# World Bank's Asian Region Launch of the "Global Findex Database 2014: Measuring Financial Inclusion around the World" Kuala Lumpur, 20 August 2015

**Speech by**

**Tan Sri Dato' Sri Dr. Zeti Akhtar Aziz**
**Governor, Bank Negara Malaysia**

It is my great pleasure to be at this World Bank Asian Region launch of the "Global Findex Database 2014". The Global Findex is one of the most comprehensive and authoritative source of financial inclusion data, that offers valuable insights into the state of financial inclusion in the world today. We are most honoured that the World Bank Group has selected our cosmopolitan city of Kuala Lumpur to host the Asian regional launch of the Global Findex.

Financial inclusion, the provision of cost effective and quality financial services to all segments of society, has been acknowledged as an important structural enabler for economic development and progress. There is also a greater appreciation that development which empowers every individual to achieve their full potential raises the aggregate productivity and income, which in turn, supports a more dynamic and durable economic growth. Therefore, financial inclusion needs to be pursued more extensively beyond the underserved to achieve a more effective participation in the financial system and thus unlocking the further potential to contribute towards the overall growth and development of economies.

## Financial inclusion in Malaysia: Our evolution

Since Bank Negara Malaysia's inception in 1959, financial inclusion has been an important agenda for the Bank as it was recognised that it is central to supporting the aspirations for a balanced and sustainable growth of our economy. Attention was initially given to establishment of a diverse range of financial institutions to meet the needs of the various consumers and businesses, including rural communities and small businesses.

Bank Negara Malaysia has also worked towards providing an enabling regulatory environment which encouraged the financial system to develop innovative products and services that would better meet the needs of the underserved. The Bank introduced the basic banking services, a no frills low cost savings account in 2005 and on the financing side, the micro-financing framework was established in 2006 to facilitate an uncollateralised micro financing scheme that provides access to financing in a fast, easy and convenient manner. Another important policy initiative is the development of such financial services based on Syariah principles. This has allowed many segments of the Malaysian society to now meaningfully use and benefit from the financial system.

In line with the transformative importance of financial inclusion, the Central Bank of Malaysia Act 2009 states that promoting a sound, progressive and inclusive financial system as one of the primary functions of the Bank. This has provided a clear mandate and legislative power for the Bank to advance the financial inclusion agenda. The financial inclusion mandate of the Bank is further reinforced by The Financial Sector Blueprint 2011-2020, which charts the future development of the Malaysian financial system. It details the Bank's holistic approach toward achieving greater financial inclusion.

An important evolution in the advancement of our financial inclusion strategies is the increasing focus on data and measurement. Success can only be celebrated if it is proven by visible developments that is felt on the ground. Hence, one of the cornerstone recommendations under the Financial Sector Blueprint is the development of a Financial Inclusion Index, a framework to measure

accessibility to financial services as well as its usage and quality. Our performance on this agenda has therefore been measured, consistent with our drive for accountability and excellence. Further policy initiatives have included the introduction of agent banking which has enabled 99% of Malaysians today to enjoy convenient access to safe, reliable and affordable financial services.

## International efforts to enhance financial inclusion measurement

Internationally, there is an emerging common understanding that measurement is an essential policy tool for implementation. In this regard, the Alliance for Financial Inclusion, a network of central banks and financial regulators from 96 countries, has provided an important platform in advancing the global agenda of financial inclusion measurement. With the Sasana Accord, which was agreed upon in 2013 during the Global Policy Forum held here in Sasana Kijang, AFI members underscored the importance of measuring the progress of financial inclusion using a common set of measurable indicators. This Accord has formulated the measuring tools for the monitoring of Key Performance Indicators (KPIs) that has assisted policy makers in implementing and refining strategies to assist the underserved.

Immense progress has also been made in gathering accurate and timely data for financial inclusion KPIs. Traditionally, financial inclusion data has been scarce as they have depended on national user surveys. In this regard, the Global Findex has made a very significant contribution to financial inclusion policymakers and practitioners, as it is a database of more than 150,000 survey responses from more than 140 countries across the world. With the data from the Global Findex, which is updated every 3 years, we are now able to compare in a consistent manner the financial inclusion performance across countries and analyse trends over time. The availability of country performance data not only provides peer pressure that spurs action, but also provides empirical evidence on which financial inclusion policy actions are delivering the most optimal impact. The analysis of the Global Findex data has provided strong evidence that countries which adopted mobile banking outperformed those that did not. Such empirical evidence facilitates policymakers and the private sector in their drive for greater financial inclusion.

## Priorities for greater financial inclusion

In these recent years, there has been significant progress in advancing financial inclusion across the world. According to the Global Findex, 700 million adults have gained access to formal financial services since 2011. This is indeed a significant achievement. Yet 2 billion adults today are still unbanked. Therefore both the private and public sectors, need to intensify efforts to accelerate meaningful and effective efforts in the drive for greater financial inclusion. In Malaysia, our priorities are to enhance greater access to digital financial services, as well as to enable the underserved to benefit from increased convenience, greater efficiency and lower cost. Another important priority would be financial education for the newly banked, to ensure that new entrants into the financial system behave responsibly and do not suffer the unintended consequences of being over-indebted.

For ASEAN, financial inclusion is an increasing priority because it is estimated that 260 million adults in the region still do not have access to the formal financial system, while 45 million small businesses have difficulties in accessing financing. To overcome this challenge, ASEAN Finance Ministers and Central Bank Governors in March 2015 decided to elevate financial inclusion to be a policy priority. It is our shared vision that every person and every small business in the region can participate and benefit from the opportunities that will be brought forth by greater regional integration under the ASEAN Economic Community.

## Conclusion

Our collective efforts in advancing financial inclusion have yielded many significant achievements. The Global Findex Database 2014 will be an important contribution to more optimal and impactful financial inclusion policy making and implementation. Bank Negara Malaysia would like to congratulate the World Bank Group on this accomplishment. We would also like to reaffirm our unwavering commitment to the financial inclusion cause and look forward to deepening our cooperation with all stakeholders to fulfil the promise of greater financial inclusion, thereby bringing hope and better opportunities to our communities.

# Global Ethical Finance Forum - Building Financial Systems for Sustainable Development Edinburgh, 1 September 2015

**Speech by**

**Tan Sri Dato' Sri Dr. Zeti Akhtar Aziz**
**Governor, Bank Negara Malaysia**

It is my distinct pleasure to speak at the Global Ethical Finance Forum here in Edinburgh. I would like to warmly thank the Scottish Government and the Middle East Global Advisors for the kind invitation for me to speak at this forum. It is a privilege to be here in the company of this distinguished and diverse gathering of professionals from the various fields that are prioritising ethical finance for sustainable development.

The discussion on ethical finance that supports sustainable development is timely. In this recent decade, we have had to deal with a financial crisis of unprecedented global proportions, that has stemmed in part from the prevalent ethics and culture in the financial services industry. In this period, we have also witnessed significant occurrences of misbehaviour and ethical lapses surface in the financial services profession, including the manipulation of reference rates and deliberate compliance failures. Since the global financial crisis, we have now had several years to reflect on these weaknesses and to institute the much-needed reforms that have prioritised resilience and stability. Having made important progress on this front, it is timely to direct our attention to developing more enduring solutions that will place the financial sector firmly back in the service of society. This calls for a closer examination of the fundamental character of modern finance - where ethical and responsible finance that is strongly anchored to the real economy has a more significant role.

My remarks today will begin with some observations on the evolution of financial systems and the trends that have increased the vulnerability to financial crises, highlighting some of the key issues that have contributed to the breakdown of financial systems. Finally, I would like to take this opportunity to discuss some possibilities for the future of finance.

## Financial Systems, Then and Now

**The development of finance has historically been a positive and inseparable part of world economic growth and prosperity.** There is a large body of research that points to the significant benefits of financial development, recognising the economic value in financial intermediation that mobilises savings, catalyses investment, enables an efficient allocation of resources, reduces information asymmetries, and facilitates the management of risks. The transformative role of finance in economic progress is evident throughout history. The intrinsic power of finance essentially lies in its linkage to the real economy - that finance exists to serve the real economy. As has been described, "where enterprise leads, finance follows". This can be seen in the early financial innovation and growth of financial systems around the world. In the 17th century in the Netherlands, the establishment of the Amsterdam Exchange Bank and the availability of instruments such as bills of exchange contributed towards financing their extensive domestic and international trade. This became the bedrock upon which the Netherlands evolved to become the foremost maritime and economic power in the world during the Dutch golden age. It was also the financial revolution of pre-modern Britain that provided the foundation for the industrial revolution to take effect in the 18th to 19th centuries.

A more recent observation unfolding is the experience of China, where the process of financial intermediation has been key for the infrastructure development that has propelled China's economic growth story that began in the 1980s. In the process, it has lifted millions from extreme poverty. Though these are distinct experiences separated by chasms of geography and history, finance

was a common and powerful component of the overall rise of these economies. More recently, this transformative role of finance can also be observed in the many emerging economies in different parts of the world in the 20th century as they transitioned to becoming a significant and important component of the global economy. Further, as the regional and international dimension of finance increased, this globalisation of finance facilitated greater cross border trade and investment activities.

**In this recent two decades however, finance has progressively evolved from being a means to an end, to being an end itself.** The role of finance shifted from being an enabler of growth to an engine of growth in its own right. In the more globalised world economy, financial centres also flourished to become an important source of national income and wealth. These trends however saw the start of the erosion of the linkage between finance and the real economy, sowing the seeds of financial activity that would become inherently unsustainable. In several parts of the world, finance progressively deviated from long-term value creation towards the pursuit of short-term returns. Banks' trading and fee-generating activities became much more lucrative than traditional lending activities. This in turn spurred innovations in financial services that became more and more removed from the service to society and the economy. During the period just prior to the global financial crisis, domestic credit provided by the financial sectors such as in Iceland and the US, which had previously averaged 48% and 149% of GDP respectively, had become decisively decoupled from, and had far outstripped real economic activity. Domestic credit by the financial sectors in Iceland and the US had by 2007, risen sharply to 299% and 236% of GDP respectively.

**The experience of the global financial crisis highlights the potential for the benefits of finance to be dramatically reversed, resulting in destructive rather than constructive effects of finance.** Several studies have shown that the marginal returns to growth from finance diminish at high levels of financial development. In other words, there can be "too much finance" where the costs to growth and stability outweigh the benefits of financial development. Similar to other booming industries, the financial sector at the height of its exuberance showed an overinvestment of resources in terms of capital including human capital which only became apparent after the bust. With the benefit of hindsight, it has become clear that in the lead up to the global financial crisis, many financial systems were close to, or had long surpassed, the point where bigger was better.

## The Breakdown of Financial Systems

The gradual severance of the link between finance and the real economy, in my view, represents the foremost factor that has weakened the positive role of finance and increased the potential for financial instability. As witnessed during the recent crisis, the degradation of finance eventually rendered its noble economic function of intermediation as ineffective, causing greater harm than good to the economic growth process. The various factors contributing to the recent crisis have already been extensively researched and discussed, highlighting that in most cases finance had become highly disconnected from real, productive economic activity. Additionally, is the role that it had in altering the relationship between the growth and distribution of risks created distortions in which the gains from excessive risk-taking were privatised among the few while the losses were socialised among the many.

The abuse of securitisation and the "originate and distribute" model was a particularly telling display of this malaise, severing the link between risk-taking agents and those who ultimately bore the risk. While intended to facilitate better risk management by transferring risk from the banks to a diversified set of investors, this distancing gave rise to problems in the incentive structure and in the availability of information. There was a clear breakdown in the relationship between creditor and borrower. Banks were essentially incentivised to focus on aggressively originating loans which were of compromised quality due to lowered underwriting standards. Investors of such bundled risks had then become far removed from their origins. Information was no longer transparent and risks could no longer

be fully understood. Economic agents seeking larger returns were in turn encouraged to achieve them through greater leverage, thereby amplifying the vulnerabilities of the financial system and wider economy.

Much attention has also focused on the misaligned incentives of financial services professionals as reflected by the compensation structures that rewarded short-term performance and inadequate reprimand for overzealous risk-taking. This, I believe, was also symptomatic of the growing disembodiment of finance from its consumers and the wider economy. When social bonds are reduced to just profit measures, it provides a weak foundation for sustainable finance. Outcomes for finance need to be measured based on end services to the real economy, reflected for example, by an entrepreneur's successes or the financial well-being of retail clients. The detachment of finance from its function in serving the economy, results in clients being viewed as opportunities for extracting value and transactions as bets on financial outcomes. The prevalence of mis-selling of complex financial products exemplifies this shift in trend.

## Future Finance: Re-anchoring Finance to the Real Economy

Allow me now to turn to some of the imperatives for re-anchoring finance to the real economy.

**Firstly and most critically, future finance needs to have stronger links to the real economy by effectively having an intermediation role that is in the service to society.** Financial systems have to be both value-adding and value-based - value-adding, in that they contribute meaningfully by intermediating and facilitating real economic activity, and value-based in that they aim to benefit society. Such finance that is value-adding and value-based is deeply needed in the global economy. Many parts of the world, notably the developing world, require large amounts of funding to address infrastructure development. Financial inclusion also remains an important agenda to uplift the living standards of the marginalised segments of society in our global community.

**Secondly, a functioning regime practising value-adding and value-based finance needs to be built on a set of universal principles that will create a sustainable model for mainstreaming such positive finance in the global financial system.** A regime that is deep-rooted in genuine productive activity that discourages excessive leverage that emphasises transparency and that strengthens financier-client relationships would cumulatively be a positive force for the global financial system. Indeed, these are some of the core underpinnings of Islamic finance which has already garnered significance in many parts of the world. The central tenet in Islamic finance requires that financial transactions be supported by genuine economic activity, reinforcing the link between finance and value creation and aligning financial innovation to productive economic activity. Additionally, the emphasis on risk-sharing in Islamic finance strengthens the incentives for participants to screen and monitor transactions for economic viability and risks, and to institute the governance process. In Malaysia, our efforts to widen the reach of such value-adding and value-based finance include the development of a multi-bank platform to match funds from potential investors with entrepreneurial ventures in the real sector.

**Thirdly, the efforts to strengthen the supply and demand of value-adding and value-based finance would contribute significantly towards re-anchoring the global financial system to the real economy.** On the supply side, the focus on professionalism, ethics and the quality of talent would contribute to drive for positive changes in the financial services industry. In Malaysia, we have initiated the Financial Services Professional Board, launched in 2014, comprising of an independent group of eminent experts from around the world which is currently refining a voluntary code of ethics that may be internationally applicable across the financial services industry.

A meaningful change in the culture of financial institutions requires a true commitment from the industry. A display of such commitment through the measurement and disclosure of a financial institution's non-financial performance, such as its impact in social, environmental and governance metrics, can be a powerful tool for

change. In Malaysia, such a proposal is being developed for Islamic financial institutions to disclose their Corporate Value-Intent, a performance measure of their commitment to value creation. Greater consumer activism and demands for more consumer-focused corporate information reflects the increased demand by consumers for institutions to account for their behaviour and values.

In terms of the demand for ethical and responsible finance, greater awareness among consumers and investors on the availability and viability of such positive finance is also needed, including among governments, corporates and the retail market. Education, engagement, incentives and the alignment of legal and regulatory frameworks on the utilisation of such finance will be important to achieve this.

**Finally, is the need to foster strong leadership at the global level that can have an advocacy and facilitative role in resolving barriers and bringing together different stakeholders to work together in a coordinated and cohesive manner.** The Responsible Finance Institute, initiated as a think tank based in the United Kingdom, that brings together responsible finance experts from around the world and has a unique role for this endeavour. The focus on collaboration and convergence between the diverse fields of ethical and responsible finance has great potential to harness the best practices of positive finance in its various forms to collectively wield a powerful force in shaping future finance.

Moving forward, stable and sustainable development can be best served by re-connecting the current gulf between finance and value creation that is reinforced by bringing benefit to society. With the financial reforms by the international community now much in place, the imperative for future finance is not only to become stable and resilient but also to become a deep anchor to its bedrock, the real economy, and generating a positive benefit to the greater society.

With that, allow me to wish you an engaging and productive forum.

# Malaysia-OECD High-Level Global Symposium on Financial Well-Being Kuala Lumpur, 30 September 2015

**Opening Adress by**

**Tan Sri Dato' Sri Dr. Zeti Akhtar Aziz**
**Governor, Bank Negara Malaysia**

## The financial well-being journey: Building on the momentum and identifying new paths

It is my great pleasure to be here at this Global Symposium on Financial Well-Being, an important area of priority in the current world economic environment. Bank Negara Malaysia is most pleased to host this important event in collaboration with the OECD. Let me extend a very warm welcome to all delegates to Kuala Lumpur and to our facilities here at Sasana Kijang.

The advancements in the provision of financial services in these recent few decades have had a transformational impact on financial well-being. Key features of this transformation have been the greater diversification of financial systems and the increased leverage on the advancements in technology. Today, a growing share of financial intermediation is supported by a wider range of financial products and services that are not only being offered by banks but also by capital markets and non-bank financial intermediaries that are now assuming a larger role in the financial system and the economy. This has contributed to greater flexibility in managing financial risks and it has expanded the avenues for businesses and households to meet their financial needs and goals.

Advancements in technology have also improved access to financial services to be undertaken more effectively. It has also contributed to lower costs of financial services. Additionally it has supported the development of a broad range of financial services, including advisory and product aggregation services that allow for more informed financial decisions. Ongoing regulatory and supervisory reforms, particularly in this recent decade, have further reinforced the potential benefits of financial development - by improving the resilience of financial systems to disruptions and reducing the harm it could have to consumers that may arise from market failure and financial crisis.

For the benefits of financial development to be fully realised, it needs to be complemented with the effective use of the financial system by consumers and businesses. With economic progress, individuals need to assume greater responsibility for financing their lifetime financial needs that may include education, healthcare and retirement. In addition, easier access to credit has also increased the risk of households falling under the crippling weight of excessive debt burdens, while the challenges associated with operating in a more complex financial system have also increased the vulnerability to inappropriate financial risk taking and to financial fraud. Indeed, the identification of vulnerable groups is no longer confined to the poorest segments of society as defined by poverty threshold levels, but it also includes young adults, households living in urban centres, those in temporary unemployment, and the older segments of the population.

The focus on strengthening the ability of consumers and businesses to effectively use the financial services must therefore be an important part of any effort to improve financial well-being. This would involve enhancing the ability of users of financial services to make discerning financial choices that best suit their needs, while increasing their confidence to take advantage of the new spectrum of channels and tools for financial management. This would result in better financial planning and more stable consumption patterns as well as the ability of individuals to better withstand the macroeconomic shocks that are now occurring more frequently in the global economic environment.

Increased financial capability would also contribute towards evolving more inclusive financial systems and the broader financial stability. There is greater expectations on the potential for financial education to deliver improvements in responsible financial behaviour; encourage stronger market discipline and lift the poorest segments of society out of poverty in addition to helping communities adjust to the changing economic and financial conditions. The achievement of these outcomes will increasingly hinge on consumers of financial services being financially competent.

Over the years, important progress has been made to provide the foundations on which enhanced financial capability can be built. These foundations include: (i) greater provision of truthful disclosures on financial products and services; (ii) expanded financial knowledge; (iii) an environment which is supportive of consumer choice, including the ability for consumers to exercise their preferences without impediments; and (iv) effective redress mechanisms. Policy makers, the private sector and market participants have a key role in building these foundations.

In the area of disclosures alone, there has been extensive improvements in the quality and consistency of disclosures, making it easier to understand through the use of plain language, and adopting the various approaches to bring important disclosures to the attention of consumers. For many regulators, the use of disclosures has been particularly useful to promote positive consumer outcomes, without creating distortions that could result from more intrusive policy interventions.

On enhancing further financial knowledge, more than 50 countries have accorded priority to this agenda and have implemented or designed national financial education strategies. This will gain further traction with the publication of the OECD high level principles on national strategies for financial education in 2012. It will be further reinforced with the reporting of progress made by countries in implementing their national strategies. Of significance has been improvements to better coordinate and achieve greater alignment between the financial education strategies, the financial inclusion agenda and the consumer protection regime in order to maximise the impact of the respective individual initiatives and avoid duplication so as to optimise the impact of financial education efforts over the longer term.

In the area of facilitating consumer choice, initiatives have been pursued to reduce exit and switching costs so that informed consumers can easily exercise their preferences and adapt to the changing circumstances. While measures to reduce financial exit costs have met with some success in reducing switching barriers within the financial industry, responding to other factors that discourage consumers from switching to a superior product or financial service has been more challenging. Such factors include the additional effort required to switch financial service providers or products arising from the higher marginal cost of switching.

Finally, the measures to strengthen redress mechanisms are also contributing to the enhanced capability of financial consumers, by providing an expedient and cost–effective means for consumers to assert their rights and protect their interests. Effective redress mechanisms also increase consumer confidence in using financial services, while serving to strengthen market discipline.

Looking ahead, strategies to further strengthen these foundations are likely to be significantly influenced by two important developments. The first is the broader application of behavioural finance so as to better understand and identify the levers that contribute to better financial decisions in the different circumstances. Recent insights from the study of behavioural finance suggest that emotional and psychological associations with finance are as powerful as the intellectual grasp of how to make wise financial choices. This will have important implications for the design and implementation of both consumer protection policies as well as financial capability strategies.

We have found that providing consumers with relevant information in Malaysia did not always lead to better decisions. This was frequently because it was not easy to understand the information and there was also too much of it. The Bank now requires for the simplification

of disclosures by financial service providers and for the strengthening of the role of independent advisory services in the financial institutions. Financial institutions are also required to exercise a higher degree of diligence in ensuring that the respective products sold to consumers had to be commensurate with their financial capability and to steer financial consumers towards decisions that are in their interests, whereby choices are in the best interest of consumers.

Approaches to financial education have also become more targeted in an effort to more effectively influence financial behaviour. This reflects the growing customisation of financial education programmes to target audience groups that are delivered at the right time and using the right channels. Programmes are increasingly being tailored to behavioural traits, demographics and stages in the financial lifecycle of individuals so as to appeal to the intrinsic motivations and incentives that would drive financial behaviour.

The second development relates to the advances in technology that has had a profound impact on financial capability. While it presents new challenges for financial capability strategies, it also brings with it the potential to revolutionise how financial capability strategies can be designed and delivered, enabling policymakers and financial institutions to achieve what was previously not possible. Online classrooms and games, have for example, opened up new and engaging avenues for imparting important messages on financial management. The use of mobile applications has also made it much more convenient for individuals to monitor and control financial habits, in addition to helping consumers make financial choices. This has also enabled resources to go further by significantly expanding the reach of financial capability initiatives, and increased its potential to create a more lasting impact on financial behaviour.

In Malaysia, initiatives to strengthen financial capability began almost 20 years ago and is an important component of the Bank's business conduct and financial inclusion responsibilities. The Bank has in collaboration with the Ministry of Education and the financial industry, implemented financial education in schools to promote financial capability skills from an early age. This has now culminated in a process of formally integrating financial education elements into key subjects in the school curriculum.

Financial capability programmes among adults are closely aligned to the nature of financial decisions and exposure that individuals are likely to be confronted with at the different stages of their lives. This has therefore shaped the content, approach and timing of our financial education programmes. Of significance, has been the involvement of the private sector, through initiatives such as financial education in the workplace which are organised by large corporates in collaboration with the Credit Counselling and Debt Management Agency in Malaysia. The enabling infrastructure is also being enhanced to provide financial consumers with an integrated platform for easy access to financial education contents that are relevant for financial decision making.

The Bank assesses all major financial education programmes to evaluate their effectiveness in meeting the intended objectives through a Financial Education Assessment Framework. The Framework, developed in 2013, assesses the impact of financial education programmes on the overall level of financial literacy and on changes in behaviour.

Mobile applications have also been introduced to promote more informed financial decisions. These includes applications for personal money management, updates on important consumer news including financial fraud alerts issued by the Bank, and for consumers to make enquiries, obtain advice and raise their complaints with financial institutions. These mobile applications are customised for use in Malaysia and can be downloaded by individuals at no cost. It is envisaged that wider use of these applications will contribute towards enhancing financial competence.

The financial education initiatives in Malaysia has been advanced through collaborative efforts by the public and private sectors. Key agencies involved have included the Credit Counselling and Debt Management Agency,

the financial industry, consumer associations and the Employees Provident Fund (which has more than 14 million contributors) to ensure that messages on financial management address all the key issues in savings, debt, investment and protection. These strategies are pursued together with the efforts to promote financial inclusion and to ensure fair treatment of financial consumers.

It is important to recognise that the financial industry itself plays a pivotal role in helping consumers improve their financial well-being. The global financial crisis significantly undermined confidence in the financial system, and the discovery of ethical lapses that continue to be reported today has further eroded public trust in financial institutions. There is an urgent need to restore faith in the utility of financial services, firstly through the demonstration of fair and responsible practices and reinforced with the provision of value-adding products and services that are meeting the real needs of consumers and businesses.
Financial institutions with their extensive reach and customer relationships are in a unique position to have a more significant role in advancing the financial education agenda. In Malaysia, this has included providing technical support and materials for teachers to improve their knowledge and increase confidence in teaching financial matters in schools. Financial institutions have also adopted more than 10,000 schools across the country under the School Adoption Programme with wide ranging activities in money management for the children. The financial institutions also work closely with the Credit and Debt Management Agency in the implementation of financial education programmes for adults.

Today, the focus on financial capability has become a global agenda. This has provided opportunities for policymakers to learn from their peers across countries and leverage on the international network of expertise in addressing common issues and challenges. This Symposium is a great example of realising such opportunities. The possibilities for meaningful cooperation at the regional and global levels are tremendous. This has already included research, technical assistance and guidance for policymakers. Leveraging on technology, financial education applications can be developed, tested and translated for adoption in different countries. International collaboration can not only be for training programmes, but also on the access to the network of international experts through online platforms and communication channels.

I would also like to take this opportunity to invite all the delegates of this Symposium to our Financial LATeracy exhibition that is being held in this building. This is an exhibition of more than 150 distinctive caricatures by a renowned Malaysian cartoonist that depict the promotion of good habits for money management. The drawings are compiled from the annual pocket money books for students which were published by Bank Negara Malaysia. More than 15 million copies of these pocket money books have been distributed annually to students since 1999 to more than 10,000 schools throughout the country to encourage good money management habits. The drawings also illustrate the many aspects of the culture and environment in Malaysia. I hope you will enjoy the exhibition and also draw inspiration from it.

Let me now conclude my remarks. The commitment to financial education is an important imperative. As the theme of this Symposium reminds us, it is to improve the financial well-being of our communities. It is the very reason why we are on this journey. It is so that members of our society will benefit from the effective utilisation of the financial system and avoid despair and desperation that is brought by poor financial decisions. Additionally, we will also help build more resilient and inclusive financial systems and thus contribute towards achieving more balanced growth and development.

# CALENDAR OF EVENTS
## July – September 2015

### 9 July & 11 September

The Bank maintained the Overnight Policy Rate (OPR) at 3.25 percent at the July and September Monetary Policy Committee (MPC) meeting for 2015. This stance of monetary policy remains accommodative and supportive of economic activity.

The Malaysian economy continued to expand despite ongoing adjustments to external and domestic developments. Sustained growth in domestic demand is expected to contribute towards mitigating the weak performance of the external sector. However, private consumption is expected to moderate given spending adjustments due to the implementation of the Goods and Services Tax (GST) and the more uncertain economic environment. Going forward, downside risks to growth have risen amid greater uncertainty on both the global and domestic fronts. But of significance, Malaysia is entering this challenging period from a position of strength. The assessment is for economic growth to remain between 4.5 to 5.5 percent. Headline inflation rose in June and July reflecting higher domestic fuel prices and the impact of the GST. Moving forward, headline inflation is expected to peak in early 2016 and will moderate for the remainder of the year. The MPC recognises that there are heightened risks in the global economic and financial environment. These risks are being carefully monitored to assess their implications on macroeconomic stability and the prospects of the Malaysian economy.

### 13 August

At its 2nd Quarter GDP press conference, the Bank announced that the Malaysian economy recorded a growth of 4.9%, driven mainly by private sector demand. On the supply side, growth was underpinned by the major economic sectors. On a quarter-on-quarter seasonally-adjusted basis, the economy grew by 1.1% (1Q 2015:1.2%). Meanwhile, the Consumer Price Index increased to 2.2% in the second quarter of 2015, reflecting mainly the impact of the implementation of the Goods and Services Tax (GST) effective 1 April. For the same period, trade surplus amounted to RM20.4 billion (1Q 2015: RM21.3 billion). Gross exports declined by 3.7% (1Q 2015: -2.5%), due mainly to the contraction in the exports of commodities and resource based manufactured products.

### 20 August

The Bank and the World Bank co-hosted the Asian region launch of the World Bank's research report titled "The Global Findex Database 2014: Measuring Financial Inclusion around the World" at Sasana Kijang.

The Global Findex is a database of more than 150,000 survey responses from more than 140 countries across the world. The database, which is updated every three years, will enable consistent comparison of financial inclusion performance across countries and analysis of trends over time.

In her address, Governor Dr. Zeti shared that an important evolution in the advancement of Malaysia's financial inclusion strategies is the increasing focus on data and measurement. Hence, one of the cornerstone recommendations under the Financial Sector Blueprint 2011-2020 is the development of a Financial Inclusion Index, a framework to measure accessibility to financial services as well as its usage and quality. The Bank's performance on this agenda has therefore been measured, consistent with the drive for accountability and excellence. Likewise internationally, there is an emerging common understanding that measurement is an essential policy tool for implementation. The availability of country performance data in the Global Findex not only provides peer pressure that spurs action, but also provides empirical evidence on which financial inclusion policy actions are delivering the most optimal impact.

## 27 August

The Bank issued commemorative coins in conjunction with the 50th Anniversary of Masjid Negara, which had been officially opened on 27 August 1965. The opening ceremony was graced by the third Yang di-Pertuan Agong, Almarhum Tuanku Syed Putra ibni Almarhum Syed Hassan Jamalullail.

On the same day, the Bank and the Bank of Thailand signed a MOU on the establishment of a framework for cooperation to promote the settlement of bilateral trade and direct investment in their local currencies. This arrangement is aimed at enhancing the bilateral trade and investment flows between Malaysia and Thailand. The MOU signifies the central banks' efforts to promote the use of Malaysian ringgit and Thai baht by the private sector to settle cross-border trades and direct investment. This arrangement would reduce the risks of exposure to the volatility of global settlement currencies and also to lower transaction costs for businesses.

## 1 September

At the Global Ethical Finance Forum in Edinburge, Scotland, Governor Dr. Zeti highlighted in her speech (entitled "Building Financial Systems for Sustainable Development") that the discussion on utilizing ethical finance for sustainable development is timely. According to her, in this recent decade, we have had to deal with a financial crisis of unprecedented global proportions, that has stemmed in part from the prevalent ethics and culture in the financial services industry. It is timely to direct our attention to developing more enduring solutions that will place the financial sector firmly back in the service of society. She highlighted that firstly and most critically, future finance needs to have stronger links to the real economy by effectively having an intermediation role serves society. Financial systems have to be both value-adding and value-based - value-adding, in that they contribute meaningfully by intermediating and facilitating real economic activity, and value-based in that they aim to benefit society. Secondly, a functioning regime practising value-adding and value-based finance needs to be built on a set of universal principles that will create a sustainable model for mainstreaming such positive finance in the global financial system. Thirdly, the efforts to strengthen the supply and demand of value-adding and value-based finance would contribute significantly towards re-anchoring the global financial system to the real economy. Finally, is the need to foster strong leadership at the global level that can have an advocacy and facilitative role in resolving barriers and bringing together different stakeholders to work together in a coordinated and cohesive manner. Moving forward, stable and sustainable development can be best served by re-connecting the current gulf between finance and value creation that is reinforced by bringing benefit to society.

## 30 September

In her speech at the Malaysia-OECD High-Level Global Symposium on Financial Well-Being, entitled "The Financial Well-Being Journey: Building on the Momentum and Identifying New Paths", Governor Dr. Zeti highlighted that the advancements in the provision of financial services in these recent few decades have had a transformational impact on financial well-being. Key features of this transformation have been the greater diversification of financial systems and the increased leverage on the advancements in technology.

For the benefits of financial development to be fully realised, Governor Dr. Zeti pointed out that it needs to be complemented with the effective use of the financial system by consumers and businesses. This would involve enhancing their ability to make discerning financial choices that best suit their needs, while increasing their confidence to take advantage of the new channels and tools for financial management.

Over the years, important progress has been made to provide the foundations on which enhanced financial capability can be built. These foundations include: (i) greater provision of truthful disclosures on financial products and services; (ii) expanded financial knowledge; (iii) an environment which is supportive of consumer choice, including the ability for consumers to exercise their preferences without impediments; and (iv) effective redress mechanisms. Looking ahead, strategies to further strengthen these foundations are likely to be significantly influenced by two important developments. The first is the broader application of behavioural finance so as to better understand and identify the levers that contribute to better financial decisions in the different circumstances. The second development relates to the advances in technology such as online classrooms and games as well as the use of mobile applications. In conclusion, she emphasized that the commitment to financial education is an important imperative to improve the financial well-being of our communities.

## Acronyms and Abbreviations

| | |
|---|---|
| ABIF | ASEAN Banking Integration Framework |
| ADB | Asian Development Bank |
| AFC | Asian Financial Crisis |
| AFI | Alliance for Financial Inclusion |
| ALR | average lending rate |
| APN | Asian Payment Network |
| BI | Bank Indonesia |
| BIS | Bank for International Settlements |
| BLR | base lending rate |
| BNM | Bank Negara Malaysia |
| BNMN | Bank Negara Monetary Notes |
| BoE | Bank of England |
| BoJ | Bank of Japan |
| BR | Base Rate |
| CBC | Central Bank of the Republic of China |
| CET1 | common equity tier 1 |
| CMP | Commodity Murabahah Programme |
| CoFC | consumption of fixed capital |
| CPI | Consumer Price Index |
| DIA | direct investment abroad |
| DOSM | Department of Statistics, Malaysia |
| DSR | debt service ratio |
| E&E | electronics and electrical |
| E&O | Errors and Omissions |
| ECB | European Central Bank |
| EOR | enhanced oil recovery |
| ETP | Economic Transformation Programme |
| EU | European Union |
| FBM KLCI | FTSE Bursa Malaysia Kuala Lumpur Composite Index |
| FD | fixed deposit |
| FDI | foreign direct investment |
| Fed | Federal Reserve |
| FOMC | Federal Open Market Committee |
| FSB | Financial Stability Board |
| FX | foreign exchange |
| GDP | Gross Domestic Product |
| GFCF | gross fixed capital formation |
| GFP | goods for processing |
| GIFF | Global Islamic Financial Forum |
| GII | Government Investment Issues |
| GNI | Gross National Income |

| | |
|---|---|
| GST | Goods and Services Tax |
| HoA | Heads of Agreement |
| HQLA | high-quality liquid asset |
| HSDPA | High-Speed Downlink Packet Access |
| ICR | interest coverage ratio |
| IDB | Islamic Development Bank |
| IFSA | Islamic Financial Services Act 2013 |
| IILM | International Islamic Liquidity Management |
| IMF | International Monetary Fund |
| IRS | interest rate swaps |
| IT | information technology |
| JCC | Japanese Crude Cocktail |
| KLCI | Kuala Lumpur Composite Index |
| KLIBOR | Kuala Lumpur Interbank Offered Rate |
| LCR | Liquidity Coverage Ratio |
| LNG | liquefied natural gas |
| MGS | Malaysian Government Securities |
| MHPI | Malaysia House Price Index |
| MIDA | Malaysian Investment Development Authority |
| MIER | Malaysian Institute of Economic Research |
| MoU | Memorandum of Understanding |
| MPC | Monetary Policy Committee |
| MSIC | Malaysia Standard Industrial Classifications |
| NBFI | non-bank financial institutions |
| OPEC | Organisation of the Petroleum Exporting Countries |
| OPR | Overnight Policy Rate |
| PBOC | People's Bank of China |
| PDS | private debt securities |
| PE | public enterprises |
| PMI | Purchasing Managers' Index |
| PPI | Producer Price Index |
| PTP | Port of Tanjung Pelepas |
| QAB | Qualified ASEAN Banks |
| QE | quantitative easing |
| RBI | Reserve Bank of India |
| RM | Ringgit Malaysia |
| SDA | Special Deposit Account |
| S$NEER | Singapore dollar nominal effective exchange rate |
| SME | small and medium enterprise |
| SNA | System of National Accounts |
| SNB | Swiss National Bank |
| SRR | Statutory Reserve Requirement |
| SST | Sales and Services Tax |