

**FSI-EMEAP High Level Meeting Dinner:
“Better Supervision and Better Banking in a Post Crisis Era”
Kuala Lumpur, 16 January 2011**

Welcoming Address by

Tan Sri Dato’ Sri Dr. Zeti Akhtar Aziz
Governor, Bank Negara Malaysia

It is my pleasure to welcome you to this Financial Stability Institute (FSI) EMEAP high level meeting for Banking Supervisors. Bank Negara Malaysia is honoured to host this event that brings together senior officials from the regulatory community, as well as, the leadership from the banking industry from the Asian region to discuss Supervision and Banking in this post crisis era.

We are now in a period of profound and fundamental change for the industry and for regulators and supervisors. The issuance of the final reform package by the Basel Committee in December 2010 marks the completion of a key milestone in the international financial reform process that began in the aftermath of the global financial crisis. This process has been complex, involving multiple tracks of intense dialogue taking place, both at the international and regional levels. The journey towards building a more resilient international financial system, however, is far from over.

For this set of reforms that have been issued by the Basel Committee, the next phase involving the implementation will be equally challenging. There is already great anticipation on how the new standards would be phased in, and its impact on the financial sector landscape. Of importance, is ensuring that the implementation of the regulatory reforms does not impair the ongoing economic recovery process. Further, while major agreement has been reached on the key components concerning capital and liquidity, a number of other significant areas still remain largely work in progress. Against this backdrop, it is important that policy makers and the financial industry maintain a continued open and constructive dialogue on developments affecting the industry, in particular, to avoid any unintended consequences from these reforms.

Economic outlook

We are now entering the second year of global recovery. The rebound in 2010 has been largely led by the exceptional performance of the emerging economies, in particular, in Asia. Growth is expected to remain strong this year, although at a more moderate pace compared to 2010. Amid favourable growth prospects, Asia will however have to manage the impact of international developments given its high degree of economic and financial openness. The global attention is currently focused on the fiscal conditions of several of the advanced economies, the progress in the financial reforms and on the monetary and financial measures being implemented in the crisis affected economies. A major challenge for most emerging economies in 2011 will be the management of the highly volatile capital flows. The strong growth in Asia has and will continue to attract this massive increase in global liquidity in the form of capital inflows into the region. This calls for greater vigilance on the part of the policymakers in the region. Several regional economies have already implemented measures including macro prudential measures to preserve macroeconomic and financial stability.

Against the backdrop of continuing uncertainties, Asia is expected to continue to lead global growth, supported by strong macroeconomic fundamentals and sound financial systems. The revival of private sector economic activity has been an important factor in sustaining the strong growth prospects in Asia. On the domestic front, the Malaysian economy is set to register a growth in the region of 7% for 2010. While the external sector may be affected by the slower global growth, the growth momentum of domestic demand is projected to be sustained in 2011, supported by the continued firm expansion in private

sector activity. Most encouraging is that private investment is expected to strengthen and become an important contributor to the growth.

Achieving financial stability objectives

Let me now turn to the efforts to achieve greater financial stability. While there is still much work to be accomplished at the international level, an immediate priority ahead is to achieve effective and well coordinated approaches to the implementation of the announced financial reforms. This is important given the greater inter linkages in the global economy. While the outcome of the quantitative impact studies have predicted that the long term benefits of the measures will outweigh the short term costs arising from the adjustments, actual experiences are likely to vary across different jurisdictions.

While individual jurisdictions may be confronted with specific challenges of implementation that may arise from differences in economic and market structures, there is also much in common, particularly among emerging economies, that can be shared among jurisdictions. The period of observation on some of the components of the reform package provided by the Basel Committee is welcomed. It will allow jurisdictions to consider appropriate actions needed to support the effective implementation of the reforms. At the same time, there is an expectation that there will be a willingness by the international standard setting community to adjust or otherwise supplement current prescriptions, frameworks or implementation strategies as more experience is gained under changing market conditions. The effective implementation would also require support for the implementation of the reforms, particularly in the area of capacity building, particularly in the emerging and developing world. Inclusive communication channels with the market and an inclusive process of global consultations will allow us to benefit from the experience of others and, more importantly, facilitate more coordinated policy responses and thus support the orderly adjustments to the new standards.

While the evolution of financial stability policies over the recent two years has seen clearer mandates being established for the regulatory authorities, the framework for financial stability both at the national and international levels continue to be a subject of intense discussion. The focus has been on the efficacy of policy instruments needed to preserve financial stability, the structure and design of decision making frameworks and the institutional arrangements and accountabilities in regard to financial stability policies. An important part of this is that, with the accountabilities, is the need to have broad range of instruments and the policy space and flexibilities to achieve the specific financial stability policy objectives. In addition to this, for many emerging economies, an important mandate is also to develop the financial system. For most Central Banks in emerging economies, this developmental role is integral to maintaining the orderly development of the financial system and hence financial stability over the longer term.

Intensified supervision and strengthened governance

The global financial crisis has also prompted a renewal and further strengthening of supervisory approaches, and intensified efforts to deepen supervisory cooperation across borders. This reflects the growing significance of internationally and regionally active financial institutions. Although the risk based supervisory approach is already adopted in many countries and provides the framework for enhanced risk assessments with more informed supervisory judgments, the methods used to determine supervisory intensity may need to be regularly re examined given the continuous pace of financial innovation and changing market conditions.

As more jurisdictions move to adopt more principle or outcome based approaches to regulation, ensuring rigorous and proportionate supervision, will become increasingly important to ensure prudent risk taking in the financial system. While compliance will remain important, the nature and intensity of supervisory relations with financial institutions are already seeing a

more prominent shift towards more open and engaging interactions that allow both supervisors and financial institutions to develop a more complete understanding of risks confronting the institutions and industry as a whole. This also supports current efforts to strengthen the macro prudential orientation to risk management, both at the system and institution level whereby the assessment of institutional risks is complemented by considerations of macroeconomic developments and collective market behaviors that can have a significant impact on financial stability.

The reform measures to enhance the resilience of financial institutions and the supervisory capabilities to identify and assess risks at the macro level are also being reinforced with efforts to strengthen the caliber of the boards and senior management of the financial institutions. In Malaysia, our commitment towards enhancing the performance of boards of financial institution has not only been through the issuance of supervisory guidance, but also with the introduction of a rigorous Education Programme for Directors that was launched in 2008. Beginning this year, this programme is open to directors of financial institutions outside Malaysia. In drawing from the many lessons from the Asian financial crisis and this recent global financial crisis, nurturing of a strong risk culture and ethical workforce within the financial industry is absolutely fundamental to our efforts to promote financial stability and the need for this to start with the board and management of financial institutions.

In the wake of the crisis, greater expectations are being placed on the board and senior management to have more effective leadership and oversight roles. These expectations have in certain jurisdictions been translated into responses that have included intrusive approaches to appointments of directors and key personnel of financial institutions, while at the international level it has resulted in substantial enhancements to existing international supervisory standards on corporate governance. In the process, we are seeing renewed debate and dialogue on how fundamental precepts of governance should be

best operationalised to achieve their substance over form, including the notion of separation between oversight and management, the determination of the relevant board competencies in today's environment and the appropriate role of the board, the management and the supervisor in reinforcing sound governance practices. It is thus important for a continuous process of renewal of established practices to preserve the foundation for financial stability.

Scope for greater collaboration

In a world that is highly interconnected, the scope for supervisory cooperation and collaboration for the effective conduct of financial stability policies is now already expanding. The regional cooperation among central banks and supervisory agencies in Asia itself has advanced in many areas, particularly in the aftermath of the Asian Financial crisis. The focus of cooperation has gone beyond the traditional areas of financial stability, financial markets and payment and settlement systems to cover the more technical policies and the forward looking issues. Despite this notable progress, there remains opportunities to leverage more on existing platforms to address more recent challenges pertaining to cross border issues such as regulatory arbitrage, facilitating financial integration, and establishing a more robust framework for regional macro surveillance and crisis management.

The global crisis experience also offers important insights that could further deepen our understanding and cement cooperation in the area of cross border resolution of problem institutions. The ongoing efforts in Europe to implement "living wills" would be of significant interest to this region, from the perspective of their construction as well as implementation. While these approaches are still untested, this exercise will make an important contribution to deepen our understanding on the relevance of business models and the different regulatory structures and legal systems that have an important bearing on the operations of significant institutions with cross border operations.

Moving forward, more experience is still to be gained in regard to effective financial stability communication strategy, an element that has not received much attention until the recent crisis. Credible financial stability communication strategies, particularly during periods of heightened uncertainties will require appropriate timing and delivery as well as effective coordination among relevant agencies. The effective coordination of announcements on the blanket government guarantee and liquidity measures in Malaysia, Singapore and Hong Kong during the recent crisis for instance, had helped sustained the overall confidence in our financial markets. Similarly, there are also lessons to be learned in regard to the experience in the communication of supervisory stress test results in Europe and the United States.

Conclusion

Given the dynamics of the financial markets today, more effective engagements between policy makers and the industry, both within and across borders have never been more important so as to bring about a greater awareness of key financial stability issues, to further sharpen supervisory and management judgements and to promote greater collaboration on multiple fronts. Enhanced prospects for greater global financial stability depend on a sustained commitment to these priorities. Ultimately, the goal is to strengthen our collective ability to anticipate and respond effectively to developments that affect financial stability, not just in these present challenging times, but through what will likely be an extended period of global adjustments going forward.

Launch of Bloomberg's Enhanced Islamic Finance Platform Kuala Lumpur, 21 February 2011

Keynote Address by

Tan Sri Dato' Sri Dr. Zeti Akhtar Aziz
Governor, Bank Negara Malaysia

It is my pleasure to join you this morning at this Launch of the Bloomberg Enhanced Islamic finance platform. This development is timely as Islamic finance is envisioned to continue to make great strides in this new decade. Such an information platform is an important element for the more efficient functioning of the Islamic financial markets in the international financial system. In this recent ten years we have seen significant developments in Islamic finance in both our domestic and the international financial system. In this more challenging and uncertain environment, Islamic finance has demonstrated its resilience and viability and has sustained its growth momentum.

Today, with the increasing internationalisation of Islamic finance, its continued growth and expansion will very much depend on extensive information which can be efficiently accessed. Bloomberg has for two decades been serving the Islamic financial community providing access to news offerings and timely data and information. The initiative today to enhance its Islamic finance platform is thus a highly welcomed development. The seamless flow of information in the Islamic financial markets is integral to facilitate the efficient price discovery process and maintain the vibrancy of the Islamic financial industry. Data and news that transcends boundaries in real time are important for not only investors and financial institutions but also for researchers and scholars in Islamic finance. It will contribute towards enhancing competitiveness, product innovation and strengthen the international financial inter-linkages.

As we enter this new decade, the challenge for the world is to sustain the economic recovery. While there continues to be many problems still to be addressed in the developed world, most emerging economies have continued to do well. In Malaysia, our economy recorded a

strong growth of 7.2% in 2010 driven by strong domestic demand and our stronger economic and financial linkages with other emerging economies. An important part of this recovery is the strong recovery in private investment as capacity utilisation increases and as the dynamic nature of our economy presents new investment opportunities in new growth areas.

For the Islamic finance industry, the year 2011 is set to be an exciting period. The global sukuk issuance in the year 2010 surpassed that of the previous year by more than 20 per cent. Against this positive growth, renewed confidence of investors and issuers is evident. In 2011, the sukuk issuance is projected to surpass the level recorded in 2007 when it sustained the highest level of issuances. The year 2010 also saw Malaysia's evolution as a multi-currency sukuk origination platform with four foreign currency sukuk issuances amounting to about USD3 billion. This trend will benefit from the Bloomberg AIBIM Bursa Malaysia Sovereign Shariah Index (BMSSI) developed by the Association of Islamic Banking Institutions Malaysia (AIBIM), Bursa Malaysia and Bloomberg that is also being launched today as part of the enhancement in the Islamic finance platform.

The launch of this ringgit sukuk index marks another significant milestone in the Malaysian Islamic financial environment as it measures the performance of ringgit denominated Shariah compliant government securities in addition to the benchmarking purposes. This development has been part of the continuous support by AIBIM and Bursa Malaysia to further strengthen Malaysia's position as a leading sukuk market in the world. The collaboration between AIBIM, Bursa Malaysia and Bloomberg is also expected to see a ringgit corporate sukuk index in the offing. Moving forward, efforts are underway

between Bank Negara Malaysia and Bloomberg to broaden this initiative to develop a foreign currency sukuk index. The liberalization of our financial markets is expected to attract more such foreign currency sukuk issuance by sovereign entities, multilateral institutions and multinational corporations.

In further strengthening the infrastructure for the sukuk market, the Malaysian Electronic Clearing Corporation or MyClear, a wholly-owned subsidiary of Bank Negara Malaysia that operates the country's real time gross settlement system and securities depository system, is also undertaking an initiative to promote cross-border financial transaction that is efficient, reliable and secured. This initiative reflects our commitment towards financial integration in the ASEAN region and the global financial system through closer linkage with other central securities depositories, namely Euroclear and the Central Moneymarkets Unit (CMU) of the Hong Kong Monetary Authority. It is expected that other central securities depository will participate in this initiative to heighten this cross-border linkage. MyClear is thus set to be one of the key multilateral settlement platforms that will facilitate sukuk trading transactions. The implementation of this initiative which is scheduled to be completed in the second half of 2011 offers cost-effective access for foreign investors to invest in Malaysian securities deposited with MyClear. At the same time, it will enable Malaysian investors to invest in foreign securities deposited with international and regional central securities depositories institutions. Moving forward, MyClear will continue to expand its horizon to other regions across the world.

Another infrastructure development that is taking shape in the international Islamic financial system is the establishment of the International Islamic Liquidity Management Corporation (IILM). Launched in October 2010, the IILM has begun its operations in Kuala Lumpur on the 1st of February. Its main task is to issue short-term multi-currency liquidity instruments to facilitate the cross-border liquidity management between financial centres and at the same time enhance the financial inter-linkages. The IILM is scheduled to roll out the issuance of liquidity instruments later this year. This will allow for more efficient management of financial flows across borders and thus contribute towards the efficient internationalisation of Islamic finance.

As the Islamic financial community significantly grows in size, it is congruent that this enhanced Islamic finance platform being launched today has widened its outreach to the subscribers globally and from contributors of data and information from institutions around the world. To support this new enhanced Islamic finance platform, Bank Negara Malaysia and the other community members under the MIFC initiative is pleased to be one of the contributors. The MIFC page in the enhanced platform provides insights on Shariah, MIFC business opportunities and key developments. It also hosts the extensive network of Islamic financial community in Malaysia.

On this note, I wish to congratulate Bloomberg, AIBIM, Bursa Malaysia and the many teams that worked on this initiative to serve the Islamic financial industry.

**Advancing Women's Leadership in Public Life
"Power Sharing in the Public Sector" at the Women in Leadership Forum
Kuala Lumpur, 22 February 2011**

Speech by

Tan Sri Dato' Sri Dr. Zeti Akhtar Aziz
Governor, Bank Negara Malaysia

Introduction

In this twenty-first century, it is human capital rather than physical capital that will define performance and progress. Women represent half of the world population and therefore half the potential resource that can drive such performance. This is reinforced by the more recent trend that increasingly, the majority of those with college education are women. Increasingly therefore, this group represents a more significant resource potential that can rise to leadership positions. In emerging economies, where such high powered talent is scarce, gender has not been of an issue. Women have risen to leadership positions based on their merits and capabilities.

Women in Malaysia have certainly made significant strides in their participation in all segments of the Malaysian economy and have demonstrated their ability to lead and to succeed in both the public and private sectors. It is my honour to be here today to speak at this Women in Leadership Forum on the topic on "Advancing Women's Leadership in Public Life: Power Sharing in the Public Sector". In Asia, in particular, women have risen to key positions and have been given the opportunity to contribute to the nation's progress and development. In an age of greater demands for performance and in an environment of increased scrutiny and transparency, the transition to such leadership positions has not been based on gender. Indeed, it is based on the capability as administrators, policy makers and thought leaders. Power sharing is therefore the shared power to contribute to the nation rather than on the power that is wielded. My presentation today will therefore start on the role of the public sector and its accountabilities before discussing women and leadership in the public sector, its challenges and some strategies for success.

Accountabilities of the Public Sector

The role and accountabilities of the public sector differs markedly from the private sector. Unlike in the private sector, financial measures are generally not the indicator of the performance of agencies in the public sector. In addition, actions taken by the public sector have far reaching implications on the economic well being of the public at large and entire spectrum of businesses. Such actions may even have implications on other countries given the greater international interdependence that prevails in the current environment. The responsibility and accountability is therefore immense. History has shown that mismanagement can greatly damage a nation resulting in high costs to the people of the country. In contrast, well managed nations have brought great prosperity to its people.

Being in the public sector is all about bringing value and benefits to its citizens. Such benefits can include improved housing, education, health and transportation. It could also include eradication of poverty, reduction in crime and environmental sustainability. In the current environment of greater transparency and enhanced communication channels, there is now greater awareness of the prevailing circumstances. This has produced high expectations. It has also reduced tolerance for inefficiency, poor performance, irregular practices and non-delivery of the results. The expectations are for a public sector that best serves its nation and that delivers the expected results in the most effective and efficient manner.

Similar to the private sector, the public sector is confronted with a dynamic environment of rapid change. Approaches that have produced previous successes may now have become no longer relevant. In these situations, previous

skills and capabilities will no longer be adequate. In addition, it will be the cumulative efforts of all parts of the public sector that will produce the results. It will no longer depend on a specific part of the system but on several parts of the system. Previous arrangements will therefore become no longer effective. New challenges that have become more complex will require new tools and systems to solve them. The organisation will thus need to be transformed to meet the changing requirements of the new environment.

To contribute to a nation's progress and development, therefore, demands for the ability to manage these new challenges. The role of the leadership in the public sector has thus changed significantly. Successful nations are those that have accorded priority to its human capital and to organisational review and transformation. Given the scarce high-powered human capital, there are tremendous opportunities for women with the capabilities to take on leadership responsibilities in the public sector and thus contribute towards achieving the greater well being of the population.

Advancing Women's Leadership in the Public Sector

As an important component of the human capital resources women are increasingly becoming a growing force in the talent pool. To advance forward to leadership positions requires the investment in leadership development. While there are several common threads in leadership in both the private and public sectors, there are some specific leadership characteristics that are important for the public sector.

Firstly, it involves having great clarity of the vision - of the objective that needs to be achieved by the organisation and the results that needs to be delivered. Unlike in the private sector, this is not measured in terms of financial results. Frequently this may be difficult to measure in quantitative terms. Nevertheless, it is vital so that the resources and energies of the organisation can be aligned to achieving the results. Equally important, it allows the organisation to stay focussed, to stay on course when there are a multitude of pressures that may disrupt or distract

the organisation by different stakeholders that have different perceptions and expectations on the organisation.

Secondly, is having the ability to articulate this vision with others in the organisation and also with those that will be affected by the actions taken by the organisation. This is to ensure that the energies of the workforce will be channelled to achieving the strategic results required. Very often, the shared vision with those that are affected by the actions of the organisation also allows for the combined efforts to be mutually reinforcing.

Thirdly, and importantly is knowing and understanding the business and the key elements that drive the organisation. Knowing how the system works and how the objectives might be realised. This involves having the knowledge, the skills, the information, the methodologies and the organisational structures needed to deliver the results. This is important so that the ideas can be translated into results.

Fourth, given the nature of the business of the public sector and the diverse stakeholders involved, leadership in the sector requires coordination and integration skills that is able to pull together diverse thinking and diverse information and the ability to integrate the different perspectives into a solution that produces the desired outcomes. This will also involve coordination skills required to bring together not only the different parts of the organisation but also other organisations in the public sector that can contribute to achieving the desired results.

Fifth, it involves managing trade-offs. Frequently, actions that need to be taken involve different implications on different target groups. This may involve interests that are conflicting. This will therefore involve balancing the trade-offs and managing the risks to the different interests of the different segments of society.

Sixth, is a skill that is increasingly important in the current environment. It is the management of crisis. Unlike previously, when conditions were relatively stable, the current environment is frequently plagued by crisis. During such times of distress and instability, the public

sector is at the forefront in providing a response, in providing a solution to the crisis. In making decisions, during such times, any delays, inaction or wrong policies can produce widespread damage to the entire country.

Seventh, is the ability to effectively manage under intense pressures. Such pressures can emanate from the high expectations of the different stakeholders, the crisis conditions or from the failure of other parts of the public sector that have implications on your performance. However, being strategically focussed and having the ability to stay on course avoids being derailed by such pressures.

Eighth, is then courage and bravery to undertake the responsibilities. At the extreme it requires having nerves of steel. This is to enable sound decisions at the time of high level of distress and ensures that the organisation remains calm and cohesive during such times.

Ninth, is having the drive and unwavering perseverance to pursue the vision. The agenda of public sector which is to ultimately improve the well being of its citizens is a long haul business which therefore requires perseverance. It often requires several pre-conditions to be in place, it requires having the enabling environment and the different parts of the public sector to come together to act cumulatively to deliver the results. Frequently, this synchronisation does not happen. Strong convictions on the cause, reinforced by the capabilities and supported by the perseverance increases the potential to produce results that makes the difference.

Finally, and most importantly is the ability for continuous reinvention. The changing environment is more globalised, more competitive, more uncertain and ambiguous, more technologically driven, more prone to crisis, and is subject to greater scrutiny and demands for greater transparency. This more difficult operating environment demands new skills and abilities to manage these new challenges. Indeed, the role of leadership is dynamic and has changed considerably. Reinvention is to support the ability to creatively respond to change.

Building Effective Organisations

To strengthen our ability to manage the new challenges arising from the changed environment, equally important is building effective organisations with the capabilities that will deliver results. This will involve organisational reviews and the continuously modernising of the organisation so that it can continue to best serve the nation. Such endeavour will require periodic environmental scans and envisioning to revalidate the strategic thrust of the organisation. Modernisation efforts then need to be supported by a blueprint of the strategic steps and initiatives that need to be taken. Women that have the capability must be brought in at the leadership levels to participate in this process. To increase opportunities for women would require opportunities for education and for the acquisition of experience and exposure. After formal education, it is experience and expertise gained from coaching and mentoring that will further enhance an individual's contribution to organisational effectiveness.

In a modernised organisation, the performance management process demands the highest level of excellence and the ability to produce the desired results within the specified time frame. Transformed organisations involve a shift from task based activities to becoming result oriented with clear focus on the mandate and the key performance indicators. To incentivise such a performance driven organisation, recognition of performance and the reward system in place needs to be highly differentiated. For many countries this is yet to be put in place.

The organisational transformation also needs to place value on life- long learning, knowledge management and opportunities for greater work life balance. Opportunities for learning are vital for capability development. Finally, new governance structures also are keys to ensure the rigour of how decisions are made in the organisation and that there are sufficient checks and balances to ensure the best decisions are made and the highest level of credibility and integrity are achieved.

Challenges

While the opportunities are immense for women in the public sector, yet few rise to leadership positions. While there is still a glass ceiling, as we advance forward into the future, the foundations are already in place for women to advance forward into leadership positions. The challenge is to recognise continuous reinvention that is needed - to acquire new knowledge, new skills, new experience so as to be able to have the new capabilities to deal with the new challenges.

For a woman who is a mother, wife and daughter, the sacrifice involved is great. The challenge will be to achieve a balance so that work performance is not being adhered at all cost. Support systems at the work place and at home is vital. Equally important is time management, stress management and people management. Finally, more so in the public sector - as the pressures come from several fronts given the far reaching and wide spread implications of the actions taken, leadership positions require a high level of courage and endurance. Having strategic

focus and energies aligned to achieving the results reinforces the ability to cope under such pressures.

Conclusion

Let me conclude my remarks. The demands that leadership in the public sector entails is immense. Such leadership is about delivering results and making a difference in the lives of others. To achieve this, there needs to be a conscious need to reinvent ourselves to be able to rise to the imperatives of duty to the nation. This reinvention involves leadership, institutional and organisational capabilities to respond to the changes in the environment. It is with these transformations that we are set to successfully lead.

While women are a growing force in the talent pool, the real power will be a shared power. It will be women and men working together leveraging on each others comparative strengths, experience and knowledge that will allow us to make the difference that best suits our circumstances and that is able to bring us to the best level of performance and progress.

CALENDAR OF EVENTS Jan – Mar 2011

16 January 2011

Governor Dr. Zeti highlighted several key messages during her welcoming address at the Financial Stability Institute (FSI) – Executive Meeting of East Asia Pacific Central Banks (EMEAP) high level meeting for Banking Supervisors. She said that given the dynamics of the financial markets today, more effective engagements between policy makers and the industry, both locally and across borders is important to create greater awareness of key financial stability issues. These engagements would sharpen supervisory and management judgements as well as promote greater collaboration on multiple fronts. She added that enhanced prospects for greater global financial stability depend on sustained commitment to these priorities. She emphasized that the ultimate goal is to strengthen policy makers collective ability to anticipate and respond effectively to developments that affect financial stability in the present challenging times as well as in the future.

19 January 2011

The Bank announced the launch of the Pengurusan Wang Ringgit Anda (POWER!) Programme as part of its ongoing efforts to promote financial literacy and sound financial management among the members of the public. The POWER! Programme is targeted at young individuals and new borrowers with the aim of empowering them to effectively manage their finances. This will in turn contribute towards promoting better protection for financial consumers and a more resilient household sector. The Programme, managed by Agensi Kaunseling dan Pengurusan Kredit (AKPK), is offered free of charge nationwide and it provides individuals with practical financial knowledge and skills as well as decision-making tools to make sound financial decisions.

27 January 2011

At its first meeting for 2011, the Bank's Monetary Policy Committee (MPC) decided to maintain the Overnight Policy Rate (OPR) at 2.75%. The MPC stated that at this stage, it considers the current monetary policy stance as appropriate and consistent with the current assessment of economic growth and inflation prospects. It added that the stance of monetary policy would continue to remain accommodative and supportive of economic growth. On the same day the Bank also announced the appointment of three new Assistant Governors; Encik Donald Joshua Jaganathan, Encik Abu Hassan Alshari Yahaya and Encik Marzunisham bin Omar effective 1 February 2011.

18 February 2011

The Bank announced that the Malaysian economy registered a growth of 4.8% in the fourth quarter of 2010, driven by strengthened domestic demand. Higher private consumption and public sector capital spending contributed to the expansion in domestic demand. On the supply side, all economic sectors continued to expand further during the quarter, with the exception of the primary sectors namely agriculture and mining. For the year as a whole, the Malaysian economy registered a growth of 7.2%. The headline inflation rate increased by 2% in the fourth quarter attributed mainly to higher food and fuel prices.

21 February 2011

In her keynote address at the Launch of Bloomberg's Enhanced Islamic Finance Platform in Kuala Lumpur, Governor highlighted that the global sukuk issuance in 2010 surpassed that of the previous year by 20 percent. She added that the year 2010 also saw Malaysia's evolution as a multi-currency sukuk origination platform with four foreign currency sukuk issuances amounting to about USD3 billion. She further noted that the launch of Bursa Malaysia Sovereign Shariah Index (BMSSI) marked another significant milestone in the Malaysian Islamic financial environment and further strengthened Malaysia's position as a leading sukuk market in the world.

24 February 2011

The Bank was once again awarded the "Best Central Bank in Promoting Islamic Finance" at the Islamic Finance news Awards 2011 Ceremony held at Shangri-La Hotel, Kuala Lumpur. This was the sixth consecutive year that the Bank had won the award, since the inception in 2005.

11 March 2011

At its second meeting for 2011, the Bank's MPC maintained the OPR at 2.75%. Moving forward, it said while the stance of monetary policy is expected to remain supportive of growth, the degree of monetary accommodation may be reviewed given the sustained growth in the economy and risks to inflation. This is to ensure the sustainability of the growth prospects on the Malaysian economy.

As a pre-emptive measure to manage this risk of build-up of liquidity (arising from significant capital inflows into emerging economies particularly Asia) from resulting in macroeconomic and financial imbalances, the Bank also announced the increase in the Statutory Reserve Requirement (SRR) Ratio from 1.00% to 2.00% effective 1 April 2011. The increase in the SRR is thus an instrument to manage liquidity and not a signal on the stance of monetary policy.

On the same day, the Bank also announced a New Motor Cover Framework to address concerns of high premiums and difficulty in having access to motor cover. The new framework would improve the efficiency in providing motor cover policies and would ensure greater public access to purchase motor insurance at reasonable prices. The public would also benefit from a much better service and secure early compensation. Under the new framework, insurance premium for several motor vehicle categories will be adjusted gradually starting January 2012 over a period of four years. The new framework would also improve the efficiency of claims settlement by reducing the average period to six to 18 months from one to five years currently.

18 March 2011

The Bank announced new measures on credit cards as part of its continuous efforts to promote prudent financial management among users as well as responsible business practices by the issuers, with further enhancements in the security infrastructure. With immediate effect, the minimum annual income requirement for credit card eligibility was raised to RM24,000 from RM18,000 previously. Further, card holders earning RM36,000 per annum or less, can only hold credit cards from a maximum of two issuers with their credit limit capped to double their monthly income per issuer. In addition, issuers are required to be fair, transparent and responsible in marketing and offering of credit card facilities to consumers. This includes disallowing issuers from; increasing credit limit without obtaining cardholders' consent and; offering credit advance in the form of cheque payable to cardholders unless the card holders have requested for it. Furthermore, effective 1 January 2012, card issuers will implement Short Messaging Service (SMS) alerts to their card holders after transactions are made. This will be followed by the implementation of the Personal Identification Number (PIN) verification for all card transactions from 1 January 2015 onwards.

23 March 2011

The Bank released its Annual Report and the Financial Stability and Payment Systems Report for 2010. At the press conference, Governor announced that the Malaysian economy experienced a strong growth in 2010 with an expansion of 7.2%. Growth was driven mainly by robust domestic demand, with strong expansion in private sector activity. Meanwhile, the public sector continued to support the domestic economy through programmes to enhance the country's infrastructure and public sector delivery system. On the supply side, all economic sectors registered a strong performance in 2010 with the services sector being the largest contributor to growth. Inflation increased during the year driven by supply factors arising from higher food and commodity prices and subsidy rationalisation activities. Nevertheless, overall inflation remained low with Consumer Price Index (CPI) averaging 1.7%. As for the Malaysian economy outlook in 2011, Governor highlighted that the economy is projected to grow by 5-6% while inflation is expected to average at 2.5 – 3.5%.

On the financial system, Governor highlighted that the Malaysian financial system remained stable and supportive of economic growth. Financial intermediation remained efficient and broad-based in 2010, supported by the orderly functioning of financial market. The Islamic banking system continued to be resilient, supported by high capitalisation, improved asset quality and sustained profitability in an environment of ample liquidity. The payment and settlement systems also remained resilient and continued to operate smoothly contributing to the stability of the financial system and maintenance of public confidence. As for the key developmental priorities in 2011, Governor noted that the Bank will focus on the implementation of a new financial sector blueprint which aims to enhance the capacity and capability of the Malaysian financial sector to serve the needs of businesses and consumer towards a high value added and high income economy.

