

Glossary, Acronyms and Abbreviations



Glossary

Agent banking

The provision of banking services to customers through a third-party agent, such as retail outlets and post offices.

Capital adequacy ratio (CAR)

A measure of a financial institution's capital, expressed as the ratio of capital to risk.

Capital Conservation Buffer (CCB)

A capital buffer intended to encourage the build-up of capital buffers by individual banks during normal times that can be drawn down during stress periods.

Cash-to-short-term debt (CASTD) ratio

Ratio of a corporation's cash to short-term debt, which measures liquidity.

Common equity tier 1 (CET1)

A component of a bank's regulatory capital comprising ordinary shares issued by a banking institution, share premium, retained earnings and other reserves.

Countercyclical Capital Buffer (CCyB)

A capital buffer intended to protect the banking sector as a whole from the build-up of systemic risk during an economic upswing when aggregate credit growth tends to be excessive.

Debt service ratio (DSR)

Ratio of total monthly bank and non-bank debt obligations to monthly disposable income (net of statutory deductions).

Debt-at-risk – household

Proportion of debt of borrowers with negative financial margin to total household debt, adjusted for eligible collateral.

Debt-at-risk – non-financial corporation

Proportion of debt held by corporations with an interest coverage ratio of less than two times to total corporate debt.

Digital currency

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

Domestic banking group (DBG)

Domestically-owned financial group comprising a licensed bank, licensed investment bank and licensed Islamic bank.

e-Payment Incentive Fund (ePIF)

A framework implemented by the Bank in 2015 which requires banks to channel a part of cheque processing fees collected towards providing incentives for customers to migrate to e-payments.

Financial margin (FM)

Borrowers' monthly disposable income (after deducting debt repayments and expenditures on basic necessities) and liquid financial assets.

Gross interest/finance margin

Interest income net of interest expenses as a percentage of total interest-related assets.

Gross premiums and contributions

Premiums/contributions receivable before deduction of commissions, brokerage or other expenses covering all direct general insurers and takaful operators and general reinsurers/retakaful operators.

Household financial assets

Assets that are held by households including deposits, investments in unit trust funds and equities, insurance/takaful policies and Employees Provident Fund (EPF) contributions.

Household liquid financial assets (LFA)

Household financial assets excluding EPF contributions.

Interest coverage ratio (ICR)

Ratio of a corporation's earnings before interest, taxes, depreciation and amortisation to interest expense, which measures debt servicing capacity.

Interoperability

Ability for payments to be processed across multiple payment service providers facilitated by the adoption of common standards and/or technical compatibility.

Investment-linked products

Life insurance or family takaful where the policy/certificate value at any time varies according to the value of the underlying assets at the time.

Leverage ratio – banking

The ratio of 'tier 1 capital' to the 'on- and off-balance sheet exposures' of a bank.

Leverage ratio – household

Ratio of total outstanding debt to borrowers' annual gross income.

Liquidity Coverage Ratio (LCR)

The ratio of 'high-quality liquid assets (HQLA)' to the 'expected net cash outflows' of a bank over the next 30 calendar days.

Loan-to-deposit (LTD) ratio

Ratio of total loans to deposits, excluding loans sold to Cagamas, interbank placements, and loans backed by Islamic investment accounts.

Loan-to-fund (LTF) ratio

Ratio of total loans to deposits and debt instruments, excluding loans sold to Cagamas, interbank placements, and loans funded by Islamic investment accounts.

Locally-incorporated foreign bank (LIFB)

Foreign-owned licensed bank or licensed Islamic bank that is incorporated in Malaysia.

Loss given default (LGD)

Percentage of an outstanding claim on a counterparty that will likely not be recovered in the event of a default.

Loss ratio

The ratio of net claims incurred to earned premium/contribution income, covering all direct general insurers and takaful operators and general reinsurers/retakaful operators.

Merchant discount rate (MDR)

A fee payable by a merchant to an acquirer for facilitating a payment card transaction. It comprises the interchange fee (a fee payable by an acquirer to an issuer in a payment card transaction), the processing fee and other fees imposed by an operator of a payment card network, other costs incurred by the acquirer and the acquirer's margin.

Net impaired loans/financing ratio

The ratio of impaired loans/financing net of specific provisions to total loans/financing net of specific provisions.

Net interest/finance margin

Interest income net of interest expenses and non-interest expenses (such as staff cost, overheads and provisions) as a percentage of total interest-related assets.

Net interest/finance income

Interest/financing income net of interest/financing expenses.

Net Stable Funding Ratio (NSFR)

The ratio of a bank's available stable funding (ASF) to the required stable funding (RSF), where ASF refers to funding sources weighted according to their stability, and RSF refers to assets and other off-balance sheet exposures weighted according to their liquidity.

New premiums/contributions – life insurance and family takaful

Premiums/contributions acquired from new policies/certificates for a particular year.

Non-deliverable forward (NDF)

A forward contract that is traded offshore and does not involve an exchange of two currencies upon maturity.

Non-financial corporation

A corporation whose principal activity is the production of goods and/or non-financial services.

Operating profits/loss

Sum of underwriting profits/loss, net investment and other income, covering all direct general insurers and takaful operators and general reinsurers/retakaful operators.

Overhang of property units

Completed property units with Certificate of Completion and Compliance which remain unsold for more than nine months after being in the market.

Participating products

An insurance/takaful product which shares in the distributable surplus of a life insurer/family takaful operator by acquiring bonuses or dividends.

Penetration rate

The percentage of Malaysian citizens who own an individual life insurance policy or family takaful certificate, after eliminating duplicates from multiple policies.

Portfolio flows

Cross-border transactions involving the purchase/sale of debt or equity securities.

Probability of default (PD)

Likelihood of a counterparty defaulting on its contractual obligations to a financial institution over a given time horizon.

Regulatory Sandbox

A framework that allows for the experimentation of innovative fintech solutions in a live market environment within specified parameters and timeframes.

Retention ratio

The ratio of gross premiums/contributions less reinsurance/retakaful ceded, to gross premiums/contributions, covering all direct general insurers and takaful operators and general reinsurers/retakaful operators.

Risk-weighted assets (RWA)

A measure of a bank's risk exposures.

Sukuk

Debt security structured under any Shariah compliant contract.

Surplus arising

Life insurer and family takaful operator's change in surpluses over a particular period, where surplus is the excess of policyholders'/participants' risk fund over net policy/certificate liabilities.

Tier 1

A component of a bank's regulatory capital comprising the sum of CET1 and additional tier 1 capital.

Total capital

A bank's total regulatory capital comprising the sum of CET1, additional tier 1 and tier 2 capital.

Underwriting profits/loss

Earned premium/contribution income less net claims incurred, commissions and management expenses, covering all direct general insurers and takaful operators and general reinsurers/retakaful operators.

Vintage default rate

Rate of loan defaults tracked and grouped by origination period.

Acronyms and Abbreviations

AAOIFI	Accounting and Auditing Organization for Islamic Financial Institutions	DRSK	Bloomberg Default Risk
AICB	Asian Institute of Chartered Bankers	ECL	expected credit loss
AIIF	ASEAN Insurance Integration Framework	eKYC	electronic Know-Your-Customer
AKPK	Credit Counselling and Debt Management Agency (Agensi Kaunseling dan Pengurusan Kredit)	EMV	Europay-Mastercard-Visa
API	application programming interface	EPF	Employees Provident Fund
ASAS	Association of Shariah Advisors in Islamic Finance Malaysia	ePIF	e-Payment Incentive Fund
ATM	automated teller machine	FC	foreign currency
BCBS	Basel Committee on Banking Supervision	FCB	Fellow, Chartered Banker
CAGR	compounded annual growth rate	FFW	Fit-for-Work Programme
CAR	capital adequacy ratio	Fintech	financial technology
CCA	Consumer Credit Act	FI	financial institution
CCBS	Cross-currency basis swap	FMC	Financial Markets Committee
CCRIS	Central Credit Reference Information System	FMSI	Financial Market Stress Index
CDD	customer due diligence	FSC	Financial Stability Committee
CDRC	Corporate Debt Restructuring Committee	FSP	financial services provider
CIIF	Chartered Institute of Islamic Finance Professionals	FSTEP	Financial Sector Talent Enrichment Programme
CIS	collective investment scheme	FX	foreign exchange
CLM	centralised liquidity management	GAP	Guaranteed Asset Protection
CNP	card-not-present	GDP	gross domestic product
CONG	Compliance Officers Networking Group	GPS	Global Positioning System
CoP	Community of Practitioners	IAIS	International Association of Insurance Supervisors
CPIF	Chartered Professional in Islamic Finance	IAP	Investment Account Platform
CSA	Certified Shariah Advisor	IBG	Interbank GIRO
CSP	Certified Shariah Practitioner	ICS	Global Insurance Capital Standard
CVA	Credit Valuation Adjustment	ICTF	Interoperable Credit Transfer Framework
DFI	development financial institution	IFRS	International Financial Reporting Standards
DII	domestic institutional investor	IIID	Integrated Income Indebtedness Database
DMP	Debt Management Programme	INCEIF	International Centre for Education in Islamic Finance
DNFBP	Designated Non-Financial Business and Profession	ISRA	International Shariah Research Academy for Islamic Finance
		LHDN	Inland Revenue Board Of Malaysia (Lembaga Hasil Dalam Negeri)

LIBOR	London Interbank Offered Rate	PCRF	Payment Card Reform Framework
LIFB	locally-incorporated foreign bank	PIN	personal identification number
LTF	loan-to-fund ratio	POS	point-of-sale
MCCS	Malaysian Chip Card Specification	QR	quick response
MDF	Market Development Fund	RBC	Risk-Based Capital Framework for Insurers
MEPS	Malaysian Electronic Payment System Sdn. Bhd.	RBCT	Risk-Based Capital Framework for Takaful Operators
MFRS	Malaysian Financial Reporting Standards	RENTAS	Real-time Electronic Transfer of Funds and Securities System
MGII	Malaysian Government Investment Issue	SAC	Shariah Advisory Council of Bank Negara Malaysia
MGS	Malaysian Government Security	SIRC	State Islamic Religious Council
MHPI	Malaysian House Price Index	SKM	Malaysia Co-Operative Societies Commission (Suruhanjaya Koperasi Malaysia)
MOOC	massive online open course	SME	small and medium enterprise
MSC	Multimedia Super Corridor	SMS	short message service
MTA	Malaysian Takaful Association	SOCSO	Social Security Organisation
MyClear	Malaysian Electronic Clearing Corporation Sdn. Bhd.	STA	Strategic Trade Act
NAMLIFA	National Association of Malaysian Life Insurance and Family Takaful Advisors	STP	straight-through-processing
NBFI	non-bank financial institution	STR	suspicious transaction report
NCC	National Coordination Committee to Counter Money Laundering	SWIFT	Society for Worldwide Interbank Financial Telecommunication
NRD	National Registration Department	TPFT	third party, fire and theft
OFS	Ombudsman for Financial Services	VBI	value-based intermediation
ORION	Operational Risk Integrated Online Network		
P2P	person-to-person		
PayNet	Payments Network Malaysia Sdn. Bhd.		

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