

# 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.

## **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.

## **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.

## **Domestic banking group (DBG)**

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

## **Double hatting**

Arrangements for an individual to hold more than one senior role.

## **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 premiums and contributions**

Premiums/contributions receivable before deduction of commissions, brokerage or other expenses covering all direct general insurers/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.

## **Labuan International Business and Financial Centre (LIBFC) banks**

Banks operating in Labuan International Business and Financial Centre.

**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' to the 'expected net cash outflows' of a bank over the next 30 calendar days.

**Loan-to-fund-and-equity (LTFE) ratio**

Ratio of total loans to deposits, debt instruments and equity, excluding loans sold to Cagamas, interbanks placements, and loans funded 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.

**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.

**Minimum Allocation Rate (MAR)**

The minimum proportion of premiums payable by policy owner/takaful contributions made by takaful participant that is allocated in the unit fund(s) of choice before the deduction of any charges.

**Mule account**

A bank account which is allowed by the account holder to be used by criminals to hold or transfer money which is acquired illegally.

**Net impaired loans/financing ratio**

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

**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 profit/loss**

Sum of underwriting profit/loss, net investment and other income, covering all direct general insurers/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.

**Persistency management**

Management of the insurance policies or takaful certificates remaining in force.

**Penetration rate – life insurance and family takaful**

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.

**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.

**Total capital**

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

**Underwriting profit/loss**

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

**Vintage default rate**

Rate of loan defaults tracked and grouped by origination period.

# Acronyms and Abbreviations

<b>ABM</b>	Association of Banks in Malaysia	<b>DFI</b>	development financial institution
<b>AIBIM</b>	Association of Islamic Banking and Financial Institutions Malaysia	<b>DII</b>	domestic institutional investor
<b>AKPK</b>	Credit Counselling and Debt Management Agency (Agensi Kaunseling dan Pengurusan Kredit)	<b>DMP</b>	Debt Management Programme
<b>AML/CFT</b>	Anti-Money Laundering and Countering the Financing of Terrorism	<b>DNFBP</b>	Designated Non-Financial Business and Profession
<b>AMLA</b>	Anti-Money Laundering, Anti-Terrorism Financing and Proceeds of Unlawful Activities Act 2001	<b>D-SIB</b>	domestic systemically important banking institution
<b>AMP</b>	administrative monetary penalty	<b>DSR</b>	debt service ratio
<b>API</b>	Application Programme Interface	<b>ECL</b>	expected credit loss
<b>ATM</b>	automated teller machine	<b>eKYC</b>	electronic Know-Your-Customer
<b>BCBS</b>	Basel Committee on Banking Supervision	<b>EME</b>	emerging market economy
<b>BCCILA</b>	Basic Certificate Course in Insurance Loss Adjusting	<b>EPF</b>	Employees Provident Fund
<b>BSC</b>	Balanced Scorecard	<b>ePIF</b>	e-Payment Incentive Fund
<b>CAGR</b>	compounded annual growth rate	<b>FAR</b>	Financial Adviser's Representatives
<b>CAR</b>	capital adequacy ratio	<b>FATF</b>	Financial Action Task Force
<b>CASTD</b>	cash-to-short-term debt	<b>FC</b>	Federal Court
<b>CDD</b>	customer due diligence	<b>FCI</b>	Financial Capability and Inclusion Demand Side Survey
<b>CMG</b>	crisis management group	<b>FCY</b>	foreign currency
<b>CNP</b>	card-not-present	<b>FEN</b>	Financial Education Network
<b>CO</b>	compliance officer	<b>FI</b>	financial institution
<b>CoP</b>	Community of Practitioners	<b>Fintech</b>	financial technology
<b>CSC</b>	Customer Service Charter	<b>FM</b>	financial margin
<b>CTR</b>	cash threshold report	<b>FMB</b>	Financial Mediation Bureau
<b>CURE</b>	Consumer Complaints Redress	<b>FMSI</b>	Financial Market Stress Index
<b>DBG</b>	domestic banking group	<b>FSA</b>	Financial Services Act 2013
<b>DCE</b>	digital currency exchanger	<b>FSC</b>	Financial Stability Committee
		<b>FSP</b>	financial service provider
		<b>FX</b>	foreign exchange

<b>GAP</b>	Guaranteed Asset Protection	<b>ML</b>	money laundering
<b>GDP</b>	gross domestic product	<b>MOE</b>	Ministry of Education
<b>GE14</b>	14 <sup>th</sup> General Election	<b>MoU</b>	Memorandum of Understanding
<b>G-SIB</b>	global systemically important bank	<b>MSB</b>	money services business
<b>HPE</b>	hypothetical portfolio evaluation	<b>MYFLIC Index</b>	Malaysia Financial Literacy and Capability Index
<b>HQLA</b>	high-quality liquid assets	<b>NBFI</b>	non-bank financial institution
<b>IBG</b>	Interbank GIRO	<b>NCC</b>	National Coordination Committee to Counter Money Laundering
<b>ICO</b>	initial coin offering	<b>NFC</b>	non-financial corporation
<b>ICR</b>	interest coverage ratio	<b>NOP</b>	net open position
<b>ICTF</b>	Interoperable Credit Transfer Framework	<b>O&amp;G</b>	oil and gas
<b>IFI</b>	Islamic financial institution	<b>OFS</b>	Ombudsman for Financial Services
<b>IFSA</b>	Islamic Financial Services Act 2013	<b>OPR</b>	Overnight Policy Rate
<b>IL</b>	investment-linked	<b>OSSC</b>	office space and shopping complexes
<b>INCEIF</b>	International Centre for Education in Islamic Finance	<b>PayNet</b>	Payments Network Malaysia Sdn. Bhd.
<b>IT</b>	information technology	<b>PCRF</b>	Payment Card Reform Framework
<b>ITO</b>	insurers and takaful operator	<b>PF</b>	personal financing
<b>KLIBOR</b>	Kuala Lumpur Interbank Offered Rate	<b>PIDM</b>	Perbadanan Insurans Deposit Malaysia
<b>KPIs</b>	key performance indicators	<b>PIN</b>	personal identification number
<b>LCR</b>	liquidity coverage ratio	<b>PNB</b>	Permodalan Nasional Berhad
<b>LEA</b>	law enforcement agency	<b>POS</b>	point-of-sale
<b>LFA</b>	liquid financial assets	<b>PR China</b>	People's Republic of China
<b>LIBFC</b>	Labuan International Business and Financial Centre	<b>QR</b>	quick response
<b>LIFB</b>	locally-incorporated foreign bank	<b>RENTAS</b>	Real-time Electronic Transfer of Funds and Securities System
<b>LIFE Framework</b>	Life Insurance and Family Takaful Framework	<b>SC</b>	Securities Commission Malaysia
<b>LTF</b>	loan-to-fund	<b>SELFY</b>	Social Enterprise Literacy for Youth
<b>LTFE</b>	loan-to-fund-and-equity	<b>SME</b>	small and medium enterprise
<b>MAG</b>	Money Museum and Art Gallery	<b>SST</b>	Sales and Services Tax
<b>MAR</b>	minimum allocation rate	<b>STR</b>	suspicious transaction report
<b>MDF</b>	Market Development Fund	<b>SWIFT</b>	Society for Worldwide Interbank Financial Telecommunication
<b>MFRS</b>	Malaysian Financial Reporting Standards	<b>TF</b>	terrorism financing
<b>MGS</b>	Malaysian Government Security	<b>US</b>	United States of America
<b>MHPI</b>	Malaysian House Price Index	<b>VBI</b>	value-based intermediation
<b>MII</b>	Malaysian Insurance Institute		