



foreword by the Prime Minister and Minister of Finance

A strong, comprehensive and progressive financial system underpins Malaysia's vision to become a developed nation by 2020, and for the private sector to assume a key role in realising this vision. Well-functioning and efficient financial institutions and markets, with sufficient flexibility to adapt to market needs and opportunities are central to the optimal allocation of capital to new areas of growth. With the nation's solid foundations established in this recent decade, Malaysia's financial sector has every potential to meet the imperatives of the new economic model which is built on the core tenets of high value-added entrepreneurship, creativity and innovation.

The Financial Sector Blueprint for the next ten years reinforces the Government's initiatives to drive Malaysia to become a fully developed nation. The financial system will have a key role in spurring new areas of growth, and facilitating our economic transformation. In charting a clear path that will further broaden and deepen Malaysia's financial system to achieve these objectives, it is paramount that careful attention be accorded to the stability of the financial system given the considerably more complex and challenging environment.

Malaysia's growth potential will also be intrinsically linked to the intensification of regional economic and financial integration. The financial sector in facilitating this will also expand its opportunities for risk diversification. The Blueprint also positions Malaysia to reap the full benefits of this development. It further cements Malaysia's leadership in Islamic finance to develop Malaysia as an international Islamic financial centre.

The Blueprint accords importance for Malaysia's development and growth agenda to be inclusive and sustainable. Critical to this outcome includes the deepening of our talent pool and enhancing financial education to increase the participation of all segments of society in the financial system. These important priorities will require close coordination and cooperation between the different parts of Government and the industry.

I would like to take this opportunity to express my appreciation to Bank Negara Malaysia and all those who contributed towards the formulation of this Financial Sector Blueprint. The Government is fully committed to this agenda, and with great clarity and commitment to a shared vision for a world-class financial system that will benefit all Malaysians, I have every confidence that Malaysia will realise the full benefits of the recommendations contained in the Blueprint to be implemented during the course of this decade.



Dato' Sri Mohd Najib

21 December 2011

message from the Governor

The Malaysian financial system has transformed significantly over this recent decade. Going forward, as Malaysia transitions towards becoming a high value-added, high-income economy, a new trajectory of transformation and growth is now envisioned for the financial system. This will also take into account the forces of change that are shaping the international and regional economic and financial landscape, including the new sources of risks to financial stability.

Over the course of the implementation of the first Financial Sector Masterplan from 2001 to 2011, the sector expanded by an annual growth of 7.3%. During this period, the Malaysian financial system has become increasingly more diversified, competitive and resilient. Institutional capacity building, financial infrastructure development, regulatory reforms and greater use of technology has yielded a financial system that is able to offer the range of financial products and services to consumers and businesses with more efficient delivery channels. The foundations for financial stability have also been significantly strengthened, while progressive liberalisation of the domestic financial sector has contributed to the further diversification of the financial system and its competitiveness. These developments have supported the effective and efficient functioning of the financial system without disruption even in the most challenging of times.

The next phase of transformation will build on these achievements to evolve a financial ecosystem that will further enhance the competitiveness and dynamism of the financial sector. This will be reinforced by strategies that will continue to promote inclusive access to financial services; encourage the development of the range of financial institutions, products and markets that will facilitate and drive the development of new domestic sources of growth; and accelerate Malaysia's regional and international connectivity.

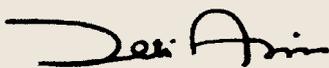
This regional and international integration will deepen cross-border trade and investment activities and will allow for more effective intermediation of cross-border financial flows. An important part of this will be the internationalisation of Islamic finance and the development of Malaysia as an international Islamic financial centre.

Deep, liquid, and efficient financial markets, effective regulation and supervision, and a high degree of market transparency will continue to underpin the financial ecosystem. This will include the development of new instruments for risk management by businesses and households, more efficient clearing and settlements of cross-border trade and investment, in addition to a strengthened consumer protection framework. In this new environment, technology will continue to have a significant role in the offering of a broader range of financial products and services, and enhancing the efficiency of financial transactions through electronic means of payments and delivery channels.

In this Blueprint, the growth of the financial sector will be firmly anchored to the growth of the real economy. Equally important is that the quality of growth is balanced, inclusive and sustainable. The Blueprint also accords priority to the development of talent for the financial industry, a key enabler for the vision for the financial sector to be realised.

In finalising the Blueprint, Bank Negara Malaysia has benefitted from engagements with the industry, consumer groups, Government Ministries and agencies in addition to private corporations. The recommendations in the Blueprint reflect their collective input under an integrated approach to the development of our financial system that is focused on shared goals, and that leverages on the comparative strengths of the different components of Malaysia's financial system. The opportunity is taken here to record the Bank's gratitude to the Minister of Finance and the Prime Minister, YAB Dato' Sri Mohd Najib Tun Abdul Razak for the continued support given to Bank Negara Malaysia in the formulation and development of this Blueprint.

As with our first Financial Sector Masterplan, effective implementation will be key to realising the goals in this Blueprint. The Bank counts on the collective efforts of the industry, and other regulatory and public agencies in the implementation of the recommendations in this Blueprint and thus support Malaysia's transition towards becoming a developed nation with a comprehensive, resilient and progressive financial system.



Zeti Akhtar Aziz

21 December 2011