Financial Markets Committee (FMC) Meeting
19 June 2023
Bank Negara Malaysia

Summary

The meeting discussed the current sustainability landscape, domestic requirements and the availability of services and solutions to meet these requirements. A Sustainability Working Group was then formed to recommend plans and initiatives for the development of the domestic sustainability market.

1. Discussion on the current sustainability landscape

1.1 The meeting was briefed on existing initiatives under Malaysia's whole-of-nation approach to climate change, which has become a national priority with the inclusion of sustainability as a key item under The Twelfth Malaysia Plan (12MP). The meeting noted that development of key enablers such as the Long-Term Low Emissions Development Strategy (LT-LEDS) and a National Carbon Policy is critical to showcase Malaysia's cohesive plan to address this issue.

1.2 The meeting acknowledged the low level of awareness on sustainability practices among small and medium enterprises (SMEs) compared to foreign markets such as Europe. This has complicated efforts by larger corporations to achieve long-term net-zero emission targets by hindering measurements of carbon footprints along their value chain. The meeting noted current initiatives such as the creation of a dedicated SME Focus Group and BNM's Greening Value Chain (GVC) Programme to address the various challenges faced by SMEs in their transition journey.

1.3 The meeting noted that while there was a wide variety of domestic sustainability-linked financial instruments, including green bonds and sustainability-linked swaps, smaller green projects still face difficulties in obtaining financing via the bond market. Members suggested securitization as a potential strategy to improve their attractiveness to investors.

1.4 The meeting acknowledged deficiencies in the domestic carbon market with corporates facing challenges in sourcing carbon credits and related advisory services onshore, due to issues such as the scarcity of projects and the significant time for listing. On the global front, major hurdles include the lack of standardization in the voluntary carbon markets and disparity with compliance markets, poor understanding on the mechanics of carbon trading and eroding

confidence over the validity of carbon credits arising from recent investigations into a leading carbon credit certifier.

2. Formation of the Sustainability Working Group

2.1 The meeting endorsed the formation of the Sustainability Working Group (SWG) with the following founding members:

i. (Chairperson) Adoni Idris, Managing Director, Global Markets, Malayan Banking Berhad

ii. Endran Fadzil, Deputy Director, Investment Operations and Financial Market Department, Bank Negara Malaysia

iii. Latifah Mohamed Yusof, Head of Corporate Finance and Treasury, Malaysia Airlines Berhad

iv. Raymond Tang, Chief Executive Officer, Eastspring Investments Berhad

The SWG may invite other members as relevant upon endorsement by the FMC.

2.2 The meeting endorsed the scope of the SWG as a platform for the collaboration between sustainability service providers and users to i) identify opportunities and gaps, and ii) recommend appropriate plans and initiatives for the development of the domestic sustainability market. Recommendations by the SWG will be presented to the FMC for consideration and endorsement.