

2010

GOVERNANCE, COMMUNICATIONS AND  
ORGANISATIONAL DEVELOPMENT

- 109 Governance
- 111 *White Box: Operationalisation of the Central Bank of Malaysia Act 2009*
- 118 Communications
- 120 Organisational Development
- 124 *White Box: Corporate Social Responsibility*
- 129 Organisation Structure



The year 2010 was the first year of the operationalisation of Central Bank of Malaysia Act 2009 (Act), which came into force on 25 November 2009. With the necessary powers and autonomy accorded to the Bank, the Act also further strengthened the governance framework by enhancing accountability and transparency. To ensure the Bank effectively discharges its roles and responsibilities according to its mandates, focus continued to be on strengthening organisational capacity and capability, including in the areas of strategic management, risk management, communications and talent development.

**GOVERNANCE**

A key aspect of the Act is the institutionalisation of a more robust governance framework, with a further strengthening of the Board’s oversight function. As provided for in the Act, two new Board committees, the Board Governance Committee and the Board Risk Committee, were established in 2010. Similar to the existing Board Audit Committee, the members of these new Board Committees are non-executive Directors. See white box ‘Operationalisation of Central Bank of Malaysia Act 2009’.

The Board Governance Committee, which had convened five meetings in 2010, made several recommendations to the Board on various issues relating to the budget and operating plan of the Bank, as well as the appointment of members of the Monetary Policy Committee, Shariah Advisory Committee and Financial Stability Executive Committee. The governance process was further enhanced by incorporating an appraisal mechanism to evaluate the performance of the Board, the Board Committees and the individual

board members in effectively discharging their roles and responsibilities.

The Board Risk Committee convened three meetings during the year to deliberate on overall risk management at the Bank and approved the new Enterprise Risk Management Framework, including the Operational and Financial Risk frameworks. The Board Audit Committee, which had four meetings in 2010, reviewed and deliberated on matters pertaining to the functions and activities of the Internal Audit Department, to ensure an independent and objective assessment on the Bank’s internal controls, governance process and risk management measures. During the year, the Board Audit Committee had deliberated on the internal audit findings and remedial actions to be taken, and provided oversight in ensuring that the Bank’s internal control system is continuously enhanced to remain effective in mitigating key risks. In this regard, all material audit recommendations were implemented satisfactorily.

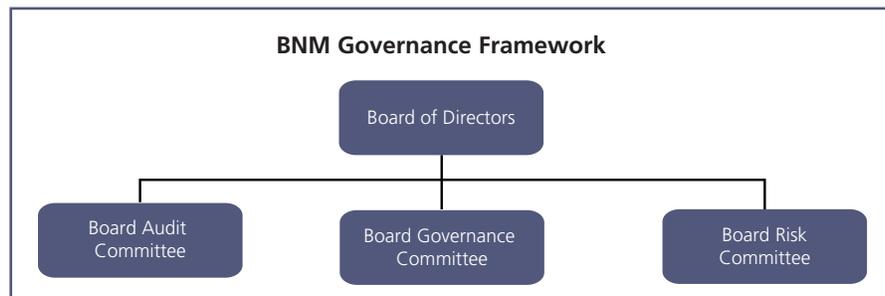
**Risk Management**

***Risk Management Governance***

The risk governance structure within the Bank aims to ensure effective management of the different types of risks while meeting the strategic objectives of the organisation. The management of risks is overseen by several committees and their complementary roles are linked through a robust risk management governance framework.

***The Board and Board Risk Committee***

The Board and the Board Risk Committee (BRC) have the overall oversight function in the governance structure of the risk management framework. The Board provides strategic direction



on the risk management of the Bank and ensures that the Bank identifies its key risks and has in place the appropriate systems and resources to manage these risks. The BRC, comprised of non-executive directors of the Bank, supports the Board in providing independent oversight in the management of risks. In addition, the Risk Management Department reports directly to BRC.

***Risk Management Committee, Operational Risk Management Committee and Financial Risk Management Committee***

The objectives of the Risk Management Committee (RMC) are to address strategic risk issues, to oversee the management of risks and to drive the risk management culture in the Bank. RMC ensures that all significant risks are adequately managed and mitigated and that appropriate risk management practices are embedded in the Bank's operations. The RMC is supported by two sub-committees, namely the Operational Risk Management Committee (ORMC) and Financial Risk Management Committee (FRMC), which assist the RMC in identifying the operational and financial risks to the Bank and ensuring that the risks are adequately managed.

***Enhancing the Risk Management framework***

To address the rapidly evolving landscape, the Bank in 2010 enhanced the current Enterprise Risk Management framework by putting in place a proactive, practical and robust risk management framework, comprising of the new Operational Risk Management (ORM) and Financial Risk Management (FRM) frameworks. The respective frameworks leverage on the existing efforts to nurture a strong risk management culture within the Bank by further promoting practical and robust risk management practices. The ORM framework outlines the overall management of operational risks in the Bank, by promoting sound and effective operational risk management procedures and practices to manage the possible occurrence of events which may adversely affect, among others, the achievement of the Bank's mandates and objectives. The FRM framework outlines the multiple aspects of financial risk management within the context of the Bank and places emphasis on timely identification and effective management of the financial risks.

***The three lines of defence***

The **three lines of defence** concept is strongly emphasised in the new frameworks to institutionalise effective risk management practices

within all areas in the Bank where clarity is given to the role, responsibility and accountabilities in decision-making, as well as control mechanisms in the risk management governance practices.

The first line of defence refers to the line departments which are responsible for identifying, assessing, mitigating and reporting risks within their own areas of business. This essentially means the line departments need to have the strategic understanding and are fully conversant with the risks undertaken and are accountable for ensuring that the appropriate mitigating controls are in place.

The second line of defence is the Risk Management Department function which has both the oversight and advisory roles to the line departments. This second line actively challenges the assessments and initiatives done by line departments by engaging with risk owners and consolidating Bank-wide risks into various risk types.

The risk management function also includes 'Risk Policy Owners', who manage specific transversal risks shared across the Bank, for example people risk, information security risk and legal risk. Risk management for international reserves, in key areas of market, credit and operations is also monitored by the Treasury Risk Management section of the Investment Operations and Financial Market Department. The third line of defence refers to the internal audit function which provides independent assurance and verification of efficacy in implementing the risk management frameworks.

***Enhancing Risk Management practices, tools and methodologies***

In line with the three lines of defence concept and to strengthen the risk management culture, the Bank adopts both the top-down and bottom-up approaches in classifying the different classes of risks, identifying those accountable for those risks across the organisation and enabling mitigation actions to be effectively communicated. The top-down approach emphasises the strategic risks and the Bank's overall performance and allows assessment of organisational risks that have significant impact on the reputation of the Bank. The bottom-up approach provides a platform for risk issues at the departmental level to be identified and managed accordingly and

## Operationalisation of the Central Bank of Malaysia Act 2009

### Introduction

The Bank underwent a smooth transition from the legislative framework under the Central Bank of Malaysia Act 1958 to the new Central Bank of Malaysia Act 2009 (Act) when the new Act came into force on 25 November 2009. The new Act provides the Bank with the necessary powers and autonomy to effectively fulfill its mandates of promoting monetary stability and financial stability conducive to the sustainable growth of the Malaysian economy. In line with the requirements of the new Act, the Bank's institutional capability has been further reinforced through the introduction of a more robust governance framework and practices.

### Mandates of the Bank

The *raison d'être* for the Bank is expressly provided in its principal objectives of promoting monetary stability and financial stability conducive to the sustainable growth of the Malaysian economy. The Act has also provided for the following primary functions of the Bank:

- (i) formulate and conduct monetary policy in Malaysia;
- (ii) issue currency in Malaysia;
- (iii) regulate and supervise financial institutions which are subject to the laws enforced by the Bank;
- (iv) provide oversight over the money and foreign exchange markets;
- (v) exercise oversight over payments systems;
- (vi) promote a sound, progressive and inclusive financial system;
- (vii) hold and manage the foreign reserves of Malaysia;
- (viii) promote an exchange rate regime consistent with the fundamentals of the economy; and
- (ix) act as financial adviser, banker and financial agent of the Government.

In giving effect to its objects and in carrying out its functions, the Bank shall have due regard to the national interest.

### Monetary Stability

The Monetary Policy Committee (MPC) was introduced in 2002 to formulate monetary policy and policies for the conduct of monetary policy operations. The new Act institutionalises this Committee and accords it autonomy in the formulation of monetary policy. The MPC has met six times during the year in accordance with the schedule published by the Bank. To ensure efficient and robust monetary policy deliberation and decision making process, the procedures for the MPC have been enhanced. Each MPC meeting is held over a period of two days and comprises two sessions to ensure sufficient time for presentations, discussions and deliberations and decision making. In the first session, MPC members are apprised of the latest economic, monetary and financial developments and relevant, accurate and timely analysis on monetary policy issues. This is followed by a second session where there is deliberation of issues and decision making by the MPC as well as preparation of the Monetary Policy Statement. MPC members may also request for specific research or analysis to be undertaken with the results being presented at the MPC meetings.

### Establishment of New Committees

Pursuant to the provisions of the Act, the Bank has enhanced its governance framework and practices through the establishment and operationalisation of several committees. Members of these committees are drawn from among individuals with the relevant expertise and experience and have been appointed taking into account the need for mixed competencies. Members of the committees are as follows:

Financial Stability Executive Committee	Key Responsibilities
Tan Sri Dr. Zeti Akhtar Aziz (Governor) Dato' Muhammad bin Ibrahim (Deputy Governor) Tan Sri Dato' Sri Dr. Wan Abdul Aziz bin Wan Abdullah Encik Jean Pierre Sabourin Dato' Johan Raslan Encik Philip Koh Tong Ngee	<ul style="list-style-type: none"> <li>▪ Decide on proposed actions by the Bank to:               <ul style="list-style-type: none"> <li>• issue orders to entities not regulated by the Bank or other supervisory authority;</li> <li>• extend liquidity assistance to:                   <ul style="list-style-type: none"> <li>(i) entities not regulated by the Bank;</li> <li>(ii) subsidiaries or branches of Malaysian financial institutions abroad;</li> </ul> </li> <li>• provide capital support to a financial institution</li> </ul> </li> </ul> for the purpose of averting or reducing risks to financial stability.
Shariah Advisory Council	Key Responsibilities
Dr. Mohd Daud Bakar (Chairman) Dato' Dr. Abdul Halim Ismail (Deputy Chairman) Tun Abdul Hamid Haji Mohamad Tan Sri Datuk Sheikh Ghazali Abdul Rahman Sahibus Samahah Dato' Haji Hassan Haji Ahmad Dr. M. Anwar Ibrahim Prof. Dr. Ashraf Md. Hashim Prof. Madya Dr. Engku Rabiah Adawiah Engku Ali Prof. Madya Dr. Mohamad Akram Laldin Dr. Aznan Hassan Dr. Rusni Hassan	<ul style="list-style-type: none"> <li>▪ Ascertain the Islamic law for Islamic financial business and issue rulings;</li> <li>▪ Advise the Bank on Shariah issues relating to the activities or transactions of the Bank;</li> <li>▪ Advise any Islamic financial institutions or any other person on Islamic financial business pursuant to any written law;</li> <li>▪ Issue rulings pursuant to a request from the courts or arbitrator.</li> </ul>

In carrying out its functions under the Act, the aforementioned committees are guided by their respective terms of reference or by-laws which set out the practices, functions, roles and responsibilities and accountability of the committee members in decision making.

### Financial Stability

Apart from the constitution of the Financial Stability Executive Committee (Executive Committee), the Bank had undertaken several initiatives to put in place an operational framework pursuant to its financial stability mandate under the Act. These include:

#### ***Strengthened internal financial stability arrangements and decision making process***

The Bank has reinforced its internal institutional and governance arrangements to ensure effective execution of its financial stability functions. The Financial Stability Policy Committee (FSPC) continues to serve as the Bank's internal high-level forum responsible for monitoring and averting risks to systemic stability. In doing so, the FSPC may implement macro prudential measures or impose specific actions to resolve problems within individual institutions as required to address identified risks to financial stability. The FSPC is also responsible for (i) making specific recommendations to the Executive Committee on the appropriate intervention and resolution actions in accordance with Section 38 of the Act; and (ii) monitoring the implementation of approved actions as commissioned

by the Executive Committee. The FSPC is also accountable for decisions to invoke Section 98 of the Malaysia Deposit Insurance Corporation Act 2011 and may issue a notification of non-viability of a member institution to Malaysia Deposit Insurance Corporation (MDIC) for resolution.

In addition, the Bank is also developing a systemic stability framework that will further enhance existing policy structures and analyses to capture the interlinkages, trade-offs and necessary coordination between key policy areas within the Bank for financial stability. The systemic stability framework aims in particular, to promote greater focus, coverage and coherence between macro prudential, micro prudential and crisis management policies to support the effective performance of the Bank's mandate for financial stability.

This framework will also contribute towards strengthening the Bank's internal governance and processes and serve as a performance management tool to monitor the Bank's overall effectiveness in achieving its financial stability mandate.

While the effective conduct of monetary policy presupposes a stable and healthy financial system as an effective transmission mechanism, continued financial stability requires effective and sound monetary policy and macroeconomic conditions. Given that monetary and financial stability are highly interdependent, efficient implementation of policies in both areas are critical towards sustainable economic growth. In this regard, the Bank has introduced an internal organisational process that ensures effective coordination of financial stability policies that may have wider impact on macroeconomic and monetary conditions. For this purpose, the Bank has established a joint MPC-FSPC forum to deliberate macro prudential policies that have broader implications for the economy. This joint forum provides for the Bank to effectively manage complex interactions and policy trade-offs between these mutually reinforcing mandates. In 2010, the joint forum met once to deliberate and decide on the policy responses to the developments in the household sector and property market.

#### ***Co-operation with other supervisory authorities***

In cognisance of the importance of timely information flows and coordinated policy responses, Section 40 of the Act empowers the Bank as the authority for financial stability to enter into arrangements with other supervisory authorities and co-ordinate financial stability measures with the same. Further, the provision also empowers the Bank, where necessary, to obtain or share any information or document with the supervisory authorities. The Bank engages with other regulatory authorities such as the Securities Commission (SC) and MDIC on a regular basis and is currently reviewing its memorandums of understanding with these agencies particularly in the areas of surveillance and supervision to facilitate the timely identification of pre-emptive responses to systemic risk within clear accountability structures and frameworks that are consistent with current legislation. Work is also underway to establish new memorandums of understanding with other regulatory agencies such as the Suruhanjaya Koperasi Malaysia (SKM) in view of the growing significance of the cooperative industry in the domestic financial landscape as well as with supervisory authorities in the region to support the effective monitoring and supervision of regionally active financial institutions.

#### ***Oversight of money and foreign exchange market***

The orderly functioning of and confidence in the money and foreign exchange market is critical for monetary policy functions and financial stability. Accordingly, Section 43(1) of the Act empowers the Bank to issue rules, codes, standards, principles or guidelines for the purposes of regulating, developing, or maintaining orderly conditions or the integrity of, the money market, the foreign exchange market or the market for the derivatives related to the currencies, securities and other financial instruments traded in these markets. The oversight responsibility of the Bank would include regulation, supervision and market conduct surveillance in these markets.

The Bank is currently finalising the regulatory scope for the money market, the foreign exchange market and the market for the derivatives related to the currencies, securities and other financial instruments traded in these markets. This will include a comprehensive review of current arrangements

for participation in these markets, the administration and enforcement of relevant regulations and codes of conduct applicable to market participants and the role of self-regulating organisations in promoting confidence, orderly and transparent dealings in the markets.

The Bank and SC are also in the process of reviewing the existing Memorandum of Understanding to incorporate, among others, joint-regulation arrangements to provide clear responsibilities and collaborative mechanisms for the regulation of derivatives or financial instruments in the money market which are within the supervision and oversight of the supervisory authorities.

#### ***Enhanced framework for provision of liquidity assistance***

To support the enhanced powers and flexibility accorded to the Bank under the Act to provide emergency liquidity assistance, for the purpose of preventing institutional or market liquidity shocks from threatening systemic stability, the Bank's existing Emergency Liquidity Assistance (ELA) framework is being strengthened and aligned with the new requirements under the Act. This enhanced framework for the provision of ELA is aimed at ensuring continued efficacy of the lender of last resort function of the Bank (including strengthened internal arrangements for the coordination of viability assessments of institutions requiring liquidity support) and ensures commensurate operational, governance and accountability mechanisms.

#### **Board of Directors and the Board Committees**

Under the new legislative framework, the Board of Directors of the Bank remains responsible for the oversight over the management of the Bank and keeps under constant review the performance of the Bank in giving effect to its mandated roles. Throughout 2010, the Board convened twelve meetings to deliberate on various aspects of the Bank's business and affairs including approving the Bank's budget and operating plan, the by-laws for the MPC and the Board Committees of the Bank.

In carrying out its oversight function, the Board of Directors is assisted by three Board Committees. Each Board Committee is composed of three independent and non-executive Board members and is governed by its respective by-laws as approved by the Board. The Chairman of the Board Committees is appointed from a member of the respective Board Committees. The Board Committees are as follows:

Board Governance Committee	Key Responsibilities
<p>Tan Sri Datuk Amar Haji Bujang bin Mohd. Nor (Chairman);  Tan Sri Dato' Seri Dr. Sulaiman bin Mahbob;  Encik Chin Kwai Yoong</p>	<ul style="list-style-type: none"> <li>▪ Review the effectiveness of and recommend the principles and practices of governance of the Bank;</li> <li>▪ Periodic review of the mandates of the Bank and make recommendations to the Board;</li> <li>▪ Recommend members to various important committees such as the MPC, the Executive Committee and the Shariah Advisory Council (SAC);</li> <li>▪ Examine and recommend the budget and operating plan of the Bank.</li> </ul>
Board Audit Committee	Key Responsibilities
<p>Datuk Oh Siew Nam (Chairman);  Tan Sri Datuk Amar Haji Bujang bin Mohd. Nor;  Dato' N. Sadasivan</p>	<ul style="list-style-type: none"> <li>▪ Assist the Board in its oversight of the integrity of the accounts and financial statements of the Bank, the effectiveness of the internal control systems, the performance of the internal audit function as well as compliance with legal and regulatory requirements.</li> </ul>
Board Risk Committee	Key Responsibilities
<p>Dato' N. Sadasivan (Chairman);  Datuk Oh Siew Nam;  Tan Sri Dato' Seri Dr. Sulaiman bin Mahbob</p>	<ul style="list-style-type: none"> <li>▪ Assist the Board in the oversight on the review and management of the enterprise risks of the Bank.</li> </ul>

Since its establishment, the Board Governance Committee (BGC) met five times to deliberate on various issues concerning governance practices within the Bank. The BGC had made recommendations for the appointment of the MPC members as well as members of the Executive Committee and the SAC. The BGC had also made recommendations on issues relating to the Bank's budget and operating plan as well as an appraisal mechanism to evaluate the performance of the Board, the Board Committees and individual board members in discharging their respective roles and functions.

The Board Audit Committee (BAC) convened four meetings throughout the year to assist the Board in providing oversight on the Bank's financial reporting, internal control environment and compliance with legal and regulatory requirements. The BAC oversees the Internal Audit Department of the Bank and approves its audit plans, scope of work and resource requirements. The BAC also reviews the internal audit findings and recommends actions to be taken by the Management to ensure their timely rectification. In addition, the BAC reviews the National Audit Department's audit reports, including their findings and any remedial action to be taken by the Bank.

The Board Risk Committee (BRC) convened three meetings in 2010 to review the management of the enterprise risks faced by the Bank including risks of financial loss, disruption to operations, failure to attain the Bank's objectives or other residual risks that could give a negative perception to the Bank's reputation. In this regard, the BRC had reviewed and recommended the new Operational Risk Management (ORM) and Financial Risk Management (FRM) frameworks for the Board of Directors' approval. The ORM and FRM frameworks were approved by the Board of Directors in November 2010 and January 2011 respectively. The development of both frameworks is part of the overall enhancement to the Bank's Enterprise Risk Management framework which is aimed to further strengthen the Bank's approach in the management of risks facing the Bank, taking into account new challenges in central banking.

### **Conclusion**

Moving forward, the powers vested with the Bank under the Act together with the strengthened governance framework ensures that the Bank is well positioned to discharge the roles and responsibilities of preserving monetary stability and financial stability to best serve the Malaysian economy in the years ahead.

to ensure that Senior Management is kept aware of the day-to-day operational risks in the Bank.

The Bank also applies effective risk management tools to facilitate the management of risks, such as the Risk Control Self Assessment (RCSA) methodology. RCSA is a comprehensive technique for managing risks, particularly operational risks within departments, and is based on the premise that departments are responsible for managing their own risks. It is an ongoing effort of facilitated profiling of risks to ensure systematic identification and management of risks in the Bank. Enhancements to the RCSA were introduced in 2010 via the adoption of eRCSA, a system built to enable the maintenance of a Bank-wide risk repository, to clarify risk accountability lines, as well as to embed the risk management culture at all levels of the Bank. The system facilitates risk analysis and ensures better and up-to-date data quality. Data consistency is also improved with the enhanced risk taxonomy in place to build a common understanding of risk terminologies. As part of the continuous improvement in the current controls, clear escalation procedures on risk events have also been formulated to strengthen the governance process.

### ***Strengthening Business Continuity Management readiness***

The Bank continues its efforts to strengthen its readiness and response capabilities to address business disruptions. One of the key initiatives for Business Continuity Management (BCM) in 2010 is the establishment of the BCM Working Group which is responsible for developing an integrated BCM framework which includes implementing proper governance and processes. It also aims to enhance industry-wide coordination and collaboration, and develop industry-wide BCM testing for the Bank and financial sector. In addition, the Crisis Management Team has approved a shorter timeframe for notification of Combined Live Runs as part of the efforts to enhance the Bank's readiness in handling crisis situations.

### ***Risk Management outlook***

Risk management practices ensure that the Bank is well prepared for both the foreseen and unforeseen challenges given the unpredictable and rapidly changing operating landscape. The Bank remains committed to continually strengthening its risk management capabilities to ensure that risks are adequately managed during the course of performing its functions.

In line with this, several planned initiatives are currently underway to further enhance the risk management approach, which includes strengthening the assessment of reputational risks faced by the Bank, collaborative efforts to link risk assessment outcomes with strategic planning and resource planning in ensuring strategic goals are met, further enhancement of risk management tools through the development of Key Risk Indicators and Incident Reporting, as well as enhancements to the risk management culture through efforts like workshops conducted for all departments, participation in Bank-wide knowledge fairs and other engagements.

Moving forward, the Bank will also continue to evolve its risk management practices, internal controls and BCM planning. This will ensure the Bank is well equipped with the right capacity and capability to face risks and withstand any future challenges. A strong and robust risk management framework will not only support the Bank's stability during the good times but also safeguard its credibility during times of trials.

### **Internal Controls**

The Internal Audit Department (IAD) assists the Board Audit Committee (BAC) in meeting its objectives by providing an independent and objective assessment of the state of the Bank's internal control systems. IAD reports directly to the BAC and is independent from the Bank's business activities and does not assume any business or operational responsibilities. To ensure comprehensive and robust audit planning exercise for each audit assignment, IAD collaborates with the Risk and Strategic Management departments in identifying and evaluating inherent risks, reviewing key issues and concerns, and assessing the risk control functions in the significant activities and core processes of the Bank.

The Bank's risk based internal auditing framework incorporates a holistic review of significant activities and core processes of the Bank as well as the risk control functions in determining the frequency and coverage of audits to be conducted. An overall audit rating is assigned based on the assessment of the control environment of the areas reviewed. Audit priority ratings are also provided for specific audit issues raised based on their significance and risk, which are escalated to the appropriate level of Senior Management and the Risk Management Department. Reviews are concurrently conducted

on clusters of line departments that are involved in a specific core process of the Bank as well as on clusters of line departments that undertake a common significant activity, to ensure that risks, spanning between relevant line departments in core processes and major risks that are inherent in significant activities across line departments, are adequately assessed. IAD provides regular updates of its findings and assessments to the BAC and the Senior Management. In addition, Jabatan Audit Negara (National Audit Department) provides its periodic oversight on the conduct and audit coverage of IAD.

## COMMUNICATIONS

The Bank's communications initiatives in 2010 focused on several key areas including the economic outlook, monetary stability and financial sector soundness and resilience. Strategic engagements were initiated with the Government, the media, financial industry, analysts and economists, representatives of industries from the real sectors of the economy and the public. These engagements were carried out through various channels, including media conferences, meetings, dialogues and roadshows. It has increased the understanding of the Bank's role in promoting macro economic stability that is important for sustainable growth, ensuring the soundness and resilience of the financial system while developing an effective and efficient financial sector.

### ***Annual Report – key platform for providing assessment on the economic outlook and facilitating better understanding of the developments and policies that affect the economy and financial sector***

Engagement sessions were carried out during the presentation of the 2009 Annual Report and the Financial Stability and Payment Systems Report, held in the early part of the year. Throughout the year, the Bank had continuous engagements with representatives from the manufacturing, services, construction and mining industries, to gain insights into the issues facing these industries, and to obtain their views on their industries' performance and outlook. These engagements provided the Bank with valuable insights on issues affecting key sectors of the economy and the overall prospects for the Malaysian economy.

### ***Monetary policy communications***

The Monetary Policy Statement was the main medium of conveying the decisions taken

on monetary policy. The Bank's decision to normalise the policy rate in the early part of the year to mitigate potential risks of financial imbalances and ensuring sustainable growth was communicated and explained mainly through the Monetary Policy Statements that is issued after each of the Monetary Policy Committee meeting. This is reinforced with engagements with the industry, analysts and economists. The communication efforts focused on ensuring understanding that during this period of normalisation, monetary policy remained accommodative and that the thrust of policy was to avoid financial imbalances and the potential emergence and destabilising effects on the economy. These communication activities have resulted in orderly adjustments in the money market, lending rates in the economy as well as greater understanding by the stakeholders of the rationale behind the Bank's monetary policies.

### ***Strength and role of the financial sector***

During the year, communications initiatives continued to focus on the measures that were taken to ensure continued resilience of the financial sector, and to ensure that the sector continues its effective and efficient intermediation function in the economy. Communications on the various measures to address concerns about household indebtedness were also undertaken.

With regard to Islamic finance, wide coverage was given to developments in the sector. Further communications and promotional activities were carried out under the Malaysia International Islamic Financial Centre (MIFC) initiative to solidify Malaysia's position as the leading International Islamic Financial Centre. Other areas of focus included the value propositions of Islamic finance in contributing to financial stability and its growing relevance in the global financial system. These efforts helped to strengthen the MIFC brand.

The Malaysian financial sector achieved a higher ranking when the World Economic Forum ranked the sector five notches higher to 17<sup>th</sup> position in its financial development index, the highest ranking among emerging economies.

As part of the continuous efforts in building confidence in the financial system, deposit insurance limits for banks were increased

to RM250,000 effective 31 December 2010. The protection system was also extended to insurance and takaful policy holders, thereby strengthening consumer protection further. Of importance was that the blanket deposit guarantee scheme expired without it being resorted to even once.

***Continuously extending the Bank's communication outreach with stakeholders***

During the year, continuous engagement efforts with the various stakeholders were undertaken as part of the Bank's initiative in increasing awareness on financing as well as promoting financial literacy.

Arising from the Bank's broader developmental role, increased communication efforts were undertaken to improve access to SME financing, given this sector's importance in supporting economic growth and employment. The Bank, in collaboration with the Association of Banks in Malaysia (ABM), Credit Guarantee Corporation and SME Corporation Malaysia (SME Corp) engaged with SME associations and business chambers nationwide in training personnel to manage the SME Financing Help Desks at their respective offices, and provide advisory services to their members. It is envisaged that approximately 60 trainers from 15 SME associations and business chambers would be trained in 2011. Efforts were also undertaken in promoting micro financing nationwide through strategic tie-ups with the Department of Housing and Local Government, SME Corp and Bank Simpanan Nasional. These were supported by about 100 roadshows, with exhibitions, seminars and workshops, promoting banking services for SMEs and micro enterprises, as well as educating the general public, teachers and students, on how to practise prudent financial management and its importance in their daily lives.

In addition, the Bank held dialogues with various business associations and chambers, providing latest developments on SME access to financing, and also participated in engagement sessions organised by ABM with business organisations in various states. Continuous efforts were also undertaken by the Bank in facilitating engagements between banking institutions and specific industries.

With the outreach of financial education and advisory services to the public continuing to be an important agenda for the Bank, delivery

channels were expanded through the introduction of mobile counter services in smaller towns, beginning with the state of Selangor. For the first time, the Bank formed strategic collaborations with consumer associations in disseminating information and educating the public on financial matters. Other efforts by the Bank in enhancing financial literacy were enabled through working with Members of Parliament and business chambers and associations by publicising and disseminating useful financial information to their constituencies and members. During the year, the Bank also communicated alerts through media and mobile phones on matters of public concern and interest such as financial scams and illegal deposits taking schemes.

In promoting financial literacy and sound financial management for young individuals and new borrowers, the 'Pengurusan Wang Ringgit Anda' (POWER!) Programme was launched in January 2011, driven by Credit Counselling and Debt Management Agency (AKPK). The objective is to empower this group to effectively manage their finances, contributing towards promoting better protection for financial consumers and a more resilient household sector.

As a result of the greater awareness on the Bank's Integrated Contact Center (comprising BNMLINK, BNMTELELINK and the Complaints Management and Advisory Unit), the number of cases seeking its services reached 293,388 in 2010, an increase of 15.6% over 2009.

The Bank also regularly engaged with the banking and insurance sectors on ways to provide a higher standard of service to the public. Various dialogues were held with individual financial institutions on complaint handlings and consumer related issues to ensure customers are fairly treated and provided with improved services.

The Bank's efforts in engaging with the public were complemented by AKPK and the Financial Mediation Bureau (FMB) services. During the year, AKPK counseled a total of more than 30,000 customers nationwide, with more than half of them being further assisted via its debt management program. The programme provided personalised debt repayment plans to be put in place to assist distressed borrowers repay their outstanding loans to financial institutions. The FMB, in turn, assisted more than 2,100 customers, free of charge, in

resolving their banking and insurance matters with their financial service providers. The services provided by these agencies have continued to facilitate the public to be more informed and have better control of their financial situation.

As part of the policy formulation process of the proposed third party bodily injury and death cover, the Bank conducted a series of engagement sessions with the relevant stakeholders. Arising from this, there was constructive feedback and buy-in towards the Bank's efforts to formulate a more holistic new motor cover framework including measures to improve the overall claims settlement process.

### ***Increased accessibility to online communications***

With technology revolutionising the communications channels such as through the growing importance of online media, the Bank continued its efforts in providing greater outreach to the public through its website. Following the revamp in 2009 and the introduction of new content segments, the website now provides better information on the Bank's regulatory, supervisory and developmental functions. Reflecting this, there were increased number of unique visitors, website visits and page views; with over 2 million visitors (+31%), 5.4 million website visits (+26%) and about 13.8 million page views (+7%).

The Monthly Statistical Bulletin was revised to a new format on the Bank's website, providing its readers with updates on the monetary and financial conditions in a more concise manner.

The Bank has also ventured into social media channels, such as Facebook and Twitter, for greater stakeholder interactivity. These new channels, have helped increase the Bank's website visits and paved the way for greater outreach to stakeholders.

### ***Continued engagement with staff in enhancing performance***

Fostering team work and collaboration among staff has assumed major significance in the Bank's internal communication programmes, to engage and motivate them in driving productivity and excellence. The Bank places strong emphasis on its value system as it is fundamental to the smooth operations of the Bank, the professional conduct of its staff and their interaction

with stakeholders. During the year, the Bank reinforced its core shared values by embarking on a series of engagement programmes. The shared value theme was incorporated in the Bank's Knowledge Fair, Annual Dinner and events organised at the Bank in conjunction with 2010 FIFA World Cup, providing participants the experience and a common understanding of the Bank's shared values.

### ***Communications challenges for the Year 2011***

Moving ahead, the operating environment is expected to remain challenging, leading to higher expectations of stakeholders on the Bank's role in the economy and financial system.

Against the background of uncertainty, it will be necessary for the Bank to continue to provide in a timely manner its views and perspectives on the outlook of the economy, inflation and other important monetary and financial developments. Communication initiatives will also be undertaken in providing further clarity on the new Financial Sector Blueprint, particularly in highlighting the facilitative and driver roles of the financial sector in supporting Malaysia's economic transformation into a high income, high value-added economy.

In line with the need to extend the outreach of LINK services to people in rural and remote areas, Mobile LINK services will be introduced in June 2011. Strategic tie-ups with consumer associations will also be further strengthened to facilitate efforts in enhancing financial capability of consumers, promoting financial inclusion and strengthening the public confidence in the financial services industry. Efforts will continue to be directed at organising more roadshows to enhance public understanding on financial matters and thereby improving their financial capability.

With the online communication landscape changing radically and with society imposing greater demands for online content, the Bank will also broaden its delivery channels such as including access through mobile devices and leveraging on the advances in communication technology.

## **ORGANISATIONAL DEVELOPMENT**

### **Strategy Focus and Orientation**

The Bank continued to deliver its mandates in a more challenging environment in 2010. Through a robust strategic management process, the

Bank's strategic objectives and outcomes were communicated across the organisation, enabling effective capacity and capability building in addressing current and future challenges.

### ***Achieving Bank's strategic outcomes***

The Bank completed a full cycle of the strategic management process in 2010 which encompassed strategic planning, implementation and review of the Bank's Business Plan 2009-2011. Specifically, the review process has provided an important and instrumental platform to facilitate focused discussion by management in evaluating the achievement of the Bank's outcomes, to prioritise key activities, as well as to identify and address risks and challenges faced by the Bank. Senior Management was provided with a comprehensive half-yearly assessment report on the progress of the Bank's strategic outcomes, action plans and key issues affecting the achievement of these outcomes. The robustness of the strategic management process will be further enhanced with the integration of risk assessment processes.

During the year, greater alignment and prioritisation of activities were achieved in the key planning and budgeting processes of the Bank, via greater collaboration among the risk, strategic and financial management functions, as well as, audit, technology and human resource planning.

In line with the development of the new Financial Sector Blueprint, the Senior Management Conference (SMC) for 2010 was anchored upon understanding the future financial system that will support Malaysia's transition to a high value-added economy. The SMC also provided a platform for in-depth discussion and engagement on issues affecting the successful implementation of the Financial Sector Blueprint to ensure that the financial system will continue to support growth as well as act as a catalyst for Malaysia's aspirations to become a high income, high value-added nation.

### ***Building a High Performance Workforce***

Talent management, anchored on an integrated human capital management framework, continued to remain one of the top priorities for the Bank. The human capital strategy of creating a healthy talent pipeline is focused on strengthening the Bank's internal capacity and capability. The Bank continued its long term investment in building the leadership pipeline

by ensuring a robust process of reviewing and matching of roles and functions of existing talents through its Leadership Profiling Centre as well as attracting high caliber talent with the potential for greater responsibility.

A major milestone in 2010 was the operationalisation of the Risk and Actuarial Specialist Ladders initiative. The group of professionals in these key knowledge areas is an important foundation to support the thought leadership of the entire Bank as well as the financial sector at large. To ensure that healthy pool of these professionals are readily available, the Bank undertook a dynamic rewards strategy which was both market driven and innovative.

Empowering fresh talent with the knowledge, skills and the right attitude for success gained momentum through the New Executives Programme for Central Bankers with the successful completion of four batches of new executives in 2010. Through this programme, the talent was able to have a greater understanding of the functions within the Bank as well as foster tight working relationships with peers and colleagues from across the Bank. This programme sets a solid foundation that will serve the participants well in future years and foster high engagement in the Bank.

### ***Fortifying the organisational structure***

The Bank initiated the streamlining of roles that require certification of technical skills and knowledge at the diploma level with the introduction of the Non-Executive Job Bands and Career Progression Framework. In addition, a new Behavioural Competency Model was also developed for these roles to imbue behaviours and attitudes that reflect the Bank's values.

### ***Continuous building of talent pipeline***

In ensuring that the Bank's leadership succession pool remains healthy and ready, the Bank continues to invest in the profiling and development of its talent. A structured and robust profiling process followed by feedback and focused leadership development, will enhance job-fit for mission critical positions, strengthen leadership capabilities and create a healthy organisational climate. While ensuring that succession management ultimately serves the Bank's needs, individual aspirations are also accorded recognition to promote continued motivation and retention.

While the Bank places importance in the development of its existing staff, a significant feeder pool to the Bank's future talent are the Bank's scholars. In 2010, 84 high caliber students received scholarships to pursue pre-university and first degree programmes in various fields of studies which are relevant to central banking functions.

The Bank's conviction to contribute positively to nation-building continued to be realised through the Kijang Emas Scholarship Award, granted only to students with exemplary results in the Sijil Pelajaran Malaysia (Malaysian Certificate of Education) examination. For 2010, five top students in the nation were granted the award and given the liberty to embark on any field of studies with top notch higher learning institutions anywhere in the world. In the spirit of service to the country, these students are required to return to Malaysia upon completion of their studies to serve the nation. Since its inauguration in 2005, this prestigious scholarship has been awarded to 32 top students who had taken a range of learning disciplines such as medicine, engineering, economics, law, actuarial science, genetics, biochemistry, architecture, psychology and accounting.

To assist talented students that were facing financial difficulties, the Bank awarded 20 scholarships under its 'Scholarship Award for Secondary Schools' programme, to such students who had exemplary results in the Penilaian Menengah Rendah (Lower Secondary Assessment) examination. The scholarships enable these students to continue pursuing their secondary education and also create a potential source of future talents for the Bank.

### **Managing the performance curve**

Being a performance-driven organisation, the Bank continuously raises performance standards in its drive for excellence. While top performing talent is incentivised through differentiated rewards, the Bank also took steps to effectively manage staff who have difficulty in work performance through a Performance Improvement Programme with collective accountability from line departments.

### **Staff strength**

While departments in the Bank took steps to rationalise and re-align their functions and roles, every effort was made to optimise the combined impact of technology, improved processes and

a more competent workforce. At the end of 2010, the total staff strength increased marginally by 0.9% to 2,734 compared with 2,709 as at end 2009. Attrition, mainly due to retirement and resignation continued to remain stable at four percent. The ratio of executive to non-executive staff was also stable and remained close to 3:2.

### **Future orientation**

To remain ahead of the curve for human capital imperatives and strategies, the Bank has begun the process of streamlining human capital management practices with the proposed merger of its Knowledge and Learning Committee into the Human Capital Management Committee. This would provide impetus for more concerted effort focused on providing business-centric responses on the Bank's most valued asset, its people.

The Bank's future plans also include empowering staff to take ownership of their personal development and growth by providing them with a comprehensive document, known as a Development Advisor Manual (DA), which will contain a wealth of developmental options. The DA is the cornerstone that will enrich individual development efforts of Bank staff as self directed learners and will also enhance and elevate the learning and development interventions for all staff based on their target levels in the Behavioural Competency Model. The Bank will also be introducing comprehensive information on career opportunities on the Bank's HR portal. Being better informed on the various career paths, Bank staff would be in a position to be more proactive in their career choices within the Bank. This feature would create further opportunities for on-line learning, as the Bank leverages on the IT platform to enable 'anytime, anywhere' learning solutions.

Attracting, retaining and motivating staff through a dynamic rewards strategy would be another focus in 2011. This is to make certain that the Bank's rewards practices remain relevant and competitive. While the Bank keeps abreast annually with the general market salary trends and remuneration practices, periodic adjustments and salary revisions are undertaken to ensure appropriate financial compensation for the value of jobs which will change over time in response to changes in the Bank's business requirements.

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

In ensuring the Bank remains well positioned to face challenges, emphasis is given to nurturing the right talent with the necessary competencies to perform effectively. In 2010, concerted efforts were undertaken to further enhance the development of the Bank's workforce. This involved two main strategic thrusts, namely, enhancing the alignment of learning and knowledge management to the business needs and building an enabling environment to nurture greater learning and growth.

#### ***Greater alignment to achieve business results***

In ensuring greater alignment to the business results, further refinements were made to enhance the comprehensiveness of the Bank's learning and knowledge needs analyses (LKNA). A more structured LKNA exercise was carried out in 2010 and this formed the basis for developmental interventions in accelerating the time to competence of the Bank's workforce. The Bank remains supportive of developing its workforce and this was reflected by the increase of learning investment for 2010, which stood at 12% of the total staff salary (10% in 2009).

In complementing the Bank's efforts to ensure a more healthy talent pipeline, the Bank focused its efforts towards improving the Leadership Development Blueprint. The quality and capacity of leadership talent within the Bank was further augmented through greater self awareness of leadership strengths and developmental needs while emphasising coaching and mentoring at the workplace as well as organising programmes to further enhance staff engagement. In addition, attention was also given to the design of the Bank's new hires programme to reduce the time to competence and to produce 'ready-now' central bankers who can achieve seamless transition to the workplace.

To meet the demands for solutions that satisfy the developmental needs of knowledge workers, with focus on positive impact on performance of business units, efforts continued to be directed towards increasing the availability of customised learning solutions. As a result, the overall number of 'on-demand' customised solutions to address developmental needs increased more than 100% in 2010.

#### ***Building an enabling environment for learning and knowledge sharing and seeking***

As part of the Bank's strategy to create a knowledge rich and an enabling environment for learning and

growth, further initiatives to strengthen the Bank's learning and knowledge management environment were implemented through multiple channels, such as the annual knowledge fair (K-Fair) and engagement with Senior Management via events like Conversations with Senior Management (CoSM) and Central Banking Tea Talks series, which continued to receive strong participation rates. The annual K-Fair continued to be one of the main platforms to promote knowledge seeking and self-directed learning culture amongst the Bank staff.

The Bank was recognised as a Centre of Excellence in its role to catapult the learning and growth in 2010. Apart from being benchmarked for leadership in the area of learning and knowledge management by both international and domestic organisations, higher demand for BNM's Flagship Learning Programmes was evident in 2010. This positive trend provided the impetus for more enhanced collaboration with strategic partners both within as well as outside the country such as the Toronto Leadership Centre, International Monetary Fund (IMF) and Committee on Payment and Settlement Systems (CPSS).

The leadership of the Bank continued to champion and sponsor human capital development initiatives by their active participation as teachers as well as subject matter experts in various learning and knowledge initiatives and flagship programmes. The Bank also received recognition by the International Islamic University Malaysia (IIUM) for its Certificate in Islamic Law (CIL) programme organised jointly with IIUM. As of end-2010, the programme has produced 60 graduates since its commencement in 2008.

Moving forward, the Bank will remain steadfast in its commitment to providing an enabling environment for talent development. Much of the focus for the next year will be centred on real-time learning through the concept of bringing the classroom to the workplace.

#### **Technical Cooperation Programmes with External Agencies**

In 2010, the Bank received a total of 112 requests from other central banks and international agencies to study the strategies and systems that have contributed to the successful development of the Malaysian financial system. The significant increase in such knowledge sharing activities created opportunities for the Bank to engage with central bankers from Asia, Central Asia, the African continent

## Corporate Social Responsibility

Corporate Social Responsibility (CSR) has always been an integral part of the Bank's mandates. Over the years, the Bank has carried out various CSR initiatives, including the Bank Negara Malaysia special scholarship programme, initiatives in support of young artist and the Graduates Programme aimed at enhancing employability of unemployed graduates. In 2008, the Bank Negara Malaysia Volunteers Association or 'BNM Volunteers' was established to provide an avenue for the Bank's staff to undertake outreach initiatives for targeted segments of the community.

### 1. BNM Volunteers

Establishment of the BNM Volunteers was to enable staff to pursue meaningful social activities, indirectly striking the delicate balance of work and life and in the process, develop leadership skills, boost morale and build character. With the motto 'Make A Difference', the volunteers set about in their efforts to contribute towards the advancement of disadvantaged communities, such as the hard-core poor, underprivileged women and children, the disabled, senior citizens, and those who have suffered misfortune due to health or environmental calamities, through hands-on volunteer community service projects and monetary contributions.

A wide range of activities were planned and executed in 2010 to benefit the underprivileged and less fortunate, as well as to increase general awareness on financial literacy and healthcare. The spirit of volunteerism at the Bank is not limited to staff, but also to family members and friends. The Bank's branches nationwide also actively participated in the programme by identifying and assisting the underprivileged in areas otherwise unknown and inaccessible from the Bank's headquarters in Kuala Lumpur. Some of the programmes embarked by the BNM Volunteers group are:

#### ***Financial Literacy Programme***

Financial Literacy Programme (FLP) is designed to educate small groups of the community on basic financial knowledge such as savings, expenses, investments, debt management, budgeting and microfinancing. It is conducted monthly in collaboration with the Non-Governmental Organisation (NGO) Generasi Gemilang, targeting poor households mainly consisting of single mothers. BNM Volunteers is planning to further spread financial awareness to the communities in Sri Pantai and Prima Selayang in 2011.

As part of an extension of the FLP programme during the month of Ramadan in 2010, BNM Volunteers accompanied participating families of Sri Pantai for a shopping trip at a local hypermarket. Each family was given RM150 to purchase food, clothing and household items. As participants have had four briefing sessions on Personal Financial Management prior to the shopping session, an evaluation was made by the BNM Volunteers to gauge participants' understanding of financial management after the trip.

#### ***LET'S BRING 'EM FOOD!***

BNM Volunteers collaborated with Pertubuhan Tindakan Wanita Islam (PERTIWI) to provide free healthy meals and clean drinking water to various destitute inner city communities on a regular basis. In addition to donating money to provide food, groups of six to eight BNM Volunteers helped to distribute food prepared by PERTIWI every Friday evening for a period of 12 weeks. The food was delivered via the 'food van' to designated areas in Chow Kit, near Dayabumi and Masjid India.

#### ***Contribution and Donation for Victims of Natural Disasters***

BNM Volunteers have also assisted in channeling donations to help victims of natural disasters during the year. One of the initiatives involved collaboration with BNM's Museum and Art Gallery to reproduce Ahmad Zakii Anwar's 'Huruf' series to be sold as limited edition prints. Proceeds from the sale were contributed to the Haiti Earthquake Fund. BNM Volunteers collected and distributed donations for the people of Pakistan affected by floods and landslides in 2010. The BNM Volunteers also worked with the Malaysian Red Crescent during the year to contribute aid to victims of natural disasters in South East Asian countries such as Indonesia (volcano eruptions and tsunami), Myanmar and Philippines (typhoons and cyclones) and Thailand and Vietnam (flooding).

***Tuition Programme at Rumah Opah***

A group of BNM Volunteers provided fortnightly tuition on Mathematics and English to orphans at Ruman Opah in Klang. In addition, donations were raised to buy reading materials and learning kits for these children. The objective of this programme is to provide extra classes to the children in a fun and interactive way. This successful tuition programme is currently being expanded to another orphanage in Puchong.

***Fun Visit to the 'Lost World of Tambun' with Underprivileged Children***

36 BNM Volunteers organised an outing with 50 underprivileged children from Pertubuhan Kebajikan Ehsan AshShakur in Rawang, to The Lost World of Tambun in April 2010. Each volunteer provided individual attention to the children assigned to them and this bonding experience made the visit very meaningful for all those involved. The special experience continued beyond the visit as the volunteers kept in touch with the children via letters and notes to build upon the relationships created.

***HIV/AIDS Awareness***

In conjunction with the Bank's Knowledge Fair 2010, the BNM Volunteers in collaboration with the Bank's Human Capital Development Centre and The Malaysian AIDS Council, set up an exhibition for the Bank's staff to learn about the HIV+ community in Malaysia and how they can be supported. A talk by the President of Malaysian AIDS Council, Datuk Mohd. Zaman Khan was organised to provide the staff with awareness of HIV/AIDS and to help reduce the stigma and discrimination faced by people living with HIV.

**2. Graduates Programme**

The Graduates Programme 500 or better known as 'GP500' is a programme conducted by the Bank to enhance the employability of 500 unemployed graduates from underprivileged families. Enhancement of the employability of graduates is done through skills improvement and on-the-job-training with reputable employers in various industries for a duration of one to two years. Companies nationwide, through their respective associations, have collaborated with the Bank to provide development opportunities to the graduates through attachment programmes. Throughout the programme and in an effort to strengthen their skills, the Bank organised, structured and customised development programmes focused on enhancing analytical skills, communication skills, and entrepreneurship. In addition, interventions related to self-enhancement, counseling and motivation were also provided.

After more than a year into the programme, 432 out of the 500 graduates were absorbed by the companies they were attached with or were able to secure permanent positions with other employers. The success of GP500 led the Bank to continue with this programme in 2011 for an additional 200 unemployed graduates.

**3. Bank Negara Malaysia Special Scholarship Programmes**

In addition to the Bank's annual scholarships awarded to outstanding students that meet the Bank's requirements, Bank Negara Malaysia also awards special Kijang Emas scholarships at the tertiary level to nurture critical talents of the nation, and at secondary level, in aid of students from low income families who have excelled in their Peperiksaan Menengah Rendah (PMR), (Lower Secondary Assessment) examination.

***Kijang Emas Scholarship***

The Bank offers five prestigious awards annually to top Sijil Pelajaran Malaysia (Malaysian Certificate of Education) achievers to pursue studies in fields of their choice as part of the effort to nurture critical talent for the nation. Since its inauguration in 2005, this prestigious scholarship has been awarded to 32 top students, pursuing various fields of studies such as medicine, engineering and economics, from A-Levels to PhD programmes.

**Secondary School Awards**

A total of 20 awards are offered annually to selected Form 4 students who have excelled in the PMR examinations. This award is given to those from lower income groups as a way to encourage them to excel in their academic pursuits. One student from this scheme became a recipient of the Kijang Emas Scholarship in 2010 while four others have successfully secured the Bank scholarships to pursue A-Level programmes since 2010.

**4. Initiatives in Support of Young Malaysian Artists**

Since 1962, the Bank has had a major role in the development of Malaysian art. In the early days of the Bank's collection, the works of art were offered to the Bank by individual artists. Now, the Bank systematically procures works directly from artists, galleries and auction houses, thereby supporting the entire industry through its active participation in every sector of the art market.

The Bank's support is crucial as the Malaysian art market is still very small and requires dedicated investments by organisations able to make such contributions. The opening of a world class art gallery by the Bank in 2011, housing a major part of the Bank's collections, will further support this nascent sector and provide a new venue for exhibitions of upcoming works. The new art gallery covers a total area of 2,010 square metres with the flexibility of creating large or intimate spaces to suit any exhibition. To promote high standards in artistic production, the Bank through the Kijang Awards in 2004, held an open art competition to encourage artists in Malaysia to gear themselves to create superior works to be included in the Bank's growing permanent collection. Since 2006, the Bank's Money Museum has also organised the 'Art Invitation' that introduces young and upcoming artists to the financial industry.

and the Middle-East. A broad range of topics were covered, with areas of greatest interest being Islamic finance, financial stability, SME development and microfinance, as well as organisational development.

The Bank also continued to offer a wide range of international learning programmes under the auspices of the Government sponsored Malaysian Technical Cooperation Programme (MTCP) which included Banking Supervision Foundation Course, Intermediate Islamic Finance Course for Financial Regulators and Central Banking Courses.

In the area of Islamic finance, the Bank provided capacity building programmes to financial regulators (114 participants from 36 countries) such as the on-going collaboration with the Islamic Development Bank where capacity building programmes on Islamic finance were organised in Kuala Lumpur and Jordan. A workshop on Regulatory and Supervisory Framework for Islamic Financial Institutions was also conducted in Bishkek for officials of the National Bank of Kyrgyz Republic under the auspices of the MTCP, as part of a Government to Government technical assistance initiative. The programme focused on various aspects of the Islamic financial services industry, the challenges pertinent to Islamic finance globally and the range of emerging solutions. The seminars and dialogues held during the year aimed to contribute to the enhancement of the quality and quantity of competent regulators and professionals required by the rapidly growing Islamic finance industry.

The other emphasis of international capacity building is in the area of financial inclusion. The objective of supporting capacity building for policymakers and practitioners of microfinance is to contribute to the global agenda of building more inclusive financial systems to enable those who are underserved to be able to use financial services to improve their livelihood. The Bank conducted its Financial Inclusion Advisers (FIA) programmes in Kuala Lumpur, in collaboration with Japan International Cooperation Agency, as well as in Uganda, in collaboration with the Bank of Uganda and the Alliance for Financial Inclusion (AFI). More than 100 participants from eight African countries took part in dialogues where country experiences and new models of microfinance were shared. The dialogues focused on topical issues, including new forms of micro financial institutions, products and services that cater for the underserved communities, financial education, market conduct

as well as the need for greater coordination between Government agencies, regulators and market players in shaping the development of more inclusive financial systems. In relation to this, the Bank also hosted a workshop on the important subject of financial inclusion data, an initiative led by the AFI.

Apart from Islamic finance and financial inclusion, the Bank also conducted programmes in organisational development and capacity building, focusing on governance, talent management, risk management and central bank modernisation. The Bank also continued to expand its technical cooperation on a bilateral basis by entering into Memorandum of Understanding with several central banks and agencies during 2010. Moving forward, the Bank's international technical cooperation will continue to stress the importance of sharing knowledge on central banking practices and building collaborative relationships with other central banks from developing economies in the face of globalisation and regional integration.

### **Technology Infrastructure Expansion in Supporting Business Productivity and Performance**

The year 2010 witnessed the further expansion and modernisation of the Bank's Information and Communications Technology (ICT) infrastructure and facilities to support and sustain its operations. The implementation of efficient and resilient infrastructure and technology solutions was recognised as a strategic initiative supporting the achievement of the Bank's desired outcomes. Acknowledging the dependence of key business operations on ICT, the Bank continued to embark on initiatives to optimise the use of technology and secure its critical information assets, while ensuring strong business continuity practices, in order to deliver optimum value to both internal and external stakeholders. Spearheading the infrastructure expansion effort is the operationalisation of the new Data Centre, a leading-edge and highly secure facility equipped with high-performance network links that seamlessly connect the Bank's systems residing in the HQ, Data Centre, as well as the Recovery Centre. The implementation of this triangular network infrastructure is the first in Malaysia, and is designed for high-performance, reliable and secured network infrastructure services.

The completion of the relocation of ICT services and critical operations had laid the foundation

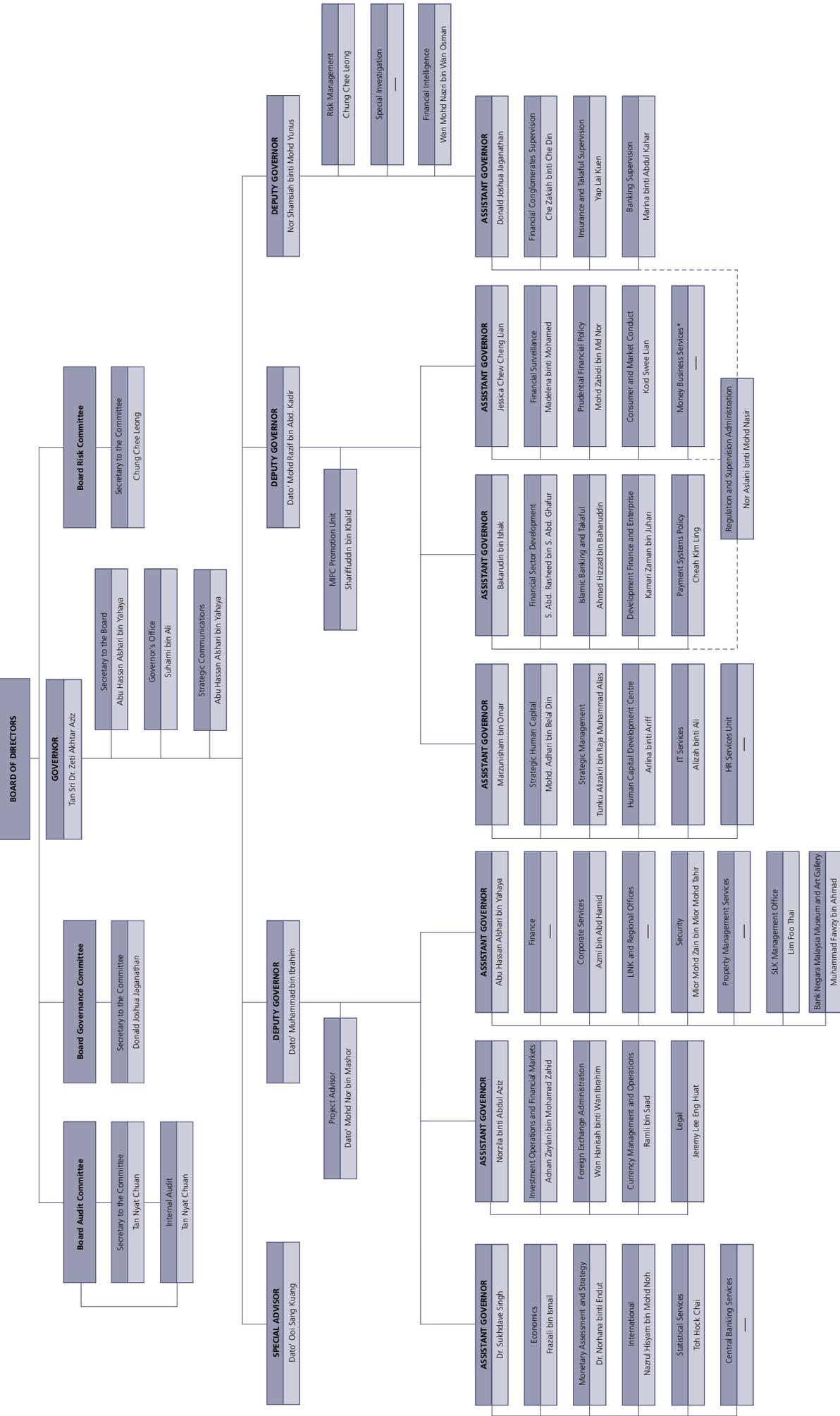
for the Bank to continue the transformation of its technology infrastructure towards 'on-demand' capabilities that can effectively address business requirements, particularly the dynamic and time-critical implementations crucial in the achievement of specific business outcomes. The establishment of a 'virtualised' ICT environment to better support business needs for additional and optimised space, computing power and networking requirements, is one example of an ongoing initiative to support and align ICT with the business.

The existing infrastructure of the Bank's Recovery Centre was further upgraded to support high-availability and enhanced system resiliency, to maintain the capacity of the ICT infrastructure at the centre to be on par with the Data Centre. These are for critical applications supporting business operations in the area of cheque-clearing, payments and settlement, and treasury. Towards supporting the Bank's agenda in financial market development and reserve management operations, two major enabling solutions were also developed and completed in the year 2010. The issuance of Sukuk 1Malaysia and the establishment of retail bond

market trading were facilitated via system enhancements on the Scripless Securities Depository System. The Treasury Operations System (TERAS) was enhanced to support the expanding reserve management operations and to improve operational efficiency.

Moving forward, the Bank is continuously exploring the use of emerging technologies in encouraging the increased usage of ICT, especially in facilitating the dissemination of information. With the adoption of new technologies, it is imperative that adequate security measures, surveillance and controls be put in place to address new security concerns. In this regard, frequent reviews and strengthening of ICT security controls and risk mitigation are being conducted as part of the process to safeguard the Bank's ICT and information assets. These efforts, together with the modernisation of the ICT infrastructure in the Bank, are geared towards meeting the objective of ensuring a heightened state of ICT-readiness as well as being in alignment with the overall business continuity management at the Bank.

# BANK NEGARA MALAYSIA Organisation Structure



As at 1 March 2011  
\* To be established later

