



Glossary

Anti Trust Regulation Legislation to control monopoly and collusive practices of institutions that do not favour competition.

Bancassurance The marketing of insurance products through banks distribution channels or the combination of banking products with insurance products.

Banking and Financial Institutions Act 1989 (BAFIA)
An Act that governs the licensing and regulation of institutions carrying on banking, finance company, merchant banking, discount house and money-broking businesses and for the regulation of institutions carrying on certain other financial businesses deemed to fall under the provisions of the Act.

Banking Institutions Commercial banks, finance companies and merchant banks.

Banking Mediation Bureau(BMB) A bureau that acts as a middle party between customers of the financial institutions and the financial institutions and serves to provide a channel of communication to resolve issues brought forward by both parties.

Benchmarks Financial and non-financial standards that are indicative of the best practices that are used to judge the performance of financial institutions and to provide a basis for comparison between a financial institution and the other.

Business Angels Business angels are private informal venture capitalists who provide capital and skills to the high-risk, early-stage new ventures.

Cagamas Berhad Cagamas Berhad is the national mortgage corporation that was established in 1986 to set the initial impetus for the development of asset securitisation and private debt securities in the Malaysian market.

CAMEL BNM uses the CAMEL (Capital adequacy, Asset quality, Management competence, Earnings capacity and Liquidity position) rating system for all banking institutions to assess the overall strength, safety and soundness of each individual banking institution. It helps to identify weak banking institutions that require greater supervisory attention from BNM.

Capital Adequacy Risk Weightings The ratings that are assigned to each class of asset under the risk-weighted capital ratio (RWCR) framework.

Captive Insurance Business An insurance business where the insured is a related company or associate corporation of the insurer.

Commercial Banks Banking institutions that provide retail banking services, trade financing facilities, treasury services, payment services and custodial services. The BAFIA defines commercial banks' business to include receiving deposits on current accounts, deposit accounts, savings accounts or other similar accounts and pays or collects cheques drawn by or paid in by customers, as well as dealing in the provision of finance and such other business as BNM with the approval of the Minister may prescribe.

Commissions A payment made by an insurer to an insurance agent, usually expressed as a percentage of premiums.

Corporate Governance The system by which companies are directed and controlled that takes into account the interest of all stakeholders (the relationship between the shareholders, directors and management of a company, as defined by the corporate charter, by-laws, formal policy and rule of law).

Credit Guarantee Corporation (CGC) The CGC was established in 1972 to assist small and medium-sized enterprises (SMEs), especially those with inadequate collateral or without collateral or track record to gain ready access to credit, and to complement the Government's efforts in promoting and developing businesses in priority sectors. This is achieved through providing various guarantee schemes on loans granted to SMEs.

Deposit Insurance Fund A repository established through the premium contributions from deposit-taking institutions and is a form of protection for depositors in the event of the financial failure of their banks or savings institutions.

Development Financial Institutions (DFIs)* Institutions that have been established by the Government to give financial assistance to certain priority sectors of the economy. The DFIs are largely funded by the Government.

Discount Houses Non-banking institutions that deal in the business of receiving short term deposits and funds and investing those funds by trading in Malaysian Government Securities, Treasury Bills or such other investments as may be prescribed by BNM.

Due Diligence Inquiries for the purposes of timely, sufficient and accurate disclosure of all material statements, information and documents.

Early Stage Financing Financing provided to companies that have completed the product development stage and require further funds to initiate commercial manufacturing and sales.

Early Warning System A system that provides indicators of potential adverse performance of the financial system and individual financial institutions.

Exit Route/Mechanism Process where venture capitalists liquidate their investments by selling the shares back to the management, selling the shares to a third party in a private transaction or liquidating the investment in the public share market through initial public offering.

* Bank Pembangunan dan Infrastruktur Malaysia Berhad, Bank Industri dan Teknologi Malaysia Berhad, Export-Import Bank Malaysia Berhad, Malaysia Export Credit Insurance Berhad, Bank Pertanian Malaysia, Malaysian Industrial Development Finance Berhad, Sabah Development Bank Berhad, Borneo Development Corporation (Sabah) Sdn Bhd, Borneo Development Corporation (Sarawak) Sdn Bhd, Credit Guarantee Corporation, Sabah Credit Corporation, Bank Kerjasama Rakyat Malaysia Berhad and Bank Simpanan Nasional.

Finance Companies Financial institutions that offer deposit account, savings account or other similar account, as well as provide credit facilities and conduct leasing business, business of hire-purchase, including that which is subject to the Hire-Purchase Act 1967 and business of acquiring rights and interests in a hire-purchase, leasing or other similar transactions, as well as any such other business as BNM, with the approval of the Minister, may prescribe.

'Fit and Proper' Regulations Minimum criteria prescribed under the Insurance Act 1996 for determining whether a person is a fit and proper person to hold the position of a director, chief executive officer or manager of a licensed insurer, insurance broker or adjuster.

Foreign Banks Banking institutions that are wholly owned by foreign entities and are locally incorporated as subsidiaries in Malaysia since 1 October 1994.

Fringe Institutions Institutions which provide ancillary financial services. These include savings institutions, housing credit institutions, leasing companies, factoring companies and credit token companies.

General Insurance A contract by which an insurer undertakes to indemnify the insured for loss arising from the occurrence of an insured peril such as accident, sickness, fire, flood, liability and burglary.

Independent Financial Adviser (IFA) An individual or firm that provides advice on financial products. Unlike tied agents, IFAs are not committed to the products of any one financial institution and can therefore sell products from a range of competing financial institutions.

Interbank GIRO (IBG) The IBG system is developed to facilitate electronic interbank payments for third party transactions of less than RM50,000 which are not accepted by the Real Time Electronic Transfer of Funds and Securities system (a real time gross settlement system).

Internet Banking Banking products and services offered by banking institutions on the Internet through access devices including personal computers, and other intelligent devices.

Investment Banks Banking institutions that provide wide range of wholesale banking products and services which may include corporate lending, corporate finance, merger and acquisition-related services, structuring, marketing, trading and brokerage services on capital market products (covering fixed income, equity and equity-linked products, commodity and commodity-linked products), asset management and other advisory and research services.

Islamic Banking Act 1983 An Act to provide for the licensing and regulation of Islamic banking business.

Islamic Banking Division (IBD) A division in conventional banking institutions participating in the Islamic Banking Scheme, which is responsible for all aspects of Islamic banking operations.

Islamic Banking Scheme (IBS) A scheme which allows conventional banking institutions to offer Islamic banking products and services using their existing infrastructure.

IBS Banks Conventional banking institutions participating in the Islamic Banking Scheme.

Licensed Institutions Any institution licensed and regulated under the BAFIA, and being supervised by BNM. These institutions include commercial banks, finance companies, discount houses, merchant banks and money brokers.

Life Insurance A contract by which an insurer undertakes to pay a specified amount of money on death or survival of the insured person to the beneficiaries under the contract, and includes extensions of cover for personal accident, disease or sickness.

Malaysian Electronic Payment System Sdn Bhd (MEPS) MEPS is a payment consortium owned by domestic banking institutions that was established to consolidate and operate the switching, clearing and settlement operations of the ATM networks.

Merchant Banks Banking institutions that conducts the business of receiving corporate deposit, provision of finance, provision of consultancy and advisory services relating to corporate and investment matters, making or managing investments on behalf of any person and any such other business as BNM, with the approval of the Minister, may prescribe. Merchant banks are expected to operate in the wholesale banking business.

Mudharabah A financing agreement between the capital provider (bank) and entrepreneur (customer) to enable the entrepreneur to carry out business activities on a profit-sharing basis. The distribution of profit is according to a pre-determined ratio agreed upon earlier. In the case of losses beyond the control of the entrepreneur, the capital provider will bear all financial losses.

Musarakah A joint venture financing agreement between two parties or more to engage in a specific business activity aimed at making profit. Distribution of profits will be apportioned according to an agreed ratio. In the event of losses, all parties will bear the losses in proportion to their equity participation.

Net Premiums Gross premiums less all reinsurance premiums payable.

Outsourcing The practice of sub-contracting certain functions and administration of an institution to third parties.

Personal Financial Service Products Financial products that cater to the financial needs of individuals. This includes banking, insurance and investment products or a combination of these products.

Premiums The monetary consideration payable once or periodically by a policy owner to an insurer in return for the insurance coverage provided.

Provision for Outstanding Claims The amount set aside for outstanding claims, including incurred but not reported claims.

Reinsurance The transfer of all or part of an insurance risk that has been assumed by an insurer to another insurer in return for a premium.

Rent-a-captive Insurance A captive insurer is authorised by LOFSA to provide insurance or reinsurance to any other person.

Reserves for Unexpired Risks The amount of net premiums set aside by an insurer in respect of risks which are still unexpired at the end of the accounting period.

Retention Ratio The ratio of net premiums to gross direct and reinsurance accepted premiums, less reinsurances within Malaysia indicating the proportion of premiums retained in the country.

Risk-Weighted Capital Ratio (RWCR) This ratio is a key indicator of the capital adequacy of banking institutions. The RWCR is a framework set by the Bank for International Settlements (BIS), which sets the desired level of capital against risk-weighted assets.

Seed Capital Financing Stage where financing is provided for research and for developing an initial concept or prototype, before a business has reached the start-up phase.

Set of Prompt Corrective Measures A set of measures that serves to immediately rectify or remedy the problems faced by the financial institutions.

Solvency Surplus of assets over liabilities.

Start-up Financing Financing provided to companies for product development and initial marketing. Companies may be in the process of being set up or may have been in business for a short time but have not sold their product commercially.

Stockbroking Companies Companies that deal primarily with transactions involving stock.

Strategic Alliances Co-operation between two or more financial institutions in areas that are beneficial and that provide a competitive advantage to the parties involved.

Syariah Islamic law.

Takaful Mutual guarantee provided by a group of people against a defined risk or catastrophe befalling one's life, property or any form of valuable things.

Takaful Operators A company which carries on takaful business.

Technical Reserves Comprise reserves for unexpired risks and provision for outstanding claims.

Trading Ratio The ratio of net premium income to shareholders' funds.

Trust Company A company registered to carry on any economic activity as a trustee, agent or administrator etc.

Venture Capital Venture capital refers to equity investments in growing, unlisted and more risk oriented companies. The investment scope covers companies at all stages of maturity, with the investors providing value added services such as management skills and network to the companies.

Venture Companies Start-up companies that venture into high risk new technology businesses.

Virtual Banking Provision of banking products and services through the internet, telephone and other forms of electronic channels where there is no physical contact between the customer and the banking institutions.

Voluntary Cessions An arrangement whereby all general insurers cede to the national reinsurer (Malaysian National Reinsurance Berhad) a predetermined percentage of their business over and above their own net retention up to the limits specified for the various classes of general insurance business.