

Financial Markets Committee Meeting

Wednesday 2 October 2019

Bank Negara Malaysia

Summary of Discussion

The meeting discussed progress on financial market development initiatives since the last Financial Markets Committee (FMC) meeting in July 2019 and decided to streamline the FMC structure.

A. Progress of financial market development initiatives

1) Developments in the repo market

- The revised Policy Document on Repo Transactions have received industry feedback on 13 September 2019 and will be finalized for publication by end-October 2019.
- Recognizing the need to improve funding options for Islamic banks, a feasibility study on Islamic repo will be undertaken by Financial Markets Association of Malaysia (FMAM), Association of Islamic Banking Institutions Malaysia (AIBIM) and Bank Negara Malaysia (BNM).

2) Standard documentation guide

- Enhancements to the minimum due diligence for foreign exchange transactions documents are being made to incorporate comments from the industry and to reflect the latest Foreign Exchange Administration (FEA) liberalization measures and will be republished by mid-October 2019.
- In parallel with the objective of enhancing market efficiency, minimum due diligence documents on other FEA rules are also currently being developed by the industry to improve transparency on document requirements for residents and non-residents. A first draft of such documents will be submitted the industry to BNM in November 2019 for input.

3) Physical delivery of MGS futures

- Securities Commission (SC), BNM and Bursa Malaysia are currently at the final stage of reviewing operational issues relating to the physical settlement of Malaysian Government Securities (MGS) futures with target implementation by end-December 2019.

4) Ringgit accessibility beyond local trading hours

- The meeting discussed improvement in ringgit accessibility outside local trading hours, in particular via a pilot program involving selected Appointed Overseas Offices (AOO).
- Further discussion on potential flexibility to enhance the existing pilot program will be conducted, including increasing the number of pilot banks.

5) Further developments in the IRS market

- The meeting discussed progress on the liberalisation of the Interest Rate Swap (IRS) market in order to enhance derivatives market participation, onshore IRS liquidity and internal risk management capacity of market participants.
- Currently, non-resident banking institutions may enter into IRS contracts with a licensed onshore bank or an AOO on firm commitment basis.
- To facilitate the BNM's assessment on the impact of the liberalisation on the onshore market, licensed onshore banks shall provide relevant data points on IRS trading involving their non-resident banking institution clients.

6) Electronic trading platforms

- Following industry feedback received on the Exposure Draft, the Policy Document for Electronic Trading Platform (ETP) Framework will be published by end-October 2019.

B. Streamlining of the Financial Markets Committee

- To ensure adequate representation for future discussions on financial market development, the structure of the FMC as well as the terms of reference were reviewed.
- The meeting agreed that the FX and Bond Subcommittees would be consolidated into the main committee.