

Contents

GOVERNOR'S STATEMENT

EXECUTIVE SUMMARY

Financial Stability Report

RISK DEVELOPMENTS AND ASSESSMENT OF FINANCIAL STABILITY IN 2013

- 13 Overview
- 15 Managing Risks Arising from Household Indebtedness
- 21 Managing Developments in the Domestic Property Market
- 22 *Box Article: Credit Expansion and Implications on Financial Stability*
- 33 Managing Credit Risk Exposures to Businesses
- 36 Managing Financial Market Volatility and Contagion Risk from External Exposures and Overseas Operations
- 46 *Box Article: External Connectivity and Risk of Contagion to the Malaysian Banking System*
- 54 Interlinkages of the Banking System with Non-Bank Financial Institutions (NBFIs)
- 57 Financial Institution Soundness and Resilience
- 65 Outlook for Domestic Financial Stability and Focus of Surveillance in 2014

DEVELOPMENT OF THE FINANCIAL SECTOR

- 69 Ensuring Effective and Efficient Intermediation
- 71 *Box Article: Developing the SME Financing Ecosystem*
- 77 Strengthening the Insurance and Takaful Industry
- 78 *Box Article: Reforms in the Life Insurance and Family Takaful Industry*
- 80 Promoting an Inclusive Financial System
- 81 Developing Deep and Vibrant Financial Markets
- 84 Enhancing Malaysia's Interlinkages with Regional and International Economies
- 85 Malaysia as an International Islamic Finance Marketplace
- 87 *Box Article: Diversification of Islamic Banking Business and Products Driven by Shariah Contracts*
- 92 Continued Development of Human Capital
- 94 Key Priorities Moving Forward

REGULATORY AND SUPERVISORY FRAMEWORK

- 97 Strengthening the Prudential Framework
- 103 Safeguarding the Integrity of the Financial System
- 106 *Box Article: Strengthening the Anti-Money Laundering and Countering the Financing of Terrorism (AML/CFT) Framework*



MARKET CONDUCT AND CONSUMER EMPOWERMENT

- 113** Key Trends and Developments
- 114** Regulation and Supervision of Financial Service Providers
- 116** Managing Risks to Financial Consumers
- 120** Collaboration with Other Agencies
- 120** Well-Informed and Responsible Financial Consumers
- 122** Strengthening Avenues for Consumer Redress



Payment Systems Report

PAYMENT AND SETTLEMENT SYSTEMS

- 127** Promoting the Stability of Payment and Settlement Systems
- 130** Key Developments in Payment Systems
- 134** Moving Forward
- 135** *Box Article: Accelerating the Migration to Electronic Payments*



ANNEX