

2014

GOVERNANCE, ORGANISATIONAL  
DEVELOPMENT AND COMMUNICATIONS

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The Bank continued to focus on meeting its key mandates of preserving monetary and financial stability, and nurturing a progressive financial system that supports the needs of the real economy. In addition, the Bank fostered greater financial inclusion and a more efficient and competitive e-payments eco-system during the year. The year 2014 also marked the end of the Bank's 3-year strategic Business Plan 2012-2014. During this period, the Bank accomplished several key milestones, including strengthening the legislative framework governing the domestic financial sector; hosting the Alliance for Financial Inclusion Headquarters and setting up the World Bank office in Malaysia; and establishing the Financial Services Talent Council and Financial Services Professional Board to raise the standards of quality and professionalism in the financial sector. A brief of the key achievements is included in the accompanying box article entitled 'Bank Negara Malaysia's Business Plan 2012-2014'.

The Bank's sustained performance is attributable to the commitment to continuously invest in the Bank's capabilities in terms of governance, organisational development and communications. The holistic approach to further develop our capacity and capability covered the development of our talent base, enterprise risk management, and financial prudence. Focus was also given to improving organisational productivity through better training and greater adoption of information and communications technologies (ICT). The Bank also leveraged on multiple communication channels to increase the level of awareness and understanding of the Bank's policies amongst external stakeholders, especially where those policies impacted on the general public. Interaction with the public which includes roadshows also provided insights on issues facing consumers in the financial sector, which served as valuable input for policy formulation in the Bank.

### GOVERNANCE

#### ***Effective oversight by the Board of Directors***

The Board of Directors (Board) comprises the Governor, three Deputy Governors and the Secretary-General of the Treasury as ex-officio members, and five independent

non-executive members. In February 2015, two members completed their terms as a member of the Board. In March, the size of the Board was increased from 10 to 12, where the composition of the independent non-executive members was raised from five to seven, consistent with the existing provisions of the Central Bank of Malaysia Act 2009. As a result, four new members will be appointed to the Board. The aim was to further strengthen the Board's oversight function to support the Bank in delivering its mandate effectively.

The Board has responsibility for the oversight of the general policy, administration and business of the Bank. The Board meets monthly to review the management, operations and performance of the Bank in delivering its mandates. At these meetings, the Board discusses issues arising from global and domestic economic developments as well as the financial sector and financial stability matters, and the Bank's policy initiatives in addressing emerging risks. The Board reviews the Bank's strategic planning, risk management practices, financial position, reserves and currency management, and any significant developments that could impact operations and finances.

During the year, the Board approved the establishment of the Monetary Penalty Review Committee (MPRC), which is legislated under the Financial Services Act 2013 (FSA) and the Islamic Financial Services Act 2013 (IFSA). The MPRC is an independent committee responsible for considering appeals from parties affected by the quantum of administrative monetary penalties or pecuniary remedies imposed by the Bank in exercising its administrative enforcement powers under the FSA and IFSA. The Board also oversaw the Bank's key project management initiatives for system enhancements in the areas of statistics and data management, investment and treasury operations, and currency management.

#### ***Governance framework to support the Board of Directors***

The Board is supported in its oversight functions by three Board Committees, namely the Board Governance Committee (BGC), the Board Audit Committee (BAC) and the Board Risk

Committee (BRC). These committees are comprised exclusively of non-executive directors.

The BGC is responsible for overseeing the Bank's governance principles and practices. The BGC convened five meetings in 2014, and made recommendations to the Board on the appointment and reappointment of members of the Board and other Committees established by the Bank. The BGC also reviewed the Bank's budget and operating plans for 2015 to ensure prudent financial management.

The BAC is responsible for overseeing the integrity of the Bank's accounts and financial statements, and a sound internal control environment. The BAC also reviewed the financial statements of the Bank, given that this is a key role of the BAC. The BAC oversees the Bank's Internal Audit Department and approves its audit plan, scope of work and resource requirements. The BAC convened five meetings during the year to approve the Bank's internal audit plans, and to deliberate on the audit findings and actions taken to ensure that internal control systems were effective in addressing the Bank's key operating risks.

The BRC is responsible for overseeing the Bank's management of risks that could cause financial loss, disruption to the Bank's operations, failure to meet the Bank's mandates or damage to the Bank's reputation. In 2014, the BRC met three times to review and monitor the Bank's management of enterprise-wide risks. In the area of Treasury Operations, the BRC reviewed the Bank's processes and strategies for investing in new asset classes and markets to ensure that adequate controls were in place to manage the associated risks.

### **Risk Management in the Bank**

Effective risk management ensure the prudent and responsible conduct of the Bank's operations and activities. The Bank adopts an integrated approach in identifying and managing risks across the Bank. This is supported by an Enterprise Risk Management (ERM) Framework that encompasses the Operational Risk Management Framework, Financial Risk Management Framework and Business Continuity Management Framework.

### ***Risk Management governance structure***

A robust risk management governance structure, supported by dedicated risk management

committees, ensures that risk management practices within the Bank remain effective with the necessary checks and balances as well as clear accountability for risks.

The Board and Board Risk Committee (BRC) have oversight responsibility for the management of risks in the Bank. The Board, assisted by the BRC, provides strategic direction on the Bank's risk management policies, systems and resources and keeps under review the management of key risks identified in the Bank's operations and activities.

The Risk Management Committee (RMC), chaired by the Governor, has primary management responsibility for ensuring the effective implementation of policies, procedures and systems for identifying, controlling and reporting risks, including emerging risks faced by the Bank. The RMC is supported by three sub-committees, namely the Operational Risk Management Committee, the Financial Risk Management Committee, and the Crisis Management Team, each headed by a designated Deputy Governor.

The Reserves Management Committee (ReMC), chaired by the Governor, oversees the risks and investment strategies in the management of the international foreign currency reserves. The ReMC reviews the risks emanating from the global economic and financial markets outlook, and the implications for the Bank's investment strategies and financial position. Following these reviews, the ReMC may make recommendations to the BRC and the Board on changes to investment strategies and policies for managing investment risks.

### ***Key initiatives to strengthen risk management framework, tools and practices***

The Bank makes use of a wide range of risk management and reporting tools in its decision-making and operations. The systems and tools contribute to a robust risk culture, and include the Risk Control Self-Assessment (RCSA), Incident Reporting System (IReport), centralised repository of internal policies and guidelines (IComply), risk dashboards and transversal risk reports. These tools provide a systematic process to identify, prioritise, treat and review risks. Risk dashboards are continuously enhanced by incorporating analytics from the IReport and RCSA systems. This enables the prioritisation of risk mitigation

actions based on trends and risk indicators. Incidents reported through the IReport system are also used to examine the root causes and responses to risk events in order to share lessons learnt and strengthen controls where appropriate.

The internal Transversal Risk Report is used to promote awareness across the Bank of cross-cutting risks such as people, technology, legal, physical security, information security and process risks. Data from transversal risk assessments support management decisions in relation to corporate planning, budgeting, procurement and talent management, and enable the Bank to take pre-emptive measures to mitigate emerging risks that are identified through the transversal risk assessments.

Information security risk was an area of focus in 2014. The Bank's Information Security Management Policy was reviewed in anticipation of emerging information security risks from developments in ICT. The policy has been strengthened to reflect these risks and the increasing use of digital information in the Bank's operations. In particular, it expands on the oversight arrangements as well as the roles and responsibilities of information owners and users in managing information security risks. Enhancements were also introduced to ensure that the policy remains responsive to advancements in technology that will continue to change how information is generated, transmitted and stored by the Bank.

### ***Strengthening Business Continuity Management practices***

The Bank's Business Continuity Management (BCM) aims to ensure that the Bank can continue to deliver its core business functions under any circumstances, from minor operational or system disruptions to a full-scale crisis. Crisis simulation exercises and live testing of disaster recovery plans are regularly conducted by the Bank to affirm the effectiveness of the Bank's BCM and identify areas for improvement. Over the years, the exercises have evolved to test more complex scenarios to enhance system recovery capabilities, as well as more extensive coordination and collaboration with internal and external stakeholders. The BCM Portal provides a one-stop centre for all BCM related matters in the Bank, including communications with relevant parties during a crisis and serving as a central repository for all BCM related documents.

### **Internal Controls and Assurance**

The Internal Audit Department (IAD), which reports to the Board Audit Committee, provides independent assurance of the adequacy and effectiveness of the governance processes, risk management measures and internal controls at all levels and across the Bank's significant activities. The IAD also assesses the risk management and internal control systems of the Bank's related entities.

The IAD adopts a risk-based audit approach. Audits are planned such that every department within the Bank would be subjected to an audit review at least once within a 3-year audit cycle. Annual audits are performed on critical areas such as reserves management, currency operations management (including branch operations), financial operations and procurement management. The audits are designed to identify significant changes in the risk profile of the Bank's business activities and operations, and to test the adequacy of controls, policies and procedures that are in place. An important focus of audits, particularly in the core business areas of the Bank, is the reliability of data used in the performance of the Bank's functions.

The risk management function is also subject to review by the IAD to provide assurance of its effectiveness in ensuring that key risks to the Bank are well managed. The audit reports, audit recommendations and the management's responses to the audit findings and recommendations are presented for the BAC's deliberation. The IAD also reports quarterly to the BAC and senior management on the rectification actions taken to resolve audit issues.

During 2014, reviews by the IAD included assessments of the effectiveness of the Bank's internal controls on data management and information security around the process of monetary policy formulation; governance processes for the performance of the Bank's regulatory and surveillance functions in the area of foreign exchange administration operations; and the framework implemented for enforcement actions taken by the Bank in cases of non-compliance.

The IAD also assessed the effectiveness of policies and controls for the Bank's general services and support including IT functions. The IT audits included recommendations to further enhance the critical IT operations and infrastructure in terms of the integrity, reliability and availability of the Bank's

IT systems. These included the Real Time Electronic Transfer of Funds and Securities System (RENTAS), National Electronic Cheque Information Clearing System (eSPICK), IT security and network, as well as, the management of the Data Centre and the Recovery Centre.

Audits on the Bank's related entities are conducted mainly to identify the potential for the activities of these entities to introduce risks that needs to be captured and monitored by the Bank as part of its enterprise-wide risk management process. The outcomes of these audits are shared with the senior management and boards of the entities and interventions to address issues raised at the entity-level remain the primary responsibility of the entity.

The IAD also performs an advisory role in providing feedback on the adequacy of controls and effective implementation in areas such as project management, procurement and tendering processes. In order to maintain its independence, the IAD does not get involved in the vendor selection or implementation process.

During the year, initiatives were undertaken to further improve the effectiveness of the audit function, including providing specific training for the Bank's auditors to update and broaden their knowledge of business areas, and new audit methodologies. The IAD also regularly benchmarks its audit practices to international standards and the practices of central banks globally.

## ORGANISATIONAL DEVELOPMENT

The year 2014 marked the conclusion of the Bank's 2012-2014 business planning cycle. The accompanying White Box on 'Bank Negara Malaysia's Business Plan 2012-2014' highlights the Bank's achievements under the Business Plan. The process undertaken to formulate the next three-year Business Plan for the period 2015-2017 similarly incorporates senior management's strategic visioning of key priorities for the Bank, with the identification of detailed action plans that are aligned to the new business and organisational priorities.

Organisational development efforts were focused on enhancing productivity, including through specific initiatives aimed at reducing the time to competence for new staff, improving business processes and strengthening the architecture of the Bank's information systems. Internal policies and systems

that support continuous learning also continued to be improved to increase the depth and breadth of knowledge required of the Bank's workforce to perform effectively in a more complex operating environment. With a growing pool of young talent in the Bank, investments in learning and development interventions have been an important priority of the Bank.

The medium and long-term investments in the Bank's resources, namely its people, ICT and physical infrastructure, are complemented with prudent financial management and a more cost conscious culture. The Bank's emphasis on more stringent criteria when approving operating and project budgets successfully contained the operating expenditures at sustainable levels. The Bank has initiated a number of projects across the organisations and involving different functional areas with the objective of further enhancing the Bank's performance capacity to support its core mandates going forward. The Bank's ability to delivery such projects efficiently and effectively is supported by a new Project Management Framework, which was adopted to ensure that projects in the Bank have clear outcomes, that risks are recognised and appropriately managed, and timelines, budgets and standards of quality are adhered to.

### Human Capital Management and Development

The strategies to develop the Bank's talent base continued to address critical challenges arising from the demographic shift towards a younger workforce and the need to accelerate the time taken for staff to achieve the required level of professional competence to perform their roles. The Bank's human capital policies had to also adapt to challenges that arose from changes in work practices due to new technologies and market demands. The Bank has consistently focused on building a healthy talent pipeline, ensuring individuals are fit for their job roles at all levels, and raising productivity by developing competencies, broadening job sizes and adopting better work processes.

The Bank enhanced its talent assessments, which resulted in the more effective profiling of candidates to ensure the best job-fit both when hiring new talent into the Bank, and when progressing existing talent in their careers within the Bank. To build a healthy talent pipeline for mission critical positions, the succession planning framework was strengthened to incorporate more rigorous and structured leadership development programmes to accelerate the personal growth and readiness of

## Bank Negara Malaysia's Business Plan 2012-2014

### Overview

The Bank charts its medium-term outcomes through three-year business plans. In 2014, the Bank concluded its 2012-2014 Business Plan (BP). The business planning process provides clarity and focus in achieving the Bank's mandates, in addition to facilitating the convergence of roles and better coordination, particularly where specific outcomes are shared across various departments within the Bank. The BP has also been useful in communicating the Bank's planning priorities and deliverables with external stakeholders.

The Bank's BP has seven focus areas. Each of these areas is supported by specific outcomes and strategies, which provides visibility across the broad mandates of the Bank. The focus areas cover monetary and financial stability; developing a progressive and inclusive financial system; evolving a more efficient e-payments eco-system; ensuring effective financial intermediation; and strengthening Malaysia's financial linkages with regional and global economies. Equally important is the focus on enhancing the Bank's internal capacity and capability to deliver its mandates effectively in the nation's best interests. The Bank's role toward meeting its mandates is multi-faceted, and includes research, surveillance, regulation, supervision, treasury operations and an advisory role to the Government. The BP is outcome-driven, and regular assessments are made on the Bank's performance against the BP, which is presented at the end of every year to the Board. This operational accountability to the Board also provides an effective feedback mechanism for the Board in performing its oversight function.

### Key Achievements of the Business Plan 2012-2014

The Bank continued to sustain its strong performance in achieving its mandates, with a broad range of measurable outcomes across the seven focus areas, which included many of the longer-term initiatives under the 10-year Financial Sector Blueprint. Highlights of the key achievements are provided below, with details having been reflected in prior annual reports:

- Monetary and financial system stability continued to be preserved, which provided a conducive environment for economic activity and contributed to economic growth. Pre-emptive actions were taken to address risks to monetary and financial stability, particularly in managing the risks of financial imbalances within a challenging environment of volatile capital flows.
- Domestic financial intermediation was well-supported by sound financial institutions, orderly financial market conditions and sustained confidence in the financial system. In particular, financing continued to flow to productive sectors of the economy, supporting job creation and economic growth. Important to this is the robust surveillance mechanism and strengthened regulatory and supervisory frameworks. The Bank's enforcement efforts were strengthened to preserve the integrity of, and confidence in, the Malaysian financial sector.
- The Bank made further progress in expanding opportunities for higher value activities within the Malaysian financial system, notably by further solidifying Malaysia's position as the World's Islamic Finance Marketplace; strengthening the eco-system for multi-currency trading; and establishing initiatives to build or further modernise the institutions that can provide a full range of financial services education for both domestic and international talent development. During the 2012-2014 BP, the Bank established the Financial Sector Talent Council and the Financial Services Professional Board to provide a strategic focus on talent development and to raise professional standards of conduct in the financial sector.
- The Bank's role in the international community continued to increase, enabling it to play a more prominent role in shaping central banking issues at the regional and global level. Significant progress was made in intensifying collaborative efforts with other central banks to strengthen regional crisis management. In addition, the Bank also contributed to thought leadership at international financial forums by sharing the Bank's insights, experiences and views on the critical challenges facing central banks. The choice of Kuala Lumpur as the new headquarters of Alliance for Financial Inclusion would provide an opportunity for the Bank to contribute further on the important global agenda to expand financial inclusion across the globe.

The Bank delivered the desired results whilst successfully capping the increase in the level of financial and human capital resources during the three-year period. This higher level of productivity is attributable to a focus on effective implementation, supported by continued investments in strengthening the Bank's capabilities in line with a culture of high performance.

talent to assume these roles. Together, the profiling and succession planning initiatives have facilitated placements of talent in roles that optimise their performance potential and contribution.

As a performance driven organisation, the Bank subscribes to the principle of performance differentiated rewards as part of its efforts to attract, retain and motivate talent. This is accompanied by on-going initiatives to nurture and reinforce the values of the Bank. All Bank staff must comply with the Bank's Code of Ethics (CoE) which establishes the expected conduct of staff, including an obligation to act with the highest standards of integrity. Breaches of the CoE are swiftly dealt with by the Bank, reflecting its low tolerance for improper behaviour or conduct among staff.

### ***Developing the Bank's Workforce: Learning and Knowledge Management***

The Bank has continued to invest in the development of a competent and progressive workforce. Learning priorities focused on accelerating the time to competence using targeted learning solutions that are designed to meet the specific developments needs of individual staff and resolve capability gaps.

The Bank continued to develop potential leaders through leadership development programmes that reinforce learning and sustain behaviour change. The programmes include personalised and peer coaching, as well as mentoring and on-the-job learning. Such learning interventions have enabled supervisors to take greater ownership of talent development by actively engaging with staff to identify their strengths and areas for development. Greater emphasis has also been placed on measuring the demonstration of the desired leadership attributes within the workplace.

Demands for specific technical learning opportunities have also increased in response to new challenges in central banking. Working with internal subject matter experts, the Bank has developed and delivered a number of customised programmes for staff, including programs in the areas of supervision, financial stability management, economic and Islamic finance. This is complemented by on-going training in communication and soft skills, such as effective business writing, interpersonal communication, critical thinking and problem solving. Apart from structured programmes,

the Bank's Toastmasters Club also provided another vibrant platform for staff to practise their skills. To accelerate the assimilation of new hires into the Bank's work environment, a re-designed On-Boarding Programme was introduced, to inculcate the Bank's shared values, enhance personal growth and provide basic central banking knowledge.

Staff in the Bank are encouraged to take initiatives and responsibility for their individual development. They are helped in this by extensive learning opportunities that are provided through various forums, access to e-learning tools and a well-resourced Knowledge Management Centre.

### ***Managing the talent pool***

The Bank has a long commitment of awarding scholarships to build its own talent pool and to contribute to nation building. In 2014, a total of 44 scholarships were awarded to exceptional students to pursue pre-university, first degree and post-graduate programmes in selected universities. The Bank's scholarships include investments in staff to pursue relevant fields of post-graduate study as part of the overall talent management strategy. The structured Scholars' Development Programme, implemented since 2012, helps prepare and equip new as well as existing scholars with the necessary skills, knowledge and experience to gain entry into top ranking universities. This includes enhancing English language proficiency and building self-confidence. As a result, in 2014, 50% (2013: 39%) of the Bank's scholars were accepted into the universities of their choice amongst selected leading universities, locally and globally. During the year, 63 returning scholars were successfully placed in various departments based on their specialisation, interest and role fit.

The prestigious Kijang Emas Scholarship, established in 2005 to support nation building, was awarded in 2014 to three deserving students who had demonstrated academic excellence and perseverance, and were given the opportunity to pursue their preferred fields of study at selected top universities around the world. As the Kijang Emas Scholarships are in support of nation building, recipients are required to return and serve the country upon graduation. To date, 46 high potential talents have been awarded the Kijang Emas Scholarship. The recipients are currently pursuing diverse fields of study including medicine, dentistry, genetics, biochemistry, dietetics, physics,



engineering, law, psychology and architecture in top universities. A total of 12 Kijang Emas scholars have completed their studies and have returned to serve the nation.

### **Staff strength**

In 2014, the staff strength remained constant at 2,829 (2013: 2,834). This includes staff seconded or attached with other organisations. The Bank's attrition rate declined to 3.6% (2013: 4.6%). The ratio of executive to non-executive staff remained at 3.5:2. Continuous process improvements and periodic reviews of jobs across the Bank against demands on the Bank's resources help ensure that the manpower level is adequate at all times for the Bank to effectively deliver on its mandates.

### **International Technical Cooperation Programmes**

The Bank has a long history of sharing its knowledge on central banking practices and building collaborative relationships with other central banks and regulatory agencies from around the world. During the year, the Bank maintained an active role in fostering regional and international collaboration. Apart from contributing in a wide range of international events, the Bank extends technical cooperation through structured programmes, study visits, and exchanges of information. In 2014, 662 officials from 74 countries in Asia, Africa, Middle East and Latin-America participated in these programmes.

The Bank's international technical cooperation in 2014 included the organisation of 13 structured programmes in the areas of financial inclusion, financial stability, Islamic finance and organisational development. Where possible, such programmes are organised in collaboration with domestic and international partners to enrich their content and optimise resources. During the year, the Bank collaborated with, among others, the Malaysian Technical Cooperation Programme (MTCP), Alliance for Financial Inclusion (AFI), Asian Development Bank (ADB), Islamic Financial Services Board (IFSB), International Islamic Liquidity Management Corporation (IILM), The South East Asian Central Banks (SEACEN) Research and Training Centre, International Centre for Education in Islamic Finance (INCEIF) and Japan International Cooperation Agency (JICA). Throughout the year, the Bank also received study visits from 37 delegations comprising 267 officials

that were interested to learn from the Bank's experience in a wide range of areas including Islamic finance, internal audit, risk management, talent development, facilities management, currency management and branch operations.

A key objective of technical cooperation is to support the financial integration agenda under the Association of South-East Asian Nations (ASEAN). In 2014, 348 participants from ASEAN countries enrolled in programmes organised by the Bank, of which 219 were from Cambodia, Laos, Myanmar and Vietnam. Three programmes in the areas of banking supervision, financial sector development and financial stability were designed to support capacity building needs in these ASEAN countries.

The Bank continued to receive strong demand for technical cooperation in Islamic finance, both at fundamental and intermediate levels. In total, 72 participants from 27 countries attended the Islamic finance programmes organised in 2014. These have contributed to expanding the Islamic finance talent pool globally, and the growth of Islamic finance as well as re-affirming Malaysia's position in Islamic finance education and training.

### **Driving Service Excellence**

The Bank's Centralised Shared Services (CSS) division comprises the CSS Management Office and various services units, namely Facility Management; Security Services; Hospitality Services; Museum, Art Gallery and KMC Services and Human Resource and General Services. CSS was established in 2012 to improve the delivery of corporate services functions and quality of common services across the Bank's operations.

Sasana Kijang as a centre of excellence in knowledge and learning in central banking and financial services hosted 1,513 events during the year, of which 87 were international events. These events reflect the Bank and nation's important role in advocating the development of Islamic finance, advancing regional financial integration and promoting educational excellence.

The increasing number of events has also enhanced the visibility of the Bank Negara Malaysia Museum and Art Gallery, resulting in a 34% increase in visitors to the Gallery. The Museum has provided an avenue for local artists to showcase their works, in addition

to preserving Malaysia's cultural heritage, particularly those aspects related to economics and finance.

The implementation of innovative processes continued to deliver efficiency gains during the year, notably in terms of more efficient energy consumption and cost savings on procurement, travel and project management expenditure, in addition to enhancing the quality of services provided to the Bank staff. A new business model was also introduced to effectively manage the assets of the Bank.

### **Maintaining Effective Information and Communications Technology Infrastructure**

The Bank continuously upgrades its IT infrastructure to ensure the availability, reliability and security of IT services that support its operations. This has become more important given the increased reliance on ICT and the accelerating pace of emergence of new IT security risks, particularly threats from targeted cyber-attacks. The Bank's IT infrastructure can have an impact on financial stability as it has an extensive online network that serves both national and international financial payments and settlements systems. Given the impact on financial stability, pre-emptive control measures and surveillance mechanisms have been put in place to safeguard the Bank's IT infrastructure. This has ensured that all critical infrastructure and IT facilities remained secure.

### ***Infrastructure with enhanced reliability and security***

In 2014, the Bank obtained certification under the latest revised ISO/IEC 27001 Information Security Management System (ISMS) standard for the Real-Time Electronic Transfer of Funds and Securities (RENTAS) IT infrastructure. The certification affirms the resilience of the Bank's critical IT infrastructure and information assets is on par with international standards and best practices. It also demonstrates compliance with the requirements of the ISO standards for holistic management and governance of information security.

The mitigation of any operational risks to the nation's payment and settlement operations requires a continuous upgrading of the Bank's critical IT infrastructure for financial market systems. Such upgrades sustain the availability of these operations, with minimal downtime. The infrastructure's robustness and resilience, including that of the Bank's Data Centre, has been tested through numerous industry-wide business

contingency exercises to ensure that the systems are ready to handle any unplanned disruptions.

IT solutions that leverage on mobile event technology were also used more extensively in international and regional conferences hosted by the Bank. Such applications provided participants with interactive and user-friendly information on the event's proceedings, such as agenda information, downloadable presentations, personalised and interactive note-taking, and post-event summary reports, which were conveniently made accessible via the participants' own mobile devices.

To provide IT services that enhance workplace productivity and enable business process efficiency, an independent review of the Bank's technology infrastructure has been initiated. The aim is to further strengthen the Bank's capacity to utilise emerging technologies to better respond to future business needs, support high standards of governance and facilitate efficient work processes. Over the next few years, this initiative will identify and implement strategic improvements that will sustain the continuous availability of IT services and enhance work productivity through the adoption of appropriate emerging technologies. This includes plans for innovative and practical IT services to facilitate work anywhere, anytime, via any device in a secured manner.

## **COMMUNICATIONS**

Communications play a vital role in sustaining the public and investors' confidence and trust in the Bank, the Malaysian financial system and the Malaysian economy. Central bank communications require well thought out strategies to engage with a wide range of stakeholders on the measures taken in maintaining monetary and financial system stability as well as supporting growth. Communication initiatives were also carried out to educate the public on responsible financial management.

### ***Promote understanding of the policies of the Bank***

An important objective of the Bank's communications is to promote greater understanding and appreciation of the Bank's policies and actions. The main communication tool for monetary policy is the Monetary Policy Statement (MPS) issued by the Monetary Policy Committee after each meeting. The rationale for each monetary policy decision is conveyed in the MPS. The messages are

reinforced by the Bank's senior management in their commentaries and speeches at various official events. These communication efforts play a key role in shaping market expectations, thus enabling the smooth implementation of monetary policy.

Communication strategies were integral to a number of other important policy initiatives during 2014. One of these initiatives was the nation's migration to e-payments. A sustained programme of media engagements was effectively used to raise public awareness on the benefits of e-payments, leading to the higher utilisation of online banking and other online payments services.

Similarly, in supporting the national agenda of 'Going Green', the Bank's communication efforts promoted the use of recycled fit banknotes during festive celebrations. This was accompanied by Currency Education Programmes to inform the public of banknote security features and ways to detect counterfeit notes. These programmes were also used to create awareness of Coin Deposit Machines to improve the circulation of coins.

### ***Sustaining confidence in the economy and financial system***

A key communications agenda is sustaining confidence in the strength of the Malaysian economy and financial system. Varied communication platforms are used by the Bank to engage with the press, economists and analysts, fund managers, Malaysian government officials, members of Parliament, and the foreign diplomatic community to relay the Bank's assessment of the economy and the financial sector. These platforms include briefings at the release of the Bank's Annual and Financial Stability Reports, the quarterly GDP press conferences, Parliamentary sessions, regular meetings with fund managers and analysts, and the annual roundtable meeting with economists and analysts. Current information on economic conditions is provided through publications such as the quarterly and monthly statistical bulletins.

### ***Engaging international stakeholders***

The Bank's communication with the international financial community covers a diverse range of issues, which include its monetary and financial stability policies, the internationalisation of Islamic finance, supporting the global financial inclusion agenda, and strengthening financial cooperation to deepen linkages with regional trade partners. The Bank also sought to create greater awareness of the Bank's

cooperation with other central banks in facilitating deeper trade and investment linkages. These efforts included the establishment of a Renminbi clearing bank that will further enhance economic ties between Malaysia and China.

The Bank has long championed the importance of more inclusive financial systems, and in 2014, won the bid for Malaysia to host the headquarters of the Alliance for Financial Inclusion (AFI). The opportunity to host AFI's headquarters will allow Malaysia to further support the global collaborative efforts in achieving greater financial inclusion and more balanced economic progress.

During the year, the Bank's senior management shared perspectives with the regional and international community in areas such as managing financial crises in a more interconnected world and deepening regional financial cooperation. Senior management also exchanged views with regional central bankers in high-level conferences that covered issues such as monetary policy frameworks in emerging economies; the role of statistical systems for better decision making; developments in the money services business industry and the challenges faced in combating money laundering and terrorism financing threats.

### ***Educating financial consumers***

The Bank continued to intensify efforts to raise the public's awareness of financial scams. The Bank issued frequent media advertisements and updated the Financial Consumer Alerts list on the Bank's website. The number of entities placed on the list that were neither authorised nor approved under the Bank's laws and regulations increased by 66 entities to a total of 197 entities.

The Bank, in partnership with government agencies and financial institutions, continued its outreach programmes to Small and Medium Enterprises (SMEs) and micro entrepreneurs through nation-wide events. The main aim of these programmes is to increase awareness on the various financing schemes and assistance available to support SMEs and micro entrepreneurs in growing their businesses. Media advertisements were also used to highlight the role of the Small Debt Resolution Schemes in helping distressed SMEs.

The Credit Counselling and Debt Management Agency (AKPK) embarked on efforts to highlight its growing role in promoting financial

wellbeing, alongside its more established role as a debt restructuring agency. The AKPK also improved financial management capabilities of many segments of Malaysians by building smart partnerships with selected institutions, including cooperatives. Reflecting the high demand for its services, total counselling cases handled by AKPK as at end December 2014 stood at 309,663 (December 2013: 248,491 cases). Of this, 121,495 cases were further assisted under AKPK's Debt Management Programme (December 2013: 100,871 cases). In addition, the POWER! Programme attracted 203,174 participants since its introduction in 2011 (December 2013: 172,455) while the total consumer outreach in 2014 stood at 2.2 million people (2013: 1.4 million). The media was also supportive of financial education efforts by providing free media coverage during the year to AKPK's public outreach campaigns. The Financial Mediation Bureau (FMB), in collaboration with several agencies such as the Bank, Malaysia Deposit Insurance Corporation (PIDM) and AKPK, continued to promote greater awareness on the services provided by the FMB as an alternative avenue for dispute resolution.

The FMB handled a total of 2,721 cases in 2014 (2013: 3,622 cases), of which, 1,030 cases were brought forward from 2013 and 1,691 were new (2013: 1,881 new cases). As at 31 December 2014, a total of 2,106 cases were resolved (2013: 2,592 cases), comprising 1,362 cases related to insurance and takaful (64.6%) and the remaining 744 cases (35.4%) related to banking. The number of outstanding cases was reduced to 615 (2013: 1,030 cases).

The decreasing number of complaints registered by FMB and the lower number of cases outstanding as at 31 December 2014 is a positive reflection of the intense efforts undertaken by the financial services providers and FMB in resolving disputes effectively. The improvements can be attributed to better complaints handling by the

financial services providers and greater public understanding of the dispute resolution process under FMB, as well as the basis on which cases are adjudicated.

### ***Growing significance of online communication channels***

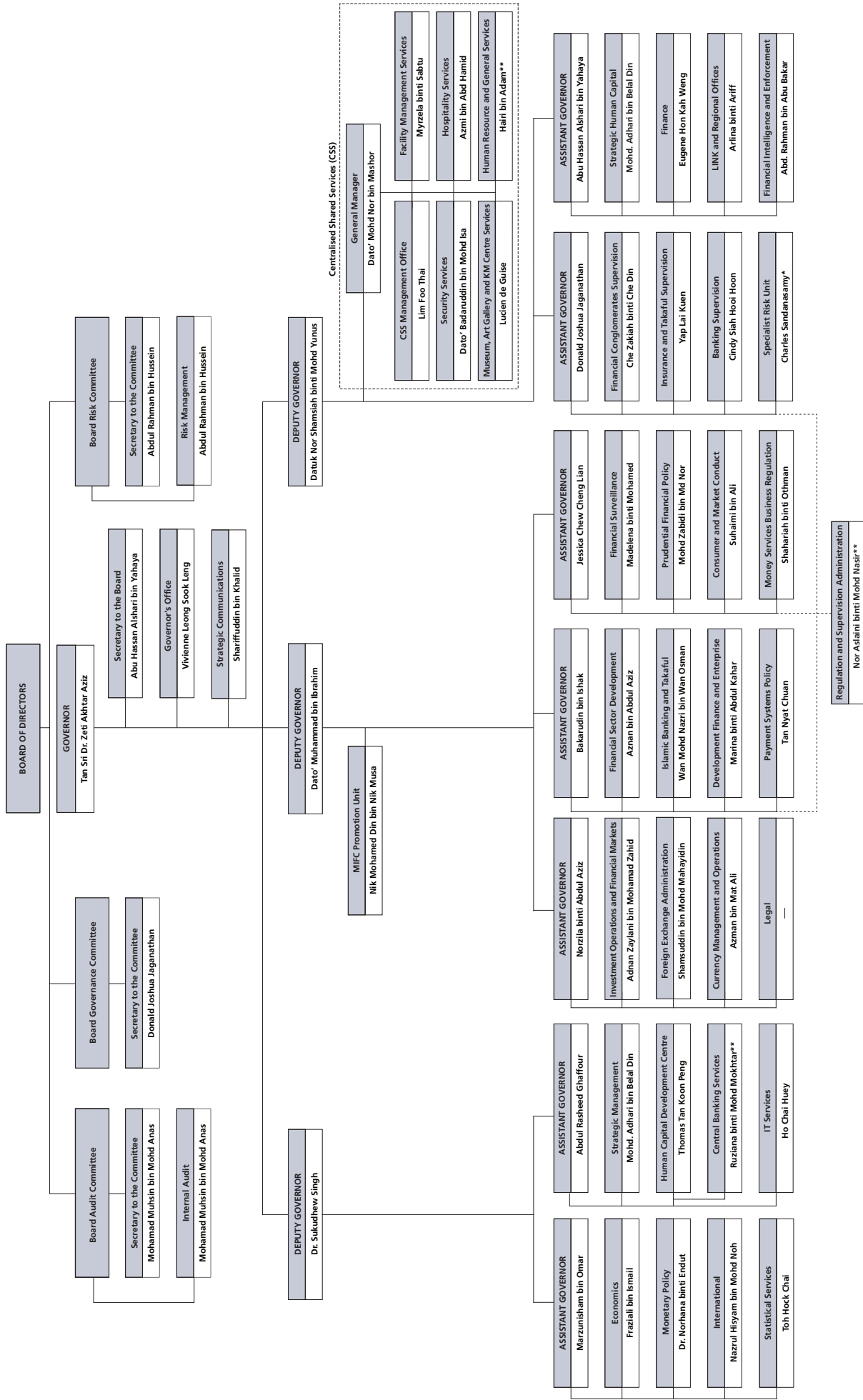
In line with the latest developments in mobile phone technology, the Bank has introduced BNM Mobile App, an interactive communication channel between the Bank and the public. The application includes five key modules, namely, Banknotes and Coins of Malaysia, Fraud Alert and Awareness, Complaint Management, Useful Tools and Financial Education which will be phased-in from early 2015. The App can be downloaded for free.

Reflecting the increasing popularity of online communications, the number of visits on the Bank's Website increased by approximately 21 percent to 7.5 million visits in 2014 (2013: 6.2 million) while the number of unique visitors increased to 3.5 million (2013: 2.5 million). Access to the website through mobile devices increased by 35 percent to 1.3 million (2013: 960,000). Social media was also utilised to allow the public to make enquiries and the Bank to share important messages and information. The number of fans on the Bank's Facebook increased significantly by 52 percent to 43,986 (2013: 28,952) while the Bank's Twitter followers increased by 42 percent to 54,100 (2013: 38,200).

### ***Enhancing internal communications to improve productivity***

The Bank's intranet, Kijang.net, plays a major role in facilitating the flow of information within the Bank and improving staff productivity. This internal channel encourages the sharing of work experience, knowledge and general information among staff to enhance work performance. It also provides opportunities for senior management to share their views and insight with the staff more broadly.

**BANK NEGARA MALAYSIA**  
Organisation Structure



\*Administrative Head  
\*\*Deputy Director

