

Glossary, Acronyms and Abbreviations



Glossary

Accrual accounting

An accounting method that recognises revenues and expenses based on the occurrence of economic events, rather than that of cash transactions.

Aggregate outstanding ringgit liquidity placed with the Bank

Surplus liquidity absorbed by Bank Negara Malaysia, through its monetary operations and Statutory Reserve Requirement (SRR). The main borrowing instruments used for this purpose include direct money market borrowing, repurchase agreements (repo), Qard acceptance, Commodity Murabahah Programme (CMP), sell-buy swaps, Bank Negara Monetary Notes (BNMN) and Bank Negara Interbank Bills (BNIB).

Asset purchase programme

A form of expansionary monetary policy undertaken by central banks through the purchase of predetermined amounts of government bonds or other specified securities in order to lower long-term interest rates and stimulate the economy.

Balance of payments

A statistical summary of economic transactions between residents and non-residents of a country during a specific time period.

Bank Negara Interbank Bills (BNIB)

A short-term discounted note with maturity of up to one year and qualifies as Level 1 high-quality liquid assets (HQLA). BNIB can only be purchased by and traded among licensed banks and investment banks.

Banker's acceptance (BA)

A bill of exchange drawn on and accepted by a bank in Malaysia to finance the drawer's business-related purchases from or sales of goods to another person, evidenced by proper and adequate documentation.

Bilateral currency swap arrangements

Agreements with other countries enabling for the exchange of Malaysian ringgit for foreign currencies.

Booking centres

Banks' offices which serve as a registry for transactions arranged and managed in another location.

Brexit

The United Kingdom's decision to leave the European Union.

Commodity Murabahah Programme (CMP)

A cash deposit product based on a globally accepted Islamic concept. It utilises crude palm oil contracts and other Shariah-compliant commodities as the underlying assets to facilitate liquidity management.

Contagion risk

Risk that the impact of a financial shock or crisis in a particular economy or region will spread to other economies with similar vulnerabilities or significant interlinkages.

Core inflation

A measure of underlying inflation. One common method of calculation is by excluding items whose price fluctuations are deemed transitory from the Consumer Price Index (CPI) basket. These items include price-volatile and price-administered goods and services. Core inflation that is estimated by Bank Negara Malaysia also excludes the estimated direct impact of consumption tax policy changes.

Counter-cyclical policy

Monetary or fiscal policies aimed at reducing fluctuations in the business cycle of the economy.

Demonetisation

The act of withdrawal of a currency unit from its status as legal tender. For example, the Indian government announced the withdrawal of INR500 and INR1,000 bank notes as legal tender on November 2016, in exchange for new INR500 and INR2,000 bank notes.

Direct investment abroad (DIA)

A category of cross-border investment by a Malaysian resident investor associated with the objective of establishing a lasting interest in an enterprise abroad. A 'lasting interest' is when there is a long-term relationship in which the direct investor has a significant degree of influence on the management of the enterprise (e.g. an ownership of at least 10% of the voting power).

Domestic institutional investors

Resident financial institutions with large holdings of financial assets in domestic financial markets. These include banks, pension funds and insurance companies.

Exchange rate valuation effect

The changes in ringgit equivalent value of Malaysia's foreign-currency denominated external assets and liabilities, and export and import values due to changes in the ringgit exchange rate.

Export conversion measure

Financial market measure introduced by Bank Negara Malaysia and the Financial Markets Committee (FMC) which requires exporters to convert 75% of their foreign currency export proceeds into ringgit, with sufficient flexibilities granted.

Financial Markets Committee (FMC)

The FMC was established in May 2016 with the objective to broaden industry engagement with a focus in reviewing and formulating comprehensive strategies for the wholesale financial markets to meet the diverse and complex demands of a more developed and internationally integrated economy. It comprises participants/representatives from Bank Negara Malaysia, financial institutions, corporations, financial service providers and other institutions or stakeholders which have prominent roles or participation in the financial markets.

Flight-to-safety

A broad-based shift of investors' funds from riskier assets to relatively safer assets such as sovereign bonds, safe-haven currencies and selected commodities, such as gold. This typically occurs during an increase in investor risk aversion. Safe-haven currencies refers to currencies expected to appreciate or remain stable during periods of volatility, such as the US dollar, Japanese yen and Swiss franc.

Foreign currency forward position

The aggregated sum of future transactions to exchange foreign currency for domestic currency. A long foreign currency forward position indicates a net future obligation to purchase foreign currency for domestic currency, resulting in potential inflow of foreign currency. Conversely, a short foreign currency forward position indicates a net future obligation to sell foreign currency for domestic currency, resulting in potential outflow of foreign currency.

Foreign direct investment (FDI)

A category of cross-border investment by a non-resident investor associated with the objective of establishing a lasting interest in an enterprise in Malaysia. A 'lasting interest' is when there is a long-term relationship in which the non-resident direct investor has a significant degree of influence on the management of the enterprise (e.g. an ownership of at least 10% of the voting power).

Foreign exchange net open position (NOP)

The aggregated sum of the net short or long positions across any particular foreign currency or all foreign currencies for banks. A long position indicates a net foreign currency asset position while a short position indicates a net foreign currency liability position.

General Government

Refers to the Federal and State Governments as well as the statutory bodies and local authorities.

Goods and Services Tax (GST)

A consumption tax based on the value-added concept, imposed at every stage of production and distribution process. The GST incurred on business inputs is claimable. In Malaysia, the GST was imposed on taxable goods and services between April 2015 and May 2018 before the rate was zeroised.

Headline inflation

The annual price increase for a basket of items that are commonly consumed by an average household. For Malaysia, headline inflation is computed based on the Consumer Price Index (CPI) basket.

Hedging

An investment strategy to reduce investment risk using financial derivatives such as options, swaps and futures contracts.

International investment position (IIP)

The external balance sheet, detailing the country's outstanding financial assets and liabilities position relative to the rest of the world. A positive net IIP denotes Malaysia's position as a net creditor nation, while a negative net IIP denotes Malaysia as a net debtor nation.

Internet of Things (IoT)

The network of physical objects that contain embedded technology to communicate and sense or interact with itself or the external environment.

Liquidity injection operations

The use of monetary operations to provide liquidity to the banking system through instruments such as reverse repurchase agreements (reverse repos) and foreign exchange swap facilities.

Monetary Policy Committee (MPC)

The body responsible for formulating monetary policy and the policies for the conduct of monetary policy operations, as stipulated in the Central Bank of Malaysia Act 2009.

Monetary policy normalisation

Actions by central banks to return the stance of monetary policy back to more normal levels, which is consistent with the medium-term objective of achieving macroeconomic stability.

Negotiable instrument of deposits (NID)

Interest-bearing deposit certificates issued by banks that can be traded in the wholesale secondary money market. NIDs issued in the Malaysian financial market can be based on either fixed, zero coupon or floating rates or a combination of either of the three.

Net domestic borrowing of the Federal Government

The Federal Government's gross domestic borrowings, in the form of Malaysian Government Securities (MGS) and Malaysian Government Investment Issues (MGII), less repayments.

Net errors and omission

Balancing or residual item which occurs when the current, capital and financial accounts do not mirror the change in international reserves due to imperfections in data source and compilation (e.g. incomplete data sources, difference in timing of recording, valuation factors).

Net external borrowing of the Federal Government

The Federal Government's gross external borrowings, in the form of project and market loans, less repayments.

Non-deliverable forward (NDF)

A cash-settled outright forward contract. In the case of a currency NDF, the difference between the contracted NDF rate and the prevailing spot rate determines the profit or loss on the notional amount, and this difference is typically settled in US dollar (without exchanging the notional amount itself, hence non-deliverable).

Non-resident entity

An institutional unit which engages in economic activities and transactions for a period of one year or longer from a location outside of Malaysia.

Outstanding corporate bonds

Current stock of corporate bonds plus net issuances of corporate bonds during the period. Net issuances of corporate bonds is the difference between corporate bonds issued and corporate bonds redeemed.

Outstanding loans

Current stock of loans plus net loans disbursed during the period. Net loans disbursed is the difference between loans disbursed and loans repaid.

Overnight Policy Rate (OPR)

The indicator of the monetary policy stance for Malaysia. The level of the OPR is decided by the MPC. It also serves as the target rate for the day-to-day liquidity operations of the Bank, which will influence other interest rates in the economy.

Portfolio investment

A category of cross-border transactions and positions involving debt or equity securities in the capital markets, other than those categorised as foreign direct investments, direct investments abroad, or reserve asset transactions.

Portfolio rebalancing

A process whereby investors or fund managers reallocate the weightings of financial assets in their investment portfolios. This is achieved by buying and selling assets to align the investor's holdings with a target portfolio allocation.

Price ceiling

A Government-imposed maximum price for a good or service.

Primary income

Income earned from the contribution to production processes, provision of financial assets and renting of natural resources. These include compensation of employees (e.g. wages, salaries), investment income (e.g. dividends), interest income and rent transactions between residents and non-residents.

Producer price inflation

The annual change in Producer Price Index for local production, which is an output-based index that measures the price of goods sold to the domestic market charged by producers at the ex-factory price.

Protectionist policies

Economic policies which restrict international trade through tariffs, subsidies, quotas and/or other regulations aimed at reducing the competitiveness of foreign imports relative to domestically produced goods and services.

Public corporation

A corporation that is controlled by the Government. Control can be determined by: the ownership of the majority of the voting interest; control of the board or other governing body; control of the appointment and removal of key personnel; control of key committees of the entity; golden share and options; regulation and control; control by a dominant customer; and control attached to borrowing from the Government.

Qard acceptance

A contract of lending money by a lender to a borrower where the latter is bound to return an equivalent replacement amount to the lender.

Resident entity

An institutional unit which engages in economic activities and transactions for a period of one year or longer from a location in Malaysia.

Risk-off

Periods of perceived high financial risk which encourage investors to take on less risk or unwind their exposure to riskier investments.

Secondary income

Current transfers (provision of goods, services, or financial assets) between residents and non-residents with no corresponding economic returns. These include transfers by the general government, personal transfers (e.g. remittance by foreign workers) and other transfers in cash or kind.

Sales and Services Tax (SST)

Refers to the consumption tax policy that was implemented in Malaysia since September 2018. Sales tax is a single-stage tax levied on taxable goods imported into Malaysia and those locally manufactured in Malaysia by a taxable person, subject to the Sales Tax Act 2018. Service tax is a tax charged on taxable services provided by any taxable person in Malaysia in the course and furtherance of business, subject to the Service Tax Act 2018.

Technical correction

A sharp decline in the price of a financial asset following a prolonged upward trend in valuations.

Terms of trade

The ratio of a country's export prices to its import prices. It can also be interpreted as the amount of imported goods a country can purchase per unit of exported goods. Improving terms of trade indicates that for every unit of exports sold, more units of imported goods can be purchased, and vice-versa.

Trade openness

A country's sum of gross exports and imports as a share of its GDP, representing a country's total exposure to international trade.

Turnover ratio

An indicator of financial market liquidity which measures the trading volume of a financial asset during a specified period relative to the total amount outstanding.

Twin deficit

A situation in which a country simultaneously records both a fiscal and current account deficit.

Underlying inflation

The persistent trend component of inflation. It is typically constructed by removing the transitory and seasonal components from headline inflation.

Weighted average base rate

Effective 2 January 2015, the base rate (BR) is the main reference rate for new retail floating rate loans. The BR is determined by financial service providers' (FSPs) benchmark cost of funds and the Statutory Reserve Requirement (SRR). Other components of loan pricing such as borrower credit risk, liquidity risk premium, operating costs and profit margin would be reflected in a spread above the BR. The average BR of FSPs is weighted by the amount of outstanding floating rate loans.

Yield curve

A yield curve draws out the yields of a bond with respect to its different maturities. For example, the yield curve for Malaysian Government Securities (MGS) plots the yields from the 1-year to 30-year bond maturities.

Zero-based budgeting

A budgeting method in which annual allocations are decided based on needs, independent of the previous year's budget.

Acronyms and Abbreviations

AOIR	average overnight interbank rate	DRO	Departmental Risk Officer
AE	advanced economies	E&E	electronics and electrical
ALR	average lending rate	E&O	errors and omissions
ASA	ASEAN Swap Arrangement	ECB	European Central Bank
ASEAN	Association of Southeast Asian Nations	EME	emerging market economies
B40	Bottom 40% income group	EMEAP	Executives' Meeting of East Asia-Pacific Central Banks
BA	banker's acceptance	EPI	Everyday Price Index
BCBS	Basel Committee on Banking Supervision	EU	European Union
BCM	business continuity management	FAO	Food and Agriculture Organization of the United Nations
BCSA	Bilateral Currency Swap Arrangement	FBM KLCI	FTSE Bursa Malaysia Kuala Lumpur Composite Index
BIS	Bank of International Settlements	FCY	foreign currency
BNIB	Bank Negara Interbank Bills	FD	fixed deposit
BNIBI	Bank Negara Interbank Bills Islamic	FDI	foreign direct investment
BNM CSS	Bank Negara Malaysia Consumer Sentiment Survey	FEA	foreign exchange administration
BNMN	Bank Negara Monetary Notes	Fed	Federal Reserve
BOE	Bank of England	FMC	Financial Markets Committee
BOJ	Bank of Japan	FPC	Fiscal Policy Committee
BR	base rate	FSC	Financial Stability Committee
BSH	Bantuan Sara Hidup	FTP	Financial Transaction Plan
CBA 2009	Central Bank of Malaysia Act 2009	GDP	Gross Domestic Product
CLM	centralised liquidity management	GFC	Global Financial Crisis
CMIM	Chiang Mai Initiative Multilateralisations	GFCF	gross fixed capital formation
CMP	Commodity Murabahah Programme	GLC	government-linked companies
COSO	Committee of Sponsoring Organizations of the Treadway Commission	GNI	gross national income
CPI	Consumer Price Index	GNS	gross national savings
CPO	crude palm oil	GST	Goods and Services Tax
CREST	Collaborative Research in Engineering, Science and Technology	HCI	Human Capital Index
DBGs	domestic banking groups	HRDF	Human Resources Development Fund
DFIs	development financial institutions	IAIS	Insurance Association of Insurance Supervisors
DIA	direct investment abroad		

ICLIF	International Centre for Leadership in Finance	O&G	oil and gas
IFSB	Islamic Financial Services Board	OPEC	Organization of Petroleum Exporting Countries
IILM	International Islamic Liquidity Management Corporation	OPR	Overnight Policy Rate
IIP	International Investment Position	PBOC	The People's Bank of China
IMF	International Monetary Fund	PEKA	Skim Perlindungan Kesihatan
INCEIF	International Centre for Education in Islamic Finance	PePI	Perceived Price Index
IORWG	International Operational Risk Working Group	PFC	Public Finance Committee
IoT	Internet of Things	PLWS	Productivity Linked Wage System
KLIBOR	Kuala Lumpur Interbank Offered Rate	PPI	Producer Price Index
KLSE	Kuala Lumpur Stock Exchange	PR China	The People's Republic of China
LIA	Liquidity Investment Arrangement	PRIMA	Perumahan Rakyat 1Malaysia
LIBFC	Labuan International Business and Financial Centre	QES	Quarterly Employment Statistics
LNG	liquefied natural gas	RAPID	Refinery and Petrochemical Integrated Development
LFS	Labour Force Survey	RENTAS	Real-Time Electronic Transfer of Funds and Securities
M&E	machinery and equipment	RMA	Range Maturity Auction
MEF	Malaysian Employers Federation	RPGT	Real Property Gains Tax
MFRS	Malaysian Financial Reporting Standards	RTC	Rural Transformation Centres
MGII	Malaysian Government Investment Issues	SAC	Shariah Advisory Council
MGS	Malaysian Government Securities	SDR	Special Drawing Rights
MIER	Malaysian Institute of Economic Research	SMEs	small and medium enterprises
MNC	multinational corporation	SST	Sales and Services Tax
MPC	Monetary Policy Committee	SWA	Staff Welfare Account
MPS	Monetary Policy Statement	SWIFT	Society for Worldwide Interbank Financial Transaction
MSCI EM	Morgan Stanley Capital International Emerging Market	TRC	Tax Reform Committee
NAB	New Arrangements to Borrow	TVET	Technical and Vocational Education and Training
NDF	non-deliverable forward	UK	United Kingdom
NEER	nominal effective exchange rate	US	United States
NID	negotiable instrument of deposits	UTC	Urban Transformation Centres
NPC	National Productivity Council	WTI	West Texas Intermediate
NR	non-resident		

