

# Managing the Bank

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# Managing the Bank



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## People

As we steered to meet prevailing priorities through the pandemic, the Bank kept its eye on preparing its people for the future.

The economic landscape and financial industry continue to evolve. Novel applications of technology are unleashing new business models. Simultaneously, they also disrupt incumbent players and pose new risks towards overall stability. Issues such as environmental risks, changing demographics, and inequality also present new policy challenges for Malaysia. These dimensions require fresh thinking and non-traditional approaches for the Bank to fulfil its mandate. Throughout 2021, focus has therefore continued to be on reshaping the Bank to be more agile and effective; equipping our people with the right capabilities and tools; and reinforcing the desired culture values that underpin all our actions.

## Working With Agility

To ensure we are always in the state of readiness, the Bank took steps to refresh our structure and optimise our manpower. These entailed streamlining departments' functions to enhance synergies and promoting clearer lines of oversight for areas that were fast evolving. The payments and remittance functions which are being shaped by technological advancements were realigned to improve coordination and alignment, while strengthening the Bank's policy and supervision functions. Responsibilities over financial inclusion, social finance and value-based intermediation will be grouped given their close interlinkages. This would enable holistic strategic directions in the interest of sustainable development objectives.

New units are being formed to support the Bank's supervision of digital banks and strengthened focus on the management of climate-related risks. We also refreshed and streamlined human capital related departments to enhance end-to-end people related support to business lines. As we move forward, we are experimenting with more flexible approaches to deliver key projects and policy initiatives in order to better optimise our talent. The desired outcome of these changes is to promote greater agility, cross collaboration, and talent mobility.

We also invested to make the most of technology to improve our efficiency. This included tools for better remote working collaboration. Platforms for continuous surveillance, assessments and expedient decision making were introduced. These also prepare the Bank for the adoption of a permanent hybrid working arrangement. Remote working and off-site access to the Bank's IT infrastructure pose new risks that were less prevalent when most of our activities were carried out "in office". As such, we ramped up awareness on cybersecurity risks. This took the form of a mix of information sharing, self-guided learning, cyber security testing, and periodic phishing exercises to ensure staff remained vigilant.

## Strengthening Our Workforce

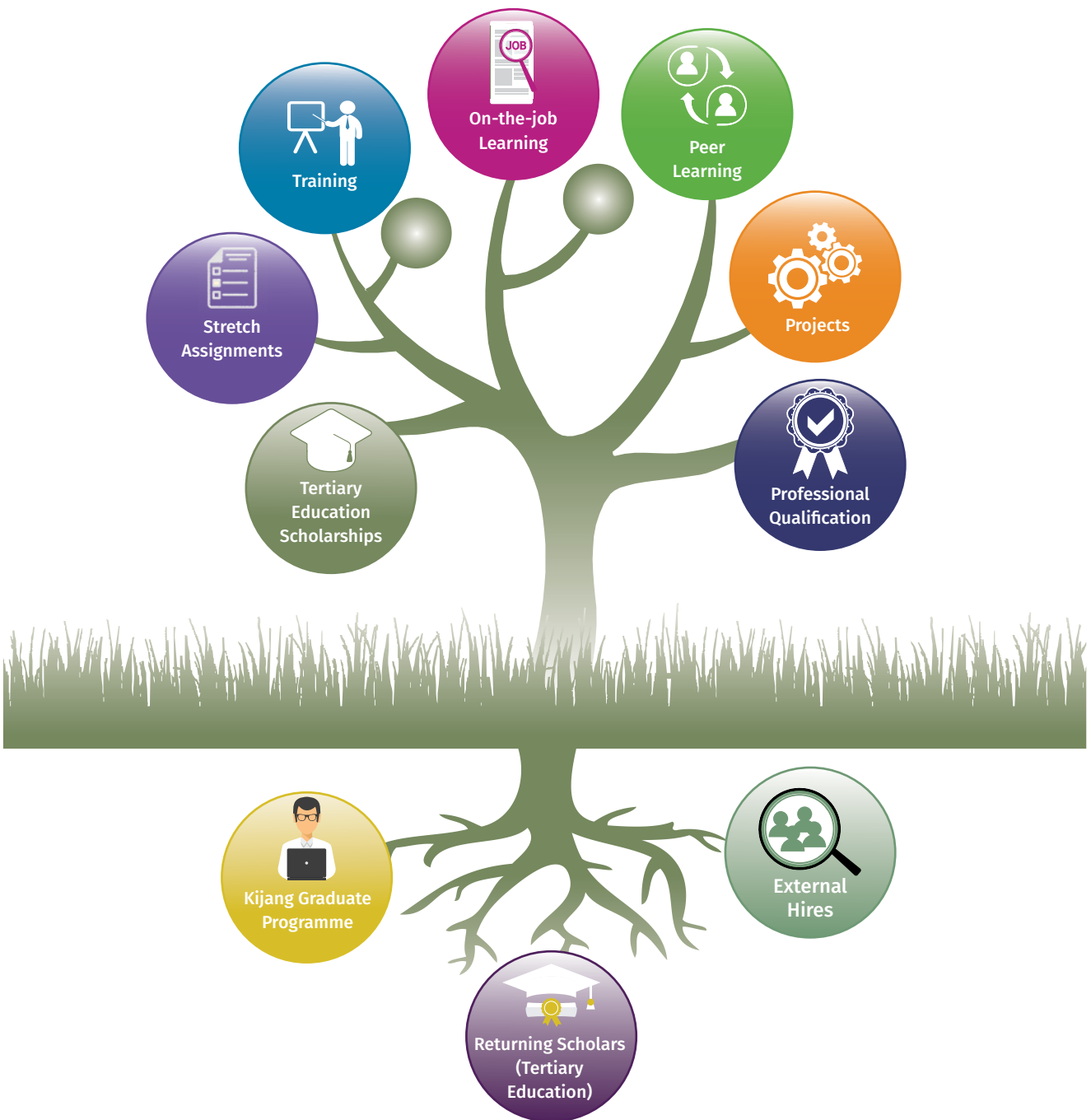
The issues confronting central banks today are more complex and diverse. A key element for the Bank to be able to deliver its mandate effectively is to have a workforce that is adaptive and equipped with necessary knowledge and skills. To cope with the rapid changes, new skillsets and capabilities must be mastered quickly. This prompted us to commence a holistic review of technical competencies for all functions in 2021. Whilst the review is on-going, we are prioritising upskilling initiatives in the areas of climate change, digital currency, and data science.

As new issues confront us, the Bank needs a workforce with an agile mindset that can address complex and interconnected issues. We continue to

invest to sharpen problem solving and integrated thinking capabilities of our people. This is done through a combination of training, projects and stretch assignments. As part of capacity building, several staff are also on secondment with external organisations, both domestic and internationally. This enabled the Bank to connect better with issues on the ground and be close to discussions that may have bearing on our policy actions. To maintain high

standards of excellence, we refreshed the range of professional certifications that our staff can pursue. Additions included certifications in technology related areas and climate change. These complement traditional professional credentials such as finance, accounting, risk management, and financial market operations. Presently, 634 staff holds memberships from professional bodies and credentials recognised by the Bank.

**Diagram 1: Multi-Pronged Development Strategies to Nurture Highly Capable Staff**



Source: Bank Negara Malaysia

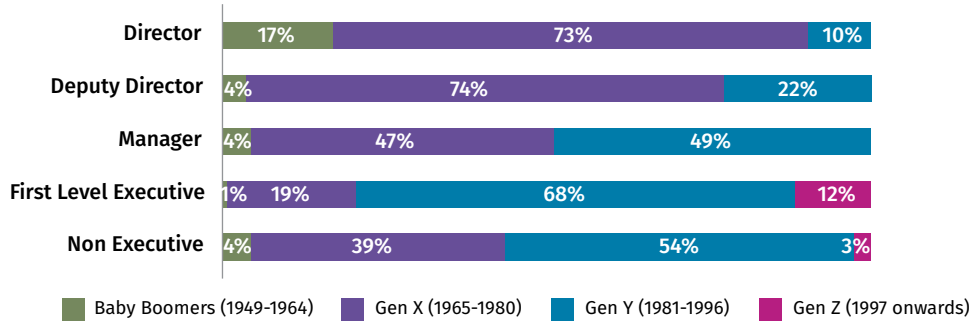
## People

We also sustained efforts to build a strong pipeline of future leaders with the desired repertoire of leadership styles. More emphasis was given to coaching and mentoring others,

and strengthening the learning culture. This is to reinforce the culture of imparting knowledge and experience between the different generations of our employees.

**Diagram 2: Gender Balanced and Multi-Generational Workforce**

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



**Headcount: 3130**



| Job Level             | Gender Composition |        |
|-----------------------|--------------------|--------|
|                       | Male               | Female |
| Senior Management     | 56%                | 44%    |
| Managers              | 43%                | 57%    |
| First Level Executive | 43%                | 57%    |
| Non Executive         | 62% <sup>1</sup>   | 38%    |

<sup>1</sup> Higher percentage of male non executive staff is attributed to our Auxiliary Police.

Note: Data as at 31 Dec 2021.

Source: Bank Negara Malaysia

**Women in central banking**  
Public livestream: 25 Jun, 12:30 CEST

**Cecilia Skingsley**  
First Deputy Governor of Sveriges Riksbank (moderator)

**Nor Shamsiah Mohd Yunus**  
Governor of the Central Bank of Malaysia

**Andréa M Maechler**  
Member of the Governing Board of the Swiss National Bank

**Claudia Buch**  
Vice President of the Deutsche Bundesbank

no registration required

Governor was a panellist for the "Women in Central Banking" webinar organised by the Bank for International Settlements that discussed ongoing efforts by central banks to improve gender diversity. Governor shared the Bank's ethos where everyone, regardless of gender has the opportunity to contribute and make a difference. This is reflected in a balanced representation of women and men across the Bank. To help deal with juggling career and family needs, organisations need to provide the enabling environment, especially with the new working norms.

Source: Bank for International Settlements

**Chief Learning Officers Forum 2021**  
Brought to you by PETRONAS and Bank Negara Malaysia

**Transforming Organisational Learning in Challenging Times**

**Details of event**  
Thursday, 10 June 2021 9.00 a.m - 5.30 p.m. Microsoft Teams

**Speakers:**

- Marzunisham Omar**, Deputy Governor, Bank Negara Malaysia
- Noor Afiza M Yusof**, Head, PSC Academy, PETRONAS Leadership Centre
- Prof. Dr. Mikolaj Jan Piskorski**, Dean of PhD Southeast Asia and Oceania
- Olivier Klein**, Chief Technologist, Amazon Web Services
- Hazlina Harun**, Head, Global Learning & Development, Human Capital Development, GHRM, PETRONAS
- Kristina Rai**, Director, Human Capital Development Centre, Bank Negara Malaysia
- Yap Aye Wee**, SWF Head of Learning & Development, and Organization Development, OCBC Bank
- Prof. Dr. Abd Karim Alias**, Director, Centre for Development of Academic Excellence, Universiti Sains Malaysia

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The forum brought together over 100 participants from various industries to network and share current and emerging L&D practices that will make an impact on organisational growth.

Source: Bank Negara Malaysia and Petroliaam Nasional Berhad

The new ways of working and greater adoption of technology are redefining roles. Most impacted are those in administrative functions, such as clerical and secretarial jobs. The Bank saw this as an opportunity to enrich jobs, and upskill, reskill, and reposition our people. This would enable them to change with the times, whilst continuing to contribute and bring value to the Bank. Towards this end, we designed a structured curriculum to elevate the capabilities of our administrative staff. The areas of focus are on digital fluency, office management, communication, and customer relationship.

## Maximising People Potential

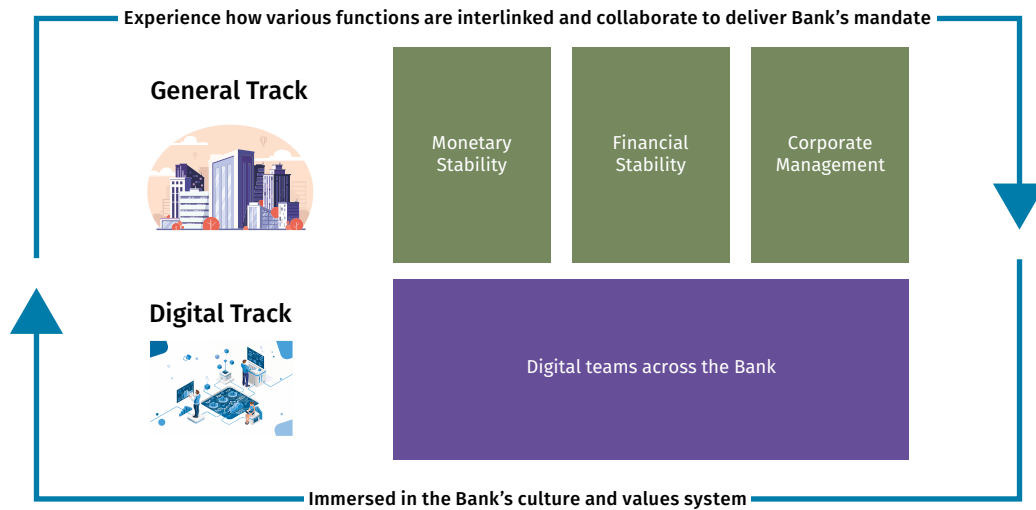
The Bank has a long-standing tradition of nurturing talent from within. In 2021, we made changes to our decision-making structures around talent to provide greater flexibility and empower sector leaders to discuss, decide and plan on their people matters. This includes matters related to roles, development, and mobility. This approach complements existing arrangements on Bank-wide mission critical

functions and senior positions which are deliberated at the Management Committee level. The aim is to enhance our approach to actively nurture a deep talent pool from the ground level to middle management levels that are ready to assume bigger roles in the Bank.

We also diversified our entry level recruitment approach through the Kijang Graduate Programme (KGP) in 2021, which attracted talents with diverse background (such as engineering, architecture, and psychology). The programme rotates the participants across departments and functions to enable them to quickly learn the many facets of central banking. Refer to the article entitled “Kijang Graduate Programme: Talent Agility for a Future Ready Central Bank” for more information on KGP.

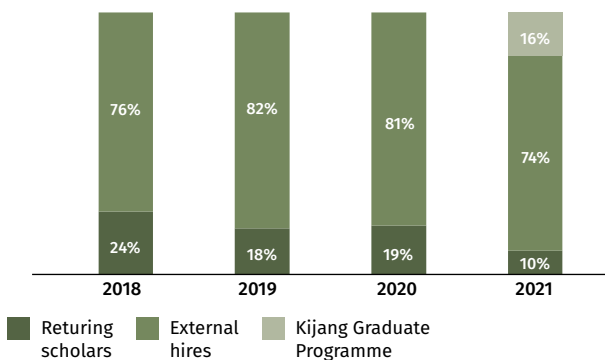
The KGP complements our well-established scholarship programme (since 1962) to nurture young talent as part of our sourcing strategy. In 2021, the Bank awarded scholarships to 53 young Malaysians to pursue their pre-university and undergraduate programmes.

Diagram 3: KGP Participants Undergo Three Department Rotations During the 18-Month Period



Source: Bank Negara Malaysia

Diagram 4: Our Source of Talent



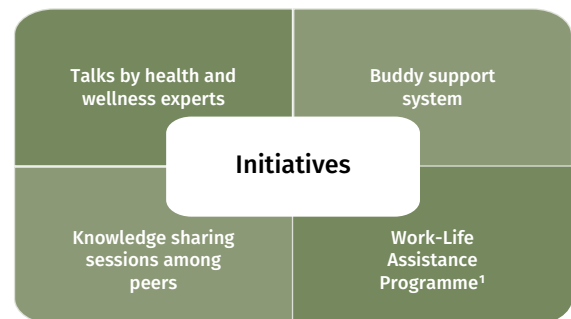
Source: Bank Negara Malaysia

## Continuous Support for Staff Through the New Normal

Over the past two years, the COVID-19 pandemic has significantly disrupted our lives and the way we interact with others. Juggling work commitments and family obligations, blurring of office and personal hours, and reduced in-person interactions have taken a toll on physical and mental well-being. The Bank recognised the impact this could have, if left unattended, on the morale and motivation of our employees. During this period, the Bank's senior management intensified engagements with staff from all levels to identify actions that may address issues faced, particularly those experienced by

working parents. This led to us rolling out a series of initiatives to help staff navigate through the challenging situation.

Diagram 5: Multi-Pronged Approach to Support Staff on Mental Wellness



<sup>1</sup> The Work-Life Assistance Programme provides a confidential avenue for staff to seek advice and assistance to remain effective in the workplace.

Source: Bank Negara Malaysia

In 2021, the Bank also undertook a broader policy review of staff working arrangements. The revised policy reflected on lessons from the current remote and hybrid working arrangements during the pandemic. It also looked ahead to enable greater organisational agility that would allow us to remain progressive and productive. At the same time, to enable staff to achieve better balance between work and personal lives, flexible working arrangements will be adopted moving forward.



Kijang4U is an informal support group by the Bank's staff and retirees who assists others in escalating concerns via suitable channels.

Source: Bank Negara Malaysia

## Ensuring Best Behaviours

In discharging our mandates, it is not only important for us to achieve our mission, but also give due care in the way we deliver it. As an institution that serves in the interest of the nation, our conduct must reflect high standards of excellence, integrity, and professionalism. In 2021, we reviewed our employee Code, which culminated in a new and refreshed Code of Conduct. It sets clearer expectations on the conduct and behaviours among our officers, consistent with our cultural beliefs to promote a collaborative, respectful and diverse working environment.

Diagram 6: Continuous Development for Staff, Through Various Channels



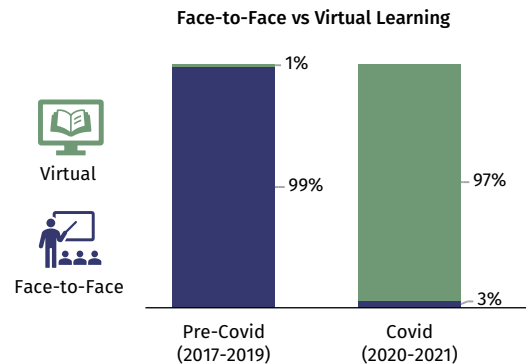
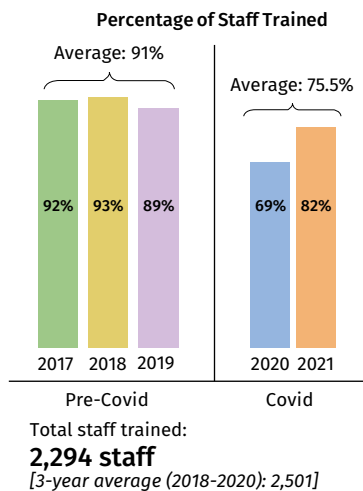
Learning and development (L&D) investment over gross salary: **4.20%**  
[3-year average (2018-2020): 6.05%]

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 continued COVID-19 restrictions on face-to-face learning and international meetings.



Average learning hours per executive: **45 hours**  
[3-year average (2018-2020): 41 hours]



### Increased use of virtual learning

Note :

- Virtual learning covers formal trainings and social learning (e.g. knowledge sharing, roundtable discussion).

Source: Bank Negara Malaysia

## Kijang Graduate Programme: Talent Agility for a Future Ready Central Bank

In 2021, the Bank introduced the Kijang Graduate Programme (KGP) as one of several initiatives to develop a more agile and broad-based talent pool whose skills are fungible across the organisation. KGP is an 18-month programme with three rotations on either a “General” or “Digital” track. In the “General” track, graduate analysts rotate across departments in the Monetary Stability, Financial Stability, and Corporate Management sectors. Graduate analysts on the “Digital” track rotate across three tech-centric teams in the Bank. These include both internal-facing teams such as digital infrastructure and cybersecurity, as well as external-facing teams such as data science and IT supervision. Through KGP, the Bank aims to reach a bigger and more diverse pool of high potential young talents, enable them to readily collaborate across departments, and enhance the consistency and quality of new hires through a more consolidated approach to recruitment.

### KGP Supports Talent Agility at the Bank in Three Ways:

#### 1. A more diverse talent pool

We focused on the Bank’s unique value proposition as a Central Bank to attract prospective young talents eager for an opportunity to serve the nation. We expanded our outreach initiatives – including enhancing our careers website and hosting our first-ever virtual career information session.

As a result, we were able to attract a larger and more diverse group of applicants for our inaugural KGP intake as compared to previous graduate-level hiring initiatives. We received close to 1,500 applications for the inaugural September 2021 intake. (See Diagram 1 for a profile of shortlisted applicants.)

#### 2. A structured approach to building collaborative networks

Through three rotations across different departments in the Bank, graduate analysts obtain a wider perspective of the different functions at the Bank. Graduate analysts build relationships in these rotations, which they can then leverage later on in their careers at the Bank. We also connect each graduate analyst with a mentor and run internal networking events to accelerate the speed at which graduate analysts build their connections.

#### 3. A centralised approach to entry-level hiring

The graduate programme is designed to identify the best talent through a more consistent approach to entry-level hiring. In addition to desktop resume reviews and standardised tests, the KGP incorporates a group case study and panel interviews with leaders from departments across the Bank. The selection is carried out in a single assessment process for the entire cohort of entry-level roles at the Bank. This promotes a more standardised assessment benchmark across the cohort, as well as a consistent experience for all the candidates.

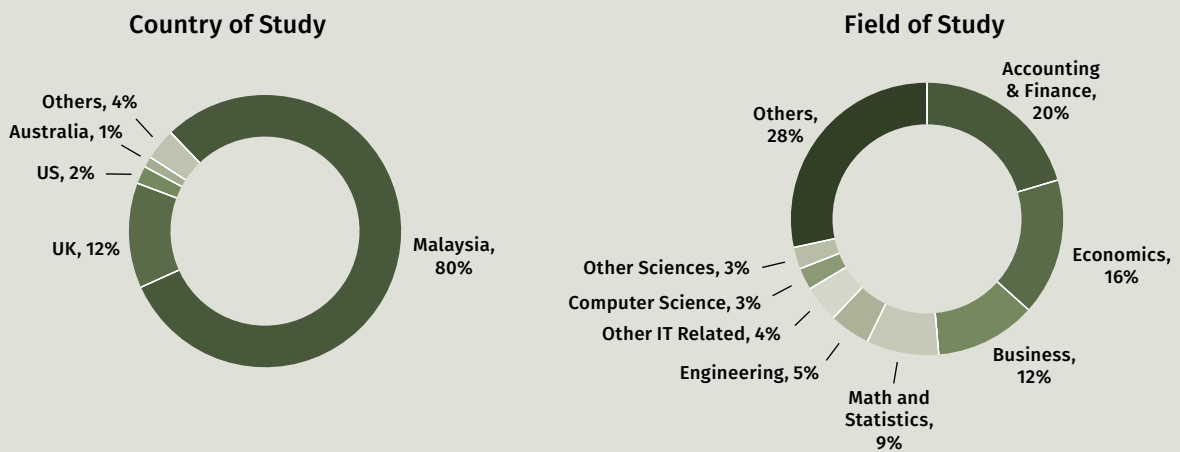
The Bank welcomes two cohorts of KGP graduate analysts per year, in April and September. Further details of the programme can be found at [bnm.gov.my/kgp](http://bnm.gov.my/kgp).

**Feedback from participants:**

“ KGP has given me such a tremendous exposure. Currently working with the Innovation Lab, I have been assisting in-house developments and providing digitalisation support to other departments. The learning opportunities have been great! ”

“ I am positively surprised on the learning opportunities that have arisen so far. The challenges and lessons learnt along the way feed my inquisitive mind. It also helps that there is a strong support system there for whenever I need it; guiding me along the journey to realise my full potential. ”

**Diagram 1: Profile of Shortlisted\* Applicants**



\* Shortlisted applicants refer to applicants meeting the specified minimum entry criteria, including academic qualifications.

# Towards a Greener Financial System

An orderly and just<sup>1</sup> transition is crucial for Malaysia to avoid major economic and societal impacts and reap green growth opportunities, as we strive towards net zero GHG<sup>2</sup> emissions by 2050.

## Introduction

The effects of climate change continue to be widespread and increasingly visible, impacting our nation, economy and financial system. There is growing consensus that urgent actions are needed to decarbonise the global economy to mitigate the rising impact of climate change. Towards achieving this goal, many nations have committed towards net zero GHG emissions in the next three to four decades. For Malaysia, the Government has pledged to achieve this target by 2050.

The Bank spent the year focused on stepping up its response and driving collective action on climate risks within the financial sector. This is crucial in building a financial sector that is resilient to climate change and one that lends support towards greening the economy. Specifically, we continued to play a formative role in building the capacity of our financial institutions. This includes strengthening capabilities to measure, mitigate and protect against climate risks. Within the Bank, we continued to take steps to green our operations. At the macro level, we focused on aligning the financial sector's response to climate risks with national policies and strategies. This includes supporting sustainability-related policies as outlined in the Twelfth Malaysia Plan and the national budget. We also actively provide emerging market views on climate

issues at regional and international fronts, especially in relation to climate equity.

## More Structured Whole-of-bank Approach

Almost three years into the journey, we continue to strengthen our organisational approach to climate risk. This led to the setting up of the Sustainability Unit (SU) which is tasked to drive our efforts to integrate the green agenda across the Bank's functions and operations. Reporting directly to the Governor and senior management of the Bank, the SU coordinates and oversees the Bank's overall climate strategy and key initiatives. It provides technical and capacity building support to the six tracks of the Bank's key functions (Diagram 1). The SU also interacts with the Bank's Board on climate-related strategies, tapping on their knowledge and experience. At the senior management level, a Deputy Governor serves as the Executive Sponsor to provide broad guidance and direction to the SU. These developments support a sustained focus on and effective execution of our climate strategies.

Today, climate risks are regularly discussed at senior management and Board deliberations. This reflects growing consideration of climate-related risks in all aspects of our operations and functions.

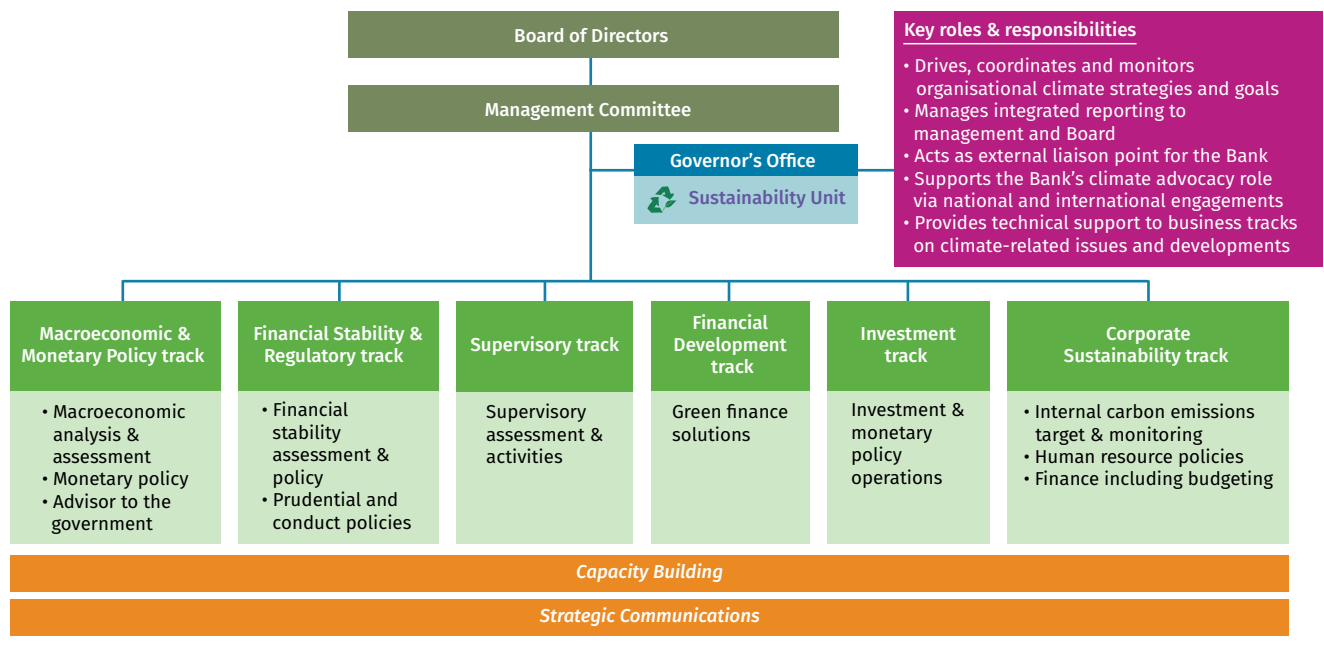
## Steady Outcomes in Advancing Climate Agenda

We made further progress in integrating climate-related risk considerations in our core functions (Diagram 2a & 2b). These include our supervisory assessments, prudential framework and assessments of macroeconomic and financial stability. We issued a number of key climate-related policies to further guide our regulatees. As we engage with the industry, we are encouraged that financial institutions are giving greater attention to climate-related risk areas. The

<sup>1</sup> Fair and inclusive with due consideration and adequate support for affected segments.

<sup>2</sup> Greenhouse gases, such as carbon dioxide, methane and nitrous oxide.

Diagram 1: Climate Considerations as an Organisational Priority



financial industry is also stepping up efforts to assist their clients to adopt sustainable practices.

We continued to take concrete steps to reduce our own carbon footprint. As we prepare staff to return to work at the Bank's premises post pandemic, we actively raise awareness of our staff on sustainable practices. On the investment front, we have set a higher target for ESG investments.

During the year, we also ramped up capacity building initiatives within the Bank. Our initiatives included knowledge sharing sessions and a series of structured capacity building programmes. We saw a similar trend within the financial industry. Such initiatives were supported by partnerships between the Bank, the Joint Committee on Climate Change (JC3) and external stakeholders such as FIDE Forum, the Islamic Banking and Finance Institute Malaysia (IBFIM) and entities responsible for the ASEAN Low Carbon Energy Programme.

### Greater Cohesive Response via the Joint Committee on Climate Change (JC3)

The Bank and its JC3 co-chair, the Securities Commission Malaysia continued to work closely with the financial industry through the JC3. Since

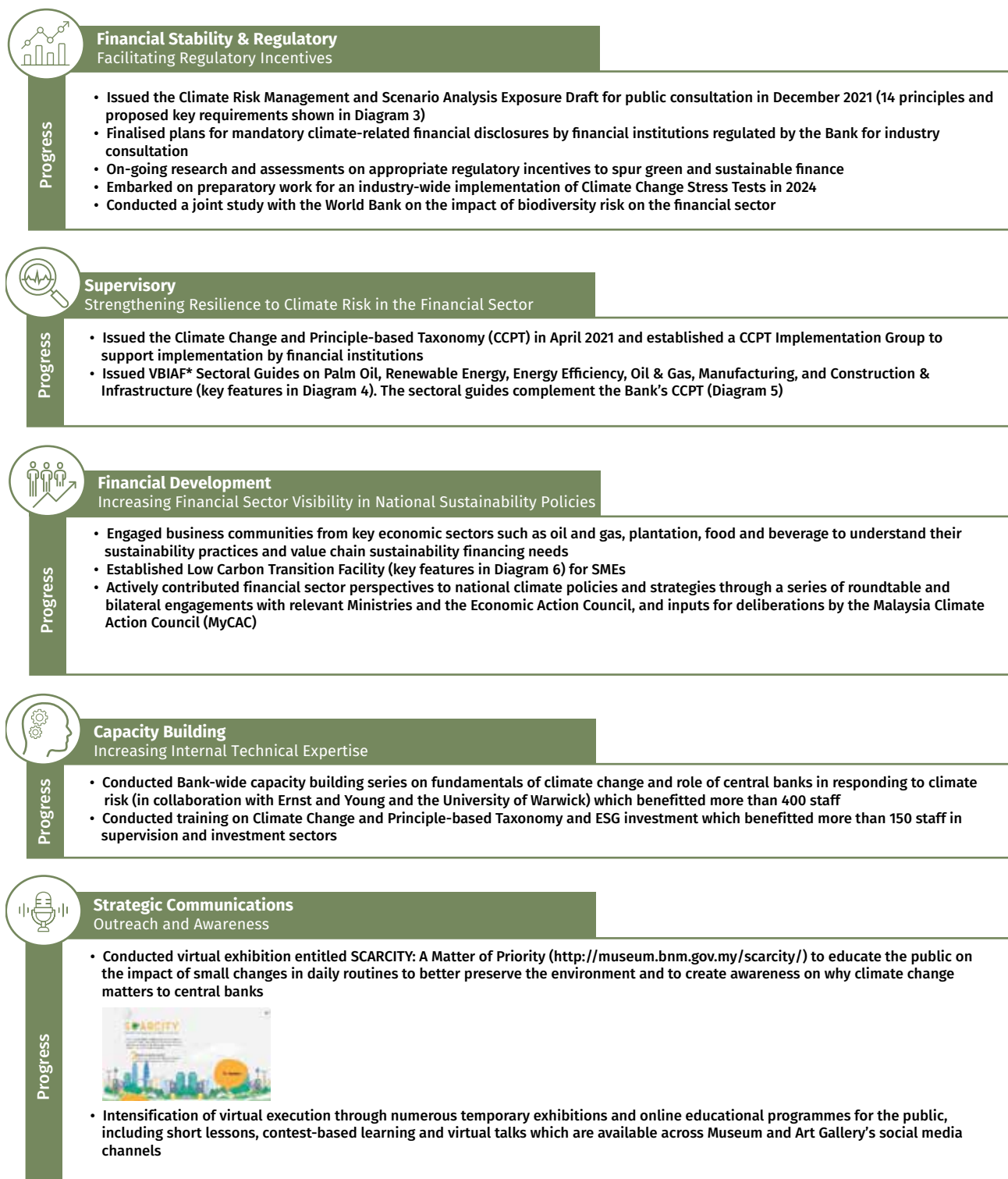
it was formed in 2019, JC3 has led and supported key climate initiatives in the financial sector. Its scope covers risk management, governance and disclosure, products and innovation, engagement and capacity building, and bridging data gaps (Diagram 7).

In 2021, JC3 continued to develop practical tools to aid financial institutions in assessing, managing and disclosing climate-related risks. Notably, we expect all financial institutions to make concrete progress towards disclosures of climate-related risks. This will be supported by the Application Guide on Climate-related Disclosures developed by JC3 for the industry. An additional workstream to address data gaps was also formed. As part of its broader outreach programme, JC3 organised its Flagship Conference which attracted about 6,300 participants from over 40 countries. The event urged the financial industry to step up its response to the climate challenge through calls for a set of concrete actions (Diagram 8). The report on key insights and discussions from the conference can be found at the Bank's website.

Diagram 2a: Progress and Outcomes of Initiatives for 2021



Diagram 2b: Progress and Outcomes of Initiatives for 2021



\* Value-based Intermediation Financing and Investment Impact Assessment Framework. The VBIAF Sectoral Guides provide an impact-based risk management toolkit for financial institutions to incorporate ESG risk considerations in their financing and investment decision making process (further details in the chapter "Promoting a Progressive and Inclusive Islamic Financial System").

Diagram 3: The 14 Principles and Proposed Key Requirements for Climate Risk Management and Scenario Analysis for Financial Institutions (FIs)



Diagram 4: Salient Features of VBIAF Sectoral Guides

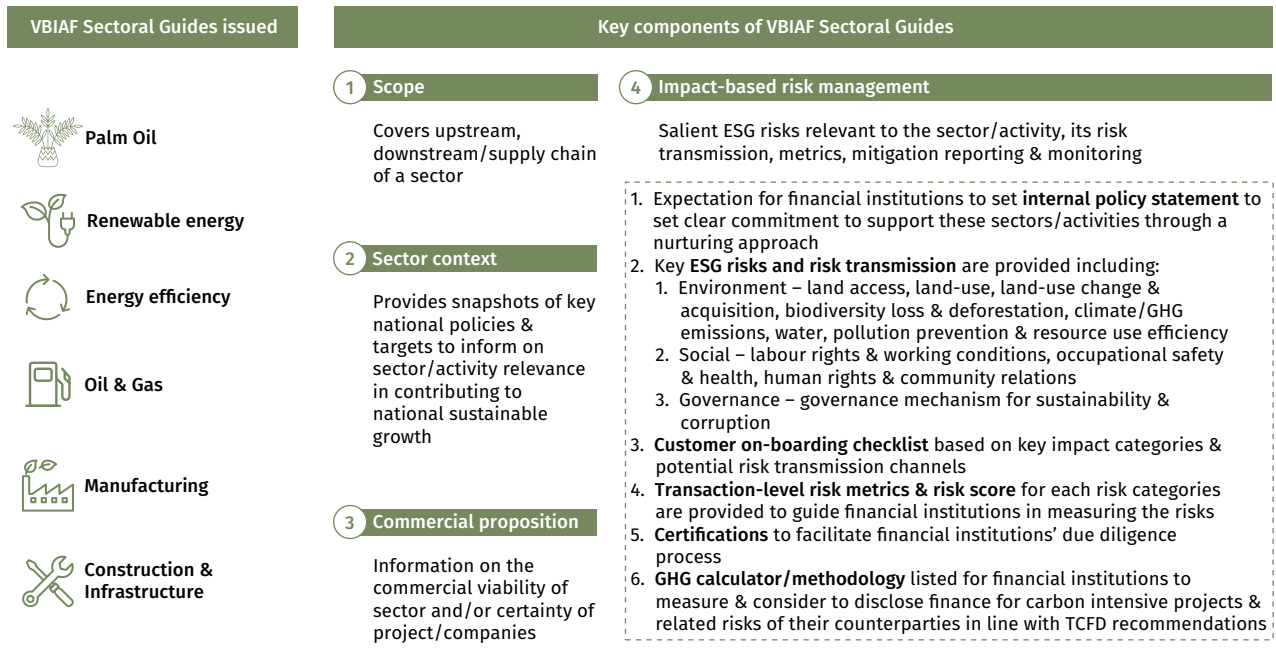


Diagram 5: Framework and Tools to Support Climate Risk Management

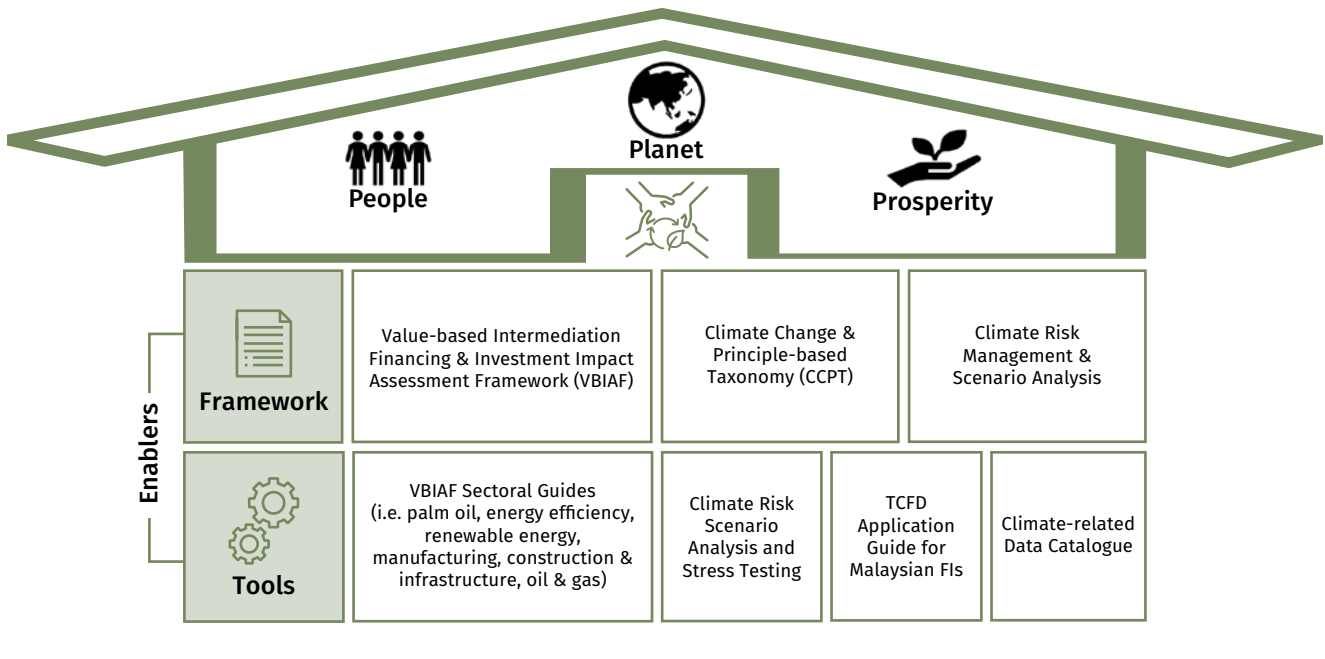
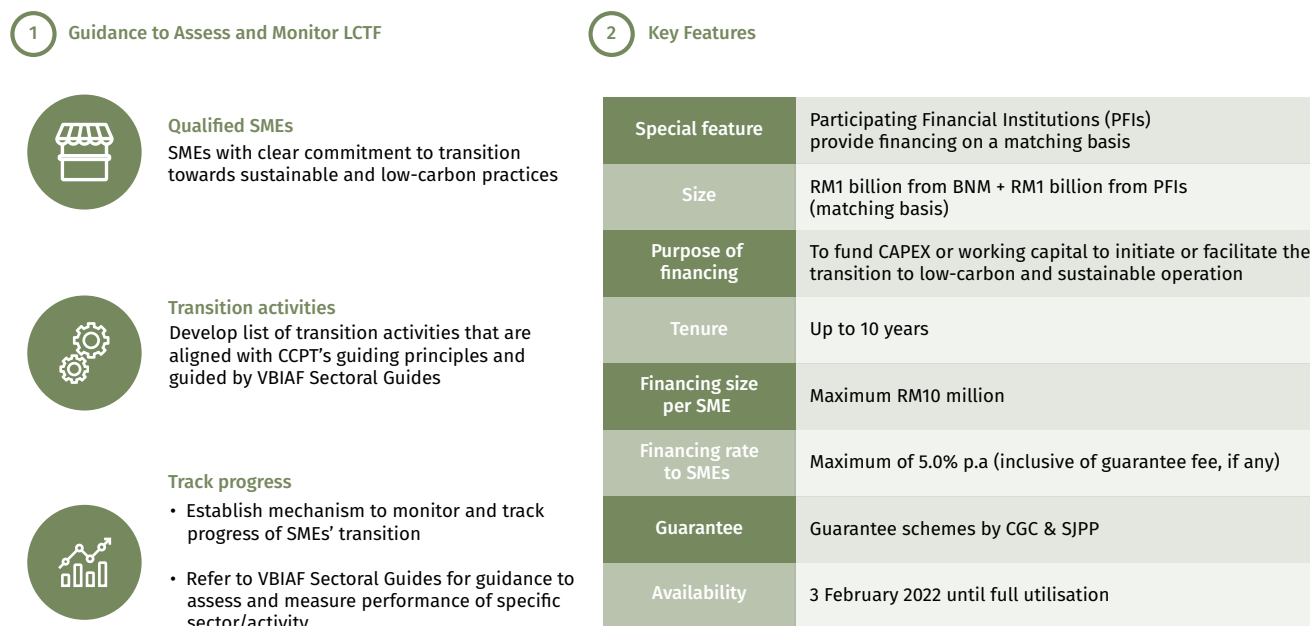


Diagram 6: Key Features of Low Carbon Transition Facility (LCTF)



Note: CGC - Credit Guarantee Corporation Malaysia Berhad, SJPP - Syarikat Jaminan Pembiayaan Perniagaan Berhad.

## Contributing to Regional and International Thought Leadership

On the regional front, 2021 was a significant year for the Bank. We are one of the eight founding members of the newly-formed ASEAN Taxonomy Board (ATB). The ATB is set up to develop, maintain and promote the ASEAN Taxonomy for Sustainable Finance (ASEAN Taxonomy). The ASEAN Taxonomy (Diagram 9) is a multi-tiered taxonomy to cater to varied standards of development and economic activity of ASEAN Member States (AMS). The Foundation Framework outlines a set of guiding principles, supported by qualitative screening criteria. The Foundation Framework can be applied by all AMS as a basis for classifying sustainable finance activities. The Plus Standard builds on the Foundation Framework to provide a more advanced classification system for green activities and investments. It applies science-based metrics and thresholds.

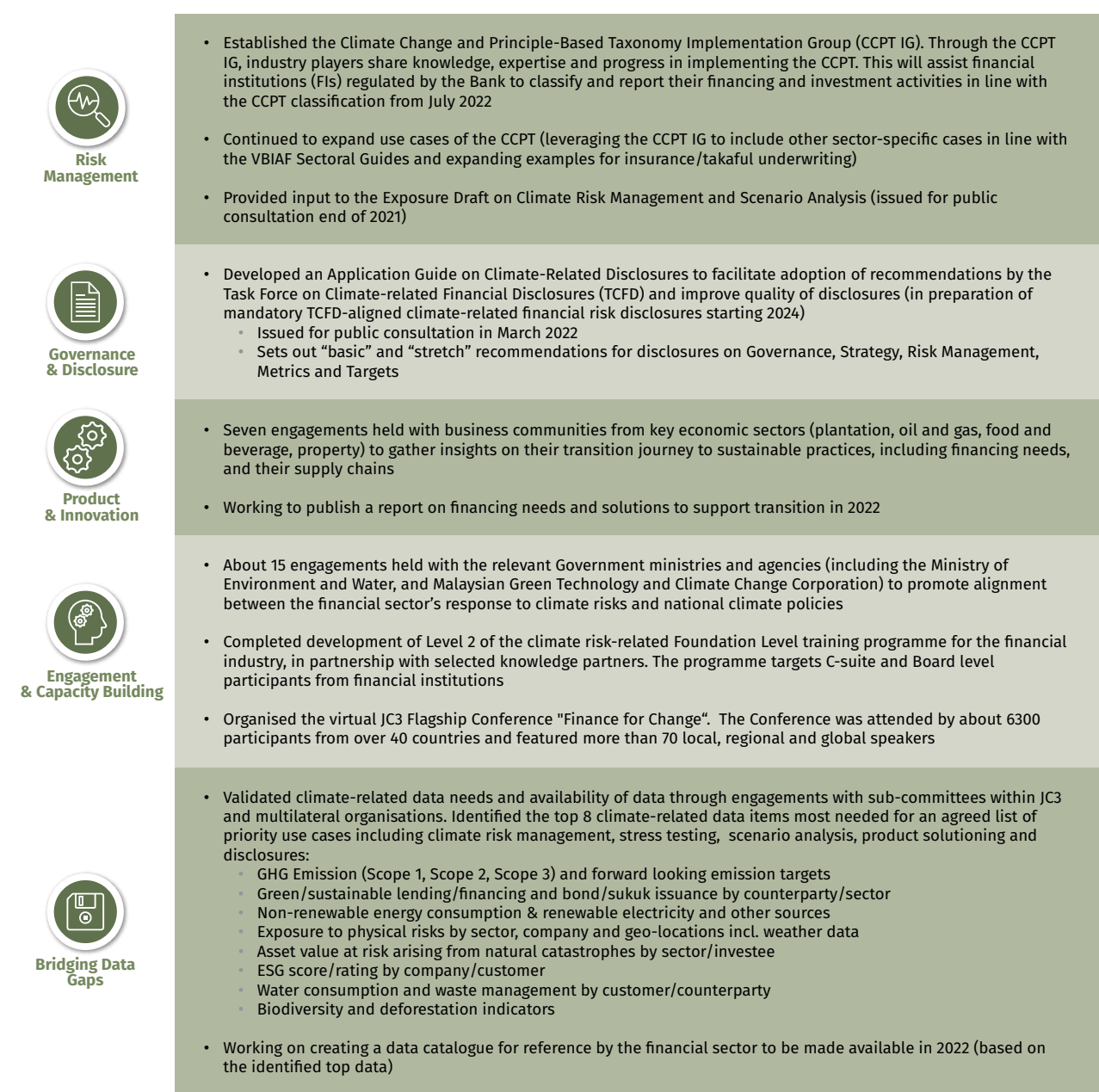
On 10 November 2021, in conjunction with the 26th United Nations Climate Change Conference of the Parties (COP26), the ATB released Version 1 of the ASEAN Taxonomy for consultation. This document sets out the conceptual framework that will form the basis for the principles, technical and operational features of the full ASEAN

Taxonomy. We played a key role in the issuance of the document. We chair Working Group 1 that developed the conceptual framework and principles for the Foundation Framework. We are also an active member of Working Group 2 that is developing the Plus Standard. For Malaysia, the CCPT issued by the Bank in April 2021<sup>3</sup> is aligned to the ASEAN Taxonomy.

Internationally, the Bank continued to actively contribute to emerging market perspectives on a number of climate issues. On climate equity, we stressed the importance for advanced economies to consider the disproportionate impact of their policies and actions on emerging economies. Equally important is the need to avoid the risk of financial exclusion. Developed countries have key roles to play. These include to support the transition of economic agents and meet pressing demands for capacity building. They have the means to assist smaller, developing countries adapt to climate change and take mitigating actions. They can contribute by providing capital, technology and expertise. This would improve climate equity and mitigate risks of disorderly transitions. We view these priorities to be critically important to

<sup>3</sup> Details can be found in a box article in BNM's Financial Stability Report 2H 2021.

Diagram 7: Progress of JC3 in 2021



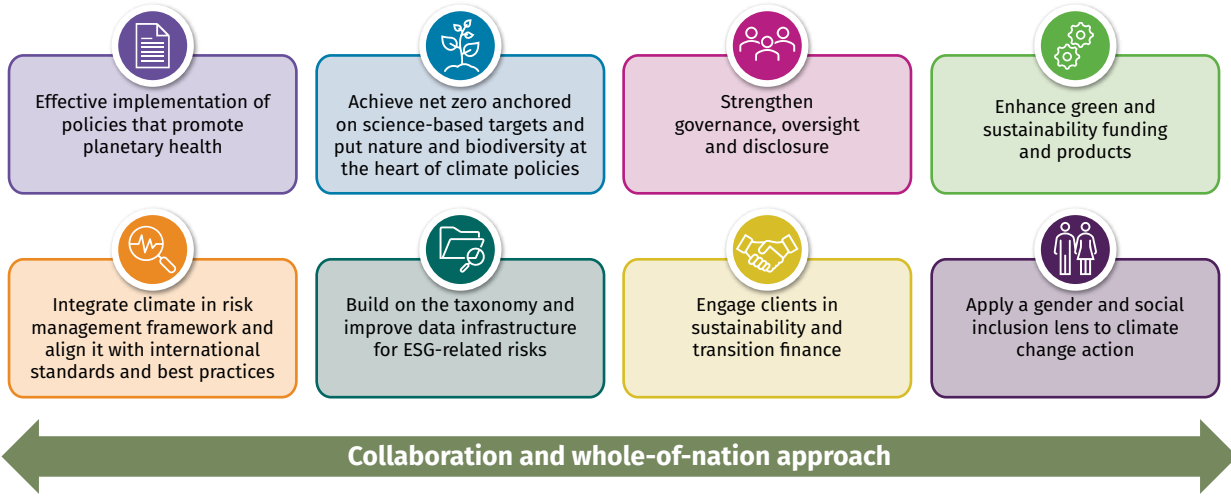
encourage a globally consistent, inclusive and responsible response to climate-related risks by central banks, financial supervisors and the financial industry.

We continued to contribute to various work programmes and events focused on climate-related risks, particularly of the Central Banks and Supervisors Network for Greening the Financial System (NGFS), Executives’ Meeting of East Asia-Pacific Central Banks (EMEAP), and the Bank for International Settlements (BIS). The Bank is a member of the NGFS Steering Committee and five

NGFS workstreams. The workstreams focus on microprudential and supervision, macroprudential, scaling up green finance, research, and bridging data gaps. During the year, we issued a Pledge on our commitment in relation to climate risk management, disclosure and capacity building (Diagram 10) in support of the global climate response and work of the NGFS.

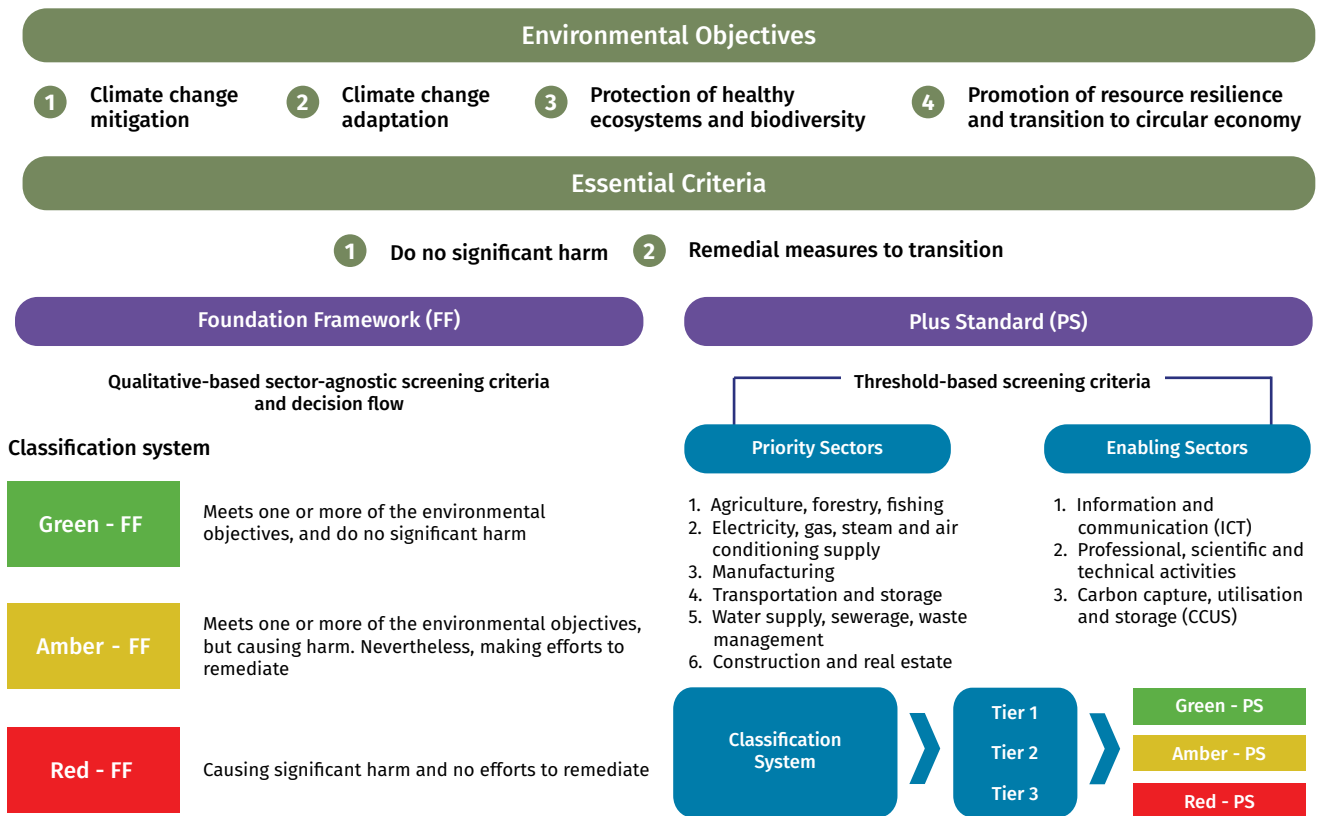
Malaysia is a nation that is rich in biodiversity. As we progress efforts on the climate front, we recognise that building capacity on the broader topic of nature loss is crucial to complement our

Diagram 8: Summary of Call to Action From JC3 Flagship Conference Rapporteur Report



Source: <https://www.bnm.gov.my/documents/20124/3770663/20210803-JC3-Flagship-Conference-2021-Report.pdf>

Diagram 9: Overview of the ASEAN Taxonomy on Sustainable Finance



Source: Bank Negara Malaysia, adapted from publication by the ASEAN Taxonomy Board

work on climate-related risks. Specifically, we need to understand the interactions between biodiversity and climate risks and how these affect the financial sector. On this front, we participated in the NGFS Study Group on Biodiversity. We also worked closely with the World Bank on a research work on nature-

related risks in Malaysia during the year, the first of such study for the Asian region. The outcome of this joint research is a report<sup>4</sup> that focuses on how, and to

<sup>4</sup> An Exploration of Nature-related Financial Risks in Malaysia - <https://www.bnm.gov.my/documents/20124/3770663/ibrd-2022-nature-financial-risk.pdf>.



Governor Nor Shamsiah Yunus as a panellist in a Fireside Chat at COP26 Finance Day hosted by the World Bank Group and Banque de France.



Governor Nor Shamsiah Yunus as a panellist in a Fireside Chat at BIS-BDF-IMF-NGFS Green Swan 2021 Global Conference.

what extent, banks in Malaysia could be exposed to risks from biodiversity loss and ecosystem damage. The report was recently launched on 15 March 2022 to raise awareness and stimulate dialogue on this important topic.

### Increasing Awareness Through Communication





Our senior management and officers participated actively as speakers in climate-related events.

This allows us to share our initiatives and views especially on the important role of the financial sector in facilitating an orderly and just economic transition. On the domestic front, these include virtual dialogues organised by the FIDE Forum on The 2050 Net Zero Carbon Emissions Target: Finance’s Role, EAC Dialogue organised by the Economic Action Council (EAC) Secretariat and Series 1 of the National OGSE Sustainability Forum organised by Malaysia Petroleum Resources Corporation. At the global level, we also participated in the Minister Level Meeting of the Coalition of Finance Ministers for Climate Action,



Deputy Governor Jessica Chew as a speaker at the World Bank's Sustainable Exchange Development Series (SEEDS) - Developments in Sustainable Finance in ASEAN.

Diagram 10: Key Features of BNM's Pledge

| 6 Areas   | 14 Commitments   |
|---|--|
|  <b>Financial stability monitoring and micro-supervision</b> | <ul style="list-style-type: none"> <li>• Advance preparations for an industry-wide climate change stress test</li> <li>• Incorporate climate-related risks as part of formal supervisory assessments</li> <li>• Develop a Reference Guide on Risk Management and Scenario Analysis for financial institutions (FIs)</li> <li>• Implement structured climate-related technical training for regulatory and supervisory staff</li> </ul> |
|  <b>Taxonomy</b>   | <ul style="list-style-type: none"> <li>• Ensure consistent and credible implementation of CCPT</li> </ul>  |
|  <b>Data gaps</b>  | <ul style="list-style-type: none"> <li>• Lead and provide dedicated resources for JC3 Sub-committee on Bridging Data Gaps – to meet critical data needs of industry to manage climate-and environmental-related risks and structure green solutions</li> </ul>   |
|  <b>Capacity building &amp; awareness</b>                  | <ul style="list-style-type: none"> <li>• Ramp up engagement and capacity building efforts through JC3</li> <li>• Expand suite of technical programmes developed under JC3</li> <li>• Support NGFS capacity building initiatives</li> </ul>   |
|  <b>Disclosure</b>   | <ul style="list-style-type: none"> <li>• Improve climate-related risk financial disclosures</li> <li>• Develop a guide for FIs to adopt climate-related disclosures</li> <li>• Continue to disclose own climate initiatives in BNM Annual Report</li> </ul>  |
|  <b>Portfolio management</b>                               | <ul style="list-style-type: none"> <li>• Strengthen internal frameworks for integrating sustainability factors in own portfolio management</li> <li>• Assess how climate change would feed into monetary policy</li> </ul>   |

the World Bank's Sustainable Exchange Development Series, ESG GO ASEAN Summit 2021 and the Fireside Chat at COP26 Finance Day.

## Climate Risk Management and Target Setting

Today, climate risk is being actively considered in our operations and frameworks. We are taking steps to further deepen our understanding of the underlying risks. We are also building technical capabilities to systematically measure our carbon emissions. This will pave the way towards setting our internal emission targets in 2022.

## Going Forward

For Malaysia, achieving net zero GHG emissions by 2050 will protect the environment for our future generations and will also bring about wider economic prosperity. Beyond reducing the risk of catastrophic climate events,<sup>5</sup> as many as 232,000 jobs could be supported in a green industrial revolution. Malaysia can achieve this through capturing green growth opportunities.<sup>6</sup> This includes new green industries such as renewable energy, hydrogen

<sup>5</sup> Estimates by climate scientist suggest global warming would reduce economic welfare for Malaysia, measured by GDP per capita, by between 10-15% by 2100 (Burke, Davis et al., 2018).

<sup>6</sup> See 'Securing Our Future: Net Zero Pathways for Malaysia' Report (WWF-Malaysia & Boston Consulting Group, 2021).

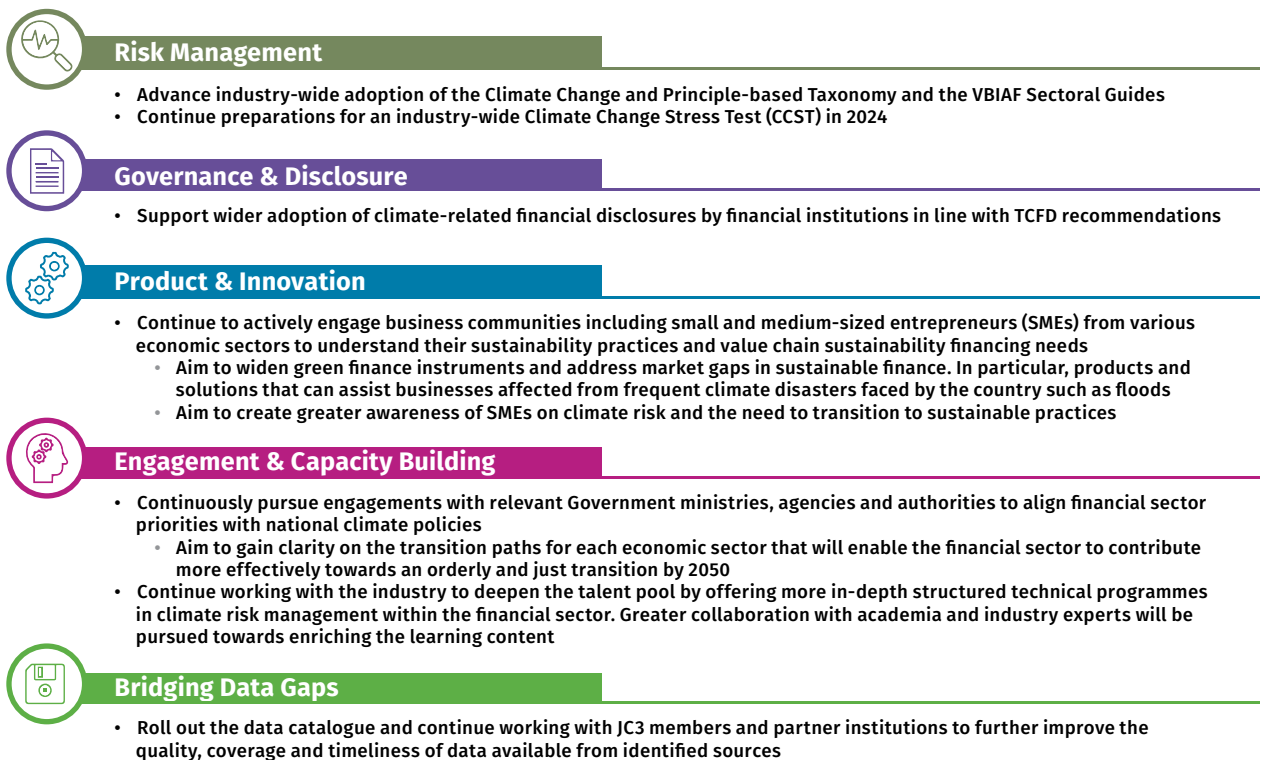
economy, electric vehicle (EV) manufacturing and energy efficiency solutions. An orderly and just transition will also protect the competitiveness of Malaysian businesses. It will cushion the impact from actions by capital providers, customers and trading partners which are sensitive to climate risk.

We aim to further support an orderly and just economy-wide transition for Malaysia through our policies and operations. The transition requires huge sums of private and public sector investments. We therefore focus on supporting and facilitating the financial sector's key role in enabling the transition to a low-carbon economy.

This is consistent with our statutory object to promote a sound, progressive and inclusive financial sector. Many opportunities are available for the financial sector to fund sustainability initiatives. These include projects under the National Investment Aspirations framework, the Malaysia Climate Action Council's plan for Malaysia to be a hub in green economy, services and technology and the Low Carbon Mobility Development Plan 2021-2030.

Overall, our initiatives (Diagram 11) are aligned with the Bank's five-year strategic vision for climate strategies as outlined in the Financial Sector Blueprint on Sustainability.

Diagram 11: BNM's Key Focus Areas for 2022



Source: Bank Negara Malaysia

# Risk Management and Internal Controls

Our role as the central bank exposes us to various risks arising from activities and operations that are undertaken in delivering our mandate to promote monetary and financial stability. For example, our holding and management of international reserves exposes us to market risk and credit risk. Market risk arises when movements in exchange rates, interest rates, and other market prices harm the value of our investments. On the other hand, credit risk arises with the possibility of loss from the default of an issuer or a counterparty.

The Bank is also exposed to non-financial risks that can arise from operational incidents that disrupt critical business operations, with the potential to cause broader systemic disruptions. The Bank also faces possible reputational risks from the conduct of staff, events or incidents related to our operations and policy choices, and interactions with stakeholders.

The Bank manages these risks in an integrated manner through its Enterprise Risk Management (ERM) framework. The framework employs a holistic approach to risk management to ensure that critical risks are systematically identified, assessed, monitored, and managed. This is to ensure that we conduct our operations prudently and responsibly within a tolerable risk parameter.

In addition to formal structures and processes, we continue to foster a strong risk culture. We

continually raise awareness among staff at all levels on the key risks identified and managed by the Bank and encouraging open communications on risk. This reinforces the responsibility of all employees across the organisation to manage risks proactively.

The Bank implements a risk governance structure that reflects a shared responsibility between line departments, independent risk management and control functions, and internal audit. The Board of the Bank, supported by the Board Risk Committee (BRC), has the responsibility of providing oversight over the Bank's risk management frameworks and practices. The Board also sets the "tone from the top" in promoting a desirable risk culture across the Bank.

The Bank's Management is accountable for implementing sound risk management frameworks and practices across the Bank. This is operationalised through the Risk Management Committee (RMC) and the Reserve Management Committee (ReMC). These committees meet regularly to deliberate on strategic and critical risks faced by the Bank. In turn, the RMC is supported by the Financial Risk Management Committee (FRMC), Operational Risk Management Committee (ORMC) and Crisis Management Team (CMT). The FRMC and ORMC are responsible for the management of financial and operational risks, respectively. On the other hand, the CMT provides oversight on the Bank's Business Continuity Management by ensuring crisis preparedness as well as coordinating the Bank's response to operational disruptions.

The Bank employs a "three lines of defence" model to facilitate the Board and Management in discharging their risk oversight role. Each of the three lines has a vital part to play in effectively addressing and managing enterprise risks. The first line of defence comprises the line departments. They are responsible for identifying, assessing, monitoring, and managing risks within the Bank's business areas. The second line of defence resides within the risk management function carried out by the Risk Management Department (RMD) and Treasury Risk Management Section (TRMS). RMD

provides independent challenge and assessments of risks identified by line departments, supports the development and implementation of risk frameworks and tools, and facilitates an enterprise-wide view of risks managed by the Bank. Meanwhile, TRMS manages and monitors risks related to the investment of reserves, spanning market, credit and operational risk. The Internal Audit Department (IAD) acts as the third line of defence that provides independent assurance on the effectiveness of the Bank's risk management frameworks and internal controls.

The Bank takes on calculated risks in carrying out our mandates effectively. We acknowledge that we cannot eliminate all risks. Rather, we seek to operate within the Board-approved risk appetite and tolerance level. We carefully consider the costs, benefits, and other trade-offs involved in risk control or mitigation. This informs the process for identifying, assessing, prioritising, reporting, and monitoring our financial, operational, and reputational risk exposures.

To manage financial risk, the Bank monitors market, liquidity, and credit risk exposures, and has risk limits and controls in place. The Bank's investments of the international reserves' portfolio are driven by a Board-approved investment benchmark that sets the appetite for long-term risk and returns. Any deviation from the benchmark is controlled using risk limits, clearly defined decision authorities, and investment guidelines. A credit risk framework is in place to outline permissible investments and activities. Controls are also in place to ensure that the Bank allocates its expenditures and manages its finances prudently. These include clearly defined policies and procedures for procurements and payments, approving authorities and a robust budgeting and review process for managing the Bank's general operations. In addition, the Bank has developed an economic capital framework to ensure the Bank will continue to maintain optimal financial buffers to cushion against financial risks amid global market uncertainties.

To manage non-financial risks, the Bank identifies and proactively monitors risks through leading and lagging key risk indicators. These risks include, but are not limited to, information technology, cybersecurity, people, legal, business disruption, and physical security risk which are transversal in nature. Apart from line departments, the management of

these risks is supported by selected departments designated as Risk Policy Owners (RPO). RPOs may analyse and report relevant transversal risks to respective oversight committees and propose bank-wide controls and action plans to manage the relevant transversal risks.

## Managing Risks During the Pandemic

During the year, the Bank continued to implement measures that are aimed at minimising disruption to our critical operations, ensuring staff safety and wellbeing, and managing vulnerabilities posed by hybrid working arrangements. On the policy making front, the Bank engaged extensively with stakeholders from different segments of society, in particular the affected parties. The aim is to assist the Bank's stakeholders and the public in understanding our policy measures, as well as obtaining feedback on such measures. This has helped to enhance the effectiveness of measures implemented, particularly in supporting households and businesses experiencing temporary financial difficulties while managing longer term risks. The Bank also drew on valuable experience in the past to further strengthen our capacity and flexibility to respond to crises.

## Managing Health Risks

In line with the Bank's priority to keep staff safe, stringent standard operating procedures (SOPs) were instituted to prevent infection at the workplace. Measures include appointment of COVID-19 managers among vendors to monitor compliance with SOPs, implementation of split-teams,<sup>1</sup> close-contact tracing and regular testing of staff who work in office. The Bank organised talks by infectious disease experts to educate staff on COVID-19 infection and address vaccination reservations. As the country began to ease movement restrictions and with the majority of staff having completed their vaccination, the Bank gradually increased the number of staff working in the office, with stringent SOPs enforced to prevent workplace infection.

<sup>1</sup> Split-team is one of the preventive strategies that is activated during pandemic outbreaks. It refers to a strategy where the Recovery Team Members (RTMs) are split into two teams and work in two different locations.

The Bank also continued to pay close attention to the mental well-being of staff through regular counselling and mental health programmes, as well as regular virtual engagements with the Bank's leaders.

### Business Continuity and Crisis Management

Business Continuity Management (BCM) is a critical aspect in building the Bank's organisational resilience. Staff from Critical Business Functions (CBFs) and Critical Support Functions (CSFs)<sup>2</sup> continue to work in the office on a split-team basis throughout the pandemic period. Staff in critical functions were divided into three recovery teams.<sup>3</sup> Effective and clear lines of communication were also strengthened with relevant external authorities. The Bank continues to enhance its inter-agency arrangements with the Ministry of Finance and Perbadanan Insurans Deposit Malaysia (PIDM) to facilitate swift and effective communications and coordination of policy measures in response to unfolding developments affecting the financial system. This enabled the timely transmission of information, escalation of critical issues and decision-making.

### Information Security, Cyber Security, and Technology Risk Management

The Bank remained vigilant against possible disruptions arising from cyber-related incidents. In assessing the Bank's resilience against cyber-attacks, the Bank takes an "assumed breach" position where we operate under the assumption that a breach is inevitable or has likely already occurred. In light of this new approach, the Bank has continuously enhanced our response and recovery capabilities. In addition, identified risks are also managed proactively with strong oversight and support from Management. The Bank also conducted cyber drill exercises in December this year and enhanced cyber hygiene to strengthen the awareness and preparedness of staff in dealing with cyber security incidents. Controls were also put in place to mitigate risks related to

remote working, as well as emerging threats such as ransomware and third-party security risks.

### Internal Audit

The Board Audit Committee (BAC) provides oversight of the internal audit function of the Bank. This role includes reviewing the adequacy and effectiveness of the Bank's internal controls, compliance with legal and regulatory requirements, and the integrity of the Bank's financial statements.

In discharging this role, the BAC is supported by IAD which provides independent assurance to the BAC on the adequacy, efficiency and effectiveness of the Bank's governance, risk management and internal control processes. 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's<sup>4</sup> Integrated Internal Control Framework are also embedded in the audit approaches for assessing the Bank's control environment.

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

Audit priorities in 2021 were aligned to account for the key enterprise risks and changes in the Bank's priorities, including the assessments on current and emerging risks. As a result, the focal coverage of audits conducted was on the Bank's cybersecurity and technology infrastructure, business continuity, stakeholder engagement, human capital management, policy governance and compliance with legal and regulatory requirements (details in Diagram 1).

<sup>2</sup> Critical Business Functions (CBFs) and Critical Support Functions (CSFs) are a list of functions that the Bank must be able to perform to meet its mandate. In the event of a disruption, the Bank must restore these functions to ensure the ability to protect the Bank's assets, needs, and safety regulations.

<sup>3</sup> Critical functions include treasury operations, currency management and payment systems.

<sup>4</sup> The Committee of Sponsoring Organizations of the Treadway Commission (COSO) is a joint-initiative advisory group of five professional organisations (i.e., The Institute of Internal Auditors, Institute of Management Accountants, Financial Executives International, American Institute of Certified Public Accountants and American Accounting Association) established to develop and provide thought leadership that enhances governance, risk management and internal control practices.

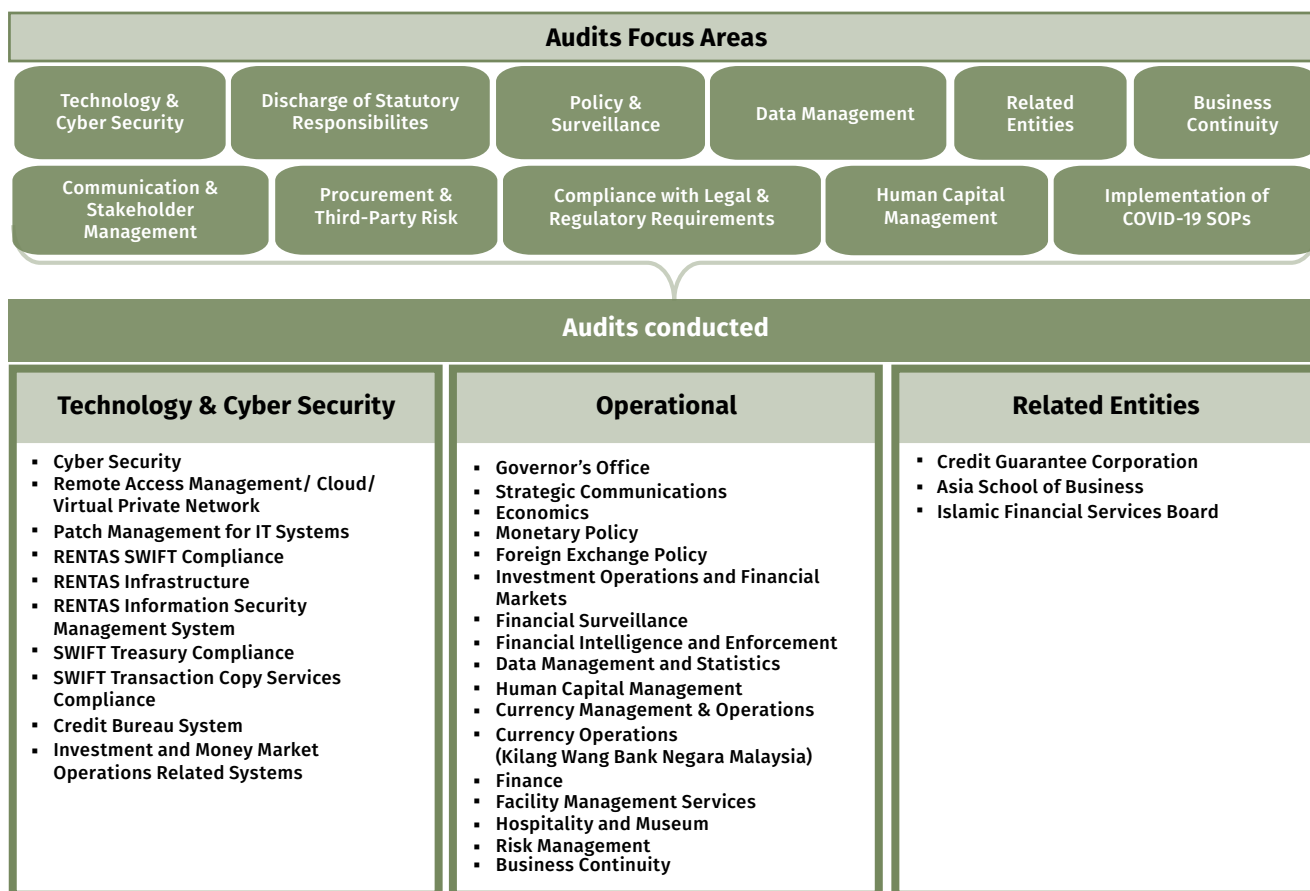
The IAD has adopted a more dynamic audit approach, facilitated by remote auditing arrangements during the pandemic. On-going close engagements with line departments and leveraging on respective departments' risk insights, allowed timely risk assessments in detecting emerging risks. This also enabled swift reprioritisation of audit plans and resources to focus on key risk areas, in response to uncertainties and challenges presented by the pandemic. In addressing the emerging risks, value propositions and improvement opportunities are highlighted in audit reports to further strengthen governance practices and internal controls.

As a strategic partner in promoting a value-driven culture throughout the Bank, IAD conducts continuous off-cycle audit engagements and sharing of common audit observations. These activities aim to elevate risk awareness among line departments. With effect from January 2020, audit reports have incorporated observations on departments' resource utilisation as part of continuing efforts by the Bank to optimise its operations. This helped improve line

departments' economic, effective, and efficient use of resources. Observations of good practices on ethics and risk culture were also embedded as part of audit assessments, in line with international best practices.

Greater advancement in the use of technology and data analytic tools has led to more effective risk identification and in-depth audit assessments. In ensuring that the adequate resourcing of the IAD remains an important priority, the Bank added eight headcounts to support robust and comprehensive assessments of the management of technology risks. Continuous upskilling of auditors remains as one of IAD's forefront initiatives. This was undertaken through a structured training curriculum that encompasses learning priorities to enhance data analytic capabilities and technology acumen. In addition, knowledge transfer through co-sourcing audits and Guest Auditor Programme (i.e., collaborations with the Bank's subject matter experts) for selected audit engagements were also achieved as part of talent development initiatives.

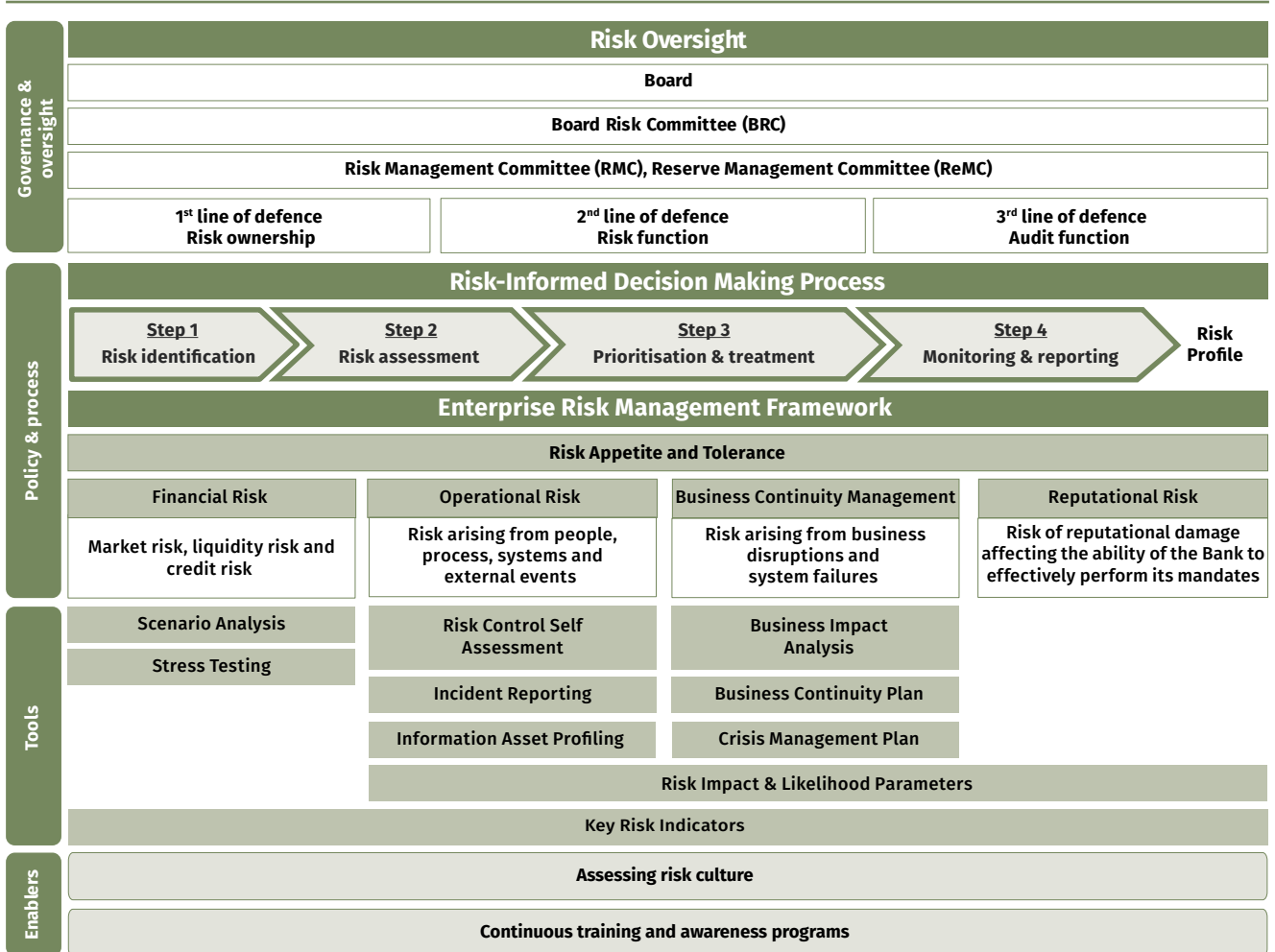
Diagram 1: Focus & Coverage of Audits Conducted in 2021



Source: Bank Negara Malaysia

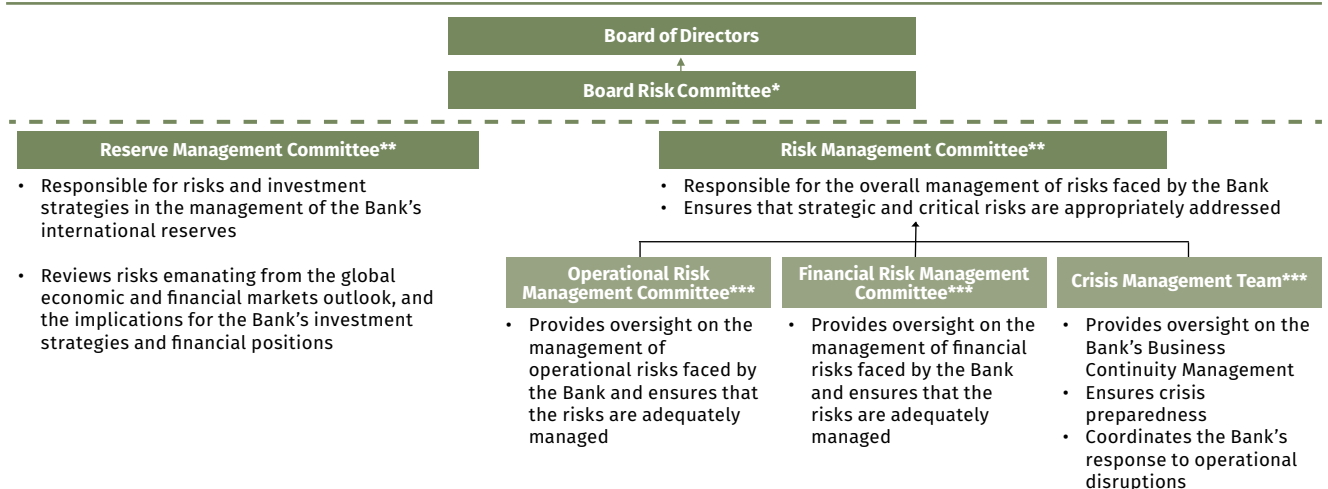
## References

### 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 individuals and businesses in Malaysia. We adapted our communications for the public to understand our mandates and role. In 2021, we focused on reaching out to households and businesses and explaining the mechanisms available to assist those affected by the pandemic and floods.

## Introduction

In 2021, one of our top engagement priorities was to ensure affected parties know that help remains available to tide them through difficult times. We also widened our digital outreach to improve getting our messages across to the public. To this end, we increased our digital presence, curated more content, while ensuring our services remained accessible online. We took steps to enhance our communication outputs to make them more relatable to our various audiences. This aims to help our stakeholders to better understand our mandates and role.

## Reassure Affected Parties That Help Remains Available

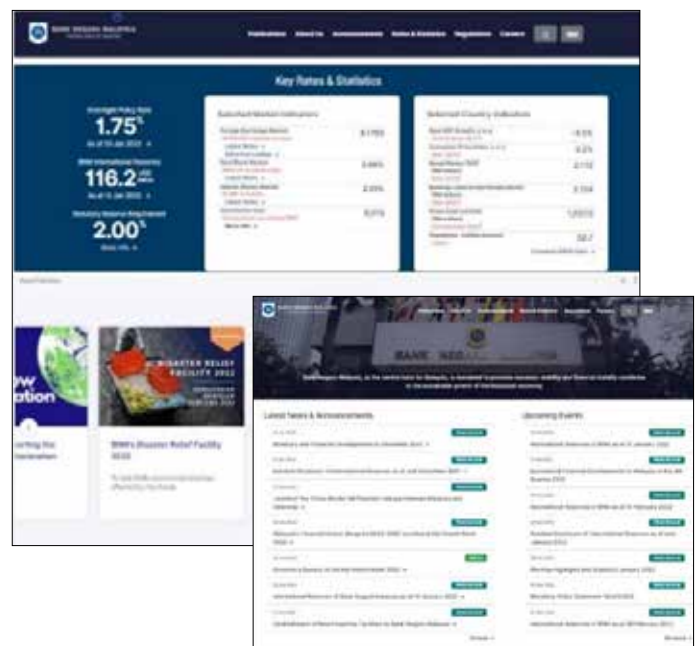
Throughout 2021, we continued to leverage multiple communication channels to raise awareness on the various avenues and mechanisms available for those affected by the health crisis to seek assistance. We relied on our expanded digital presence to reach the public, while continuing with our engagements with the media and business communities. We also expanded avenues for the public to seek further financial advice

and raise issues relating to the relief measures (Diagram 1). To assist those affected by the floods, we swiftly activated the Disaster Relief Facility for micro, small, and medium enterprises (MSMEs) and helped disseminate and explain the assistance offered by the insurance and takaful industry to policyholders.

## Enhancing Our Digital Presence

The 'new normal' requires us to adopt new engagement strategies that relies more on digital channels.

In 2021, we began reviewing and enhancing our digital presence, starting with our website. To be more user-centric, we refreshed our website design to ensure visitors can get the information they need within the fewest clicks. We also reviewed the content of our main webpages. For a more mobile-friendly experience, the look and feel of our website is now more responsive to different devices, improving user experience for both mobile device and desktop users.



The Bank's refreshed website aims to improve user experience and access to key information.

Diagram 1: Initiatives to Increase Awareness on Help Available for Those Affected by the COVID-19 Crisis



Source: Bank Negara Malaysia

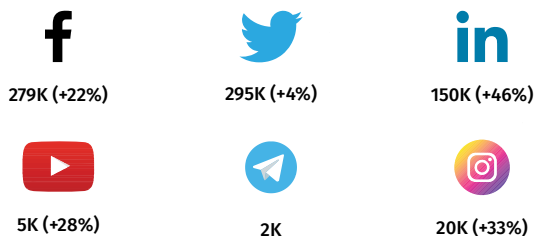
## Engaging Malaysians

Recognising the growing expectation from the public for more two-way interaction on issues relating to our mandates, we increased our interactive presence on social media. On top of addressing queries posed by the public, interactions on social media provide us with rapid feedback and insights on the sentiments of our various audiences. These inputs help us identify and prioritise content that addresses key information gaps among the public.

We published an average of four to seven posts per week in 2021, encouraging sustained engagements with our followers. We continue to actively experiment with engagement approaches and use feedback from our analytics to help enhance our content design and messaging. This contributed to a 20% increase in the size of our follower base on most social media platforms (Diagram 2). In addition to having a presence on Facebook, Instagram, Twitter, LinkedIn and Youtube, we also expanded our presence to Telegram to broaden our reach. The Bank is not only leveraging on social media to spread key information, but also to address queries from the public.

**Diagram 2: Growth in Social Media Followers on BNM Official Platforms**

The size of follower base on most BNM official social media platforms grew by at least 20% in 2021



Source: Bank Negara Malaysia's Social Media

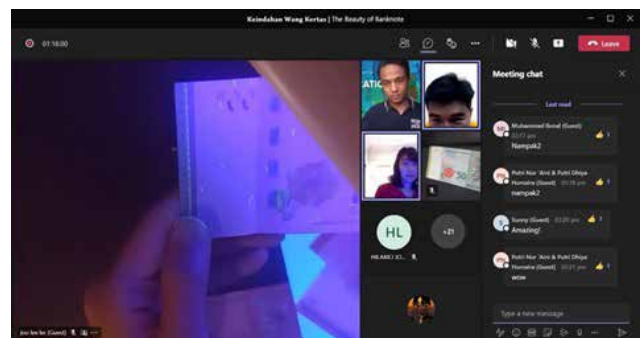
## Curating More Digital Content and Experiences

In 2021, our Museum and Art Gallery<sup>1</sup> (BNM MAG) attracted over 9 million visitors, thus sustaining public engagement despite the limitations on physical visits (previously attracted over 5.9 million visitors in 2020). We launched four new virtual exhibitions throughout the year. In addition to the virtual exhibitions, BNM MAG also organised a virtual art bazaar to promote 30 emerging local artists from diverse backgrounds (Diagram 3). These events were complemented with various online educational programmes and

<sup>1</sup> BNM MAG provides an informal learning experience that delves into the Bank's roles in the Malaysian economic and financial landscape, numismatic heritage and art through its permanent galleries, exhibitions and educational programmes physically and virtually.

e-competitions. The response to these innovative learning experiences was positive as most visitors cited increased awareness and understanding of the topics featured including financial management, currencies through time, financial crime activities, the role of central bank in climate change and socioeconomic development through art.

In line with the reopening of the economy, BNM MAG has since reopened its doors for physical visits in December 2021. Going forward, we will continue to offer a hybrid learning experience, while expanding our range of financial education programmes.



BNM MAG educators demonstrating simple ways to identify authentic Malaysian banknotes via the 'Feel, Look, Tilt, and Check' method.

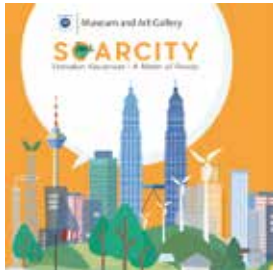


Educational programmes and learning materials have been made available online through a series of webinars, fun-learning activities, competitions and videos.

Diagram 3: BNM MAG Virtual Exhibitions and Art Bazaar in 2021

### Financial LATERacy

Financial LATERacy is an exhibition which commemorates “Buku Wang Saku”, Bank Negara Malaysia’s distinctive venture into educating the young on the importance of financial management. The history of “Buku Wang Saku” can be traced back to 1996 when it was a part of a national savings campaign. This was envisioned to provide a strong foundation on financial education to young Malaysians in schools nationwide and is one among many initiatives by Bank Negara Malaysia to nurture Malaysians to become more financially savvy.



### SCARCITY: A Matter of Priority

Everyone has a role to play in the climate emergency! SCARCITY, a virtual exhibition, is beneficial for anyone interested in the ongoing climate crisis. Through this exhibition, visitors will be able to explore the intersection between climate change and scarcity through various mediums such as images, videos, and interactive activities.

### KERINGAT: Tales of Our Forefathers

KERINGAT illustrates the chronology of events that have shaped Malaysia’s socioeconomic development through a range of impressive artworks. The exhibition, comprising more than 50 artworks, showcases the work of our forefathers from the colonial era in Malaya up until the 1980s, primarily featuring sectors of agriculture, fisheries, mining, and small businesses.



### Works on Metal: Art Inside the Wallet

In this virtual exhibition, visitors will have the opportunity to explore the historical role of coins as one of the oldest forms of payment and delve into the evolving art of producing coins.

### Virtual art bazaar

JARI (Jaringan Akal Kreatif/Creative Mind Network) presents the artworks of 30 emerging artists showcasing unique art styles through diverse mediums. This platform strives to increase the level of awareness and appreciation towards emerging local talents by promoting their artistic abilities and instilling the artists’ entrepreneurship skills.



 [www.museum.bnm.gov.my](http://www.museum.bnm.gov.my)

 @BNM.MAG

 @bnmmag

 @BNM\_MAG

Source: BNM MAG

## Assisting the Public – Even From Afar

In light of the pandemic, our customer service centres and regional offices were closed to walk-in engagements for most of the year. Despite this, remaining accessible to the public remains our priority. BNMTELELINK became one of our main contact points, where the public and businesses could continue to reach us through phone,

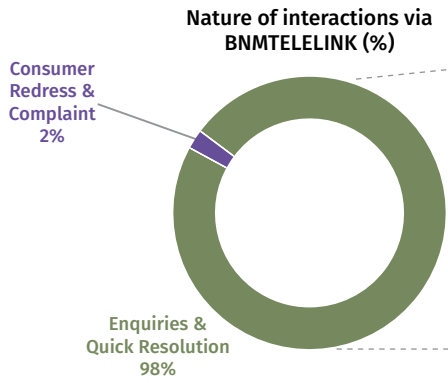
email and our online presence. We also offer a Live Chat function on our website to cut down waiting times for those with relatively simple queries.

As a result, despite the physical movement restrictions, we maintained a high number of engagements with around 300,000 interactions in 2021 (2020: 237,016 interactions; 2019: 156,612 interactions) (Diagram 4). Aside from addressing

public queries, these interactions provided insights to enhance the content on our website and social media platforms.

Once the pandemic became more manageable in November 2021, we allowed for walk-ins at our customer service centres using an appointment-based system.

Diagram 4: Major Issues or Enquiries Received by BNMTLELINK in 2021



Top 5 issues/enquiries raised by the public

| Issues/Enquiries   |
|--|
| 1. CCRIS report retrieval and eCCRIS registration  |
| 2. Repayment assistance  |
| 3. Freezing, opening and closure of banking accounts                                     |
| 4. Delays in claims processing and customer service of insurance/takaful operators       |
| 5. Complaints on financial fraud mainly relating to internet, investment and phone scams |

Number of interactions: 304,376

Source: Bank Negara Malaysia



BNMTLELINK reopened to the public (on appointment basis) from 1 November 2021 at the new Asian Institute of Chartered Bankers (AICB) Building in Kuala Lumpur.

## Fighting Financial Scams

The increased use of online communications and transactions has also exposed the public to higher risks of financial scams. In 2021, complaints on financial fraud, especially internet, investment and phone scams were among the top five issues raised by the public via BNMTELELINK.

We continuously stepped up our efforts to educate the public on financial fraud in collaboration with other enforcement agencies including the Ministry of Domestic Trade and Consumer Affairs, Securities Commission Malaysia and Royal Malaysia Police. One of our key initiatives is regularly posting alerts on the Amaran Scam page on Facebook, with more than 320 postings throughout the year. Since launching the Amaran Scam page in 2020, it has gained 39,000 followers on Facebook. During the year, we also observed an 11.2% decline in scam-related queries and complaints received by the Bank (2021: 9,158; 2020: 10,187).

On top of that, we broadcasted a seven-episode webinar series on financial scams in conjunction with the Financial Literacy Month in October 2021. To maximise outreach, the webinars were conducted in different languages to reach the Malay, Chinese and Indian communities. This webinar series generated more than 2,300 live- and 118,000 post-views. Among the topics covered are common financial scams in Malaysia such as Get Rich Quick Schemes, Macau Scams, Mule Accounts, Phishing and e-Commerce scams.

In addition, we organised 47 online engagement sessions via state radio stations and virtual webinars on financial fraud at the regional level. The webinars were designed for targeted audiences such as retirees, Government employees and university communities (lecturers, students and staff). These initiatives complement the efforts by the Financial Education Network (FEN) to improve financial literacy in Malaysia (details provided in chapters on “Promoting Financial Stability” and “Promoting a Progressive and Inclusive Financial System”).

*One of the Amaran Scam episodes from the webinar series targeting the Malay community on online scams entitled “Pancing Data: Dalam Senyap, Duit Lenyap”.*



*The Amaran Scam webinar series also featured an episode in Mandarin to reach out to the Chinese community.*



An episode from the Amaran Scam webinar series conducted in Tamil.

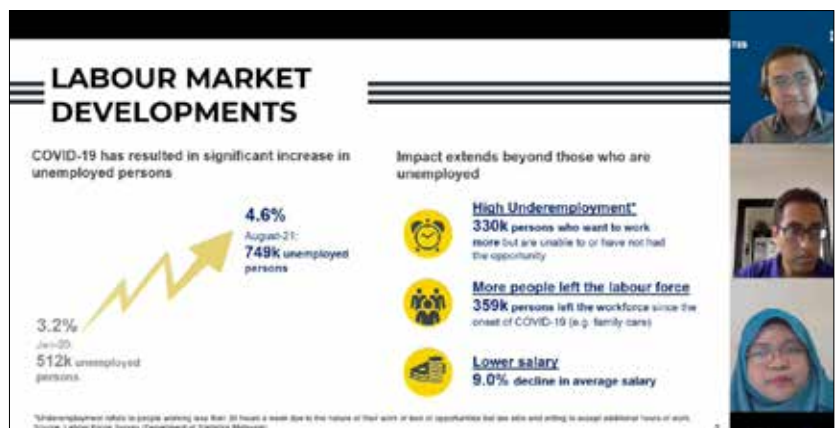
Live webinar on financial fraud participated by the BNM Office in Kota Kinabalu.

## Engaging the Youth

The youth is an important segment in influencing the future direction of Malaysia. We engaged more than 700 university students across five universities in 2021 on economic and financial concerns that matter most to them (e.g. job market prospects). We shared our research findings and outlook on the economy

and the labour market to increase their awareness and understanding of key policy issues. We leveraged our hiring programmes such as the Kijang Graduate Programme (KGP) to raise awareness on what we do as a central bank. The latest KGP webinar in January 2022 attracted around 300 attendees, while our social media posts on KGP recorded high engagement rates<sup>2</sup> (average: 5.7%).

Engagement between Assistant Governor Fraziali Ismail with students from the University of Malaya and Nottingham University.



<sup>2</sup> Engagement rate is the ratio of engagements (interactions users have with our posting - likes, retweets, comments, shares, and clicks) to reach, which is measured across all social media platforms of the Bank. As a benchmark, the average engagement rate for postings in general across different social media platforms and industries is around 1.5% (Source: Social Insider).



Leveraging our Kijang Graduate Programme to increase awareness on our mandates and role as a central bank.

## A More Relatable Central Bank

In addition to our crisis-related communications, we are continuously taking steps to curate content that is more relatable to our audiences of diverse backgrounds. This is to promote better understanding of our mandates and role across a wide spectrum of society.

We do this in multiple ways, beginning with ensuring that our publications are tailored to the targeted audience. Materials for a general audience (e.g. press releases, Annual Report, and website) are written in plain language. We have increased our

use of bite-size communications that summarise key takeaways to accompany more technical press releases and publications.

In addition, we are deploying more visuals and infographics that are easy to understand. These pictorial tools are attracting greater interest and generating more conversations among the public on economic and financial developments, as well as our policy measures. The ensuing queries and discussions present opportunities to better explain our actions or to clarify misconceptions. These interactions also offer useful feedback to further elevate the impact and effectiveness of our future communications.



Greater use of visuals and infographics in our publications and communication outputs have increased engagement rates among our audience (above 3% engagement rate).<sup>3</sup>

<sup>3</sup> As defined earlier.

## Taking the Pulse of the Economy During the Pandemic

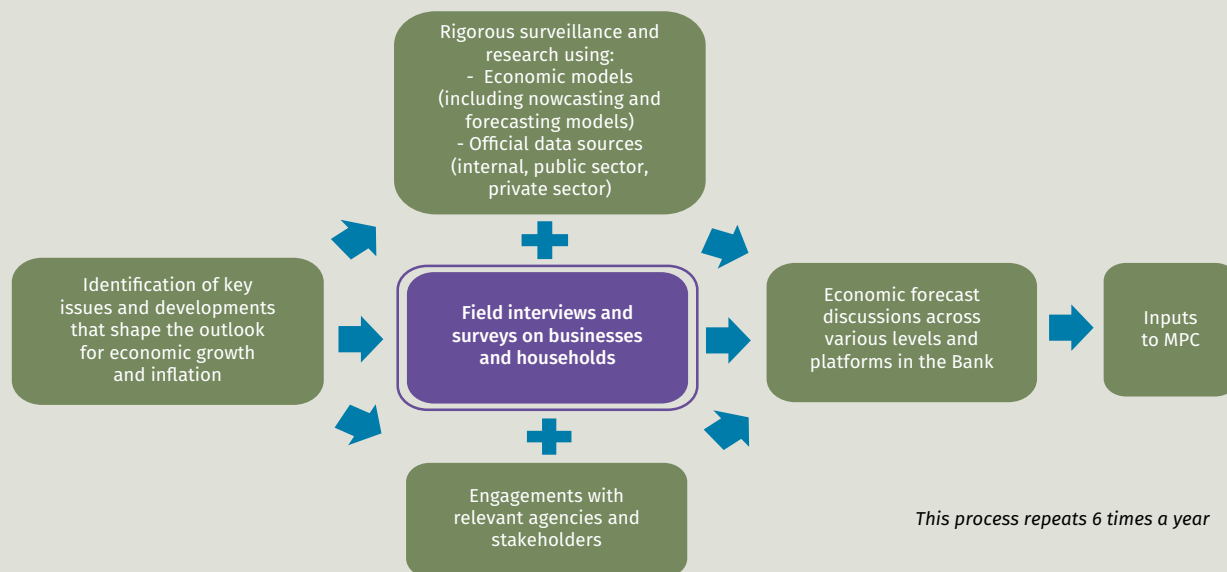
### Introduction

The pandemic reshaped the way central banks pursue their mandates in the face of great uncertainty. Among other things, engagements with the public became especially crucial to inform assessments and policy responses. Like many other major central banks globally,<sup>1</sup> Bank Negara Malaysia had stepped up our efforts to listen and speak to the public. Such engagements helped us better understand how evolving developments affected different parts of society and the economy. This improved our capacity to formulate appropriate and targeted policies to support the economy and manage emerging risks. This article aims to feature how such engagements were valuable during the pandemic, with a focus on insights from businesses and households. The first part highlights how they supported monetary policymaking. The second part, meanwhile, focuses on how they helped in formulating other economic and financial policies to mitigate the pandemic's wide-ranging effects.

### Part I. Disclosing Real-Time Economic Conditions to Support Monetary Policymaking

The unprecedented nature of the pandemic had made economic forecasting even harder. The economic crisis that was a result of supply and demand shocks following lockdowns had weakened economic relationships observed during normal times. The heightened uncertainty over households and businesses' economic decisions also made real-time data more crucial when quick policy interventions were needed. As such, reliance on ground-level insights became more vital to bridge data gaps with timely, forward-looking, and qualitative information. Such insights complemented the usage of other high-frequency data for economic nowcasting (e.g., data on mobility, electricity generation as well as physical and online spending transactions). They enhanced our knowledge on the current and possible future pathways of the economy when guiding monetary policymaking (Diagram 1).

**Diagram 1: How Ground-Level Insights Fit Into Monetary Policy Formulation**



Note: MPC refers to Monetary Policy Committee.

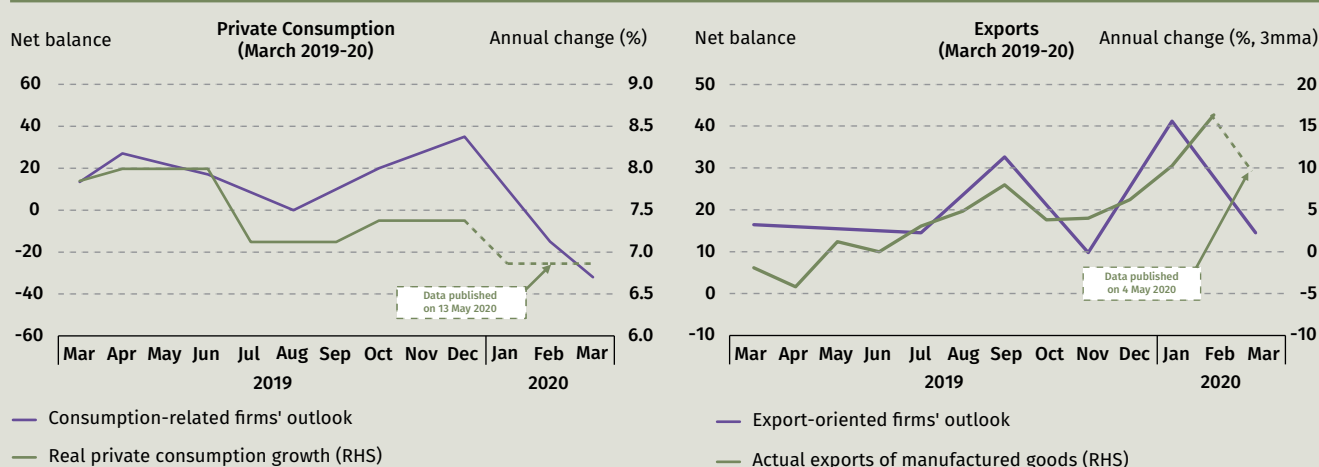
Source: Bank Negara Malaysia

<sup>1</sup> For example, see the article entitled "The ECB's dialogue with non-financial companies", *Economic Bulletin*, Issue 1, European Central Bank (ECB), 2021.

**(i) Early detection of turning points for economic forecasting**

Insights from interviews with businesses<sup>2</sup> were used to facilitate the detection of turning points for the economy. A case in point was when the demand and export outlook for Malaysia as projected earlier by firms were affected by the COVID-19 outbreak as early as January 2020. During that period, reported cases of infection were still low and largely confined to imported cases.<sup>3</sup> Such early impact from the outbreak was not widely captured by other timely indicators.<sup>4</sup> However, insights obtained through our engagements with the businesses across the country were already suggesting a negative turn in business outlook. Specific industries (e.g., wholesalers, retailers and tourism players) indicated that sales had declined starting January 2020 amid fewer incoming tourists. Meanwhile, export-oriented firms, which at the end of 2019 projected a positive outlook for 2020, were citing increased pessimism in the early part of 2020. These firms indicated that there were delivery delays following disruptions in the global supply chain after parts of PR China went into lockdown. The turnaround in business outlook was thereafter confirmed by official economic data with a lag of two months (Diagram 2). Such real-time insights from the industry were critical in detecting turning points throughout the pandemic and enabled pre-emptive policy calibration when various containment measures were imposed, tightened or relaxed.

**Diagram 2: Firms' Outlook for Consumption and Exports vs. Official Data (March 2019-2020)**



Note: Firms' outlook is represented as a net balance, which refers to the difference between the proportion of respondents citing better outlook and the proportion of respondents citing worse outlook. This information is obtained every two months, six times a year. Monthly data is then derived by calculating the midpoints for the months without data.

Source: Department of Statistics, Malaysia and Bank Negara Malaysia

**(ii) Corroborating evidence to complement quantitative data**

Ground-level insights also enhanced our knowledge on the underlying drivers of current and future economic trends. This was most useful when economic conditions differed markedly from projections based on historical trends amidst great uncertainty. For instance, Malaysia's exports data performed better than expected despite the imposition of the Full Movement Control Order (FMCO) in June 2021.<sup>5</sup> Ground-level engagements suggested that this was due in part to firms' adaptability despite limits on labour capacity. Firms in selected industries (e.g., those in the electrical and electronics (E&E) industry) were observed to adapt with relative ease and speed to raise production by relying on their high

<sup>2</sup> Under the Bank's Regional Economic Surveillance programme, industrial engagements are carried out with the business community to gauge real-time business conditions and outlook. Such direct engagements with the business community are built on mutual trust and are treated with strict confidentiality, whereby inputs are used internally to enrich the range of information available to the Bank, particularly to support decision-making by the Monetary Policy Committee (MPC). For more information, please refer to Bank Negara Malaysia Annual Report 2013 Box Article: "Broadening Economic Surveillance through Bank Negara Malaysia's Regional Offices".

<sup>3</sup> For Malaysia, the first sporadic case where the infected person neither travelled to an affected area nor had contact with an infected person emerged on 11 March 2020, and by 14 March, the presence of COVID-19 was reported in every state of the country (Source: Ministry of Health, MOH).

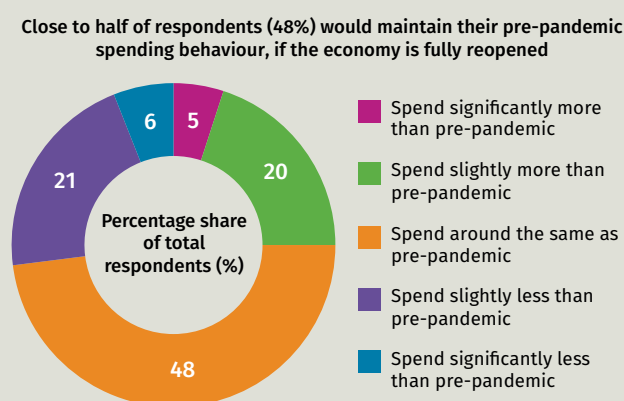
<sup>4</sup> For example, timely indicators such as Google's Community Mobility Reports lack the important context and connectivity to larger economic trends as they are not able to explain whether consumers spend more or less when they reach their destinations.

<sup>5</sup> In June 2021, Malaysia's export of goods rose by 27% year-over year and 14% month-over-month (May 2021: 47% and -13%, respectively).

automation level and by increasing the number of working days or shifts. On-the-ground interviews also shed light on how firms’ newly expanded production lines could meet rising export demand.

Likewise, we used household-level insights<sup>6</sup> to enrich assessments on issues such as households’ spending patterns in the post-pandemic period. As an alternative source of data, qualitative information on households’ expectation on spending helped to inform economic forecasts for monetary policymaking. Specifically, they showed that close to half of households surveyed would maintain their pre-pandemic spending behaviour once the economy fully reopens (Diagram 3).

**Diagram 3: Households’ Expected Spending Behaviour in the Post-Pandemic Period (December 2021)**



Source: Bank Negara Malaysia Consumer Sentiment Survey

**(iii) Providing nuances across regions and sectors**

Moreover, ground-level insights provided the nuances that were otherwise not obvious in national data during the pandemic. This was valuable during the period of diverging economic conditions across regions in Malaysia (i.e., where varying severity of the pandemic required localised measures). By combining regional-level nuances, economic assessments were enhanced at the national level.

Similarly, ground-level insights provided narratives across sectors that were useful to assess the pandemic’s impact on the economy. At the onset of the first imposition of Movement Control Order (MCO), there were uncertainties surrounding firms’ operating capacity amidst the restrictions. Differences in restrictions by sector, the level of automation as well as the adaptability of businesses were critical considerations in assessing the extent of the impact of MCO restrictions on a particular industry. Interviews with businesses across different sectors were able to provide prompt and pertinent insight on how firms were impacted differently, given the nature of their respective industries. These sectoral-level insights enabled us to estimate the early impact of MCO on the overall economy, thus providing vital information for policy assessments.

**Part II. Detecting Ground-Level Issues for Policy Enhancements**

Apart from supporting monetary policymaking, engagements with the public served as a feedback loop for us to improve existing policies where needed. During the pandemic, more real-time reactions from households and businesses were captured via targeted engagements. This led us to be more agile in our policy measures to meet the intended policy objectives.

<sup>6</sup> The Bank Negara Malaysia Consumer Sentiment Survey (BNM CSS) commenced in 2013 to bridge information gaps pertaining to consumer expectations on economic growth, inflation, wage growth and borrowing costs.

**(i) Strengthened financial capability and empowerment**

Our engagements with the public provided important insights related to financial support measures. For instance, a survey on households showed that the rise in applications for moratorium in mid-2021 was not driven only by borrowers in distress. Instead, a third of borrowers that applied for repayment assistance were partly using it to build up precautionary buffers. Direct exchanges with the public via BNMLINK were also useful for early detection of pain points. This included the need to improve the quality of communication on various financial assistances offered. With this timely feedback, the Bank undertook measures alongside the financial institutions to provide information with greater clarity and to lessen information gaps among the public.

Engagements with the public also revealed the need to improve the financial capability and resilience of households and businesses. This was most crucial amidst weaker labour market conditions during the pandemic. We stepped up engagements through both traditional and digital platforms,<sup>7</sup> as well as via the Financial Education Network (FEN),<sup>8</sup> to provide information, clarifications and guidance on important issues. Topics covered included financial fraud, repayment assistance and personal financial management. Specific programmes<sup>9</sup> were held to nudge consumers to seek help early in order to better manage their finances amidst high uncertainty. Awareness programmes were also rolled out to strengthen the outreach and usage of digital financial services. In 2021, more than 220 initiatives were conducted by the FEN members and partners. Over 70% of these initiatives were targeted at the B40, and over 60% were for the youth and adult populations. Most of these initiatives were held virtually, which resulted in a wider reach of more than 5 times compared to those held physically.

**(ii) Targeted policy support for business recovery**

Insights from engagements and surveys<sup>10</sup> also supported the development and fine-tuning of policies to provide relief and support a sustainable business recovery. For instance, engagements with SMEs validated macro observations that the services sector was the hardest-hit segment.<sup>11</sup> In response, we launched special funds to support the recovery of SMEs in the services sector. Ongoing dialogue with SMEs also helped us to enhance other facilities under BNM's Fund for SMEs, to ensure timely and more targeted access to financing. Overall, BNM's Fund had benefitted over 52,000 SMEs and microenterprises and supported more than 1 million jobs. Various other issues were also revealed, including access to finance among microenterprises and mid-tier companies (Diagram 4). This then led to more policy attention on newly uncovered pockets of underserved segments.

**(iii) Improved access to financial services**

Engagements with the public also revealed pain points regarding access to financial services. This led to more concerted efforts to bridge the gaps on financial inclusion stemming from the pandemic. Specifically, ground-level insights revealed that mobility restrictions had impacted segments of communities that relied heavily on cash transactions and traditional banking. These communities faced inconveniences in day-to-day financial needs, especially in places where ATMs or bank branches were not easily accessible. Those without bank accounts also faced hurdles during disbursements of Government aid. This was exacerbated by connectivity constraints and lack of interoperable systems that allowed for interbank fund transfers at agent banks in rural communities. To address these issues, more Mobile Banks (Bank Bergerak) were deployed under PEMULIH to expand access to financial services in the underserved areas.

<sup>7</sup> These included webinar sessions, radio segments, email blasts and social media postings.




<sup>8</sup> The FEN member institutions are the Bank, Securities Commission Malaysia, Ministry of Education, Ministry of Higher Education, Malaysia Deposit Insurance Corporation, Employees Provident Fund, Credit Counselling and Debt Management Agency, and Permodalan Nasional Berhad. FEN formulated the National Strategy for Financial Literacy 2019-2023, a 5-year roadmap to elevate the financial literacy of Malaysians and to empower Malaysians to (a) save, manage, and protect their finances; (b) plan and ensure a sustainable future; and (c) protect themselves from fraud and financial scams.

<sup>9</sup> For example, "Seek Help Early" campaign (23 June 2020), a series of Repayment Assistance Clinics (14 sessions conducted in 2020) and Virtual Financial Advisory Clinic (29-31 October 2021).

<sup>10</sup> The Bank conducted 10 virtual engagements in 2021 involving 38 SME Associations (~4.1 million SME members), covering key topics such as repayment assistance, BNM's Fund for SMEs as well as other assistance channels. Meanwhile, periodic and targeted surveys were carried out, complementing the Bank's regular surveillance on SME financing conditions.

<sup>11</sup> These included the wholesale and retail trade, transportation and storage, and tourism sub-sectors.

Diagram 4: Key Issues Obtained From Engagements With Firms and the Corresponding Measures

|   | Ground-Level Issues  | Key Measures/Resolutions   |
|---|--|--|
| <br>Micro-enterprises            | Tight or pressing cashflow; Unemployment and lay-offs  | <ul style="list-style-type: none"> <li>Increased allocation of Micro Enterprises Facility (MEF), a collateral-free financing scheme</li> <li>Expanded scope to include self-employed individuals, gig workers on digital platforms and participants of iTEKAD</li> </ul> |
|   |  | <ul style="list-style-type: none"> <li>Introduced repayment deferment</li> </ul>   |
| <br>Small and medium enterprises | Difficulty in servicing financing facilities from non-bank institutions among tourism players                        | <ul style="list-style-type: none"> <li>Refinancing allowed under special funds to help businesses consolidate and manage cost pressures</li> </ul>   |
|   | Services sector struggled to remain viable with reintroduction of containment measures                               | <ul style="list-style-type: none"> <li>Increased allocation of Targeted Relief and Recovery Facility (TRRF) to provide relief and support recovery</li> </ul>  |
|   | Need for financing support to improve productivity via investments in automation and digitalisation                  | <ul style="list-style-type: none"> <li>Increased allocation of the SME Automation and Digitalisation Facility (ADF) and established the High Tech Facility – National Investment Aspirations (HTF-NIA)</li> </ul>  |
|   | Delays in disbursement of financing facilities   | <ul style="list-style-type: none"> <li>Guarantee providers encouraged to give guarantees on portfolio basis for financing provided under new facilities in 2021 to reduce turnaround time</li> </ul>   |
|   | Unsuccessful financing applications  | <ul style="list-style-type: none"> <li>Advisory assistance provided via MyKNP@CGC</li> </ul>   |
| <br>Mid-tier companies          | Pockets of challenges amongst automation solution providers and larger manufacturers in terms of access to financing | <ul style="list-style-type: none"> <li>Development of new products for mid-tier companies, leveraging on Syarikat Jaminan Pembiayaan Perniagaan (SJPP) guarantees</li> </ul>   |

Note: Mid-tier companies refer to companies with annual revenues between RM50 million to RM500 million in the manufacturing sector and between RM20 million to RM500 million in other sectors.

Source: Bank Negara Malaysia

Agent banks were also allowed to operate during the containment measures to ensure continued access to cash and Government assistance. We also collaborated with PayNet to address urgent cash needs of communities in several underserved areas.<sup>12</sup>

**(iv) Enhanced advisory role to the Government**

Ground-level insights had further strengthened our policy advisory role to the Government. For example, the prolonged lockdowns revealed multiple pain points for businesses (e.g., inconsistencies in SOPs impeding quick business decisions and disruptions in critical sub-sectors like E&E-related and aerospace). These could potentially threaten Malaysia’s strategic position as a key player in the global supply chain. Where relevant, on-the-ground insights on potential risks to the economic outlook were flagged in a timely manner to the Government through various platforms to enrich policy deliberations. This aided the design of national directives on containment measures to minimise disruptions of critical economic activities without compromising on health safety outcomes. This ensured a better footing during the path to recovery.

**Conclusion**

The pandemic had magnified the value of engagements with both businesses and households. Ground-level intelligence enhanced our knowledge on various economic issues for monetary policymaking and supported policy decisions to mitigate the far-reaching impact of the pandemic. These were highly critical during times of heightened uncertainty. As such, we would like to thank all parties that directly and indirectly contributed towards these efforts. Looking ahead, we will continue to foster mutual trust to build stronger networks with all stakeholders.

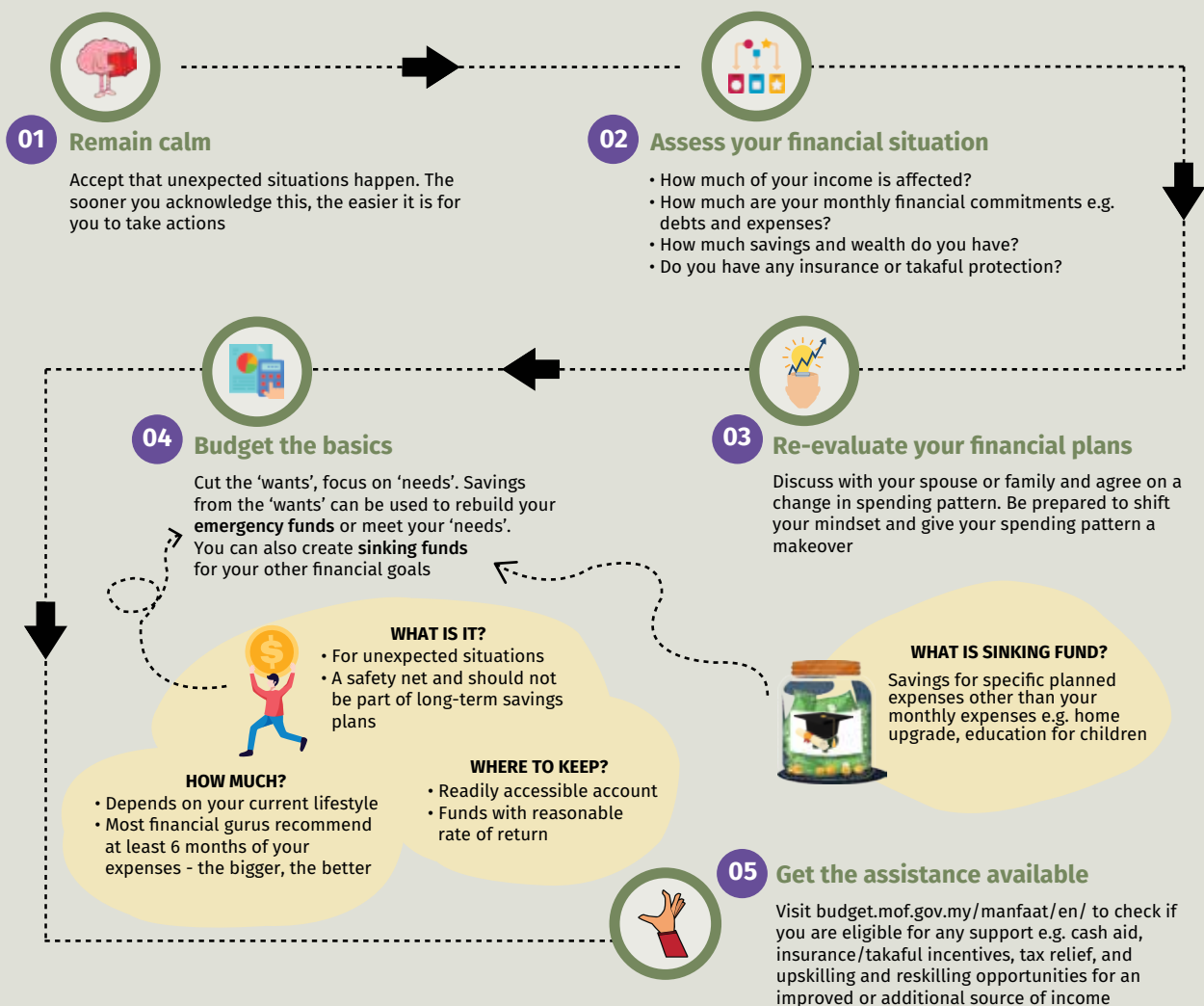
<sup>12</sup> For example, the deployment of white-label ATMs (ATMs that were set up and operated by a non-bank) in 2021. This collaborative effort would expand to include the proliferation of MyDebit Cash Out (MDCO) to increase touchpoints for cash withdrawal moving forward.

# Regaining Personal Financial Control During Challenging Times

The year 2021 remained highly challenging. The emergence of new COVID-19 variants, the reimposition of containment measures, a higher level of unemployment, and the unanticipated floods have affected most of us in every aspect of life, from physical and mental well-being to financial hardship. While the Malaysian economy is on its recovery path in 2022, many are still recovering from the financial challenges, depleted savings, and sudden changes in their daily lives.

Unexpected situations can come in many ways. Some can be life-altering like the pandemic, while others could affect financial plans made earlier and require adjustments to those plans. Here are some immediate steps you can take to get a fresh start and regain control of your finances when facing an unexpected situation.

Diagram 1: Take a Step Back to Move Forward



Source: Bank Negara Malaysia

The first step to getting back on track financially is to be aware of the issue, recognise that changes need to be made and be disciplined. At the same time, we need to learn how we can manage our finances to improve our financial position. Managing financial challenges can be daunting, but with the right mindset, information and knowledge, we can be more confident of getting back on track financially and building greater resilience against unexpected situations. Small, incremental changes over time can make a big difference.

There are many money management tips that can help you strengthen your financial foundations. For those who have had to draw on their savings to cope with unexpected events, a key priority is to rebuild savings to make sure you will have that buffer to draw on again the next time you are in need.

Diagram 2: Rebuild Your Savings

You can build your savings a little at a time over 3 years

**Prioritise building emergency funds**

- Start by estimating necessary expenses, such as repayment of debts, groceries, education, and health-related - set aside enough each week for these expenses
- Track your spending to reduce unnecessary expenses - this can expedite building your emergency funds

**Create sinking funds**

Plan and list your one-time, irregular and specific spending

| A | B                                   | C         | D           | E          | F            |
|---|-------------------------------------|-----------|-------------|------------|--------------|
|   | Sinking Fund                        | Goal (RM) | Target Date | Saved (RM) | Balance (RM) |
| 1 | School reopening - shoes, bag, fees | 1,000     | February    | 1,000      | 0            |
| 2 | Hari Raya Aidilfitri                | 2,000     | March       | 1,000      | 1,000        |
| 3 | Car - takaful and road tax renewal  | 1,000     | June        | 200        | 800          |
| 4 | Birthday present Mama               | 250       | July        | 100        | 150          |
| 5 | Home-related expenses               | 1,000     | September   | 200        | 800          |
| 6 | Private Retirement Scheme           | 3,000     | December    | 500        | 2,500        |
|   |                                     |           |             | Total      | 5,250        |

**Keep a record of your savings and expenses**

Use spreadsheets, envelope budgeting, personal finance apps to help you monitor your finances

**Spend within your income**

Think before you spend. Focus on your needs rather than wants. Small spending adds up. Review expenses to identify 'leaks' and convert them into savings

**Take advantage of digital tools**


Some are as simple as budget trackers, while others have the ability to predict consumers behaviour for better financial decision-making


**If you overspend once in a while, don't be discouraged. It happens even to those who habitually plan their financial affairs. Don't give up - all you need to do is to bounce back quickly and get back on track**


Source: Bank Negara Malaysia


Another key to achieving financial well-being is to grow your wealth, similar to how a business owner grows and expands his business. This means doing more with your savings by diversifying and growing your money.


**Diagram 3: Striking a Balance Between Saving and Investing**


- 


Take charge and make decisions that will help your finances grow in the future
- 

Do comparison shopping for financial products that suit your goals and risk appetite
- 

Look out for opportunities to increase your income. Acquire new skills and vary your income source
- 

Learn how to manage finances from credible and reliable sources e.g. Financial Education Network's website [www.fenetwork.my](http://www.fenetwork.my)
- 

Learn about changes in the investment landscape including on cryptocurrencies. Be vigilant and only deal with licensed or authorised entities or individuals. Learn more from [www.investsmartsc.my](http://www.investsmartsc.my)
- 

Be aware that higher returns will come with higher risks. Make sure your investment choices are compatible with your financial goals and the risks you are willing to take
- 

Be wary of financial scams. Refer to the appropriate authority if in doubt

|                                   |   |  |  |  |  |
|-----------------------------------|---|--|--|--|--|
| <b>Enforcement agencies</b>       | <br><b>BANK NEGARA MALAYSIA</b><br><small>CENTRAL BANK OF MALAYSIA</small><br>Bank Negara Malaysia | <br><small>KEMENTERIAN PERDAGANGAN DALAM NEGERI DAN HAL EHRAL, PENGUJURA</small><br>Ministry of Domestic Trade and Consumer Affairs | <br><b>SSM</b><br><small>SURUHANJAYA SYARIKAT MALAYSIA<br/>                     COMPANIES COMMISSION OF MALAYSIA<br/>                     (Agensi di bawah KPDNHEP)</small><br>Companies Commission of Malaysia | <br><b>Suruhanjaya Sekuriti</b><br><small>Securities Commission Malaysia</small><br>Securities Commission Malaysia                    | <br>Royal Malaysia Police           |
| <b>Financial fraud related to</b> | <ul style="list-style-type: none"> <li>• Deposit taking</li> <li>• Foreign currency trade (Forex)</li> </ul>  | <ul style="list-style-type: none"> <li>• Direct selling/MLM</li> <li>• Pyramid scheme</li> <li>• Scratch and win</li> <li>• E-commerce</li> </ul>  | <ul style="list-style-type: none"> <li>• Interest scheme</li> <li>• Kutu scheme</li> </ul>   | <ul style="list-style-type: none"> <li>• Stock/derivative offers</li> <li>• Unit trusts/private retirement schemes</li> <li>• Digital asset (bitcoin)</li> <li>• Peer-to-peer financing and equity crowdfunding</li> </ul> | <ul style="list-style-type: none"> <li>• Fraud cases (investments, loans, gambling, e-commerce, etc.)</li> </ul>         |
| <b>Aid channels through</b>       | 1-300-88-5465<br><br><a href="http://bnm.my/LINK">bnm.my/LINK</a>   | 1-800-886-800<br><br><a href="http://e-aduan.kpdnhep.gov.my">e-aduan.kpdnhep.gov.my</a>  | 03-22994400<br><br><a href="mailto:aduan@ssm.com.my">aduan@ssm.com.my</a>  | 03-62048999<br><br><a href="mailto:aduan@seccom.com.my">aduan@seccom.com.my</a>  | CCID Scam Response Centre: 03-26101559/03-26101599<br><br><a href="http://semakmule.rmp.gov.my">semakmule.rmp.gov.my</a> |

Source: Bank Negara Malaysia

Most of us have debts but it is important not to let the debts derail our lives. Hence, managing debt in line with what you can afford is very important.

Diagram 4: Practise Responsible Borrowing



Pay on time. If you have missed a payment, try to pay as soon as possible to avoid any fees and late payment charges



Evaluate your ability to repay. Experts recommend savings to be at 10%-20% of your income. Although experts suggest that total debt be below 40%, do consider your expenditure too before committing to any financing

On average, expenditure on basic necessities accounted for 30% of monthly income  
Average Monthly Individual Income and Expenditure by Income Group

| (RM)         | Gross Income | Net income after statutory deductions <sup>1</sup> | Savings (10% of net income) | Expenditure |                    |                            | Maximum monthly loan repayment |
|--------------|--------------|--|-----------------------------|-------------|--------------------|----------------------------|--------------------------------|
|              |              |  |                             | Total       | Basic <sup>2</sup> | Discretionary <sup>3</sup> |                                |
| <3,000       | 2,053        | 1,844  | 184                         | 1,281       | 798                | 483                        | 379                            |
| 3,000-5,000  | 3,859        | 3,386  | 339                         | 2,204       | 1,299              | 905                        | 843                            |
| 5,000-10,000 | 6,740        | 5,576  | 558                         | 3,291       | 1,847              | 1,444                      | 1,727                          |
| >10,000      | 15,970       | 11,808   | 1,181                       | 6,522       | 3,484              | 3,038                      | 4,105                          |

1) Statutory deductions include taxation and contribution to Employees Provident Fund  
2) Basic expenditure includes (i) food and non-alcoholic beverages; (ii) housing rental and maintenance; (iii) water, electricity, gas and other fuels; (iv) transportation; (v) communication services; (vi) education; (vii) healthcare  
3) Discretionary expenditure refers to lifestyle spendings such as entertainment, clothing and hobbies

Source: Bank Negara Malaysia, Household Income and Expenditure Survey (2019) by Department of Statistics Malaysia

Assess the maximum loan amount you can afford after setting aside at least 10% for savings



Prioritise paying off debt with higher interest/profit rates



When buying goods or services on instalments e.g. buy now pay later, make sure you can afford the full price, not just the instalment amount. Focus on when the payments are due to avoid charges and debt piling up



Seek help early when facing financial difficulties

Talk to your bank as soon as you face or anticipate any problems in repayment

Contact Credit Counselling and Debt Management Agency (AKPK) for financial advice

Lodge a complaint with BNMTLELINK [bnm.my/RAsurvey](http://bnm.my/RAsurvey) if you have issues with your banks



Regularly re-visit your debt management plan taking into consideration current and expected financial circumstances in the future

AKPK provides free services on financial education, financial advisory, and debt management for individuals and micro, small and medium enterprises



Know your rights when dealing with debt collectors

If you experience any of these, you should lodge a complaint with your bank

- Ask for an authorisation card and written notice from your bank.  
Debt collectors are not allowed to do the following:
- ✓ Use threatening or abusive language to intimidate you
  - ✓ Force their way into your property
  - ✓ Destroy or remove your personal belongings
  - ✓ Visit you at your workplace unless you are not contactable at your place of residence, or you have agreed to the visit
  - ✓ Harass your family members, neighbours, friends or employer for information on your whereabouts
  - ✓ Contact you at unreasonable hours except between 8:00 am and 9:00 pm
  - ✓ Repeatedly approach or contact you with the intention to harass

Source: Bank Negara Malaysia

Many factors can determine your financial well-being including your state of physical and mental health, how you live your daily life and the extent to which others including your loved ones depend on you. Protecting your health and wealth against known risks therefore could be the most important decision you make to safeguard your financial future and provide for your loved ones.

**Diagram 5: Cover Yourself and Your Loved Ones**

- Understand the importance of insurance and takaful protection - it gives you financial protection against your known risks and can help you avoid serious financial hardship when unexpected events happen



Find out about affordable protection for your needs including

- insurance/takaful products e.g. *Perlindungan Tenang*
- social protection by Social Security Organisation (SOCSO) e.g. *SPS Lindung* for self-employed and gig workers



Ask the insurance/takaful agent the right questions before purchasing a policy. Read the product disclosure sheet provided by the insurance/takaful agent to understand the main features and risks of the product



Review your coverage regularly to ensure you are sufficiently protected against risks you may face. Your risks can change over time

- Does the policy cover the risks that I want to insure?
- How much coverage should I have?
- How much premium do I need to pay? Can I afford it in the long-term?
- What are the exclusions under the policy?
- What is the claim process like, documentation needed and how long will it take?

**Checklist**

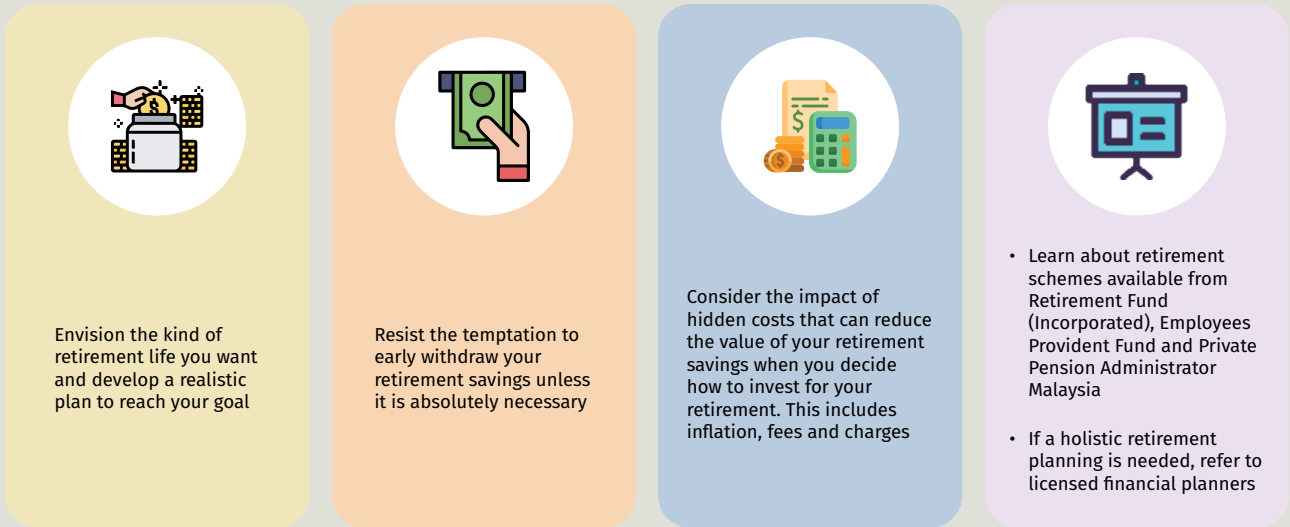
- Know your risks - health, flood, fire, accidents
- Choose which types of coverage you need
- Shop around for affordable options that suit your needs
- Seek information/advice from reliable sources e.g. [www.mycoverage.my](http://www.mycoverage.my)
- Obtain insurance/takaful to cover your risks
- Review your coverage and risks regularly

- Understand the importance of estate planning to protect the welfare and interests of your loved ones after your demise, especially your spouse and children

Source: Bank Negara Malaysia

Your retirement may seem far away, but it is best to start your retirement plan as early as you can, not just a few years before you retire. Whether you are a regular nine-to-five worker or run a gig business, you need to create a solid retirement fund that will help you secure a comfortable living after you retire.

Diagram 6: Setting Your Retirement Lifestyle From Today



Source: Bank Negara Malaysia

# International Engagements

Continued strategic collaboration and constructive policy dialogue with global and regional counterparts were key in informing the Bank's policies in 2021.

## Introduction

The COVID-19 pandemic continued to influence the mode of the Bank's international engagements in 2021. Policy discussions shifted from shorter-term focus on immediate relief measures and the impact of movement restrictions, to when and how best to unwind policy support, and the medium to longer term structural policies to better position economies for stronger, resilient, and sustainable recovery.

## Engagements and Initiatives in 2021

### **Enhancing policy thinking and preparedness**

International policy focus in 2021 was shaped by several key developments. The availability and quick rollout of vaccines contributed to strong economic recoveries. This allowed some countries to turn their attention towards ensuring a sustainable recovery from the impact of the pandemic, while also preparing for the post-pandemic world. However, the uneven global vaccine rollout also led to concerns over divergent economic recovery across countries.

Faced with similar challenges, the Bank actively participated in various policy dialogues at the international and regional fora. This includes engagements at the International Monetary Fund (IMF), the Bank for International Settlements (BIS), the Executives' Meeting of East Asia-Pacific Central Banks (EMEAP), the Association of Southeast Asian Nations (ASEAN) and the ASEAN+3, namely PR China, Japan and Korea. Discussions

at these platforms focused on the importance of vaccine equity in narrowing the divergence in economic recovery across countries; COVID-19 policies and exit strategies; and rising inflationary pressures. Emerging issues such as climate change, digitalisation, and inclusiveness were also among the key issues discussed. These discussions provided valuable insights on policy re-calibrations and the necessary post-pandemic pivots. It also presented opportunities for the Bank to share our views on these policy issues and challenges.

As a member of the International Monetary and Financial Committee (IMFC),<sup>1</sup> the Bank put forward some key regional viewpoints. These include the need for IMF policy advice to remain practical, flexible, and country specific, especially during this fragile recovery period. The Bank also emphasised that the process of improving the IMF's surveillance framework should not impose unnecessary burden or constrain authorities' policy space.

As a member of the BIS Central Bank Governance Group, we shared insights and exchanged views on challenges to discharge central bank mandates amid the increasingly complex economic and financial landscape. In addition, as a member of the BIS Markets Committee, the Bank participated actively in research and policy discussions on monetary policy operations and their interaction with financial markets. We are currently part of a study group to analyse selected trends and features of regional foreign exchange markets to address their implications on capital flows and financial system stability in the region.

To enhance Malaysia's preparedness to emerge from the crisis, we also engaged regional counterparts to

<sup>1</sup> Malaysia represented the Southeast Asia Voting Group at the 2021 IMF Spring and Annual Meetings. The IMFC advises and reports to the IMF Board of Governors on the supervision and management of the international monetary and financial system, including on responses to unfolding events that may disrupt the system. While the IMFC has no formal decision-making powers, it has become a key channel for providing strategic direction to the work and policies of the IMF.

learn from each other's experiences. The Bank had a virtual bilateral meeting with the Bank of Thailand (BOT) to discuss macroeconomic developments and challenges, central bank policy effectiveness, and climate change initiatives. In addition, the Bank provided 42 virtual technical assistance for 17 requesting agencies comprising central banks, monetary authorities, and international multilateral institutions during the year. The Bank also participated in the South East Asian Central Banks (SEACEN) Research and Training Centre's virtual Policy Summit on "Challenges and Options in Managing Capital Flows". The Summit aimed to enhance understanding of financial market dynamics while identifying the most efficient policy tools for regional economies to manage large and volatile capital flows.

### **Strengthening resilience and promoting sustainability for lasting recovery**

**Bolstering financial safety net:** Given global uncertainty, we continued to strengthen our resilience against potential external shocks by enhancing the Bank's external financial safety net. The Bank renewed the bilateral currency swap arrangement with the People's Bank of China (PBOC) in 2021, with a size of RM110 billion/RMB180 billion for a term of five years. The renewal is key to our continued efforts to promote regional financial stability. In addition, the Bank's access to the US Federal Reserve Foreign and International Monetary Authorities (FIMA) repo facility was made permanent in July 2021. The facility was initially established as a temporary facility during the onset of the pandemic in March 2020. Permanent access to the facility further strengthens our ability to address potential short-term US dollar funding constraints. It also provides an additional source of liquidity in the event of a large shock. At the multilateral level, the Bank also supported the IMF's 2021 general allocation of Special Drawing Rights (SDRs) to members amounting to USD650 billion. The allocation added liquidity to the global financial system and bolstered foreign exchange reserves. The allocation also aims to instil confidence and enhance the resilience of the global economy. The Bank also renewed our existing commitments in the IMF New Arrangements to Borrow (NAB)<sup>2</sup> and Bilateral Borrowing Arrangement (BBA).<sup>3</sup>

<sup>2</sup> A multilateral credit arrangement between the IMF and its member countries. After quota resources, the NAB provides a secondary source of financing to the IMF, for the purpose of safeguarding the stability of the international monetary system.

<sup>3</sup> Bilateral credit arrangement between the IMF and its member countries. After quota resources and the NAB, the BBA acts as a third line of defence to the IMF's resource envelope, to ensure that the IMF can always meet the financing needs of its members.

These arrangements supplement IMF's core financial resources amidst increased financing needs of countries affected by the pandemic.

### **Advancing climate-related and sustainability agenda:**

The Bank contributed actively to the global and regional agenda on managing climate change risks and sustainability. As one of the founding members of the ASEAN Taxonomy Board (ATB), the Bank led the working group tasked to develop the foundation framework for the ASEAN Taxonomy for Sustainable Finance. The Taxonomy aims to complement national initiatives to facilitate an orderly transition towards a low carbon economy. It will also enable greater comparability and interoperability between national frameworks. The Bank is also leading ASEAN work on capacity building for sustainable finance, specifically for the banking sector. The Bank collaborated with SEACEN to develop the ASEAN Learning Roadmap and Curriculum on Sustainable Finance. It focuses on elevating understanding of climate risks and the challenges they pose to financial and macroeconomic stability. In support of global climate action, the Bank actively contributed to the work of the Central Banks and Supervisors Network for Greening the Financial System (NGFS). Further details on these developments can be found in the chapter "Towards a Greener Financial System".

**Advancing Islamic finance:** As Malaysia advances its global leadership in Islamic finance, we continued to offer solutions, expertise, and knowledge as well as shape development of international standards for Islamic finance at international fora. This was delivered through the Bank's representations at strategic and technical committees of the Islamic Financial Services Board (IFSB),<sup>4</sup> and participation in various international engagements such as the OIC-COMCEC Central Banks Forum and COMCEC Financial Cooperation Working Group. We also continued to advocate for mutual recognition of Shariah rulings across Islamic finance markets worldwide. This was done through dialogues with Shariah scholars. These engagements allowed for greater sharing of country experiences including in advancing value-based intermediation and in developing a robust social finance ecosystem. More information on the Bank's initiatives in promoting Islamic finance can

<sup>4</sup> BNM's capacity at the IFSB includes member of the IFSB Council (Governor), the Deputy Chair of the Executive Committee (Deputy Governor) and members of technical working groups including capital standards for Islamic banks and takaful operators, Shariah governance and core principles for takaful.

be found in the chapter “Promoting a Progressive and Inclusive Islamic Financial System”.

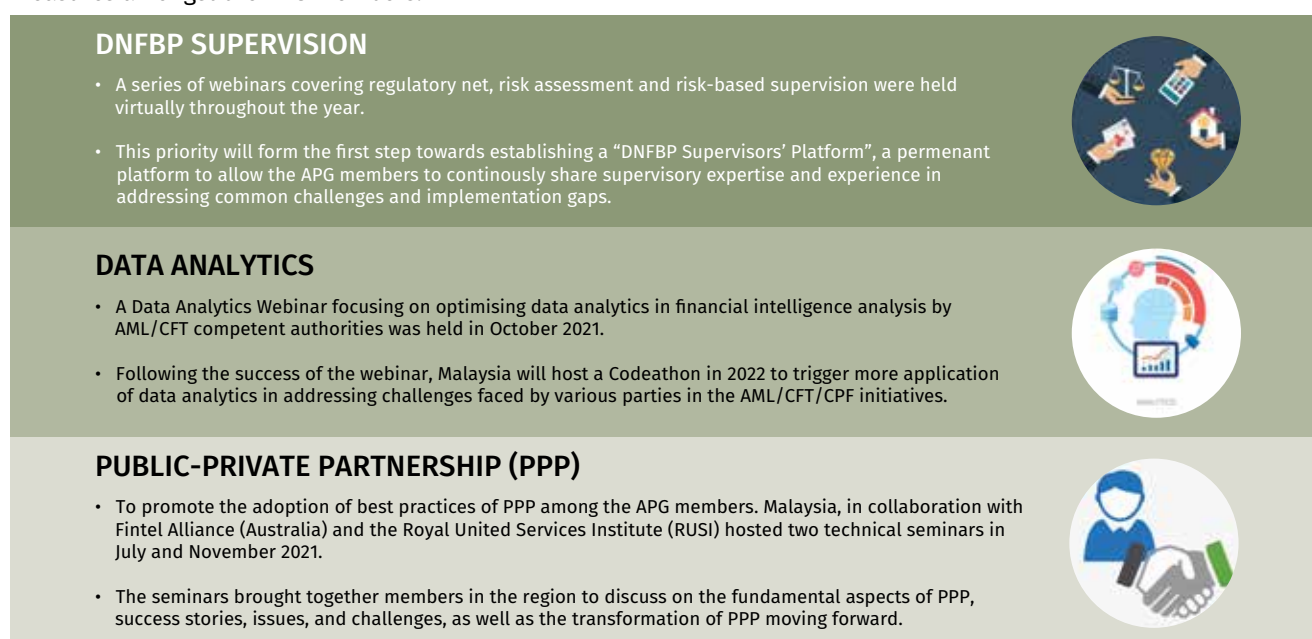
**Preventing and combating money laundering, terrorism financing and proliferation financing (ML/TF/PF):** Malaysia continued to play a leading role in combating financial crimes within the region. As the Co-Chair of the Asia/Pacific Group on Money Laundering (APG)<sup>5</sup> for 2020-2022, Malaysia advanced several initiatives under the Co-Chairs’ Priorities. These include the supervision of Designated Non-Financial Businesses and Professions (DNFBP),<sup>6</sup> application of Data Analytics in financial intelligence and strengthening Public-Private Partnerships (PPP). These initiatives provided the avenue for all APG members to discuss, share experience and exchange insights on the latest ML/TF trends and best practices on anti-money laundering and countering

financing of terrorism (AML/CFT) collaboration. Further details are provided in the Spotlight Article on “APG Co-Chairs’ Priorities: Leading Asia-Pacific in Combating ML/TF/PF”.

The Bank also actively participated in other international fora such as the Financial Action Task Force (FATF)<sup>7</sup> and Financial Intelligence Consultative Group (FICG).<sup>8</sup> We supported a number of FATF projects, namely, on Digital Transformation, Environmental Crime, and Migrant Smuggling. The Bank also spearheaded several financial intelligence initiatives in collaboration with our counterparts at FICG. These initiatives aim to address regional issues, particularly in relation to fraud, scams, and corruption proceeds. Additionally, the Bank continued to extend technical experts for mutual evaluations<sup>9</sup> conducted by the FATF and the APG.

#### Diagram 1: APG Co-Chairs’ Priorities 2020-2022: Leading Asia-Pacific in Combating ML/TF/PF

Malaysia has identified and delivered several initiatives to further support the implementation of AML/CFT/CPF measures amongst the APG members.



Source: Bank Negara Malaysia

<sup>5</sup> The APG is a regional inter-governmental organisation, focusing on ensuring its members effectively implement the international standards set by the FATF. The APG is part of a global network of similar bodies (i.e., FATF-Style Regional Bodies, FSRBs) and is the largest in terms of membership and geographical size.

<sup>6</sup> A collective term used to describe casino, gaming outlets, real estate agents, dealers in precious metals or precious stones, as well as individuals and institutions that offer various types of gatekeeping services, namely lawyers, accountants, company secretaries and trust companies.

<sup>7</sup> The FATF is an inter-governmental body that sets international standards and promotes effective implementation of legal, regulatory and operational measures for combating threats to the integrity of the international financial system.

<sup>8</sup> The FICG is a regional body of Financial Intelligence Units (FIUs) from Southeast Asia, New Zealand and Australia. It is co-chaired by the Australian Transaction Reports and Analysis Centre (AUSTRAC) and Indonesian Financial Transaction Reports and Analysis Centre (INTRAC).

<sup>9</sup> Mutual evaluations are peer-country review system, which analyses the levels of compliance with international AML/CFT standards, as well as effectiveness of measures undertaken by a country.

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

Deepening regional financial integration remained among the key priorities for the Bank in 2021. On the payments front, the Bank and BOT launched a cross-border QR payment linkage between Malaysia and Thailand. Early in 2022, the Bank also launched a similar payment linkage with Bank Indonesia (BI). With these payment linkages, consumers and merchants in Malaysia and these countries will be able to make and receive instant cross-border QR code payments. The Bank also plans to establish payment linkages with other ASEAN countries. This will further support the ASEAN Economic Community 2025 Strategic Action Plans for Financial Integration. The Bank expanded the existing bilateral Local Currency Settlement Frameworks (LCSFs) with BI and the BOT in 2021. This is to facilitate wider use of local currencies for trade and investment settlement among regional countries. With the expansion, the LCSFs now provide greater accessibility to ringgit, baht and rupiah-denominated financial services for individuals and businesses.

The Bank also continued negotiating and finalising the country's financial services commitments in several Free Trade Agreements (FTAs). This

includes securing access to the international trade network via FTAs such as the Ninth Package of Financial Services Commitments under the ASEAN Framework Agreement on Services (AFAS); negotiating the Malaysia-EFTA Economic Partnership Agreement (MEEPA), as well as reviewing the ASEAN-Australia-New Zealand Free Trade Area (AANZFTA) and Malaysia-Turkey FTA.

## Going Forward

The threat of new variants is a reminder that the pandemic is far from over. The uneven global economic outlook, rising inflationary pressure, coupled with heightened uncertainties on global financial conditions will continue to pose policy challenges in 2022. As many economies face similar circumstances, the Bank will continue to leverage international engagements to exchange ideas and support collective efforts to address policy challenges at the regional and global levels. Beyond near term challenges, the Bank remains committed to deeper regional financial integration, and advancing international cooperation on climate change, digital economy, and financial inclusion.