Najib lauds market, regulatory reforms

KUALA LUMPUR — The regulatory reforms carried out by the government has resulted in the local currency bond market emerging as third largest in Asia, valued at RM1.1 trillion, said Prime Minister Datuk Seri Najib Razak yesterday.

Najib lauded the efforts to introduce internationally benchmarked regulatory frameworks and rigorous supervisory regimes, as well as strengthened prudential requirement for market participants and extensive corporate governance reforms.

"The bond market helped reduce the country's reliance on short-term foreign currency-dominated borrowings as was the case during the 1997-98 crisis," he said in a keynote address at the World Capital Market Symposium.

Apart from this, the equity market has grown to RM1.5 trillion this year compared with RM175 billion in 1998, with much stronger corporate balance sheets and better-governed listed companies, he said.

"The institutionalisation of the buy side, anchored by Malaysia's deep domestic institutional investor base, also serves as a source of long-term funds for the capital market," Najib, who is also finance minister, said.

At the same time, he said the intermediaries have been able to meet significantly higher prudential, compliance and risk management standards with the stockbroking industry operating at a gearing level of 0.1 times currently compared with as high as 1.3 times in 1998.

"These structural reforms have collectively strengthened the ability of the Malaysian financial system to weather intense bouts of volatility and to effect adjustment in an orderly manner," he said.

He said by serving as a source of long-term financing to complement the banking sector, the Malaysian capital market had provided RM376 billion through initial public offerings and bond issuances since 2012.

"This has resulted in capital formation and job creation in sectors as wide-ranging as infrastructure, telecommunications and agriculture, with gross fixed capital formation ranging between 26% and 27% of gross domestic product over the same period," he said.

In his welcoming remarks, Securities Commission chairman Datuk Ranjit Ajit Singh said fintech holds tremendous promise for global financial markets.

He said naturally occurring market failures such as information asymmetry and monopolies result in pockets of underserved users of the financial system, which dampens the dynamism of the overall economy.

"A potential solution to this issue may lie in technology, which is transforming the capabilities of financial markets and disrupting the traditional value chain of businesses with breathtaking speed."

Fintech, the widely-used moniker for financial technology, is not only a growing trend but one which is here to stay — given its significant potential to disrupt the business model of incumbents and appeal to a wider audience by promising user-friendly services that transcend demographic, geographical and infrastructure barriers.

"Given the promise of fintech, it is not surprising to see policymakers from a number of jurisdictions playing an active role in encouraging the development of this industry.

"In the United Kingdom and Australia, for example, initiatives such as the Financial Conduct Authority's Project Innovate and Sydney's Financial Services Knowledge Hub are helping to build a conducive ecosystem to foster aspiring entrepreneurs," said Ranjit.

At the conference, Najib announced the Alliance of FINtech Community (aFINity@SC) that drives a network of stakeholders in the financial technology sector.