



Summary of Recommendations

Chapter 3: Banking Sector

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| 3.1: | Develop industry-wide benchmarks to drive performance improvement in domestic banking institutions |
| 3.2: | Improve awareness of best practices and conduct focused training |
| 3.3: | Enhance credit skills and monitor the requirement for accreditation of credit officers and managers |
| 3.4: | Remove restrictions on salaries and staff mobility in banking industry |
| 3.5: | Uplift restriction on employment of expatriates |
| 3.6: | Set up board committees to further improve corporate governance |
| 3.7: | Allow group rationalisation and facilitate the operation of one-stop financial centre |
| 3.8: | Encourage strategic alliances |
| 3.9: | Streamline the regulation of discount houses and merchant banks to level the playing field |
| 3.10: | Encourage mergers between merchant banks and stockbroking companies or discount houses of the same group to create full-fledged investment banks |
| 3.11: | Encourage ownership of banking institutions by institutional investors |
| 3.12: | Encourage outsourcing of non-core functions |
| 3.13: | Require management of banking institutions to give greater attention to the development of ICT |
| 3.14: | Encourage the development of new delivery channels |
| 3.15: | Adopt 'what is not prohibited is allowed' regulatory philosophy and phase out product pre-approval requirement |
| 3.15.1: | Replace product pre-approval requirements with a simple new product notification process |
| 3.15.2: | Outline guidelines for all applications for regulatory exemptions |
| 3.16: | Deregulate pricing and rules of association on rates, fees and charges gradually |
| 3.17: | Mandate all banking institutions to be rated |
| 3.18: | Encourage competition and participation of banking institutions in areas currently served by fringe institutions |
| 3.19: | Facilitate the development of a conducive tax regime |
| 3.20: | Merge the associations of banks, merchant banks and finance companies into a single association |
| 3.21: | Continue implementing risk-based supervision with more focused supervisory attention for weak institutions |
| 3.22: | Refine calculation of risk weightings for the purpose of capital adequacy calculations |
| 3.23: | Implement a system of incremental enforcement action |
| 3.24: | Implement a transparent and clearly structured early warning system and set of prompt corrective measures for weak banking institutions |

- 3.25: Enhance surveillance of the financial sector through the use of modern technology
- 3.26: Develop comprehensive framework for consolidated supervision of financial conglomerates
- 3.27: Increase efficiency and competition in the payments system
- 3.28: Allow market forces to shape developments in the payments system while BNM assumes the role of regulator
- 3.29: Allow incumbent foreign banks to set up shared ATM network
- 3.30: Allow use of electronic communication networks and electronic trading platform
- 3.31: Introduce an expanded credit guarantee scheme
- 3.32: Require provision of advisory services on financial planning and management to SMEs and small borrowers
- 3.33: Allow banking institutions to rationalise their branch network and relocate branches, subject to certain conditions
- 3.34: Initiate an active and structured consumer education programme
- 3.35: Increase product-specific and institutional transparency and move towards full disclosure
- 3.36: Encourage consumers to pursue formal administrative and legal redress
- 3.37: Expand the operations of Banking Mediation Bureau to cover full range of retail banking-related consumer complaints
- 3.38: Implement anti-trust regulation
- 3.39: Establish a deposit insurance fund

Chapter 4: Insurance Sector

- 4.1: Remove restrictions on outsourcing
- 4.2: Allow all players in the market to operate via the internet
- 4.3: Promote incentives for the growth of bancassurance
- 4.4: Remove the 'file-and-use' system for life insurance products in the long term
- 4.5: Open up the pension industry to insurers
- 4.6: Uplift restrictions on employment of expatriates
- 4.7: Remove restrictions on opening branches
- 4.8: Allow insurers to distribute other personal financial service products
- 4.9: Introduce independent financial advisers
- 4.10: Introduce reinsurance quota regulations
- 4.11: Remove voluntary cessions to Malaysian National Reinsurance Berhad
- 4.12: Allow qualified players to sell takaful products
- 4.13: Remove caps on operating expenses
- 4.14: Encourage commission disclosure
- 4.15: Deregulate pricing of general insurance products
- 4.16: Increase the statutory minimum paid-up capital of insurers
- 4.17: Strengthen 'fit and proper' regulations for board members and senior management
- 4.18: Encourage the introduction of performance incentives and evaluation processes
- 4.19: Raise the entry requirements for the agency force

- 4.20: Introduce additional compulsory exams as part of continuing education programmes for agents
- 4.21: Further strengthen performance-based supervision
- 4.22: Ensure effective enforcement of regulations
- 4.23: Establish prudential risk management standards
- 4.24: Remove investment restrictions
- 4.25: Expand the role of the existing ombudsman
- 4.26: Introduce 'best-advice' regulations
- 4.27: Strengthen regulations on unfair trade practices
- 4.28: Allow new insurance licences for innovative players
- 4.29: Allow financial and non-financial institutions to buy direct insurers
- 4.30: Open up the reinsurance industry fully to foreign competition
- 4.31: Increase caps on foreign equity

Chapter 5: Islamic Banking and Takaful

- 5.1: Introduce a benchmarking programme
- 5.2: Enhance knowledge and expertise
- 5.3: Build strong management teams
- 5.4: Grant incentives to structure Islamic private debt securities
- 5.5: Increase the number of Islamic banks to stimulate competition
- 5.6: Increase the number of takaful operators
- 5.7: Deepen the Islamic financial market
- 5.8: Strengthen the regulatory framework for Islamic banking
- 5.9: Improve the regulatory framework for takaful
- 5.10: Establish an effective legal structure
- 5.11: Create a favourable tax regime

Chapter 6: Development Financial Institutions

- 6.1: Define clearly the strategic focus and role of the DFIs
- 6.2: Enhance institutional capacities and operational structure
- 6.3: Enhance performance measurement
- 6.4: Introduce a systematic framework for sourcing funds
- 6.5: Continue Government's support to the DFIs
- 6.6: Strengthen corporate governance
- 6.7: Establish a legislative framework to provide for regulation and supervision of DFIs
- 6.8: Establish a single Regulatory and Supervisory Authority to strengthen the supervision of DFIs

Chapter 7: Alternative Modes of Financing

7.1:	Establish a 'one-stop' centre for VC
7.2:	Establish a RM500 million VC Fund
7.3:	Introduce further tax incentives for the VC industry
7.4:	Liberalise the MESDAQ listing requirements
7.5:	Establish Islamic VC funds
7.6:	Increase the sources of financing to the VC industry
7.7:	Enhance the promotion of VC investment opportunities in Malaysia
7.8:	Provide training to VC professionals
7.9:	Increase the awareness of Malaysians regarding the roles and significance of business angels
7.10:	Establish more business angel clubs and networks
7.11:	Establish more matching services
7.12:	Establish technology appraisal centres in promoted high technology sectors
7.13:	Establish a one-stop agriculture research and development centre as well as a comprehensive and integrated information database
7.14	Develop structured and systematic training programme for borrowers
7.15	Establish a risk-distribution mechanism that will reduce the risks to the financial institutions and at the same time, reduce borrowing costs through a guarantee and insurance protection scheme
7.15.1	Establish an agency to provide guarantees
7.15.2	Diversify insurance protection schemes
7.16	Provide subsidies to the agriculture industry
7.17	Grant tax exemptions

Chapter 8: Labuan International Offshore Financial Centre

8.1:	Develop an active International Offshore Financial Centre for Malaysia
8.2:	Review existing rules and regulations to facilitate expansion in the scope of core businesses
8.3:	Adopt a consultative and market driven approach to create a conducive tax and business environment
8.4:	Benchmark against the best to maintain the low-cost operating environment
8.5:	Establish a well-balanced regulatory policy and supervisory framework
8.6:	Strengthen Islamic banking and finance as well as Islamic insurance (takaful)
8.7:	Enhance the Labuan International Financial Exchange (LFX)
8.8:	Enhance the e-commerce gateway (ECG)
8.9:	Maximise potentials of Labuan IOFC by developing other complementing economic measures