X. Glossary

II.1 Reserve Money

Components of Reserve Money = *Currency in Circulation + Required Reserves + Excess Reserves + Deposits of the Private Sector*

Currency in Circulation refers to notes and coins issued by BNM less the amount held by banking institutions.

Required Reserves refer to the sum placed by banking institutions (all commercial banks, finance companies and merchant banks) with BNM in compliance with the Statutory Reserve Requirement (SRR). All banking institutions must place an amount that is equivalent to the SRR ratio times the eligible liabilities.

Excess Reserves refer to cash in vaults of the banking institutions and reserves placed by the banking institutions with BNM which are in excess of the required reserves (in the form of clearing and current accounts).

Deposits of the Private Sector refer to the demand and fixed deposits placed by other financial institutions and public agencies such as the Federal and State Public Authorities and other statutory bodies. As part of performing the role as the banker to the Government, BNM had been providing retail banking services (received deposits and provide the same services as commercial banks ordinarily perform to their customers) to the other financial institutions and statutory bodies. However, with effect from 1 April 1997, BNM had ceased to provide these services, thereby, reflecting a decline in the deposits of private sector.

Factors Affecting Reserve Money = *Net Domestic Claims on Public Sector + Domestic Claims on Private Sector + Net External Position + Other Influences*

Net domestic claims on public sector = *Domestic Claims on the Public Sector - Deposits of the Public Sector*

Domestic Claims on Public Sector refer to BNM holdings of the Government debt instruments (Malaysian Government Securities, Treasury Bills and Government Investment Instruments). These items are recorded on a net basis (subscriptions less redemption).

*Deposits of the Public Secto*r refers to deposits placed by the Federal Government with BNM.

Domestic Claims on the Private Sector refers to BNM's contributions for the special funds, Export Credit Refinancing (ECR) scheme extended by BNM to domestic exporters, loans to non-bank financial institutions (for example, Bank Industri), and BNM placements with the banking institutions.

Net External Position = *External Assets - External Liabilities*

External Assets refer to BNM holdings of gold and foreign exchange, holdings of Special Drawing Rights and its reserve position with the IMF.

External Liabilities refer to deposits placed with BNM by other central banks and international organisations (for example, the Asian Development Bank).

Net External Position also represents the overall position of the country's balance on international receipts and payments (balance of payments).

Other Influences refer to all other assets not included in the determinants and all other liabilities not included in the computation of the components of reserve money. Among the items are BNM's capital and reserves, net income and money market deposits of banking institutions with BNM.

II.3 Monetary Aggregates: M1, M2 and M3

M1 = *Currency in Circulation + Demand Deposits*

Currency in Circulation refers to the notes and coins issued by BNM less the amount held by the commercial banks.

Demand Deposits refers to the demand deposits (current accounts; include SPTF current accounts) of the non-bank private sector placed with the commercial banks.

M2 = *M1 + Narrow Quasi-Money*

Narrow Quasi-Money = *Savings Deposits + Fixed Deposits + NIDs + Repos + Foreign Currency Deposits*

Narrow Quasi-Money refers to the sum of deposits/interest-bearing instruments (including SPTF instruments) placed by the non-bank private sector with the commercial banks (excluding interplacements among commercial banks). Foreign currency deposits refer to the deposits of foreign currencies held by non-bank Malaysian residents with the commercial banks.

M3 = M2 + Deposits Placed with Other Banking Institutions

Deposits Placed with Other Banking Institutions refer to the amount of savings deposits and fixed deposits (including SPTF deposits), NIDS, repos and foreign currency deposits placed by the non-bank private sector with the finance companies, merchant banks, discount houses and Bank Islam (excluding interplacements among these institutions).

II.4 Broad Money, M3

Transaction Balances = *Currency in Circulation + Demand Deposits*

Currency in Circulation refers to the notes and coins issued by BNM less those held by the banking institutions; commercial banks, finance companies, merchant banks, discount houses and Bank Islam.

Demand Deposits refer to the demand deposits (current accounts; include SPTF current accounts) of the non-bank private sector placed with the commercial banks. Also includes call money placed with discount houses.

Broad Quasi-Money = *Savings Deposits + Fixed Deposits + NIDs + Repos + Foreign Currency Deposits*

Broad Quasi-Money refers to the amount of interest-bearing deposits/instruments placed by the non-bank private sector with the banking institutions; commercial banks, finance companies, merchant banks, discount houses and Bank Islam (excluding interplacements among these institutions). Foreign currency deposits refer to the deposits of foreign currencies held by non-bank Malaysian residents with the commercial banks and merchant banks.

II.5 Factors Affecting M3

Factors Affecting M3 = *Net Claims on Government + Claims on the Private Sector + External Sector + Net Other Influences*

Net Claims on the Government = *Lending to the Government - Government Deposits*

Lending to the Government refers to the holdings of Federal Government debt instruments (Malaysian Government Securities (MGS), Treasury Bills and Government Investment Issues (GII)) and loans to the Federal Government by BNM and banking institutions; commercial banks, finance companies, merchant banks, discount houses and Bank Islam.

Government Deposits refer to the deposits placed by the Federal and State Governments with BNM and the banking institutions; commercial banks, finance companies, merchant banks, discount houses and Bank Islam.

Claims on the Private Sector = Loans + Securities

Loans refer to the outstanding loans and advances (excluding loans sold to Cagamas) extended by BNM and the banking institutions; commercial banks, finance companies, merchant banks, discount houses and Bank Islam to the non-bank private sector.

Securities refer to the holdings of private debt securities (notes and bonds), Cagamas notes and bonds, stocks and shares, by the banking institutions; commercial banks, finance companies, merchant banks, discount houses and Bank Islam.

External Sector = Net Intemational Reserves of BNM + Net External Assets of the Banking System

Net international reserves of BNM refer to the gold and foreign exchange reserves of BNM, net of its external liabilities.

Net External Assets of the Banking System refer to the external assets of the banking system (commercial banks, finance companies, merchant banks, discount houses and Bank Islam) net of their external liabilities. External assets comprise mostly foreign exchange interbank placements with foreign banking institutions. External liabilities consist of mostly external borrowings from foreign banking institutions and interbank placements by foreign banking institutions. Note that ringgit deposits of foreign customers are not included since they are classified under the various components of money supply such as demand deposits and fixed deposits.

*Net Other Influence*s refer to other assets less other liabilities of BNM and the banking institutions; commercial banks, finance companies, merchant banks, discount houses and Bank Islam. It refers to the amount of all other items in the balance sheet of BNM and the banking institutions that cannot be classified in any of the aforementioned categories. Among the major asset items include paid-up capital and reserves and retained profits or losses of BNM and the banking institutions.

II.6 Loans by Type: Banking System

Hire-purchase refers to the outstanding amount of receivables from hire-purchase facilities usually granted to firms and individuals for the purchase of capital assets, particularly motor vehicles, machinery and equipment and consumer durables.

Leasing refers to the outstanding amount of receivables from leasing facilities (lease rental). The assets lease are usually equipment and machinery.

Block discounting refers to the outstanding amount of receivables from block discounting facilities, normally to equipment dealers who had extended hire-purchase or lease finance facilities to their customers.

Bridging loans refer to loans granted by banks as a participating lender under syndicated or consortium loan agreements.

Factoring refers to the outstanding amount of receivables arising from purchases of the book debts, normally trade receivables.

Personal loans refer to loans granted to individuals for non-specified personal purposes, for a fixed period with a fixed repayment schedule.

Housing Loans refer to loans granted to individuals for the purchase of residential property.

Trust receipts refer to outstanding advances granted to customers against letters of trust, generally for the settlement of sight bills drawn on the customers by their suppliers.

Floor stocking loans refer to advances generally granted by finance companies to motor vehicle dealers to finance purchases of new or used vehicles from suppliers, for the purposes of maintaining a stock of goods for sales.

Overdraft refers to debit balances of the current account of customers. Include temporary overdrawn current accounts allowed by the bank.

Revolving credit facilities refer to advances extended to customers under loan agreements which allow the customer to borrow money and make repayments, at any time during the tenor of the agreement.

Skim Perbankan Tanpa Faedah (SPTF) loans refer to all loans granted to customers under the SPTF operations.

FX loans refers to all foreign currency denominated loans granted by bank to its customers.

II.7 Classification of Loans by Sector: Banking System

Agriculture, Hunting, Forestry and Fishing refers to loans granted for the purpose of financing customers in the cultivation of crops, livestock farming, timber extraction, forest management, poultry, farming, fishing and agricultural services.

Mining and Quarrying refers to loans granted to finance coal mining, crude petroleum and natural gas production, metal ore mining and quarrying.

Manufacturing refers to loans granted to finance customers in the manufacturing of a multitude of goods, including processing of food, rubber, palm oil, etc., manufacture of wearing apparel, leather goods, wood and wood products, paper and paper products, printing, publishing, manufacture of chemical and chemical products, petroleum, coal, rubber and plastic products, manufacture of iron and steel products, manufacture of fabricated metal products, machinery and equipment, etc.

Electricity, Gas and Water refers to loans granted to finance customers in generation, transmission and distribution of electrical energy for sale to households, industrial and commercial users, production of gas in gas works, distribution of manufactured gas and natural gas.

Wholesale, and Retail Trade and Restaurants and Hotels refers to loans granted to finance customers in wholesale trade, retail trade, operating restaurants and hotels.

Construction refers to loans granted to finance customers in general contracting including civil engineering work, special contracting work, construction of industrial buildings and factories, construction of infrastructure, commercial complexes, residential dwellings and other constructions.

Residential Property refers to loans granted for the purchase or refinancing the purchase of residential property which were classified as low cost (RM25,000 and below), lower medium cost (RM25,001 - RM60,000), medium cost (RM60,001 - RM100,000), higher medium cost (RM100,001 - RM150,000) and higher cost houses (more that RM150,000).

Non-Residential Property refers to loans granted for the purchase and refinancing of the purchase of non-residential property. Non-residential means landed property which are not used for human dwelling purposes. It includes industrial buildings, factories, land, commercial complexes, warehouses and other structures not meant for human dwelling.

Transport, Storage and Communication refers to loans granted to finance customers in the provision of transport, storage and communication services to others.

Finance, Insurance, Real Estate and Business Services

Finance refers to loans granted to banking institutions and non-bank financial institutions.

Insurance refers to life insurance, reinsurance and general insurance services, insurance broking and loss assessing for insurance claims purposes.

Real Estate refers to loans granted to companies involved in letting and operating real estate services on own account. Include renting of land to others, development and sale of land on own account, sub-dividing real property etc. Include real estate agents, brokers and managers engaged in renting, buying, selling and managing real estate for others for a fee and commission.

Business Services refer to loans extended for provision of legal services, accounting services, auditing services, data collection etc.

Personal Uses refer to loans granted to individuals only for private uses, exclude loans to purchase securities, consumer durables, transport vehicles, residential property, non-residential property and loans or credit obtained through the use of credit cards.

Credit Card refers to credit extended to customers using credit/charge cards issued.

Purchase of Consumer Durables refers to loans granted for the acquisition of consumer durable goods such as televisions, refrigerators, washing machines etc.

Purchase of Securities refers to loans granted to finance both primary and secondary market purchases of securities. Include loans granted to substitute for another loan granted previously by another party for the purchase of securities.

Purchase of Transport Vehicles refers to loans granted for the purposes of financing purchases of passenger cars, other motor vehicles and other transport vehicles.

Community, Social and Personal Services refer to loans granted to finance customers for services such as public administration and defense, sanitary and similar services, social and related community services, recreation and cultural services and personal and household services.

II.8 External Assets and External Liabilities: Banking System

External Assets

Amounts Due From refers to claims by reporting institutions on foreign banking institutions. Comprise overdrawn RM vostro accounts of foreign banking institutions, foreign currency nostro accounts with foreign banking institutions, both RM and foreign currency interbank placements with foreign banking institutions, RM and foreign currency loans extended to foreign banking institutions, foreign currency deposits placed with foreign banking institutions, reverse repos with foreign banking institutions and SPTF RM amount due from foreign banking institutions.

Foreign Stock and Shares comprise foreign currency denominated shares in RM equivalent issued by foreign corporations and held by reporting institutions.

Foreign Investments comprise foreign government debt securities held by reporting institutions.

Foreign Loans refer to RM and foreign currency loans extended by domestic banks to foreign non-bank entities.

Other External Assets include holdings of other foreign currency miscellaneous assets, holdings of gold, foreign currency notes and coins and bills financing for non-residents.

External Liabilities

Amounts Due To refers to claims by foreign banking institutions on the reporting institutions. Comprise RM vostro accounts of foreign banking institutions, foreign currency overdrawn nostro accounts with foreign banking institutions, RM and foreign currency interbank borrowings from foreign banking institutions and SPTF RM amount due to foreign banking institutions.

Deposits by Non-Resident comprise demand, savings and fixed deposits, NIDs, repos and SPTF deposits received from both foreign bank and non-bank entities.

Bills Payable refer to RM and SPTF RM bills payable to non-residents.

Other External Liabilities include RM interest payable to non-residents and other miscellaneous liabilities of non-residents in both RM and foreign currency, not included elsewhere.

II.9-15 Deposits by Type and by Holders: Banking System

Financial Institutions refer to Bank Negara Malaysia, commercial banks, finance companies, merchant banks, discount houses, Cagamas Berhad and domestic other non-bank financial institutions (NBFIs) {which refers to the class of institutions which have a physical presence and are conducting finance-related business in Malaysia. It includes development finance institutions and building societies, insurance companies, unit trust funds, property trust funds, co-operative societies, provident and pension funds, pawnbrokers, money lenders, Lembaga Tabung Haji, securities and futures brokers and other firms or corporations whose principal business is to extend credit (e.g. credit companies, leasing companies, factoring companies, etc.) } and foreign banking institutions.

Individuals refer to Individuals and Domestic Other Entities (refers to any other entity not classified as financial institutions, domestic business enterprises, Government and individuals. Include non-profit organisations, religious and charitable organisations, political and non-political societies, private clubs and trade unions) and foreign non-bank entities (refers to foreign entities which are not foreign banking institutions. Include foreign business enterprises, foreign Government, foreign individuals, foreign non-commercial International Organisation operating in Malaysia and other foreign entities).

II.13 Foreign Currency and Other Deposits by Holder: Banking System

Foreign Currency Deposits refer to all foreign currency deposits accepted whether from residents or non-residents.

Special Deposits refer to the withholding of a portion of interest payable or paid to individuals for their deposits for tax purposes, as required by tax authorities. The withholding tax is credited to a special account before remitting to tax authorities.

Eligible Liabilities Exempt Deposits refer to deposits accepted which are exempted by Bank Negara Malaysia from inclusion in the Eligible Liabilities base of the institutions. It is further divided into three types, namely, fund deposits, liquidity deposits and other eligible liabilities exempt deposits. *Fund Deposits* refer to the total amount of deposits accepted for the purpose of directing credit to specified classes of customers. *Liquidity Deposits* refer to the total amount of deposits placed by Bank Negara Malaysia with an institutions for the purpose of alleviating the liquidity position of the institution arising from the institution's involvement in the rescue of an ailing financial institution. *Other Eligible Liabilities Exempt Deposits* refer to all other deposits received from whatever source where exemption is given by the Bank Negara Malaysia to exclude such deposits from the Eligible Liabilities of the institutions.

Housing Development Accounts refer to total amount of deposits placed by housing developers with commercial banks and finance companies which are monies collected by the housing developers from house-buyers or end-financiers arising from the sale of residential property being developed by the developers.

II.15 Interest-Free Banking Scheme - Deposits by Type and Holder: Banking System

Interest Free Banking Scheme (Skim Perbankan Tanpa Faedah) Deposits refer to the total amount of all types of SPTF deposits accepted arising from the SPTF operations of the institution.

General Investment Deposits refer to deposits of money placed with the depository on terms that the deposits are subject to a fixed maturity period and are repayable with profit based on the fixed sharing ratio.

Special Investment Deposits refer to deposit of money placed with the depository on term that the deposit are subject to non-fixed maturity period and are repayable with profit based on a special profit sharing ratio.

III.1 Bank Negara Malaysia: Statement of Assets

Gold and Foreign Exchange refers to BNM holdings of gold, foreign securities and investments, and other foreign assets. It also include holdings of currency issued by the Board of Commissioners of Currency Malaya and British Borneo since June 1967 and the amount due from the

Monetary Authority of Singapore under the interchangeability arrangements (up to 7 August 1973). All transactions in foreign currencies during the year have been translated into ringgit at rates of exchange ruling on value dates. Prior to 1997, assets and liabilities in foreign currencies have been revalued at rates of exchange ruling on the balance sheet date at every end-year. However, with effect from 1997, BNM has adopted a conservative book value accounting where reserves were not revalued at rates of exchange ruling on the balance sheet date.

International Monetary Fund (IMF) Reserve Tranche Position refers to Malaysia's quota in the IMF less the Fund's holdings of Malaysian currency.

Holdings of Special Drawing Rights. Special Drawing Rights (SDRs) are unconditional reserves created by the IMF. They are allocated on agreed occasions to members of the IMF which are participants in the SDRs Department in accordance with an accepted formula to serve as a supplement to the international monetary reserves of the IMF.

Malaysian Government Papers refer to BNM holdings of the Government debt instruments (Malaysian Government Securities, Treasury Bills and Government Investment Instruments).

Bills Discounted comprises loans extended under the Export Credit Refinancing (ECR) scheme.

Deposits with Financial Institutions refer to BNM gross placements with the financial institutions which included money market placements, pension warrant deposits and penalty deposits on-lent (deposits initially received from banking institutions for non-compliance with BNM's guidelines on lending to priority sectors).

Loans and Advances comprise mainly loans extended by the Bank to the participating financial institutions under the various schemes such as New Entrepreneurs Fund, Enterprise Rehabilitation Fund, Low-Cost Housing Revolving Development Fund.

Deferred Expenditure represents the net deficiency arising from foreign exchange transactions in 1993. The Government has undertaken to make good this deficiency as and when required to do so by the Bank. The amount outstanding is being amortised over a period of ten years, beginning 1994.

Other Assets include investment in shares acquired by BNM, under Section 30(1)(j) and Section 30(1)(00)(i) of the Central Bank of Malaysia Act 1958 (Revised-1994).

III.2 Bank Negara Malaysia: Statement of Liabilities

Paid-up Capital. The entire issued and paid-up capital of RM100 million is owned by the Government of Malaysia.

General Reserve Fund. Section 7(3)(a) of the Central Bank of Malaysia Act 1958 (Revised-1994), stipulates that the Minister of Finance, after consultation with the Board of Directors of the Bank, determines the proportion of the net profit to be credited to the general reserve fund.

Other Reserves comprise the Exchange Rate Fluctuation Reserve, the Investment Fluctuation Reserve, the Insurance Reserve and the Contingency Reserve.

Currency in Circulation. BNM started issuing the Malaysian currency (the Ringgit) on 12 June 1967. The statistics reported refer to the total notes and coins issued by BNM including the amount held by banking institutions.

Deposits Placed by Financial Institutions refer to statutory reserve deposits, clearing balances, money market deposits and vostro balances of banking institutions placed with BNM.

Deposits Placedby the Federal Government. The bulk of the liquid funds of the Federal Government are held with BNM, which act as its banker. The main account of the Government is the general deposit account, in which the operations of the Government are reflected.

Other Deposits include deposits placed by the Employee Provident Fund.

Bank Negara Bills and Bonds refer to the issuance of Bank Negara Bills and Malaysia Savings Bonds by BNM.

Allocation of Special Drawing Rights. IMF member countries are allocated Special Drawing Rights (SDRs) in proportion to their subscriptions to the IMF. The allocation represents a dormant liability of the Bank to the IMF, against which assets are received in SDR from the IMF.

Other Liabilities include deposits of non-residents and other miscellaneous liabilities.

III. 4, 6, 8,10 Statement of Assets: Banking Institutions

Money at Call refers to a sum of money placed by reporting institutions with discount houses on terms whereby deposits may be re-called by the reporting institution at any time when the domestic money market is open.

Amount Due from Designated Financial Institutions refer to amounts owned by designated financial institutions which are booked in RM overdrawn vostro accounts, RM nostro accounts, RM amount lent to KLACH pool and RM interbank placement, Skim Perbankan Tanpa Faedah (SPTF) RM and FX amounts due from designated financial institutions, FX nostro accounts and FX interbank placements.

NIDs Held refers to the holding of RM-denominated negotiable instruments of deposits including Non-SPTF NIDs and SPTF NIDs issued by other commercial banks, finance companies and merchant banks.

Treasury Bills refer to debt securities issued by the Federal Government. The features include original maturity of less than one year, no interest is payable and the bills are issued at a discount to face value.

Government Securities refer to debt-securities issued by the Federal Government. The features include original maturity of more than one year and interest payable periodically, usually semi-annually.

Trade Bills discounted refer to all outstanding bills of exchange discounted or purchased by banks, where the bills had been drawn for payment purposes related to trading of goods.

Customers' Liabilities for Acceptances and Own Acceptances Discounted are an accounting representation of claims which a bank has on its customer arising from the creation and acceptance of a bill of exchange known as Bankers Acceptance (BAs).

Other Trade Bills Discounted refer to the outstanding bills of exchange (drawn for trade purposes) purchased or discounted by banks, other than their own BAs discounted.

III. 5, 7, 9, 11 Statement of Liabilities: Banking Institutions

Amount Due to Designated Financial Institutions refers to the amount of claims by designated financial institutions on a reporting institution in RM vostro accounts, RM overdrawn nostro accounts, RM borrowings from KLACH pool, RM interbank borrowings, foreign currency (FX) overdrawn nostro accounts, FX interbank borrowings and SPTF RM and FX amounts due to designated financial institutions which are the SPTF equivalents of the aforementioned items.

Bankers Acceptances (BAs) refer to face value of BAs drawn on and accepted by a reporting institution net of the amount of such BAs discounted.

Bills Payable refers to amounts payable to various beneficiaries arising from the sale of bank drafts, cashier's orders, mail transfer, telegraphic transfers and gift cheques.

III.15,16,17 Outstanding Loan Provisions and Non-Performing Loans

Non-performing loans refer to the outstanding amount of loans (principal and interest) classified as non-performing when principal or interest is six months or more in arrears. Interest on these loans are subsequently suspended. With effect from financial year beginning 1 January 1998, loans are classified as non-performing when they are three months or more in arrears.

Interest-in-suspense refers to the interest portion which is subsequently suspended or not recognised as interest income after an account is classified as non-performing. With effect from financial year beginning 1 January 1998, banking institutions are required to claw-back interest to day one of default for new non-performing loans.

Specific provisions refer to the provisions made on specific accounts that are deemed sub-standard, doubtful or bad. Banking institutions are required to provide at least 50% on the shortfall in value of security over the outstanding amount of the loan, net of unearned interest and interest suspended for all doubtful accounts and 100% for all bad accounts.

General provisions refer to the general provisions made on the total loan portfolio. Since 1989, banking institutions have been required to maintain general provisions amounting to at least 1% of total outstanding loans, net of interest-in-suspense and specific provisions for bad and doubtful debts. With effect from financial year beginning 1 January 1998, the minimum requirement on general provisions for bad and doubtful debts has been raised to 1.5% of total loans, net of specific provisions and interest-in-suspense.

III.18,19,20 Constituents of Capital

Tier-1 Capital refers to paid-up capital, non-cumulative perpetual preference shares, share premium, statutory reserve fund, general reserve fund, retained profits, surplus/loss arising from sale of fixed and long-term investments as well as minority interests (consistent with the components of Tier-1 capital) and after deducting goodwill.

Tier-2 Capital refers to hybrid capital instruments, minority interests arising from preference shares, subordinated term debt, revaluation reserves and general provisions for bad and doubtful debts.

Total Capital refers to the total of tier-1 capital and eligible tier-2 capital. Eligible tier-2 capital is equivalent to total tier-2 capital or total tier-1 capital, whichever is lower.

Investment in Subsidiaries and holdings of other banking institutions capital refer to the banking institution's equity investments in subsidiaries and holdings of other financial institutions' capital in terms of shares, hybrid capital instruments or subordinated term debts.

Capital Base refers to total capital after deducting investment in subsidiaries and holdings of other banking institutions' capital.

Assets by Risk Weights refer to the value of the assets (both on and off-balance sheet) against their allocated risk-weights. For off-balance sheet items, the credit risk inherent in each off-balance sheet exposure is converted into an on-balance sheet equivalent (credit equivalent), by multiplying the nominal principal amount by a credit conversion factor. A risk-weight which reflects the inherent risk of loss is then applied to the credit equivalent of the off-balance sheet assets and the on-balance sheet assets. Five risk-weights are used - 0%, 10%, 20%, 50% and 100%. For example, assets in the 0% risk-weight category are those of zero or low credit risk i.e. cash, claims on or guaranteed by the Federal Government of Malaysia, Bank Negara Malaysia, central governments of the OECD and claims collateralised by cash and securities issued by the Federal Government, Bank Negara Malaysia and OECD central governments.

Risk Weighted Capital Ratio refers to the ratio of capital base to risk-weighted assets.

Core Capital Ratio refers to the ratio of tier-1 capital to risk-weighted assets. However, if the total of investment in subsidiaries and holdings of other banking institutions' capital is greater than the tier-2 capital of the institution, then the core capital is equivalent to the capital base.

III.22 Statutory Reserve and Liquid Asset Requirements

Eligible Liabilities comprise total deposits, net amounts due to other domestic financial institutions/Cagamas, net instruments discounted/rediscounted under repurchase agreements, and net negotiable instruments of deposit.

Statutory Reserve Requirement (SRR). The commercial banks, finance companies, merchant banks and Bank Islam are required to maintain a sum equivalent to the Statutory Reserve Requirement ratio (which is a specified percentage of their eligible liabilities) in the form of cash reserves with BNM.

Liquid Asset Requirement (LAR). The commercial banks, finance companies, merchant banks and Bank Islam are required to maintain a sum equivalent to the Liquid Asset Requirement ratio (which is a specified percentage of their eligible liabilities) in the form of designated liquid assets.

Liquid Assets are designated assets which a banking institution may hold in order to meet the Liquid Asset Requirement. They include RM cash balances, RM balances in current account with BNM, RM call money placed with discount houses, RM overnight interbank placements with discount houses, maximum liquidity trade bills, RM debt securities issued by the Federal Government, RM debt securities issued by BNM, RM Cagamas Notes, RM Cagamas Bonds - Tier 1, RM Cagamas Skim Perbankan Tanpa Faedah (SPTF) debt securities, other Scriptless Securities Transaction System (SSTS) liquid assets and other liquid assets.

V.1 Interest Rates: Banking Institutions

Fixed Deposit Rate refers to the average fixed deposit rates of commercial banks, finance companies and merchant banks for maturities of 1-, 3-, 6-, 9- and 12-months. Rates for fixed deposits with maturities exceeding 12-months are negotiable and are therefore not included.

Savings Deposit Rate refers to the average savings deposit rates of commercial banks and finance companies, weighted to account for the different rates that apply in the case of multi-tiered savings accounts, in addition to the traditional single-rate savings accounts.

Base Lending Rate (BLR) refers to the average of the base lending rates that commercial banks and finance companies quote to their best customers. Effective 1 Nov 1995, quoted BLRs have been subject to a maximum value that is equal to the computed BLR set by BNM, which is calculated as follows:-

$$\text{Computed BLR} = \left[\text{Adjusted KLIBOR} \right] + \text{Fixed charge of } 2.5\%$$

$$\text{For commercial banks} : \left[\frac{\text{Average KLIBOR} \times 80\%}{1 - \text{SRR}\%} \right] + 2.5\%$$

$$\text{For finance companies} : \left[\frac{\text{Average KLIBOR}}{1 - \text{SRR}\%} \right] + 2.5\%$$

The adjustment to the KLIBOR is to take into account the SRR cost and in the case of the commercial banks, the reduction in funding cost due to the presence of zero-interest current account balances. The "Average KLIBOR" in the formula refers to the average 3-month interbank rate for the previous month, which is calculated by averaging the daily 3-month rates, taking the rate of the previous trading day for the days when there were no trading in 3-month interbank deposits (including Saturdays, Sundays and public holidays).

Average Lending Rate refers to the weighted average lending rates on loans extended by the commercial banks, finance companies and merchant banks.

V.3 Interest Rates: Interbank Money Market

Daily rates refer to the average of interbank deposit rates for the day, with individual rates being weighted accordingly by the volume of transactions at those rates. Monthly rates refer to the average for the trading days of the month, and annual rates refer to the average for all trading days during the year. Note that the average 3-month rate for the month as reported the in table is different from the "Average KLIBOR" used in the computed BLR formula. The monthly averages in the table refers to the average for only the days, when there were trading in 3-month interbank deposits, whereas the

"Average KLIBOR", the rate used deposits (including weekends and public holidays) is the average 3-month rate of the previous trading day.

V.5 Malaysian Government Securities: Market Indicative Yield

All yields are referred to as the market indicative yield to maturity. They are only indicative due to the lack of liquidity and lack of supply of these papers covering a wide spectrum of maturity.

V.11 Funds Raised in the Capital Market

Capital Market is defined as comprising the government bond market, the stock market and the private debt securities market. All government bonds and private debt securities are bonds with maturity of more than a year. Funds Raised is recorded as proceeds received on payment date whenever possible.

Malaysian Government Securities are bonds issued by the Federal Government. *Khazanah Bonds* are bonds issued by Khazanah Nasional Bhd, the wholly-owned subsidiary of the Ministry of Finance primarily for benchmarking purposes. Government Investment Issues are bonds issued by the Federal Government as a part of the initiative to develop Islamic/interest-free banking schemes in the country. *Malaysia Savings Bonds* were issued primarily to Malaysian individuals to inculcate the savings habit and to educate individuals on the intricacies of investing in bonds. Islamic bonds are bonds issued based on Islamic principles. *Cagamas bonds* are securitised mortgage-backed bonds issued by the national mortgage corporation, Cagamas Berhad.

Initial Public Offer includes the following methods of listing: public issue; offer-for-sale, placement and tender. Public issue is an offer made to the public for subscription of an issuer's own securities. Offer-for-sale is an offer made to the public for securities already issued. Placement is an offer of securities to persons selected or approved by the issuers, a process often done to satisfy the minimum prescribed size of listed securities held by the public. Tender is an offer of a portion of securities by way of tender at a minimum bidding price. *Rights issue* is an offer of new securities of companies already listed on the exchange to their existing shareholders. *Private placement* is an offer of new securities to persons/parties considered desirable by a public company (company already listed on the exchange). *Special issue* is an offer of securities made to Bumiputera investors approved by the relevant authorities in accordance with the National Development Policy.

V.12 New Equity Issues, by Sector

The sectors of classification in the table are based on the National Accounts (Gross Domestic Product) Classification by Economic Activity. New equity issues refer to the gross funds raised by issuers operating in each particular sector. They do not refer to the purpose of the utilisation of proceeds.

V.13 New Issues of Private Debt Securities (excluding Cagamas Bonds), by Sector

The sectors of classification in the table are based on the National Accounts (Gross Domestic Product) Classification by Economic Activity. New issues of private debt securities refer to the gross funds raised by issuers operating in each particular sector. They do not refer to the purpose of the utilisation of proceeds.

V.14 Kuala Lumpur Stock Exchange: Selected Indicators

KLCI or Kuala Lumpur Composite Index refers to the share price performance of 100 component stocks on the KLSE's Main Board while *EMAS* or Exchange Main Board Share Index refers to the share price performance of all Main Board companies. Similarly, *Second Board Index* tracks the share price performance of all Second Board companies. *Average daily turnover* is total turnover divided by the number of trading days during the period. *Market capitalisation* is calculated based on the number of securities outstanding times the closing share price of all securities listed on the exchange. *Net P/E ratio* refers to the ratio of current share price over net earnings per share of the 100 companies of the KLCI.

V.15 Futures and Options Markets: Selected Indicators

Open interest refers to total outstanding of all contracts as at a particular point in time. *Average daily turnover* is total turnover divided by the number of trading days during the period.

VI.11 Consumer Price Index

The Consumer Price Index (CPI), which is based on the Laspeyres formula, measures the average rate of change in prices of a fixed basket of goods and services which represents the expenditure pattern of all households in Malaysia with 1994 as the base year. It is a composite index, weighted by regional expenditure weights, of three regional indices computed separately for Peninsular Malaysia, Sabah and Sarawak.

VI.13 Producer Price Index

The Producer Price Index (PPI) is a general purpose index which is based on the Laspeyres formula. It is designed to measure the average rate of change in prices charged by domestic producers of commodities or products and those paid by importers in Malaysia with 1989 as the base year. The Index takes into account commodities or products originating from four industrial sectors, namely, agriculture, forestry, logging and fishing; mining and quarrying; manufacturing; and water, gas and electricity.

VI.14 Malaysia House Price Index

The Malaysian House Price Index (MHPI), basically a Passche index, is based on the hedonic approach to price measurement using multivariate regression analysis with 1990 as the base year. The index provides 70 sets of house price indices for 14 states and five regions, as well as for Malaysia as a whole. Besides a composite index for all house prices, it also provides the index for four types of house, namely, terraced, semi-detached, detached, and high-rise units.

VIII.1,2 Balance of Payments

The balance of payments are compiled in conformity with the methodology set forth in the Fourth Edition of the Balance of Payments Manual of the International Monetary Fund.

VIII. 11-15 Cash Balance of Payments

The data for Tables 11-15 are sourced from the Cash BOP Reporting System. This system was introduced by the Central Bank of Malaysia on 1 January 1991 to facilitate the Bank's monitoring of cross-border transactions between residents and non-residents for the compilation and analysis of more timely balance of payments data. The system captures all payments/receipts between residents and non-residents effected through three conduits, namely the domestic banking system, the inter-company accounts maintained by residents with their non-resident counterparts and the approved overseas accounts maintained by residents with financial institutions abroad.

The reporting system requires all cross-border settlements which meet the reporting threshold to be identified by purpose, currency, amount and country through the completion of the relevant Forms P and R (for payments and receipts respectively). This reporting threshold was initially specified at RM10,001 and above or its equivalent in foreign currency. It was increased to RM50,001 on 1 February 1994 and then to RM100,000 since 1 February 1996. Transactions with values below the reporting threshold are also reported in bulk, by broad purpose classification and specific currency, by the banking institutions on a monthly basis. The original reporting threshold for the reporting of bulk transactions was for individual settlements valued between RM501 and RM10,000. With effect from 1 February 1994, the threshold for bulk transactions was raised to cover transaction values individually between RM5,000 and RM50,000. Since 1 February 1996, the upper limit of the threshold has been revised to RM99,999.

VIII. 11 Investment by Country

Comprises three items: (i) equity investment, (ii) loans and (iii) real estate. Exclude retained earnings which is an important component in the balance of payments compilation on an accrual basis.

Investment from refers to equity investment in Malaysia by non-residents, loans obtained from non-residents and purchase of real estate in Malaysia by non-residents.

Investment to refers to equity investment abroad by residents, loans extended to non-residents and purchase of real estate abroad by residents. A more detailed explanation on the coverage for equity investment and loans is provided in Tables 12 and 13 respectively.

VIII. 12 Equity Investment by Country

Refer to equity participation through the setting up or expansion of businesses, including joint-venture projects, where the investor has an effective voice in the management of the business. Exclude the purchase/sale of listed stocks and shares (which are classified as portfolio investment) unless such acquisition result in a degree of management control in the company.

Investment from refers to non-residents' equity investment in Malaysia.

Investment to refers to equity investment abroad undertaken by residents.

VIII. 13 Loans by Country

Loans may be from related companies, financial institutions or individuals. Included are term loans (short or long-term with fixed repayment periods), suppliers' credit and other loans with no definite repayment period (especially loans from related companies or directors of companies).

Loans from refers to the drawdown of foreign loans by residents.

Loans to refers to loans extended by residents to non-residents.

VIII. 14 Portfolio Investment by Type

Prior to 1 July 1996, portfolio investment was classified under 2 broad categories: (i) corporate shares and securities; and (ii) government securities.

Since 1 July 1996, the classification has been expanded to include the following categories:
(i) corporate securities; (ii) Malaysian Government securities; (iii) foreign government securities; (iv) private debt securities; (v) money market instruments; and (vi) financial derivatives.

Corporate securities include listed shares and bonds, unit trusts, warrants, Transferable Subscription Right (TSR) and any right or option in respect of such shares.

Malaysian Government securities refer to securities issued by Malaysian Government which exclude treasury bills.

*Foreign government securitie*s refer to securities issued by other foreign government.

Private debt securities include private debt securities, bonds, debentures, notes and any other similar instruments with original maturity of more than one year.

Money market instruments refer to money market or negotiable debt instruments with original maturity of up to one year. Include Treasury bills, Bank Negara Bills, commercial and finance papers, bankers acceptances and negotiable instruments of deposits.

Financial derivatives linked to either specific financial instruments or indicators or to particular commodities that may be purchased or sold at a future date, eg. options, futures, swaps.