



Malaysia Takes Pre-emptive Measures

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Consistent with regional initiatives to preserve confidence in respective financial systems, the Ministry of Finance and Bank Negara Malaysia today jointly announce measures to maintain the stability of the Malaysian financial system.

These measures are pre-emptive and precautionary, since Malaysian financial institutions are well-capitalised with ample liquidity, and confidence of depositors remains intact.

With immediate effect, the following measures are being implemented:

- all ringgit and foreign currency deposits with commercial, Islamic and investment banks, and deposit taking development financial institutions regulated by Bank Negara Malaysia, will be fully guaranteed by the Government through Perbadanan Insurans Deposit Malaysia (PIDM) until December 2010. The guarantee extends to all domestic and locally incorporated foreign banking institutions; and
- access to Bank Negara Malaysia's liquidity facility will be extended to insurance companies and takaful operators regulated and supervised by the Bank.

Given the soundness and strong capitalisation of the Malaysian banking institutions, it is unlikely that these guarantees will be called upon. Malaysia has a strong regulatory and supervisory framework which is reinforced by the financial discipline that is imposed by PIDM. Its differential premium system provides strong incentives for banks to adopt sound and rigorous risk management practices including the maintenance of strong capital buffers. PIDM also has the necessary resolution powers to protect depositors.

Bank Negara Malaysia remains vigilant to any potential emerging risks and challenges to the Malaysian financial system. Should there be any further destabilising consequences from external developments, Bank Negara Malaysia, in addition to ensuring adequate liquidity in the banking system at all times, would also guarantee interbank obligations of banking institutions and facilitate efficient access to capital for banking institutions to maintain capital adequacy at target levels well above the minimum standards.

Bank Negara Malaysia will also continue to ensure that regulatory framework remains responsive to market conditions and maintains appropriate incentives for prudent risk management on the part of financial institutions to maintain the orderly functioning of the intermediation of the financial system and financial markets.

For further details and clarification, you may contact:

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Bank Negara Malaysia

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