**Financial Markets Committee (FMC) Meeting**
**21st July 2025**
**Bank Negara Malaysia**


## Summary

The meeting discussed the latest financial market developments, followed by progress updates on the KLIBOR Transition Working Groups and various initiatives to improve investors' experience in the domestic financial markets.


## 1. Financial market developments

1.1 Since the last FMC meeting in April, the ringgit has mostly traded range-bound between 4.20-4.30 with volatility remaining in line with regional trends, supported by healthy onshore FX volumes of RM19.4 billion year-to-date daily average (2024: RM17.6 billion). Overall foreign portfolio flows were positive, with foreign investors holding 21.5% of Malaysian government bonds (as at 16 July 2025).

1.2 The meeting agreed that the correlation between the domestic and US bond market has weakened, with Malaysian government bond yields declining despite a rise in US Treasury yields amid fiscal concerns over the US budget bill. Members also viewed that Malaysian government bonds remain attractive when compared to regional bonds on a risk-adjusted basis.

1.3 Domestic equities were muted amid cautious sentiment, with variation in performance across sectors. Members acknowledged that the uncertainty from the rapidly evolving global tariff situation has translated into generally lower investment appetite and fundraising activity for businesses, despite optimism for continued strength in selected industries such as data centers and tourism.

1.4 Following the recent Overnight Policy Rate (OPR) and Statutory Reserve Requirement (SRR) cut, interbank money market rates including KLIBOR and Malaysia Overnight Rate (MYOR) have adjusted downwards in an orderly manner. However, members noted that corporate deposit rates have rebounded following an initial decline, driven by robust demand from banks amid changes in depositors' preference for higher yields.

## 2. KLIBOR transition to MYOR/MYOR-i

2.1 The meeting was briefed on the appointment of the leads and co-leads for the KLIBOR Transition Working Groups:

(i) Derivatives: Jeffrey Wong (Standard Chartered) and Khairul Faizi (Maybank)
(ii) Cash Products: Chu Kok Wei (CIMB) and Alvin Kong (HSBC)
(iii) Shariah: Hanif Ghulam (Affin Bank)

2.2 Working group leads were optimistic that the domestic benchmark transition would benefit from observations and insights related to the transition efforts of other jurisdictions and recommended for clear and broader outreach for communications on milestones and industry discussions, disseminated via a dedicated website.

2.3 The meeting discussed transition strategies and agreed that initial efforts should be focused on laying the groundwork for the pricing of MYOR/MYOR-i products, including market education as well as the publication of relevant compounded rates. This would expedite the adoption of MYOR/MYOR-i for traditional cash products such as business loans and facilitate the development of instruments to manage interest rate risk.

2.4 Members also highlighted the importance of ensuring a smooth transition for complex products, which may require additional time and effort with regards to management of existing contracts, system enhancements and product design.

## 3. Initiatives to improve investors' experience in the domestic financial markets

3.1 The meeting was briefed on the progress of ongoing initiatives, including refinements to the dynamic hedging programme, collaboration with financial information platforms to improve the visibility of Malaysian government bonds and supporting Malaysian Government Investment Issues (MGII) market-making via repo.

3.2 In addition to facilitating replication of index hedging methodologies under the dynamic hedging programme, members were also supportive of additional flexibilities to utilise other instruments beyond plain vanilla FX forwards for greater efficiency, subject to further assessments on operational considerations.

3.3 Given the growing prominence of sukuk globally, members discussed the awareness of MGII among foreign investors and suggested for continued outreach efforts to improve their understanding of the market.

## 4. Operational flexibilities to enhance Appointed Overseas Office (AOO) framework

4.1 The meeting discussed potential enhancements to improve the efficiency of ringgit settlement through AOOs. Bank Negara Malaysia (BNM) will undertake

further engagements with banks to obtain feedback on existing frictions and areas for improvement.

**5. Other matters**

5.1 Members positively viewed the growing acceptance of local currencies for regional trade settlement, albeit at a gradual pace.

5.2 Members also discussed sector-specific funding issues, where corporates in certain strategic sectors have resorted to seeking offshore funding after encountering challenges in the domestic market due to the complexity of risk assessment and loan pricing. The meeting agreed for further collaboration between the financial industry and affected corporates to resolve this issue.

**About The Financial Markets Committee (FMC)**

The FMC is a committee established by BNM in May 2016 and comprises representatives from Bank Negara Malaysia, financial institutions, corporations, financial service providers and other institutions which have prominent role or participation in the financial markets.

**Bank Negara Malaysia**
**5 August 2025**