

Monetary Policy Process under the Central Bank of Malaysia Act 2009

The Central Bank of Malaysia Act 2009 (“the Act”), which came into force on 25 November 2009, formally institutionalises the monetary policy formulation procedures that have been established since the beginning of the decade.

The Act stipulates that monetary policy shall be autonomously formulated and implemented by Bank Negara Malaysia (“the Bank”). The objective of monetary policy is also articulated with greater clarity – “In promoting monetary stability, the Bank shall pursue a monetary policy which serves the interests of the country with the primary objective of maintaining price stability giving due regard to the developments in the economy.”¹

The Act also formally and legally recognises the Monetary Policy Committee (MPC) as the body responsible for formulating monetary policy and the policies for the conduct of monetary operations. The MPC consists of 7 to 11 members, with the Governor being the Chairman of the Committee. The Governor and Deputy Governors remain as members of the MPC for so long as they hold office. Members, other than the Governor and the Deputy Governors, are appointed by the Bank’s Board of Directors from amongst senior officials at the Bank with relevant expertise, on the recommendation of the Board Governance Committee. Meanwhile, the Board Governance Committee may recommend external members to the Minister of Finance for their appointment to the MPC. The appointment term of the members is 3 years, and the eligibility for reappointment is subject to the assessment of the members’ performance by the Board Governance Committee. The Act also provides extensive safeguards in terms of membership of the MPC. Members of the MPC must be persons of probity, competence and sound judgment with relevant expertise and experience. The governance of the MPC meetings and the accountability of the members are guided by the MPC by-laws, which have been approved by the Board of Directors of the Bank. The current MPC members are:

Tan Sri Dr. Zeti Akhtar Aziz	(Governor)
Dato’ Ooi Sang Kuang	(Deputy Governor)
Dato’ Zamani bin Abdul Ghani	(Deputy Governor)
Dato’ Mohd Razif bin Abd. Kadir	(Deputy Governor)
Dato’ Muhammad bin Ibrahim	(Assistant Governor)
Puan Nor Shamsiah binti Mohd Yunus	(Assistant Governor)
Dr. Sukhdave Singh	(Assistant Governor)
Puan Norzila Abdul Aziz	(Assistant Governor)

The MPC is required to hold six regularly scheduled meetings during a year, and additional meetings may be convened if necessary.² At the MPC meetings, members review economic and financial conditions and assess the risks to achieve the long-run goals of price stability and sustainable economic growth, before deliberating and reaching the decision on the appropriate stance of monetary policy. The Committee adopts a collegial approach to decision-making. Therefore, the Governor, as Chairman, has a crucial role in leading the discussion and deliberation process, as well as in building a consensus decision amongst members. A Monetary Policy Statement³ is released after each MPC meeting to announce the monetary policy decision. The MPS also provides an assessment of the prospects for the economy and inflation, as well as other issues relevant to the policy decision.

¹ Section 22 (1) of the Central Bank of Malaysia Act of 2009

² The schedule for the six meetings is published together with the final Monetary Policy Statement of the preceding year.

³ The Monetary Policy Statement can be found on the Bank’s website at www.bnm.gov.my