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## Bank Negara Malaysia Reports on Recent Financial Developments

In August 2007, gross financing to Malaysia's private sector remained strong amid firm growth in banking system loan disbursements during the month. On a net basis, financing of the private sector through banking system loans and private debt securities outstanding expanded at a combined annual rate of 8%. The major loan indicators for the business and household sectors continued to register positive annual growth rates, according to **Bank Negara Malaysia**.

Interbank rates for all maturities were relatively steady in August and September. While the average base lending rates of commercial banks remained unchanged, the average lending rate was marginally higher in August.

During the period of 1 August - 27 September 2007, the ringgit appreciated against the US dollar and recorded a mixed performance against other currencies, reflecting two-way trade and investment flows. The ringgit appreciated against the pound sterling (1.8%) but depreciated against the Japanese yen (1.8%) and euro (2%). The ringgit, together with other regional currencies, depreciated in the first half of August owing to a shift in asset allocation by global investors, following the developments in the US subprime and housing market and global credit markets.

This trend, however, reversed as Asian financial markets reacted favourably following the reduction in the discount rate by the U.S. Federal Reserve on August 17, and subsequently, the market expectations for a reduction in the key Fed Funds rate. The decision by the U.S. Federal Reserve to reduce the Fed Funds rate and the discount rate by 50 basis points on 18 September to mitigate some of the adverse impact of the crisis in the credit markets on the economy also reinforced the trend for the strengthening of the regional currencies.

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## Mongolia's Anti-Money Laundering Structure Evaluated

The Asia Pacific Group on Money Laundering (APG) held its Annual Meeting and Technical Assistance forum on Money Laundering in Perth, Australia on July 23-27, 2007. The APG meeting discussed, evaluated and publicized results of mutual evaluation reports, and was aimed to assess the anti money laundering and combating terrorist financing system of its member countries.

Mongolia's anti money laundering and combating terrorist financing structure has

been evaluated for the first time at this meeting since Mongolia joined the APG in 2004. The group of Mongolian delegates from the Financial Regulatory Commission of Mongolia, Bank of Mongolia and Ministry of Foreign Affairs successfully briefed the APG on Mongolia's current developments in the area of anti money laundering and terrorist financing.

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## Reserve Bank of New Zealand Releases Annual Report

The Reserve Bank of New Zealand on October 2, 2007 released its 2006-2007 Annual Report.

Reserve Bank **Governor Alan Bollard** said, "Besides focusing on maintaining price stability during the year, the Bank saw other important developments in foreign exchange, banking, financial systems, payment systems and currency.

Local and global conditions changed markedly during the year. Strong household consumption and booming dairy prices posed higher inflationary pressures and the Official Cash Rate (OCR) was raised four times.

The New Zealand dollar reached post-float record highs, which the Bank judged exceptional and unjustified.

As a result, the Bank took a number of steps. It intervened to sell the New Zealand dollar, and for the first time it sold New Zealand dollars to hold a proportion of foreign reserves on an unhedged basis.

Dr. Bollard noted that the Bank's unhedged net holdings of foreign reserves at 30 June 2007 were \$701 million, and the Bank reported an unrealised loss on currency intervention activities of \$11.57 million.

The Bank also looked at other instruments to help the OCR in controlling inflation, and it has been engaged in a Parliamentary inquiry into the monetary policy framework.

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## End-August GIR Surpasses the US\$30 Billion Mark

The Philippines' gross international reserves (GIR) reached an all-time high of US\$30.3 billion as of end-August 2007. This level is US\$2.3 billion higher than the end-July 2007 level of US\$28.0 billion. Sustained foreign exchange inflows enabled the **Bangko Sentral** (BSP) to build up its reserves level while at the same time service its debt and those of the National Government. Receipts of income from investments

abroad also contributed to the increase in the GIR level.

In terms of reserve adequacy, the current GIR level can cover 5.6 months of imports of goods and payments of services and income. This level is also equivalent to 5.9 times the country's short-term external debt based on original maturity and 3.2 times based on residual maturity.

Net international reserves (NIR) level, including revaluation of reserve assets and reserve-related liabilities, stood at US\$30.3 billion from the end-July 2007 level of US\$28.0 billion. NIR refers to the difference between the BSP's GIR and total short-term liabilities.

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## MAS Signs MoU with SEC of Thailand

**The Monetary Authority of Singapore** (MAS) on August 16 signed a Memorandum of Understanding (MoU) with the Securities and Exchange Commission of Thailand (SEC).

The MoU establishes a framework for the mutual recognition of product knowledge examinations required for the admission of market professionals dealing with securities and collective investment schemes in Singapore and Thailand. Market professionals who have passed the relevant professional examinations in their home country will be exempt from equivalent examinations in the host country. This initiative allows market professionals of both countries to provide capital markets services in Singapore and Thailand with greater ease, and paves the way for closer links between the Singapore and Thai capital markets over the longer term.

The MoU will take effect on 1 January 2008. MAS will update financial institutions on operational details over the coming months.

The MoU was signed by **Mr. Shane Tregillis**, Deputy Managing Director (Market Conduct), MAS, and **Mr. Thirachai Phuvanatanarubala**, Secretary-General, SEC, in the Philippines at the sidelines of the ASEAN Capital Market Forum (ACMF).

Mr. Tregillis said, "This MoU is a first step in reducing regulatory barriers to capital market professionals providing their services in both countries. We will continue to explore opportunities for greater cooperation in removing regulatory impediments to capital market integration with the Thai SEC and with other regulators in ASEAN."

Mr. Thirachai said, "This is a concrete outcome of the work undertaken by ACMF to create a framework for mutual recognition of entry standards for market professionals in Thailand and Singapore. Mutual recognition is a significant way to show trust between regulators in different jurisdictions. Moving along this line, there will be more cooperation among regulators."

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## Australia's ATM System Reformed

Australia's Payments System Board on 27 August 2007 came up with a proposal that involved liberalising access to the ATM system and making pricing more transparent to users of ATMs. Developed by the Australian Bankers' Association and facilitated by the **Reserve Bank of Australia**, the key elements of the proposal for reform of the ATM system in Australia are:

- ▶ The development of an objective and transparent access code by the Australian Payments Clearing Association, setting out the conditions that new entrants are required to meet, the rights of new entrants, and the requirements on current participants in dealing with new entrants;
- ▶ The clear disclosure of any charges levied by the ATM owner before the customer proceeds with a withdrawal, with the customer able to cancel the transaction at no cost; and
- ▶ The abolition of the bilateral interchange fees paid by banks and other financial institutions to ATM owners for the provision of ATM services.