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External Relations

Malaysia continued to participate actively at major international and regional fora during the year. Discussions at the international level focused on the global economic imbalances, rising fuel prices and the monetary policies adopted among the major economies. On the regional front, the favourable economic and financial environment provided the catalyst for strengthening economic and financial co-operation, with emphasis on promoting stronger financial systems and markets among countries in the region.

Economic Surveillance

Economic surveillance remained integral to discussions at the regional groupings, including Executives' Meeting of East Asia-Pacific Central Banks (EMEAP), South-East Asian Central Banks (SEACEN), the Association of Southeast Asian Nations (ASEAN), and ASEAN plus People's Republic of China (PR China), Japan and Korea (ASEAN+3). The focus of discussions at these meetings was on global imbalances, with

Given the importance of a sustained economic recovery in the region in particular, and the global economy in general, economic surveillance remained the focus of the 39th Conference of Governors of SEACEN as well as the ASEAN Central Bank Deputies' Meeting and the ASEAN and ASEAN+3 Finance Ministers' Meetings. The meetings emphasised the need for concerted efforts by the major industrial countries to resolve the global imbalances that largely stemmed from the structural weaknesses prevailing in their economies. Concurrently, due emphasis should be given by the emerging market economies to policies that would create a conducive environment for domestic demand-led growth, notwithstanding that some had already contributed to the adjustment process by adopting expansionary policies to promote domestic demand. A supportive macroeconomic environment that included stability in exchange rates and efficient financial intermediation should be complemented with an efficient delivery system in the economy. Equally important was capacity building in

Economic surveillance remained integral to discussions at the regional groupings, with the focus on global imbalances, exchange rate stability, capacity building, and developments in regional integration and financial liberalisation.

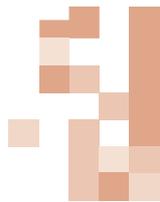
emphasis on the changes in the interest rate trends, the effect of high commodity prices and possible oil price shocks, and the progress on regional integration and financial liberalisation. Surveillance issues were also deliberated at the meetings of the International Monetary Fund (IMF)/World Bank (WB) during the year.

Financial market trends and views on the implications of global interest rates on the regional financial markets were discussed at the 9th EMEAP Governors' meeting (comprising 11 central banks and monetary authorities in the East Asia and Pacific region). While there was consensus that the impact of a transition to a higher interest rate environment on the global and Asian financial markets would be minimal, increased efforts would be directed at macro-surveillance issues in EMEAP's regional surveillance initiatives. Toward this end, the EMEAP Working Group on Banking Supervision is developing a template for financial stability map to monitor significant cross-border linkages and possible sources of vulnerability in the financial system.

the domestic enterprises and financial institutions to enhance their effectiveness in an environment of deregulation and liberalisation.

International Financial Architecture

The momentum for reform of the international financial architecture (IFA) has slowed down in recent years although there was some progress in the areas of crisis prevention and resolution during the year. However, progress remains limited on the more fundamental issue of governance of the international financial institutions (IFIs). In this regard, Malaysia continued to reiterate the need to improve the governance of the IFIs notably that of the Bretton Woods Institutions (BWIs). Malaysia expressed its disappointment on the lack of progress on the institutional and structural issues of governance including quotas, voting power and under-representation of developing countries in the BWIs. The Bank also voiced its concerns on the governance issue and called for a review of the role and structure, policies and operations of the BWIs



to meet changing global challenges and for the BWIs' decisions to be more inclusive, representative and accountable to their members.

A related development on governance and representation at the IFIs was the signing of the Memorandum of Understanding (MoU) during the year by Governors of the South-East Asia (SEA) Voting Group at the IMF. The MoU outlined the new rotation scheme for the SEA Group Office for a period commencing from November 2004 to April 2017, and redefined the roles and responsibilities of each position in that office. The framework included guidelines to improve the efficiency and effectiveness of the SEA Group Office to better serve its members. Similarly, the SEA Group Office at the World Bank also undertook a review of their rotation scheme and signed a MoU during the IMF/WB Annual Meetings in October 2004.

In the area of transparency, the Bank continued to support the IMF's Special Data Dissemination Standards (SDDS) initiative as part of Malaysia's efforts to support greater transparency in the global financial system. The SDDS was created by the IMF to guide members that have, or might seek access to international capital

York in the first nine months containing CACs compared with 47% in 2003. As the largest market for sovereign bonds is in the United States, the increased adoption of CACs in the New York market signifies growing convergence toward a market standard. Overall, the progress recorded will provide greater predictability in the resolution of sovereign debt problems. Malaysia had, since 2000, issued bonds that included CACs.

The SEACEN Expert Group (SEG) on Capital Flows continued to monitor developments in capital flows in the Asian region through the exchange of data on capital flows via a standard set of templates and also held a teleconference to discuss developments of capital flows and their outlook. As part of capacity building efforts among SEACEN member countries, the Bank hosted the SEACEN Workshop on Vulnerability Assessments of the External Sector in Kuala Lumpur in December 2004. The workshop focused on the concepts, framework and methodology in assessing vulnerabilities of the external sector. The workshop also aimed to enhance the use of data on capital flows exchanged among SEG members, including using the data in suitable frameworks to detect emerging risks.

Some progress in IFA issues on crisis prevention and resolution... but still slack on the issue of governance of the IFIs.

markets, in the dissemination of their economic and financial data to the public. Malaysia was among the first group of 42 countries that subscribed to this initiative established in 1996. In June 2004, the Bank jointly organised with the IMF a seminar on SDDS for current and potential subscribers in the Asia and Pacific region. The seminar discussed the latest developments on SDDS operational and observance issues and provided opportunity for an open discussion among fellow SDDS coordinators as well as the IMF on SDDS-related issues.

Further, and reflecting Malaysia's support toward efforts by the IFIs to strengthen the financial sector, the Bank participated in the IMF's Financial Soundness Indicators compilation exercise which commenced in August 2004. These indicators can be used together with other economic and financial indicators to assess the financial strength and vulnerabilities of a country's financial sector.

Meanwhile, there have been encouraging developments in the area of crisis resolution, with progress made toward the use of collective action clauses (CACs) in international sovereign bonds. The use of CACs gained significant momentum in 2004, with nearly all the sovereign bonds issued in New

External Relations with the IMF

Malaysia actively engaged in the annual IMF Article IV consultations. The IMF's assessment of the Malaysian economy was favourable, highlighting that Malaysia's economic recovery was firmly established with comfortable external positions. The IMF further commended the Bank's approach in managing domestic credit that was prudent and consistent with maintaining the peg, and sustaining progress in enhancing the soundness and efficiency of the financial system.

The Bank co-hosted with the IMF a high-level conference on financial sector issues in emerging markets in Asia. The main focus was the role of the IMF in supporting financial system development and stability in the region. Discussions centred on issues related to financial sector surveillance, the IMF's Article IV consultations, Financial Sector Assessment Programme and Report on Observance of Standards and Codes. The Bank shared its experiences on these issues with other Asian participants and proposed several measures to improve IMF's effectiveness in this region, and in particular, the areas of surveillance and capacity building.

Malaysia continued to assist the low-income and heavily indebted poor countries via its contribution under the Poverty Reduction and Growth Facility (PRGF) and debt relief under the Heavily Indebted Poor Countries (HIPC) Initiative. During the 2004 IMF/WB Annual Meetings, Malaysia called for the BWI to continue its support for a debt sustainability framework for the low-income countries and to assist them in dealing with exogenous shocks.

Malaysia maintained its net creditor status in the IMF during the year. It was called upon to transfer SDR12 million for the period March-November 2004. The transfer was executed under the IMF's Financial Transaction Plan (FTP), a mechanism through which the IMF finances its lending and repayment operations. Under the FTP, selected IMF members with strong balance of payments and international reserve positions may be called upon to provide foreign exchange resources to support the IMF's financial operations.

Islamic Banking

Bank Negara Malaysia continued to play an active role in the International Financial Services Board (IFSB), through its Council and Technical Committee. In May 2004, IFSB initiated the preparation of a third standard, on corporate governance for the Islamic financial institutions, in addition to the standards on capital adequacy and risk management currently being finalised. The exposure drafts of the capital adequacy standard and risk management standard are expected to be circulated for comments by the first quarter of 2005. In December 2004, the Islamic Development Bank (IDB) and Asian Development Bank (ADB) signed a Technical Assistance (TA) Agreement with the IFSB to facilitate the development of Islamic prudential standards in three areas, namely, transparency and market discipline, establishment of a financial database relating to regulatory and prudential issues in the Islamic financial industry and the preparation of a draft model trust law for Islamic sukuk markets.

During 2004, IFSB admitted the Central Bank of the United Arab Emirates and Bangladesh Bank as full members; and the People's Bank of China and Dubai International Financial Centre Financial Services Authority as associate members. As at end-2004, the total number of IFSB members increased to 65 members (15 full members, six associate members and 44 observer members) from 36 members as at end-2003.

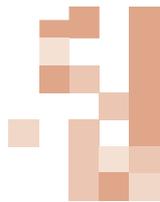
Combating Money Laundering and Terrorism Financing

Money laundering and the financing of terrorism continued to be a challenge addressed by the international community. While much has been done to combat money laundering and the financing of terrorism, these continued to attract international attention and co-operation. During the year, Malaysia participated actively in and enhanced co-operation with the global anti-money laundering network, primarily the Financial Action Task Force (FATF), the Asia/Pacific Group on Money Laundering (APG) and the Egmont Group of Financial Intelligence Units (Egmont Group). Malaysia continued to support regional and international initiatives to combat money laundering activities and the financing of terrorism (AML/CFT) including initiatives such as mutual evaluations and technical assistance.

Mutual evaluation exercises are conducted to assess each country's compliance with the global standards against money laundering and the financing of terrorism. The process of evaluation is designed to give due recognition where the standard benchmarks are met and to identify weaknesses in the national AML/CFT programme of the country being assessed. Where weaknesses are identified in the AML/CFT programme, appropriate recommendations are made with a view to rectification and improvement. The Bank participated in the mutual evaluation exercises of the APG for the Philippines, Pakistan and Brunei Darussalam. The findings of the year's compliance assessments would be reported at the next APG Annual Meeting scheduled for July 2005.

Malaysia also joined the APG's Technical Assistance Donor and Provider Group (DAP) to provide AML/CFT technical assistance and training to Cambodia, Lao PDR, Myanmar and Vietnam to expedite their implementation of the global AML/CFT standards. The assistance provided under the DAP programme mainly relates to establishing financial intelligence units (FIUs) as well as formulating and implementing comprehensive national AML/CFT programmes.

During the year, Malaysia successfully established bilateral and multilateral arrangements for cross-border exchange of financial intelligence and mutual assistance in criminal matters in order to effectively combat money laundering, terrorism financing, and other transnational crime. In addition to the MoU on the sharing of financial intelligence that were signed with the Australian and the Indonesian FIUs earlier, the Bank signed an MoU with the Anti-Money Laundering Council of the Philippines on 4 August 2004. The Bank is at various stages of negotiations with other foreign counterparts



to execute similar MoUs. Another milestone in international co-operation is the signing of a Treaty on Mutual Legal Assistance in Criminal Matters by eight countries in this region, namely, Malaysia, Brunei Darussalam, Cambodia, Indonesia, Lao PDR, the Philippines, Singapore and Vietnam on 29 November 2004. Among others, the Treaty will facilitate cross-border co-operation in criminal investigations and the gathering of evidence for court proceedings.

The Bank has benefited from its membership in the Egmont Group, which is an informal organisation (named after the location of the first meeting held in Egmont-Arenberg Palace in Brussels) for FIUs to improve support to their respective national AML/CFT programmes. This support includes expanding and systematising the exchange of financial intelligence between its 94 members, improving expertise and capabilities of intelligence personnel. The Egmont Group's secure web fosters better communication among FIUs through the application of new technologies, and the rapid exchange of information among the participating FIUs. This forum provides for

exchange of information and expertise in combating transnational crime helped consolidate efforts in ensuring security and safety in the region.

Malaysia also participated in training activities initiated under the second phase of the Asia-Europe Meeting (ASEM) Anti-Money Laundering Project. The ASEM Anti-Money Laundering Project will also deliver training seminars for prosecutors, judicial officers and officers providing mutual legal assistance to foreign countries. Malaysia continued to support the ASEM Anti-Money Laundering Project by contributing sanitised cases for the Joint Asia Europe Money Laundering Data Exchange (JAEME) project that was established at the Anti-Money Laundering Office in Thailand. JAEME will collect and compile data on sanitised money laundering cases and identify money laundering trends that exist in Asia and Europe.

During the year, the Bank assisted the United Nations Office on Drugs and Crime in adapting its e-learning AML/CFT CD-ROM training software to the domestic legislative framework and in developing the Bahasa

The Bank is committed to co-operate with other jurisdictions and international bodies in the fight against money laundering and terrorism financing through sharing of financial intelligence, active participation in AML/CFT initiatives, including technical assistance.

the Bank and other FIUs to rapidly exchange critical information on evidences of criminal activities abroad. This has facilitated access to information on transnational crime to our domestic investigators and prosecutors in a timely and useful manner.

With respect to capacity building through exchange of knowledge and experience, the Bank participated actively in a number of regional and international fora. Malaysia attended the annual meetings of the Egmont Group and the APG, and participated in the FATF Seminar on Terrorism Financing, the APG Money Laundering Methods and Typologies Workshop and the APG Implementation Workshop on Alternative Remittance System. The Bank also participated in the 4th Annual ASEAN Senior Officials Meeting on Transnational Crime (SOMTC) held in Brunei Darussalam where Malaysia was assigned the task of lead shepherd in combating money laundering and sea piracy. The meeting committed SOMTC to ongoing strengthening of resources, internal procedures and legislative provisions to improve effectiveness of law enforcement in combating transnational crime. Extra-regional co-operation with PR China, Japan and Korea (SOMTC/ASEAN+3) and other countries in the

Malaysia version for implementation in early 2005. The e-learning AML/CFT CD-ROM training software would be made available for training law enforcement officers as well as AML/CFT reporting officers from the private sector. In addition, the Bank hosted a number of participants on study visits or attachments from Hong Kong China, Indonesia, Japan, the Republic of Fiji and Nepal to gain understanding on the operations of the FIU in the Bank and to understudy Malaysia's AML/CFT programme.

The Bank is committed to assist other jurisdictions in the fight against money laundering and terrorism financing as provided under the Anti-Money Laundering and Anti-Terrorism Financing Act 2001 and will continue to participate actively in regional and international AML/CFT initiatives.

Financial Services Negotiations

In 2004, Bank Negara Malaysia participated in negotiations on trade in financial services at the multilateral forum of the World Trade Organisation (WTO), the regional forum of ASEAN and bilaterally through ongoing free trade agreements (FTAs). These

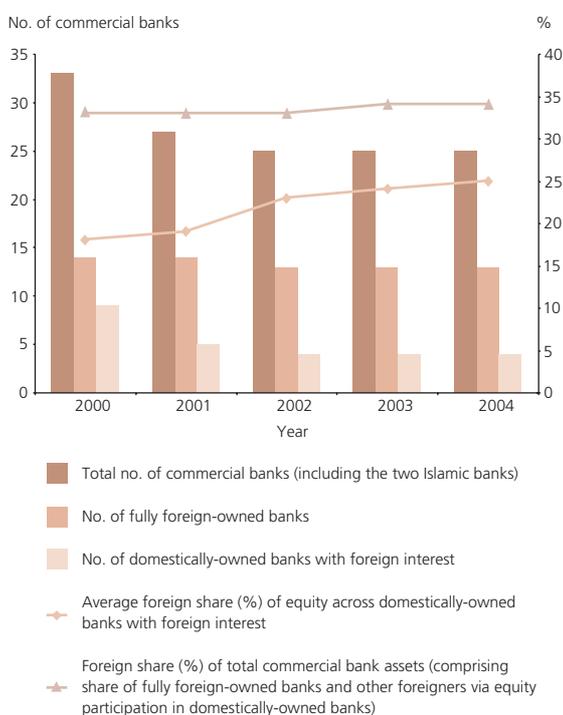
negotiations form part of the overall negotiations on trade in services in the various fora. The objective of the negotiations is for participating countries to progressively liberalise their services regime toward promoting greater trade in services and investment flows in services among the countries.

World Trade Organisation (WTO)

Services negotiations at the WTO, including on financial services, continued to focus on the 'request and offer' phase in 2004. The process generally entailed bilateral discussions between member countries of the WTO based on requests for market opening. The Bank was actively involved in the services negotiations, particularly in discussions relating to the further liberalisation of the financial services sector.

The Bank remains committed to the gradual liberalisation of the financial services sector as part of the steps to further develop the domestic financial sector. In managing the liberalisation process, the Bank would continue to be guided by the phases of development as set out in the Financial Sector Masterplan and the Capital Market Masterplan, consistent with the commitment in moving toward greater market orientation and international

Graph 11.1
Foreign Participation in the Malaysian Commercial Banking Sector



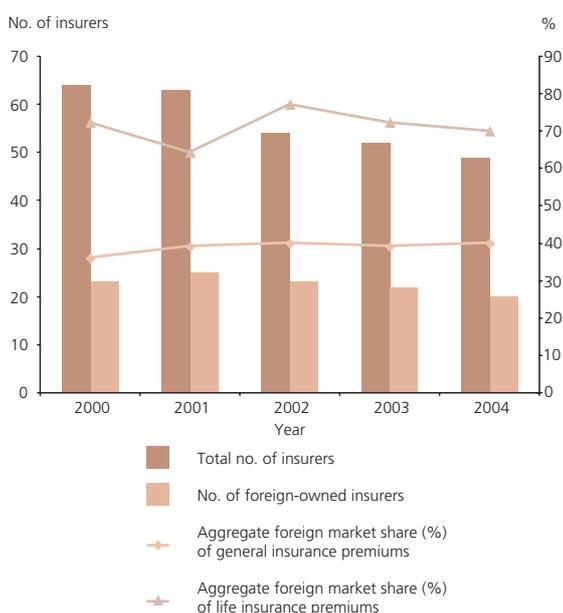
Framework package adopted at the WTO... established steps toward the successful conclusion of negotiations under the Doha Development Agenda.

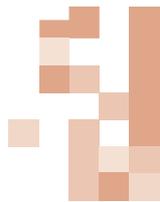
integration. In this regard, Malaysia has always had a significant foreign presence in the domestic financial sector, both in terms of equity and market share.

The most significant development at the WTO in 2004 was the adoption of the framework package by member countries to move forward on the Doha Development Agenda (DDA) in a range of issues, among others, on agriculture, goods, services (including financial services), implementation issues and the 'new issue' of trade facilitation. With the adoption of the framework package, the timeframe for all negotiations under DDA was also extended for another year to lead toward the next WTO Ministerial Conference in December 2005 in Hong Kong China.

The framework package had established the steps to be taken toward the successful conclusion of negotiations under the DDA. Malaysia's overall stance is to achieve a balanced outcome across all sectors that would also reflect the interests of developing countries. Toward this end, on negotiations to further liberalise

Graph 11.2
Foreign Participation in the Malaysian Insurance Industry





trade in services, Malaysia supports the call by the framework package for offers of market opening to be made particularly in services sectors and modes of supply of export interest to developing countries.

ASEAN Framework Agreement on Services and Free Trade Agreements

The third round of financial services negotiations under the ASEAN Framework Agreement on Services (AFAS) continued to proceed in 2004, with member countries, including Malaysia, negotiating for higher levels of commitments than those made at the WTO. Other than AFAS, financial services also fall under the scope of overall services negotiations in ongoing discussions of the Malaysia-Japan FTA and the ASEAN-PR China FTA in 2004.

Asian Bond Market Initiative (ABMI) under the ASEAN+3 forum and expansion of the Asian Bond Fund (ABF) under the EMEAP process. These positive developments bode well towards the broadening and deepening of regional bond markets to facilitate productive investment and efficient channelling of capital in the region.

In May 2004, the ASEAN+3 Finance Ministers launched a Working Group to explore ways to enhance the effectiveness of the CMI. In this regard, three meetings were conducted by the Working Group and key issues under the review related to the co-ordination, conditions and modality for activation under the CMI. To this end, the Bank is an active member in leading Malaysia's

Regional co-operation intensified... efforts being taken to enhance the effectiveness of regional financing arrangements under the Chiang Mai Initiative, significant strides were made under the Asian Bond Market Initiative and the Asian Bond Fund was expanded to further develop the regional bond markets.

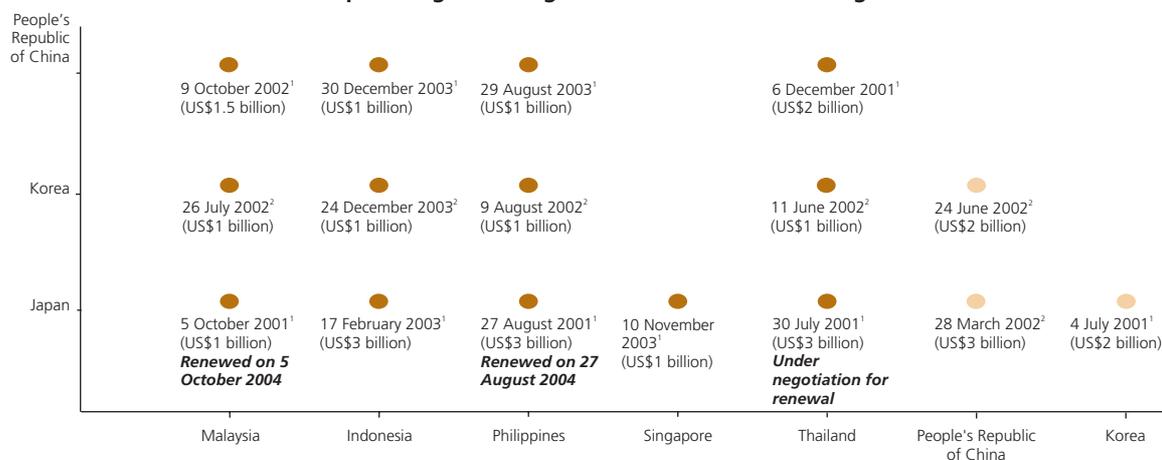
Regional Co-operation

Significant progress in strengthening regional financial co-operation was achieved through the collective effort of countries in furthering the objectives of major initiatives under various regional fora in 2004. These included efforts taken to enhance the effectiveness of regional financing arrangements under the Chiang Mai Initiative (CMI), advancements in the development of the

participation in the Working Group in further developing the CMI as an important element in financial co-operation in the region.

In October 2004, the Bank renewed, for another three years, the US\$1 billion bilateral swap arrangement (BSA) agreement under the CMI and the US\$2.5 billion BSA agreement under the New Miyazawa Initiative between Malaysia and Japan.

Bilateral Swap Arrangement Agreements under the Chiang Mai Initiative



Dates indicate when the agreements have been signed and the maximum drawing amount for each agreement is indicated in parentheses.
¹ A one-way swap arrangement where the requesting country under the agreement can request the swap-providing country to enter into a swap transaction.
² A two-way swap arrangement where either party could request the other party to enter into a swap transaction under the agreement.

- Agreements signed between the Plus Three countries (People's Republic of China, Japan and Korea) and ASEAN countries
- Agreements signed among the Plus Three countries

Collectively, the combined size of the current 15 bilateral swap arrangement (BSA) agreements under the CMI is US\$33.5 billion.¹

Since its inception in December 2002 and its official endorsement by the ASEAN+3 Finance Ministers in August 2003, the ABMI has made significant strides in creating an enabling environment to encourage intra-regional investment as well as capacity-building programmes for development of regional bond markets. Keen collaboration among ASEAN+3 countries continued with regular meetings of the six working groups², and dialogues and discussions with private sector participation. The Working Group on Foreign Exchange Transactions and Settlement Issues chaired by the Bank continued to examine and explore matters involving the clearing and settlement systems of ASEAN+3 member countries in facilitating cross-border transactions and impediments on cross-border investment and issuance. Discussions in these areas have assisted policymakers in designing strategies for further market development.

In May 2004, the Asian Bonds Online Website³ was launched as an initiative under the ABMI. The Website is a one-stop information clearing-house on the rapidly growing sovereign and corporate bond markets in the region, which also facilitates information dissemination among issuers and investors. The objective of the Website is to provide the market with information on the bond markets in the region as well as updates on the progress made by each of the working groups under the ABMI.

Achievements by individual ASEAN+3 member countries in 2004, which contributed toward furthering the objectives of the ABMI, included the issuance of the ringgit-denominated bond amounting to RM400 million by the ADB and of the Islamic ringgit-denominated bond amounting to RM500 million by the International Finance Corporation in Malaysia. Other achievements included the permission given to multilateral development banks to issue local currency denominated bonds in Thailand; creation of a new scheme of cross-country primary collateralised bond obligations (CBO) by Japan and Korea; and provision of credit guarantees by the Japan Bank for International Co-operation and the Nippon Export and Investment Insurance for bonds issued by Asian multinational companies.

In complementing the ABMI, the EMEAP Group had successfully launched the Asian Bond Fund 2 (ABF2) in December 2004. The newly launched ABF2 will invest in domestic currency bonds issued by

sovereign and quasi-sovereign issuers in the EMEAP markets (other than Japan, Australia and New Zealand, which were deemed to be sufficiently developed markets). The ABF2 built further on the first stage of the ABF, which only invested in US dollar denominated bonds. Members of the EMEAP Group, including the Bank, will participate in the ABF2, and are confident that it will play a catalytic role in contributing to more efficient financial intermediation in Asia in the longer term as well as supporting overall efforts by regional countries to develop their domestic capital markets.

The Bank continued to give its support to the SEACEN Research and Training Centre to conduct central banking training programmes. During the year, the SEACEN Centre focused on topics relating to core central banking functions especially in banking supervision, financial reforms and monetary policy. Besides extending training to its members, which had expanded to 13 with the admission of the Reserves Bank of Fiji in April, the Centre also extended its training to 16 non-members. In conducting training activities, the Centre collaborated with central banks from developed countries, such as the Federal Reserve System of the United States, the Reserve Bank of Australia and the Bank of Japan. At the same time, collaboration with various multilateral organisations and regional institutions, including the IMF, the World Bank, Bank for International Settlements (BIS), the Basel Committee on Banking Supervision, the Financial Stability Institute, the ADB and the Toronto Centre, was established. The collaboration helped to enhance the quality of the training programmes and their effectiveness in enhancing the skills of participants from regional central banks as advisors and regulators in a dynamic global environment.

Bilateral Co-operation

On 30 June 2004, Malaysia entered into an MoU with IDB to develop a framework of co-operation among the Organisation of Islamic Conference (OIC) Member Countries in key economic activities as part of her initiative as the Chair of the OIC. The Governor signed the MoU on behalf of the Government of Malaysia.

¹ Based on the overall availability under the BSAs, where the maximum drawing amount under two-way swap arrangements is counted twice to reflect the swap amount available to both parties under the agreement.

² The six working groups are, namely, on 'New Securitised Debt Instruments', 'Credit Guarantee and Investment Mechanisms', 'Foreign Exchange Transactions and Settlement Issues', 'Issuance of Bonds Denominated in Local Currencies by Multilateral Development Banks, Foreign Government Agencies, and Asian Multinational Corporations', 'Rating Systems and Dissemination of Information on Asian Bond Markets', and 'Technical Assistance Co-ordination'.

³ www.asianbondsonline.adb.org

This MoU, which aims to enhance opportunities for growth among the OIC Member Countries, seeks to strengthen financing arrangements to promote trade, provide a new focus on financing services in trade and investment, as well as facilitate the use of Information and Communication Technology (ICT) to expand intra-OIC economic activities. The MoU also promotes the development of Islamic financial markets focusing on promoting business linkages and mobilisation of funds for cross-border investments between the financial centres in the OIC Member Countries. In the area of Islamic finance, the MoU aims to further expand takaful and retakaful businesses among the OIC Member Countries. The MoU also contains provisions to promote the use of insurance instruments for the expansion of trade and investment and encourages the OIC Member Countries to adopt FTAs.

Malaysia entered into an MOU with the IDB to develop a framework of co-operation with the aim of enhancing the opportunities for growth among the OIC Member Countries.

In realising the areas of co-operation embodied in this MoU, two High Level Meetings between Malaysia and the IDB have been held to date. The First High Level Meeting was held in Kuala Lumpur on 30 September - 1 October 2004, while the Second High Level Meeting was held in Jeddah on 20-21 February 2005. Both these High Level Meetings, which concluded with the signing of the Agreed Minutes, deliberated at great length on the areas of co-operation in the MoU to determine and strategise the plan of action and target deliverables. Discussions and negotiations on the implementation of the MoU will be intensified in 2005 to achieve the objectives outlined in the MoU.

In 2004, the Bank also made further progress in the promotion of the Bilateral Payments Arrangement (BPA) and the Gold-based Trade Payments Arrangement (GTPA). On 18 June 2004, the Bank signed a BPA agreement with Bank Mandiri, Indonesia and had throughout the year initiated several bilateral

negotiations on the GTPA with interested countries. Moving forward, as part of the Bank's effort to continuously promote trade with non-traditional markets, the Bank is also looking into operationalising commercially-driven trade financing arrangements, which would target non-traditional markets, in general, and OIC markets, in particular.

Technical Assistance and Information Exchange

The Bank continued to provide capacity building programmes to interested parties. Under the Malaysia Technical Co-operation Programme (MTCP), the Bank offered places to foreign participants in two annual programmes, namely, the Central Banking Course (since 1984) and the Banking Supervision Foundational Course (since 2002). In 2004, the Bank received a total of 22 officials from

13 central banks to participate in its programmes. The Bank has received a total of 234 foreign participants since the inception of the courses.

Under the D-8 fora, the Bank continued to promote the development of Islamic banking and takaful through its involvement to enhance the supervisory and regulatory frameworks of the insurance and takaful industries. In addition, at the inaugural Asian Islamic Banking and Finance Summit, the Bank organised two workshops that covered issues on Islamic finances, particularly risk management and capital adequacy in meeting the requirements of the IFSB and development of an Islamic money market. During the year, Bank Negara Malaysia also briefed interested central banks and banking institutions from Bahrain, Bangladesh, Sudan, Lebanon, Singapore and Indonesia on Islamic banking and takaful. In addition, Malaysia organised a dialogue to share experiences on Deposit Insurance and Financial Disclosure among Asia-Pacific Economic Cooperation (APEC) economies in February 2004.

