

# Glossary, Acronyms and Abbreviations





# Glossary

## **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, among others, 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 several advanced economies' central banks following the Global Financial Crisis, whereby central banks purchase predetermined amounts of government bonds or other financial assets in order to stimulate the economy and lower long-term interest rates.

## **B40**

The bottom 40% of households by income, with monthly income below RM4,360 in Malaysia in 2016.

## **Backward linkages**

Economic interdependence with suppliers and service providers which creates spillover effects when demand for the final product or service increases or decreases.

## **Balance of payments**

A statistical summary of economic transactions between residents and non-residents in 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.

## **Binding wage floor**

A wage floor is the minimum wage established either by law or by an agreed-upon wage bracket. A wage floor is binding if it is set above the equilibrium wage, i.e. the wage level at which labour demand equals labour supply.

## **Brexit**

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

## **Business Continuity Management**

A holistic risk management process that identifies potential incidents that will potentially threaten an organisation and provides a framework for building capability for an effective response which safeguards the interest of its key stakeholders, reputation, credibility and value creating activities in order to deliver the Bank's mandate and strategic objectives.

## **Collective bargaining**

The negotiation of employment conditions between employers and a group of employees. For example, in France, the collective bargaining process was decentralised, such that the negotiation shifted from an industry-level to a company level.

## **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.

## **Corporate bond spread**

The difference between the yields on a corporate bond and a government bond of similar maturity. This spread is typically used to measure the compensation demanded by investors for bearing the risk associated with holding a corporate bond over a risk-free asset of similar maturity.

## **Cross-border carry trade**

Trade whereby an investor borrows funds in a country with low interest rates and invests in a country with higher interest rates.

## **Demand-driven price pressure**

The upward pressure on prices that arises when aggregate demand exceeds aggregate supply.

**Digital Currency**

A digital representation of value that functions as a medium of exchange and is interchangeable with any money (including through the crediting or debiting of an account), but excludes electronic money.

**Direct investment abroad (DIA)**

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

**Equity market capitalisation**

The total value of the equity market, as computed by the share price multiplied by the number of outstanding shares.

**Exchange rate valuation effect**

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

**Expansionary policy**

Monetary or fiscal policy implemented in order to stimulate economic growth by increasing aggregate demand in an economy.

**Financial Markets Committee (FMC)**

A committee established in May 2016 to discuss current issues and formulate strategies to enhance and develop the Malaysian financial market. It comprises participants/representatives from Bank Negara Malaysia, financial institutions, corporations, financial service providers and other institutions or stakeholders which have prominent roles in the financial markets.

**Fiscal Sustainability**

The ability of a government to sustain spending and tax in the long run without undermining government solvency.

**Foreign direct investment (FDI)**

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

**Forward linkages**

Economic interdependence with customers and clients which creates spillover effects when demand for the initial product or service increases or decreases.

**General Government**

A sector which consists of the Federal Government, State Governments, local authorities and statutory bodies.

**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 by using financial derivatives such as options, swaps and futures contracts.

**Household**

A person or group of related or unrelated persons sharing the same dwelling and contributing resources towards joint expenses, such as for food.

**Import partners' inflation**

The weighted-average of an economy's main import partners' inflation rates. The weights are calculated based on the share of imports from the importing countries to the economy.

**Incident Reporting**

An operational incident is an event caused by people, processes, technology or external events, which have resulted or at worst, could have resulted (near-miss) in a negative impact on reputation, business objectives, financial, and/or safety, health and environment. Incident reporting is required for all unexpected events, errors and exceptions, near-misses and all incidents causing disruption to business and operations.

**Information Security Risk**

Possibility of information leakage, misuse, theft or loss resulting from failure to preserve confidentiality, integrity and availability of information.

**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, and vice versa.

**Key Risk Indicator**

Risk metric/statistic that provides insight into business operations' risk exposure, operational and control weaknesses, through the monitoring of the main drivers of exposure associated with the key risk.

**Level 1 high-quality liquid assets (HQLA)**

Assets that can be converted easily and immediately in private markets into cash to meet banks' liquidity needs for a 30-calendar day liquidity stress scenario. The Level 1 HQLA category, as defined by the Bank for International Settlements (BIS), generally includes cash, central bank reserves, and certain marketable securities backed by sovereigns and central banks.

**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 omissions**

Balancing or residual item which occurs when the current, capital and financial accounts do not mirror the change in 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-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 refers to issuances of corporate bonds, less repayments.

**Outstanding loans**

Current stock of loans plus net loans disbursed during the period. Net loans disbursed refers to loan disbursements, less loan repayments. Includes loans extended by the banking system and non-bank financial institutions, and loans sold to Cagamas.

**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.

**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) and rent transactions between residents and non-residents.

**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.

**Red Teaming**

Activities undertaken by an independent group, that challenges an organisation to improve its effectiveness by assuming an adversarial role.

**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 Control Self-Assessment**

A tool to facilitate the identification as well as evaluation of related risks and controls by departments.

**"Risk-off"**

Periods of perceived high financial risk during which investors take on less risk or unwind their exposure to riskier investments. They usually correspond to periods of outflows from emerging market assets.

**"Risk-on"**

Periods of perceived low financial risk which encourage investors to take on more risk. They usually correspond to periods where global investors invest in emerging market assets, which are considered relatively riskier than advanced economies' assets.

**Scenario Planning**

Scenario planning is a structured way for organisations to think about the future and answers questions such as "what if", "what could be" and "what's next".

**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.

**Social assistance**

Transfers in the form of cash or in-kind benefits that are usually targeted at the poor and vulnerable.

**Standing Facilities**

Lending/funding facility and deposit/acceptance facility offered by Bank Negara Malaysia in the event of residual liquidity surpluses or shortages in the interbank market.

**Structured Technical Curriculum**

Holistic programme of modules designed based on technical competencies using a blended learning approach. The objective of the curriculum is to equip learners with the requisite knowledge and skills to accelerate time to competence.

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

**Transversal risk**

Risks that are commonly experienced by departments within the Bank. These risks are managed by several departments known as Risk Policy Owner (RPO).

**Underlying inflation**

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

**US dollar index**

The foreign exchange value of the US dollar against a basket of currencies of major US trade partners.

**US Tech Pulse Index**

A coincidence index which tracks the health of the US information technology sector. The index comprises indicators such as investment in IT goods, consumption of personal computers and software, employment in the IT sector, industrial production of the technology sector, and shipments by the technology sector.

**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.

**Window dressing**

An accounting strategy used to improve the appearance of financial statements, to be presented to shareholders and clients.

**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.

# Acronyms and Abbreviations

<b>ABM</b>	Association of Banks in Malaysia	<b>COSO</b>	Sponsoring Organisations of the Treadway Commission
<b>ACC</b>	Automated Cash Centre	<b>CPI</b>	Consumer Price Index
<b>ADB</b>	Asian Development Bank	<b>CPO</b>	crude palm oil
<b>ADFIM</b>	Association of Development Finance Institutions in Malaysia	<b>CSIRP</b>	Cyber Security Incident Response Plan
<b>AFI</b>	Alliance for Financial Inclusion	<b>DFIs</b>	development financial institutions
<b>AI</b>	Artificial Intelligence	<b>DFTZ</b>	Digital Free Trade Zone
<b>AIBIM</b>	Association of Islamic Banking Institutions in Malaysia	<b>DIA</b>	Direct investment abroad
<b>AICB</b>	Asian Institute of Chartered Bankers	<b>DRO</b>	Departmental Risk Officer
<b>AOIR</b>	average overnight interbank rate	<b>E&amp;E</b>	electronics and electrical
<b>ASA</b>	ASEAN Swap Arrangement	<b>E&amp;O</b>	errors and omissions
<b>ASB</b>	Asia School of Business	<b>ECB</b>	European Central Bank
<b>ASEAN</b>	Association of Southeast Asian Nations	<b>eCCRIS</b>	Electronic Central Credit Reference Information System
<b>BA</b>	banker's acceptance	<b>ECI</b>	Economic Complexity Index
<b>BAC</b>	Board Audit Committee	<b>EIS</b>	Employment Insurance Scheme
<b>BCM</b>	business continuity management	<b>EMBI</b>	Emerging Market Bond Index
<b>BCSA</b>	Bilateral Currency Swap Arrangement	<b>EMEAP</b>	Executives' Meeting of East Asia-Pacific Central Banks
<b>BIS</b>	Bank of International Settlements	<b>EPF</b>	Employees Provident Fund
<b>BNIB</b>	Bank Negara Interbank Bills	<b>EPU</b>	Economic Planning Unit
<b>BNMN</b>	Bank Negara Monetary Notes	<b>ERM</b>	Enterprise Risk Management
<b>BOE</b>	Bank of England	<b>ERP</b>	Enterprise Risk Management
<b>BP</b>	Business Plan 2018-2020	<b>EU</b>	European Union
<b>BR</b>	base rate	<b>FAO</b>	Food and Agriculture Organisation of the United Nations
<b>BR1M</b>	Bantuan Rakyat 1Malaysia	<b>FBM KLCI</b>	FTSE Bursa Malaysia Kuala Lumpur Composite Index
<b>BRC</b>	Board Risk Committee	<b>FCA</b>	Financial Consumer Alert
<b>CB</b>	Chartered Banker	<b>FCB</b>	Fellow, Chartered Banker
<b>CBA 2009</b>	Central Bank of Malaysia Act 2009	<b>FD</b>	fixed deposit
<b>CIA</b>	Collection Intelligence Arrangement	<b>FDI</b>	foreign direct investment
<b>CMT</b>	Crisis Management Team	<b>FEA</b>	foreign exchange administration
<b>COE</b>	Centre of Excellence	<b>FEC</b>	Financial Education Campus
<b>COF</b>	cost of funds		

<b>Fed</b>	Federal Reserve	<b>ISMS</b>	Information Security Management System
<b>FI</b>	financial institutions	<b>ISO</b>	International Organisation for Standardisation
<b>FINCO</b>	Financial Industry Collective Outreach	<b>ISRA</b>	International Shariah Research Academy for Islamic Finance
<b>Fintech</b>	financial technology	<b>IT</b>	information technology
<b>FMC</b>	Financial Markets Committee	<b>KLIBOR</b>	Kuala Lumpur Interbank Offered Rate
<b>FRMC</b>	Financial Risk Working Group	<b>KLSE</b>	Kuala Lumpur Stock Exchange
<b>FSC</b>	Financial Stability Committee	<b>LDP</b>	Leadership Development Programme
<b>FTP</b>	Financial Transaction Plan	<b>LIA</b>	Liquidity Investment Arrangement
<b>GDP</b>	Gross Domestic Product	<b>LNG</b>	liquefied natural gas
<b>GFC</b>	Global Financial Crisis	<b>LSPG</b>	Labour Statistics Planning Group
<b>GFCF</b>	gross fixed capital formation	<b>MBLS</b>	Malaysian Bureau of Labour Statistics
<b>GII</b>	Government Investment Issues	<b>MEF</b>	Malaysian Employers Federation
<b>GLC</b>	government-linked companies	<b>MFRS</b>	Malaysian Financial Reporting Standards
<b>GNI</b>	gross national income	<b>MGII</b>	Malaysian Government Investment Issues
<b>GNS</b>	gross national savings	<b>MGS</b>	Malaysian Government Securities
<b>GST</b>	Goods and Services Tax	<b>MNC</b>	multinational corporation
<b>GVC</b>	global value chains	<b>MPC</b>	Monetary Policy Committee
<b>HDRF</b>	Human Resource Development Fund	<b>MPS</b>	Monetary Policy Statement
<b>HQLA</b>	high-quality liquid asset	<b>MSCI EM</b>	Morgan Stanley Capital International Emerging Market
<b>IAD</b>	Internal Audit Department	<b>NAB</b>	New Arrangements to Borrow
<b>IAIS</b>	International Association of Insurance Supervisors	<b>NEER</b>	nominal effective exchange rate
<b>ICAEW</b>	Institute of Chartered Accountants in England and Wales	<b>NID</b>	negotiable instrument of deposits
<b>ICLIF</b>	International Centre for Leadership in Finance	<b>NR</b>	non-resident
<b>ICT</b>	Information and Communication Technology	<b>OECD</b>	Organisation for Economic Co-operation and Development
<b>IFSB</b>	Islamic Financial Services Board	<b>OPEC</b>	Organisation of Petroleum Exporting Countries
<b>IIA</b>	Institute of Internal Auditors	<b>OPR</b>	Overnight Policy Rate
<b>IILM</b>	International Islamic Liquidity Management Corporation	<b>PC</b>	personal computer
<b>IIP</b>	International Investment Position	<b>PCI</b>	Product Complexity Index
<b>ILO</b>	International Labour Organisation	<b>PIN</b>	Personal Identification Number
<b>IMF</b>	International Monetary Fund	<b>PR China</b>	The People's Republic of China
<b>INCEIF</b>	International Centre for Education in Islamic Finance	<b>RENTAS</b>	Real-Time Electronic Transfer of Funds and Securities
<b>IORWG</b>	International Operational Risk Working Group	<b>RES</b>	Regional Economic Surveillance
<b>IoT</b>	Internet of Things	<b>RMD</b>	Risk Management Department
<b>IPO</b>	initial public offering	<b>ROA</b>	return on assets
<b>IRS</b>	interest rate swaps	<b>SAC</b>	Shariah Advisory Council
<b>IRTI</b>	Islamic Research and Training Institute	<b>SDR</b>	Special Drawing Rights
<b>ISACA</b>	Information Systems Audit and Control Association	<b>SESRIC</b>	Statistical, Economic and Social Research and Training Centre for Islamic Countries

**SIEM** Security Information and Events Management

**SMEs** small and medium enterprises

**STC** Structured Technical Curriculum

**STEM** Science, Technology, Engineering and Mathematics

**SWIFT** Society for Worldwide Interbank Financial Transaction

**UK** United Kingdom

**UNCDF** United Nations Capital Development Fund

**US** United States