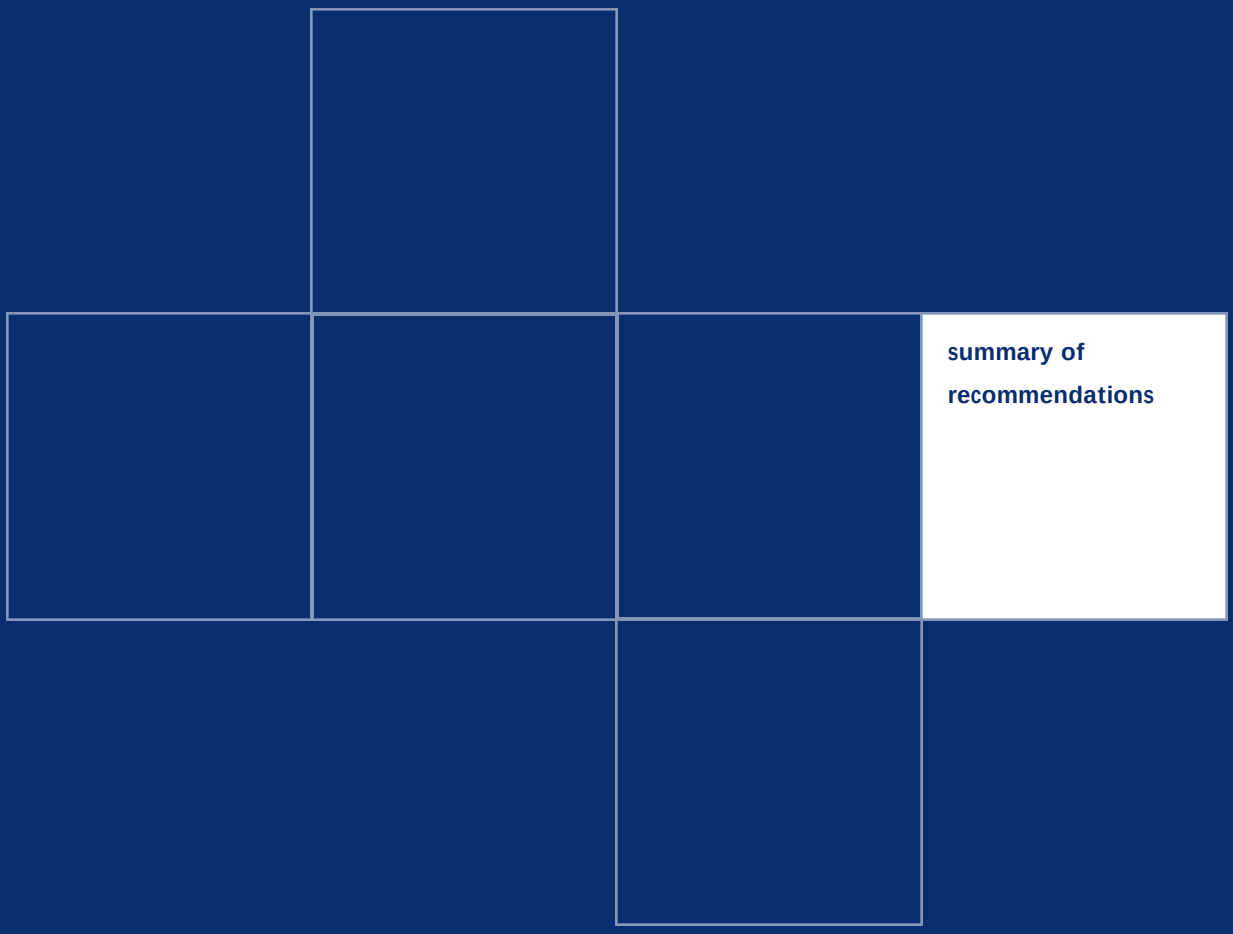
summary of
recommendations

Summary of Recommendations

Chapter 3: Banking Sector	
3.1:	Develop industry-wide benchmarks to drive performance improvement in domestic banking institutions
3.2:	Improve awareness of best practices and conduct focused training
3.3:	Enhance credit skills and monitor the requirement for accreditation of credit officers and managers
3.4:	Remove restrictions on salaries and staff mobility in banking industry
3.5:	Uplift restriction on employment of expatriates
3.6:	Set up board committees to further improve corporate governance
3.7:	Allow group rationalisation and facilitate the operation of one-stop financial centre
3.8:	Encourage strategic alliances
3.9:	Streamline the regulation of discount houses and merchant banks to level the playing field
3.10:	Encourage mergers between merchant banks and stockbroking companies or discount houses of the same group to create full-fledged investment banks
3.11:	Encourage ownership of banking institutions by institutional investors
3.12:	Encourage outsourcing of non-core functions
3.13:	Require management of banking institutions to give greater attention to the development of ICT
3.14:	Encourage the development of new delivery channels
3.15:	Adopt 'what is not prohibited is allowed' regulatory philosophy and phase out product pre-approval requirement
3.15.1:	Replace product pre-approval requirements with a simple new product notification process
3.15.2:	Outline guidelines for all applications for regulatory exemptions
3.16:	Deregulate pricing and rules of association on rates, fees and charges gradually
3.17:	Mandate all banking institutions to be rated
3.18:	Encourage competition and participation of banking institutions in areas currently served by fringe institutions
3.19:	Facilitate the development of a conducive tax regime
3.20:	Merge the associations of banks, merchant banks and finance companies into a single association
3.21:	Continue implementing risk-based supervision with more focused supervisory attention for weak institutions
3.22:	Refine calculation of risk weightings for the purpose of capital adequacy calculations
3.23:	Implement a system of incremental enforcement action
3.24:	Implement a transparent and clearly structured early warning system and set of prompt corrective measures for weak banking institutions

3.25:	Enhance surveillance of the financial sector through the use of modern technology
3.26:	Develop comprehensive framework for consolidated supervision of financial conglomerates
3.27:	Increase efficiency and competition in the payments system
3.28:	Allow market forces to shape developments in the payments system while BNM assumes the role of regulator
3.29:	Allow incumbent foreign banks to set up shared ATM network
3.30:	Allow use of electronic communication networks and electronic trading platform
3.31:	Introduce an expanded credit guarantee scheme
3.32:	Require provision of advisory services on financial planning and management to SMIs and small borrowers
3.33:	Allow banking institutions to rationalise their branch network and relocate branches, subject to certain conditions
3.34:	Initiate an active and structured consumer education programme
3.35:	Increase product-specific and institutional transparency and move towards full disclosure
3.36:	Encourage consumers to pursue formal administrative and legal redress
3.37:	Expand the operations of Banking Mediation Bureau to cover full range of retail banking-related consumer complaints
3.38:	Implement anti-trust regulation
3.39:	Establish a deposit insurance fund

Chapter 4: Insurance Sector

4.1:	Remove restrictions on outsourcing
4.2:	Allow all players in the market to operate via the internet
4.3:	Promote incentives for the growth of bancassurance
4.4:	Remove the 'file-and-use' system for life insurance products in the long term
4.5:	Open up the pension industry to insurers
4.6:	Uplift restrictions on employment of expatriates
4.7:	Remove restrictions on opening branches
4.8:	Allow insurers to distribute other personal financial service products
4.9:	Introduce independent financial advisers
4.10:	Introduce reinsurance quota regulations
4.11:	Remove voluntary cessions to Malaysian National Reinsurance Berhad
4.12:	Allow qualified players to sell takaful products
4.13:	Remove caps on operating expenses
4.14:	Encourage commission disclosure
4.15:	Deregulate pricing of general insurance products
4.16:	Increase the statutory minimum paid-up capital of insurers
4.17:	Strengthen 'fit and proper' regulations for board members and senior management
4.18:	Encourage the introduction of performance incentives and evaluation processes
4.19:	Raise the entry requirements for the agency force

4.20:	Introduce additional compulsory exams as part of continuing education programmes for agents
4.21:	Further strengthen performance-based supervision
4.22:	Ensure effective enforcement of regulations
4.23:	Establish prudential risk management standards
4.24:	Remove investment restrictions
4.25:	Expand the role of the existing ombudsman
4.26:	Introduce 'best-advice' regulations
4.27:	Strengthen regulations on unfair trade practices
4.28:	Allow new insurance licences for innovative players
4.29:	Allow financial and non-financial institutions to buy direct insurers
4.30:	Open up the reinsurance industry fully to foreign competition
4.31:	Increase caps on foreign equity

Chapter 5: Islamic Banking and Takaful

5.1:	Introduce a benchmarking programme
5.2:	Enhance knowledge and expertise
5.3:	Build strong management teams
5.4:	Grant incentives to structure Islamic private debt securities
5.5:	Increase the number of Islamic banks to stimulate competition
5.6:	Increase the number of takaful operators
5.7:	Deepen the Islamic financial market
5.8:	Strengthen the regulatory framework for Islamic banking
5.9:	Improve the regulatory framework for takaful
5.10:	Establish an effective legal structure
5.11:	Create a favourable tax regime

Chapter 6: Development Financial Institutions

6.1:	Define clearly the strategic focus and role of the DFIs
6.2:	Enhance institutional capacities and operational structure
6.3:	Enhance performance measurement
6.4:	Introduce a systematic framework for sourcing funds
6.5:	Continue Government's support to the DFIs
6.6:	Strengthen corporate governance
6.7:	Establish a legislative framework to provide for regulation and supervision of DFIs
6.8:	Establish a single Regulatory and Supervisory Authority to strengthen the supervision of DFIs

Chapter 7: Alternative Modes of Financing

7.1:	Establish a 'one-stop' centre for VC
7.2:	Establish a RM500 million VC Fund
7.3:	Introduce further tax incentives for the VC industry
7.4:	Liberalise the MESDAQ listing requirements
7.5:	Establish Islamic VC funds
7.6:	Increase the sources of financing to the VC industry
7.7:	Enhance the promotion of VC investment opportunities in Malaysia
7.8:	Provide training to VC professionals
7.9:	Increase the awareness of Malaysians regarding the roles and significance of business angels
7.10:	Establish more business angel clubs and networks
7.11:	Establish more matching services
7.12:	Establish technology appraisal centres in promoted high technology sectors
7.13:	Establish a one-stop agriculture research and development centre as well as a comprehensive and integrated information database
7.14	Develop structured and systematic training programme for borrowers
7.15	Establish a risk-distribution mechanism that will reduce the risks to the financial institutions and at the same time, reduce borrowing costs through a guarantee and insurance protection scheme
7.15.1	Establish an agency to provide guarantees
7.15.2	Diversify insurance protection schemes
7.16	Provide subsidies to the agriculture industry
7.17	Grant tax exemptions

Chapter 8: Labuan International Offshore Financial Centre

8.1:	Develop an active International Offshore Financial Centre for Malaysia
8.2:	Review existing rules and regulations to facilitate expansion in the scope of core businesses
8.3:	Adopt a consultative and market driven approach to create a conducive tax and business environment
8.4:	Benchmark against the best to maintain the low-cost operating environment
8.5:	Establish a well-balanced regulatory policy and supervisory framework
8.6:	Strengthen Islamic banking and finance as well as Islamic insurance (takaful)
8.7:	Enchance the Labuan International Financial Exchange (LFX)
8.8:	Enchance the e-commerce gateway (ECG)
8.9:	Maximise potentials of Labuan IOFC by developing other complementing economic measures