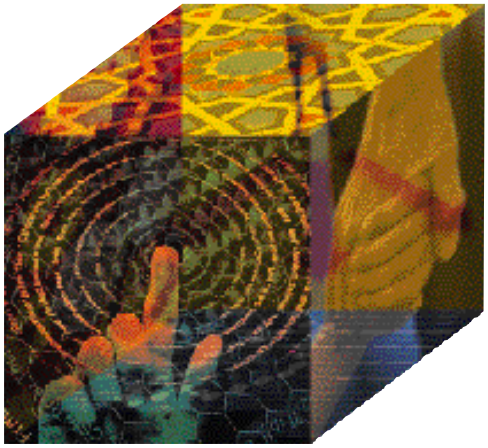
Bank Negara Malaysia

financial sector ▲ stability

SEKTOR KEWANGAN ▲ KESTABILAN

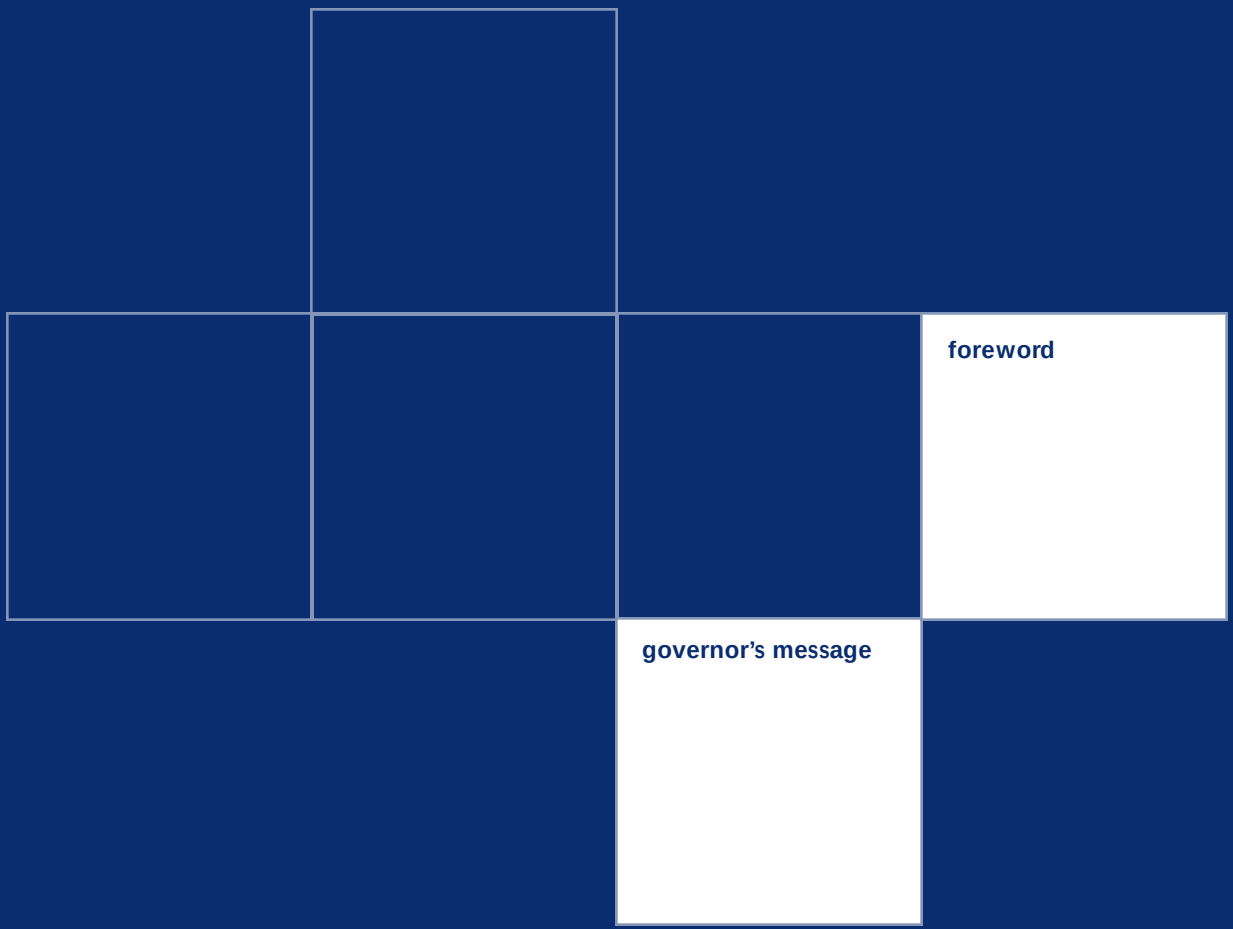


the masterplan: building a secure future

pelan induk ke arah masa depan yang lebih terjamin

contents

4 foreword	chapter 1	**10**	executive summary
5 governor's message	chapter 2	**15**	vision and objectives of the financial sector
	stability	**26**	towards stability in the financial sector
	chapter 3	**32**	banking sector
	chapter 4	**62**	insurance sector
	chapter 5	**77**	islamic banking and takaful
	chapter 6	**87**	development financial institutions
	chapter 7	**96**	alternative modes of financing
	chapter 8	**111**	labuan IOFC
	appendices	**121**	summary of recommendations
		126	glossary


foreword
governor's message

Foreword from the Minister of Finance and Minister of Special Functions

The Financial Sector Masterplan is being launched after several decades of high growth, and comes at a time when Malaysia is at a threshold of a new stage in development. It charts the future direction for the financial system over the next 10 years and outlines the strategies to achieve a diversified, effective, efficient and resilient financial system.

The Masterplan is about determining the direction and defining the financial structure that is most appropriate to our requirements as our economy moves to its next stage of development.

The Financial Sector Masterplan has identified the key elements and building blocks necessary to form the foundation on which future development can be built. In moving forward, a meaningful change in the financial sector cannot be achieved overnight.

Therefore, it requires a unified effort of all the stakeholders – the financial players, consumers, regulators and the Government to take the necessary steps towards meeting the objectives of the Financial Sector Masterplan. The Government will continue to support the process.

I am confident that with this concerted approach between the Government and the private sector focussing towards a common objective, the vision envisaged by the Financial Sector Masterplan will be realised for the ultimate benefit of the nation.



Daim Zainuddin
1 March 2001

Message from the Governor

The financial system has over several decades been instrumental in facilitating the economic success of Malaysia. As Malaysia advances into the new millennium, the transition to the new economy – into a more globalised, a more digitised and knowledge-based economy – will require the financial system to evolve accordingly to support this transformation and growth process. The financial system is also operating in an era of rapid change, in an environment that is being shaped by advances in technology, by trends towards greater market orientation and globalisation. In response to the challenges in this new environment, achieving a more efficient, competitive and resilient financial system will be vital for securing our prospects for sustainable growth and development.

Over the years, the strength and resilience of the financial sector, has from time to time, been severely tested, in the face of periods of economic difficulties. In the recent Asian financial crisis, we have seen the stability of the financial system challenged. With the prompt corrective measures that were taken, financial stability was restored and Malaysia has emerged stronger from the crisis. The opportunity is now taken to focus on the medium and longer term agenda to build a financial sector that is responsive to the changing economic requirements and a financial system that is strong and resilient in facing the future challenges in this new environment. It is within the context of these objectives that the Financial Sector Master Plan (FSMP) was formulated to outline the strategies for the development of the financial sector.

The objective is to evolve a competitive, resilient and dynamic financial system, with best practices, that is able to meet the increasingly more sophisticated demands of consumers and businesses, able to adapt and adjust to the technological advances, able to face the challenges from globalisation and liberalisation and able to withstand the economic cycle, thereby contributing to overall economic growth and stability. In achieving the end game of creating an effective, efficient and stable financial sector, the respective building blocks of the various parts of the financial sector need to be put in place to form the solid foundation on which further progress can be built. The recommendations therefore are focused on enhancing domestic capacity and capability before proceeding with the introduction of an increasingly more competitive environment and subsequently towards greater international integration.

This plan has been prepared by Bank Negara Malaysia (BNM) with inputs received from the industry, independent consultants, Government agencies and private corporations. The plan benefited from the consultative process that was adopted. While the strategic direction has been outlined in the plan, the implementation of the recommendations will be managed with flexibility to achieve the desired objectives. The approach for the implementation of the recommendations outlined in the plan will be undertaken in an iterative process taking into account the potential for changes that may occur in both the domestic and external environment and the changes in technology that may emerge. The opportunity is taken here to record gratitude to the Minister of Finance Tun Daim Zainuddin for his full and continued support given to BNM in preparation of the plan.

In moving forward, the implementation of the FSMP will be the result of the combined efforts of all the relevant parties in the financial sector – the industry, the regulators, the market participants and the Government. While the FSMP is motivated by the need to achieve the desired objectives, it will also be tempered with the realities of the environment. The Government has and will continue to provide the supporting infrastructure and to implement policies for a positive economic and financial environment. I am confident that with the orientation towards collective responsibility and perseverance, the vision envisaged by the FSMP will be achieved.



Project Approach

The Financial Sector Masterpan (FSMP) was developed by Bank Negara Malaysia (BNM) through a joint team involving a number of departments in BNM. An internal steering committee chaired by Dr. Zeti Akhtar Aziz (then Deputy Governor) and comprising the Assistant Governors and Directors of the relevant departments was set up to oversee the work of the team.

To facilitate consultations with the financial industry on specific issues, an Industry Advisory Group was set up comprising Chief Executive Officers and Managing Directors of selected institutions. A number of consultations and discussions were also held with relevant ministries and Government agencies, industry players and other key stakeholders on the specific recommendations in the FSMP. The approach was to determine the most viable options in achieving the strategic direction and objectives with an emphasis on an iterative, consultative and collaborative process. The process was pursued through a series of workshops/meetings/interviews with industry players on related issues. This involved analysing industry trends through external and internal interviews, cross country comparison of alternative financial structures and liberalisation paths, identifying the critical gaps in the financial system, defining key success factors in financial market development and formulating alternative end games for the Malaysian financial system.

Acknowledgements

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Association of Banks in Malaysia
Association of Discount Houses in Malaysia
Association of Finance Companies of Malaysia
Association of Islamic Banking Institutions Malaysia
Association of Labuan Trust Companies
Association of Merchant Banks in Malaysia
Association of Money Brokers Malaysia
Association of Offshore Banks
Cagamas Berhad
Credit Guarantee Corporation Malaysia Berhad
Federation of Malaysian Manufacturers
General Insurance Association of Malaysia
Institute of Bankers Malaysia
Islamic Banking and Finance Committee (of MAPEN II)
Labuan Development Authority
Labuan International Insurance Association
Life Insurance Association of Malaysia
Malaysian Airline System Berhad
Malaysian Institute of Bond Dealers
MIMOS Berhad
Multimedia Development Corporation Sdn Bhd
National Association of Malaysia Life Insurance Agents
Petroliam Nasional Berhad
Telekom Malaysia Berhad
Tenaga Nasional Berhad
The Malaysian Insurance Institute