

International Engagements

Malaysia remains committed to actively engaging with our counterparts globally.

The domestic and global implications of the COVID-19 pandemic significantly influenced the mode of the Bank's international engagements in 2020. Stronger international cooperation has become even more important given the global nature of this pandemic and economic crisis.

Engagements in 2020

Addressing the impact of COVID-19

In 2020, global and regional forums focused on exchanging policy insights and experiences on the COVID-19 pandemic. Meetings among policymakers, which transitioned to virtual modes, were held more frequently during the year in line with evolving conditions. The Bank actively participated in various platforms at both international and regional levels, including at the International Monetary Fund (IMF), the Bank for International Settlements (BIS), the Executives' Meeting of East Asia-Pacific Central Banks (EMEAP), Association of Southeast Asian Nations (ASEAN) and ASEAN+3, namely PR China, Japan and Korea. Discussions focused on the dynamics of financial markets volatility in the region; financial stability challenges related to implementation and exit of COVID-19 measures; solvency and credit risks; thematic issues on big data and cyber risks; as well as longer term issues associated with low interest rates, labour market weakening, potential long term economic scarring and permanent output loss. Participation in these platforms provided us with valuable perspectives that informed and facilitated our ongoing assessment of evolving risks and policy responses.

In support of Asia Pacific Economic Cooperation (APEC) 2020 hosted by Malaysia, we collaborated

with Malaysia Digital Economy Corporation (MDEC) and the United Nations Capital Development Fund (UNCDF) to organise the APEC Gig Economy Challenge (GEC). The GEC delivered various innovative digitally based solutions aimed at helping gig workers to sustainably improve incomes and economic security by facilitating the upskilling of workers and improving access to more affordable financial products. The top submissions were given the opportunity to showcase their winning solutions at the APEC Finance Ministers Meeting. These companies also received technical assistance and grants from UNCDF Malaysia as well as engaged in dialogues with the Bank on regulatory matters.

Ensuring resilience

Financial safety net: To further strengthen Malaysia's resilience against financial crises, we continued efforts to strengthen the country's financial safety net. To this end, a USD3 billion bilateral swap arrangement with the Bank of Japan was established. This is expected to contribute to financial market stability and further strengthen economic and trade ties between the two countries. We also renewed our KRW5 trillion/RM15 billion bilateral local currency swap arrangement with the Bank of Korea for an additional three years. This is envisioned to promote bilateral trade for economic development and deepen financial cooperation between both countries.

Members of the ASEAN+3 forum also agreed to increase the Chiang Mai Initiative Multilateralisation (CMIM) IMF De-Linked Portion (IDLP)¹ from 30% to 40%. This increases Malaysia's CMIM IDLP access from USD6.8 billion to USD9.1 billion. Additionally, we established access to the US Federal Reserve Foreign and International Monetary Authorities (FIMA) repo facility. This facility can be used to alleviate US dollar funding needs when needed.

¹ CMIM financing has two parts, namely the IMF De-Linked Portion (IDLP) and IMF Linked Portion (ILP). The CMIM-IDLP refers to a members' maximum arrangement amount that may be provided under a CMIM arrangement that is not contingent upon an IMF lending programme. The CMIM-ILP refers to a members' maximum arrangement amount that may be provided under a CMIM arrangement and is only accessible in parallel with an IMF lending programme.

Diagram 1: Infographic on APEC Gig Economy Challenge

APEC Gig Economy Challenge

An accelerator programme to seek innovative solutions to drive the financial well-being of gig economy workers

- More than **100** applications globally
- **10 teams** participated in the eight-week bootcamp and innovation programme
- **USD30,000** each for top three teams and technical assistance
- **Malaysia as a testbed** to refine the ideas to improve the financial health of gig workers in the Asia Pacific region
- **Top three teams**



PAY-WATCH

- Provides workers instant access to earned wages, in real time, before pay day.
- Minimises the likelihood of gig workers having to turn to informal lenders.

Versa

- Provides returns on par with Fixed Deposits, but with similar liquidity as a Savings Account.
- Helps gig workers to optimise their idle cash while meeting liquidity needs.

hyred

- “Zasss” marketplace to match gig workers to income-generating opportunities.
- Encourages them to develop a variety of skills and expertise.



Climate-related and sustainability agenda: The Bank played an active role in accelerating efforts to manage climate and environment-related risks in the financial sector at the ASEAN forum. Through our chairmanship of the ASEAN Senior Level Committee (SLC) on Financial Integration, we led the formulation and publication of the ‘Report on the Roles of ASEAN Central Banks in Managing Climate and Environment-related Risks’ (the Report). The Report assessed the implications of climate and environment-related risks for both financial and monetary stability, and the roles and limits of central banks. The Report, which also put forward a set of non-binding recommendations to ASEAN Central Banks, has been published and shared with the Network for Greening the Financial System (NGFS). It has mobilised ASEAN central bank cooperation to manage climate and environment-related risks and contributed to shaping the climate agenda for ASEAN Finance Ministers and Central Bank Governors in the coming years (Details of the Report’s recommendations are provided in the chapter “Towards a Greener Financial System”).

Our collaboration with central banks and financial regulators globally to provide an effective international response to climate risk intensified this year as we became a member of the NGFS Steering Committee. We also continued to advocate the importance of addressing climate change, including as part of global economic recovery efforts through our participation in various regional and international events. This included the Singapore Fintech Festival 2020, the Launch of the World Bank Sustainable and Inclusive Finance Forum, the Islamic Finance News (IFN) Asia Forum, the Financing Climate Action Conference and the Economist Climate Risk Asia Week.

Cybersecurity: The Bank continued to work closely with its regional counterparts to manage risks associated with the rapid digitalisation of finance. In 2020, we led regional efforts to operationalise the ASEAN Cybersecurity Resilience and Information Sharing Platform (CRISP) with the signing of a memorandum of understanding (MOU) among the participating members. The ASEAN CRISP is a platform for ASEAN central banks to share

information and best practices on cybersecurity threat intelligence, as well as build technical capacity in this field.

Deepening integration for trade and investment

As part of our ASEAN SLC chairmanship, we played a critical role in further deepening regional financial integration. ASEAN Governors approved initiatives to facilitate greater use of local currencies for trade and investment in the region, drive greater payments efficiency, and facilitate cross-border retail payments. The initiatives included the ASEAN Guidelines on Local Currency Settlement Cooperation Framework, the Implementing Policy Guidelines (IPG) of ASEAN Payments Framework for Cross-Border Real-Time Retail Payments within the ASEAN region as well as the Annex on Use Cases of the IPG.

The Bank also led in negotiating and finalising the country's financial services commitments for the Regional Comprehensive Economic Partnership (RCEP), the world's largest free trade agreement. The RCEP was signed on 15 November 2020. This agreement will open doors for trade and investments to flourish further, including for the financial services sector.

Leadership and partnerships

In 2020, the Bank concluded its leadership of several forums, including the chairmanship of the Islamic Financial Services Board (IFSB) Council; co-chairmanship of the ASEAN SLC on Financial Integration with the National Bank of Cambodia (2018-2020); and co-deputy chairmanship of the EMEAP Monetary and Financial Stability Committee (MFSC) and various EMEAP working groups in the areas of banking supervision and payments and market infrastructure (2018-2020). We also began our co-chairmanship of the Asia/Pacific Group on Money Laundering (APG) (2020-2022), an inter-governmental organisation focused on ensuring that its members effectively implement the international standards against money laundering, terrorist financing and proliferation financing related to weapons of

mass destruction (Details of the Bank's regional work on money laundering are provided in the chapter "Maintaining Financial Integrity").

In addition, we were appointed as a member of the BIS Markets Committee in recognition of the growing importance of emerging market economies in the global financial system. This committee looks at financial market developments as well as longer-term structural trends that may have implications for financial market functioning and central bank operations.

We continued to share our technical experience and expertise with other central banks, supervisory authorities and related institutions. Our support was delivered via seminars and workshops on a range of issues, including on macroeconomic policy, capital flow management, and central bank foreign currency operations. We worked closely with the South East Asian Central Banks (SEACEN) Research and Training Centre, Alliance for Financial Inclusion (AFI) and the World Bank to deliver some of these programmes. In 2020, while there was a sharp decline in the number of bilateral technical cooperation engagements, we still engaged with 62 countries on technical cooperation. This included a virtual programme with AFI in November 2020 that covered 37 countries.

Going forward

Global recovery remains uneven, with reshuffling of global supply chains and reorienting of business strategies. Key drivers of change include the accelerating adoption of digitalisation, globalisation and evolving regionalism. In 2021, we will continue with collaborations that promote sustainability of economic growth in the region, coordinate efforts, where relevant, to safely exit support measures as recovery takes hold, and more generally preserve international monetary and financial system stability. Other priorities on the international front include advancing the sustainability and climate change agenda, development of the digital economy and financial inclusion.