Engagements

Malaysia remains committed to actively engaging with our counterparts globally.

The domestic and global implications of the COVID-19 pandemic significantly influenced the mode of the Bank's international engagements in 2020. Stronger international cooperation has become even more important given the global nature of this pandemic and economic crisis.

## Engagements in 2020

### **Addressing the impact of COVID-19**

In 2020, global and regional forums focused on exchanging policy insights and experiences on the COVID-19 pandemic. Meetings among policymakers, which transitioned to virtual modes, were held more frequently during the year in line with evolving conditions. The Bank actively participated in various platforms at both international and regional levels, including at the International Monetary Fund (IMF), the Bank for International Settlements (BIS), the Executives' Meeting of East Asia-Pacific Central Banks (EMEAP), Association of Southeast Asian Nations (ASEAN) and ASEAN+3, namely PR China, Japan and Korea. Discussions focused on the dynamics of financial markets volatility in the region; financial stability challenges related to implementation and exit of COVID-19 measures; solvency and credit risks; thematic issues on big data and cyber risks; as well as longer term issues associated with low interest rates, labour market weakening, potential long term economic scarring and permanent output loss. Participation in these platforms provided us with valuable perspectives that informed and facilitated our ongoing assessment of evolving risks and policy responses.

In support of Asia Pacific Economic Cooperation (APEC) 2020 hosted by Malaysia, we collaborated

with Malaysia Digital Economy Corporation (MDEC) and the United Nations Capital Development Fund (UNCDF) to organise the APEC Gig Economy Challenge (GEC). The GEC delivered various innovative digitally based solutions aimed at helping gig workers to sustainably improve incomes and economic security by facilitating the upskilling of workers and improving access to more affordable financial products. The top submissions were given the opportunity to showcase their winning solutions at the APEC Finance Ministers Meeting. These companies also received technical assistance and grants from UNCDF Malaysia as well as engaged in dialogues with the Bank on regulatory matters.

### **Ensuring resilience**

**Financial safety net:** To further strengthen Malaysia's resilience against financial crises, we continued efforts to strengthen the country's financial safety net. To this end, a USD3 billion bilateral swap arrangement with the Bank of Japan was established. This is expected to contribute to financial market stability and further strengthen economic and trade ties between the two countries. We also renewed our KRW5 trillion/RM15 billion bilateral local currency swap arrangement with the Bank of Korea for an additional three years. This is envisioned to promote bilateral trade for economic development and deepen financial cooperation between both countries.

Members of the ASEAN+3 forum also agreed to increase the Chiang Mai Initiative Multilateralisation (CMIM) IMF De-Linked Portion (IDLP)<sup>1</sup> from 30% to 40%. This increases Malaysia's CMIM IDLP access from USD6.8 billion to USD9.1 billion. Additionally, we established access to the US Federal Reserve Foreign and International Monetary Authorities (FIMA) repo facility. This facility can be used to alleviate US dollar funding needs when needed.

<sup>1</sup> CMIM financing has two parts, namely the IMF De-Linked Portion (IDLP) and IMF Linked Portion (ILP). The CMIM-IDLP refers to a members' maximum arrangement amount that may be provided under a CMIM arrangement that is not contingent upon an IMF lending programme. The CMIM-ILP refers to a members' maximum arrangement amount that may be provided under a CMIM arrangement and is only accessible in parallel with an IMF lending programme.

Diagram 1: Infographic on APEC Gig Economy Challenge

**APEC Gig Economy Challenge**

An accelerator programme to seek innovative solutions to drive the financial well-being of gig economy workers

- More than **100** applications globally
- **10 teams** participated in the eight-week bootcamp and innovation programme
- **USD30,000** each for top three teams and technical assistance
- **Malaysia as a testbed** to refine the ideas to improve the financial health of gig workers in the Asia Pacific region
- **Top three teams**



**PAY-WATCH**

- Provides workers instant access to earned wages, in real time, before pay day.
- Minimises the likelihood of gig workers having to turn to informal lenders.

**Versa**

- Provides returns on par with Fixed Deposits, but with similar liquidity as a Savings Account.
- Helps gig workers to optimise their idle cash while meeting liquidity needs.

**hyred**

- “Zasss” marketplace to match gig workers to income-generating opportunities.
- Encourages them to develop a variety of skills and expertise.



**Climate-related and sustainability agenda:** The Bank played an active role in accelerating efforts to manage climate and environment-related risks in the financial sector at the ASEAN forum. Through our chairmanship of the ASEAN Senior Level Committee (SLC) on Financial Integration, we led the formulation and publication of the ‘Report on the Roles of ASEAN Central Banks in Managing Climate and Environment-related Risks’ (the Report). The Report assessed the implications of climate and environment-related risks for both financial and monetary stability, and the roles and limits of central banks. The Report, which also put forward a set of non-binding recommendations to ASEAN Central Banks, has been published and shared with the Network for Greening the Financial System (NGFS). It has mobilised ASEAN central bank cooperation to manage climate and environment-related risks and contributed to shaping the climate agenda for ASEAN Finance Ministers and Central Bank Governors in the coming years (Details of the Report’s recommendations are provided in the chapter “Towards a Greener Financial System”).

Our collaboration with central banks and financial regulators globally to provide an effective international response to climate risk intensified this year as we became a member of the NGFS Steering Committee. We also continued to advocate the importance of addressing climate change, including as part of global economic recovery efforts through our participation in various regional and international events. This included the Singapore Fintech Festival 2020, the Launch of the World Bank Sustainable and Inclusive Finance Forum, the Islamic Finance News (IFN) Asia Forum, the Financing Climate Action Conference and the Economist Climate Risk Asia Week.

**Cybersecurity:** The Bank continued to work closely with its regional counterparts to manage risks associated with the rapid digitalisation of finance. In 2020, we led regional efforts to operationalise the ASEAN Cybersecurity Resilience and Information Sharing Platform (CRISP) with the signing of a memorandum of understanding (MOU) among the participating members. The ASEAN CRISP is a platform for ASEAN central banks to share

information and best practices on cybersecurity threat intelligence, as well as build technical capacity in this field.

### ***Deepening integration for trade and investment***

As part of our ASEAN SLC chairmanship, we played a critical role in further deepening regional financial integration. ASEAN Governors approved initiatives to facilitate greater use of local currencies for trade and investment in the region, drive greater payments efficiency, and facilitate cross-border retail payments. The initiatives included the ASEAN Guidelines on Local Currency Settlement Cooperation Framework, the Implementing Policy Guidelines (IPG) of ASEAN Payments Framework for Cross-Border Real-Time Retail Payments within the ASEAN region as well as the Annex on Use Cases of the IPG.

The Bank also led in negotiating and finalising the country's financial services commitments for the Regional Comprehensive Economic Partnership (RCEP), the world's largest free trade agreement. The RCEP was signed on 15 November 2020. This agreement will open doors for trade and investments to flourish further, including for the financial services sector.

### ***Leadership and partnerships***

In 2020, the Bank concluded its leadership of several forums, including the chairmanship of the Islamic Financial Services Board (IFSB) Council; co-chairmanship of the ASEAN SLC on Financial Integration with the National Bank of Cambodia (2018-2020); and co-deputy chairmanship of the EMEAP Monetary and Financial Stability Committee (MFSC) and various EMEAP working groups in the areas of banking supervision and payments and market infrastructure (2018-2020). We also began our co-chairmanship of the Asia/Pacific Group on Money Laundering (APG) (2020-2022), an inter-governmental organisation focused on ensuring that its members effectively implement the international standards against money laundering, terrorist financing and proliferation financing related to weapons of

mass destruction (Details of the Bank's regional work on money laundering are provided in the chapter "Maintaining Financial Integrity").

In addition, we were appointed as a member of the BIS Markets Committee in recognition of the growing importance of emerging market economies in the global financial system. This committee looks at financial market developments as well as longer-term structural trends that may have implications for financial market functioning and central bank operations.

We continued to share our technical experience and expertise with other central banks, supervisory authorities and related institutions. Our support was delivered via seminars and workshops on a range of issues, including on macroeconomic policy, capital flow management, and central bank foreign currency operations. We worked closely with 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. In 2020, while there was a sharp decline in the number of bilateral technical cooperation engagements, we still engaged with 62 countries on technical cooperation. This included a virtual programme with AFI in November 2020 that covered 37 countries.

## **Going forward**

Global recovery remains uneven, with reshuffling of global supply chains and reorienting of business strategies. Key drivers of change include the accelerating adoption of digitalisation, globalisation and evolving regionalism. In 2021, we will continue with collaborations that promote sustainability of economic growth in the region, coordinate efforts, where relevant, to safely exit support measures as recovery takes hold, and more generally preserve international monetary and financial system stability. Other priorities on the international front include advancing the sustainability and climate change agenda, development of the digital economy and financial inclusion.