

**Financial Market Committee 2/2016 & FX Market Sub-Committee 3/2016**  
**Thursday, 20 October 2016**  
**Bank Negara Malaysia**

The Financial Markets Committee (FMC) and the FX Market Sub-Committee held its second and third meetings, respectively, on 20 October 2016 at Bank Negara Malaysia (BNM). A workshop for heads of treasuries of banks in Malaysia was held on the following day.

### **Summary of Discussion**

#### **1. Recap on Work of FMC**

- At the FMC meeting, two of the earliest initiatives were reviewed; the adoption of new USD/MYR reference rate based on market transaction data and the extension of official trading hours for onshore ringgit.
- The FMC members generally concurred that the implementation of these two measures went smoothly and markets reacted positively to these developments.
- There was a broad consensus that the new reference rate methodology has reduced the ability of speculative foreign exchange market transactions to capitalize on the reference rate process while other market participants' activities remained unaffected.

#### **2. Documentation for Foreign Exchange Administration (FEA) Requirement**

- The FX Market Sub-Committee reported on the progress of an initiative to standardise the documentation for compliance with the FEA rules that aims to ensure better clarity and efficiency for the customers.
- The working group, which also comprises compliance officers from various banks, is finalising the information manual and standardised documentation for FEA-related transactions with focus on three FEA Notices, namely Notice 1: Dealings in Foreign Currency, Gold and other Precious Metals, Notice 3: Investment in Foreign Currency Asset, and Notice 4: Payment.
- The project is expected to be completed by the end of the year with the document to be reviewed for endorsement by the FMC for adoption by the wider industry. This will enhance efficiency of foreign exchange transaction processes across the industry and subsequently facilitate businesses for the real sector.

#### **3. Possible Measures to Promote Ringgit Conversion by Residents and Enhance Onshore Bank's Capacity in Providing Competitive Trade Financing Products**

- The FX Market Sub-Committee also deliberated on issues relating to the repatriation, retention and conversion of export proceeds into ringgit. One of the challenges for market liquidity is the inclination of resident corporates to retain export proceeds in the form of foreign currency funds in offshore markets. Higher retention and conversion of export proceeds into the domestic market will contribute towards enhanced liquidity and vibrancy of Malaysia's financial market. Consequently, greater foreign currency liquidity in the onshore financial market would also enable financial institutions to offer more competitive foreign currency trade financing.

- The Committee also noted that there is a significant scope for financial institutions to enhance their expertise in trade financing and to be more innovative in offering trade financing products. It was highlighted that banks may not be as competitive as their offshore counterparties in this area. Members undertook to review this and formulate strategies going forward.

#### **4. Code of Conduct**

- The meeting was updated that the Bank is looking at a new Code of Conduct to be issued before the end of 2016. The Code of Conduct aims to raise the level of professionalism and integrity in the financial markets as well as to outline administrative, civil or criminal actions that can be undertaken on market misconduct under the FSA and IFSA.
- A consultation paper on the policy document will be circulated for comments and feedback to all market participants, regulators and market associations in the wholesale financial markets, including asset management companies, corporates and others.

#### **5. Workshop for Treasurers**

- Following the joint FMC and FX Sub-Committee meeting on 21 October 2016, a workshop for heads of treasuries was held at Sasana Kijang on a few recent market development initiatives. These included initiatives to provide greater flexibility for onshore banks to facilitate hedging for USD and CNH against the ringgit for resident clients, the MYR-THB local currency settlement framework, retail negotiable instrument of deposit (NID) and Islamic negotiable instrument (INI) programme to expand the product offerings for retail investors and a broad outline of the policy document for Code of Conduct.

The FMC welcomes comments and feedback from the public, which can be forwarded to the Committee via email to [fmc@bnm.gov.my](mailto:fmc@bnm.gov.my).