

Monetary and Financial Developments

5



Monetary and Financial Developments

Overview

Monetary policy remains accommodative...

The economy registered strong growth of 9.5% during the first half of 2010, supported by robust domestic and external demand. In line with this, the overnight policy rate (OPR) was revised upwards three times by a total of 75 basis points (bps) to 2.75% between March and July 2010. However, the statutory reserve requirement (SRR), which was adjusted downwards from 2.00% to 1.00% on 1 March 2009, remains unchanged. The monetary policy in Malaysia remains accommodative to support private sector activity and growth.

The banking system remains healthy, supported by strengthened institutional fundamentals and risk management practices. As at end-July 2010, the risk-weighted capital ratio (RWCR) and core capital ratio (CCR) improved further to 15.1% and 13.3%, respectively. Financial intermediation continued to support economic activities, with gross private sector financing through the banking system and capital market expanding strongly.

Following further liberalisation of the financial services sector, six commercial bank licences were issued to foreign entities, including five issued under the liberalisation measures announced in April 2009. Apart from contributing to the diversity of the financial services industry, the new foreign commercial banks are expected to facilitate greater international trade and investment flows into Malaysia.

Similarly in the capital market, a stockbroking licence was issued to a foreign entity to enhance greater intermediation of investment inflows,

particularly from the Middle East as well as tapping its capital market experience and expertise. Malaysia also joined 10 other countries to be an approved investment destination under China's Qualified Domestic Institutional Investor (QDII) scheme. This paved the way for Chinese fund managers to invest in Malaysia.

Malaysia continues to lead in *sukuk* issuance accounting for 64.6% of total global *sukuk* outstanding, totalling USD83.5 billion. *Bursa Malaysia* is the world's top listing exchange for *sukuk* with a total value of USD21.0 billion as at end-June 2010. *Sukuk* is now increasingly accepted in global financial markets, providing issuers with an alternative means for raising capital and a new asset class for investors. Malaysia went to the international financial markets for a second time in almost a decade and successfully raised USD1.25 billion through *sukuk al-ijarah* issuance in June 2010, making it the only sovereign to issue two global *sukuk* to date. Fund raising activity by the private sector picked up during the second quarter of 2010, with funds raised from the equity market rebounding strongly during May to July, boosted by robust economic growth. Measures will be intensified towards making the Malaysian capital market more efficient, vibrant and competitive.

Monetary Policy

Normalisation of monetary conditions...

Monetary policy in 2010 is focused on strengthening growth as well as ensuring the availability of financing to the private sector. As economic growth strengthened, the OPR which was reduced to a historic low in early 2009, was adjusted upwards to normalise monetary

conditions. The OPR was increased by 25 bps, respectively in March, May and July 2010 to 2.75%. The upward adjustment in the OPR, which is appropriate and consistent with the assessment of growth and inflation, was a pre-emptive move to prevent the build-up of financial imbalances that could undermine the sustainability of long-term economic growth. The SRR, which was adjusted downwards from 2.00% to 1.00% effective 1 March 2009 to reduce the cost of intermediation, remains unchanged.

Monetary Developments

Monetary aggregates continue to grow...

Monetary aggregates continued to expand during the first seven months of 2010. **M1 or narrow money** rose 10.7% as at end-July 2010 (end-2009: 9.8%), supported by higher demand deposits, which grew 11.4% (end-2009: 10.4%), reflecting continued demand for transactional balances. **M3 or broad money** increased 8.1% (end-2009: 9.2%), mainly attributed to the expansion of bank lending to the private sector. M3 growth was partly affected by lower net claims on the Government and net foreign assets.

TABLE 5.1

Determinants of M3 January – July

	Change (RM million)	
	2009	2010
M3	29,184.3	21,706.0
Net claims on Government	11,538.8	-7,135.8
Claims on private sector	22,261.4	49,058.0
Loans	20,434.6	50,369.1
Securities	1,826.8	-1,311.1
Net foreign assets	10,513.4	-5,351.0
<i>Bank Negara Malaysia</i>	4,014.9	-19,942.0
Banking system	6,498.5	14,591.0
Other influences	-15,129.3	-14,865.2

Note: Total may not add up due to rounding.

Source: Bank Negara Malaysia.

Interest rates remain supportive of growth...

Interest rates in the banking system rose in tandem with the normalisation in the OPR. The OPR was raised in March, May and July 2010 to 2.75% from a historic low of 2.00% since February 2009. The normalisation of interest rates was to avert financial imbalances following robust domestic growth. On 2 September 2010, *Bank Negara Malaysia* (BNM) maintained the OPR at 2.75%. The rate remains accommodative and continues to support growth.

The average base lending rate (BLR) of commercial banks increased 25 bps to 5.76% as at end-March 2010 (end-2009: 5.51%), edged up another 26 bps to 6.02% as at end-May and further increased 25 bps to 6.27% as at end-July. Similarly, the average lending rate (ALR) of commercial banks was adjusted upwards by 36 bps to 5.19% as at end-July 2010 following a record low of 4.83% in December 2009. However, the adjustment in interest rates on savings and fixed deposits of 1-month to 12-month maturities was smaller compared to the adjustment in lending rates. The savings deposit rate rose 13 bps to 0.99% as at end-July 2010 (end-2009: 0.86%), while that of fixed deposit increased between 44 bps and 75 bps to range between 2.70% and 2.94% (end-2009: 2.00%; 2.50%). Due to the rising inflation rate, the real return on fixed deposits decreased, but remained in positive territory.

Upbeat private financing...

Gross private sector financing through the banking system and capital market expanded significantly by 12.2% to RM455.0 billion in the first seven months of 2010 (January – July 2009: 1.3%; RM405.6 billion). Loan disbursements of the banking system accelerated 15.2% to RM419.1 billion (January – July 2009: -2.1%; RM363.7 billion) following higher disbursements to households and the manufacturing sector, which accounted for more than half of total loans disbursed. Issuance of equity also increased strongly by 45.9% to RM17.1 billion (January –

July 2009: 186.2%; RM11.7 billion), dominated by initial public offerings (IPOs) and rights issues. However, the issuance of private debt securities (PDS) was lower totalling RM18.8 billion (January – July 2009: RM30.2 billion).

Bank lending activities remained strong with **total loan applications, approvals and disbursements** recording double-digit growth of 18.2%, 18.1% and 15.2%, respectively (January – July 2009: 5.0%; -9.9%; -2.1%). **Total loans outstanding** also increased 11.9% to RM841.7 billion as at end-July 2010 (end-2009: 7.8%; RM783.5 billion). The strong growth in bank lending was attributed to higher demand from the business sector and sustained demand from the household sector.

Approvals and disbursements of business loans grew strongly by 16.7% and 14.7%, respectively in the first seven months of 2010 (January – July 2009: -8.1%; 10.5%), while loan applications moderated to 13.2% (January – July 2009: 17.0%). The bulk of loans disbursed were mainly for working capital (54.1%), while in terms of sector, most loans were channelled to manufacturing (19.9%); wholesale and retail trade, accommodation and restaurant (16.9%); finance, insurance and business services (8.0%); as well as construction (5.5%). The expansion in loans disbursed also contributed to the 5.3% increase in business loans outstanding to RM312.4 billion as at end-July 2010 (end-2009: 2.1%; RM301.9 billion).

Lending to small and medium enterprises (SMEs) also improved substantially with loan applications and approvals increasing 29.4% and 39.0%, respectively (January – July 2009: 8.6%; -15.2%), while loan disbursements increased at a slower pace of 2.0% (January – July 2009: 2.3%). The share of SME financing accounted for 37.7% of total business loans as at end-July 2010 (end-2009: 39.5%). SME loans outstanding declined marginally by 1.3% to RM117.9 billion as at end-July 2010 (end-2009: -4.4%; RM119.3 billion), partly reflecting some SME accounts being reclassified as large businesses. The bulk of SME loans outstanding were contributed by the wholesale and retail trade, accommodation and restaurant

TABLE 5.2

Banking System: Loan Indicators January – July

Indicator	RM billion		Annual Change (%)	
	2009	2010	2009	2010
Total¹				
Loan applications	296.0	349.9	5.0	18.2
Loan approvals	160.6	189.7	-9.9	18.1
Loan disbursements	363.7	419.1	-2.1	15.2
Loans outstanding ²	752.5	841.7	8.4	11.9
of which:				
Business				
Loan applications	140.1	158.6	17.0	13.2
Loan approvals	72.8	85.0	-8.1	16.7
Loan disbursements	245.2	281.3	10.5	14.7
Loans outstanding ²	296.8	312.4	4.9	5.3
of which:				
SMEs				
Loan applications	56.5	73.2	8.6	29.4
Loan approvals	24.4	33.9	-15.2	39.0
Loan disbursements	82.1	83.7	2.3	2.0
Loans outstanding ^{2,3}	119.5	117.9	-2.1	-1.3
Households				
Loan applications	155.8	191.3	30.8	22.8
Loan approvals	87.8	104.6	20.1	19.1
Loan disbursements	118.5	137.9	28.9	16.4
Loans outstanding ²	411.3	465.6	10.0	13.2

¹ Total includes other sectors (foreign entities, other domestic entities, government and others).

² Outstanding loans as at end-period.

³ The decline in SME financing was partly attributed to continuous migration of SMEs into the large business category.

Note: Total may not add up due to rounding.

Source: Bank Negara Malaysia.

sector, accounting for 28.5% of total SME loans outstanding, followed by the manufacturing sector (23.3%) and the finance, insurance and business services sector (18.7%).

TABLE 5.3

Loans by Sector

	Loans Disbursed				Loans Outstanding			
	2009		Jan – July 2010		End-2009		End-July 2010	
	RM billion	Share (%)	RM billion	Share (%)	RM billion	Share (%)	RM billion	Share (%)
Business	439.7	66.9	281.3	67.1	301.9	38.5	312.4	37.1
Large corporations	296.4	45.1	197.5	47.1	182.7	23.3	194.5	23.1
SMEs	143.4	21.8	83.7	20.0	119.3	15.2	117.9	14.0
<i>Selected sectors</i>								
Primary agriculture	20.9	3.2	16.0	3.8	19.0	2.4	19.8	2.4
Mining and quarrying	2.3	0.3	1.5	0.4	2.4	0.3	2.9	0.3
Manufacturing	128.5	19.6	83.5	19.9	75.9	9.7	79.3	9.4
Electricity, gas and water supply	7.9	1.2	2.0	0.5	6.4	0.8	8.5	1.0
Wholesale and retail trade, accommodation and restaurant	105.5	16.1	70.9	16.9	60.8	7.8	64.6	7.7
Construction	40.5	6.2	23.0	5.5	36.5	4.7	35.9	4.3
Real estate	20.6	3.1	11.5	2.7	31.6	4.0	33.8	4.0
Transport, storage and communication	22.6	3.4	12.6	3.0	23.4	3.0	26.1	3.1
Finance, insurance and business services	65.9	10.0	44.9	10.7	55.3	7.1	58.0	6.9
Households	217.2	33.1	137.9	32.9	431.5	55.1	465.6	55.3
Purchase of residential properties	55.6	8.5	33.7	8.0	201.1	25.7	215.7	25.6
Purchase of passenger cars	32.8	5.0	21.8	5.2	105.0	13.4	110.8	13.2
Consumption credit ¹	99.8	15.2	62.5	14.9	63.3	8.1	67.5	8.0
of which:								
Credit cards	70.5	10.7	45.6	10.9	26.1	3.3	27.6	3.3
Others	-	-	-	-	50.0	6.4	63.8	7.6
Total²	657.0	100.0	419.1	100.0	783.5	100.0	841.7	100.0

¹ Consumption credit = credit card + personal use + consumer durables.

² Total = business + households + others.

Note: Total may not add up due to rounding.

Source: Bank Negara Malaysia.

SME financing by the banking sector was also supplemented by lending through a number of special funds administered by BNM totalling RM11.4 billion. The funds recorded an average utilisation rate of 88.4% as at end-July 2010 (end-2009: 87.6%) with the Fund for Small and Medium Industries achieving the highest rate of 96.6% (end-2009: 91.9%). In the case of the *Bumiputera* Entrepreneurs Project Fund-Islamic, which was established in July 2009, the utilisation rate has picked up and recorded 14.8% as at

end-July 2010 (end-2009: 4.2%). In the first seven months of 2010, total loan approvals stood at 4,347 valued at RM1.2 billion.

Micro financing continued to be provided by six commercial banks and three development financial institutions (DFIs). During the first seven months of 2010, total applications for micro financing moderated 2.6% to RM643.5 million (January – July 2009: 36.3%; RM627.0 million), while approvals rebounded 10.2% to RM218.5

million (January – July 2009: -7.4%; RM198.2 million). Micro financing outstanding grew 26.0% to RM721.6 million (end-2009: 29.1%; RM616.5 million) benefitting more than 63,000 borrowers (January – July 2009: 53,000 borrowers).

During the first seven months of 2010, lending to the household sector remained vibrant with all related indicators increasing at a slightly slower pace. Loan applications, approvals and disbursements expanded 22.8%, 19.1% and 16.4%, respectively (January – July 2009: 30.8%; 20.1%; 28.9%), supported by low interest rates, better labour market conditions and improved consumer sentiment. Loans disbursed to households amounting to RM137.9 billion or 32.9% (January – July 2009: RM118.5 billion; 32.6%) of total loan disbursements, were predominantly for consumption credit (RM62.5 billion) and purchases of residential properties (RM33.7 billion). In addition, housing loan approvals increased strongly by 26.8% to RM47.1 billion (January – July 2009: 2.8%; RM37.1 billion), supported by measures to promote home ownership under the stimulus packages. Loans outstanding to households continued to post double-digit growth, expanding 13.2% to RM465.6 billion as at end-July 2010 (end-2009: 9.8%; RM431.5 billion) and accounted for a share of 55.3% (end-2009: 55.1%) of total loans outstanding.

Although household indebtedness trended upward, with household debt expanding 12.3% to RM555.7 billion as at end-July 2010 (end-2009: 9.4%; RM516.6 billion), the sector is expected to show adequate capacity at the aggregate level to manage the situation. The bulk of household debts were asset-backed loans to finance residential properties (45.4%) and car purchases (20.2%). The ratio of total household debt-to-personal disposable income was at 138.2% as at end-July 2010 (end-2009: 136.0%). The level of household debt-to-Gross Domestic Product (GDP) ratio at 77.9% (2009: 76.6%) remained manageable, given the composition of the debts, comprising mainly secured lending. The increase in indebtedness level is also supported by the sound financial position of households. As at

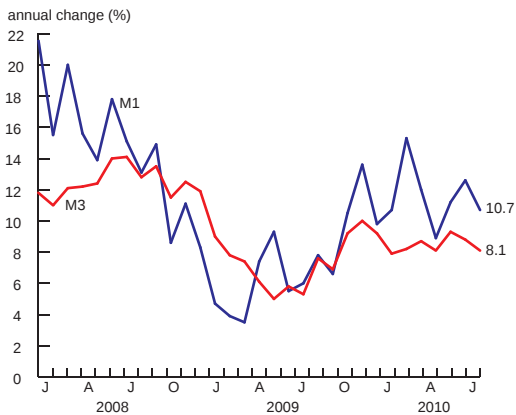
end-July 2010, household financial assets were more than twice household debts, providing households with adequate flexibility to adjust to the changing economic environment and cost of living. Similarly, household liquid assets remained ample with the ratio of liquid assets-to-debts at a comfortable level of 143.1% (2009: 147.9%). Meanwhile, the overall quality of household borrowings from the banking system remains high, as the ratio of non-performing loans (NPLs) of the sector improved further to 2.4% of household loans (end-2009: 3.1%).

Credit cards in circulation declined 19.1% to 8.9 million as at end-July 2010 (end-2009: 0.05%; 10.8 million) following the imposition of the RM50 credit card service tax announced in the 2010 Budget. However, the utilisation of credit cards remained high, as value of total transactions expanded 15.1% to RM44.7 billion in the first seven months of 2010 (January – July 2009: 5.5%; RM38.8 billion). The bulk of transactions were for retail and local purchases, accounting for 95.6% and 90.5% of total transaction value.

Despite the continued increase in credit card transactions, the exposure of the household sector to credit card debts remained low. As at end-July 2010, credit card debts accounted for 6.1% of total household loans and 3.4% of total loans in the banking system (end-2009: 6.2%; 3.4%). The NPLs ratio improved further to 1.9% of total outstanding balances as at end-July 2010 (end-2009: 2.0%) as most individuals were well-disciplined in their payments. Individuals with credit card-related debts seeking the services of the Credit Counselling and Debt Management Agency (CCDMA) increased slightly by 2.0% to 7,849 individuals (January – July 2009: 104.0%; 7,693 individuals). This accounted for 83.0% of total cases under the Debt Management Programme (DMP) with debt valued at RM299.2 million (January – July 2009: 76.0%; RM277.2 million). To date, CCDMA has counselled 46,797 individuals under the DMP. Bankruptcies due to credit cards were low, averaging only 6.7% of total bankruptcies in the last five years.

CHART 5.1

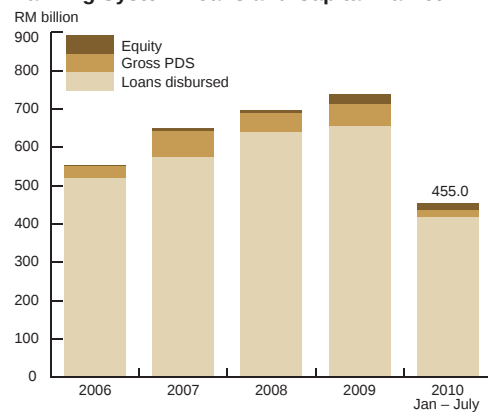
Monetary Aggregates



Source: Bank Negara Malaysia.

CHART 5.2

Gross Private Sector Financing Through Banking System Loans and Capital Market



Source: Bank Negara Malaysia.

CHART 5.3

Banking System: Total Loans Outstanding¹

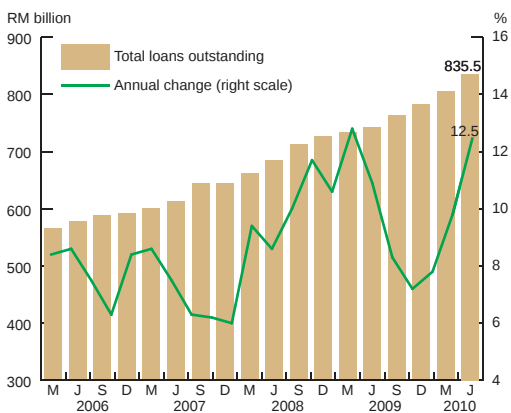
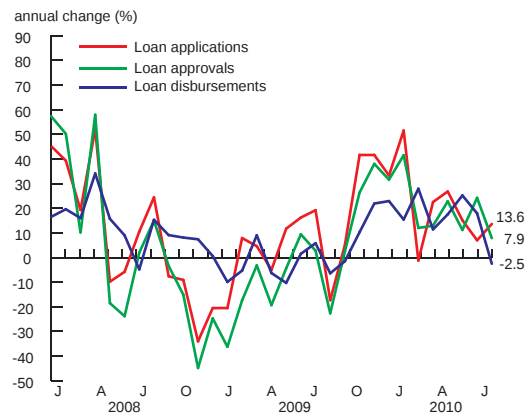

¹ End-period.
Source: Bank Negara Malaysia.

CHART 5.4

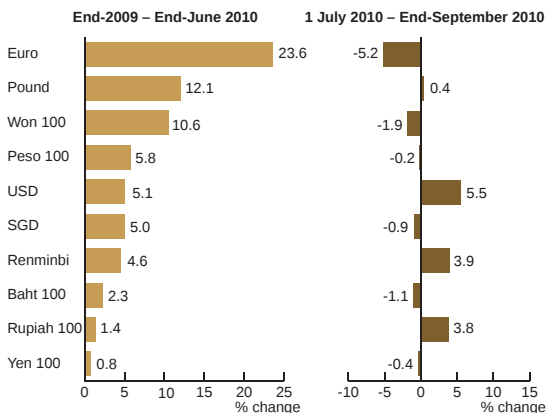
Banking System: Lending Indicators



Source: Bank Negara Malaysia.

CHART 5.5

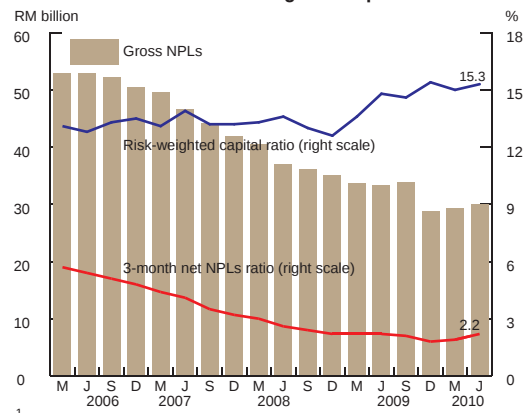
Performance of Ringgit Against Selected Currencies



Source: Bank Negara Malaysia.

CHART 5.6

Banking System: Gross Non-Performing Loans¹ (NPLs), Net NPLs Ratio¹ and Risk-Weighted Capital Ratio¹


¹ End-period.
Source: Bank Negara Malaysia.

Ringgit outperforms other currencies...

During the first half of 2010, the **ringgit** appreciated against major and regional currencies on account of the strong economic recovery and continued foreign capital inflows. The ringgit rose 5.1% against the United States (US) dollar to RM3.2575 as at end-June 2010 (end-2009: 1.2%; RM3.4245) as well as strengthened between 0.8% and 23.6% against other major and regional currencies. The ringgit was the best performing currency against the US dollar in the region. The stronger ringgit was also supported by investors seeking higher yielding assets in emerging markets.

From 1 July to end-August 2010, the ringgit strengthened further against major and regional currencies. During this period, the ringgit rose 3.8% against the US dollar to RM3.1375, recording a 13-year high on 19 August at RM3.1305 following the announcement to allow the ringgit for international trade settlements. The ringgit appreciated further by 1.6% against the dollar to RM3.0875 in September and posted a new high of RM3.0838 on 29 September, as the greenback weakened globally. Since the beginning of the year until end-September, the ringgit has strengthened 10.9% against the US dollar.

Update on Foreign Exchange Administration Rules

The **foreign exchange administration rules** continued to be gradually and progressively relaxed in the first eight months of 2010. The liberalisation is aimed to support the overall macroeconomic objective of maintaining financial and economic stability as well as continuously enhancing the competitiveness of the economy.

8 January 2010**General Payments**

- Allow residents and non-resident participants¹ undertaking commodity *murabahah* through resident commodity trading service providers to make:
 - Payments in foreign currency between resident participants;
 - Payments in ringgit onshore between:
 - resident and non-resident participants; and
 - non-resident participants.

[¹ The participants of commodity *murabahah* comprise financial institutions, companies or individuals, commodity brokers, commodity suppliers, commodity buyers and commodity trading service providers]

5 April 2010**General Payments**

- Allow resident futures brokers to make payments to non-residents for foreign currency-denominated derivatives (other than currency contracts) transacted on overseas specified exchanges.
- Allow residents to transact foreign currency-denominated derivatives (other than currency contracts) on overseas specified exchanges through resident futures brokers as follows:
 - any amount for transactions that are supported by firm underlying commitment; and
 - subject to limits on investment in foreign currency assets for transactions that are not supported by firm underlying commitment.

18 August 2010

Settlement Of Goods And Services By Residents And Non-Residents

- Allow residents to make payments to, or receive payments from non-residents in ringgit, in addition to payments in foreign currency, as settlement for goods and services. This is provided that:
 - Payments in ringgit by residents to non-residents must be made into the External Account of the non-residents; or
 - Receipt of ringgit by the resident company from the non-resident can be effected from the External Account of the non-resident or an External Account of an appointed overseas branch of the same banking group of an onshore bank.
- Allow residents to invoice in ringgit its exports, or accept an invoice in ringgit for its imports of goods and services with non-residents.
- Allow licenced onshore banks to buy or sell ringgit against foreign currency on spot or forward basis with a non-resident for settlement of goods and services with a resident.
- Allow licenced onshore banks to grant any amount of ringgit trade financing to non-residents to finance the purchase or sale of goods or services with residents.

Borrowing In Foreign Currency By Residents

- Allow resident companies to borrow any amount in foreign currency from non-resident non-bank related companies².

[² Related companies include the ultimate holding, parent/head office, subsidiary/branch, associate or sister (common shareholder) company]

Anticipatory Hedging By Residents

- Abolish the limit on anticipatory hedging of current account transactions by residents with licenced onshore banks.

Financial Sector Developments

Banking system remains robust...

The **banking system** remained sturdy, backed by strong capitalisation, sustained asset quality and high liquidity during the first seven months of 2010. The banks pro-actively embarked on measures to further strengthen the capital base since 2008, in anticipation of the more challenging conditions. As at end-July 2010, the RWCR and CCR of the banking system were at 15.1% and 13.3% (end-2009: 15.4%; 13.8%), respectively. Approximately 75% of total capital was in the form of Tier-1, comprising mainly paid-up capital and reserves.

The banking system posted pre-tax profits of RM13.4 billion during the first seven months of 2010 (January – July 2009: RM8.4 billion), contributed by higher net interest and fee-based income as well as healthy gains from treasury activities. The asset quality of the banking system was sustained despite the challenging environment. NPLs inclusive of impaired loans stood at RM29.9 billion (end-2009: RM28.7 billion) and net NPLs ratio at 2.1% as at end-July 2010 (end-2009: 1.8%) while the overall loan loss coverage ratio remained above 90%.

In terms of NPLs by sector, households accounted for the highest NPLs at RM11.3 billion or 38.3% of total gross NPLs as at end-July 2010 (end-

2009: RM13.3 billion; 46.6%). This was followed by the manufacturing (RM5.4 billion; 18.2%) and construction sectors (RM3.2 billion; 11.0%).

Additional commercial bank licences...

Following the announcement of further liberalisation of the financial services sub-sector in April 2009, **five new licences** for commercial banks were issued in June 2010 to BNP Paribas SA, Mizuho Corporate Bank, National Bank of Abu Dhabi, PT Bank Mandiri (Persero) Tbk and Sumitomo Mitsui Banking Corporation. This is in addition to the new commercial banking licence issued to a banking consortium from India in April 2010 as a reinstatement of the licence that was given up previously. The entry of these banks is expected to facilitate international trade and investment flows, provide employment opportunities as well as contribute towards strengthening Malaysia's position as an international Islamic financial hub.

Investment banks make inroads...

There are currently 15 **investment banks** in Malaysia, of which nine are subsidiaries of domestic banking groups. These banks have enhanced the capacity and capability of Malaysian financial institutions as well as widened the range of products and services offered. As part of the liberalisation measures to facilitate greater foreign strategic partnerships and further enhance international linkages and business opportunities, investment banks are allowed higher foreign equity participation of up to 70%.

In 2009, the industry recorded profits of RM1.2 billion, accruing mainly from treasury and wealth management-related services as well as improved cost efficiency. As a result, the returns on assets and equity of investments banks were at 2.0% and 14.3%, respectively. However, the sovereign debt problems in the euro area during the first half of 2010 caused volatility in the domestic market, exerting some downward pressures on revenue of investment banks. Despite this, investment banks remained resilient with strong RWCR of 35.1%

and leverage ratio at 8.3 times as at end-July 2010 (end-2009: 35.3%; 8.2 times).

Sturdy performance of DFIs...

The **development financial institutions (DFIs)** continued to provide financing to strategic economic sectors, including SMEs. Loans outstanding of DFIs under the purview of BNM increased 14.4% to RM91.3 billion as at end-July 2010 (end-2009: 18.5%; RM83.1 billion), attributed mainly to higher financing for consumption credit, infrastructure projects and export-oriented industries. Consumption credit, mainly extended by *Bank Kerjasama Rakyat Malaysia Berhad* and *Bank Simpanan Nasional* (BSN), grew significantly by 23.0% to RM43.2 billion as at end-July 2010 (end-2009: 24.1%; RM37.7 billion). During the period, lending for infrastructure projects increased 11.5% to RM19.8 billion (end-2009: 20.6%; RM17.8 billion). In addition, financing

TABLE 5.4

Development Financial Institutions¹: Direction of Lending

Sector	RM million		Share (%)	
	End-2009	End-July 2010	End-2009	End-July 2010
Primary agriculture	6,234.4	5,970.7	7.5	6.5
Manufacturing	4,299.7	5,112.6	5.2	5.6
Wholesale and retail trade, accommodation and restaurant	1,774.3	2,062.9	2.1	2.3
Construction	11,899.1	13,736.2	14.3	15.0
Transport, storage and communication	5,479.3	5,556.3	6.6	6.1
Finance, insurance and business services	998.5	1,376.6	1.2	1.5
Others	52,383.3	57,458.2	63.1	63.0
Total	83,068.6	91,273.5	100.0	100.0

¹ Refers to *Bank Pembangunan Malaysia Berhad*, *Bank Kerjasama Rakyat Malaysia Berhad*, *Bank Simpanan Nasional*, *Export-Import Bank of Malaysia Berhad*, *Bank Pertanian Malaysia Berhad* (Agrobank) and *Bank Perusahaan Kecil & Sederhana Malaysia Berhad* (SME Bank).

Note: Total may not add up due to rounding.

Source: Bank Negara Malaysia.

to export-oriented industries turned around by 15.9% to RM3.6 billion as at end-July 2010 (end-2009: -17.1%; RM3.1 billion), reflecting the improved global economic environment. Financing to SMEs grew to RM12.8 billion as at end-July 2010. Total deposits mobilised by DFIs and borrowings from the Government remained the major sources of DFIs funding, accounting for 67.0% of total resources.

Several initiatives were introduced to further strengthen the capacity and capability of DFIs during the first seven months of 2010. These included promoting greater transparency and improving efficiency in processing loan applications, strengthening internal controls and governance practices in addressing fraud as well as enhancing surveillance.

Meanwhile, the Government established a RM200 million Creative Industry Fund through BSN. The fund is aimed at boosting the local creative industry such as film and drama productions, music, animation, advertisements and local content development. The financing, ranging from RM50,000 to RM5 million, is available to sole proprietors, partnerships and private limited companies with at least 51% Malaysian equity, with a competitive interest rate of 2.00% during the grace period and 4.00% during the repayment period. As at end-September 2010, 38 applications have been approved totalling RM44.4 million while 27 loans have been disbursed amounting to RM16.3 million.

Resilient insurance industry...

The **insurance industry** continued to record positive growth in the first seven months of 2010 with improved premium revenue and sufficient capital buffers. The capital adequacy ratio stabilised to 223.5% as at end-June 2010 with the capital buffer at RM18.5 billion (end-2009: 230.0%; RM18.6 billion). This was mainly due to capital raising exercises by several general and life insurance companies. Retained profits also improved to RM7.5 billion in the first seven months (January – July 2009: RM6.8 billion), resulting in a higher composition of Tier-1 capital.

TABLE 5.5

Life and General Insurance Business

	2009	Jan – July 2010
Life Insurance (RM million)		
New business:		
Number of policies (units)	1,387,724	806,302
Sums insured	239,605.9	180,035.3
Total premiums	7,784.4	4,774.8
Business in force:		
Number of policies (units)	15,004,258	15,310,019 ²
Sums insured	1,012,560.1	935,275.1 ²
Annual premiums	17,529.1	19,369.6 ²
Net premium income	19,870.1	12,155.2
Benefit payments	11,857.3	7,119.7
General insurance (RM million)		
Premium income:		
Gross direct premiums	11,751.5	7,804.1
Net premiums income	8,575.1	5,531.6
Reinsurance placed outside Malaysia	887.2	503.5
Retention ratio ¹ (%)	73.0	70.4
Number of insurance companies		
Direct:	39	39
Life	9	9
General	23	23
Composite	7	7
Reinsurance:	7	7
Life	1	1
General	5	5
Composite	1	1

¹ Net premiums to gross direct and reinsurance accepted premiums less reinsurance within Malaysia.

² January – June 2010.

Note: Total may not add up due to rounding.

Source: Bank Negara Malaysia.

For the **life insurance sector**, excess of income over outgo improved 10.3% to RM6.6 billion (January – July 2009: RM6.0 billion), mainly due to higher premium income and lower capital losses on investments in equities. Net premiums, comprising new business and business in force from ordinary life and investment-linked businesses grew 13.0% to RM12.2 billion (January – July 2009: 0.9%; RM10.8 billion). Net unrealised gains from securities reduced significantly due to higher market volatility, affecting particularly the investment-linked business. This was, however, mitigated by higher net profit from sale of assets. New premiums for ordinary life business increased 12.6% to RM3.6 billion (January – July 2009: 26.3%; RM3.3 billion) following higher sales of endowment, temporary

life and investment-linked products. Premiums on endowment products accounted for 31.6% of new business premiums, while premiums on temporary life products, including mortgage reducing term assurance, contributed 19.9% in the first seven months of 2010 (January – July 2009: 33.4%; 19.8%). Market penetration rate rose to 41.4% as at end-June 2010 (end-2009: 40.8%).

For the **general insurance sector**, operating profits expanded to RM888.9 million (January – July 2009: RM851.3 million) with improved underwriting profits of RM349.2 million (January – July 2009: RM246.3 million). Gross direct premiums rose 9.3% to RM7.8 billion (January – July 2009: 5.6%; RM7.1 billion). The motor and fire segments accounted for 62.2% of total business (January – July 2009: 60.9%). On the expense side, the claims performance remained relatively stable recording a loss ratio of 63.2% (July 2009: 61.3%), with losses mainly concentrated in the marine, aviation and transit as well as motor comprehensive segments.

Assets of the insurance industry recorded robust growth to reach RM154.0 billion as at end-July 2010 (end-2009: RM150.4 billion). Liquid assets totalled RM39.5 billion or 25.6% of total assets, sufficient to cover outstanding and future obligations. Liquid assets in general business stood at RM9.5 billion against total outstanding claims of RM7.2 billion as at end-July 2010 (end-2009: RM12.3 billion). Asset allocation remained concentrated on corporate debt securities and Government securities, accounting for 53.3% of total assets (end-2009: 54.0%). Life insurance business continued to account for a significant portion of the industry's total assets with a share of 86.3%.

Several guidelines were issued to enhance the efficiency of the industry. In April 2010, the revised Guidelines on Investment-Linked Insurance/*Takaful* Business came into effect. The Guidelines provide greater flexibility in commission structures for regular premium policies within an enhanced disclosure framework; strengthen rules to preserve value for policyholders and enhance oversight requirements for investment-linked business

TABLE 5.6

Assets of Life and General Insurance Funds

	Life Insurance (RM million)		General Insurance (RM million)	
	End-2009	End-July 2010	End-2009	End-July 2010
Property, plant and equipment	1,630.3	1,610.9	792.1	631.2
Loans	11,588.1	11,093.6	179.2	112.8
Investments	93,064.2	100,358.1	12,901.5	10,599.4
Government papers	18,240.9	18,566.3	4,842.9	2,584.0
Government guaranteed loans	200.0	585.0	15.2	15.1
Corporate securities (equity and debt)	72,205.0	78,259.4	7,012.0	5,821.8
Other investments	2,418.3	2,947.4	1,031.5	2,178.5
Investment properties	2,555.5	2,524.8	233.9	134.3
Cash and deposits	11,555.0	11,385.6	7,508.1	6,904.2
Foreign assets	3,386.2	3,801.5	621.8	460.3
Other assets	2,111.3	2,163.0	2,251.5	2,175.1
Total	125,890.6	132,937.6	24,488.2	21,017.3

Note: Total may not add up due to rounding.

Source: Bank Negara Malaysia.

to ensure fair treatment of policyholders. The Guidelines on Financial Reporting for Insurers issued in July 2010 was to further align the prudential framework with Financial Reporting Standards 139. The Guidelines set out specific accounting treatments and the use of fair value option for financial instruments and minimum disclosure requirements. The Guidelines on Product Transparency and Disclosure, which was revised in March 2010, were to further improve disclosures regarding key product features, risks and benefits as well as major terms and conditions of the contract.

Islamic Finance Developments

Vibrant Islamic finance...

Malaysia remains at the forefront of Islamic finance with an average growth of 20.0% in the past five years, attributed to various efforts to promote Malaysia as an **International Islamic Financial Centre (MIFC)**. In June 2010, Malaysia was once again awarded “Best International Islamic Finance Centre” at the 2010 London *Sukuk* Summit Awards for the third consecutive year. During the first seven months of 2010, various key initiatives were undertaken to strengthen Malaysia's position in Islamic finance. These included the introduction of *Syariah* Governance Framework for Islamic Financial Institutions, which provides guiding principles on *syariah* governance structures, processes and arrangements to manage *syariah* risks. The framework also sets the standards for the board, committee and management in discharging their duties pertaining to *syariah*. In addition, the *Syariah* Parameter References were developed to codify the *syariah* principles for commonly used Islamic financial contracts, namely *murabahah*, *ijarah*, *mudharabah*, *musharakah*, *istisna'* and *wadiah*.

Malaysia also chairs the Task Force on Islamic Finance and Global Financial Stability which established the Islamic Financial Stability Forum (IFSF). The IFSF serves as a platform to deliberate relevant issues for ensuring stability in the Islamic financial system. Talent development and research in *syariah* and Islamic finance are

promoted through the International Education Centre for Islamic Finance (INCEIF) and the International *Syariah* Research Academy (ISRA). During the first seven months of 2010, a total of 137 students were given full scholarships to pursue the Chartered Islamic Finance Professional programme at INCEIF. To further position Malaysia as the reference centre for Islamic finance, ISRA signed a Memorandum of Understanding in February 2010 with Thomson Reuters to raise ISRA's profile as an important repository of knowledge for *syariah* views or *fatwa*.

The Islamic capital market plays a significant role in providing an alternative source for capital fund raising. *Bursa Malaysia* currently hosts 847 *syariah*-compliant securities representing 88.0% of total listed securities with market capitalisation amounting to RM650.6 billion (end-2009: RM637.9 billion). In terms of trading volume, *syariah*-compliant securities accounted for 102.0 billion units or 76.7% of the total 133.0 billion units traded as at end-July 2010 (end-July 2009: 120.0 billion units; 76.6%; 157.0 billion units).

In addition, *Bursa Suq Al-Sila'*, the world's first *syariah*-compliant commodity trading platform, was established in August 2009 to facilitate cross-border multi-currency commodity-based Islamic financing and investment transactions. As at end-July 2010, it registered 23 commodity trading participants locally as well as across the Middle East and Europe. To date, the largest single transaction conducted in a trading day was the RM2.4 billion Government's *Sukuk* 1Malaysia 2010 issued in June.

Malaysia remains the largest issuer of *sukuk* accounting for 64.6% of total global *sukuk* outstanding as at end-June 2010. During the first seven months of 2010, 15 new *sukuk* were listed on *Bursa Malaysia* amounting to RM70.5 billion (USD21.4 billion). In line with the MIFC initiative to develop Malaysia into a multi-currency global fund raising platform for Islamic finance, a number of foreign currency *sukuk* were issued, namely by the Government, Nomura Holdings Inc. and *Khazanah Nasional Berhad*, during the first eight months of 2010. In June 2010, the Government issued the world's largest US

Malaysia's Global *Sukuk* – A Success Story

Sukuk is a *syariah*-compliant financial instrument often compared with a conventional bond. However, there are fundamental differences. Unlike a conventional bond that pays interest, a *sukuk* holder will get a share of the profits in the case of *musyarakah*, lease payments of the underlying assets (*ijarah*) and proceeds including profit margin (*murabahah*) among some of the *sukuk* structures available. Islamic finance supports underlying productive activities that contribute to real economic activities and prohibits interest in all forms. The attractiveness of Islamic financial products stems from the fact that the instruments or certificates represent ownership of the underlying assets, benefits, services or investments. This has resulted in Islamic finance rapidly gaining acceptance even in non-Islamic jurisdictions and institutions. Many financial centres are already offering Islamic financial products and services. Over the last 20 years, Islamic financial assets have expanded at an average annual rate of 15% – 20% and are set to reach USD1 trillion in 2010.

The Government has implemented several initiatives to promote Islamic finance and develop Malaysia as a global Islamic finance hub. These include a strong legal and regulatory framework for Islamic finance and capital markets, development of innovative Islamic financial products and creation of a pool of scholars well-versed in *syariah* and finance through various capacity building programmes. These efforts have contributed towards establishing Malaysia as a leader in Islamic finance, particularly in *sukuk* issuance and product innovation.

In line with the objective of establishing Malaysia as a premier Islamic financial hub, the Government launched the Global *Sukuk* on 19 May 2010. It was Malaysia's first sovereign *sukuk* after a lapse of eight years, and was accorded “*emas*”, a special recognition given to foreign currency denominated issues in the Malaysian capital market. The *sukuk* was structured as a *syariah*-based *Ijarah* – an asset-based Islamic instrument, which pays *sukuk* holders returns from the rental of 12 Government-run hospitals. The Global *Sukuk* issue had three objectives, namely to:

- Profile Malaysia's credit story in international capital markets;
- Establish a new USD benchmark as pricing guidance for corporate fund raising; and
- Showcase Malaysia as a global Islamic financial hub.

The *sukuk* was assigned a rating of A- by Standard and Poor's and A3 by Moody's Investors. The credit rating reflected Malaysia's sovereign credit worthiness, backed by a deep and liquid domestic capital market, a well-managed and resilient financial system, strong foreign reserves, low Government external debt as well as a diversified and competitive economy.

Malaysia's Global *Sukuk* was a huge success, with the final *sukuk* size increased to USD1.25 billion from the initial offer of USD1 billion. This was despite uncertainties over the sovereign debt crisis in Greece, Spain, Portugal and Ireland as well as the slow recovery in the United States (US) and Japan. The decision to proceed with the *sukuk* issue amid the challenging environment was a calculated move and was proven right with an oversubscription of about six times the initial size of USD1 billion. The 5-year *sukuk* was priced in New York on 27 May 2010, to yield 3.928%, the lowest yield for an Asian sovereign issue in the last five years. The *sukuk* success reflected strong demand for good quality sovereign debt papers in the market as well as Malaysia's improved credit risk spreads and good credit story, supported by sound economic fundamentals and clear economic transformation agenda under the New Economic Model (NEM).

Two teams were formed as part of the Global *Sukuk* Roadshow to meet investors in the Middle East, Asia, Europe and the US to explain Malaysia's economic policies as well as the reform agenda and growth prospects under the NEM. The issue attracted bids from over 270 investors around the world, mostly from Asia and the Middle East. The final distribution reflected the wide interest among global institutional investors for Malaysia's debt papers and reinforced Malaysia's lead position in the *sukuk* market with a share of more than 50% of the total USD26.1 billion global *sukuk* issued in 2009.

Launching and concluding the largest global sovereign *sukuk* amid heightened uncertainties and volatilities, was challenging. Despite this, there was overwhelming response to Malaysia's Global *Sukuk*, reflecting investor confidence. The success of the global “*emas*” *sukuk* was indeed an international recognition as well as endorsement of Malaysia's credit story and confidence in the reform agenda of the NEM.

dollar benchmark sovereign *sukuk* amounting to USD1.25 billion with a yield of 3.928%. The issue was over-subscribed six times. In July 2010, Nomura Holdings Inc's issue of USD100.0 million (RM332.0 million), was the first *sukuk* listing by a Japanese international entity. *Khazanah Nasional Berhad* had in August 2010 raised a 5-year and a 10-year *sukuk* of SGD1.5 billion (USD1.11 billion), which attracted an over-subscription of 4.3 times. The *sukuk* was also the first Singapore dollar-denominated issuance.

In July 2010, *Danajamin Nasional Berhad* became the first financial guarantee insurer to provide Islamic guarantee or *kafalah bil ujr* for the issuance of a *murabahah* and *mudharabah* *sukuk* totalling RM75.0 million. Both *sukuk* involved fund raising to finance the construction of residential properties. Meanwhile, *Cagamas Berhad* collaborated with a local unit of Saudi Arabia's Al Rajhi Bank on the proposed issuance of an innovative *Sukuk al-Amanah Li al-Istithmar* (*Sukuk ALIm*) under a RM5.0 billion programme. The *sukuk* is designed to comply with the *syariah* requirements of Middle Eastern and Malaysian investors. The structure is based on the contracts of *ijarah* (lease transaction), *bai'* (sale of assets), *wakalah* (contract of agency) and *bai' bithaman ajil* (sale of assets with deferred payment) using a portfolio of assets which include real estate properties and deferred-payment receivables from commodity trading.

In efforts to enhance diversity and depth of the MIFC initiative, the Deutsche Bank AG was licenced as an International Islamic Bank (IIB) in March 2010. This brings the total number of licenced IIBs to four. In addition, there was good response to the liberalisation measure, which allows 100% foreign ownership in Islamic fund management companies. During the first half of 2010, three new key players were licenced as Islamic fund management companies (IFMCs). These were Franklin Templeton GSC Asset Management Sdn. Bhd., Saturna Sdn. Bhd. and OSK-UOB Islamic Fund Management Bhd., bringing the total IFMCs to 14 as at end-June 2010. In terms of Islamic wealth management products, two foreign currency investment products were

offered during the first half of 2010, namely the *A/IMAN/Hwang DBS A20 China Access Fund* worth USD100.0 million and the *Amanah Raya Al-Harameen Fund* of USD25.0 million.

Islamic banking grows briskly...

The **Islamic banking system**, including the DFIs continued to expand in terms of market share of assets, deposits and financing in the first seven months of 2010. Total assets increased 20.8% to RM337.6 billion as at end-July 2010 and accounted for 20.1% of total banking system assets (end-2009: 20.8%; RM303.3 billion; 19.6%). Deposits expanded 20.6% to

TABLE 5.7

Islamic Banking: Key Indicators

	End-2009		End-July 2010	
	RM million	Annual Change (%)	RM million	Annual Change (%)
Assets	303,331.5	20.8	337,613.2	20.8
Deposits	235,955.3	21.4	263,446.7	20.6
of which:				
Investment	158,507.3	23.1	178,024.7	17.3
Savings	21,120.4	14.9	22,143.0	9.9
Demand	30,752.9	16.1	29,551.9	8.6
Others	25,574.7	23.1	33,727.2	74.2
Financing	186,797.3	24.1	211,620.5	25.1
of which:				
Primary agriculture	7,358.7	13.9	7,573.7	10.0
Manufacturing	11,827.4	6.6	12,924.5	19.7
Wholesale and retail trade, accommodation and restaurant	6,469.3	-0.2	7,300.5	15.6
Finance, insurance and business services	7,519.6	16.4	8,342.9	1.6
Transport, storage and communication	9,267.3	103.1	9,778.0	70.5
Household	117,689.4	27.5	134,399.8	25.6

Note: Total may not add up due to rounding.

Source: Bank Negara Malaysia.

RM263.4 billion, accounting for 21.6% of total banking deposits (end-2009: 21.4%; RM236.0 billion; 20.7%). Financing also rose markedly by 25.1% to RM211.6 billion, contributing 21.4% to total banking system loans (end-2009: 24.1%; RM186.8 billion; 21.6%).

A significant portion of Islamic financing was to households with loans amounting to RM134.4 billion or 63.5% of total financing as at end-July 2010 (end-2009: RM117.7 billion; 63.0%), while financing to SMEs declined 7.4% to RM18.1 billion (end-2009: 5.9%; RM19.4 billion). The manufacturing sector accounted for 6.1% of total financing valued at RM12.9 billion while the transport, storage and communication sector amounted to RM9.8 billion or 4.6%. The DFIs contributed 27.1% of total Islamic financing or RM57.3 billion.

Takaful industry remains strong...

Assets of the **takaful industry** expanded 19.6% to RM13.9 billion, accounting for 9.1% of total insurance industry assets as at end-July 2010 (end-2009: 17.1%; RM12.4 billion; 7.7%). This was attributed to the increase in family funds, which comprised 84.6% of total **takaful** assets. Net contributions for family and general **takaful** recorded growth of 23.8% to RM2.2 billion (January – July 2009: 23.7%; RM1.7 billion).

New business contributions for **family takaful** expanded 25.8% to RM1.6 billion (January – July 2009: 7.9%; RM1.3 billion), mainly attributed to the increase in ordinary family business, which represented 85.9% of total new business contributions. The excess of income over outgo for family **takaful** declined 2.3% to RM975.3 million (January – July 2009: 14.0%; RM998.6 million), mainly due to the increase in net certificate benefits. Market penetration rate of family **takaful** improved further to 10.3% as at end-June 2010 (end-2009: 9.1%), reflecting increased market awareness. On 1 September 2010, four family **takaful** licences were approved to further enhance the development of the family **takaful** industry in Malaysia besides reinforcing Malaysia's position as an international Islamic financial hub.

TABLE 5.8

Family and General Takaful Business

	2009	Jan – July 2010
Assets^{1,2} (RM million)	12,445.8	13,925.0
Fixed assets	10.4	2.3
Financing	64.5	68.3
Investment	8,021.3	9,400.8
Government securities	1,296.1	1,509.4
Government guaranteed loans	11.0	61.0
Corporate debts	5,487.0	6,199.4
Other investments	1,227.2	1,631.0
Investment properties	312.5	335.1
Cash and deposits	3,578.9	3,476.2
Foreign assets	34.5	21.6
Others	423.8	620.8
Family takaful business		
New business:		
Total contributions (RM million)	2,177.8	1,594.6
Sums covered (RM million)	9.4	5.2
Number of certificates	673,161	589,420
Business in force:		
Total contributions ³ (RM million)	1,519.4	1,669.5 ⁴
Sums covered (RM million)	326,138.8	309,300.8 ⁴
Number of certificates	2,578,604	2,967,960 ⁴
General takaful business		
Gross direct contributions (RM million)	1,052.1	776.7
Net contributions (RM million)	803.8	596.8

¹ Assets of family takaful funds, general takaful funds and shareholders' funds.

² As at end-period.

³ In force contributions reported is only for annual contributions.

⁴ January – June 2010.

Note: Total may not add up due to rounding.

Source: Bank Negara Malaysia.

Gross direct contributions for **general *takaful*** increased 27.6% to RM776.7 million (January – July 2009: 26.2%, RM608.6 million), mainly due to higher contributions from aviation, cargo, marine hull, offshore oil-related and fire businesses. Similarly, net contributions also rose, translating to an improved operating profit of RM152.4 million during the period (January – July 2009: RM129.0 million).

During the first seven months of 2010, BNM introduced the Guidelines on Valuation Basis for Liabilities of General *Takaful* Business and the Guidelines on Valuation Basis for Liabilities of Family *Takaful* Business. The Guidelines will assist *takaful* operators in the valuation of liabilities and are intended to enhance the *takaful* operator's fiduciary duty in managing *takaful* funds prudently. Similar to the insurance industry, the Guidelines on Product Transparency and Disclosure were implemented to promote fair and equitable market practices in the *takaful* industry and enhance consumer confidence.

Capital Market Developments

Fund raising declines...

Gross funds raised in the capital market declined 26.6% to RM80.6 billion in the first seven months of 2010 (January – July 2009: 63.7%; RM109.7 billion). After adjusting for redemptions, net funds raised declined 29.6% to RM48.2 billion (January – July 2009: 115.5%, RM68.4 billion), with the public sector registering a larger share of 57.4% or RM27.6 billion and the private sector, RM20.5 billion (January – July 2009: 65.8%, RM45.0 billion; RM23.4 billion). Issuance of Government securities decreased 36.4% to RM42.2 billion (January – July 2009: 109.3%; RM66.3 billion), reflecting the Government's fiscal consolidation efforts. Funds raised included the issuance of the RM2.4 billion *Sukuk 1Malaysia* 2010, with tenure of 3 years and annual return of 5.00%.

TABLE 5.9

Funds Raised in the Capital Market January – July (RM million)

	2009	2010
By Public Sector		
Government Securities		
Malaysia Government Securities	38,258	24,752
Khazanah Bonds	-	-
Government Investment Issues	21,000	15,000
<i>Merdeka</i> Savings Bond	2,000	-
<i>Sukuk Simpanan Rakyat</i>	5,000	-
<i>Sukuk 1Malaysia</i>	-	2,399
New Issues of Government securities	66,258	42,151
Less: Redemptions	21,214	14,527
Net funds raised by Public Sector	45,044	27,624
By Private Sector		
Shares¹/Warrants		
Initial public offers	256	5,263
Rights issues	11,316	11,785
Private placements/ Restricted offer-for-sale	144	-
Special issues	-	-
Warrants	-	42
New issues of shares/ warrants	11,716	17,090
Debt securities²		
Straight bonds	6,815	1,402
Convertible bonds	80	110
Islamic bonds	1,811	1,578
Asset-backed bonds	97	300
Bonds with warrants	-	-
Medium-term notes	22,962	17,975
Cagamas bonds	-	-
New issues of debt securities	31,764	21,364
Less: Redemptions³	20,110	17,928
Net issues of debt securities	11,654	3,436
Net funds raised by Private Sector	23,370	20,526
Total net funds raised	68,414	48,150

¹ Excludes funds raised by the exercise of Employees Share Option Scheme, Transferable Subscription Rights and Irredeemable Convertible Unsecured Loan Stocks.

² Including private debt securities issued by non-resident corporations.

³ Includes straight bonds, bond with warrants, convertible bonds and Islamic bonds.

Note: Total may not add up due to rounding.

Source: Bank Negara Malaysia.

Fund raising activity by the private sector picked up during the second quarter, supported by robust economic performance in the first quarter and a rebound in private investment activities. However, in the first seven months of 2010, overall new PDS issued by the private sector declined 32.7% to RM21.4 billion (January – July 2009: 1.5%; RM31.8 billion). The bulk of the PDS issuances were from the finance, insurance, real estate and business services sector, which amounted to RM18.4 billion or 86.1% of total PDS issuances (January – July 2009: RM16.2 billion; 50.9%). The funds were mainly utilised for working capital and general business activities. Funds raised in the equity market increased 45.9% to RM17.1 billion (January – July 2009: 186.2%; RM11.7 billion), dominated by rights issues totalling RM11.8 billion (January – July 2009: RM11.3 billion) and accounting for 69% of funds raised. Meanwhile, funds raised through IPOs rose almost 18-fold to RM5.3 billion (January – July 2009: RM0.3 billion).

In the first seven months of 2010, domestic sovereign yields on the shorter maturities rose in line with the increase in the OPR. Yields on 1-year Malaysian Government Securities (MGS) increased 74 bps (January – July 2009: -83 bps). However, the transmission of the increase in policy rates to yields on the longer maturities was mitigated by benign inflationary expectations amid improving domestic economic prospects. In addition, heightened uncertainties in global conditions increased the demand for less risky assets, which included long-term Government securities. This resulted in yields for 5-year and 10-year MGS declining by 38 bps and 37 bps (January – July 2009: 69 bps; 105 bps), respectively. Foreign holding of MGS also increased 99.8% to RM62.0 billion, accounting for 24.2% of total outstanding MGS (end-July 2009: -27.6%; RM31.0 billion; 13.3%).

TABLE 5.10

New Issues of PDS by Sector¹ January – July

Sector	RM million		Share (%)	
	2009	2010	2009	2010
Agriculture, forestry and fishing	268	130	0.8	0.6
Manufacturing	5	10	0.0	0.1
Construction	1,731	2,176	5.5	10.2
Electricity, gas and water	400	20	1.3	0.1
Transport, storage and communication	2,850	485	8.9	2.3
Finance, insurance, real estate and business services	16,195	18,394	50.9	86.1
Government and other services	10,191	149	32.1	0.7
Wholesale and retail trade, accommodation and restaurant	115	-	0.4	-
Mining and quarrying	10	-	0.0	-
Total	31,764	21,364	100.0	100.0

¹ Refers to all newly listed and unlisted private debt securities issues, including Cagamas Residential Mortgage-Backed Securities (RMBS) and includes Medium Term Notes (MTN).

Note: Total may not add up due to rounding.

Source: Bank Negara Malaysia.

PDS yields for higher-rated debt securities trended downward in line with the trend in benchmark government securities. Similarly, yields for lower-rated securities with credit rating of single A and below dropped marginally from the level recorded in the beginning of 2010. This reflected the improved risk appetite on the part of investors following the strengthening of the underlying economy. As a result, the yield spread between AAA and A1/A+ credit rating against 5-year MGS had narrowed slightly by six bps to 298 bps during the first seven months of 2010 (January – July 2009: 1 bps; 306 bps). Notwithstanding this, yields spread for lower-rated bonds remained high due to greater risk of potential default.

TABLE 5.11

**Bursa Malaysia: Selected Indicators
January – August**

	2009	2010
Price Indices¹		
FBM KLCI	1,171.28	1,422.49
FBMEMAS	7,924.05	9,482.65
FBM 100	7,707.52	9,279.63
FBM SCAP	9,812.20	11,141.90
FBM-ACE ⁵	4,145.53	3,694.55
Total turnover²		
Volume (million units)	176,006.67	153,313.75
Value (RM million)	202,211.29	222,357.79
Average daily turnover²		
Volume (million units)	1,066.71	923.58
Value (RM million)	1,225.52	1,399.75
Market capitalisation ¹ (RM billion)	893.86	1,122.11
Total no. of listed companies¹		
Main Market ³	841	846
ACE Market ⁴	117	117
Market liquidity¹		
Turnover value/ market capitalisation (%)	22.6	19.8
Market concentration¹		
10 most highest capitalised stocks/ market capitalisation (%)	37.7	38.8

¹ As at end period.² Based on market transactions during the period.³ Effective 3 August 2009, the Main Board and Second Board were merged into a single board known as the Main Market.⁴ ACE Market was known as MESDAQ Market prior to 3 August 2009.⁵ FBM-ACE was known as FBM-MDQ Index prior to 3 August 2009.

Note: Total may not add up due to rounding.

Source: Bursa Malaysia.

Strong performance of FBM KLCI...

The **equity market** remained resilient during the first eight months of 2010 despite heightened global market volatilities. Market sentiment was affected by mixed signals emanating in the global economy, which included weak economic performance in the US, sovereign debt problems in some European countries and better performance in Asian economies as well as improved corporate earnings and higher commodity prices. The Financial Times Stock Exchange (FTSE) Bursa Malaysia Kuala Lumpur Composite Index (FBM KLCI) gained 3.8% or 47.8 points to 1,320.57 points as at end-March 2010 (end-December 2009: 5.9%; 70.7 points; 1,272.78 points), boosted by stronger economic growth, a firmer ringgit and higher commodity prices.

During the second quarter, the market was, however, dampened by growing fears over the European sovereign debt crisis, credit tightening measures by China as well as the political tension between North and South Korea. The FBM KLCI recorded its lowest closing in eight months at 1,248.94 points on 26 May 2010. Following improved investor sentiment, bolstered by the recovery in the US market and the better performance in the region, the FBM KLCI bounced back to 1,463.50 points as at end-September 2010 (end-September 2009: 1,202.08 points).

Market capitalisation increased 25.5% to RM1,122.11 billion in the first eight months of 2010 (end-August 2009: 7.3%; RM893.86 billion), due to improving prices of selected public listed companies on the back of better-than-expected corporate results. However, total market transactions decreased 12.9% to 153.3 billion units during the period (January – August 2009: 61.1%; 176.0 billion units), due to the overall lack of participation from investors following market uncertainties and heightened global market volatility. In contrast, the value of total market transactions increased 10.0% to RM222.4 billion (January – August 2009: -16.2%; RM202.2 billion). Market velocity and market volatility declined

to 31.0% and 9.2% (January – August 2009: 38.0%, 15.0%), respectively. The total number of companies listed on *Bursa Malaysia* stood at 963 as at end-August 2010 (end-August 2009: 958 companies) following the listing of 19 new companies (end-August 2009: 6 companies), while 16 companies were delisted.

In an effort to further improve the capital market, from 19 April 2010, all public-listed firms are required to offer e-dividend to shareholders to increase the efficiency of paying dividend directly into the shareholder's bank account through the electronic payment system. As at 30 June 2010, more than 28% of the 1.9 million active accounts maintained at *Bursa Malaysia* Depository have registered for e-dividend. In addition, on 17 August 2010, the Electronic Share Payment facility for share transactions was introduced to further promote the use of e-payments in the stock market. With e-Share payment, share sales proceeds can now be paid by the stockbroker directly into the investors' bank accounts. Investors enjoy faster access to funds as the monies are made available in their bank account on the same day.

On 23 September 2010, Malaysia was upgraded from secondary emerging markets to advanced emerging market status in the FTSE-Global Equity Index Series. This underscores the global recognition of the regulatory framework of the capital market and will lead to greater international participation in the Malaysian market. At the same time, *Bursa Malaysia Securities Berhad* and its electronic trading platform is recognised as a "Designated Offshore Securities Market" by the US Securities and Exchange Commission. This designation will ease trading processes for investors based in US.

On the regional front, Malaysia joined 10 other countries as approved investment destinations under China's QDII scheme administered by the China Banking Regulatory Commission (CBRC). This paved the way for Chinese fund management and securities institutions to invest

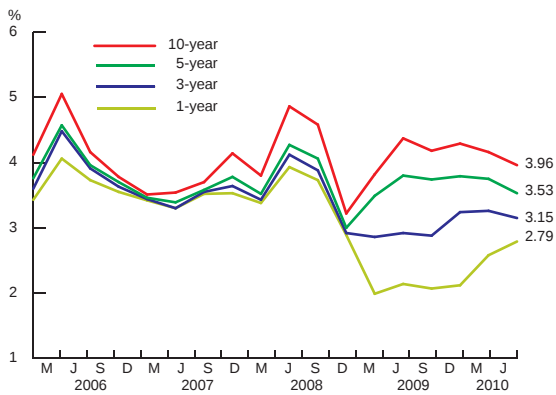
in the Malaysian capital market. Meanwhile, four ASEAN exchanges, namely *Bursa Malaysia*, the Philippine Stock Exchange (PSE), Singapore Exchange (SGX) and the Stock Exchange of Thailand (SET) signed a Letter of Intent with New York Stock Exchange (NYSE) Technologies to set up the ASEAN Trading Link to facilitate cross border order routing and trading.

Derivatives market contracts...

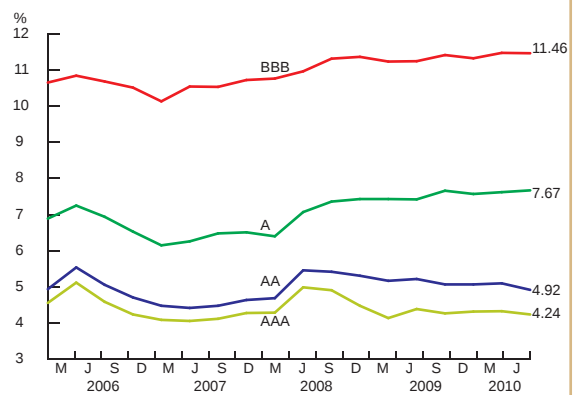
The **derivatives market** declined 11.1% to 3.4 million contracts in the first seven months of 2010 (January – July 2009: 5.3%; 3.8 million contracts). The FBM KLCI and crude palm oil (CPO) futures continued to dominate the derivatives market, accounting for 97.8% of total trading (January – July 2009: 97.7%).

Trading volume of CPO futures declined 8.7% to 2.2 million contracts (January – July 2009: 39.5%; 2.3 million contracts) attributed to CPO trading in a narrow band of RM456 per metric tonne for the first seven months of 2010 (January – July 2009: RM1,093 per metric tonne). The benchmark 3-month CPO futures average price rose to RM2,502 per tonne (January – July 2009: RM2,177 per tonne) in line with the increase in crude oil prices as well as declining CPO stocks. Trading volume of FBM KLCI futures registered a decline of 15.0% to 1.2 million contracts (January – July 2009: -23.6%; 1.4 million contracts), attributed to reduced volatility in the underlying index.

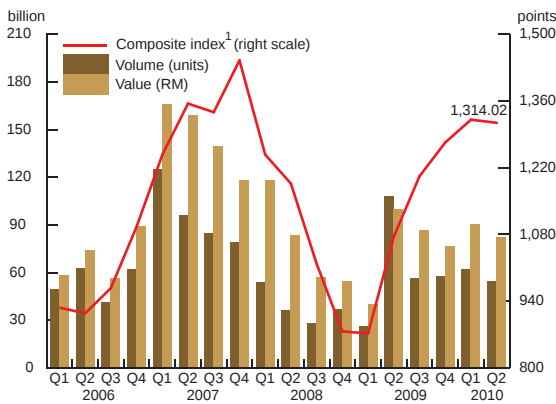
In efforts to promote the derivatives market, *Bursa Malaysia* Derivatives (BMD) replaced the current Derivatives Clearing System to provide better functionalities and alleviate some constraints, which included the listing of USD denominated and option contracts. On 20 September 2010, BMD migrated its entire derivatives products to the Chicago Mercantile Exchange (CME) Group Globex trading platform to enable the distribution of BMD's products to global users of the CME's Globex platform. This will enhance

CHART 5.7
Malaysian Government Securities (MGS) Indicative Yields¹


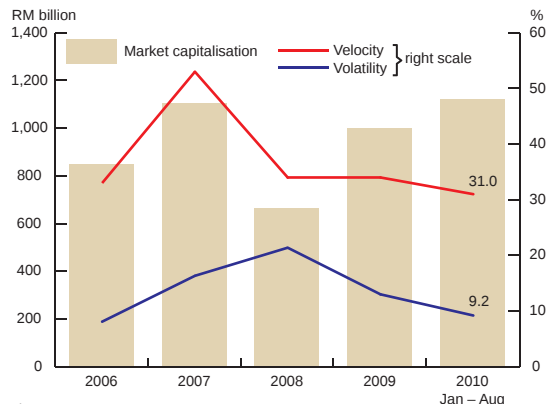
¹ End-period.
Source: Bank Negara Malaysia.

CHART 5.8
Private Debts Securities (PDS) 5-Year Yields¹


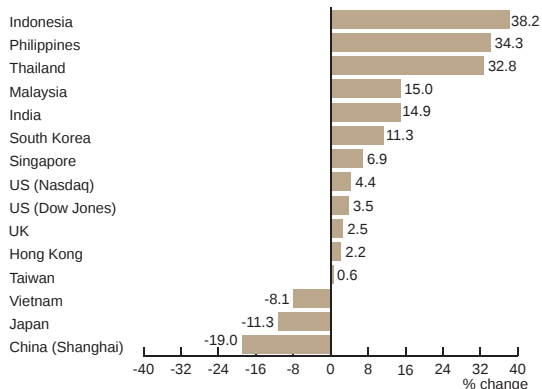
¹ End-period.
Source: Bank Negara Malaysia.

CHART 5.9
Performance of Bursa Malaysia


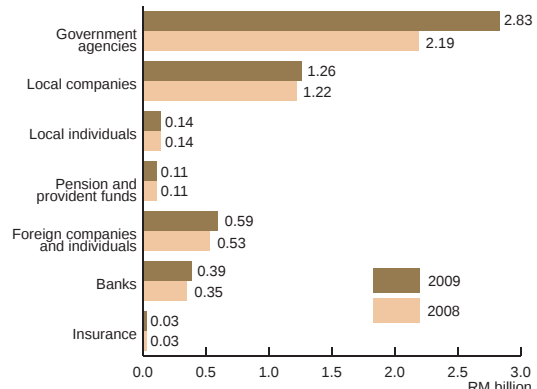
¹ End-period.
Source: Bursa Malaysia.

CHART 5.10
Bursa Malaysia: Market Capitalisation¹, Velocity and Volatility


¹ End-period.
Source: Bursa Malaysia.

CHART 5.11
Performance of Selected Stock Markets (End-2009 – End-September 2010)


Source: Bloomberg.

CHART 5.12
Source of Venture Capital Funds


Source: Securities Commission Malaysia.

greater accessibility of Malaysia's derivatives by both local and international traders as well as contribute to increased trading volume.

Unit trusts expand...

The encouraging growth of the **unit trust industry** was reflected in the 16 new funds launched during the first seven months of 2010, bringing the total to 557 funds (end-2009: 541 funds). Total units in circulation increased 5.5% to 289.0 billion units (end-2009: 15.9%; 273.9 billion units), while the number of accounts grew 1.7% to 14.3 million (end-2009: 8.1%; 14.1 million). The size of the unit trust industry in terms of net asset value (NAV) increased 10.4% to RM211.7 billion, which accounted for 19.4% of market capitalisation in *Bursa Malaysia* as at end-July 2010 (end-2009: 47.0%; RM191.7 billion; 19.2%). Equity funds were the most preferred funds for investment with net sales of RM14.2 billion in the first seven months of 2010 compared with bond and fixed income funds which recorded RM2.2 billion.

TABLE 5.12

Unit Trust Industry: Selected Indicators

	End-2009	End-July 2010
Number of unit trust management companies	39	39
Number of unit trust funds ¹	541	557
Conventional	397	409
Islamic	144	148
Units in circulation (million)	273,879	289,014
Number of accounts (million)	14.1	14.3
Net asset value (NAV) (RM million)	191,706	211,719
Conventional	169,626	189,018
Islamic	22,080	22,701
NAV/Bursa Malaysia market capitalisation (%)	19.2	19.4

¹ Refers to funds already launched.

Note: Total may not add up due to rounding.

Source: Securities Commission Malaysia.

During the first seven months of 2010, 26 new funds were launched for investment in foreign markets, of which 22 funds invested RM0.8 billion. As at end-July 2010, a total of 223 funds invested RM18.2 billion in foreign markets, representing only 8.6% of the industry's total NAV.

The performance of the **real estate investment trusts (REITs) industry** remained steady during the first six months of 2010. While the trading volume declined 6.2% to 314.3 million units, the trading value posted an increase of 30.2% to RM403.1 million (January – June 2009: 10.9%, 335.3 million units; -5.3%, RM309.5 million). During the first six months of 2010, three new REITs were listed on *Bursa Malaysia* with total value of RM400.0 million. Market capitalisation of REITs which totalled 14 as at end-June 2010, increased 6.8% to RM5.6 billion (end-2009: RM5.3 billion).

The number of exchange-traded funds (ETFs) increased in the first seven months of 2010 with the approval of two new ETFs, FTSE Xinhua China 25 Index and the FTSE ASEAN 40 Index. Currently, there are five ETFs listed on *Bursa Malaysia* with a market capitalisation of RM1.2 billion as at end-July 2010.

VC investment soars...

During the first six months of 2010, the **venture capital (VC) industry** continued to grow with the total number of registered venture capital companies (VCCs) and venture capital management companies (VCMCs) increasing to 58 and 55 (January – June 2009: 56 VCCs; 52 VCMCs), respectively. Total VC investments increased 34.1% to RM2.6 billion as at end-2009 (end-2008: 8.1%; RM1.9 billion) with the information technology and communication sector accounting for 32.5% of total investments, life sciences (20.9%), manufacturing (19.7%) and others (26.9%). In line with this, total committed funds increased 17.1% to RM5.4 billion (end-2008: 38.1%; RM4.6 billion), with government entities remaining the largest source of VC funds at RM2.8 billion, representing 52.9% of total VC funds (end-2008: RM2.2 billion; 47.8%).

Key Capital Market Measures

Several measures were undertaken in the first nine months of 2010 to further enhance market liquidity and efficiency in the capital market, which included:

- On **12 January**, the Securities Commission Malaysia (SC) granted a stockbroking licence to Citigroup to enhance greater intermediation of investment inflows, particularly from the Middle East as well as tapping its capital market experience and expertise.
- On **8 February**, four ASEAN exchanges, namely Bursa Malaysia, Philippine Stock Exchange (PSE), Singapore Exchange (SGX) and Stock Exchange of Thailand (SET) signed a Letter of Intent with New York Stock Exchange (NYSE) Technologies, to design a technology solution for the ASEAN Trading Link. The Trading Link will interconnect electronically the participating equities markets and help facilitate cross-border order routing and trading. Investors and members of the participating ASEAN Exchanges will be able to trade in multiple ASEAN markets from their domicile countries.
- On **19 April**, all holders of Central Depository System (CDS) accounts maintained with Bursa Malaysia Depository Sdn. Bhd. are encouraged to provide their bank account information to their stockbrokers to benefit from e-dividend. With e-dividend, shareholders will receive cash dividends paid directly into their bank accounts from public listed companies (PLCs).
- On **1 June**, SC amended the Guidelines on Unit Trust Funds (GUTF) to facilitate a multi-class structure for unit trust funds, giving investors more flexibility as well as helping the growth of cross-border offerings of Malaysian unit trusts. With the amendments, a single unit trust fund will now be able to offer multiple classes of units over a single investment pool, with each class of units having different features such as the fees and charges imposed and the currency in which it is denominated.
- On **23 June**, the SC and the China Banking Regulatory Commission (CBRC) signed Letters of Exchange on regulatory co-operation relating to overseas wealth management business of China's commercial banks. Following this, Malaysia joined 10 other countries as approved investment destinations under China's Qualified Domestic Institutional Investors (QDII) scheme administered by the CBRC. With Malaysia as an approved QDII investment destination, there will be potential inflows of Chinese funds into the Malaysian capital market.
- On **17 August**, the SC, *Bank Negara Malaysia* (BNM) and *Bursa Malaysia* introduced the Electronic Share Payment facility for share transactions to further promote the use of e-payments in the stock market. The e-Share payment initiative marks another effort towards enhancing efficiency in the payment and settlement systems within the capital market. With e-Share payment, share sales proceeds can now be paid by the stockbroker directly into the investors' bank accounts. Investors enjoy faster access to funds as the monies are made available in their bank account on the same day.
- On **20 September**, *Bursa Malaysia* successfully migrated all its derivatives products onto Chicago Mercantile Exchange (CME) Globex, the electronic trading platform of CME Group. The move to CME Globex enables global traders to access Bursa Malaysia Derivatives (BMD) products electronically, particularly the global benchmark crude palm oil (CPO) futures contract. The migration of all BMD products onto CME Globex will create broader exposure for these products.

Prospects for 2011

Monetary policy to remain supportive of growth...

The growth momentum is expected to be sustained, with the economy projected to grow between 5.0% to 6.0% in 2011, driven by strong domestic demand and supported by the favourable external sector. Inflation is anticipated to remain moderate. The accommodative monetary policy stance will be maintained to support and strengthen private sector activity as well as overall economic growth.

Fund raising activity through the banking system and the capital market is expected

to increase in tandem with strong economic growth, particularly as the nation transforms into a developed and high-income economy. In line with this, the private sector is expected to lead economic growth transformation with the Government as the facilitator. The Economic Transformation Programme (ETP) has identified financial services as one of the 12 National Key Economic Areas (NKEAs), with the potential to directly contribute to economic growth, through a number of entry point projects and business opportunities. Furthermore, as the Financial Sector Masterplan and the Capital Market Masterplan come to an end in 2010, two new blueprints will be unveiled in 2011 to chart the new landscape for the financial sector and the capital market, respectively.

Acronyms and Abbreviations

Organisation Of The Ministry Of Finance, Malaysia



ACRONYMS AND ABBREVIATIONS

10MP	Tenth Malaysia Plan
3G	third generation
9MP	Ninth Malaysia Plan
AEC	ASEAN Economic Community
AFMIS	ASEAN Finance Ministers' Investors Seminar
AIM	<i>Amanah Ikhtiar Malaysia</i>
ALR	average lending rate
APEC	Asia-Pacific Economic Cooperation
ASEAN	Association of Southeast Asian Nations
Axiata	Axiata Group Berhad
BET	Bus Expressway Transit
BLR	base lending rate
BMD	Bursa Malaysia Derivatives
BNM	<i>Bank Negara Malaysia</i>
BOP	balance of payments
bpd	barrels per day
bps	basis points
BSN	<i>Bank Simpanan Nasional</i>
CCDMA	Credit Counselling and Debt Management Agency
CCR	core capital ratio
CGIF	Credit Guarantee and Investment Facility
CME	Chicago Mercantile Exchange
CMIM	Chiang Mai Initiative Multilateralisation
CNY	Chinese Yuan
CPI	Consumer Price Index
CPO	crude palm oil
DBKL	Kuala Lumpur City Hall
DFIs	development financial institutions
DMP	Debt Management Programme
DTCs	developing and transition countries
E&E	electrical and electronics
ECER	East Coast Economic Region
ECF	Extended Credit Facility
EPF	Employees Provident Fund
ETFs	exchange traded funds
ETP	Economic Transformation Programme
EU	European Union

FBM KLCI	FTSE Bursa Malaysia Kuala Lumpur Composite Index
FDI	foreign direct investment
FFB	fresh fruit bunches
FISIM	Financial Intermediate Services Indirectly Measured
FTSE	Financial Times Stock Exchange
FY	financial year
GDP	Gross Domestic Product
GII	Government Investment Issues
GLCs	Government-Linked Companies
GNI	Gross National Income
GNP	Gross National Product
GNS	Gross National Savings
GTP	Government Transformation Programme
HDC	Halal Industry Development Corporation
HIP	High Impact Project
HSBB	High Speed Broadband
IBRD	International Bank of Reconstruction and Development
ICT	information and communication technology
IFC	International Finance Corporation
IFMCs	Islamic fund management companies
IFSF	Islamic Finance Stability Forum
IIB	International Islamic Bank
IMF	International Monetary Fund
INCEIF	International Education Centre for Islamic Finance
IPOs	initial public offerings
IPTA	public institution of higher learning
IRB	Inland Revenue Board
ISM	Institute for Supply Management
ISRA	International <i>Syariah</i> Research Academy
IT	information technology
ITT	Integrated Transport Terminal
JAKIM	Department of Islamic Development Malaysia
JPN	<i>Jabatan Perumahan Negara</i>
JPNIN	National Unity and Integration Department
KLIA	Kuala Lumpur International Airport
KTMB	<i>Keretapi Tanah Melayu Berhad</i>
LCCT	Low-Cost Carrier Terminal
LED	light emitting diode

LICs	low-income countries
LINUS	literacy and numeracy
LNG	liquefied natural gas
LPG	liquefied petroleum gas
LPTC	Land Public Transport Commission
LRT	Light Rail Transit
M&As	mergers and acquisitions
M&E	machinery and equipment
MAFLPAS	Multilateral Agreement on Full Liberalisation of Passenger Air Services
MARA	<i>Majlis Amanah Rakyat</i>
MAS	Malaysia Airlines System
MCAT	1Malaysia Contemporary Art Tourism
MGS	Malaysian Government Securities
MICE	Meetings, Incentives, Conventions and Exhibitions
MIFC	Malaysia International Islamic Financial Centre
MKPIs	Ministerial Key Performance Indicators
MM2H	Malaysia My Second Home
mmscf	million standard cubic feet
MNCs	Multinational Corporations
MOF Inc.	Minister of Finance Incorporated
MSC Malaysia	Multimedia Super Corridor Malaysia
MW	megawatt
NAV	net asset value
NBI	National Broadband Initiative
NCER	Northern Corridor Economic Region
NEM	New Economic Model
NFPEs	Non-Financial Public Enterprises
NGOs	Non-Governmental Organisations
NKEAs	National Key Economic Areas
NKRAs	National Key Result Areas
NPLs	non-performing loans
NYSE	New York Stock Exchange
OER	oil extraction rate
OPEC	Organization of the Petroleum Exporting Countries
OPR	overnight policy rate
pb	per barrel
PDS	private debt securities
PERMATA	Childcare and Early Education Programme

PETRONAS	<i>PetroliaM Nasional Berhad</i>
PITA	petroleum income tax
PLWS	Productivity-Linked Wage System
PMB	<i>Pos Malaysia Berhad</i>
PMI	Purchasing Managers' Index
PPI	Producer Price Index
PPP	purchasing power parity
PPR	<i>Program Perumahan Rakyat</i>
PSE	Philippine Stock Exchange
PTP	Port of Tanjung Pelepas
QDII	Qualified Domestic Institutional Investor
R&D	research and development
R&D&C	research, development and commercialisation
REITs	real estate investment trusts
RM	Ringgit Malaysia
ROK	Republic of Korea
RWCR	risk-weighted capital ratio
SC	Securities Commission Malaysia
SCF	Standby Credit Facility
SCI	Selective Capital Increase
SCORE	Sarawak Corridor of Renewable Energy
SDC	Sabah Development Corridor
SET	Stock Exchange of Thailand
SGD	Singapore dollar
SGX	Singapore Exchange
SKVE	South Klang Valley Expressway
sm	square metres
SMEs	small and medium enterprises
SME Corp.	SME Corporation Malaysia
SMS	short message services
SPM	<i>Sijil Pelajaran Malaysia</i>
SRIIs	Strategic Reform Initiatives
SRR	statutory reserve requirement
SSL	self-sufficiency level
SSO	shared services and outsourcing
TEKUN	<i>Tabung Ekonomi Kumpulan Usaha Niaga</i>
TEUs	twenty-foot equivalent units
TIV	total industry volume

TKPM	Permanent Food Production Park
TM	<i>Telekom Malaysia Berhad</i>
TNB	<i>Tenaga Nasional Berhad</i>
UAE	United Arab Emirates
UiTM	<i>Universiti Teknologi MARA</i>
UK	United Kingdom
UNCTAD	United Nations Conference on Trade and Development
<i>UNIK</i>	<i>Unit Inovasi Khas</i>
US	United States
USD	US dollar
VC	venture capital
VCCs	venture capital companies
VCMCs	venture capital management companies
Wi-Fi	Wireless Fidelity
WiMAX	Worldwide Interoperability for Microwave Access
WTI	West Texas Intermediate
ZIA	Aquaculture Industrial Zone

ORGANISATION OF THE MINISTRY OF FINANCE, MALAYSIA

MINISTER OF FINANCE

YAB Dato' Sri Mohd Najib bin Tun Abdul Razak

MINISTER OF FINANCE II

YB Dato' Seri Ahmad Husni bin Mohamad Hanadzlah

DEPUTY MINISTER OF FINANCE

YB Senator Datuk Dr. Awang Adek bin Hussin

YB Senator Dato' Ir. Donald Lim Siang Chai

SECRETARY GENERAL OF TREASURY

Y.Bhg. Tan Sri Dr. Wan Abdul Aziz bin Wan Abdullah

DEPUTY SECRETARY GENERAL OF TREASURY (SYSTEM AND CONTROL)

Y.Bhg. Datuk Puteh Rukiah binti Abdul Majid

DEPUTY SECRETARY GENERAL OF TREASURY (MANAGEMENT)

Y.Bhg. Dato' Zalekha binti Hassan

DEPUTY SECRETARY GENERAL OF TREASURY (POLICY)

Y.Bhg. Datuk Latifah binti Datuk Abu Mansor

POLICY

Budget Management

Y.Bhg. Datuk Dr. Rahamat Bivi binti Yusoff

Economics and International

Y.Bhg. Dato' Dr. Mohd Irwan Serigar bin Abdullah

Loans Management, Financial Market and Actuary

Y.Bhg. Datuk Nozirah binti Bahari

Tax Analysis

Y.Bhg. Dato' Siti Halimah binti Ismail

MANAGEMENT

Remuneration Policy, Public Money and Management Services

Y.Bhg. Dato' Hj. Za'aba bin Hj. Che Rus

Housing Loans Management

Y.Bhg. Datuk Haji Shuib bin Md. Yusop

Government Procurement

Y.Bhg. Dato' Fauziah binti Yaacob

Information Technology Management

Y.Brs. Dr. Azizah binti Ariffin

Federal Treasury (Sarawak)

Jabidah binti Monseri

Federal Treasury (Sabah)

Yusof bin Sarangit

eProcurement Unit

Abd. Shukor bin Ibrahim

Economic Stimulus Secretariat

Mohd Zanudin bin Ahmad Rasidi

SYSTEM AND CONTROL**Investment, MKD (Inc.) and Privatisation**

Eshah binti Meor Suleiman

Control and Monitoring

Y.Bhg. Dato' Noorrizan binti Shafie

Strategic Financial Management

Kumaran Santhivaloo

Outcome Based Budgeting Project Team

Koshy Thomas

SUPPORT SERVICES**Income Tax Appeal Management**

Y.Bhg. Dato' Ahmad Zaki bin Haji Husin (until 3 May 2010)

Tax Review Panel Secretariat

Y.Bhg. Dato' Kamariah binti Hussain

Project Management Unit

Y.Bhg. Dato' Ir. Mohamad Othman bin Zainal Azim

Legal Division

Y.Bhg. Datuk Siti Zainab binti Omar

Customs Appeal Tribunal

Rungit Singh

Corporate Planning

Agnes Maria Sam

Internal Audit Unit

Wee Swee Geok

Corporate Communication Unit

Nurzee Faizura binti Mohd Jamil

DEPARTMENTS UNDER THE MINISTRY OF FINANCE

TREASURY MALAYSIA

Secretary General of Treasury

Y.Bhg. Tan Sri Dr. Wan Abdul Aziz bin Wan Abdullah

ACCOUNTANT GENERAL'S DEPARTMENT OF MALAYSIA

Accountant General of Malaysia

Y.Bhg. Dato' Mohd. Salleh bin Mahmud

INLAND REVENUE BOARD OF MALAYSIA

Chief Executive Officer

Y.Bhg. Tan Sri Hasmah binti Abdullah

VALUATION AND PROPERTY SERVICES DEPARTMENT

Director General of Valuation

Y.Bhg. Dato' Abdullah Thalith bin Md. Thani

ROYAL MALAYSIAN CUSTOMS DEPARTMENT

Director General of Customs

Y.Bhg. Dato' Sri Haji Ibrahim bin Haji Jaapar (until 2 October 2010)

Y.Bhg. Dato' Haji Mohamed Khalid bin Haji Yusuf@Yusup (from 11 October 2010)

