

Financial Sector Masterplan

List of Completed and On-going Recommendations

Banking Sector

Completed recommendations

- | | |
|---------|---|
| R3.4 | Liberalised restrictions on salaries and staff mobility in the banking industry to enable the industry to attract the best talent and reward them accordingly. |
| R3.5 | Uplift restrictions on employment of expatriates to attract the best international talents to meet the demand for expertise in specific areas of banking. |
| R3.6 | Established Board committees, namely Nominating, Remuneration and Risk Management committees to further enhance corporate governance standards. |
| R3.7 | Allowed group rationalisation through cross-selling of products and consolidation of back-office processes, as well as facilitate the merger of commercial banks and finance companies to further enhance efficiency and competitiveness. |
| R3.9 | Streamlined the regulation of discount houses and merchant banks to enhance and allow fair competition among players. |
| R3.10* | Established investment banks through mergers between merchant banks and stockbroking companies or discount houses to reduce duplication, enhance competitiveness and strengthen the potential to capitalise on expanded business opportunity thus contributing towards the economic transformation process. |
| R3.12 | Encouraged outsourcing of non-core functions to gain greater strategic focus and efficiency. |
| R3.14 | Encouraged the development of new delivery channels to increase the range of products and services to further enhance competitiveness. |
| R3.15.1 | Simplified the product notification process to provide incentive for the development of new and innovative and products, and outline a set of guidelines providing criteria for product notification and specific product |
| R3.15.2 | approval requirements. |
| R3.16a | Introduced the New Interest Rate Framework to provide banking institutions with greater flexibility, thus promoting more efficient pricing of products. |
| R3.18 | Encouraged participation of banking institutions in areas currently served by fringe institutions to promote a level playing field and preserve consumer protection and investors' interests. |
| R3.21 | Implemented risk-based supervision with supervisory focus on high risk areas and greater attention on weak institutions. |
| R3.22a | Incorporated market risk into the capital adequacy framework to introduce more risk sensitivity to the existing regulatory capital requirements. |
| R3.23 | Developed a formal and informal enforcement action framework to ensure banking institutions take remedial actions on weaknesses highlighted. |
| R3.26f* | Enhanced the level of corporate governance among licensed institutions by prescribing broad principles and minimum standards as well as specific requirements to ensure safety and soundness of licensed institutions. |
| R3.27 | Increased efficiency and competition in the payments system to support the needs of the economy while maintaining its safety and integrity. |
| R3.28 | Allowed market forces to shape developments in the payments system to promote greater competition and increase innovation in payments system. |
| R3.30* | Allowed money brokers to complements its voice broking sevices by offering electronic broking system to its clients. |
| R3.33 | Allowed banking institutions to rationalise their branch network to improve the dispersion of their branches in the country. |
| R3.37 | Expanded the role of the Banking Mediation Bureau with the establishment of the Financial Mediation Bureau to strengthen consumer protection framework and to widen avenues for consumers to seek redress. |

R3.39* Established a deposit insurance system to provide a reasonable level of protection to depositors while promoting incentive for prudent management by banking institutions.

On-going recommendations

- R3.1 Develop and disseminate industry-wide benchmarks to enable domestic banking institutions to assess their relative performance against market leaders, identify the performance gaps and, accordingly, recognise their comparative strengths and weaknesses to develop appropriate strategies to remain competitive.
- R3.2 Increase awareness of best practice by conducting focused training and seminar series for senior management to promote greater understanding on emerging trends and issues facing the banking industry.
- R3.3 Enhance credit skills of credit officers and managers with the aim to promote sound lending decisions and credit culture and monitor the requirement for accreditation.
- R3.8 Encourage domestic banking institutions to form strategic alliances with other banking institutions and non-banking institutions to provide consumers with greater access to world-class products and services and towards meeting international best practice standards.
- R3.13 Require management of banking institutions to accord greater attention to the development of information and communication technology (ICT) to ensure appropriate ICT strategies as a strategic tool towards bringing about holistic improvement within banking institutions.
- R3.15 Adopt 'what is not prohibited is allowed' regulatory philosophy and phase out product pre-approval requirement to encourage innovation.
- R3.19 Facilitate the development of a conducive tax regime to provide incentives to encourage innovation via greater research and development.
- R3.24 Implement a transparent and clearly structured early warning system and set of prompt corrective measures for weak banking institutions to ensure sound and stable banking system.
- R3.32 Require provision of advisory services on financial planning and management to small and medium industries and small borrowers to enable these borrowers to make informed decisions and better understand financial planning and management.
- R3.34 Development of an active and structured consumer education programme to promote greater financial literacy and promote active consumerism.
- R3.36 Encourage consumers to pursue formal administrative and legal redress to protect consumers against unfair practices by banking institutions.

Insurance Sector

Completed recommendations

- R4.1 Removed restrictions on outsourcing to enable insurers to further develop core competencies and effective business strategies.
- R4.2 Allowed eligible insurers to use the internet as a distribution channel to enhance competitiveness and efficiency of the insurance industry.
- R4.3 Promoted the growth of bancassurance as a cost-effective alternative distribution channel by implementing a more flexible regulatory framework on remuneration structures governing bancassurance arrangements.
- R4.6 Relaxed the restrictions on employment of expatriates to accelerate the development of skills and expertise in the industry.
- R4.9* Introduced a regulatory framework for the licensing of financial advisers to promote higher standards of financial services and enable consumers to obtain professional advice on a wider range of financial products and services.
- R4.16 Increased the statutory minimum paid-up capital of insurers to enhance their financial resilience and ability to compete effectively in a more deregulated and liberalised market.

R4.17	Strengthened 'fit and proper' regulations for board members and senior management of insurance companies, including minimum qualification standards and training requirements for directors to promote sound corporate governance.
R4.18	Established board committees with specific responsibilities and enhance disclosure standards on compensation to directors and senior management to further strengthen governance structures and processes and promote greater transparency.
R4.19	Raised the entry requirements for the agency force to uphold high standards of professionalism and competencies among insurance intermediaries.
R4.20	Introduced additional compulsory exams as part of continuing education programmes for agents to upgrade their knowledge and skills on an on-going basis.
R4.21	Further strengthen performance-based supervision to maintain stability under a more deregulated and competitive market conditions.
R4.22	Developed an enforcement action framework to ensure timely and consistent supervisory intervention processes to address institutional risks.
R4.25	Established the Financial Mediation Bureau to strengthen consumer protection framework and widen avenues for consumers to seek redress.
R4.26	Introduced 'best advice' regulations to enhance consumer protection and professionalism in the sale of life insurance products by insurance intermediaries.
R4.27	Strengthened regulations on unfair trade practices to ensure sound business practices and fair treatment of consumers.
R4.29	Allowed financial and non-financial institutions to acquire interests in direct insurers to create business synergies.
<i>On-going recommendations</i>	
R4.5	Promote the management of pension funds by insurers to achieve the most efficient and effective management of the pension funds.
R4.8	Allow insurers to distribute other personal financial service products to enable insurers to make more effective use of the agency force and other distribution channels.
Islamic Banking and Takaful	
<i>Completed recommendations</i>	
R5.3	Build strong management through the establishment of board committees, benchmarking and employment of experienced and qualified staff.
R5.5	Increased the number of Islamic banks to stimulate greater competition and accelerate international integration by issuing Islamic banking licences to qualified domestic and foreign banking institutions.
R5.6	Increased the number of takaful operators to accelerate the expansion of the takaful industry.
R5.10	Established a comprehensive legal infrastructure for consumers to seek legal redress arising from Islamic financial transactions.
<i>On-going recommendations</i>	
R5.1	Develop and disseminate industry wide benchmarks to enable Islamic banking institutions to evaluate their relative efficiency, identify the performance gaps and formulate appropriate strategies to improve and deliver the best results.
R5.2	Enhance the level of knowledge, competency and expertise in order to increase the pool of highly qualified and skilled/trained staff in Islamic banking and finance.
R5.11	Create a favourable tax regime in the implementation of Islamic financial contracts.

Development Financial Institutions	
<i>Completed recommendations</i>	
R6.4	Introduced a systematic framework for sourcing funds to ensure appropriate and adequate funding for the operations of development financial institutions (DFIs).
R6.7	Established a legislative framework to regulate and supervise DFIs to ensure that DFIs' policies and objectives are consistent with the national policy objectives.
R6.8	Established a single Regulatory and Supervisory Authority (RSA) to strengthen the supervision of DFIs.
<i>On-going recommendations</i>	
R6.5	Continued Government's support to the DFIs and enhance coordination among relevant ministries to enable these DFIs to operate in a more focused, efficient and prudent manner in supporting their respective targeted sectors.
Alternative Modes of Financing	
<i>Completed recommendations</i>	
R7.2	Established a RM500 million venture capital fund to increase the availability of venture capital financing and stimulate new ventures.
R7.3	Introduced further tax incentives for the venture capital industry to promote the growth of venture capital.
R7.4	Liberalised the MESDAQ listing requirements to facilitate the exit of venture capital companies from their investments.
R7.5	Established two Islamic venture capital funds with a combined initial fund size of RM22.1 million.
<i>On-going recommendations</i>	
R7.13	Established a one-stop agriculture research and development centre as well as a comprehensive and integrated information database to facilitate banking institutions in their assessment of specialised risks involved in agriculture financing.
R7.14	Develop structured and systematic training programme for borrowers to ensure an orderly development of the players in the agriculture sector.
R7.15	Putting in place an effective risk-distribution mechanism that will reduce risks to the financial institutions and, at the same time, reduce borrowing costs through a guarantee and insurance protection scheme.
R7.15.2	Diversify insurance protection schemes to cater for the unique features of the various sub-sectors within the agriculture sector.
R7.16	Provide subsidies to agriculture industry to help reduce insurance costs, especially for small scale farmers.
R7.17	Grant tax exemptions to provide greater financial assistance to the agriculture sector.
Labuan International Offshore Financial Centre	
<i>Completed recommendations</i>	
R8.3	Adopted a consultative and market driven approach to create a conducive tax and business environment to enhance the competitiveness and attractiveness of Labuan.
R8.6	Strengthened Islamic banking and finance as well as takaful to develop Labuan with a strategic focus on Islamic products and services.
R8.7	Enhanced Labuan International Financial Exchange (LFX) to be a one-stop financial exchange for residents and global companies.
<i>On-going recommendations</i>	
R8.1	Develop an active International Offshore Financial Centre (IOFC) for Malaysia to support the increasing demands of the domestic economy and to play an important complementary role to the Malaysian financial system.

- | | |
|------|---|
| R8.2 | Review existing rules and regulations to facilitate expansion in the scope of core business to facilitate new offshore businesses and allow offshore service providers to maximise capabilities and expertise to expand their business. |
| R8.4 | Benchmark against the leading IOFCs in various areas of business to further improve competitiveness, especially in terms of pricing and cost. |
| R8.5 | Establish a well-balanced regulatory policy and supervisory framework which are in line with latest international supervisory regime. |
| R8.8 | Enhance the e-commerce gateway to encourage global e-commerce operators to set up domicile in Labuan. |
| R8.9 | Maximise potentials of Labuan IOFC by developing other complementary economic measures. |

* Recommendations completed in 2005.

