

12th Islamic Financial Market Subcommittee (IFMC) Meeting
25th September 2026
Bank Negara Malaysia

Summary

The meeting discussed recent Islamic financial market developments and the progress of investor outreach efforts. Members also deliberated on initiatives to support the industry's transition from KLIBOR to MYOR-i with focus to promote awareness, readiness and understanding of the transition.

1. Market Updates

- 1.1 Members noted the continued growth in Islamic money market activity, with Islamic interbank repo transactions recording steady year-on-year growth. Members observed that this trend evidences deeper market liquidity and supports the development of Malaysia's Islamic financial market.
- 1.2 Members have observed that Malaysian Government Investment Issues (MGII) yields have generally moved in tandem with the conventional Malaysian Government Securities (MGS) amid elevated US Treasury yields, highlighting the comparable liquidity in the secondary market of the two sovereign issuances. Despite evolving global market conditions, non-resident participation in MGII remained broadly stable.

2. Investors outreach

- 2.1 Members were reaffirmed by the continued positive feedback from foreign investors, such as the relatively stable domestic financial market environment and the role of Bank Negara Malaysia in managing market liquidity. With respect to ongoing efforts to engage international investors, members further noted that certain investor segments remained less familiar with MGII's debt structure, resulting in concerns relating to its credit risk treatment and tax implications.
- 2.2 Members deliberated on potential strategies to address these challenges, including engaging existing MGII investors to understand key issues affecting investor participation. Example of targeted engagements include discussion with the Japanese asset management associations, leveraging the Financial Markets Association of Malaysia (FMAM) as a bridge to facilitate such discussions. These engagements would provide an opportunity to enhance industry-wide understanding of the comparable sovereign credit standing and tax treatment of MGII and MGS, notwithstanding their differing structural features.

3. IFMC Roundtable 2026

- 3.1 Members noted that the IFMC Roundtable Session, which gathers industry participants will be held on 19 October 2026 in conjunction with the Kuala Lumpur Islamic Finance Forum (KLIFF) 2026. The roundtable will focus on market preparation and the strategic direction of the transition to MYOR-i as well as initiatives to further strengthen the Islamic Money Market. Discussions are expected to cover the development of an end-to-end MYOR-i ecosystem, including market adoption and liquidity development.

4. IFMC Publication 2026

- 4.1 Members noted the significant collaborative efforts and progress achieved in the MYOR-i transition, which could be featured in the IFMC Publication 2026. The publication would highlight key milestones, industry-wide efforts to facilitate the transition, implementation experiences, and ongoing initiatives to enhance liquidity of MYOR-i-based derivatives. It would also serve as a platform to showcase collective efforts in strengthening the Islamic financial market ecosystem in Malaysia.

5. Other matters

- 5.1 Members noted the latest developments in the ongoing incorporation of the MYOR-i definition into International Swaps and Derivatives Association (ISDA) definition booklet, which is expected to support the broader adoption of MYOR-i in the Islamic derivatives market.