

The Financial Sector Blueprint

The Financial Sector Blueprint (the Blueprint), which was launched on 21 December 2011, charts the direction of the financial sector as the country transitions into a high value-added, high-income economy by 2020. In line with the Bank's mandate under the Central Bank of Malaysia Act 2009 to promote a sound, progressive and inclusive financial system, the Blueprint provides a vision for the financial sector towards fulfilling the roles of enabler, catalyst and driver of economic growth.

The Blueprint as a Catalyst for Financial Sector Transformation

Preceding the Blueprint, the Financial Sector Masterplan (FSMP), which was launched in 2001, outlined the path for the orderly development of the financial sector: beginning with institutional and infrastructure development, followed by the introduction of increased competition through deregulation with strengthened supervision, and culminating in greater liberalisation and international integration. The FSMP also afforded a high degree of regulatory certainty which provided a conducive environment for financial institutions to commit to long-term investments in capacity building and strategic undertakings. This has resulted in a more dynamic and resilient financial sector today, with improved corporate governance, risk management practices, and enhanced competitiveness and efficiency.

Building on the achievements of the FSMP, the Blueprint moves beyond the sector-based approach adopted in the FSMP to one that reflects a more integrated financial sector with increased cross-sectoral and cross-border interlinkages. The recommendations in the Blueprint converge around key strategic imperatives for Malaysia's transformation towards becoming a high value-added, high-income economy. This approach looks past traditional structural segmentations, and promotes complementarities between different components of the financial system, with appropriate safeguards, to foster a conducive ecosystem for a vibrant financial sector. Under the Blueprint, it is envisaged that participants in the financial system will play a much more significant role in realising the vision of a more competitive, dynamic, inclusive, diversified and integrated financial sector. In adopting these new approaches, the Blueprint maintains continuity of purpose in providing clear direction to spur the transformation of our financial landscape over the next decade.

Focus Areas under the Blueprint

The nine strategic outcomes envisioned under the Blueprint which provide a framework for the specific recommendations are:

- Supporting Malaysia's transformation into a high value-added, high-income economy through the **effective and efficient intermediation** of funds towards meeting new and more diverse needs of business and households;
- **Developing Malaysian financial markets** to meet the funding, investment and risk management needs of a more developed and internationally-integrated economy;
- Ensuring all members of society, including the underserved, have **access to, and usage of, quality and affordable essential financial services** towards greater shared prosperity;
- **Strengthening regional and international financial integration** through a more open, competitive and diversified financial sector with greater connectivity within the region;
- **Enhancing the Islamic financial ecosystem** to support increasing volumes of international Islamic financial flows;
- Preserving an **effective regulatory and supervisory regime** that safeguards financial stability and promotes the resilience of financial institutions within a more dynamic and internationally-integrated landscape;
- **Accelerating the migration to electronic payments** as the preferred medium for financial transactions in Malaysia;
- **Empowering financial consumers** through effective financial education and strengthened consumer protection frameworks; and
- **Ensuring an adequate supply of skilled talent** for a dynamic and innovative financial sector.

The Blueprint sets out 69 recommendations and more than 200 initiatives that support these strategic outcomes. Initiatives which take precedence will be the ones that address the necessary preconditions, safeguards, or enabling environment for other recommendations under the Blueprint to succeed. In 2012, priority will be accorded to the following initiatives:

- A comprehensive review of the legislative framework to ensure that regulatory laws remain current in the emerging landscape. This will include adequate safeguards to support greater financial sector liberalisation and financial integration;
- Further strengthening the financial infrastructure to support effective intermediation, including enhancements to the credit information framework and establishment of platforms to improve information flows;
- Enhancing the role of financial institutions and the capital market in providing risk capital financing to support new growth areas in collaboration with relevant agencies;
- Widening product range and participation in the foreign exchange and money markets through the introduction of new instruments, facilitative foreign exchange measures and expanded trading platforms;
- Supporting initiatives to promote regional financial integration, including developing a comprehensive framework for the orderly expansion of ASEAN financial institutions within the region;
- Accelerating the development of innovative channels such as agent banking and mobile banking to ensure a wide outreach of financial services;
- Strengthening of payment systems infrastructure and pursuing pricing reforms to strengthen incentives for migration to electronic payments;
- Establishment of a committee of relevant authorities to formulate and operationalise a new consumer credit law; and
- Establishment of a Financial Services Talent Council for greater focus and coordination in talent development to support the development of the financial sector.

Building on the consultations held during the development of the Blueprint, the Bank will continue to intensify its engagements with relevant parties, both through formal and informal means, in the implementation of the Blueprint. Indeed, on many fronts, the close collaboration with and support of the industry, government agencies and other stakeholder groups including consumers, will be critical towards ensuring the success of the Blueprint.