

Strategic Thrust 1

Fund Malaysia's economic transformation

As Malaysia continues its transformation to become a high-income, high value-added economy, a vibrant and resilient funding ecosystem will be key. The immediate focus will be for the financial sector to provide continued support in the path to a sustainable recovery. Alongside this, the financing and investment landscape must evolve to support a dynamic model of economic growth – one that is innovation-led, with highly productive and internationally competitive firms.

With this in mind, we will advance three strategies (Diagram 1).

Diagram 1:
Fund Malaysia's economic transformation



A

Sustain a strong economic recovery

- ◆ Strengthen counter-cyclical measures for continued access to financing
- ◆ Support measures for distressed borrowers to manage debt burden
- ◆ Facilitate 'second chances' for non-viable borrowers



B

Facilitate transformation to a high-income nation

- ◆ Sustain and grow alternative finance and its supporting infrastructure
- ◆ Strengthen the regulatory framework and collaboration to promote development of the non-debt finance ecosystem
- ◆ Reinforce the finance ecosystem for microenterprises for sustainable and inclusive growth



C

Ensure post-pandemic resilience of financial intermediation role

- ◆ Preserve funding capacity in the long-term
- ◆ Strengthen vibrancy and resilience of financial markets to act as an absorber of risk

Strategy 1A **Sustain a strong economic recovery**

A swift and robust recovery from the pandemic is paramount. Even as economic conditions improve, progress may be uneven, with possible challenges remaining for the lives and livelihoods of Malaysians.

The financial sector has the capacity to continue supporting the broader economic recovery, and in particular, affected households and businesses. The focus of our strategies is to ensure viable borrowers continue to have access to finance, while at the same time assist non-viable borrowers towards orderly resolution arrangements. In considering these strategies, we will also uphold value-based finance principles – that is, combining the dual objectives of profit and social responsibility, to create a positive impact on the economy, society, and environment.

To this end, we will seek to advance the following:

- i. Strengthen counter-cyclical measures for continued access to financing;
- ii. Support measures for distressed borrowers to manage debt burden; and
- iii. Facilitate 'second chances' for non-viable borrowers.



i Strengthen counter-cyclical measures for continued access to financing

- We will review the **credit guarantee ecosystem**, where necessary, to ensure that it supports financing. The pandemic has underscored the importance of guarantee facilities in ensuring continued lending in a time of uncertainty. We will work with the industry and Government to expand the capacity of guarantee providers, including the CGC and *Syarikat Jaminan Pembiayaan Perniagaan* (SJPP), to support the evolving financing needs of underserved segments. This includes supporting mid-sized corporates to undertake investments that increase productive capacity, as well as providing credit enhancement for new-to-bank customers and innovative firms in high-growth sectors. Next, we will consider streamlining the respective mandates, risk appetites, and product features of the guarantee providers vis-à-vis their target segments. This is to address any redundancies and overlaps in the guarantee ecosystem.
- We will aim to address the industry's need for **forward-looking and alternative data** to improve financing to target segments, especially to those with limited credit records. The exceptional conditions and policy support measures during the pandemic had substantially affected the reliability of historical credit and non-credit information in providing a risk outlook. In addition, a sole focus on historical data also makes it harder for borrowers with no prior credit history to obtain finance. To address this, we will facilitate banks' access to a **wider range of data sources on borrowers**, such as real-time payment information and analytical tools, to allow for richer and more predictive insights on the credit capacity and quality of borrowers. Beyond harnessing transactional information, we will also work with the industry to explore broader application of behavioural models and tools, such as psychometric assessments, to complement credit underwriting. To drive all these efforts, we will facilitate the implementation of common standards to enable data exchange within and beyond the financial sector. We will also strengthen the digital data governance framework to ensure responsible and ethical use of data, including through appropriate safeguards such as consent frameworks.
- We will strengthen the role of development financial institutions (DFIs) to **bridge financing gaps** to strategic economic sectors and underserved segments through the following measures:
 - First, we will work closely with the Government to successfully complete the **restructuring of the DFI industry**. The multi-year reform, which was announced in 2019, will see a consolidation of the industry, driven by two key outcomes. One, the reforms will introduce a robust and strong governance structure to strengthen the accountability and transparency of DFIs as public institutions and ensure effective delivery of their respective mandates. The restructuring also aims to establish DFIs with larger economies of scale and greater diversification of portfolios to better manage risk. This will allow a more efficient allocation of capital and resources to finance key target segments and align with national development priorities, including growth areas identified under the RMK12.
 - Second, we will continue to build on the implementation of the **performance measurement framework** for DFIs initiated by the Bank in 2018, whereby key result indicators that are development-oriented form part of the Bank's supervisory assessments to better reflect the socioeconomic impact of DFIs' operations. Examples of such indicators include the financing amount approved to first-time borrowers, new jobs created through financed projects, and funds crowd-in from the private sector for underserved or new growth segments. Importantly, these key result indicators are intended to be dynamic and are expected to change over time to reflect the prevailing economic priorities and the focus areas for DFIs. As public institutions, it is important for DFIs to continue to improve on how they report their contribution to the economy, as part of an ongoing commitment to increase transparency and accountability in serving their mandates. This would encourage greater market efficiency in the allocation of economic resources to optimise Malaysia's growth potential.

ii Support measures for distressed borrowers to manage debt burden

- We will facilitate the provision of **targeted support to vulnerable segments** that require additional time to recover from cash flow difficulties. This will be important to minimise permanent scarring from the pandemic. We acknowledge that certain vulnerable segments, both individuals and businesses, may require longer-term repayment assistance to meet their financing obligations. To support these groups, we will work with AKPK and banks to ensure an effective roll-out of repayment relief measures under the Financial Management and Resilience Programme (URUS) and the Financial Resilience Support Scheme (FIRST). Under these programmes, eligible borrowers affected by the pandemic from the vulnerable B50 segment¹, including individuals and microenterprises, are able to apply for further repayment assistance. For URUS, banks have collectively set aside RM1 billion to fund the cost of the reduction in interest/profit for the programme's implementation. At the same time, we will continue to collaborate with the financial industry and AKPK to further strengthen the financing ecosystem for vulnerable SMEs. In this regard, we will ensure continuous access to effective avenues to seek information, financial advisory and redress. We will also increase outreach efforts and engagements to address the needs as well as improve the overall financial health of vulnerable businesses.
- We will promote the offering of **blended finance solutions** to further catalyse the recovery of businesses. Blended finance instruments combine different sources of funds – such as philanthropic funds and traditional bank financing – to lower financing costs for firms and reduce leverage. We are pleased to note that some banks have already partnered with equity finance providers to pilot blended finance schemes. Looking ahead, we will work with the financial industry and other stakeholders to further scale the offering of these solutions. The Bank will also provide dedicated concessionary funding for banks to tap into to increase the offering of blended finance solutions.

iii Facilitate 'second chances' for non-viable borrowers

Supporting a holistic economic recovery is not limited to helping viable borrowers survive, but includes implementing policies to help non-viable borrowers with efficient and orderly exit strategies, whilst ensuring their rights are reasonably protected

- We will work closely with the banking industry, AKPK, the Malaysian Department of Insolvency and the Companies Commission of Malaysia (SSM) to support efforts to simplify the **insolvency regime for SMEs**, especially microenterprises. This targeted approach reflects a key observation during the pandemic, where microenterprises account for most business closures in Malaysia². Enhancements to the current insolvency framework are required to reduce the total time and cost to complete insolvency proceedings, which may disproportionately impact microenterprises. As part of the process, we will promote conditions for entrepreneurship by making it easier and less costly for SMEs to exit and restart business ventures. This will also enable creditors to accelerate efforts to redeploy and reinvest remaining funds of the businesses – such as through liquidation of remaining assets – into new ventures and projects.
- We will enhance the regulatory framework that governs the **disposal and purchase of impaired financing**. We will seek to remove the existing foreign equity limit requirement for buyers to attract greater participation, particularly from established international players, into the market. With a more diverse buyer market, banks will be able to manage impaired financing in a more efficient manner. This will continue to be subject to safeguards that reasonably protect the rights of impaired borrowers and preserve fair opportunities for them to resolve their debt. Non-bank buyers of impaired financing will be required to meet certain eligibility criteria, for example, a proven track record of fair debt recovery practices. All buyers must also observe strict conduct requirements upon purchase of the impaired financing.

¹ Borrowers with a gross household income of RM5,880 or lower, based on the definition by the Department of Statistics of Malaysia.

² According to the Ministry of Entrepreneur Development and Cooperatives in September 2021, over 37,000 Malaysian businesses have closed since the implementation of the Movement Control Order in 2020, in which over 26,000 or close to 70% comprised of microenterprises.

Strategy 1B

Facilitate transformation to a high-income nation

For Malaysia to achieve a high-income nation status, it is essential to have a vibrant and innovative private sector that can respond to challenges and seize new growth opportunities. It is therefore critical for the nation to nurture firms that are more knowledge-, innovation- and technology-based. At the national level, progress has been made to advance bold and comprehensive reforms on this front, as seen by the adoption of the NIA policy in 2021.

The NIA, which now forms the basis of Malaysia's investment policies, is expected to drive long-term growth by building innovation capacity and attracting quality and sustainable investments into new growth areas. This in turn promotes the creation of high value-added jobs and strengthens domestic linkages.

In general, traditional debt-based financing funded from bank deposits better suits firms with regular repayments and risks that are well-understood. However, reliance on this type of financing alone may not be sufficient to meet the diverse needs across a growth firm's funding lifecycle. This is particularly true for firms that are innovative and that are engaged in new growth ventures or business transformation exercises. For example, such firms may operate in emerging industries and may lack established credit histories or predictable revenue streams. Increasingly, the profile of such firms is often 'asset-light', investing more in intellectual property (IP) and software, compared to tangible assets, which are often traditionally used as collateral for financing from banks.

We also remain cognisant of the longer-term risks to the financial system that may materialise from an underdeveloped alternative finance ecosystem – namely increased reliance and concentration of financing in the banking system. This could lead to unsustainable corporate leverage and even excessive risk taking by banks – which could have systemic implications.

Going forward, greater access to a more diverse range of funding instruments will be key to support the growth of such firms and promote longer-term financial stability. Alternative finance solutions, which include debt and equity-based instruments, will play a critical role in complementing bank-led debt financing to fund the economy, given their relevance across the business lifecycle of firms. These instruments include quasi-equity structures, asset-based finance, expanded applications of trade-based financing solutions, ECF and peer-to-peer (P2P) lending, VC financing, and equity investment via angel investors.

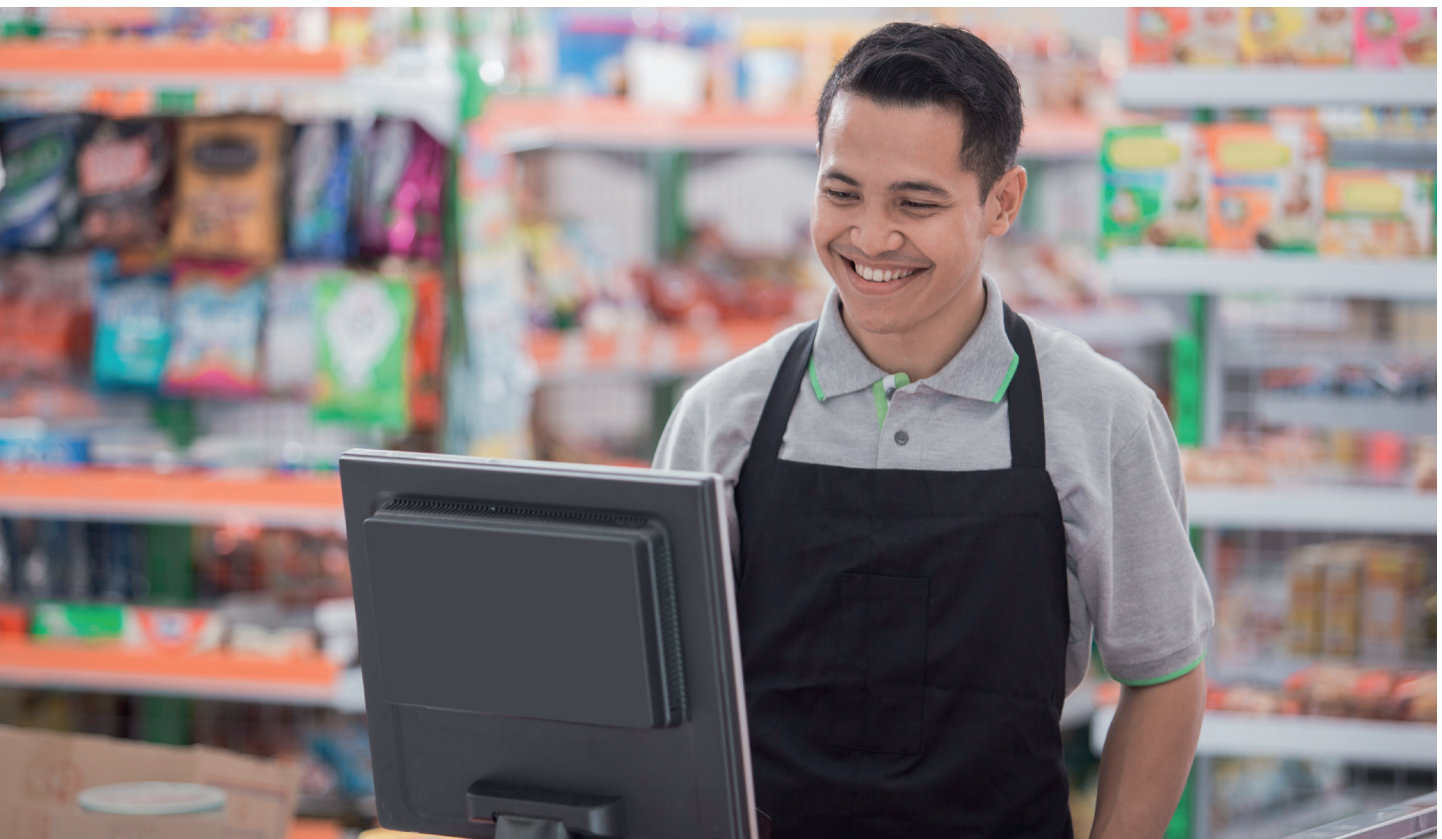
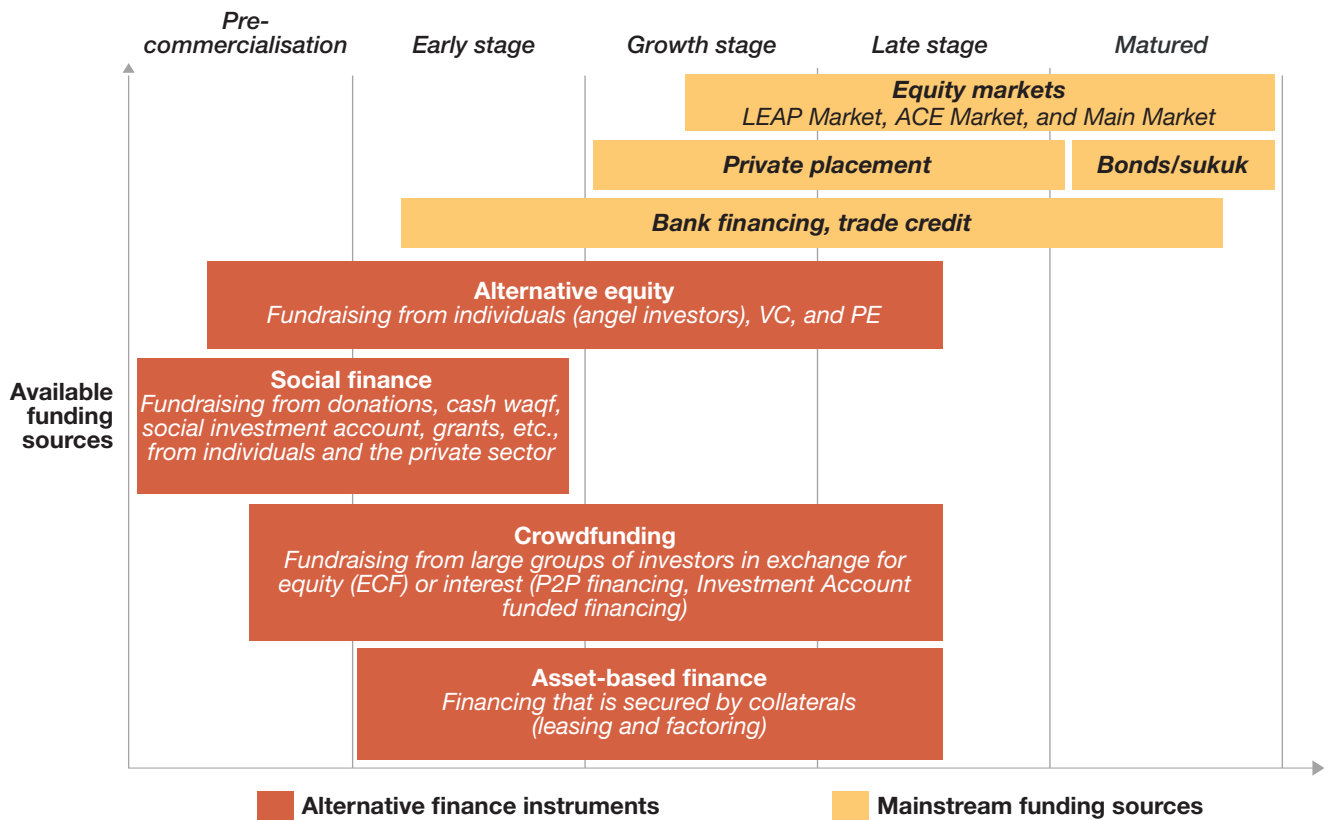
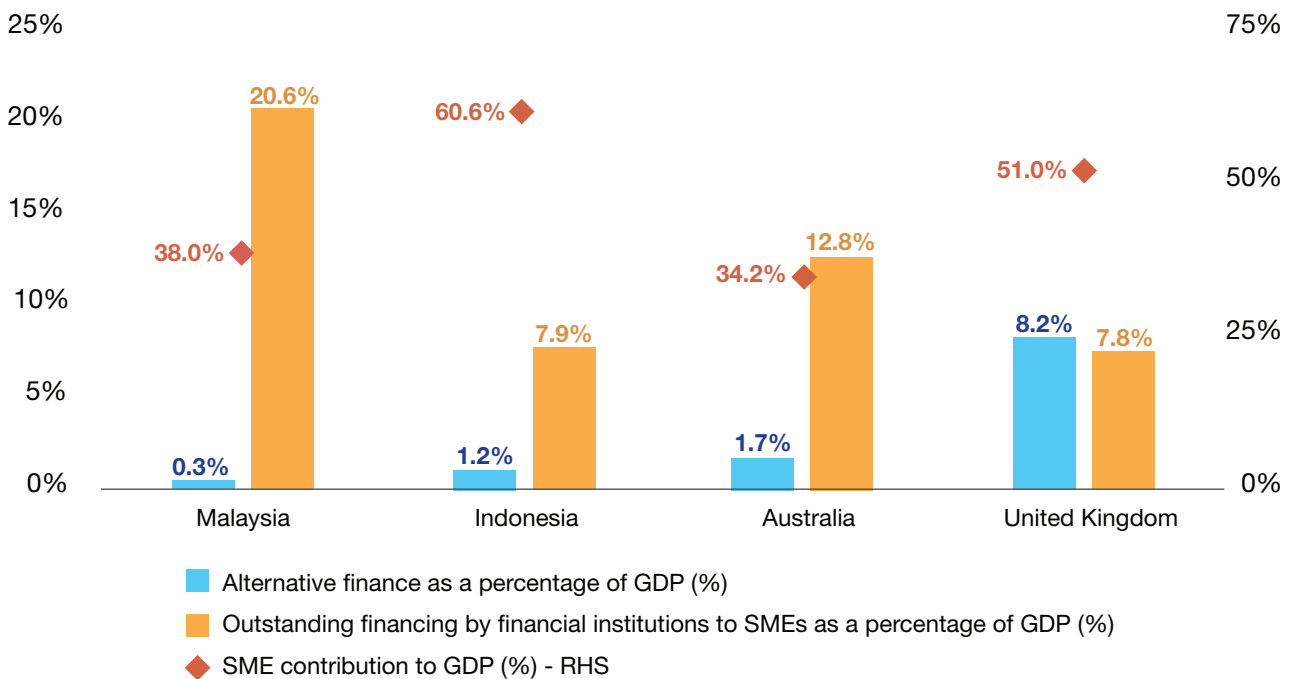


Diagram 2:
Available funding sources for businesses by stage of development



Source: Bank Negara Malaysia, the Securities Commission

Chart 1:
Malaysia's alternative finance¹ market remains small, compared to regional peer and developed markets



Data is from 2018

¹ Alternative finance in this chart includes leasing and factoring finance provided by banks and non-banks, VC, PE, P2P lending and ECF

Source: Bank Negara Malaysia, the Securities Commission, Organisation for Economic Co-operation and Development

As growing the alternative finance ecosystem will require close collaboration and commitment across relevant stakeholders, we will continue to actively cooperate with the SC and other relevant ecosystem partners, as well as industry players.

We will also review the microfinance landscape to better assist smaller firms to sustain their recovery from the pandemic through greater income generation opportunities.

To this end, we will seek to advance the following:

- i. Sustain and grow the alternative finance ecosystem and its supporting infrastructure;
- ii. Strengthen the regulatory framework and collaboration to promote the development of non-debt finance; and
- iii. Reinforce the finance ecosystem for microenterprises for sustainable and inclusive growth.



i Sustain and grow the alternative finance ecosystem and its supporting infrastructure

- We will encourage financial institutions' exploration of **social finance** within their business models. Social finance refers to financial business that is focused on social outcomes and uses recognised instruments, such as donations and cash *waqf*, to deliver financial products and services, while generating sustainable income to recipients. Social finance is envisioned to improve societal resilience through affordable and accessible provision of funds and financial protection. In recent years, social finance has been introduced into the market by blending philanthropic capital with other sources of funds. This allows the creation of financial products with features such as lower financing costs and flexible repayment terms to improve access to financing and protection for microentrepreneurs and households. Building on the progress so far, we will aim to broaden the adoption of such solutions to address other socioeconomic needs, such as affordable housing and healthcare. In this regard, we will continue to calibrate the regulatory framework to meet financial stability objectives, whilst still encouraging innovative and socially responsible finance.
- We will support and enhance new and existing **infrastructure** that provides the necessary foundation to accelerate the growth of the alternative finance ecosystem:
 - First, we will continue to work closely with relevant agencies, including SSM, to support efforts to expand the collateral base for SME financing, including via the establishment of a **centralised collateral registry**. This registry is envisioned to allow one-stop registration of all secured interest in assets – including moveable properties and IP – to be pledged as collateral, which in turn, supports more reliable credit appraisals. With greater transparency, finance providers will be able to screen for potential competing security interests on a particular asset before granting financing, which lowers the incidences of disputes over rights to property. With more credible and reliable access to collateral, SMEs will benefit as they can maximise the value of their tangible and intangible assets to obtain additional financing.

- Second, we will work with CGC to further increase the coverage and efficacy of **referrals to alternative finance on the imSME platform**. The imSME platform is an online SME financing and loan referral platform that matches SMEs to finance providers, including alternative finance lenders. The platform has seen increased participation in recent years from a wide range of alternative finance players, including factoring providers, VC funds, ECF and P2P firms. To further enhance the breadth and depth of finance providers on the imSME platform, we will mandate referrals of SMEs who do not qualify for bank financing to alternative financiers. With this, we envision that awareness and adoption of alternative finance among SMEs will gain faster traction.

- We will continue to perform our role in **advising and informing Government policies** to advance alternative finance development, including in the following areas:

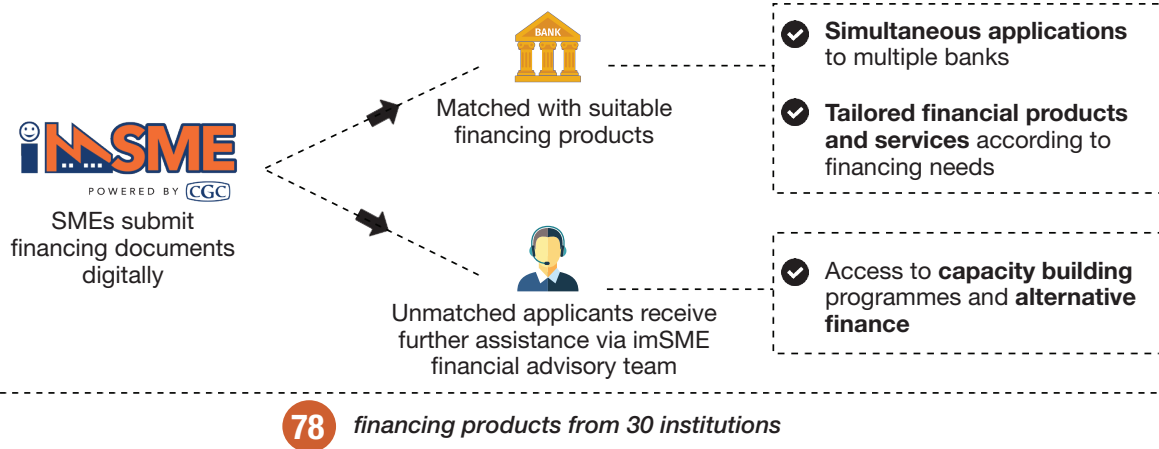
- Review of the **taxation framework** for alternative finance instruments. We will collaborate with relevant agencies and stakeholders to study the impact of existing corporate tax policy design on debt and equity-based instrument offerings. Through this study, we aim to move towards a more equitable tax regime for debt and equity finance that will encourage the growth of alternative finance. We view that such a study is timely, given that the current inclination towards debt finance due to the existing tax framework may lead to further risks to macroeconomic stability. At the same time, the bias towards debt finance may unfavourably discriminate against innovative firms that may be better suited for equity financing.

Additionally, we will also advance a more conducive tax regime for leasing providers. Under existing regulations, leasing activities

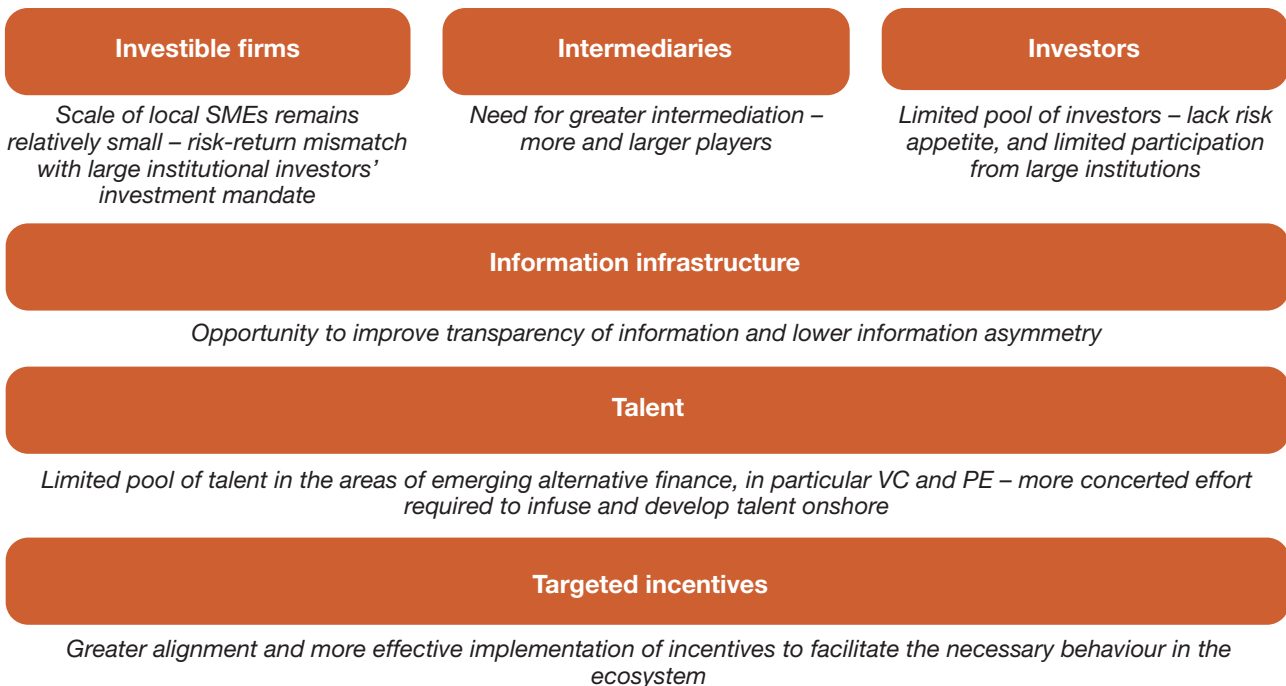
are treated as a distinct and separate business source, resulting in a higher tax burden on leasing companies, which impedes the growth of the market. Through relevant amendments to the existing legislation, this tax burden could be lowered. This will in turn promote the uptake of leasing among SMEs, especially for the acquisition of machinery and equipment.

- Support **government-linked investment companies (GLICs) and DFIs** in accelerating the holistic development of the alternative finance ecosystem. There are opportunities for GLICs, in particular, to complement bank financing by enhancing their focus on developmental and catalytic investments, either directly via holdings in domestic PE, or indirectly via investments in equity or P2P platforms. In addition, studies³ have shown that the participation of institutional investors, such as GLICs, plays a key role in the growth of the alternative finance sector to achieve critical mass. Going forward, we will advocate for policies that facilitate the GLICs' and DFIs' involvement in alternative finance, while allowing them to continue to meet their existing investment and financing mandates.
- Greater adoption of trade-based financing instruments, including **supply chain financing programmes**, as an alternative form of financing for eligible large corporate buyers and their vendors. Such programmes allow these vendors, who are often SMEs, to receive immediate payment for goods and services rendered to buyers, via the sale of invoices to financial institutions. With a more effective cashflow management process, small vendors can strengthen their resilience and growth prospects. We will also support efforts by corporates to collaborate with the financial sector to promote the design and offering of supply chain finance solutions to their vendors.

³ Source: Cambridge Centre for Alternative Finance (2021), "The 2nd Global Alternative Finance Market Benchmarking Report".

Diagram 3:**Seamless financing application process via the imSME online platform with a wide range of finance providers**

Source: Bank Negara Malaysia

Diagram 4:**Ecosystem requirements to grow alternative finance**

Source: Bank Negara Malaysia



As the finance ecosystem increasingly expands beyond debt-based solutions, we will work closely with financial institutions to ensure that they can participate and offer non-debt instruments

ii Strengthen the regulatory framework and collaboration to promote development of non-debt finance

■ We will explore measures to make it easier for banks to offer **non-debt-based finance solutions**, including via the provision of equity-based solutions and through partnerships with other non-debt-based finance providers. We welcome the interest of the industry to offer such solutions and will work closely with the industry and relevant stakeholders to address two existing challenges for banks:

- First, we will ensure that our **regulatory framework** does not pose undue barriers for banks' participation in non-debt finance. On this, we will review relevant aspects of the regulatory framework to support productive and meaningful participation of banks that remain consistent with financial stability outcomes.
- Second, we will support the banking industry to actively **partner with industry players within the start-up ecosystem**, through formal funding and expansion of incubation and accelerator programmes. With closer collaboration with industry players, banks will be able to deepen their understanding of new growth areas and

facilitate a more accurate evaluation of the risk profile of firms in these sectors. For example, in the United States of America (USA), European Union and Singapore, banks have partnered with institutional investors to provide venture debt solutions for firms as a way for founder entrepreneurs to raise funds, without diluting share equity.

- We will work closely with the SC to enhance efforts to develop a **comprehensive domestic funding ecosystem**. As non-debt-based finance offerings often involve both financial institutions and capital market intermediaries, we are committed to ensure strategic alignment in the efforts of the Bank and the SC in this area. To achieve this, we will establish a dedicated inter-agency platform, together with industry players, to coordinate and spearhead the development of the alternative finance market.

We will work closely with other regulators and industry players to ensure holistic development of the alternative finance market

iii Reinforce the finance ecosystem for microenterprises for sustainable and inclusive growth

- We will review and improve the microfinancing ecosystem, including the **Skim Pembiayaan Mikro (SPM)**. SPM is a scheme that enables fast and convenient access to business financing of up to RM50,000 without collateral from participating banks. Since the introduction of the SPM in 2006, the microfinance landscape has evolved rapidly. Prior to 2006, only *Amanah Ikhtiar Malaysia (AIM)* and *Tabung Ekonomi Kumpulan Usahawan Niaga (TEKUN)* provided microfinance. As at 2021, a total of 11 banks offer microfinance via the SPM. The market is also now more competitive with the entrance of new players – such as digital money lenders – that can offer compelling value propositions to microenterprises. In view of these developments, we will initiate a holistic review of the SPM to ensure it remains a relevant and effective financing tool. This would include an assessment on existing features of the SPM and access gaps, such as for informal and gig workers. At the same time, collaboration with CGC and SJPP will also be strengthened to further enhance access to finance for microentrepreneurs, including through the establishment of a simplified portfolio guarantee scheme.
- We will also support **programmes that go beyond finance** to assist microenterprises to further move up the value chain. Focus areas would be on increasing business formalisation through simple, facilitative, and seamless on-boarding procedures, facilitating business matching via supply and demand platforms, building microenterprises' resilience, and subsequently graduating microbusinesses to become bigger enterprises that are able to tap wide ranging products offered in the financial system. These programmes will be pioneered through the establishment of financial education modules and structured capacity building programmes, such as mentoring and business advisory support, by AKPK and the FEN.



Strategy 1C

Ensure post-pandemic resilience of financial intermediation role

The sound foundation of our financial institutions and markets has served as a “shock absorber” to the economy, by ensuring businesses and households continue to have access to finance despite the challenging economic conditions.

Our strategies will aim to ensure that the financial intermediation function continues to be resilient and effective moving forward. In pursuing this, we will build on the lessons learnt in managing past crises. Additionally, we will also promote better utilisation of insurance and takaful products, as well as enhance supervisory arrangements over key entities that provide finance.

As conditions in the financial markets are expected to remain challenging going forward, we will continue to ensure sufficient liquidity and orderly conditions in the foreign exchange and money markets. We also aim to ensure that financial markets do not increase financial stability risks, by improving the governance and accountability framework for market players.

To this end, we will seek to advance the following:

- i. Preserve funding capacity in the long-term; and
- ii. Strengthen vibrancy and resilience of financial markets to act as an absorber of risk.



i Preserve funding capacity in the long-term

- We will continue to work closely with the financial industry to improve our **crisis management responses** to better assist those in need. Drawing on the experience from the AFC, Malaysia has put in place well-established debt restructuring mechanisms for businesses. These include both court-sanctioned rescue mechanisms for businesses under the Companies Act 2016, and out-of-court platforms such as the CDRC and SDRS. Since the AFC, banks have also significantly improved their capacity in managing and resolving debt, even for multi-lender debt. Moving forward, we will continue to strengthen and advocate for more holistic debt restructuring arrangements. This includes the infusion of equity or equity-like investments to assist viable businesses that are highly leveraged. As most policy responses have been focused on providing credit, distressed businesses facing income shortages are burdened with additional debt – increasing the risk of insolvency. The debt-to-equity conversion would assist to moderate these businesses’ gearing level and provide a ‘second chance’ for viable businesses to recover.

■ We will promote greater offering of **insurance and takaful solutions** to mitigate risks incurred by finance providers and firms. The insurance and takaful industry, including reinsurers and retakaful providers, can contribute to economic growth and effective financial intermediation through the transfer of risk and mobilisation of funds. Therefore, we will work with the industry to further diversify and increase risk protection solutions in the following areas:

- First, we will facilitate the offering of **trade credit protection** solutions. As we look to enhance trade-based financial instruments in the market, we acknowledge the risks that firms, especially SMEs, are exposed to from non-payment of goods and services. These risks can often lead to financial losses or even insolvency. We believe that insurers and takaful operators can lower these risks through the offering of trade credit protection products, and in turn, facilitate these firms to better manage their operations and investments to secure growth. In this regard, we will work with the industry and relevant government agencies to address key bottlenecks to trade credit protection growth, such as the high cost, low underwriting technical capacity and low market awareness associated with such products.
- Second, we will encourage the offering of **specialised insurance and takaful products** by building domestic expertise and capacity to manage risks in emerging growth areas, such as in renewable energy projects. These protection solutions are expected to assist firms to increase their exposure to these areas

by mitigating downside risks. In the case of renewable energy projects, this includes protection to firms against engineering deficiencies and for the transportation of power-generating equipment. These solutions will help to drive more investments into key areas and projects, and ultimately support the economic transformation aspirations of the country.

- Third, we will work with the **reinsurance and retakaful industry** so that it supports the risk diversification needs of the domestic insurance and takaful market. In this regard, we will seek to promote sufficient reinsurance and retakaful capacity, especially in critical protection areas that promote economic growth as well as household and business resilience. We believe that these efforts will also in turn support Malaysia's aspirations to become a regional reinsurance and retakaful hub.
- We will also enhance surveillance and promote stronger **oversight arrangements for non-bank players**, in particular pension and provident funds and deposit-taking-like entities that are systemically important. As the financial intermediary landscape continues to diversify beyond the banking sector to include non-bank players with different business models and risk profiles, an agile and holistic approach to risk management is needed to mitigate any adverse shocks that could impact the integrity and effective functioning of financial intermediation. In this regard, we will work closely with key stakeholders, such as the SC, to enhance the oversight over these non-bank players, so that preventive and corrective actions can be taken in a timely manner to address any risk events.

ii Strengthen vibrancy and resilience of financial markets to act as an absorber of risk

To mitigate excessive volatility in the global financial system, we will continue to enhance the risk mitigation role of the domestic financial markets by improving market liquidity and resilience to shocks

■ We will promote a **liquid and vibrant onshore financial market**, focusing on strategies that enhance the market's countercyclical role, address real sector needs, and improve capacity for effective risk management. To this extent, we will advance three key strategies:

- First, we will enhance the **breadth and depth of our financial market** to improve its ability to manage external shocks and to cater to domestic and international economic needs.

We will continue to promote greater adoption of **collateralised transactions** within the domestic money market, particularly to deepen the domestic repurchase agreement (repo) market. Repo transactions not only diversify financing accessibility for participants across the system, but also allow for more robust and efficient allocation of funds across tenors in the money market. To this end, we will pursue greater diversity of investors in the repo and securities borrowing and lending markets to include more non-banking participants, such as insurance companies and large corporations.

As another area of focus, we will intensify efforts to develop the **onshore derivatives market**, including interest rate derivative products, to increase market liquidity and volume of transactions. These measures are expected to promote the development and application of a transaction-based alternative reference rate for Malaysia, in line with global financial benchmark reform initiatives.

We will also enhance our usage of technology to improve **liquidity and pricing transparency** in the onshore market. To this end, we envision that a wider adoption of electronic trading platforms by onshore market participants will further improve price discovery and provide efficient execution. We will also adopt relevant technology to enhance the efficiency of regulatory reporting in the foreign exchange (FX), bond and money markets to enable effective assessment, monitoring, as well as dissemination of information surrounding risk build-ups in the financial markets.

Additionally, we will advocate for greater **risk management practices** among resident businesses, as well as participation by a broader set of investors in the derivatives market. This will be supported by continuous assessment and enhancement to our policies to facilitate flexibilities for businesses as well as to encourage utilisation of FX forward hedging amongst corporates and domestic portfolio institutional investors. Initiatives to further enhance the investment climate and business efficiency aim to further strengthen the attractiveness of Malaysia's position in the global supply chain, besides fostering a conducive environment for foreign direct investment (FDI).

To further strengthen Malaysia's financial market's resilience to withstand future shocks, we will **expand safety nets arrangements**. To achieve this, we will continue to pursue strategic bilateral swap arrangements with regional central banks, as well as enhance existing bilateral and multilateral safety net arrangements.

Next, we will continue to promote liquidity in the domestic **environmental, social and governance (ESG) bond and sukuk market**, ensuring alignment with national sustainable development aspirations as well as meeting international investor demand for ESG-linked financial products. On a broader level, this measure is also expected to be a catalyst for a deep and robust ESG investment ecosystem.

- Second, we seek to preserve Malaysia's **leadership in Islamic finance**, through initiatives to deepen the Islamic money and capital markets.
- Third, we will further strengthen **integrity and professionalism** in our financial market by upholding the highest standards and practices. To this end, we will advocate for a more active role by market participants in shaping the financial market's **conduct and best practices**. In this regard, the wholesale market code of conduct, which sets out principles and standards to be observed by market participants in the money and foreign exchange markets, will be continuously reviewed and updated, in line with global standards.
- We will also continue to enhance the integrity and reliability of our **domestic financial market benchmarks**, in line with the FSB's recommendations. This includes undertaking periodic reviews to ensure that the financial benchmark rates remain robust and reflective of an active underlying market.