

**Financial Markets Committee (FMC) Meeting 1/2016**  
**Monday, 23 May 2016**  
**Bank Negara Malaysia**

## **Summary of Discussion**

### **1. Financial Market Committee**

BNM outlined the purposes and objectives of Financial Market Committee (FMC); reviewing and formulating comprehensive strategies for the wholesale financial markets. The scopes of FMC would include foreign exchange market, bond market, money market and derivatives market.

BNM shared its views on some of the opportunities and gaps in the market that need to be discussed and deliberated by FMC:

- FX market - improving market liquidity, moving towards transacted-based fixing, attracting hedging activities onshore and creating an enabling environment for local currency trade settlement;
- Bond market – improving market transparency, introducing covered bond framework, inclusion of MGII into indices, market adoption of GMRA for repo;
- Market efficiency – introduction of electronic trading platform (ETP) and the need for real-time reporting;
- Market professionalism – strengthening the market education, development of code of conduct based on global best practices and enhancing market visibility.

### **2. Feedback and discussion**

Attendees' views were sought on preliminary issues and concerns surrounding financial market risks, challenges and development ideas. Some of the feedbacks were as follows:

- Concern on downside risk of foreign exchange (FX) market and the spillover from offshore market activities to onshore FX market arising from speculative activities on ringgit. Suggestions were made to look into mechanism that could discourage such activities and contain the spillover effect.
- Liquidity challenges faced in the FX market due to current market volatility.
- Need for development of FX options and the importance of understanding the impact of these FX derivatives on exchange rate volatility.
- Industry-wide adoption of International Swap and Derivatives Association (ISDA) agreement as well as Credit Support Annex (CSA) to promote derivatives market in Malaysia.
- Concern on increased cost arising from regulations and compliance requirements.
- Mechanism to address the CDS market volatility impact on Malaysian financial market.

- Need for greater development in bond hedging instruments to support the financial market over the long-run such as interest rate swap (IRS), KLIBOR futures and deliverable bond future for efficient risk management.
- In promoting market transparency, attendee suggested a high-level blueprint / roadmap on data collection to facilitate and ease data submission to central bank. Attendees proposed industry wide collaboration with solution providers for efficient solution on data submission and infrastructure that would enhance market transparency. Other recommendations include market data publication and review of the voice broking business.
- Need for greater clarity and consistency in the interpretation of the Foreign Exchange Administration (FEA) rules among market players.
- A few attendees also highlighted the importance of market talent and enhancing market professionalism.

### **3. Set-up of subcommittees**

Based on the discussions and immediate interest among participants, two subcommittees for the foreign exchange and bond markets were set up as current priority areas. Other areas or subcommittees could be considered as the need arises.