



**BANK NEGARA MALAYSIA**  
CENTRAL BANK OF MALAYSIA

# Annual Report **2025**





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CENTRAL BANK OF MALAYSIA

## Statutory Requirements

In accordance with section 13 of the Central Bank of Malaysia Act 2009, Bank Negara Malaysia hereby publishes and has transmitted to the Minister of Finance a copy of this Annual Report 2025 together with a copy of its Financial Statements for the year ended 31 December 2025, which have been examined and certified by the Auditor General. The Financial Statements will also be published in the Gazette.

For the purposes of section 115 of the Development Financial Institutions Act 2002, the annual report on the administration of the Development Financial Institutions Act 2002 and other related matters for the year ended 31 December 2025 is incorporated in this Annual Report.

**Abdul Rasheed Ghaffour**  
Chairperson  
Board of Directors  
31 March 2026



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**Abdul Rasheed Ghaffour**

Governor, Bank Negara Malaysia

# Foreword

## A year of contrasts

The year 2025 reminded us that the world can change quickly and not always in ways that we expect. Globally, geopolitical tensions intensified and growing geoeconomic fragmentation reshaped trade relationships and unsettled financial markets. With supply chains tested and businesses lacking clarity, some investment decisions were put on hold. This uncertainty made the economy harder to read, as evidenced by multiple revisions to global growth forecasts. Yet, uncertainties and volatilities are not foreign to central banks. In fact, history reminds us that this is not an exception but a permanent feature of the economy. What matters is how we respond to it – with vigilance, pragmatism, perseverance and the ability to adapt – without losing sight of purpose.

Against this backdrop, ASEAN offered the world a different story. When division became more common, the region chose cooperation and dialogue. This collective resolve mattered, as it anchored confidence, supported economic activity and provided a more stable regional environment.

The Malaysian economy remained resilient, recording a growth of 5.2% (2024: 5.1%), despite a challenging external environment. Stable domestic economic, monetary and financial conditions helped cushion the impact of external shocks. This also paved the way for important reforms to take place and deliver the expected outcomes. As a result, the Malaysian economy stands in good stead to navigate future headwinds. This resilience was a result of deliberate design and the collective efforts of the public and private sectors, as well as the consistent work of institutions entrusted by the nation over the years.

Throughout this episode, Bank Negara Malaysia (BNM) remained focused on promoting monetary and financial stability in support of sustainable economic growth. At its core, this mandate is about people, preserving livelihoods, safeguarding confidence, and ensuring that the financial system continues to effectively serve the needs of the real economy.

## **Resilience amid headwinds**

Malaysia's economic expansion continued to be anchored by resilient domestic demand. The year saw household spending benefitting from favourable employment and income prospects, as well as targeted policy measures to alleviate cost pressures. Investment activity remained firm, with continued capital expenditure across manufacturing and services sectors as well as infrastructure projects. This was also supported by the implementation of multi-year public projects and steady realisation of approved private investments. Importantly, these higher quality investments go beyond near-term growth – they also lift our productive capacity and create opportunities for future generations.

While external demand was more challenging, exports by key sectors, including electrical and electronics (E&E) and selected services, continued to hold. This resilience is closely linked to Malaysia's continued efforts to diversify its economic base, strengthen competitiveness and move up the global value chain. Decades of diversification reduces our reliance on any single sector or market, making the economy more resilient to shocks.

Monetary policy remained responsive and forward-looking. Against rising global uncertainties, the Monetary Policy Committee pre-emptively reduced the Overnight Policy Rate from 3% to 2.75% to secure Malaysia's growth path, and buffer against emerging downside risks emanating from global uncertainties. The decision reflected an intention to act early, guided by a forward assessment of evolving risks, and supported by a contained inflationary environment that provided the space for prompt action. Since then, the transmission of monetary policy has remained orderly and in line with expectations. This adjustment is expected to provide additional support to the economy into 2026.

Complementary measures further ensured sufficient liquidity in the domestic financial system amid heightened global financial volatility. The reduction in the Statutory Reserve Requirement provided banks with greater flexibility to manage their liquidity, helping ensure that credit continued to flow to eligible households and businesses. Our policy actions serve to ensure stable borrowing conditions, continued access to financing and confidence that Malaysia's financial system will continue to function smoothly, even in challenging times.

## **Reforms for the people**

The conducive macro-environment provided space for the Government to advance critical structural reforms, despite external headwinds. Measures such as water and energy tariff adjustments as well as the rationalisation of the RON95 subsidy were implemented to partly address long-standing distortions, improve resource allocation and strengthen the foundations for long-term growth.

These reforms are necessary, but they are not without pain. Recognising this, they were carefully designed and sequenced, with mitigating measures to manage transition costs, limit spillovers and safeguard vulnerable groups. These are important ingredients to give reform measures the best chance of success. Ultimately, reforms must strengthen resilience, without leaving any segment of society behind.

At the same time, initiatives taken to drive industrial transformation and greater economic complexity continued to be advanced. Enhancing Malaysia's value proposition to the world remained a critical development priority, as productivity-driven growth is essential to generate quality employment, raise wages and sustain income growth over time. After all, structural reforms are about securing a better future. Not just better numbers, but meaningful long-term outcomes for our households and businesses.

## **A steady hand**

Despite bouts of volatility in the foreign exchange market, BNM remained steadfast in preserving stability. The ringgit strengthened steadily throughout the year, recording the largest appreciation among regional currencies on the back of sustained portfolio and foreign direct investment inflows. This reflected confidence in Malaysia's economic fundamentals, our consistency and credibility in policy making as well as commitment to reforms. Efforts to encourage more balanced two-way foreign exchange flows in the onshore market also saw positive outcomes, with deeper participation from domestic and non-resident investors. The orderly financial markets provided stability, confidence and an environment in which households and businesses can plan with greater certainty.

At the same time, BNM continued to bolster Malaysia's external buffers, maintaining adequate international reserves to preserve policy space should global conditions turn. To this end, we saw the various initiatives lead to around USD10 billion of net inflows during the year, supporting an increase in gross international reserves to USD128 billion as at 13 March 2026 (2024: USD116 billion).

## **Serving the real economy**

The financial sector maintained its effectiveness in mobilising funds between savers and borrowers. Financial institutions remained well capitalised and operationally resilient, supported by ample liquidity buffers and sound asset quality. This ensured continued access to financing for households and businesses, supporting consumption, investment and livelihoods.

Malaysia's payment and settlement systems remained reliable and secure, supporting increasing transaction volumes. Ongoing efforts to modernise financial market infrastructures, including the rollout of near real-time funds settlement (RENTAS+), will further strengthen the foundations for developments in digital finance.

BNM also ensured that its regulatory and supervisory approaches remained pragmatic, proportionate and risk-based. Supervisory efforts focused on ensuring that financial institutions remained resilient to emerging risks, including those arising from digitalisation, cyber threats and climate change. Regulatory standards continued to be aligned with international best practices, while calibrated to Malaysia's domestic context and priorities.

Our role requires striking a delicate balance. While we want to preserve financial stability, fostering inclusion and responsible innovation are also key. Finance should create value, unlocking opportunities while managing risks to the real economy.

## **Preserving trust and integrity**

Public confidence in the integrity of the financial system remains central to our mission. Efforts to combat financial fraud were intensified through enhanced supervisory expectations, industry-wide measures and public awareness campaigns. Earlier efforts by banks to reinforce malware defences since end-2024 are delivering results, with some banks reporting zero malware cases in 2025.

Complementing this is the progress we made in strengthening anti-money laundering and counter-terrorism financing measures which was strongly recognised by the Financial Action Task Force (FATF). Results of the Mutual Evaluation exercise by FATF saw rating upgrades across several key areas that led to Malaysia being placed under the highest category of 'Regular Monitoring', an upgrade from 'Enhanced Monitoring' previously. On behalf of the National Coordination Committee (NCC), I would like to thank all stakeholders, including NCC members and financial institutions, for their unwavering commitment and efforts to deliver this hard-won achievement that will go a long way to shore up confidence in our economy and financial system.

## Building for the future

2025 also marked the penultimate year of the Financial Sector Blueprint (FSBP) 2022–2026. Looking back, we have made inroads across several development priorities. On digitalisation, digital banks gradually expanded their offerings and reach to unserved and underserved communities, while initiatives such as electronic police reporting for minor accidents – now piloted on PLUS highways – reduced friction in the claims process and improved efficiency across the ecosystem.

These advances were also accompanied by key reforms to strengthen consumer protection and financial resilience. This includes the enactment of the Consumer Credit Act, revisions to the Hire-Purchase Act, formulation of the National Financial Literacy Strategy 2026–30 and finalisation of the medical health insurance and takaful (MHIT) base product design. These reforms were made possible with the strong support and cooperation of government ministries and agencies as well as the financial industry.

At the same time, we continued to accelerate responsible innovation. Platforms and initiatives such as the Digital Asset Innovation Hub, Climate Finance Innovation Lab and i-CITA programme were set up to support financial solutions that respond directly to the needs of our economy and society. Further progress has also been made to build climate resilience of financial institutions and their customers, with most financial institutions offering green products and solutions. Meanwhile, the expansion of the iTEKAD programme, going beyond entrepreneurship support and into risk protection and employability-related support, will lend further help to thousands of micro-entrepreneurs, many from vulnerable communities.

Our whole-of-ecosystem approach also defines the strides made in Islamic finance. Value-based finance has become more entrenched, with Islamic financial institutions leading the way. New impact-driven pilots were rolled out, and the phased adoption of the transformative MYOR-i – the world’s first transaction-based Islamic benchmark rate – marks an important milestone in deepening Islamic financial markets. Looking ahead, we will harness our strength to provide global leadership and position Islamic finance as a catalyst for progressive and inclusive growth, from expanding social finance and boosting the halal ecosystem to enhancing integration across ASEAN. The formation of the MIFC Business Network is also expected to improve industry’s coordination and facilitation to secure more inward and outward business opportunities for the nation.

## Stronger together

As the country’s central bank, our policies and actions affect millions of Malaysians, and such efforts can never be ours alone. To this end, we engaged widely and proactively with those that we serve and regulate. Good policy must be anchored not only in data, but also in on-the-ground realities. Engagements with businesses across Malaysia helped us better understand emerging risks and shifts in behaviour – often before they show up in the numbers. It brings real time insights from plantations in Tawau or households in Besut right to Kuala Lumpur.

As a regulator, continuous dialogue with the broader industry and market participants sharpens our assessment of what matters most for Malaysia’s financial development, and how to calibrate reforms in a way that is effective and proportionate.

Our stakeholders in the Parliament and across the Government keep us focused on outcomes, and ultimately on delivering for the *rakyat*. With each conversation, we strengthen the trust extended to our institution. Importantly, our collaborative approach to policy – fiscal, financial and monetary – builds coherence and amplifies potency. This has been long recognised as a strength by the global investment community, including key rating agencies.

## Progress through cooperation

In an increasingly fragmented world, ASEAN can be a source of strength. Malaysia's ASEAN Chairmanship was an opportunity to affirm and solidify the region's core values and principles – a shared commitment and collective responsibility in enhancing regional peace, security and prosperity. Amid heightened global trade tensions, ASEAN's unified commitment to a measured and constructive response reflected this. For Malaysia, being part of a region that values cooperation and stability has been an important anchor in navigating an increasingly complex global landscape. To this end, BNM led efforts to advance deeper regional financial and economic integration under the Finance Track.

Regional payment connectivity was expanded, with 29 payment linkages now operational across ASEAN Member States. Now, a tourist making purchases or a small business selling products across borders can make and receive payments more quickly, securely and at lower cost. This reduces friction, expands opportunities and can support the livelihoods across ASEAN communities.

We also mobilised investments into regional green projects, including the ASEAN Power Grid. Such initiatives are not only about climate goals; they are also about energy security, long term competitiveness, and creating the foundations for future growth and jobs. Malaysia also lent its experience through the Greening Value Chain initiative which is now being rolled out in two other ASEAN economies.

At the same time, ASEAN's capacity to respond collectively to external shocks was strengthened, including through enhancements to the Chiang Mai Initiative Multilateralisation and critical strategies under the ASEAN Goeconomics Task Force. These measures reinforce ASEAN's capacity to respond collectively to external shocks, creating an additional layer of resilience against global uncertainties.

## Looking ahead

Uncertainties surrounding global trade and capital flow dynamics will continue to shape the 2026 outlook. Developments in the Middle East have added another layer of uncertainty with potentially far-reaching spillovers, given implications on commodity prices and financial market conditions. The extent of impact on growth and inflation is highly contingent on the duration, intensity and severity of the conflict. At the same time, while rapid advances in artificial intelligence present opportunities to raise productivity and efficiency, there are risks of inventory and market corrections as well as heightened financial market volatility given potential overvaluations.

In this environment, Malaysia's domestic resilience and diversified export structure provides us with a solid foundation to navigate current external headwinds. The Malaysian economy is projected to grow between 4% and 5%, supported by household spending, expansion in investments, sustained global demand – particularly for E&E exports, and steady tourism amid Visit Malaysia Year 2026. Our standing as a net energy exporter will also lend us some resilience against the increase in global commodity prices. Meanwhile, inflation is expected to remain moderate between 1.5% and 2.5%. While upside risks stemming from developments in global commodity and energy prices remain, targeted policies are in place to help cushion the impact on households and businesses.

The ongoing geoeconomic shifts represent structural changes and continues to evolve with long lasting implications. At this juncture, we must recognise that the global landscape is becoming less predictable, as geopolitical considerations increasingly shape economic outcomes. Developments in the Middle East underscore that conflict can create ripples across the globe, while benefitting none. This underscores the urgency for Malaysia and ASEAN to deepen domestic and regional reforms. We must work closely together, including through the ASEAN Goeconomics Task Force, to navigate this evolving environment. We also need to mindfully position ourselves to face the challenges and capitalise on opportunities to come.

For Malaysia, it is important that we remain focused and committed to strengthening our economic fundamentals and policy buffers. By improving fiscal sustainability and attracting quality investments, we have created space to further advance much needed urgent reforms for social protection and the labour market. These reforms may involve some short-term adjustments, but they are necessary to ensure that growth is more inclusive and benefits the *rakyat* – including generations to come. Malaysia's path to becoming a developed, high-income nation must be paved with shared prosperity. We must build an economy that creates better paying jobs, supports our households and businesses, and remains resilient for decades to come.

For BNM, we will remain vigilant in ensuring that we are well-equipped to navigate the challenges ahead, without losing sight of longer-term priorities to enhance our economic prospects and preserve our resilience. The Monetary Policy Committee will continue to closely monitor developments and assess the balance of risks to the growth and inflation outlook. We also stand ready – as we have through successive periods of heightened uncertainty – to ensure orderly markets and manage risks of excessive volatility.

As the FSBP 2022–2026 enters its final phase, implementation will be accelerated along with work to develop the next course for Malaysia's financial sector. We will work to better facilitate innovation, including in emerging areas such as digital finance, stablecoins and climate adaption in a safe and responsible manner.

## What remains true

While the environment continues to evolve, BNM's commitment is certain. As an organisation, we will continue to faithfully discharge our mandate to build a brighter future for all Malaysians. We will continue to strengthen our capabilities to better serve the nation. This includes continuing to extend our ongoing efforts to optimise work processes, investing in the responsible use of technology, reviewing manpower needs and embedding sustainability more deeply into the organisation.

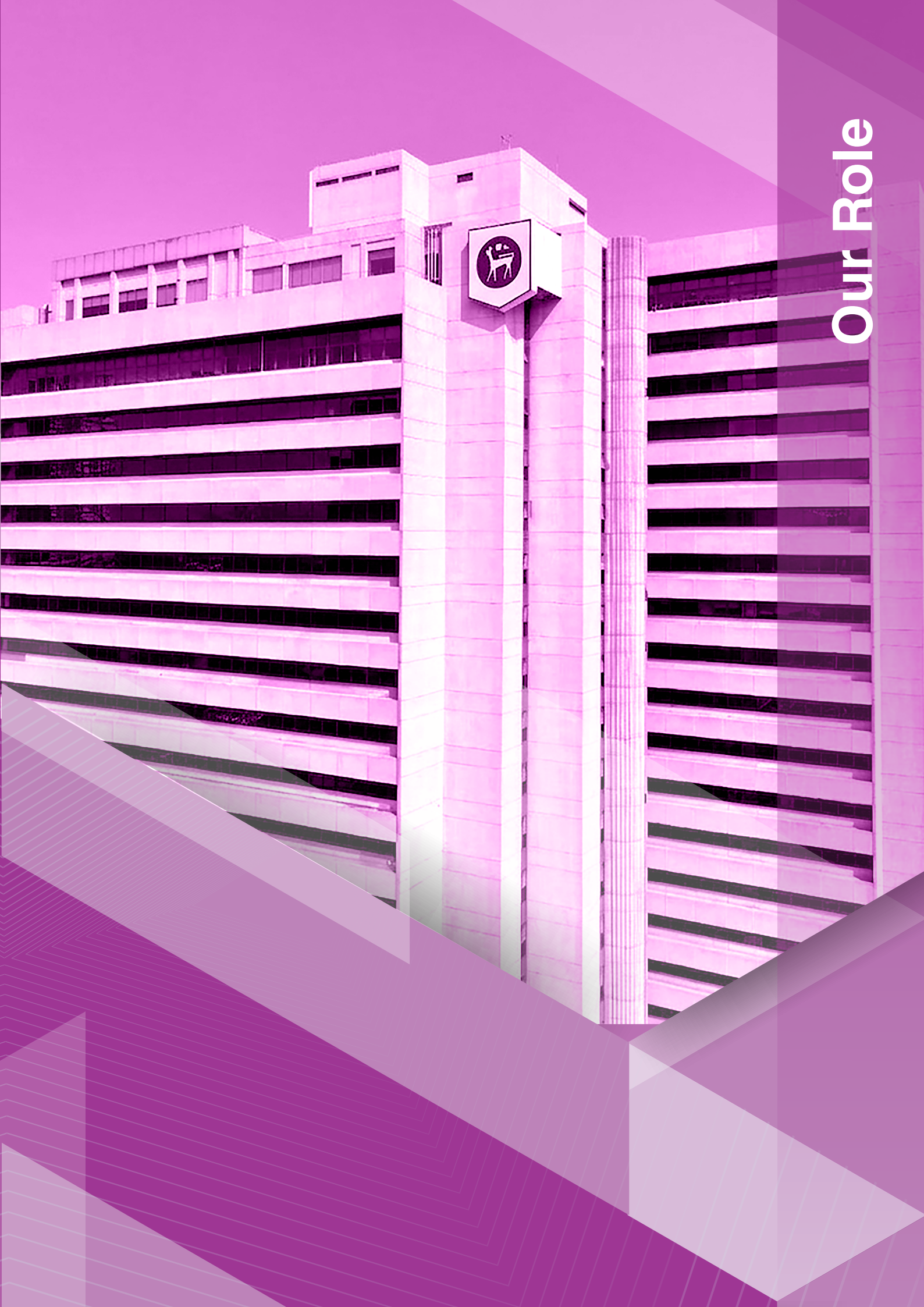
What BNM has achieved was only made possible by the hard work, dedication and perseverance of our staff. I would like to express my heartfelt appreciation to our people for your professionalism, resilience and quiet commitment to public service. Your work, in the frontlines and behind the scenes, touches the lives of households, businesses, and communities across the country. I would also like to extend my gratitude to the Board of Directors for their guidance and steady stewardship. Beyond our organisation, my appreciation also goes to our partners across government ministries and agencies, financial sector, as well as peer central banks and regulators, whose shared purpose and collaboration have been instrumental in advancing our collective goals.

With all the support, I am confident that BNM will continue to ensure that the financial sector remains a strong enabler of meaningful economic progress. As we press ahead, remember that we are stronger together in delivering our best for the 34 million Malaysians that we serve.



**Abdul Rasheed Ghaffour**





# Our Role

# | Our Role

Bank Negara Malaysia (BNM) is Malaysia's central bank. Our principal objective is to promote monetary stability and financial stability conducive to the sustainable growth of the Malaysian economy. BNM derives its mandate and powers from the Central Bank of Malaysia Act 2009 and other laws that it administers.<sup>1</sup>

In our role to promote monetary stability, BNM formulates and conducts monetary policy to keep inflation low and stable, while ensuring that it is supportive of sustainable economic growth. We are also mandated to promote an exchange rate regime consistent with the fundamentals of the economy.

To promote financial stability, BNM regulates and supervises financial institutions to promote their safety and soundness. We oversee money and foreign exchange markets to promote their integrity and orderly functioning. We also exercise oversight over payment systems to foster safe, efficient and reliable payment systems and payment instruments. In addition, we regulate the conduct of financial institutions and intermediaries in order to provide appropriate protection to financial consumers.

BNM plays a key role in promoting a progressive and inclusive financial system. This takes into account the changing needs of the Malaysian economy and its people, and the central role of finance in the nation's economic and social

progress. Our pursuit to develop and deepen both the conventional and Islamic financial system also recognises that a well-developed financial system is one that can help absorb shocks, and therefore contributes to the country's resilience.

BNM carries out a number of other important functions. These include issuing currency, and holding and managing the country's foreign reserves. BNM is also the financial adviser, banker and financial agent of the Government. Together with other government and law enforcement agencies, we play a role in helping to prevent the criminal abuse of financial services. Additionally, BNM has been responding to climate risk, firstly through appropriate regulation and supervision of financial institutions, to support an orderly transition to a low-carbon economy; and secondly by embedding sustainable practices in our own operations.

In all BNM does, it does in the best interest of the nation.

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<sup>1</sup> Other key legislation includes the Financial Services Act 2013; Islamic Financial Services Act 2013; Development Financial Institutions Act 2002; Anti-Money Laundering, Anti-Terrorism Financing and Proceeds of Unlawful Activities Act 2001; Money Services Business Act 2011; and the Currency Act 2020.

# Promoting Monetary Stability

The Monetary Policy Committee (MPC) formulates monetary policy in Malaysia to maintain price stability while taking into account broader economic and financial conditions. Meeting six times a year, the MPC assesses Malaysia's inflation and growth prospects to decide on the Overnight Policy Rate.

## Monetary Policy in 2025

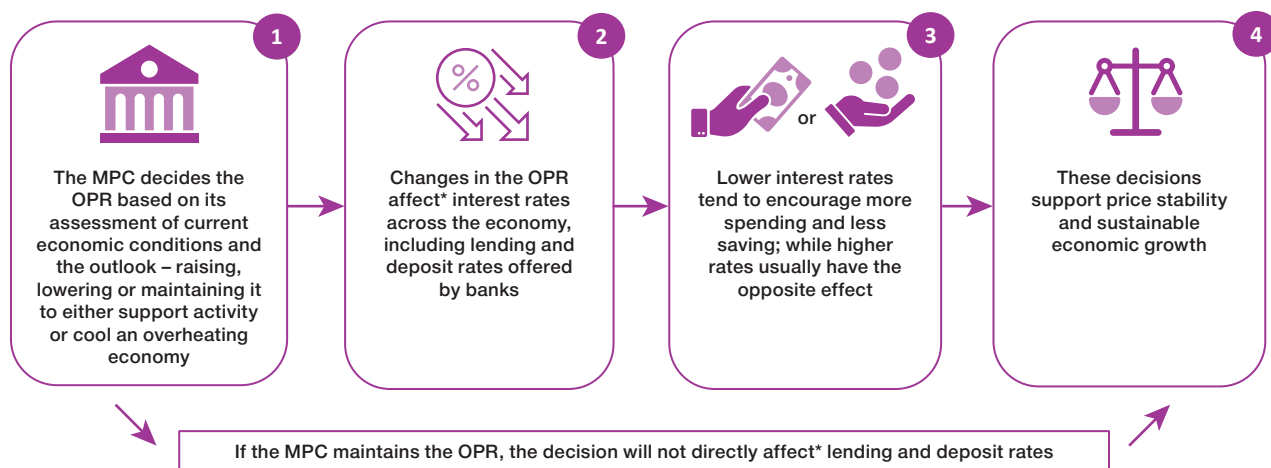
### Introduction to Monetary Policy

Monetary policy<sup>1</sup> in Malaysia is set by BNM's Monetary Policy Committee (MPC) through the

central bank's key policy rate also known as the Overnight Policy Rate (OPR). A change in the OPR influences, among others, banks' lending and financing rates, as well as deposit rates. These changes affect how expensive or affordable loans are and how attractive it is to save – shaping households' and businesses' spending and saving decisions. In turn, this affects overall demand and the prices of goods and services in the economy.

In setting the OPR, the MPC assesses both current economic conditions and where the economy is heading. Its main goal is to keep inflation low and stable in support of sustainable growth. If economic activity is expected to slow, the MPC may lower the OPR to make borrowing cheaper and encourage spending. When prices rise too quickly, as demand is stronger than supply, the MPC may raise the OPR to slow spending and keep inflation under control. (See Diagram 1 for the illustration).

**Diagram 1: How Monetary Policy Works Through the Economy**



\* This can still be subject to change depending on market dynamics, macroeconomic developments and banks' strategies.

Source: Bank Negara Malaysia

<sup>1</sup> More information on Malaysia's monetary policy and the MPC can be found in the 'Governance' chapter of this report and in the 'Monetary Stability' section of the BNM's website (<https://www.bnm.gov.my/monetary-stability>).

## Global Economic and Financial Conditions

In making its monetary policy decisions, the MPC first considers what is happening in the global economy. This is important because Malaysia, as a small and open economy, is closely connected to other countries. Developments abroad can affect Malaysia’s economy in real and tangible ways – from the prices we pay to how we trade.

The global economy continued to expand in 2025 despite a highly challenging and uncertain external environment. When the United States (US) announced higher import tariffs in early 2025, it affected global trade flows and increased uncertainty around policy and growth outcomes.<sup>2</sup> Despite this, global trade turned out to be relatively resilient during the year. Firms accelerated shipments ahead of higher US tariffs, while strong artificial intelligence (AI)-related demand for technology goods provided an additional boost. As the year progressed, trade agreements reached between the US and a few of its trading partners eased some of the uncertainty. Many final tariff rates were set lower than initially expected,<sup>3</sup> reducing pressures on global trade and sentiment. Alongside this, firm household spending, investment, as well as supportive fiscal and monetary policies across major economies lent support to global economic growth.

Global inflation continued to ease during the year. While demand and economic activity expanded, they did so at a pace that did not generate excessive inflationary pressures. At the same time, a higher supply of key commodities, like oil, pushed their prices down. This in turn lowered input costs<sup>4</sup> for producers. Stronger currencies against the US dollar also helped keep inflation in check across most countries.

Broadly stable prices worldwide allowed major central banks to lower interest rates, supporting a further easing in global financial conditions. This easing continued despite bouts of financial market volatility arising from uncertainties over global trade and monetary policy,<sup>5</sup> which peaked in April after the US administration announced reciprocal tariffs. However, as the year progressed, new trade agreements and greater clarity on the global trade outlook helped restore investor confidence.

<sup>2</sup> This was further exacerbated by the potential retaliatory responses by other major economies.

<sup>3</sup> Based on BNM estimates, the US effective tariff rate (ETR), which takes into account reciprocal tariff rate, product tariff rate and tariff exemptions eased to around 17.4% towards the end of the year.

<sup>4</sup> Input costs refer to the expenses incurred by a business or producer in acquiring the necessary resources, materials, and services to create a product or provide a service.

<sup>5</sup> Uncertainty around global monetary policy in this context mainly reflects shifting expectations about the US Federal Reserve’s policy path.

In this environment, emerging market economies (EMEs) including Malaysia experienced capital inflows, and their currencies strengthened against the US dollar, particularly in the second half of 2025.

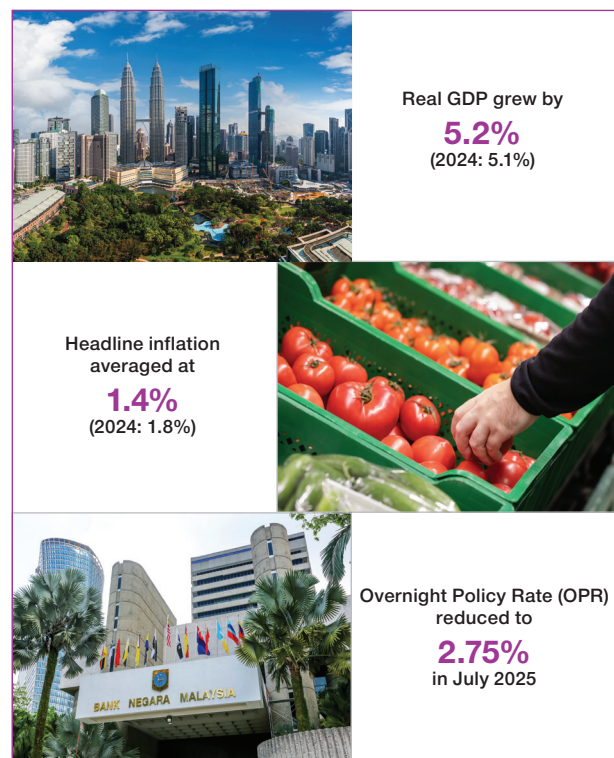
## Domestic Economy

The Malaysian economy performed well in 2025 despite the challenging global environment. While global conditions provide an important backdrop, the MPC focuses primarily on domestic growth and inflation considerations in its monetary policy decisions.

As a highly open economy, Malaysia is exposed to external developments, and the MPC therefore assesses their impact on the outlook of domestic economic growth and inflation. The external sector<sup>6</sup> was largely resilient throughout 2025. Exports were supported mainly by firm electrical and electronic (E&E) performance and strong inbound tourism.

Malaysia has a diversified export structure – in terms of trade partners and product segments. This helped cushion the impact of rising global trade barriers and weaker shipments to the US. Even as frontloading by US importers eased

Diagram 2: 2025 Key Domestic Figures at a Glance



Source: Bank Negara Malaysia and Department of Statistics, Malaysia

<sup>6</sup> The external sector refers to a country’s economic interactions with the rest of the world, including the buying and selling of goods and services, as well as cross-border investment flows.

in the second half of the year, E&E exports benefitted from strong global demand for AI-related technology goods. At the same time, higher flight connectivity, visa exemptions for selected countries,<sup>7</sup> and promotional initiatives in the lead-up to Visit Malaysia 2026<sup>8</sup> helped draw more tourists to Malaysia. As a result, Malaysia continued to experience a current account surplus in 2025, with export earnings exceeding spending on imports.

Amid the resilient external sector, domestic demand<sup>9</sup> continued to be a key engine of growth. Better employment, wage growth and income-related measures throughout the year shaped household spending. These measures include the Civil Servant Salary Revision (CSSR) and minimum wage revision for the private sector, while targeted cash transfers, including Sumbangan Tunai Rahmah (STR) and Sumbangan Asas Rahmah (SARA), provided further support.

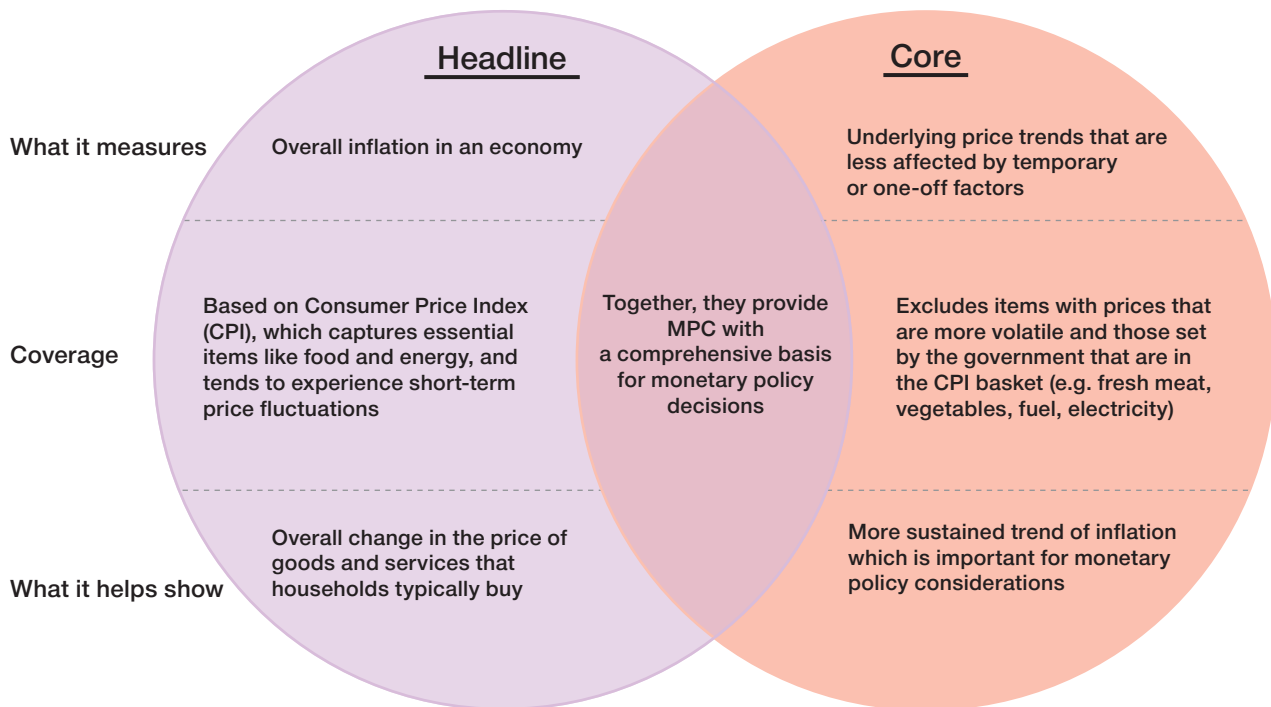
Investment activity continued to be an important driver of Malaysia’s growth. Multi-year projects by public and private sectors continued to

progress steadily, as initiatives under national masterplans were also rolled out.<sup>10</sup> Investment approvals remained robust, reflecting continued confidence in Malaysia’s investment landscape. Many earlier-approved investments were also translated into real activities. Notably, 84.9% of manufacturing investment projects approved by the Malaysian Investment Development Authority (MIDA) between 2021 and 2025 have already progressed to various stages of implementation.<sup>11</sup> Sustained government spending and strategic capital investments by public corporations also lent support to public investment growth. Taken together, this reinforced overall investment momentum.

### Domestic Inflation

In assessing inflation, the MPC looks at both headline and core inflation. (Refer to Diagram 3 for more information). Domestic inflation stayed broadly contained in 2025. Headline inflation moderated further to 1.4% as global cost conditions eased. While domestic policy adjustments – particularly the electricity tariff

Diagram 3: Headline and Core Inflation Comparison



Source: Bank Negara Malaysia and Department of Statistics, Malaysia

<sup>7</sup> Malaysia’s visa-free entry scheme for travellers from China and India was originally introduced in December 2023. This initiative, which allows stays of up to 30 days, has been extended until 31 December 2026.  
<sup>8</sup> More information can be found on the official tourism website of Malaysia (<https://www.malaysia.travel/page/visit-malaysia-2026>).  
<sup>9</sup> Domestic demand refers to the total spending within a country by households, businesses, and the government.

<sup>10</sup> These included among others, the New Industrial Master Plan (NIMP 2030) and National Energy Transition Roadmap (NETR).  
<sup>11</sup> Source: Malaysian Investment Development Authority (MIDA). More information can be found on MIDA’s website (<https://www.mida.gov.my/why-malaysia/mida-insights/>).

restructuring and rationalisation of RON95 fuel subsidies – were initially expected to add temporary upward pressure on inflation, the overall impact turned disinflationary.<sup>12</sup> This reflected the policy design and implementation, whereby most households benefitted from lower electricity rates while eligible Malaysians faced lower retail fuel prices, consistent with the government’s intention to cushion households from the effects of these reforms.

Meanwhile, core inflation stayed stable and close to its long-term average of 2%, supported by steady domestic demand without undue price pressures. Overall, the contained inflation provided a stable environment for people and businesses to conduct economic activities without worrying about significant price changes.

### Monetary Policy Developments

The MPC always looks ahead when making monetary policy decisions. This is because changes to the OPR do not affect economic activity and inflation right away.<sup>13</sup> In 2025, the MPC made the pre-emptive decision to reduce the OPR by 25 basis points to 2.75% in July.<sup>14</sup>

While the domestic economy was on solid footing at the time, global developments posed greater downside risks to Malaysia’s growth outlook. By acting early, the MPC sought to ensure that policy support would already be in place if these risks materialise. If they did not, the costs of acting pre-emptively were limited, given that inflation remained contained.

Throughout the rest of the year, Malaysia’s economy continued to be supported by steady spending and investment. Inflation also stayed low, helped by contained global cost conditions and the absence of excessive demand pressures. In this environment, the MPC kept the OPR unchanged, as it viewed the current stance as appropriate and supportive of the economy. The preemptive cut is expected to continue providing additional support to the broader economy in 2026.

<sup>12</sup> Electricity costs fell for most households following tariff restructuring, which introduced lower domestic rates and rebates under the Energy Efficiency Incentive. The phased rollout of the BUDI95 programme, particularly the introduction of a lower subsidised price of RM1.99 per litre, for all eligible Malaysian citizens, contributed to lower inflation during the year.

<sup>13</sup> In Malaysia, changes in the OPR transmit almost immediately to market and reference rates, including the Standardised Base Rate (SBR), Base Rate (BR) and Base Lending Rate (BLR). However, the effects on the broader economy take longer to materialise, as households’ and businesses’ consumption and investment decisions adjust gradually.

<sup>14</sup> More information on Malaysia’s monetary policy decision-making process can be found in the ‘Monetary Stability’ section of the BNM’s website (<https://www.bnm.gov.my/monetary-stability>).

In addition to our monetary policy decisions, we reduced the Statutory Reserve Requirement (SRR) ratio from 2% to 1% in May. This provided banks with greater flexibility to manage liquidity in the face of financial market volatility.<sup>15</sup> Throughout the year, our monetary operations focused on maintaining sufficient liquidity in the domestic banking system to support financial intermediation.

### The Ringgit Exchange Rate

Malaysia adopts a flexible exchange rate regime.<sup>16</sup> This means the ringgit is determined based on the supply and demand for our currency, with foreign exchange movements influenced by both global and domestic factors. Global factors include monetary policy in major economies and changes in commodity prices. Domestic factors include Malaysia’s growth and inflation outlook, and overall market sentiment.

In the first half of 2025, the ringgit strengthened. The appreciation was driven by global investor interest in emerging market economies (EME) assets amid trade-related uncertainties. This continued into the second half of the year, supported by easier global monetary policy. This included the US Federal Reserve, which lowered its policy rate three times since September 2025.

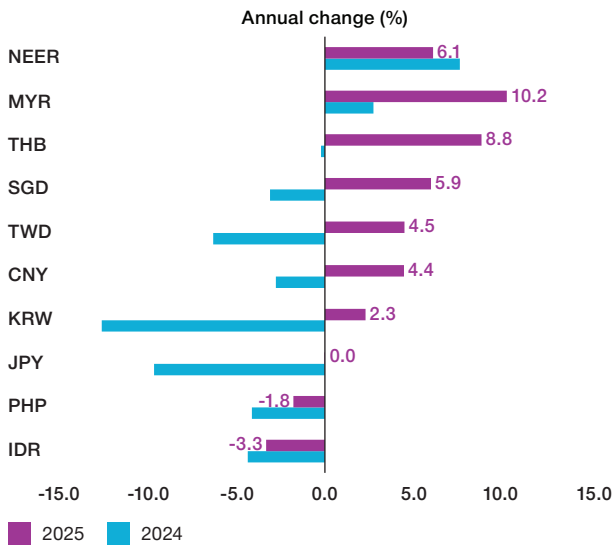
Global monetary easing supported the ringgit in two ways. First, as interest rates abroad fell, the gap between their interest rates and Malaysia’s became smaller. Foreign investors therefore earned less from holding assets in their respective countries than before, making investments in Malaysian assets more attractive. Second, easier global financial conditions also improved risk sentiment. This encouraged investors to seek better returns in emerging markets, including Malaysia. As these inflows rose, demand for the ringgit increased, helping to support its value.

In addition to these global factors, the ringgit’s performance was also supported by positive sentiment surrounding Malaysia’s favourable economic outlook. Ongoing structural reforms against a backdrop of political stability further strengthened investor confidence. These developments enhanced Malaysia’s appeal as an investment destination. By end-2025, the ringgit recorded the largest appreciation among regional currencies against the US dollar (Chart 1).

<sup>15</sup> More information on the SRR can be found in the ‘Monetary Operations’ section of the BNM’s website (<https://www.bnm.gov.my/statutory-reserve-requirement-srr->).

<sup>16</sup> More information on the ringgit can be found in the ‘Ringgit Exchange Rate Policy’ section of the BNM’s website (<https://www.bnm.gov.my/monetary-stability/ringgit>).

**Chart 1: Performance of Selected Currencies Against the US Dollar and Ringgit Nominal Effective Exchange Rate (NEER)**



Note: Positive figures indicate an appreciation of currencies against the US dollar. NEER shows the value of the ringgit against a trade-weighted basket of Malaysia’s major trading partners’ currencies.

Source: Bank Negara Malaysia

Throughout the year, BNM supported the smooth functioning of the foreign exchange market through our liquidity and foreign currency operations. By buying or selling the ringgit when necessary, our objective is to maintain two-way liquidity in the market, especially during periods of stress. These actions helped ease pressures on the currency and kept the market operating smoothly. Such operations also prevented sudden, excessive swings in the ringgit, which could disrupt activities like exports and investments. Additionally, ongoing coordinated efforts by the Government and BNM to encourage more consistent repatriation and conversion of foreign earnings by corporates and investors continues to support more balanced two-way flows in the domestic financial market, including through the Qualified Resident Investor (QRI) programme.<sup>17</sup>

Through ongoing initiatives under the Financial Markets Committee (FMC) and regular engagement sessions with large corporates, BNM pursued efforts to deepen the foreign exchange

market further, enabling banks and businesses to meet their funding and foreign exchange needs more effectively. At the same time, BNM continued to promote access to hedging instruments<sup>18</sup> to help businesses better manage their foreign exchange risks.

## Research and Analysis

BNM undertakes research on both short- and long-term economic developments, with a focus on understanding their implications for the Malaysian economy. These analyses inform the MPC’s deliberations and support the Bank’s broader economic policy advocacy.

Against heightened uncertainty this year, BNM’s research efforts focused on assessing how global developments and domestic policy moves could shape Malaysia’s economic outlook. This was not a straightforward task. Global shocks often spread through many interconnected channels, affecting growth and inflation in different ways. As a small and open economy, we are especially sensitive to these ripple effects.

An important focus during the year was the impact of trade-related developments, particularly the reciprocal tariffs imposed by the US. We closely examined how these tariffs were shaping global trade flows, investment decisions and business behaviour. This allowed the MPC to differentiate between short-term trade-related disruptions versus more lasting implications for growth. We also undertook a careful review of domestic growth conditions and updated Malaysia’s growth forecast for the year.<sup>19</sup>

We examined the economics of data centre investments, in line with Malaysia’s rising position as a regional data centre hub. Beyond their direct contribution to GDP, our research shows that data centres also have the potential to create spillover gains across the supply chain, including higher demand for construction, utilities, professional services, and digital infrastructure, as well as the creation of higher-paying jobs. Realising these benefits will depend on having the right policies in place to strengthen forward and backward linkages, while managing key risks.<sup>20</sup>

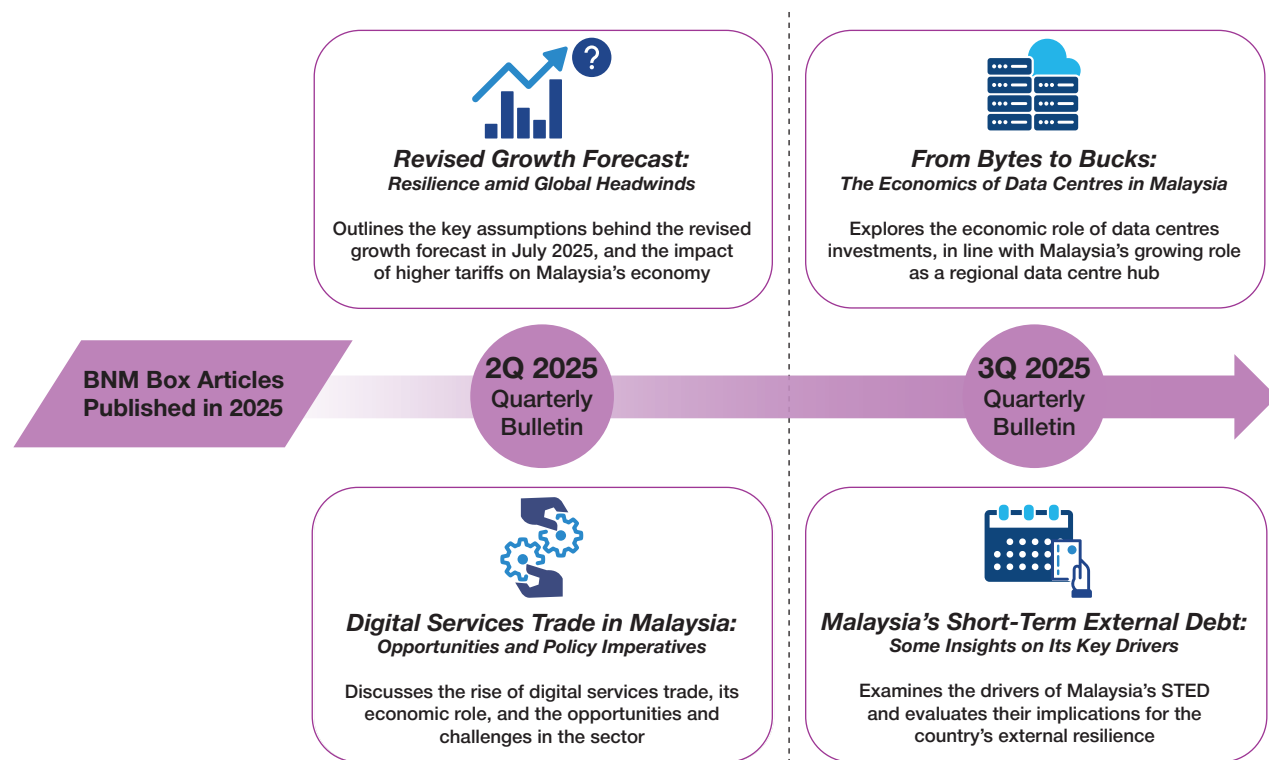
<sup>17</sup> More information on the Qualified Resident Investor (QRI) programme can be found in the ‘Foreign Exchange Policy’ section of the BNM’s website (<https://www.bnm.gov.my/fep/flexibilities/qri>).

<sup>18</sup> BNM introduced the dynamic hedging programme in December 2016 to allow greater flexibility for registered institutional investors to actively manage their invested assets’ foreign exchange exposure. More information can be found on the Financial Markets Investor Portal (FMIP): (<https://financialmarkets.bnm.gov.my/frequently-asked-questions>).

<sup>19</sup> Further analysis can be found in the BNM’s Second Quarter of 2025 Quarterly Bulletin White Box Article titled ‘Revised Growth Forecast: Resilience amid Global Headwinds’.

<sup>20</sup> Further analysis can be found in the BNM’s Third Quarter of 2025 Quarterly Bulletin White Box Article titled ‘From Bytes to Bucks: The Economics of Data Centres in Malaysia’.

Diagram 4: BNM Box Articles Published in 2025



Source: Bank Negara Malaysia

Digital services trade is becoming an increasingly important contributor to Malaysia's external sector. This led us to assess its growing role, alongside the opportunities and policy priorities needed to unlock the full potential of the digital economy. Our study shows that Malaysia has a strong base to grow its digital services industry. This includes good ICT infrastructure, supportive government policies, a vibrant tech sector, and a competitive talent pool. More work, however, is needed to shape the next stage of growth. Key priorities include focusing on high-value, low-latency industries, strengthening Malaysia's startup and intellectual property ecosystem, and developing a larger pool of digital talent.<sup>21</sup>

We also assessed the resilience of Malaysia's external sector by examining both the growth and composition of short-term external debt. While the study showed that short-term external debt has been rising, this reflects Malaysia's deeper integration into the global economy, supported by the active participation of banks and private

firms in cross-border activities such as interbank borrowing and trade credit. Importantly, the debt profile is favourable, helping to contain related vulnerabilities. Overall, Malaysia's external sector continues to be a key pillar of economic strength, providing a strong buffer against external shocks. This resilience is underpinned by sound economic fundamentals and robust policy safeguards.<sup>22</sup>

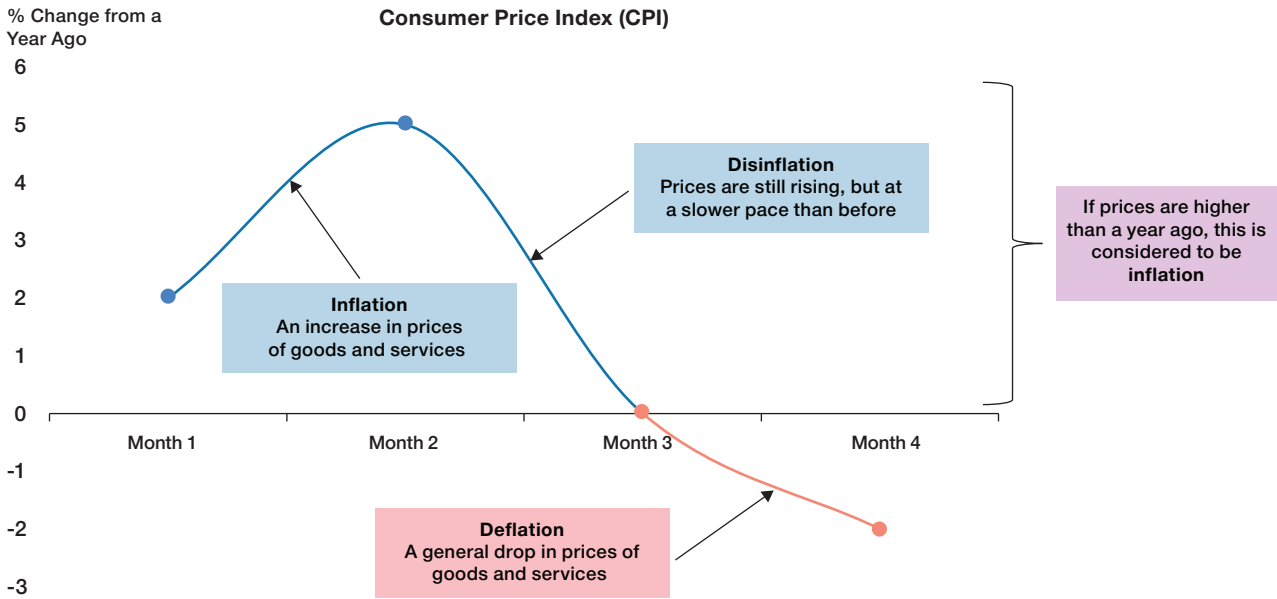
Another area of research was to understand how domestic policy changes introduced during the year would affect inflation. As broad-based disinflation occurred across many economies, BNM developed an internal framework to distinguish between disinflation and deflation<sup>23</sup> (see Chart 2 for the illustration). This framework helped guide the MPC to respond appropriately without overreacting to short-term movements in prices. Overall, the assessments showed that deflation is not a material risk for Malaysia, reflecting healthy demand conditions, resilient labour markets, and a stable inflation outlook among firms and households.

<sup>21</sup> Further analysis can be found in the BNM's Second Quarter of 2025 Quarterly Bulletin Box Article titled 'Digital Services Trade in Malaysia: Opportunities and Policy Imperatives'.

<sup>22</sup> Further analysis can be found in the BNM's Third Quarter of 2025 Quarterly Bulletin Box Article titled 'Malaysia's Short-Term External Debt: Some Insights on Its Key Drivers'.

<sup>23</sup> For further discussion on cost of living and why households' experiences may differ from headline inflation, see the Featured Article 'Beyond the Headline: Inflation Through the Eyes of Households' in this chapter.

**Chart 2: An Example of Inflation, Disinflation and Deflation**



Source: Bank Negara Malaysia

The Tun Ismail Ali Centre of Excellence in Monetary and Financial Economics (TIACOE) was officially launched during the year as a BNM-endowed research centre under the stewardship of the Asia School of Business (ASB).<sup>24</sup> TIACOE complements BNM’s internal research efforts, serving as a platform for fellows and affiliates of ASB, central bankers, scholars and graduate students to conduct research in the field of monetary and financial economics. Following its set up in August, research grants were awarded to recipients working on projects in monetary policy as well as in liquidity dynamics within Islamic Finance.<sup>25</sup>

Beyond research, as the financial and economic advisor to the Government, BNM continued to actively participate in several inter-agency policy groups focusing on Malaysia’s economic priorities. These included areas like the cost of living, labour, public finance, investments and social protection. For example, we provided input on the policy design and payment mechanism for BUDI95, helping ensure that subsidies were delivered to the *rakyat* in a targeted manner while minimising leakages.

Throughout these engagements, our policy advice remained grounded by a sound understanding of the economy. We looked carefully at how policies may affect domestic inflation and growth, and the daily lives of households and businesses. Our aim remains to safeguard macroeconomic stability and protect the welfare of all Malaysians.

## Communications and Outreach

Throughout 2025, BNM stayed closely engaged with its key stakeholders, including analysts, financial market participants, the media and the Malaysian public. Through these engagements, we explained our monetary policy decisions and major economic developments, such as growth, inflation, and movements in the ringgit. This helped deepen understanding of BNM’s role and ensured we are responsive to issues that matter in an uncertain global environment.

We spent some time during the year improving the way we communicate monetary

<sup>24</sup> The Tun Ismail Ali Chair (TIAC) was established at the University of Malaya in 2000 with the aim of strengthening academic excellence in monetary and financial economics. It was conceived as a tribute to Tun Ismail Ali, the first Malaysian Governor of Bank Negara Malaysia and its longest-serving Governor. Over time, the initiative has evolved into the Tun Ismail Ali Centre of Excellence, now under the stewardship of the Asia School of Business.

<sup>25</sup> For more information on these grants, please visit the Asia School of Business, Tun Ismail Ali Centre of Excellence in Monetary & Financial Economics research grants webpage: (<https://asb.edu.my/research-office/tun-ismail-ali-coe>).

## PROMOTING MONETARY STABILITY

policy decisions. To enhance transparency, BNM introduced its first post-MPC media interview series, aimed at better educating the public on the MPC's considerations behind its policy decisions and the global and domestic conditions shaping them. To broaden outreach on monetary policy, BNM continued to leverage a range of channels, including social media, media interviews, speeches, publications, press conferences, and targeted workshops and briefings.<sup>26</sup>

In engaging with analysts, we held regular briefings after each MPC meeting. In these sessions, we provided further clarity on our policy decisions and the assessments behind them. These sessions are designed to be interactive where analysts can pose questions and provide feedback to BNM. We also held monetary policy workshops for the public and media. These workshops provided deeper insights into our policy approach and provided space for interactive discussions to address misconceptions and information gaps. This includes how inflation

is measured, drivers of the ringgit, and the role of monetary policy in an economy.

## Going Forward

We expect the global environment to remain uncertain, with many moving parts shaping domestic economic conditions. Despite this, Malaysia's economy is projected to remain on a firm footing, supported by resilient domestic demand. We expect inflation to stay moderate, keeping price changes steady and predictable.

As developments abroad can influence conditions at home, the MPC will continue to monitor global trends closely. In charting a steady path forward, the MPC will remain focused, alert to emerging risks, and vigilant to factors that may affect Malaysia's growth and inflation prospects. Above all, the MPC remains committed to keeping inflation low and stable in support of sustainable economic growth.



Governor speaking at the press conference for the second quarter Quarterly Bulletin release

<sup>26</sup> More information on the BNM's public engagements throughout the year can be found in the 'Engaging Malaysians' chapter of this Annual Report.

# Beyond the Headline: Inflation through the Eyes of Households

## Introduction

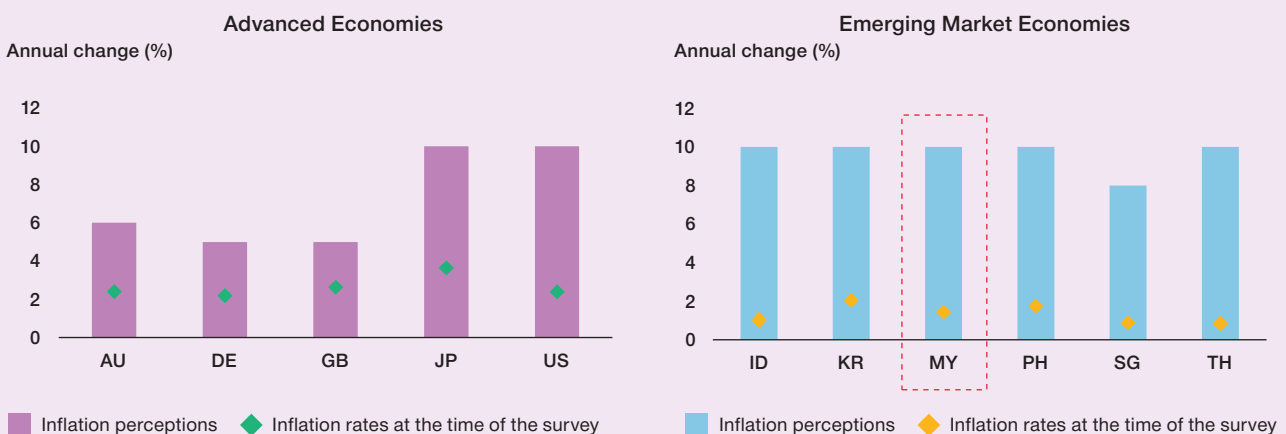
Inflation in Malaysia has eased to its lowest level in five years. In 2025, headline inflation, measured as the year-on-year growth in the Consumer Price Index (CPI), averaged 1.4%.<sup>1</sup> But, high cost of living remains a major concern for many households. This partly reflects how inflation is measured in official statistics compared with people’s day-to-day experiences. In this article, we explore why this experience can feel different from the headline inflation figures – a pattern seen in Malaysia and many other countries around the world.

## It is natural for inflation to be viewed in a way that reflects people’s own experiences or opinions

Media headlines and everyday conversations about prices tend to draw on people’s own experiences, especially when it comes to familiar vegetables like *sawi* or everyday meals such as *nasi lemak* and *roti canai*. These day-to-day observations naturally shape how many Malaysians perceive inflation.

Evidence from around the world, including Malaysia, shows that people often perceive inflation to be higher than what official figures report. This is especially the case after periods of sharp price increases, such as those that followed the COVID-19 pandemic (Chart 1) (Weber et al. (2021); Anesti et al. (2024)). This is understandable, as households feel the price changes directly in their daily spending.

**Chart 1: Household Inflation Perceptions\* Are Elevated Above Prevailing Inflation Rates**



\* Household inflation perceptions typically refer to how households perceive the magnitude of past price changes. In contrast, inflation expectations refer to the magnitude of future price changes expected by households (European Central Bank Economic Bulletin, 2021).

Note: AU = Australia, DE = Germany, GB = Great Britain, JP = Japan, US = United States, ID = Indonesia, KR = Korea, MY = Malaysia, PH = Philippines, SG = Singapore, TH = Thailand

Source: Adapted from ‘A global survey of household perceptions and expectations’ (Bank for International Settlements (BIS), 2025). The BIS conducted a cross-country survey in March–April 2025 examining households’ inflation perceptions and expectations, finding that households in all surveyed economies consistently perceived inflation over the past 12 months to be higher than official published rates

<sup>1</sup> Inflation is measured by the Consumer Price Index (CPI), which is published by Department of Statistics, Malaysia (DOSM) monthly. For further information, please refer to the white box article on ‘Inflation, the Cost of Living and the Living Wage’ in BNM’s Annual Report 2018.

Households tend to form their views on inflation and price changes in two main ways.

First, **households’ impressions of prices are largely influenced by the items they buy frequently**, such as staple food and beverages. This tendency, also known as frequency bias, means that regularly bought items weigh more heavily on their perception of inflation. To better reflect this experience, economists use indicators such as the **Everyday Price Index (EPI)**, which assigns greater weight to frequently purchased items in the CPI. By emphasising these regular purchases, the EPI captures price changes that more closely mirror households’ day-to-day experiences.

Second, **households’ perceptions are also shaped by how price changes are remembered**. Price increases tend to leave a stronger and more lasting impression than price declines, even when both occur. This behavioural pattern, known as memory bias, is captured in the **Perceived Price Index (PePI)**. The PePI is similar to the EPI but includes only items that have recorded price increases, while excluding those that have fallen in price.<sup>2</sup> As a result, the PePI often shows a higher rate of inflation than both the CPI and the EPI, reflecting the stronger impression that price hikes leave on households.

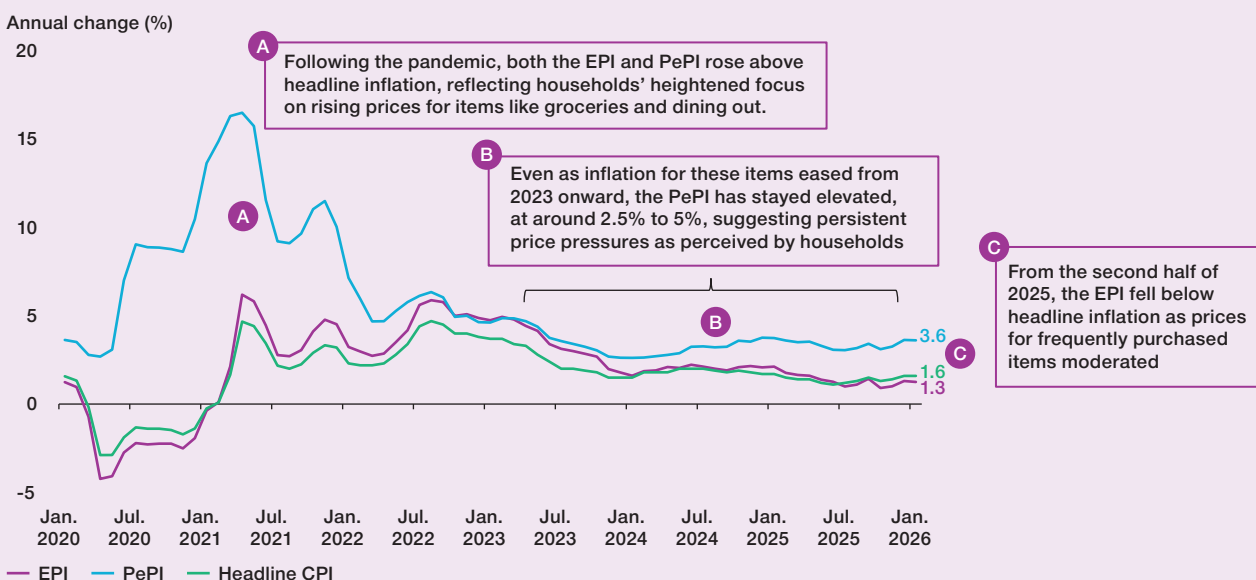
Recent trends in the data illustrate this clearly. Prices of everyday items such as fresh food, petrol and utilities have eased, helped by softer global commodity prices and recent policy reforms (Table 1).<sup>3</sup> As a result, the EPI has fallen below headline inflation. Even so, the PePI has stayed high (Chart 2). This suggests that many households still feel inflation is elevated because earlier price increases continued to stand out more than the more recent price declines.

**Table 1: Price Movements for Selected Items (2025 vs. 2024)**

Price increases	Price declines	Prices stable (mainly price-administered items)
<ul style="list-style-type: none"> <li>Eating out: 4.1% (2024: 3.6%)</li> <li>Water bills: 5.5% (2024: 28%)</li> <li>Rent: 2.0% (2024: 1.7%)</li> </ul>	<ul style="list-style-type: none"> <li>Vegetables: -4.4% (2024: 2.5%)</li> <li>Electricity: -3.4% (2024: 1.6%)</li> <li>Petrol: -0.9% (2024: -0.2%)</li> </ul>	<ul style="list-style-type: none"> <li>Toll facilities</li> <li>Government hospital fees</li> </ul>

Source: Department of Statistics, Malaysia

**Chart 2: Malaysia’s CPI, EPI and PePI**



Note: EPI and PePI are constructed by Bank Negara Malaysia using DOSM price data.

Source: Department of Statistics, Malaysia and Bank Negara Malaysia estimates

<sup>2</sup> For more information, please refer to the box article ‘Inflation: Perception vs. Reality’ in BNM’s First Quarter of 2017 Quarterly Bulletin.  
<sup>3</sup> For example, policies include fuel subsidy rationalisation under BUDI95 and electricity tariff revision.

## So why do we still rely on the CPI?

The CPI is designed to measure overall inflation across the entire economy. It is built on a broad and representative basket of goods and services that reflects the spending patterns of the average household. To capture this full picture, the CPI includes not only everyday essentials but also items that are purchased less frequently, such as computers and household appliances.

Because of this wider coverage, and its consistent methodology across countries, the CPI provides the most complete and internationally comparable measure of inflation. This is why it remains the primary indicator used to assess inflation trends and guide policy decisions.

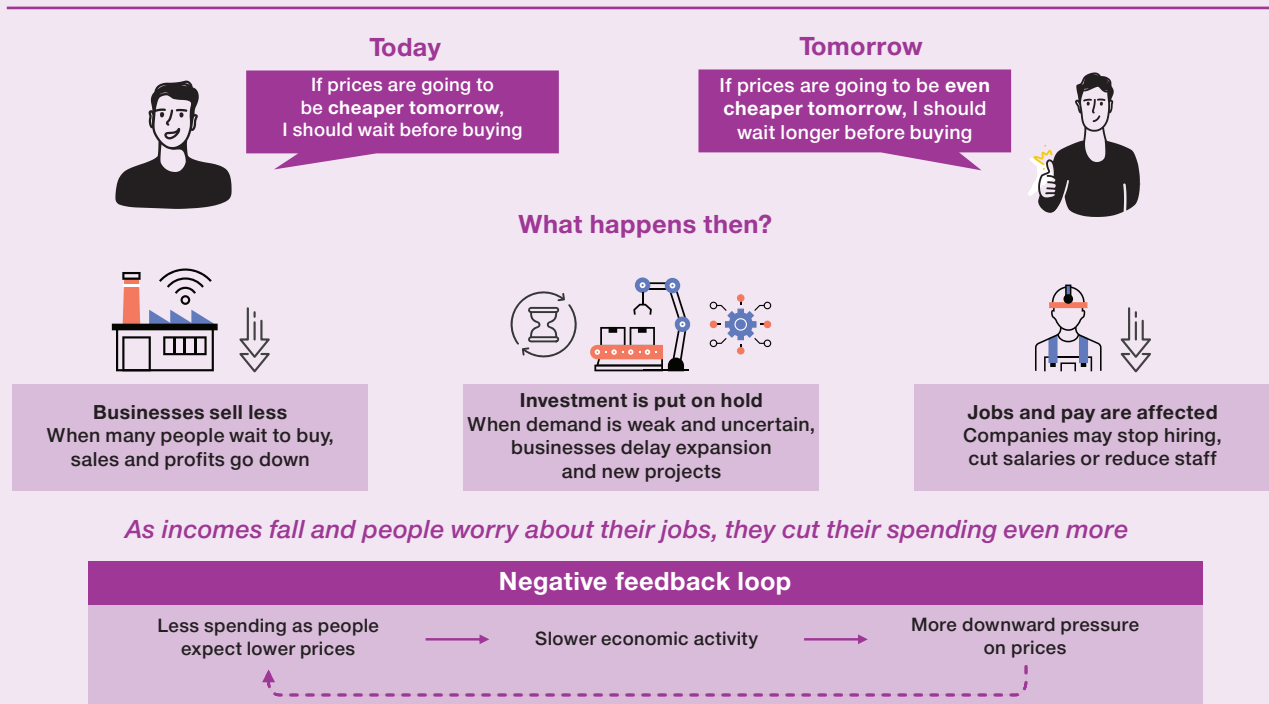
At the same time, to gain a more holistic understanding of inflation as felt by households, some economists also examine the EPI and PePI. Each of these indicators highlights a different angle of how people experience price changes in their daily lives. Taken together, the CPI, EPI and PePI provide a deeper and more nuanced picture – balancing lived experience with the broader economic perspective.

## Inflation measures price growth, not price levels

Inflation measures how **fast** prices are rising, not how high prices already are. Many people think about inflation by comparing today’s prices with what they were before, sometimes from years ago. When everyday expenses feel high, it is natural to wish that prices could return to those earlier, more familiar levels. These past price points often serve as a reference for how households assess whether their purchasing power has improved or weakened.

But for *prices to fall back* to earlier levels would mean deflation. While deflation may sound appealing at first, especially when living costs feel high, it can create deeper problems in the economy. If people expect prices to keep falling, they may delay spending in the hope of getting a better deal later. When this behaviour becomes widespread, it can weaken demand, reduce business revenues, and lead to job losses and delayed investment, setting off a cycle of weaker economic activity (Diagram 1).

Diagram 1: When Falling Prices Create Bigger Problems



Source: Bank Negara Malaysia

## PROMOTING MONETARY STABILITY

Prices play an important role in the economy. They signal changes in supply and demand to enable a more efficient allocation of resources. In some cases, price increases are a natural and necessary part of this process. For example, when the demand for a product is more than available supply, prices may rise until they reach a point where buyers' willingness to pay matches what sellers are willing to provide. This was seen during the COVID-19 pandemic when global demand for rubber gloves far exceeded available supply, causing average selling prices to more than double. In other cases, price changes could partly reflect better quality or features – for example, getting a phone with a better camera or longer battery life. In these situations, people may be paying more not just because of higher costs, but because they are receiving a better product in return.

For some essential goods, the Government may step in and sometimes cap prices through subsidies or price controls to ease short-term price pressures. However, such measures are costly for the Government. In addition, if such caps stay in place for too long, they can also distort supply and demand. For instance, in the case of price controls, producers may struggle to stay profitable when the cost of producing a product rises above its fixed selling price. In turn, they may cut back on production, or focus production towards exports markets offering higher prices, leading to supply shortages – commonly known as the 'empty shelves phenomenon'.

### Purchasing power depends on prices, as well as wages

As the central bank, one of Bank Negara Malaysia's (BNM) key objectives is to ensure low and stable inflation. This is important as stable and predictable prices allow households and businesses to better plan their spending, saving and investment decisions. In turn, this helps to support economic activity and growth.

Preserving households' purchasing power, however, depends not only on prices, but also on incomes. Namely, when price increases are slow and predictable, households can maintain their purchasing power as long as wages rise alongside prices. In such conditions, steady inflation allows incomes time to adjust, helping households cope with higher prices and plan their spending with greater confidence.

Recent developments in Malaysia help illustrate this dynamic. In 2025, overall prices increased by 1.4% while nominal wages per worker grew by 1.7%,<sup>4</sup> bolstered by policy support and firm economic activity. However, a closer look at how wage and price levels have evolved since before the pandemic shows why many households still feel the strain. From 2019 to 2024, the headline CPI increased by 9.3%, while nominal wages per worker grew by just 7.2%. In other words, this means that the average person must work more hours to afford the same basket of goods. This is clearly illustrated in the case of food: as food prices rose faster than wages in recent years, households must now work longer just to meet their usual food expenses (Chart 3).

**Chart 3: Working Hours Needed to Afford Monthly Food Expenditure\***



\* Based on gross median income and average spending on food, with the assumption of nine working hours/day and five working days/week.

Source: Bank Negara Malaysia estimates using data from Household Income and Expenditure Surveys 2019 and 2024, Department of Statistics, Malaysia

<sup>4</sup> Nominal wages per worker refers to the wages of workers in the private-sector manufacturing and services industries.

Recent income measures, such as revisions to the minimum wage,<sup>5</sup> have helped to ease the burden of more than five million workers in Malaysia. Over the longer term, however, deeper structural reforms are needed to address the root causes of subdued wage growth in Malaysia.

First, there is a need to create more high-skilled and high-paying jobs. In 2025, high-skilled jobs made up only 26% of new positions, lower than the 5-year (2020–24) average of 30%. This decline reflects Malaysia's slow transition from low to high value-added industries, muted adoption of technology and low research and development (R&D) investment. To address these gaps, reforms that promote industrial upgrading and support firms' transition into more complex, high-value production are essential. In this vein, initiatives such as the National Industrial Masterplan (NIMP2030) and the National Investment Aspirations (NIA) aim to attract higher quality investments, promote technology-intensive production and generate more high-skilled jobs.

At the same time, supply-side reforms are equally important to ensure the workforce can meet rising skill demands. Persistent skills mismatches and limited support for upskilling and reskilling continue to limit workers' access to better-paying opportunities. Elevating education and training systems, deepening industry linkages and expanding opportunities for lifelong learning will be critical.

Overall, a comprehensive reform agenda is needed to address persistent gaps in the labour market, raise productivity and create more opportunities for better-paying jobs.<sup>6</sup> Without addressing these underlying conditions, wage growth could continue to lag price increases, leading to an erosion in living standards over the long term.<sup>7</sup>

## Conclusion: Perceptions and Policy

At the end of the day, inflation is not just about numbers. Household experiences shape perceptions and expectations of inflation, influencing key economic decisions such as consumption, savings and wage expectations. These, in turn, impact firms' price-setting behaviour and create broader ripple effects on the economy. When expectations of high inflation become widespread, they can also influence inflation itself. In extreme cases, if people expect prices to rise faster than usual, their behaviour can end up keeping inflation high for longer and affect a wider range of goods and services.<sup>8</sup>

In pursuit of low and stable inflation, BNM's main tool is monetary policy. When inflation is high, BNM adjusts monetary policy to manage overall demand in the economy, slowing the pace of price increases. The aim is to ensure low and stable inflation, rather than an environment of deflation, which could harm the economy. However, monetary policy alone cannot fully preserve purchasing power, as households' wellbeing is also shaped by wage growth, productivity and broader cost of living trends.

Even with moderate inflation, many households continue to grapple with higher living costs amid slow wage growth. To secure better living standards and strengthen purchasing power, income growth needs to outpace increases in prices. When expenses rise faster than incomes, even small price increases can feel significant to households, shaping how affordable things seem and how they view the broader economy.

Ultimately, strengthening households' purchasing power requires a holistic and coordinated policy strategy. This entails complementing monetary policy with targeted fiscal support for vulnerable groups and implementing structural reforms that boost incomes and productivity. By tackling both price and wage dynamics, policymakers can safeguard purchasing power and support sustainable economic growth over the long term.

<sup>5</sup> In 2025, Malaysia's minimum wage was raised to RM1,700 from RM1,500.

<sup>6</sup> At this juncture, ongoing efforts by the Government to strengthen education and skills development include reforms to technical and vocational education (TVET) and expanded industry-linked training initiatives.

<sup>7</sup> For more information on policies addressing labour market challenges and wage growth, please refer to the box article 'Sustaining the Engine: The Evolving Drivers behind Malaysia's Private Consumption Growth' in BNM's Economic and Monetary Review 2025 and the feature article 'Curbing Inflation, Easing Costs: The Policy Perspective' in BNM's Annual Report 2024.

<sup>8</sup> During the post-pandemic reopening of the economy, many people expected prices to rise faster than usual given the environment of pent-up demand and supply disruptions. In turn, as costs rose, businesses were able to increase prices more easily without losing customers, contributing to broad-based inflation which peaked at 4.7% in August 2022.

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# Promoting Financial Stability

A core part of Bank Negara Malaysia's (BNM) mandate is to promote a stable financial system to serve as a foundation for sustainable economic growth. This means financial institutions are able to absorb shocks and continue providing essential financial services to households and businesses at all times. It safeguards Malaysians' continued access to savings, financing, insurance/takaful protection and payment services even during times of economic stress. To this end, BNM regulates and supervises financial institutions to keep the financial system strong.

## Financial Stability Priorities in 2025

A resilient financial system ensures the continuity of financial intermediation and services during periods of stress and uncertainty. This sustains public confidence, thereby supporting economic stability and growth. In the face of global uncertainties, including global trade and geopolitical tensions, Malaysia's financial system remained resilient in 2025 amid a prudent and robust regulatory environment.

Against this backdrop, BNM continued to anchor our regulatory and supervisory priorities in 2025 on safeguarding the resilience of the financial system. Our efforts focused on four key areas:

- Aligning Malaysia's regulatory framework with global standards while adapting them to local needs.
- Strengthening financial institutions' ability to manage operational disruptions in an increasingly digitised and interconnected environment.
- Enhancing risk management practices to build resilience against emerging risks such as fraud, cyber threats and climate change.
- Fostering responsible practices and high standards of business conduct for fair outcomes for consumers.

## Regulatory Priorities

In line with the priority areas, BNM issued nine key prudential, market conduct and payment system policies (Diagram 1).

### Adoption of global regulatory standards

We continued efforts to align our regulatory framework with the Basel III standards. The aim is for financial institutions to stay strong and well-prepared to withstand shocks. In turn, this protects depositors and supports confidence in the financial system. In 2025, we issued three Exposure Drafts, namely the Capital Adequacy Framework (Internal Ratings-Based Approach for Credit Risk) (IRB), Capital Adequacy Framework (Counterparty Credit Risk) (CCR) and Interest Rate Risk in the Banking Book (IRRBB).

These policies improve how banks measure and manage risks. The revised IRB reduces undue differences in model-based risk estimates,<sup>1</sup> thus contributing to more credible and comparable capital ratios for banks. Meanwhile, the new CCR methodology will enable banks to allocate capital more efficiently, especially for derivative transactions, supported by strong risk management practices. The IRRBB standard sets clearer expectations on how banks manage the risk from movements in interest or profit rates. In practice, this means banks must have strong oversight, proper controls and enough capital to withstand these movements. Managing this risk well helps ensure banks stay resilient through different interest rate environments.

<sup>1</sup> Model-based risk estimates refer to measures such as the probability of default, loss given default and exposure at default, which banks derive using internal models to calculate risk-weighted assets under the IRB approach.

### Strengthening standards on risk management and operational resilience

Greater use of digital technology and shared systems has made the financial system more efficient and led to better outcomes for consumers. However, it also increases the risk of disruptions from cyber incidents and technical failures. In line with these heightened risks, BNM updated the Risk Management in Technology (RMiT) requirements. The aim is to strengthen IT security and resilience against evolving cyber threats, outages and data breaches. We also issued a Discussion Paper on Operational Resilience to invite industry-wide feedback on how financial institutions should prepare for and respond to severe disruptions. This aims to ensure they can continue delivering critical services even amid severe operational disruptions.

### Ensuring responsible lending and fair outcomes to consumers

For a financial system to function efficiently, there needs to be trust between financial service providers and consumers. This trust – built on accountability, fairness and transparency – gives consumers the confidence to participate in the financial system.

During the year, we intensified efforts to strengthen this trust. With the revised policy, financial service providers can no longer use flat rate<sup>2</sup> and/or Rule of 78 method<sup>3</sup> for calculating interest or profit for personal financing. This means consumers pay interest or profit only on the amount they still owe and are not subject to excess charges for making early repayments. Additionally, financial service providers must ensure that consumers complete a financial education module, delivered either by the financial service provider or Agensi Kaunseling dan Pengurusan Kredit (AKPK), before applying for any new personal financing product exceeding RM100,000. Similar restrictions on the use of flat rate and/or Rule of 78 method will also apply to hire-purchase financing, once the recently enacted Hire-Purchase (Amendment) Act 2026 takes effect on 1 June 2026.

Financial service providers must now also adopt more holistic affordability assessments. This goes beyond assessing whether a borrower's income can cover existing debt obligations. They must also ensure that the borrower has sufficient income left for essential living expenses after taking on new

personal financing. These enhanced requirements promote more prudent, responsible and transparent financing practices. They can also help borrowers make better-informed financing decisions and avoid taking on debt beyond what they can afford.

In the digital payments space, we updated the payment card rules so that cardholders have more control over their own payment card security. Key changes include stronger authentication methods and new self-service security toggles, which allow cardholders to customise the safety features of their payment card. This includes the choice to turn off features such as card-not-present (CNP)<sup>4</sup> for overseas transactions through their banking application. Looking ahead, we also plan to set stronger rules on how financial institutions respond to fraud, focusing on proper communication with account holders. These steps will help improve coordination and speed up action across the industry. Together, they will promote user confidence and drive greater fairness and transparency in how financial institutions respond to fraud.

Additionally, the passing of the Consumer Credit Act 2025 (CCA)<sup>5</sup> marks a key legislative reform aimed at strengthening consumer protection and harmonising consumer credit regulation. The CCA provides an overarching framework applicable to all authorities<sup>6</sup> with oversight of consumer credit, including BNM. This promotes consistency by ensuring that regulatory standards issued by the authorities meet the minimum consumer protection expectations set out under the CCA. Through this coordinated approach, consumers can benefit from effective and similar protection across the entire credit industry.

Beyond policy reforms, we also engaged the public as part of our broader commitment to building a fair, transparent and inclusive financial system for all Malaysians. For example, BNM held outreach sessions, including media workshops, to explain what fair treatment means in practice and how it applies to a customer's interactions with financial service providers. Alongside this, we also rolled out initiatives to ensure that consumers, especially those in the unserved and underserved segments, have access to essential banking services at minimal cost.<sup>7</sup>

<sup>2</sup> 'Flat rate' refers to interest/profit rate that will remain at a specified rate for the whole tenure of the loan/financing, and the interest/profit is calculated based on the amount of the original loan/financing disbursed at the beginning of the loan/financing period.

<sup>3</sup> 'Rule of 78 method' refers to an interest/profit calculation method that charges consumers more at the beginning of the loan and less toward the end.

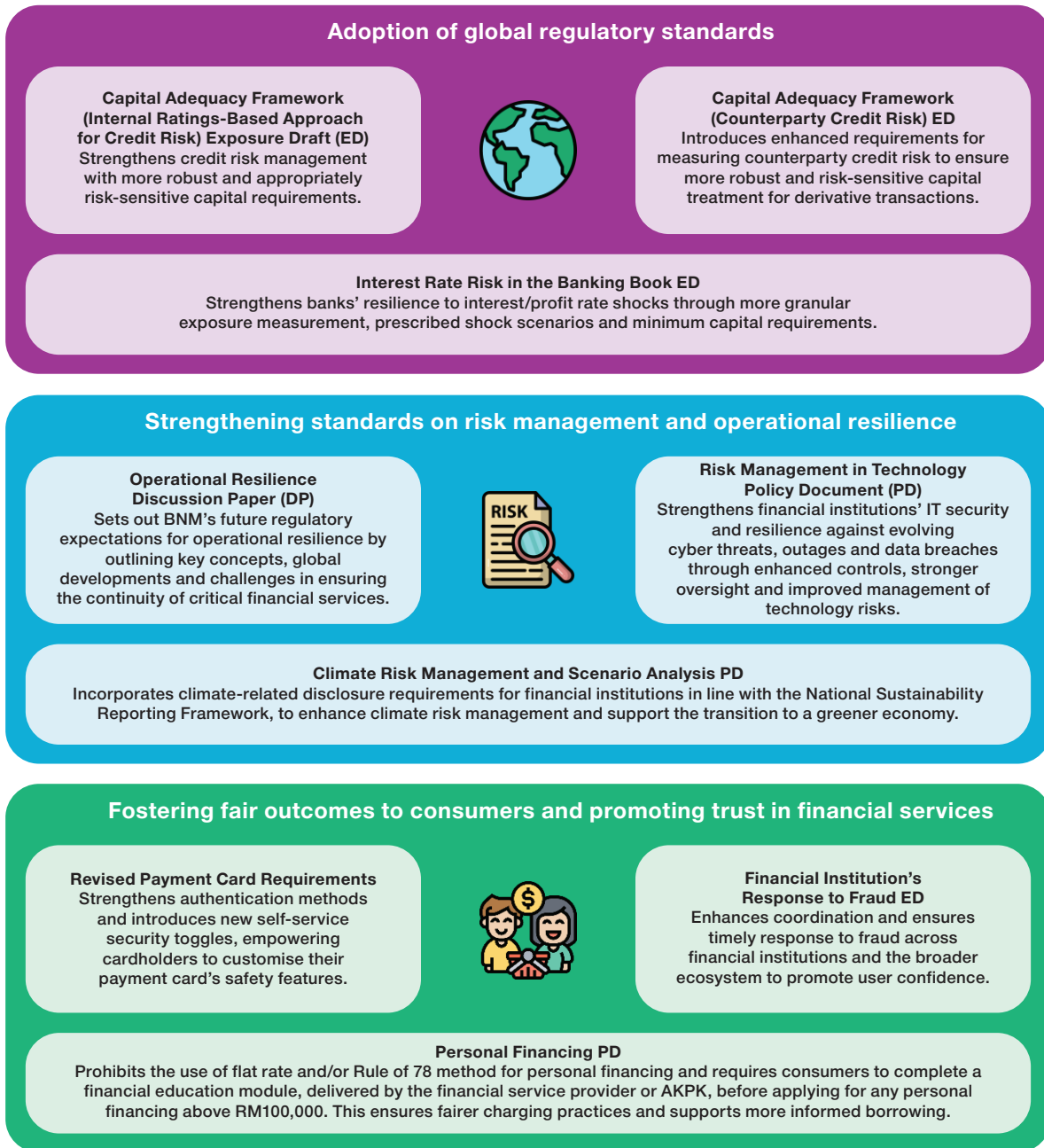
<sup>4</sup> CNP transactions refer to payment card transactions where the cardholder is not physically present (i.e., non-face-to-face) at the merchant when the payment is made. Examples include online transactions, mail order/telephone order transactions and recurring auto-debit transactions.

<sup>5</sup> For more information on the CCA, refer to the Consumer Credit Oversight Board Task Force (CCOBTf) website at ([www.ccob.my](http://www.ccob.my)).

<sup>6</sup> Authorities with oversight of consumer credit include the Securities Commission Malaysia, the Consumer Credit Commission, Malaysian Co-operatives Societies Commission, Ministry of Domestic Trade and Cost of Living, Ministry of Housing and Local Government and Ministry of Entrepreneur and Co-operatives Development.

<sup>7</sup> For more details on BNM's regulatory initiatives, refer to the feature article 'Bridging the Gap: Affordable and Accessible Basic Banking Services (BBS)' in BNM Annual Report 2025.

Diagram 1: Key Policy Issuances and Updates in 2025



Source: Bank Negara Malaysia

## Supervisory Priorities and Approaches

BNM adopts a risk-based and forward-looking supervisory approach. Supervisory activities are prioritised based on material risks that could affect financial stability. Through on-site reviews and off-site monitoring, we get a holistic view of how financial institutions are managing these risks. This allows us to intervene early when needed. Additionally, we also conduct thematic reviews to assess how individual institutions compare with their peers in managing broader, system-wide risks.

After our review, we communicate our findings and recommendations to financial institutions. The aim is for financial institutions to take action to protect customers and maintain financial stability. Importantly, our supervisory activities also align with our regulatory priorities for the year.

### Sound management of third-party service providers (TPSPs)

To deliver their services more efficiently, financial institutions use TPSPs for a wide range of services, including critical services such as

## PROMOTING FINANCIAL STABILITY

IT operations and data centre management. However, dependence on TPSPs can create risks, particularly if a disruption at the TPSP affects a financial institution's ability to maintain continuity of its services. If not properly managed, such dependencies could have severe impacts on the financial system, thereby affecting overall public trust. Hence, financial institutions must have a strong governance and risk management framework to uphold accountability and ensure operational resilience.

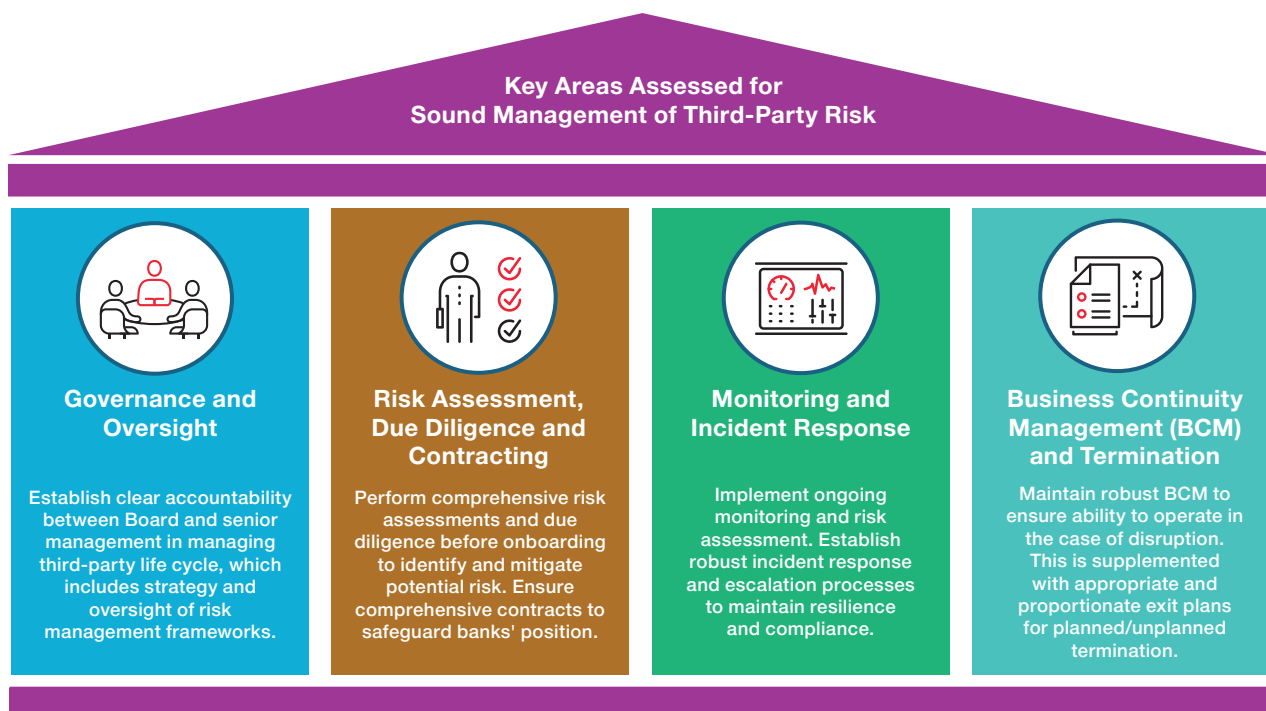
In 2025, BNM assessed banks' risk management practices against the principles of sound management of third-party risk (Diagram 2) adopted from Basel Committee on Banking Supervision (BCBS). The review found that banks are generally able to manage risks associated with TPSPs, although not all systemic risks can be eliminated. To this end, we require banks to continue enhancing their visibility over key nth party<sup>8</sup> dependencies, manage concentration risks among a few critical providers and conduct more robust continuity plans and exit strategies. Ongoing efforts to strengthen these areas help

ensure that essential services – such as access to ATMs, account balances and payment services – remain secure and uninterrupted, even during unexpected disruptions.

### Inculcating stronger Shariah operational practices

Takaful is a Shariah-based protection that is based on the principles of mutual assistance, fairness and risk-sharing. During the year, we reviewed how takaful operators apply Shariah principles in their business operations. Central to this process are the Shariah Committees, who are accountable for providing objective and sound advice to Islamic financial institutions in ensuring Shariah principles are upheld across all aspects of the institution's operations and affairs. It is therefore important that assessments presented to the Shariah Committees are rigorous to support robust deliberation and decision-making on Shariah matters. Such decisions should also be revisited periodically to ensure they remain appropriate as circumstances evolve.

**Diagram 2: Key Areas Assessed for Sound Management of Third-Party Risk**



Source: Bank Negara Malaysia

<sup>8</sup> Key nth party is a service provider that is part of a TPSP's supply chain and supports the ultimate delivery of a critical service by a TPSP to a bank or that has the ability to access sensitive or confidential bank information, as defined by BCBS on principles for the sound management of third-party risk.

The outcomes and expectations from the review were reinforced through engagements with Shariah Committee members and Shariah heads. Importantly, these efforts help to preserve public confidence that takaful products remain Shariah-compliant throughout their lifecycle.

### Ensuring crisis preparedness

Building on work that started in 2024, BNM reviewed the remaining banks’ recovery plans to assess their readiness to manage periods of financial stress. The review found that banks have considered a range of recovery options, supported by clear governance arrangements and early warning triggers to enable swift crisis response. However, there are also areas for improvement. Banks need to conduct a deeper analysis of the practicality of their recovery options and more detailed scenario planning to reflect real-world stress events. This includes refining timelines and conducting thorough back-testing to ensure recovery plans work well under stress.

Recovery planning is a cornerstone of institutional resilience. As banks’ business models, risk profiles and operating environment continue to evolve, recovery plans must be regularly reviewed and strengthened to remain effective.

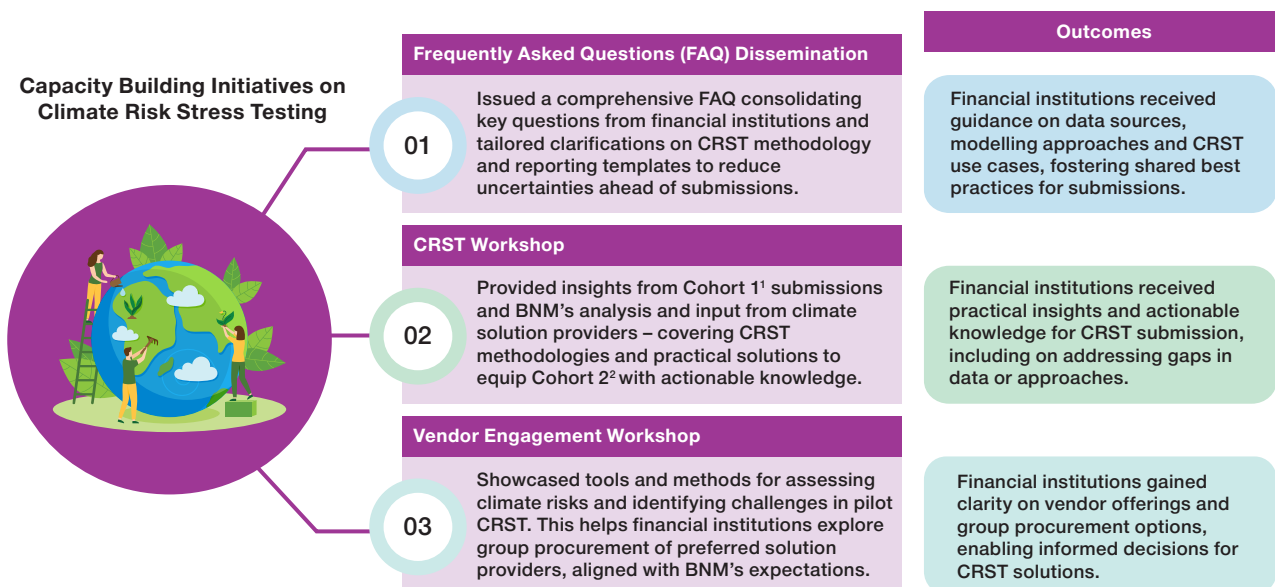
### Advancing climate resilience

Extreme weather events such as floods and prolonged droughts continue to affect communities and businesses across Malaysia. These disruptions highlight the need for financial institutions to prepare for the growing impact of climate risk events. In 2025, we focused on enhancing technical expertise within financial institutions to measure and manage climate-related risks (Diagram 3). This includes building skills through specialised training in transition planning, risk modelling and scenario-based stress testing techniques. Strong climate preparedness helps maintain financial stability by ensuring households and businesses can continue accessing financial services, including protection, during climate-related disruptions.

### Fostering fair, responsible and professional business conduct practices

BNM recognises the importance of financial service providers acting responsibly and upholding fair business practices for consumers to have confidence in the financial system. As such, we directed our market conduct supervision initiatives to reinforce these expectations and ensure that the players continue to deliver outcomes that safeguard consumer interest.

**Diagram 3: Capacity Building Initiatives on Climate Risk Stress Testing (CRST)**



<sup>1</sup> Cohort 1: Domestic banking groups, selected locally-incorporated foreign banking institutions, insurers and takaful operators (submission by 30 June 2025).

<sup>2</sup> Cohort 2: Other banks, development financial institutions, insurers and takaful operators (submission by 31 December 2025).

Source: Bank Negara Malaysia

First, we reviewed complaints handling practices relating to unauthorised e-banking transactions. We found that the reviewed banks have well-coordinated fraud management approaches. These are supported by accessible reporting channels, timely case handling and a robust assessment framework. However, we also identified areas where fraud complaints can be handled better, including on the clarity of decision letters to consumers, thoroughness of investigation and timeliness of fund recovery.

Second, we reviewed practices by bancassurance/bancatakaful (banca) providers – a key distribution channel that allows consumers to purchase insurance and takaful products through their banks. This was initiated by our observation of poor persistency rates<sup>9</sup> within this channel, which could be a sign of mis-selling or product unsuitability arising from weaknesses in incentive structure and oversight arrangements. Given that this could lead to financial strains for consumers, we reviewed the level of oversight exercised by the board and senior management in mitigating the risk of mis-selling or product mismatch. These include aligning incentives with fair consumer outcomes and ensuring accountability for product design and sales practices. The review surfaced several areas for improvement. Among others, banca providers should enhance customer profiling to better match product offering to the different customer segments. Another area is for stronger controls at point-of-sale to support more robust suitability and affordability assessments, and better telemarketing practices to prevent undue pressure on consumers to purchase unsuitable products.

Third, we also focused on adjusters – professionals that have a key role in ensuring effective service delivery and claims processing in the motor insurance industry. Given their role in the industry, it is important that adjusters conduct their business professionally. Poor professionalism can cause conflicts of interests that lead to biased decisions.<sup>10</sup> Our review surfaced issues such as lack of validation on employees' minimum qualifications, inadequate conduct of regular background checks on shareholders, CEOs and directors, as well as insufficient due diligence to identify and prevent conflict of interest.

Overall, our supervisory activities have enabled early detection of key conduct risk such as weaknesses in governance, controls and professional standards. The findings from our reviews above were communicated to industry players, prompting timely remediation by financial service providers. Where significant breaches were identified, we took firmer actions – including the de-registration of one adjuster – to protect consumers and uphold professional standards in the industry.

## Supervisory and Enforcement Actions

BNM uses a range of supervisory and enforcement actions to uphold financial stability and the integrity of our financial system. Guided by BNM's Enforcement Approach framework, we undertake actions that are consistent, transparent and proportionate. These actions reinforce BNM's zero-tolerance stance against financial crimes and our commitment to protecting consumers, maintaining trust and upholding integrity in Malaysia's financial system.

Supervisory actions – such as warning letters, reprimands and enforceable undertakings – serve as preventive and corrective tools. They ensure institutions rectify compliance gaps, improve governance and strengthen internal controls. Enforcement actions, such as administrative monetary penalties and compounds, are imposed for material regulatory breaches to reinforce accountability and deter misconduct.

In 2025, BNM undertook 284 supervisory and enforcement actions (Chart 1), including imposing monetary penalties totalling RM15.9 million. Offences were mainly related to anti-money laundering,<sup>11</sup> technology risk management, prudential standards and foreign exchange policies (Chart 2).

A notable area for enforcement and supervisory action in 2025 was on unplanned system downtime that disrupted essential banking services. We acted against nine banks that failed to meet the regulatory expectations we set, including imposing a total penalty of RM5.6 million.

<sup>9</sup> Persistency rate reflects customer retention. It measures the percentage of insurance policies/takaful certificates that remain in force, without lapsing.

<sup>10</sup> Example of conflict of interest is if an adjusting employee's spouse owns a workshop that works with insurers and takaful operators to repair vehicles, the adjusting employee might favour that workshop when handling claims merely to support the business of his spouse, rather than being fair and unbiased to the claimants.

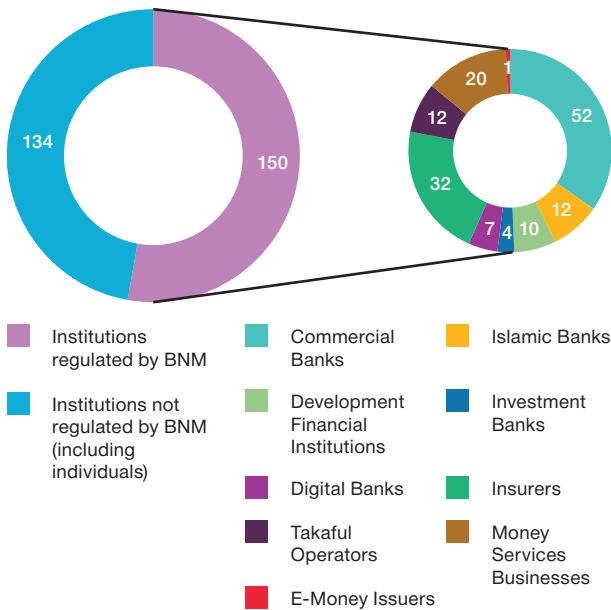
<sup>11</sup> Requirements prescribed under applicable Acts and BNM's policy documents relating to Anti-Money Laundering, Combating the Financing of Terrorism and Counter-Proliferation Financing (AML, CFT, CPF).

In addition, BNM deployed 'disrupt and dismantle actions' as well as 'combative actions' (Diagram 4) against financial crimes such as illegal deposit-taking (IDT), illegal money services business (MSB) and money laundering. These actions aim to safeguard financial integrity, protect public interest and ensure reporting institutions fulfil their responsibilities

in preventing the financial system from being exploited by criminals.

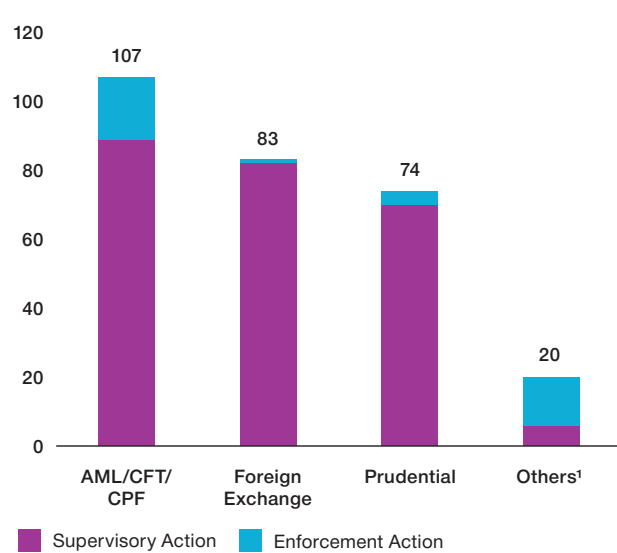
Consistent with BNM's Enforcement Approach, we continue to uphold transparency through the publication of enforcement actions on our website to deter future misconduct. This also demonstrates our zero-tolerance for serious non-compliances.

**Chart 1: Number of Actions Taken by Types of Institutions in 2025**



Source: Bank Negara Malaysia

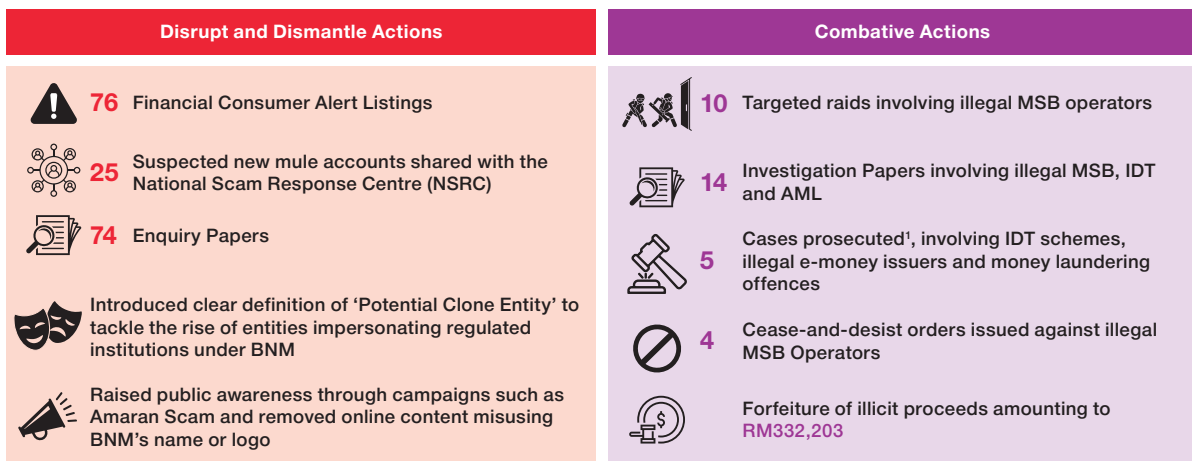
**Chart 2: Number of Actions Taken by Types of Breaches in 2025**



<sup>1</sup>'Others' refers to Business and Market Conduct and Money Services Business-related breaches.

Source: Bank Negara Malaysia

**Diagram 4: Disrupt, Dismantle and Combative Actions in 2025**



<sup>1</sup> Through strategic collaboration with the National Anti-Financial Crime Centre, Royal Malaysia Police, Ministry of Domestic Trade and Cost of Living, Companies Commission of Malaysia, Inland Revenue Board of Malaysia and Labuan Financial Services Authority.

Source: Bank Negara Malaysia

## Building Resilience Through Local and Global Partnerships

In a highly interconnected global financial system, close engagements with industry players, government agencies and regulators are vital to share knowledge, strengthen supervisory capability and uphold global standards. In turn, such engagements strengthen financial stability, crisis prevention and crisis management.

At the global level, as part of the Mutual Evaluation by the Financial Action Task Force (FATF), we worked closely with international counterparts and domestic agencies to show Malaysia's progress in strengthening our financial integrity framework.<sup>12</sup>

We also participated in supervisory colleges<sup>13</sup> where we exchanged views on oversight arrangements and shared best practices. This contributes towards the strengthening of the global financial system. At the regional level, we signed a Memorandum of Understanding (MoU) with the Bank of Thailand, which broadened our cyber-cooperation network with regional regulators. These initiatives further boost cyber resilience and protect against digital fraud across regional financial sectors.

On the domestic front, we collaborated on areas to build industry-wide cyber security resilience. We hosted an event to initiate the conversation on post-quantum cryptography strategies, supported by Society for Worldwide Interbank Financial Telecommunication (SWIFT), Payments Network Malaysia Sdn Bhd (PayNet) and Pusat Teknologi dan Pengurusan Kriptologi Malaysia (PTPKM). This encourages the financial sector to take initial steps to safeguard critical systems against quantum-related risks. It is also timely as advances in computing power, including the

potential future use of quantum technology, may render today's security tools less effective. Without proper preparation, financial institutions will be less able to manage cyber-attacks and data breaches, thus undermining overall financial stability. These partnerships reflect BNM's strong commitment to strengthening financial integrity, safeguarding consumers and ensuring Malaysia's financial system remains secure and trusted.

## Going Forward

As the global financial landscape continues to evolve and become increasingly more complex, BNM remains focused on preserving financial stability. Looking ahead to 2026 and beyond, BNM will:

- continue to align prudential standards with global best practices, while tailoring them to Malaysia's unique financial environment;
- ensure the financial system is better prepared to handle service disruptions, economic shocks and potential financial crises;
- encourage responsible innovation in the financial sector, while managing the risks that come with new technologies;
- factor climate-related risks into financial regulation, while supporting more sustainable practices and opportunities for green growth; and
- uphold high standards of integrity, transparency and accountability so that consumers are treated fairly and the financial system remains safe and trustworthy.

Together, these efforts reflect our commitment to building a financial system that is strong, secure, inclusive and future-ready. This serves to ensure the financial sector can play its role to facilitate economic growth and deliver meaningful outcomes for Malaysian households and businesses.

<sup>12</sup> For more details on Malaysia's AML/CFT/CPF initiatives, refer to chapter on 'Maintaining Financial Integrity' in BNM Annual Report 2025.

<sup>13</sup> Supervisory colleges is a platform that brings together groups of home-host supervisors, with the primary objective of exchanging information and establishing a dialogue to identify and address the key risks across a financial group.

# Bridging the Gap: Affordable and Accessible Basic Banking Services (BBS)

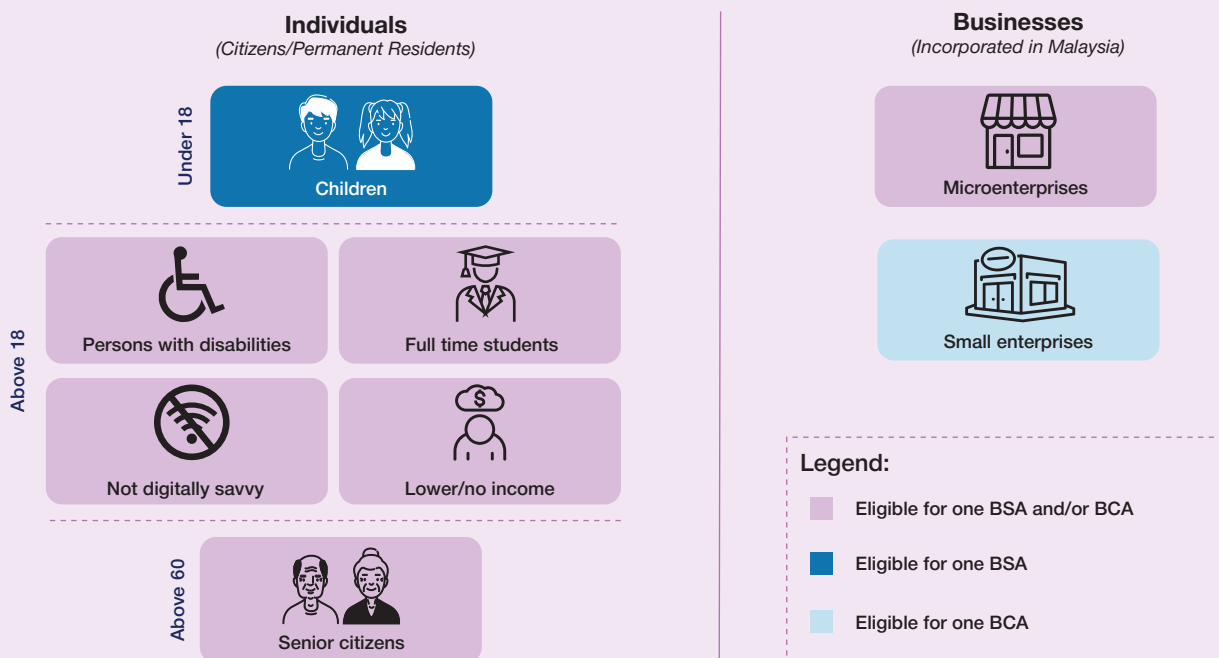
Access to basic and affordable financial services is essential to ensure everyone can meaningfully participate in the financial sector. This has always been the thrust of our financial inclusion agenda.<sup>1</sup> With a more digital and borderless economy and financial sector, we expect to see access to and affordability of financial services increase. Yet, some segments of our society still struggle with being able to open and use bank accounts. These developments led us to revise the Basic Banking Services Policy Document (BBS PD) to make banking services simpler, fairer and more accessible.

## Accelerating financial inclusion through targeted eligibility of BBS

To ensure inclusion translates into real access, the revised BBS PD requires banks to offer Basic Savings Accounts (BSA) and Basic Current Accounts (BCA) to consumers who are eligible. These are among those who are in the unserved and underserved<sup>2</sup> segments. This targeted approach ensures that banks direct their resources and focus on those who need it most, giving them a practical pathway to participate more fully in the financial system.

The revised BBS PD took a step further in requiring banks to now offer BSA to microenterprises.<sup>3</sup> In general, micro and small businesses are the backbone of the economy and they require the same ease of access as individual consumers. This shift allows them to participate in the formal financial sector. Diagram 1 captures the eligible individuals and businesses as defined in the revised BBS PD.

**Diagram 1: Eligibility for Basic Banking Accounts**



Source: Bank Negara Malaysia

<sup>1</sup> Financial Inclusion Framework 2023–2026 (the Framework).

<sup>2</sup> The Framework provides a principle-based guidance in defining financially unserved and underserved segments based on six key characteristics. These include but not limited to, those unable to conduct digital transactions or adopt digital solutions due to lack of digital literacy, capability or connectivity, or those likely to face difficulties accessing financial products due to information asymmetry. Further details on the guidance can be found here: Financial Inclusion Framework (2023–2026) Strategy Paper.

<sup>3</sup> A microenterprise is defined in accordance with the Guideline for New SME Definition issued by SME Corporation Malaysia in October 2013, as amended or modified from time to time.

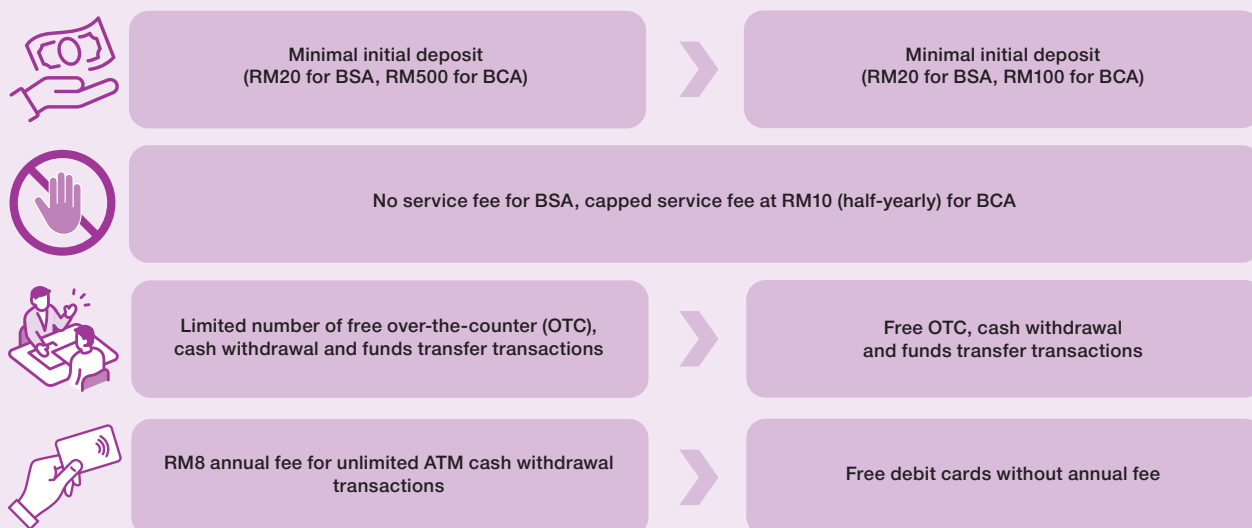
## Ensuring affordability of basic banking services

Affordability is a critical part of making banking truly accessible. Beyond updating the minimum level service standards, the revised BBS PD also ensures that individuals and microenterprises have access to low-cost accounts.

The BSA continues to offer more affordable access to banking. The minimum initial deposit is kept low, making it easy for those who are eligible to open a banking account. For microenterprises, affordable access to banking reduces the need to hold cash, which raises the risk of theft or to use personal accounts for business, making it harder to properly manage their finances. To ease this, a lower minimum initial deposit of RM100 to open a BCA has been introduced. This change makes it easier for microenterprises to open an account and keep business finances separate. Over time, it improves their financial discipline, establishes a track record and opens doors to more financing opportunities. On top of that, core day-to-day services under both BSA and BCA are now free. This ensures consumers enjoy simple and cost-effective banking no matter how often they transact.

Diagram 2 summarises the key features of basic banking accounts pre and post revision of the BBS PD, that sets them apart from the standard current and saving accounts (CASA).

**Diagram 2: Key Features of Basic Banking Accounts Pre and Post Revision of the BBS PD**



Source: Bank Negara Malaysia

## Modernising BBS to meet the needs of consumers today

As digitalisation and connectivity expanded, banking has transformed from a branch-based experience – where most transactions were done in person or at ATMs – to one that is instant, mobile, and always within reach.

The revised BBS PD therefore ensures banks, at minimum, provide consumers with internet banking, allowing instant fund transfers. In addition, banks now provide ATM cards that also serve as debit cards. This allows BSA and BCA accountholders to withdraw cash for free and make e-payment transactions at retail shops.

BNM recognises that there are still segments of consumers who rely on traditional ways to conduct banking transactions. Some consumers, such as senior citizens, may still prefer the personal touch of face-to-face services while those in rural communities with limited internet access will still need physical banking touch-points. To ensure no one is left behind, free over-the-counter (OTC) transactions remain a key feature of basic banking services. This keeps them connected to the financial system without extra costs, preserving trust and accessibility for all.

Beyond account access, we expect banks to always engage with consumers fairly, responsibly and professionally. This means clearly explaining the benefits of these accounts, guiding consumers during the account opening process, and using simple and easy-to-understand language in all interactions.

With the updated rules, BNM reaffirms its commitment to make banking simple, affordable and accessible to all.

# Promoting a Progressive and Inclusive Financial System

In 2025, we directed efforts at carrying out the remaining strategies laid out in the Financial Sector Blueprint 2022–2026. These strategies aim to have a financial system that is accessible, resilient and ready to support the country’s digital transformation and sustainable development agenda. This means widening financing options for Small and Medium Enterprise (SMEs) and microentrepreneurs, better financial skills and literacy across society, and enabling responsible innovation that delivers benefits safely and at scale. The year’s initiatives also include ongoing benchmark reforms to support a smooth and orderly transition from Kuala Lumpur Interbank Offered Rate (KLIBOR) to Malaysia Overnight Rate (MYOR) and Malaysia Islamic Overnight Rate (MYOR-i). This reform serves as a pre-emptive measure to safeguard the robustness of Malaysia’s domestic financial benchmark.

## Advancing Access to Financing

### Driving inclusive financing for SMEs

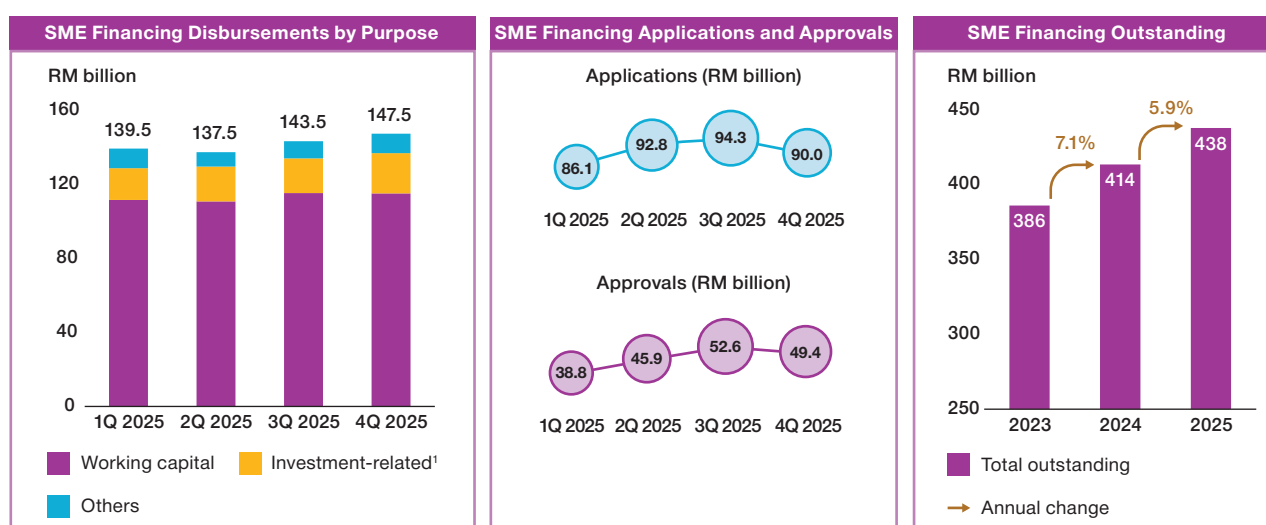
Access to quality financing for SMEs is key in building an inclusive financial system. Despite

concerns over the impact of global uncertainty on the domestic economy, SMEs continued to obtain financing from banks and development financial institutions (DFIs). The bulk of the financing disbursed was for working capital as businesses managed cash flows amid rising cost pressures. Banks and DFIs approved RM186.7 billion in new financing for over 206,000 SME accounts, in tandem with demand trends. Outstanding SME financing continued to grow by 5.9%.

### Driving SME transition through the SME Focus Group under the Joint Committee on Climate Change

SMEs face growing pressure to adapt to climate risks and meet rising sustainability expectations. Many need clearer guidance, practical tools and support to accelerate this transition. To bridge this gap, the SME Focus Group (SFG) was formed under the Joint Committee on Climate Change (JC3), co-chaired by BNM and the financial industry. The SFG aims to support SMEs in embracing sustainable practices in the transition to a low-carbon economy.

Diagram 1: Performance of SME Financing



<sup>1</sup> Investment-related purpose includes financing for the purchase of non-residential properties, residential properties for business use, fixed assets (including cars) and construction activity.

Note: Reflects loan/financing from the banking system and DFIs.

Source: Bank Negara Malaysia

A significant outcome from this effort was the launch of the ESG Jumpstart Portal.<sup>1</sup> The portal serves as a one-stop resource hub providing training programmes, steps to obtain green certification, financing guides, and access to information on incentives. The portal also features practical tools such as ESG disclosure guides, a carbon management platform and greenhouse gas (GHG) reporting standards, helping SMEs begin their sustainable journeys more confidently. In 2025, the SFG organised its first Climate Conference for SMEs. The event brought together over 400 participants from the entire ecosystem – financial institutions, government agencies, SMEs and sustainability service providers. SMEs received help in terms of practical guidance and sharing of real business experiences. These improved their understanding of climate-related risks and opportunities.

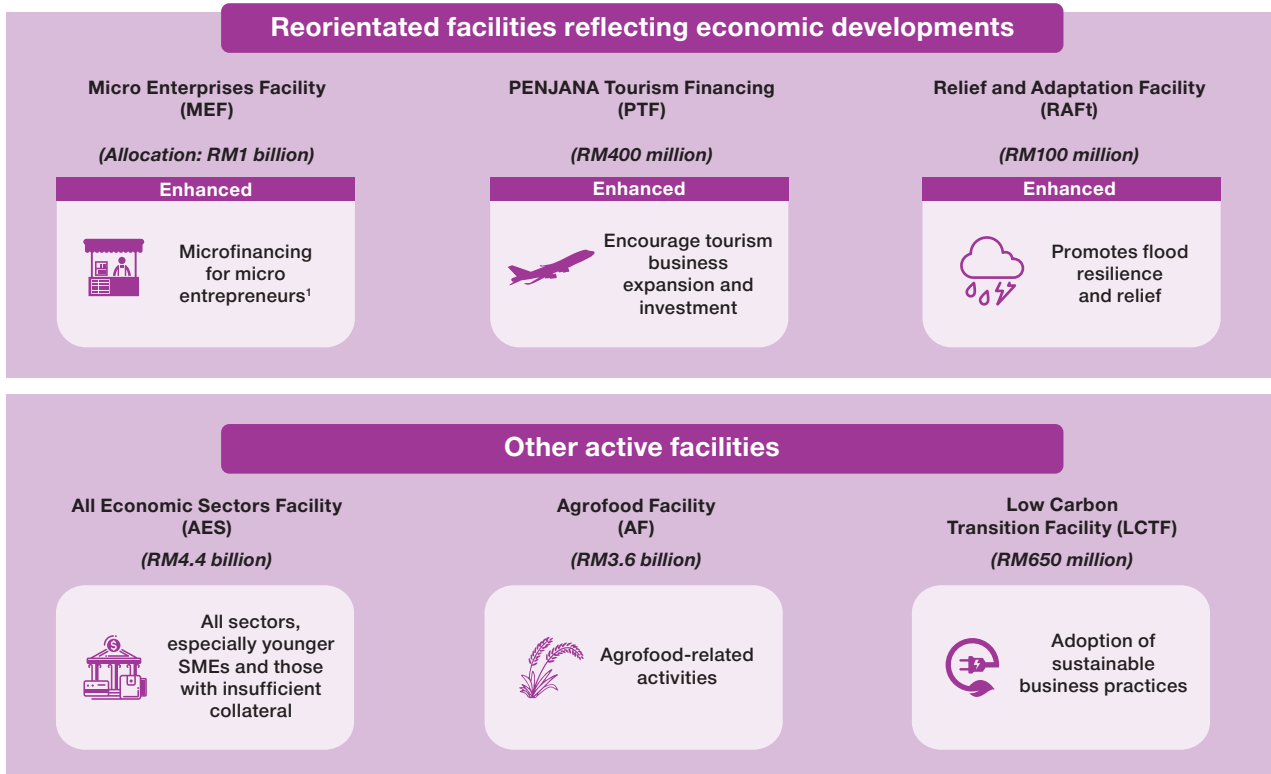
These include those that lack credit history and those operating in new or risky business areas. To plug this gap, BNM has, over the years, allocated funds to facilitate these underserved SMEs obtain financing at affordable rates. At present, BNM’s Fund for SMEs (the Funds) accounts for 7.4% of total SME financing outstanding, with financing disbursed amounting to RM29.3 billion since 2020 benefitting 82,714 SMEs. In 2025, we upsized selected funds by RM2.5 billion to meet the growing demand for digitalisation and climate resilience as well as for the agrofood sector. With tourism activities gaining momentum and in support of Visit Malaysia Year 2026, we redesigned the Penjana Tourism Financing (PTF) facility from a short-term relief measure into a long-term support structure. This is aimed to help SMEs upgrade their operations, improve productivity and adopt better business models.

### Targeted enhancements to BNM’s SME Funds to better meet SMEs’ needs

Banks and DFIs continue to be the main financier for SMEs. While larger SMEs have ready access to financing, certain segments still face challenges.

Climate-related events such as heavy rain and floods are becoming more frequent. This requires businesses to build resilience. But such adaptation efforts can be costly especially for SMEs. This led us to expand the use of Disaster Relief Facility (DRF), previously meant for relief financing to now include adaptation financing. Renamed

Diagram 2: Active Facilities under BNM’s Fund for SMEs Providing Targeted Support to SMEs



<sup>1</sup> Includes self-employed, gig workers and iTEKAD participants.

Source: Bank Negara Malaysia

<sup>1</sup> The portal is available at (<https://imsme.com.my/jc3-esg-jumpstart-for-smes>).

## PROMOTING A PROGRESSIVE AND INCLUSIVE FINANCIAL SYSTEM

Relief and Adaptation Facility (RAfT), this facility offers flood adaptation financing to help SMEs pre-emptively manage flood-related risks and losses. Hence, aside from quick relief financing to restore operations, SMEs are also able to finance longer-term investments to build climate resilience, such as flood-proofing using RAfT. The shift acknowledges the new realities faced by SMEs and aim to help them become more resilient ahead of future disruptions.

### Shifting towards guarantee-based support

Moving forward, financing will continue to complement other factors in supporting productive, sustainable and resilient SME growth. While the Funds have provided essential support over the years, a shift in approach is key in facilitating sustainable and market-led access to financing by SMEs.

BNM is moving from direct SME financing support to guarantee-based support to scale market-driven financing for underserved SMEs and future ready purposes such as innovation and climate investments.

From 2026, BNM will transition its SME Funds from direct lending to a guarantee model. This shift reflects the need for scalable financing models, with the financial system playing a critical role in sharing risks more effectively. Targeted guarantee schemes can reduce collateral needs and support a higher number of potential SME beneficiaries. It also encourages banks and DFIs to lend to viable

but underserved segments, and crowd in private financing to priority sectors. These schemes will support unserved and underserved segments, innovation and transformation, and climate-oriented investments. The transition framework is being actively shaped by reaching out to SME groups and associations and the financial community to ensure broad alignment and impact.

### Revised framework on Skim Pembiayaan Mikro

Access to sustainable financing is important to support livelihoods and enable microentrepreneurs to gradually grow their business and incomes. The Skim Pembiayaan Mikro (SPM), offered by 16 participating financial institutions (PFIs), continues to be an important platform for convenient and effective access to microfinancing. Since inception in 2006, SPM has supported more than 340,000 microentrepreneurs (Diagram 3). In November 2024, we enhanced the scheme which began to show results in 2025. Microentrepreneurs are now able to tap into more microfinance products, with higher financing limit of up to RM100,000 and innovative features to facilitate business growth. These include third-party guarantees and blended component in the form of social funds that help lower risks and financing rates. These features allow those in the informal, gig and other underserved segments to obtain and afford financing. With higher financing limits, stamp duty exemptions are also aligned to support affordability for these segments. To further expand reach, the revised framework places greater emphasis on onboarding digital banks. Their data-driven approaches and digital processes remove geographical barriers and provide more efficient paperless financing.

### Diagram 3: Empowering Microentrepreneurs: Success Story of Songkok Malaya



Songkok Malaya started in 2022, supplying and selling songkok and men's accessories. With support from Bank Simpanan Nasional's SPM financing products, the business strengthened its operations and expanded production capacity.

The financing enabled Songkok Malaya to scale output from 3,000 to 15,000 units annually and open a second branch. Upgraded operations and stronger digital presence boosted revenue to RM508,000, while growing market trust positioned the brand as a supplier for government agencies and selected schools nationwide.

Songkok Malaya's journey demonstrates how inclusive microfinancing can empower traditional craft enterprises to scale sustainably while creating local employment and preserving cultural heritage.

Source: Bank Simpanan Nasional

As at end-2025, SPM financing outstanding amounted to RM2.15 billion. The scheme now offers 19 new and revised products, with eight PFIs increasing financing limits and seven offering guarantees or targeting new customer segments.

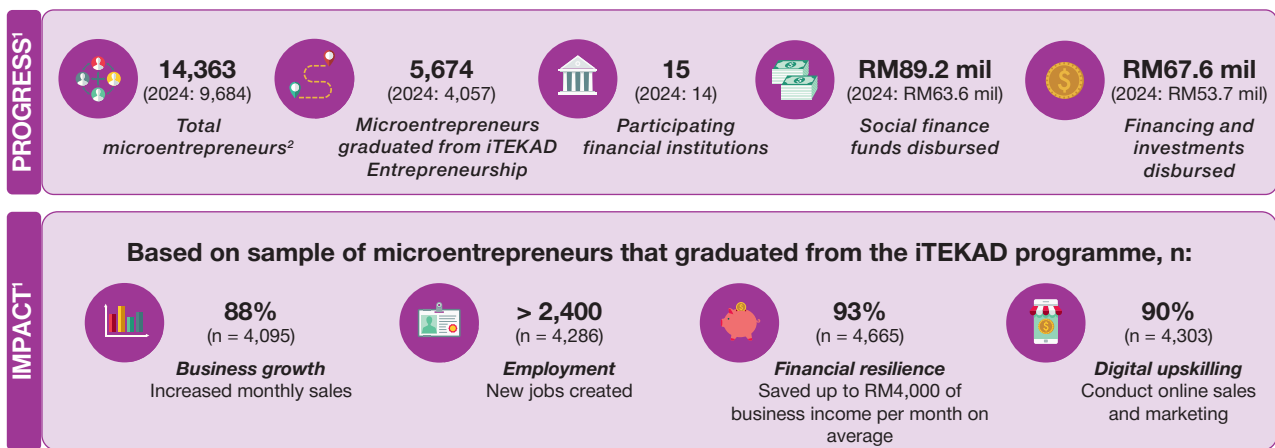
### Empowering vulnerable segments through social finance

Social finance helps vulnerable segments improve their livelihoods and take part in economic activities. For the past few years, we have worked with the industry to expand the use of social finance by financial institutions. The iTEKAD Entrepreneurship<sup>2</sup> (iTEKAD) is one such example. Introduced in 2020, more than 14,000 low-income microentrepreneurs have been part of the initiative (Diagram 4).

iTEKAD has expanded beyond entrepreneurship support. In 2025, a risk-protection component and programmes that boost employability were added, helping participants build more secure and sustainable livelihoods.

iTEKAD began with entrepreneurship support. Today, it also offers risk protection and employability-oriented support – iTEKAD Protection and iTEKAD Employment (Diagram 5). Together, these programmes offer a more comprehensive approach to strengthen inclusion and resilience.

Diagram 4: Progress and Impact of iTEKAD Entrepreneurship in 2025



<sup>1</sup> Data as at end-December 2025.

<sup>2</sup> Total participants refer to the number of both ongoing and graduated participants, reflecting the total beneficiaries of iTEKAD Entrepreneurship.

Source: Bank Negara Malaysia, participating financial institutions

Diagram 5: Expansion of Programmes under iTEKAD



Source: Bank Negara Malaysia

<sup>2</sup> iTEKAD Entrepreneurship is a blended social finance programme which provides seed capital, structured training and microfinancing. It targets low-income segments of aspiring and existing microentrepreneurs.

## PROMOTING A PROGRESSIVE AND INCLUSIVE FINANCIAL SYSTEM

The government also continues to support the iTEKAD initiative. Under the fiscal budget 2026, the government has allocated a RM35 million matching grant to help broaden the reach of the iTEKAD initiative and increase the impact.<sup>3</sup>

### DFIs as catalysts for an inclusive and sustainable growth

DFIs have an important role in the nation's developmental agenda and in pushing for inclusive development. In achieving these outcomes, a sound governance and accountability is crucial. This includes efforts to sharpen mandate alignment and implement high-impact strategies, which continue to lead to tangible outcomes in the real economy. Outstanding financing by DFIs grew 5.8% to RM193.9 billion (2024: 5.6% to RM183.3 billion), driven by higher demand across priority sectors. Approvals reached 1.8 million accounts (2024: 1.3 million accounts), with financing directed to high development value areas such as infrastructure, agriculture, MSMEs and low-income households. Microfinancing approvals

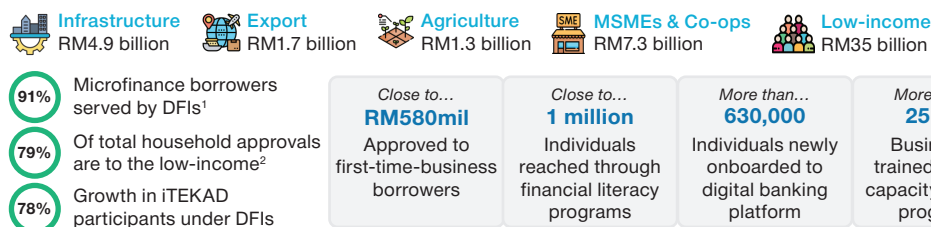
reached close to RM500 million, reaching first-time borrowers and gig workers. DFIs now account for 91% of the industry's microfinance portfolio. These financing activities helped raise incomes and financial resilience where more than 21,000 businesses saw growth and higher sales. DFIs' support has also created and sustained over 150,000 jobs.

Delivering these outcomes required not only financing, but also stronger institutional capability such that DFIs remain effective and focused. Many institutions have since set up dedicated teams that focus to fulfil their mandates effectively. Several have appointed a Chief Development Officer whose role is to reinforce closer alignment between developmental objectives and institutional strategies. Boards are also providing stronger oversight and cultivating a more explicit development-driven culture. Throughout the year, BNM also worked closely with DFIs through the Performance Measurement Framework (PMF) Working Group to enhance the framework and improve its implementation. The updated PMF provides clear guidance on mandate governance,

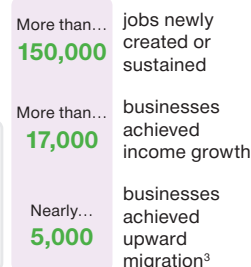
### Diagram 6: DFIs' Developmental Achievements in 2025

#### Financial Additionality

In 2025, DFIs approved financing to 1.8 million accounts including low-income individuals and businesses in mandated sectors:



#### Design Additionality



#### Demonstration Additionality

**RM6 billion**

Funding crowd-in from private sector

**27 projects**

Supporting strategic sectors e.g. oil & gas, infrastructure, transportation, aviation

#### Policy Additionality

Spearheaded CFIL's<sup>4</sup> launch to unite finance players in accelerating innovative climate-focused financing in Malaysia

Steered the Greening Halal Business (GHB) Pilot Programme as the lead implementing agency, driving ESG and green-readiness uplift among halal SMEs

#### Catalytic Developmental Initiatives

- ▶ **Advancing socio-economic mobility of unserved groups** through targeted rehabilitation-to-entrepreneurship pathways with relevant agencies e.g. *Jabatan Penjara*.
- ▶ **Unlocking credit access for thin-file MEs** by deploying alternative, data-driven credit scoring models that enable more accurate risk-based lending decisions.
- ▶ **Elevating access to collateral-free, affordable financing while providing risk mitigating ecosystem support** for underserved SMEs through an innovative anchor-based financing model.
- ▶ **Driving inclusive financial participation through blended financing and digital innovations** that enable small-scale enterprises to save more, transact seamlessly, and access low-cost capital.
- ▶ **Strengthening gig-worker financial security by applying behavioural insights** to empower them with practical money-management tools and build long-term financial resilience.

<sup>1</sup> Based on number of accounts outstanding under Skim Pembiayaan Mikro (SPM).

<sup>2</sup> Based on number of accounts approved in CCRIS.

<sup>3</sup> Upward migration: informal to formal, micro→small→medium→large, or improvements in credit rating.

<sup>4</sup> Climate Finance Innovation Lab.

Source: Bank Negara Malaysia

<sup>3</sup> The matching grant allocations for the initiative in the previous years were RM20 million (2022), RM10 million (2023), RM25 million (2024) and RM20 million (2025).

strategic planning, demonstrating additionality,<sup>4</sup> product design and transparent reporting. These improvements ensure DFIs remain focused on delivering development outcomes.

A major milestone took place in May 2025, when Bank Pembangunan Malaysia Berhad (BPMB) acquired SME Bank and EXIM Bank. This marks an important step towards a more unified and capable DFI ecosystem. The merger is expected to strengthen institutional capacity, improve efficiency and create a more impactful platform to support national development priorities.

## Strengthening Financial Capability and Access for Meaningful Financial Inclusion

### Enhancing inclusive access across physical and digital channels

Financial inclusion is a key pillar of BNM's developmental agenda. It reflects our commitment for all Malaysians, to have access to financial services that support their livelihoods and aspirations. In 2025, 99% of mukims have at least one financial access point within 10 km.

Digital financial usage in Malaysia has risen to 92% in 2024 (2021: 74%).<sup>5</sup> Our attention therefore turned towards helping Malaysians benefit from digital financial services safely and in a meaningful manner. Our aim is to build 'cash-lite' communities where people rely more on digital options. Policy efforts focus on encouraging the use of digital tools for budgeting, saving and managing finances. These tools help build good habits and strengthen their financial resilience.

While adoption grows, we are also mindful of underserved areas where physical access is essential. This involved rolling out more agent banking, mobile banking units, MyDebit Cash Out (MDCO),<sup>6</sup> white label self-service terminals<sup>7</sup> and Interbank Cash Deposit (IBCD).<sup>8</sup> Pos Malaysia is also playing a role in providing cash-out services

through its outlets nationwide. These efforts helped narrow access gaps for smaller towns and rural communities.

### Launch of the second National Strategy for Financial Literacy 2026–30

In October, the Financial Education Network (FEN)<sup>9</sup> launched the second National Strategy for Financial Literacy 2026–30 (NS2.0).<sup>10</sup> Building on the first National Strategy (2019–23), NS2.0 sets out five priorities that address financial literacy needs across life stages, with a strong focus on vulnerable groups.

The National Strategy for Financial Literacy 2026–30 (NS2.0) sets a renewed vision to strengthen financial capability, promote informed financial decisions, and build long-term financial resilience for all Malaysians.

A Delivery Plan, to be published in 2026, will guide implementation to scale effective programmes, strengthen coordination and ensure measurable impact. Behavioural analytics will also play a bigger role in shaping interventions. For a start, a pilot Just-In-Time Financial Education (JITFE) programme with three DFIs<sup>11</sup> will be pursued to address over-indebtedness. The pilot delivers timely financial education at the critical decision-making point in the financing application process to nudge consumers towards more deliberate and informed borrowing.

FEN has also formed a National Coordination Office (FENNCO), hosted by BNM with representation from the Securities Commission Malaysia, Employees Provident Fund and Credit Counselling and Debt Management Agency.<sup>12</sup> The FENNCO strengthens alignment across agencies and ensures coordinated delivery of financial literacy programmes at scale.

<sup>4</sup> Additionality refers to the distinct social and economic values created by DFIs that would not have materialised under a fully commercial environment.

<sup>5</sup> Financial Capability and Inclusion Demand Side Survey 2021 and 2024.

<sup>6</sup> MDCO is a feature that allows cardholders to withdraw cash from their bank account at participating merchants' POS terminals while making a purchase.

<sup>7</sup> White label self-service terminal refers to a self-service terminal provided by a non-bank entity or a private company.

<sup>8</sup> IBCD is a facility that allows consumers to deposit cash into accounts of other banks using Cash Deposit Machine (CDM) or Cash Recycler Machines (CRM).

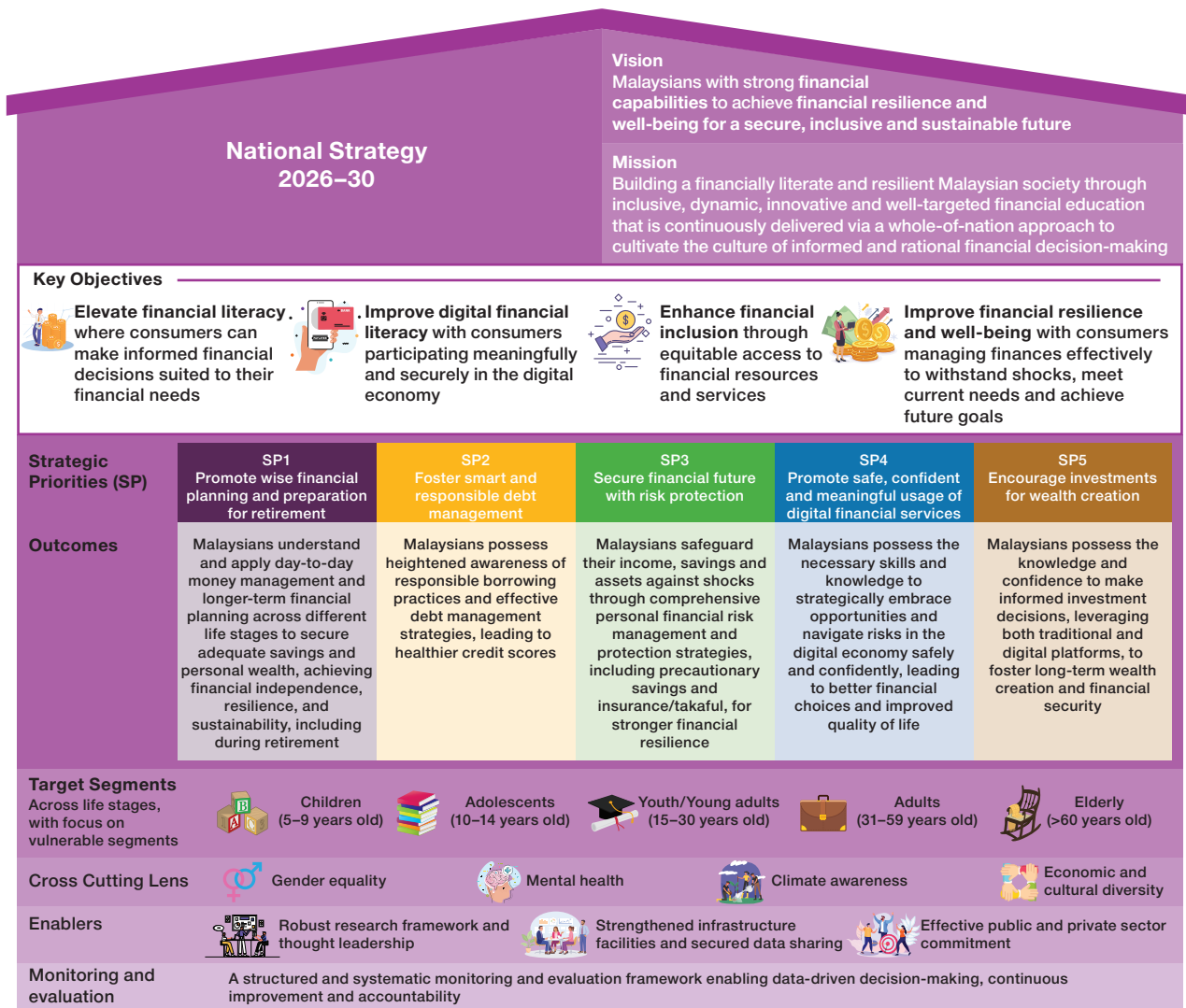
<sup>9</sup> FEN is an inter-agency network co-chaired by BNM and Securities Commission Malaysia, with members comprising of Ministry of Education, Ministry of Higher Education, Malaysia Deposit Insurance Corporation, Employees Provident Fund, Credit Counselling and Debt Management Agency and Permodalan Nasional Berhad.

<sup>10</sup> The National Strategy for Financial Literacy 2026–30 is available at ([https://www.fenetwork.my/wp-content/uploads/2025/10/FEN\\_NS2\\_ENG\\_Interactive\\_FA\\_LowRes.pdf](https://www.fenetwork.my/wp-content/uploads/2025/10/FEN_NS2_ENG_Interactive_FA_LowRes.pdf)).

<sup>11</sup> Refers to Bank Rakyat, Bank Simpanan Nasional and Agrobank.

<sup>12</sup> Malaysia Deposit Insurance Corporation and Permodalan Nasional Berhad will support FENNCO's branding and communication by leading FEN Communications Working Group.

Diagram 7: National Strategy for Financial Literacy 2026–30 at a Glance



Source: Bank Negara Malaysia

### Scaling financial literacy through the Train the Trainers Programme

Teachers have important roles in schools and communities. Alongside the Ministry of Education (MOE) and the Financial Industry Collective Outreach (FINCO),<sup>13</sup> FEN introduced the Personal Financial Management Train-the-Trainers (TTT) Programme (Diagram 8). The Programme, delivered to 209 master trainers, comprising teachers, MOE officials as well as lecturers from Institut Pendidikan Guru across five regions nationwide. The master trainers will further train teachers nationwide to build teachers’ financial literacy and confidence so they can better guide students and the community towards better financial decisions. Cascading approach helps financial education

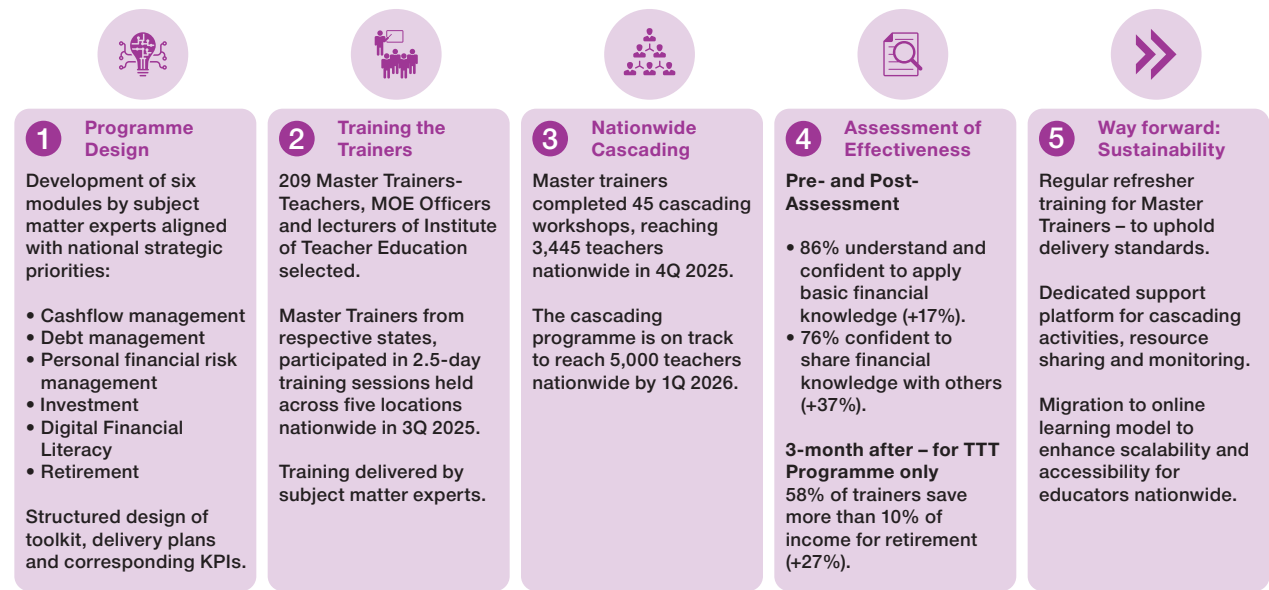
reach teachers, students and communities nationwide by equipping teachers with the right knowledge and tools.

### Advancing inclusive access for persons with disabilities

BNM also continued efforts to support persons with disabilities (PWD), stressing on inclusive access and fair treatment (Diagram 9). We designed our online engagements to be accessible to support both visually and hearing-impaired groups. We have audio-friendly content, Malaysian sign-language interpreters and screen-reader compatible materials. These features make it easier for PWDs to participate and build confidence, in turn supporting them to make informed financial decisions. Building on this foundation, BNM will expand these efforts through dedicated programmes and partnerships to help PWDs navigate financial services more confidently.

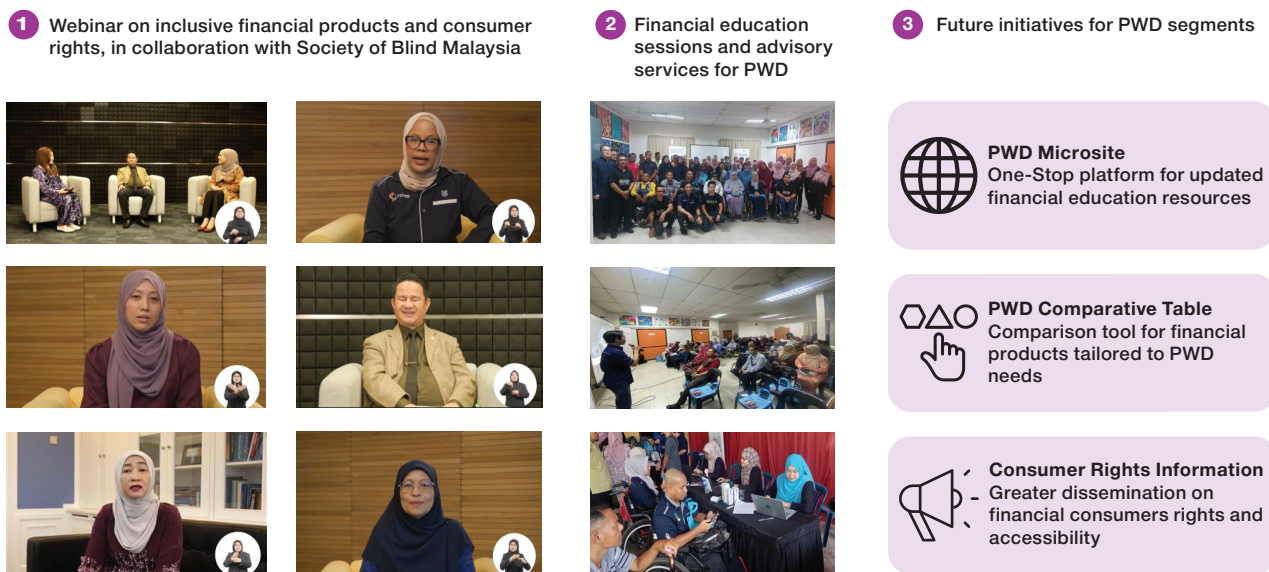
<sup>13</sup> FINCO helps underprivileged children and youth gain education and life skills in four areas: English, Aspirations, Money Management, and Disaster Relief. Supported by 107 financial institutions, FINCO runs programmes that make a lasting impact on B40 communities.

Diagram 8: Personal Financial Management for Teachers



Source: Bank Negara Malaysia

Diagram 9: Highlights of Financial Inclusion Initiatives for PWD in 2025 and Future Initiatives



Source: Bank Negara Malaysia

**Promoting inclusive financial protection offerings**

In the protection segment, BNM worked to deepen the microinsurance and microtakaful market. The third phase of the Perlindungan Tenang (PT) voucher programme under Budget 2025 took effect in September 2025, with

eligible households receiving RM30 vouchers to purchase protection products. Stamp duty exemptions were also extended under Budget 2026 to keep premiums and contributions affordable. Uptake continued to grow, supported by targeted outreach and financial education campaigns such as the Financial Literacy Month and Karnival Celik Kewangan.

### Facilitating market entry for financial inclusion

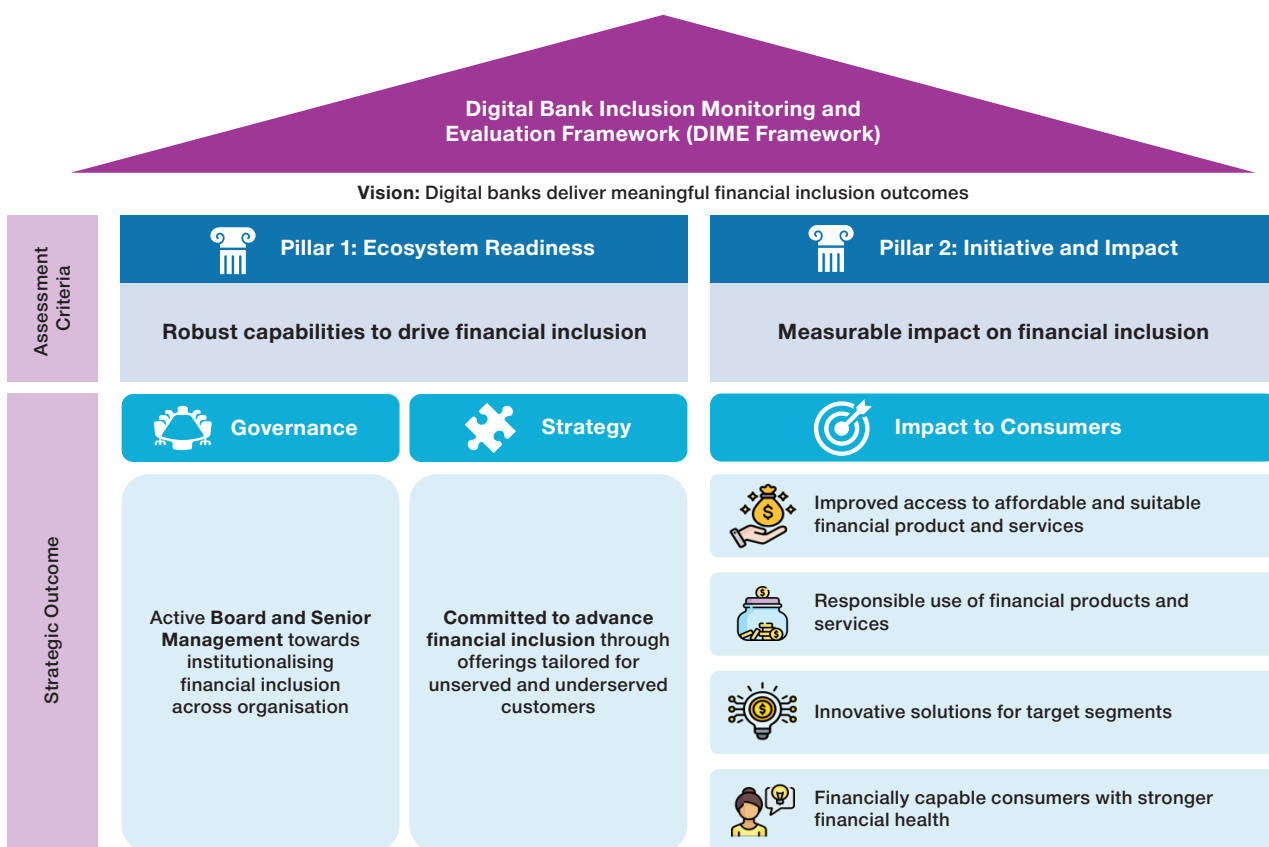
By end of 2025, all five digital banks have begun operations, marking a significant milestone for inclusion. Digital banks have collectively served 2.4 million customers, with total deposits of RM4.2 billion. About 65% of customers are from unserved and underserved segments, including low-income households, gig workers and youth. Some digital banks also began offering small-value financing. Of the RM1 billion financing approved, 34% are for unserved and underserved customers. While modest at this early stage, this performance reflects meaningful progress in addressing unmet financial needs.

To strengthen accountability and ensure inclusion is always at the centre of digital banking, BNM introduced the Digital Bank

Inclusion Monitoring and Evaluation (DIME) Framework (Diagram 10). The framework outlines expectations for digital banks to embed financial inclusion into their strategies, governance arrangements, and product design. Pilot assessments in 2025 indicated strong alignment with these expectations. Digital banks have clear inclusion strategies, structured governance to track outcomes, and products tailored to underserved segments. They also use data analytics to serve thin-file customers,<sup>14</sup> offer flexible repayment options, and provide near-instant approvals, helping individuals and SMEs manage cash flow more effectively.

BNM expects digital banks to deepen this commitment by linking services to everyday digital platforms, including telecommunications, utilities and public services. This would improve accessibility and reach.

Diagram 10: Assessment Pillars under DIME Framework



Source: Bank Negara Malaysia

<sup>14</sup> Refers to unserved and underserved customers who lack documentation e.g. identity for verification, credit history, collateral, financial track record, or insufficient data to support pricing of risks by banks.

## Catalysing structural reforms for medical and health insurance/takaful

In late 2024, BNM introduced interim measures<sup>15</sup> to ease the impact of premium repricing on policyholders<sup>16</sup> and maintain access to MHIT coverage. By June 2025, nearly 200,000 policyholders aged 60 and above had their premium hikes deferred, and more than 15,000 policyholders managed to reinstate their policies without extra underwriting. The premium increase for over 90% of repriced policies due to medical inflation was below 10%.

The rise of private healthcare costs and medical and health insurance/takaful (MHIT) premiums has understandably raised concerns for Malaysians. In response, BNM has accelerated our focus on affordability and long-term sustainability of MHIT. We pursue a two-phase approach – beginning with measures to ease immediate pressures, before subsequently advancing work on deeper, more comprehensive reforms.

Concurrently, broader structural reforms are also underway. Under the RESET framework, initiatives (Diagram 11) are aimed at addressing underlying drivers of medical cost inflation and making private healthcare more sustainable, value-based and accessible for Malaysians.<sup>17</sup> To support effective nation-wide coordination for system level reforms, the Joint Ministerial Committee on Private Healthcare Costs (JBMKKS) was formed. JBMKKS is co-chaired by the Finance Minister II and the Health Minister. During the year, the Grievance Mechanism

Committee (now known as Healthcare Partners Protocol & Solutions Committee (HPPSC) was reactivated.<sup>18</sup> It serves as a structured platform for insurers and takaful operators (ITOs), private hospitals, medical professionals and consumer interest groups to resolve common issues relating to medical claims and pre-authorisation processes such as guarantee letters (GLs).

Ministry of Health (MOH), Ministry of Finance and BNM have been working closely with ITOs, medical professional groups, hospitals and subject-matter experts to design a base MHIT plan<sup>19</sup> (Diagram 12). The base MHIT plan, targeted for pilot in 2H 2026 and full rollout in early 2027, aims to give more people essential coverage, manage healthcare costs, and support value-based health outcomes.

We also made some progress on transparency that aims to support better decisions by consumers and policy makers. For the first time, insurance and takaful industry associations are making price ranges for common healthcare services available.<sup>20</sup> Private hospitals and clinics must also now display retail drug prices. These initiatives enable patients to compare potential costs ahead of time. New and enhanced consumer tools are also available, including a Financial Education Network microsite<sup>21</sup> and a healthcare budget planner.<sup>22</sup> These serve to guide consumers in making more informed choices. To further strengthen the evidence-based findings underpinning these initiatives, the World Bank, together with Insurance Services Malaysia, undertook a study on medical inflation cost drivers in MHIT claims as commissioned by JBMKKS.

Measures are also underway to reduce fragmentation in the healthcare system. This involves strengthening access to and interoperability of electronic medical records. MOH is leading efforts to enable seamless sharing of clinical data, beginning with laboratory and radiology results through pilot initiatives with selected public and private hospitals.

<sup>15</sup> These measures provided temporary relief through gradual premium adjustments spread over a minimum of three years, pauses in repricing for policyholders aged 60 and above under minimum plans, reinstatement of policies that had lapsed due to repricing pressures, and the availability of lower-cost product alternatives. For more information, please refer to (<https://www.bnm.gov.my/-/mhit-pr>).

<sup>16</sup> Any reference to insurance policy/insurance premiums/policyholders includes takaful certificate/takaful contributions/takaful participants for standalone MHIT products and cost of insurance/tabarru' for unit-deducting MHIT riders.

<sup>17</sup> For further information, please refer to the feature article 'Securing Sustainable Access to Medical and Health Insurance/Takaful Protection' in BNM's Annual Report 2024.

<sup>18</sup> HPPSC is an advisory body comprising representatives from BNM, Ministry of Health, insurance and takaful industry associations (Life Insurance Association of Malaysia, Malaysian Takaful Association, and Persatuan Insurans Am Malaysia), Association of Private Hospitals Malaysia and Malaysian Medical Association.

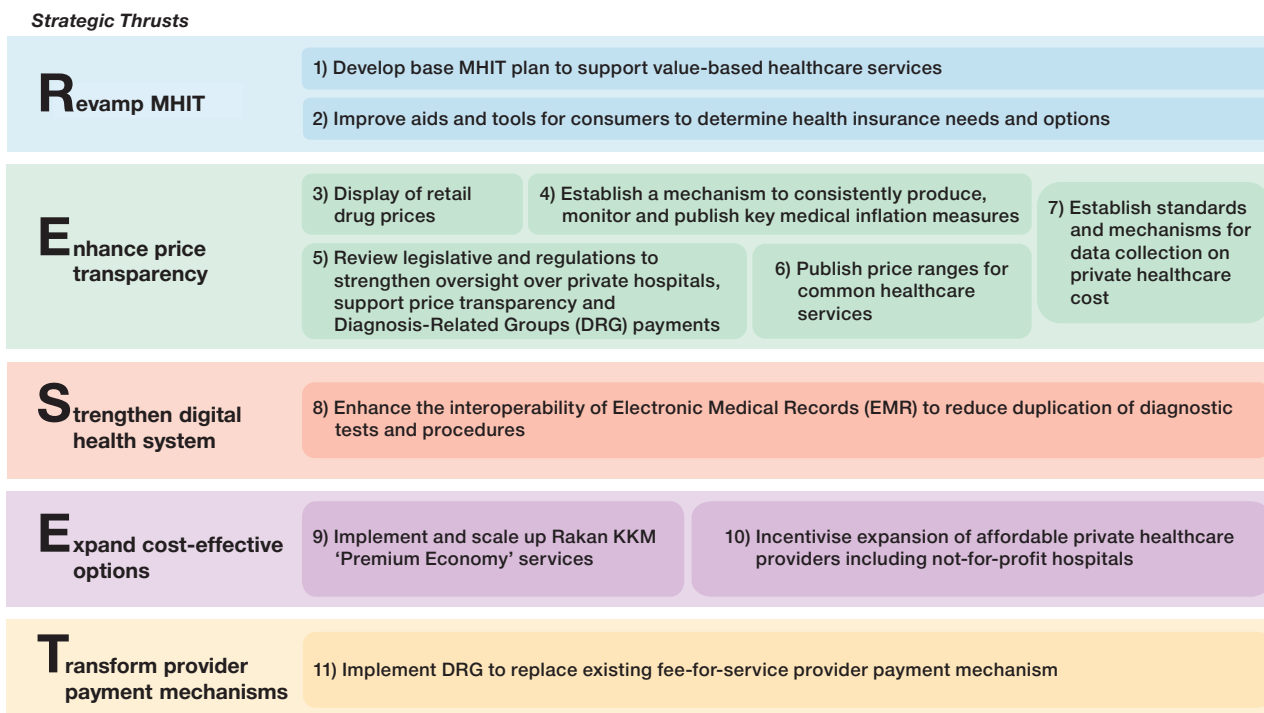
<sup>19</sup> For more information, please refer to (<https://bnm.gov.my/web/guest/-/mhitreset>).

<sup>20</sup> Based on insured patient data. For more information, please refer to the respective websites of Life Insurance Association of Malaysia, Malaysian Takaful Association and Persatuan Insurans Am Malaysia.

<sup>21</sup> For more information, please refer to (<https://www.fenetwork.my/medical-and-health-insurance-takaful/>).

<sup>22</sup> For more information, please refer to the respective websites of Financial Education Network, Life Insurance Association of Malaysia, Malaysian Takaful Association and Persatuan Insurans Am Malaysia.

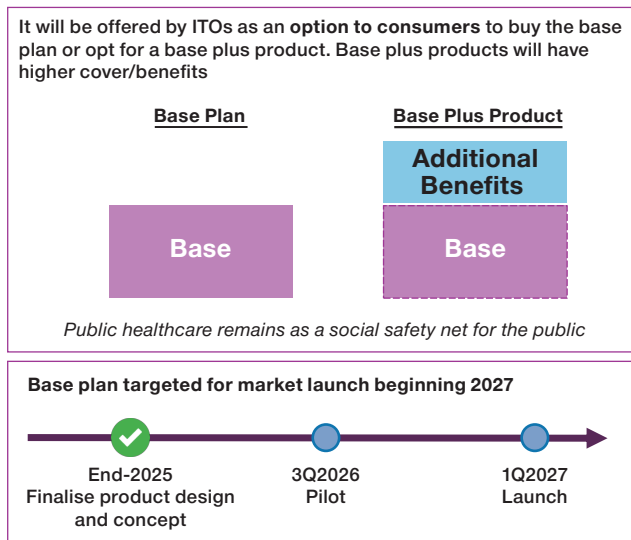
Diagram 11: Whole of Nation Approach for RESET



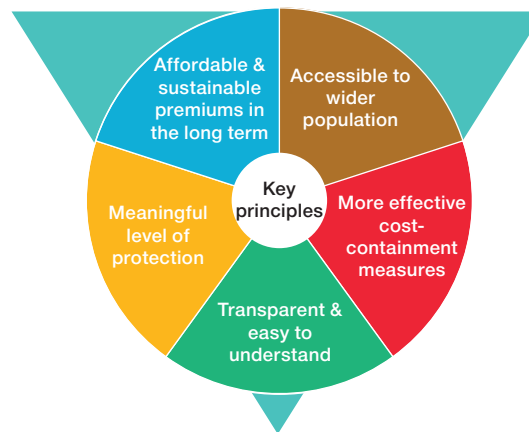
Source: Bank Negara Malaysia and Ministry of Health

Diagram 12: Base MHIT Plan as an Anchor for Broader Reforms

Base plan will be the foundational layer of private MHIT offerings for treatment at private healthcare facilities



Balancing underlying principles to achieve the base plan objectives



- 1) Help more Malaysians get a base level of MHIT protection
- 2) Optimise healthcare spending and reduce crowding in public hospitals
- 3) Accelerate progress towards value-based health outcomes

Source: Bank Negara Malaysia



*Establishment of JBMKKS, co-chaired by the Finance Minister II and Health Minister, to enable more aligned efforts across stakeholders in the healthcare ecosystem*

In parallel, the Budget 2026 introduced incentives to expand affordable private healthcare options. Private hospitals will be allowed to set up Hospital Welfare Funds to help underprivileged patients, with donations eligible for tax exemptions. At the same time, licensing requirements for ambulatory care and diagnostic centres are being simplified to encourage growth of more cost-effective options for patients and policyholders.

The diagnostic-related groups (DRG) payment system is being developed for hospital



*Ministerial-level panel discussion at Sasana Symposium 2025 between MOH, MOF, BNM and World Bank*

services.<sup>23</sup> For private hospitals, DRG will form a core feature of the base MHIT plan, promoting more consistent pricing and strengthening cost-effective containment measures across the sector.

Looking forward, BNM will continue its efforts through the JBMKKS. We will work closely with stakeholders to support broader healthcare reforms for the country. These efforts will help us prepare towards the national rollout of the base MHIT plan in 2027.

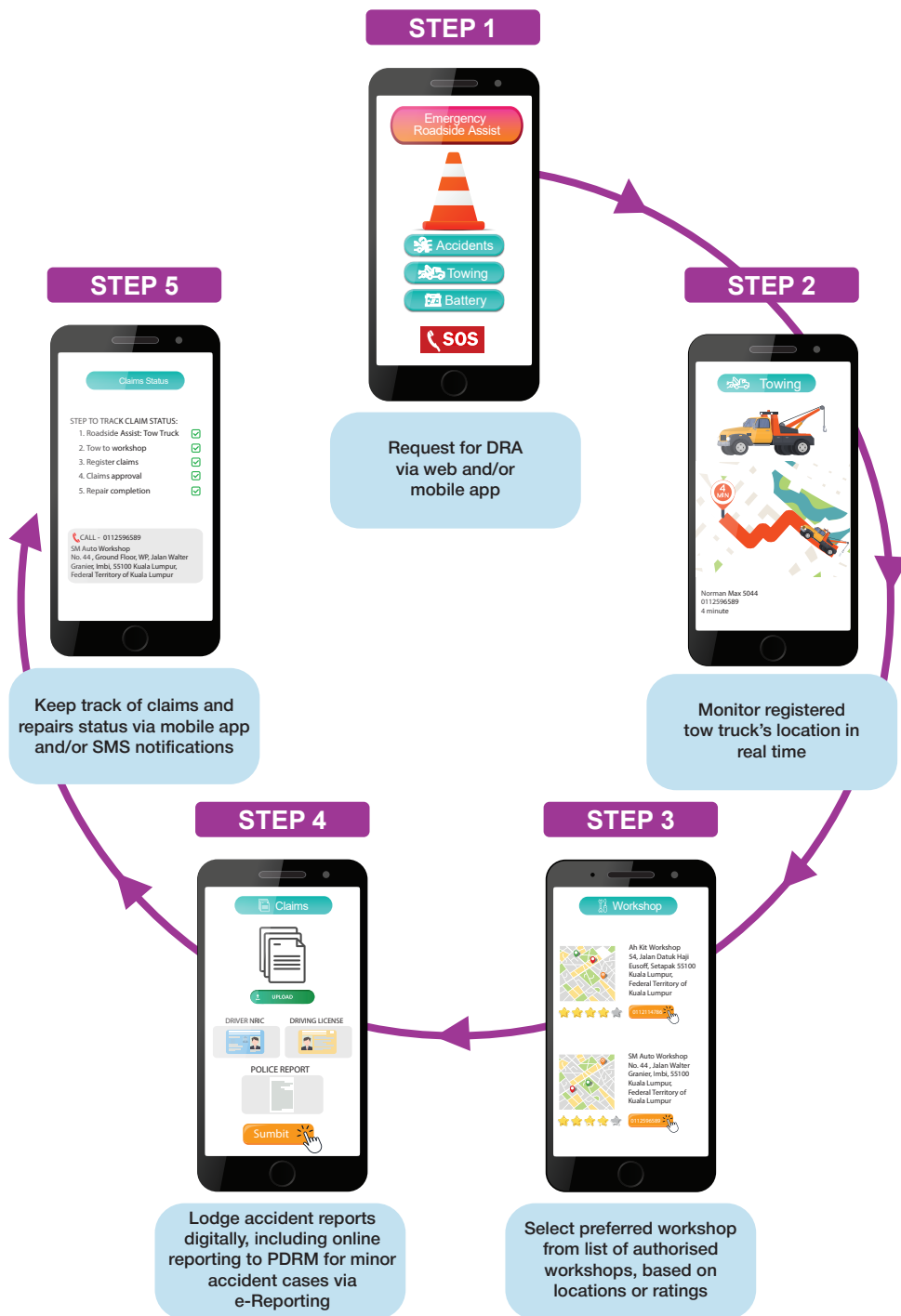
<sup>23</sup> A payment mechanism that replaces fee-for-service by grouping patients based on their diagnoses and medical needs, with each group assigned a predetermined rate.

### Advancing reforms in motor insurance and takaful ecosystem

Reforms also gained momentum in the motor insurance and takaful space. We helped pilot an electronic police reporting (e-PR) system for minor

accidents on the North-South PLUS Highway. The pilot was developed with Royal Malaysian Police (PDRM), Ministry of Transport (MOT), Road Transport Department (*Jabatan Pengangkutan Jalan, JPJ*), National Anti-Financial Crime Centre (NFCC), as well as general insurers and takaful

Diagram 13: Example of an End-to-End Digital Motor Claims Journey on a Mobile App



Following the successful rollout of Digital Roadside Assistance (DRA) solution by all GITOs in 2024, the industry advanced steadily towards driving meaningful take-up and usage of DRA in 2025 to enhance consumer experience and support transition towards an end-to-end digital claims journey.

Note: The above diagram is for illustration only. The actual user interface may vary across participating GITOs.

Source: Bank Negara Malaysia

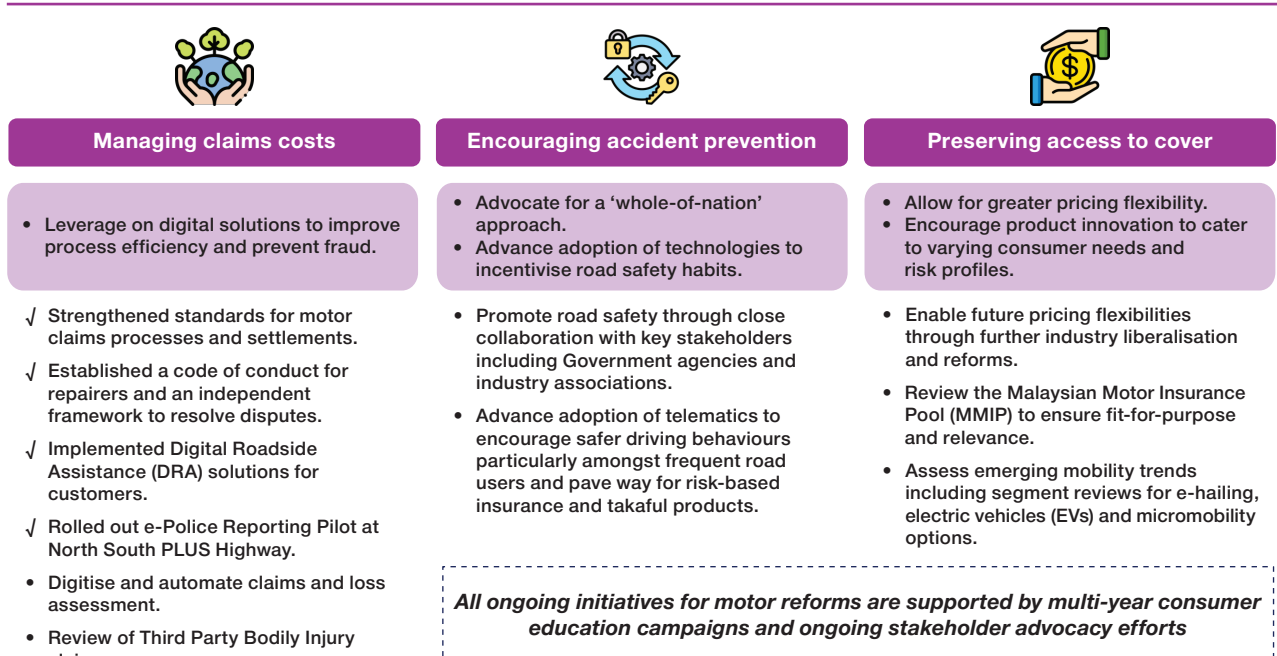


Inter-agency meeting with key stakeholders of e-Police Reporting Technical Working Group. Attended by representatives from PDRM, MOT, JPJ, NFCC, industry associations and appointed vendor. The meeting successfully identified and finalised the key components of pilot run



Meeting between Governor and YB Transport Minister in 17 July 2025 accelerated the pilot implementation of e-PR and secured agreement to establish an interagency taskforce to jointly address cross-cutting motor ecosystem issues

**Diagram 14: Key Reforms and Initiative to Ensure Sustainability, Affordability and Accessibility of the Motor Insurance and Takaful Ecosystem**



Source: Bank Negara Malaysia

operators (GITO).<sup>24</sup> The pilot aims to simplify reporting, streamline claims processes, reduce fraud and support the move to a fully digital motor ecosystem. Diagram 13 shows the end-to-end digital claims journey for policyholders.

BNM also introduced measures to manage rising claims and improve road safety. These efforts aim to promote safer driving behaviours and reduce accident risks which will help contain

claims cost. A joint task force with the MOT, JPJ and Agensi Pengangkutan Awam Darat was formed in late 2025 to coordinate safety efforts and promote smart-driving technology that encourage safer behaviour on the road. Work with GITO and e-hailing operators continued to address protection gaps and keep coverage affordable, recognising that drivers who spend longer hours on the road could face higher accident risks.

Engagements with industry, consumer groups and e-hailing associations also stressed the need for safer driving as accident rates rise. Next,

<sup>24</sup> The launch of e-PR pilot run allows road users to lodge minor accident cases quickly, safely and conveniently via PDRM's online e-Reporting system at (<https://ereporting.rmp.gov.my/>).

BNM will improve claims processing through automation, strengthen fraud detection via data-sharing arrangements and support wider national road-safety efforts. BNM will also work with the industry to respond to new trends, including the growing use of electric vehicles, to support affordable and sustainable motor protection.

## Advancing Digitalisation in Financial Services

### Driving responsible innovation through co-creation

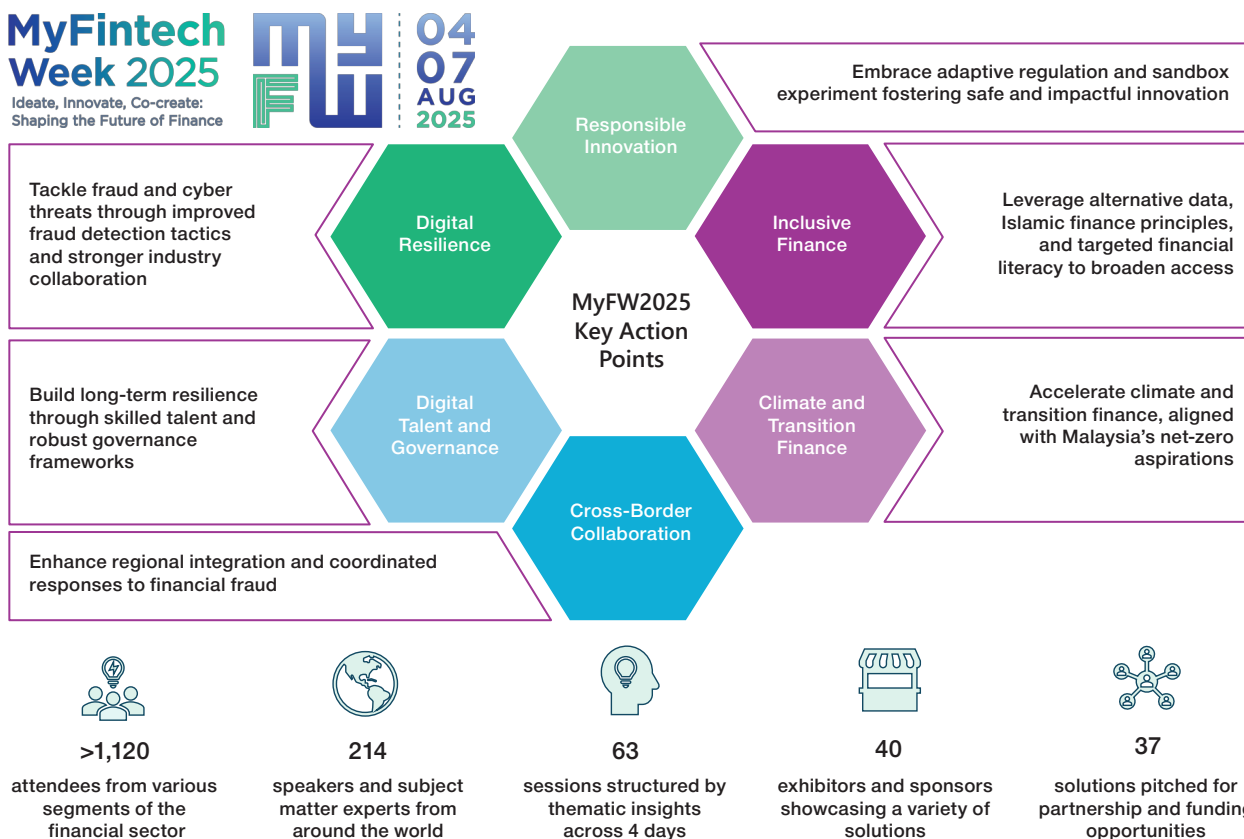
BNM stays focused on promoting responsible innovation to support trust, resilience and efficiency in the Malaysia’s financial system. As the landscape becomes more complex, effective collaboration between regulators and industry is important to ensure new innovations are secure, scalable, and aligned with the public interest. In 2025, BNM advanced this work through structured engagements that strengthened dialogue, built collaborative platforms, and targeted policies that supported interoperable solutions. These efforts were aimed at driving

digitalisation while safeguarding financial stability, consumer protection and system resilience.

BNM advanced responsible, secure and interoperable innovation through targeted policies and industry collaboration – supporting digitalisation while safeguarding stability and consumer protection.

One of the key platforms enabling this was the third edition of MyFintech Week, co-hosted by BNM and industry partners in August 2025. Through strategic collaboration with the Securities Commission Malaysia, Asian Institute of Chartered Bankers, Malaysia Digital Economy Corporation, and Fintech Association of Malaysia, the event brought together more than 1,000 participants and 200 speakers to discuss digital innovation and resilience, inclusive finance, climate action and cross-border collaboration. The discussions helped shape practical action points for building a more inclusive and future-ready financial ecosystem. Highlights are shown in Diagram 15.

Diagram 15: MyFintech Week 2025



Source: Bank Negara Malaysia

Artificial intelligence (AI) is gaining traction in the financial sector. We saw more financial service providers (FSPs) in Malaysia adopting AI to strengthen customer analytics, enhance operational efficiency and improve risk management across Malaysia’s financial sector.<sup>25</sup> To further support responsible innovation, BNM issued a discussion paper outlining our regulatory and development approaches on AI. The public consultation was completed in October 2025 and a feedback statement will be released in 2026. Additionally, the Chief Risk Officers Forum of the Asian Institute of Chartered Bankers launched the AI Governance Framework. This industry-led framework provides best practices for managing AI risks and supports greater harmonisation of responsible AI standards across the sector (Diagram 16). BNM welcomes this development and encourages other sectors, including insurance and takaful, to develop or align with complementary guidelines suited to their respective needs.

Looking ahead, BNM will continue to promote responsible AI use by developing industry guidelines and best practices, facilitating

knowledge-sharing, and supporting talent development. Public awareness efforts through education and financial literacy programmes will also be strengthened. These measures aim to ensure that AI adoption enhances financial services in ways that deliver real value, such as stronger fraud detection, better customer experience, and improved risk management.

Alongside AI, BNM also advanced work on frontier technologies that can reshape financial services. One key area is the industry exploration of asset tokenisation. In October 2025, we issued a discussion paper explaining BNM’s approach and seeking industry feedback on potential use cases, proof-of-concepts and pilot initiatives. To support this work, BNM launched the Digital Asset Innovation Hub (DAIH) as the main platform for collaboration, capacity building, and testing tokenisation use cases. Under the DAIH, BNM also set up the Asset Tokenisation Industry Working Group to coordinate knowledge sharing and joint experiments. More details on these initiatives can be found in the chapter on ‘Promoting Safe and Efficient Payments and Remittance Services’.

**Diagram 16: Summary of Responsible AI Principles under the AI Governance Framework**



Source: Chief Risk Officers' Forum and supported with the Chief Information Security Officer's Forum of the Asian Institute of Chartered Bankers (AICB)

<sup>25</sup> As reported in the Artificial Intelligence in the Malaysian financial sector discussion paper 2025, more than 70% of FSPs in Malaysia have implemented at least one AI application in their operations.

## PROMOTING A PROGRESSIVE AND INCLUSIVE FINANCIAL SYSTEM

In November 2025, BNM issued an exposure draft on open finance, setting out requirements for safe and consistent data-sharing practices. The draft proposes that designated financial service providers offer open finance services, supported by strong consumer-consent mechanisms and safeguards for data protection. Open finance gives customers greater control over their financial data. With clear consent parameters on what data is shared, with whom, for what purpose, and for how long, customers can make more informed decisions and access financial products tailored to their needs. Beyond empowering customers, open finance also promotes more secure and standardised data-sharing paving the way for data-driven innovation as illustrated in Diagram 17. To prepare the ecosystem, BNM is working closely with PayNet and the industry to develop the necessary infrastructure. PayNet has formed a pilot group with major banks and the EPF to test high-impact use cases that can deliver tangible benefits to customers. These steps move Malaysia closer to a secure, inclusive, and trusted open finance framework.

### Enhancing key enablers for innovation

Strengthening key enablers for innovation is another priority. MyDigital ID continued to play an important role in advancing the country's digital economy. By 2025, financial institutions had completed Phase 1 of Sandbox testing, helping to build a trusted national digital identity. Phase 2 is now

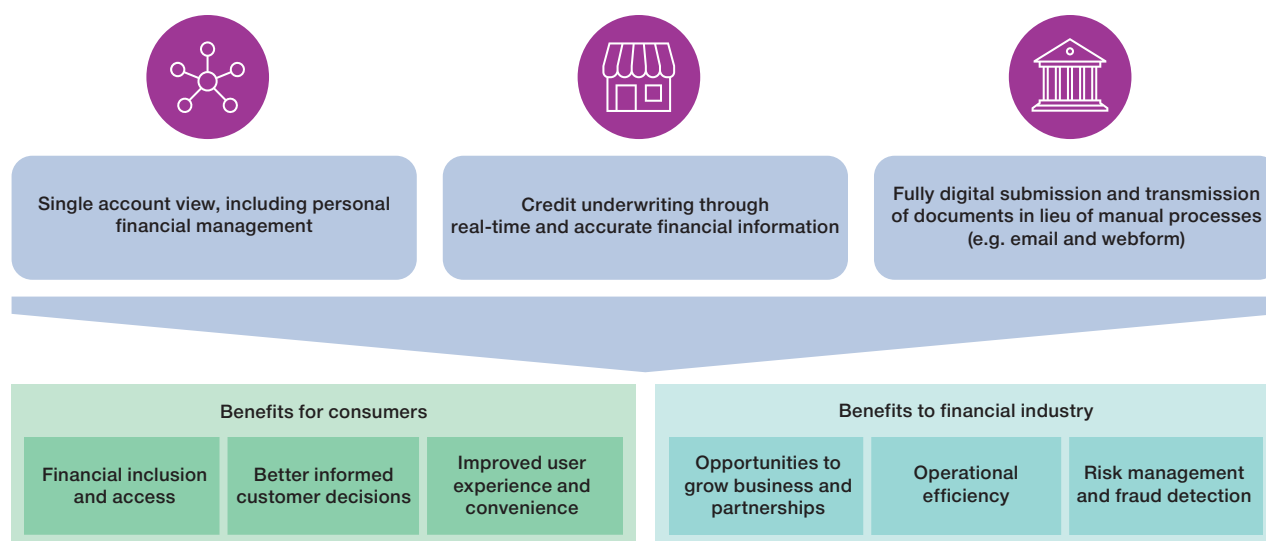
in progress, with wider industry participation to support smooth adoption across the sector. As digital threats such as deepfake technology grow more advanced, coordinated action across the ecosystem will be important to preserve trust and system integrity.

The Financial Technology Regulatory Sandbox also continued to support safe testing of new ideas. In 2025, two Green Lane initiatives focused on solutions that improve inclusion, such as income estimation models and electronic Know-Your-Customer (e-KYC) processes for foreign workers. These efforts help expand access and improve efficiency. The Sandbox will keep supporting the testing of high-impact innovations in a controlled setting.

## Deepening Financial Markets

BNM continued to advance reforms in Malaysia's financial markets. While markets continued to function smoothly, the enhancement of domestic benchmark rates will further safeguard their integrity. Working closely with the industry, BNM supported initiatives aimed at strengthening benchmark rate reforms and improving market infrastructure. In October 2025, we announced plans to transition from KLIBOR to MYOR and MYOR-i,<sup>26</sup> supported by a three-year roadmap with clear timelines and milestones. This transition will affect individuals and businesses with existing KLIBOR-based loans or financial products.

Diagram 17: Open Finance Use Cases and Benefits

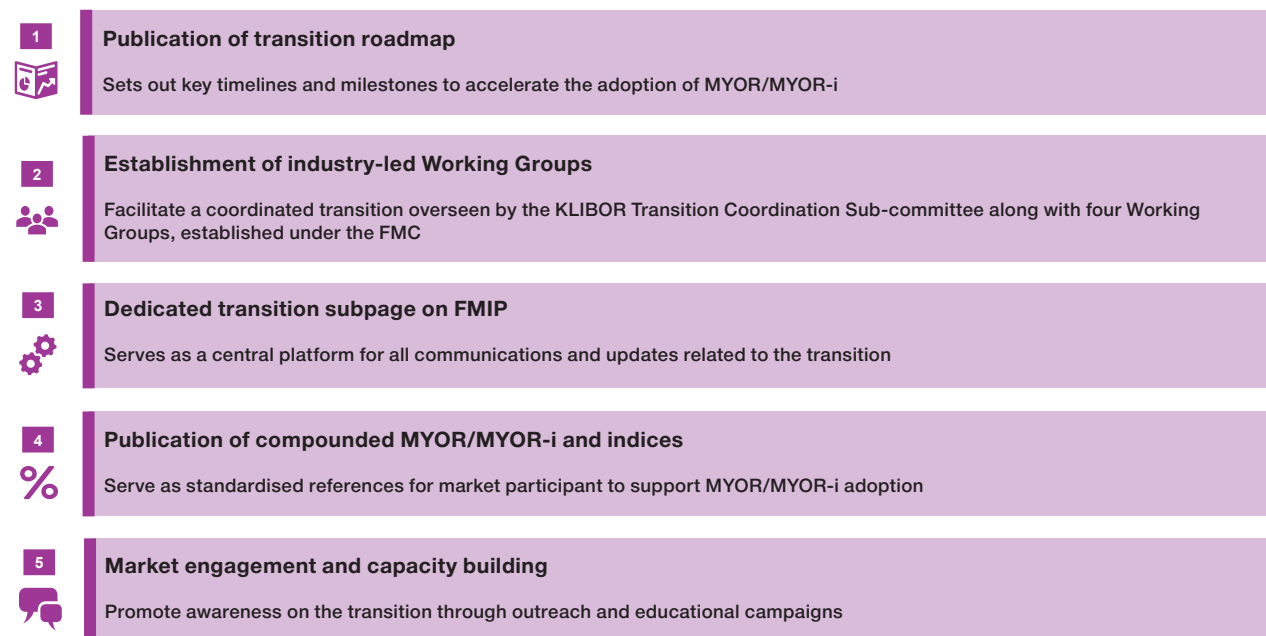


Note: Use cases listed are for illustrative purposes only and are not exhaustive nor indicative of endorsement from BNM.

Source: Bank Negara Malaysia

<sup>26</sup> The official press release on the transition is available at (<https://www.bnm.gov.my/-/klibor-to-myor>).

## Diagram 18: Efforts to Ensure a Smooth and Orderly Transition



Source: Bank Negara Malaysia

The shift to a benchmark that is anchored in transaction-driven market data means loan pricing will become fairer and transparent. This transition also aligns with global benchmark reforms and supports the Financial Sector Blueprint 2022–2026 by strengthening the credibility of Malaysia’s financial benchmarks and moving towards a more transparent, transaction-based reference rate.

Diagram 18 outlines the efforts to support a smooth and orderly transition. These efforts will continue, with regular updates provided to market participants via the Financial Markets Committee (FMC).<sup>27</sup>

Another focus area relates to financial market infrastructure development where key systems were upgraded to enhance market resilience and operational readiness. These include modernising the Fully Automated System for Issuing/Tendering (FAST), the Institutional Securities Custodian Programme (ISCAP) and the Ringgit Operations Monitoring System (ROMS). In 2025, BNM launched the FAST Modernisation Project, a multi-year effort to transform FAST into a future-ready platform with modular architecture, API integration and cloud-based scalability. Both FAST and ISCAP have already migrated to a secure cloud

environment, with added safeguards such as one-time password (OTP) verification. ROMS upgrades began with Phase 1 in December 2025, focusing on foreign exchange market reporting, while Phase 2 covering money market reporting is scheduled for rollout in the third quarter of 2026.

## Going Forward

In our pursuit to build an inclusive and progressive financial system, we have set several priorities for 2026. These include accelerating the transition to guarantee schemes to help SMEs access financing more easily and promoting responsible innovation to close gaps in access and protection. Expanding financial literacy programmes will help to empower households. Reforms in insurance and takaful will continue to ensure affordability and sustainability. Digitalisation will advance securely through open finance, strong AI governance and trusted digital identity systems. Success will depend on collaboration across industry and government. On this front, we will continue to work with partners to strengthen climate resilience, protect vulnerable groups, and build a financial system that is future-ready, inclusive and trusted.

<sup>27</sup> For more details, refer to our box article on ‘Transition from KLIBOR to MYOR / MYOR-i’ in BNM’s Financial Stability Review for First Half 2025 available at ([https://www.bnm.gov.my/documents/20124/19635466/fsr25h1\\_en\\_box1.pdf](https://www.bnm.gov.my/documents/20124/19635466/fsr25h1_en_box1.pdf)).

# Promoting a Progressive and Inclusive Islamic Financial System

Malaysia's Islamic financial system is a core pillar of our economy. As such, Bank Negara Malaysia (BNM) continues to champion value-based finance that delivers meaningful impact and socio-economic outcomes. This is anchored in fairness, shared prosperity and real economy value creation. In 2025, our work centred on three key strategic thrusts. These are advancing value-based innovation, strengthening the Islamic finance ecosystem, and retaining Malaysia's position as a global leader in the field. Together, we sustain a progressive and inclusive Islamic financial ecosystem that contributes to the economy and broader society.

## Resilient growth in Islamic banking and takaful

Throughout the year, Islamic finance deepened its role in serving Malaysians. Islamic financing rose to 48% of total financing and takaful participation reached 24.5% (Diagram 1). This growth reflects how Islamic finance continues to meet the changing financing and protection needs of households and small and medium enterprises (SMEs) (Diagram 2).

## Thrust 1: Advancing value-based intermediation for social and economic impact

Islamic finance is built on the objectives (*maqasid*)<sup>1</sup> of Shariah. These objectives build on values such as fairness, equitable wealth distribution and shared responsibility. Value-Based Intermediation (VBI) puts these values into practice. For Islamic financial institutions (IFIs), this means to operate and create positive and lasting impacts instead of just focusing on profit. In 2024, IFIs intermediated RM148.6 billion<sup>2</sup> into VBI-aligned activities including for SMEs and green financing, as well as social finance activities. This shows how VBI places people and the real economy at the centre of financial intermediation. In building stronger impact, BNM introduced initiatives to nurture meaningful innovations to support national priorities (Diagram 3). We also directed efforts to improve understanding of Islamic finance and build industry capabilities in exploring innovations.

## Fostering sustainable practices for halal businesses

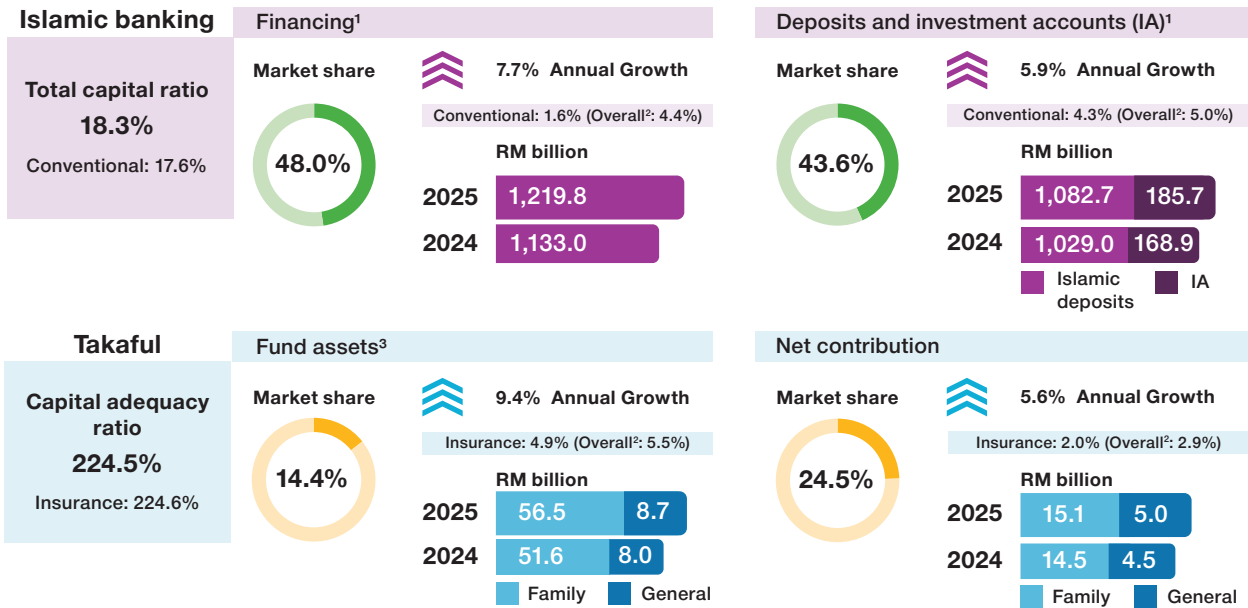
Increasingly, Malaysian halal businesses must consider environmental aspects in their operations to stay competitive globally. For SMEs, this means meeting international green standards and certifications, which is typically costly and challenging. The Greening Halal Businesses (GHB) initiative supports SMEs by providing carbon tracking tools and guidance. With the support of eight IFIs, over 200 halal SMEs have begun adopting greener practices. The programme remains open for others to join.<sup>3</sup> Early adopters are better placed to access new markets and obtain preferential procurement from buyers.

<sup>1</sup> The five main objectives of Shariah (*maqasid* Shariah) consist of the preservation of religion, life, intellect, lineage and wealth (property).

<sup>2</sup> VBI-aligned initiatives refer to deposits and investment accounts, financing, investment and social finance activities. For financing portion, this refers to the approved amount of financing by banks that are VBI-aligned.

<sup>3</sup> Further information at (<https://www.bnm.gov.my/sme-financing/ghb>).

Diagram 1: Key Financial Indicators



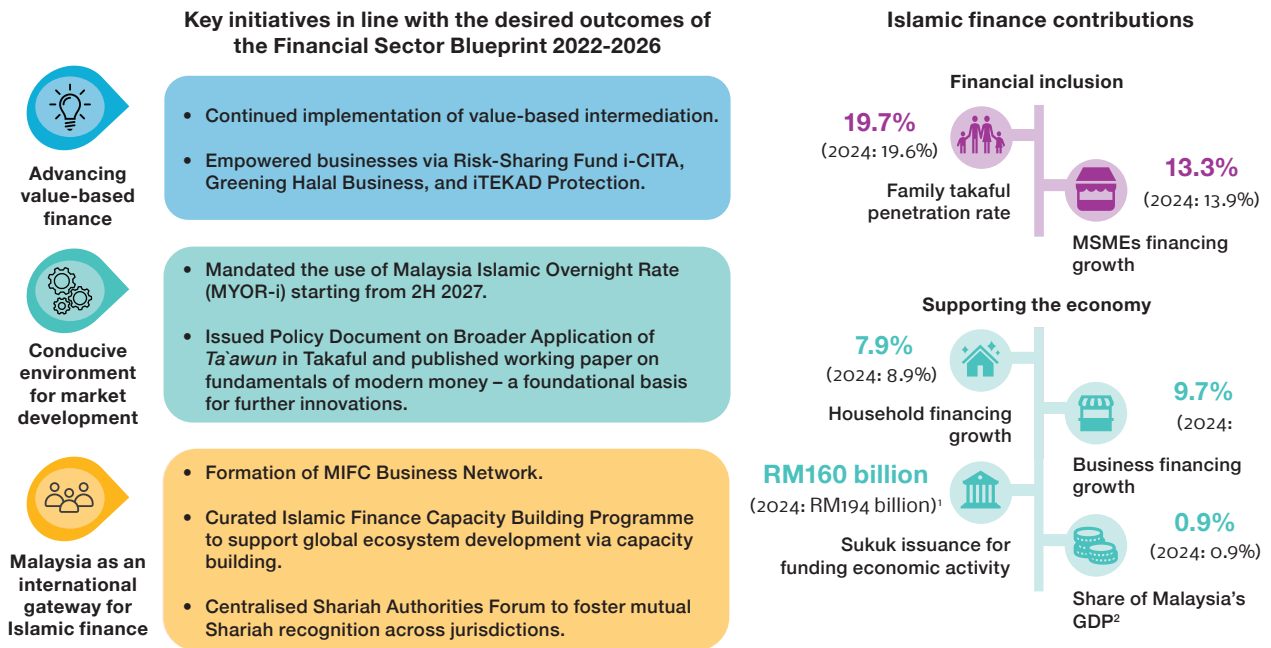
<sup>1</sup> Includes development financial institutions.

<sup>2</sup> Annual growth for overall sector refers to combination of Islamic and conventional sectors.

<sup>3</sup> Not inclusive of the shareholders' fund assets.

Source: Bank Negara Malaysia

Diagram 2: Summary of Key Islamic Finance Initiatives and Contributions

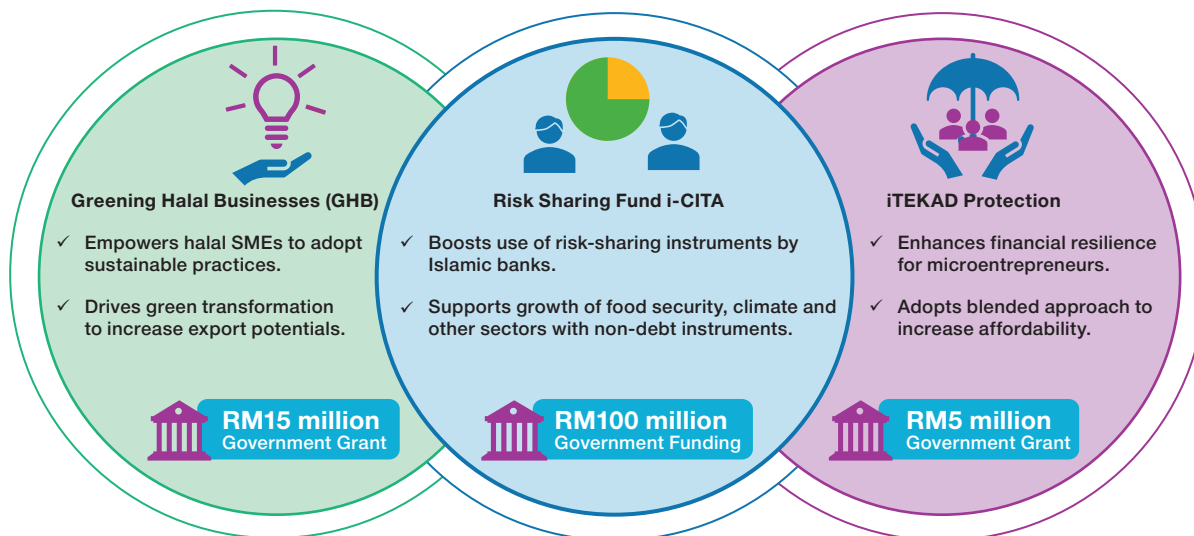


<sup>1</sup> Lower government sukuk and bond issuance in line with reducing government fiscal deficit.

<sup>2</sup> Based on the amount of net income of Islamic financial institutions compared to the total GDP. For Islamic banks, net income includes net profit margin and service charges, whereas for takaful operators, it includes net premium income and investment

Source: Bank Negara Malaysia, Department of Statistics, Malaysia

Diagram 3: Key Innovations



Source: Bank Negara Malaysia

### Catalysing the growth of risk-sharing instrument offerings

Islamic finance goes beyond provision of credit. There are instruments based on risk-sharing contracts that allow investors and entrepreneurs to share risks and returns. Such instruments provide more diverse risk and reward contractual obligations. For instance, economic activities with longer horizons and unpredictable cashflows such as climate-transition projects cannot rely on traditional debt alone which usually is used to finance projects with more predictable cashflows or lower risk profiles. For such activities, equity-based contracts may be a better fit. With this in mind, BNM launched the i-CITA programme in September 2025. It promotes wider use of risk-sharing contracts, such as *mudarabah* and *musyarakah*. Through RM100 million of matching funds,<sup>4</sup> i-CITA has the potential to improve funding access for new viable ventures. The programme encourages IFIs to develop innovative risk-sharing solutions that channel investments into key economic areas such as food security and climate resilience.

### Strengthening financial wellbeing

In 2025, we expanded iTEKAD to include iTEKAD Protection,<sup>5</sup> a social takaful solution. The aim is to make protection more affordable and provide easier access for microentrepreneurs (Diagram 4). Rooted in the takaful principle of ‘mutual assistance’, four takaful operators committed to pilot iTEKAD Protection at its launch during the Global Islamic Finance Forum (GIFF). In December 2025, two takaful operators began rolling out their offerings. These efforts show the continued commitment of BNM and IFIs to strengthen social safety nets and support wider economic participation.

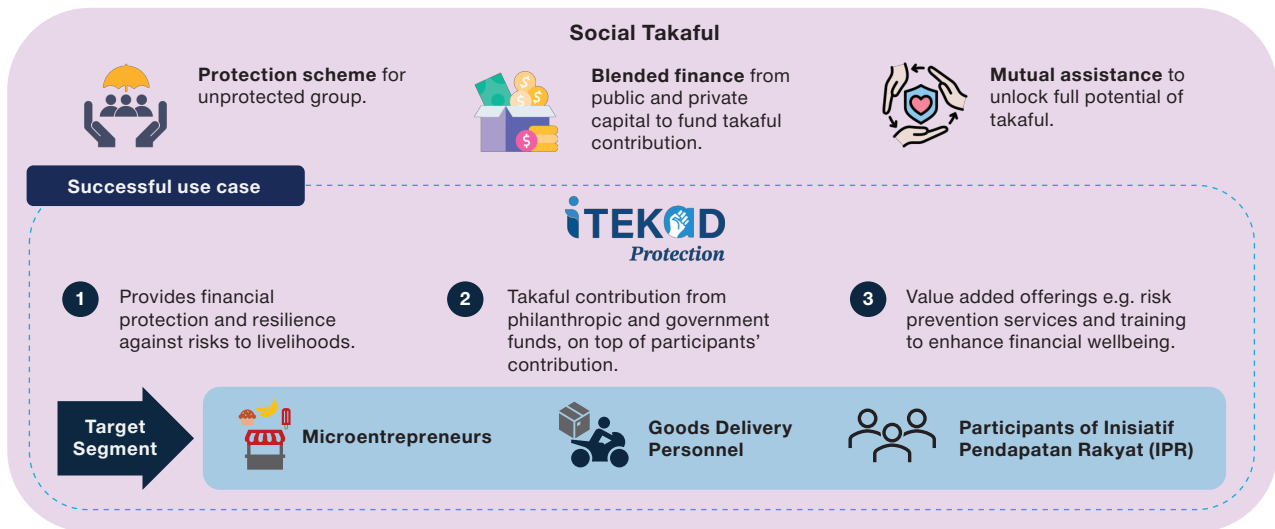


Governor Abdul Rasheed Ghaffour on stage with participating iTEKAD Protection takaful operators and implementation partners at the Global Islamic Finance Forum 2025

<sup>4</sup> Further information in Budget 2025 Speech (paragraph 154) at (<https://belanjawan.mof.gov.my/pdf/belanjawan2025/ucapan/ub25-en.pdf>).

<sup>5</sup> Further details on iTEKAD can be found in the chapter ‘Promoting a Progressive and Inclusive Financial System’ in BNM’s Annual Report 2025.

Diagram 4: Social Takaful and its Benefits to Participants



Source: Bank Negara Malaysia

## Thrust 2: Sustaining a conducive ecosystem for market development

We adopt a whole-of-ecosystem approach to support progressive and inclusive growth. This includes providing a conducive regulatory environment, deepening the Islamic financial market, and ensuring Shariah certainty in Islamic financial practices. BNM also continued efforts to futureproof the Shariah ecosystem. This is done through research, talent development and public understanding of Islamic finance.

### Conducive regulatory environment

In November 2025, BNM issued a Policy Document on Broader Application of *Ta'awun* in Takaful to strengthen the use of mutual assistance in the takaful industry. The goal is for takaful operators to explore solutions that support access to protection by certain segments in the economy. In line with the value-based framework, such mutual support can help build financial resilience for all segments of society. Our intent is for Islamic finance to not only promote financial protection, but also a culture of shared support, so that the benefits of Islamic finance can reach those who need them.

We are also currently reviewing industry feedback on the Shariah Contract Framework and Investment Account discussion papers. These reviews aim to provide clear and practical guidance. This ensures that Shariah principles are effectively applied in financial contracts and

investment accounts. By working closely with the industry, this will continue to keep the regulatory frameworks robust, transparent and adaptable to market developments.

### Deepening Islamic financial market

A sound regulatory foundation must be supported by clear policy roadmaps and strong market readiness. We made further progress in implementing key policies for the Malaysia Islamic Overnight Rate (MYOR-i)<sup>6</sup> and Islamic collateralised funding. Through these policies, we intend to:

- Introduce more transparent Islamic product pricing and benchmark transition. We will be mandating the use of MYOR-i for Islamic products beginning the second half of 2027. This supports the broader transition away from the Kuala Lumpur Interbank Overnight Rate (KLIBOR) to MYOR/MYOR-i.<sup>7</sup> As MYOR-i reflects actual overnight Islamic interbank placements, it provides a benchmark that is reflective of Shariah-compliant market activity. This shift is expected to make pricing more transparent and support an end-to-end Shariah-compliant solution for IFIs.

<sup>6</sup> MYOR-i is the world's first transaction-based Islamic benchmark rate, introduced in 2022 as alternative reference rate, alongside its conventional equivalent, the Malaysia Overnight Rate (MYOR).

<sup>7</sup> BNM announced the transition roadmap in October 2025 to accelerate the financial industry's adoption of MYOR/MYOR-i, following the cessation of KLIBOR by 1 January 2029. Further information is in the chapter 'Promoting a Progressive and Inclusive Financial System' in BNM's Annual Report 2025, (<https://financialmarkets.bnm.gov.my/transition-roadmap>) and BNM's Financial Stability Review for First Half 2024 box article titled 'Transition from KLIBOR to MYOR/MYOR-i'.

- Enhance operational readiness and risk management. Several Islamic banks signed two Memoranda of Understanding (MOUs)<sup>8</sup> to improve the use of secured Islamic money market and hedging instruments. These MOUs standardise market practices, which support better liquidity management, more reliable hedging, and smoother day-to-day operations, in line with global standards.

### Providing Shariah certainty in Islamic financial practices

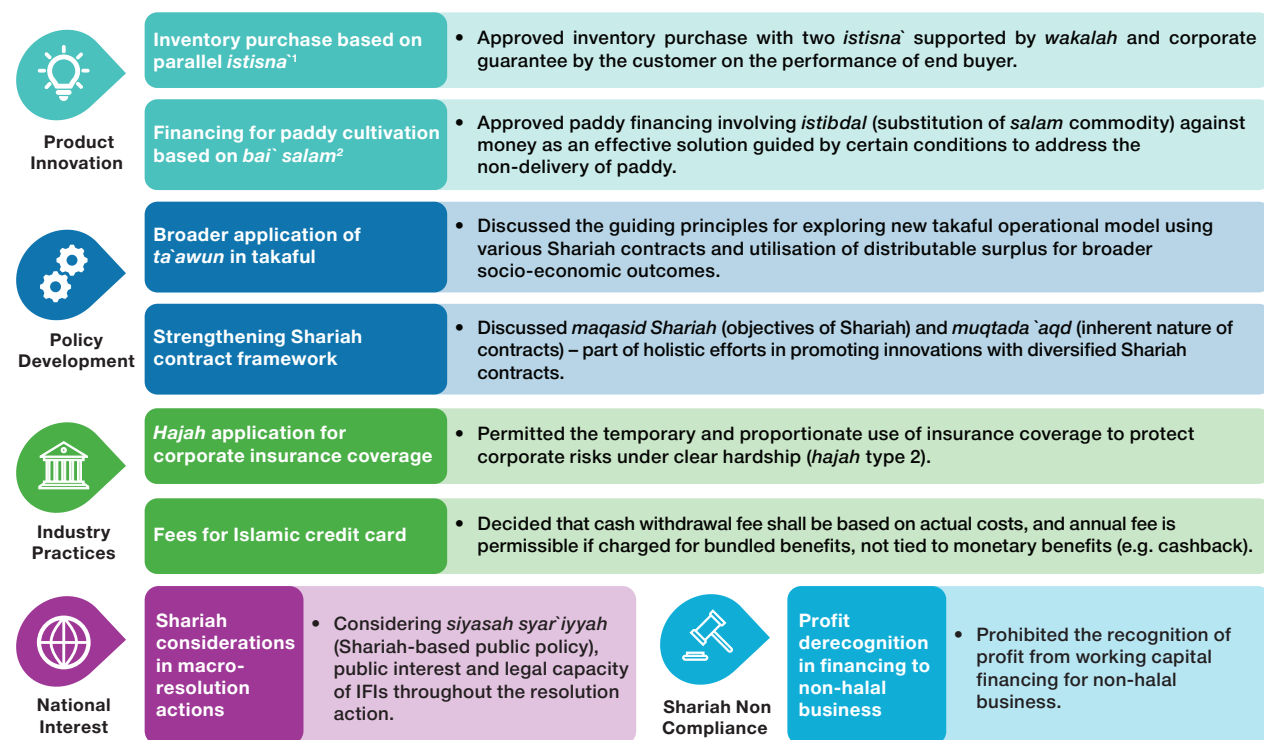
Clear Shariah guidance builds confidence and trust in Islamic finance. The Shariah Advisory Council (SAC) continues to provide clear guidance on what is permissible in Islamic finance. Its decisions anchor our regulatory framework and ensure that new market practices and policy developments are aligned with Shariah expectations. During the year, SAC decisions enabled new solutions such as *istisna*<sup>1</sup>-based inventory purchase and *salam*-based agriculture financing (Diagram 5).

### Building a futureproof Shariah ecosystem

As financial innovation accelerates, deeper understanding of emerging issues is needed to maintain Shariah certainty. This means clear, authoritative and consistent guidance are necessary on what is allowed in Islamic finance. New tools, such as digital assets and other emerging financial tools are expanding how markets work and raise questions that require careful Shariah assessment. To stay ahead, BNM is focusing on Shariah research and talent development as key elements of a futureproof ecosystem.

In July 2025, BNM released a Working Paper on 'Fundamentals of Money and its Application to Central Bank Digital Currency (CBDC): An Exploratory Shariah Analysis'. The paper sets out the foundational understanding of what money is and how it works in modern economic systems. It offers a framework to guide Shariah deliberation on new financial innovations, including digital assets, stablecoins and CBDCs.<sup>9</sup> This analytical groundwork also paved the way for broader regional engagement on emerging monetary issues (refer to Thrust 3).

Diagram 5: Key SAC Deliberations 2025



<sup>1</sup> *Istisna*<sup>1</sup> is a sale contract by way of order for certain product with certain specifications and mode of delivery and payment (either in cash or deferred).

<sup>2</sup> *Salam* is a sale contract based on order of certain asset with certain specifications. Full payment is made in cash at the time of conclusion of the contract whereas the delivery of the asset is deferred to a specified time.

Source: Bank Negara Malaysia

<sup>8</sup> The enhanced Sell Buy Back Agreement (SBBA) and the Tahawwut Master Agreement (TMA) signed during the Islamic Financial Market Sub-Committee (IFMC) roundtable. Further information is available at (<https://www.bnm.gov.my/documents/20124/11285645/ifmc-2025-milestones-trends.pdf>).

<sup>9</sup> Further information at (<https://www.bnm.gov.my/documents/20124/826852/ahmad-et-al-2025-wp325.pdf>).

A futureproof ecosystem also means to have strong pool of Shariah talent. In October 2025, BNM convened a roundtable that brought together internationally prominent Shariah scholars and experts<sup>10</sup> to exchange views on key Shariah issues. This includes using Shariah contracts beyond *tawarruq* and the role of Shariah advisors in shaping the industry. The session helped build stronger relationships and encouraged mentorship, supporting the development of Shariah talent ecosystem.

### Broadening Islamic financial literacy outreach

Financial literacy helps customers understand the features and values of Islamic finance. It also helps boost public confidence by understanding how Shariah principles and governance protect integrity of the system. For the first time this year, we included Islamic Financial Literacy (IFL) programme in the Karnival Celik Kewangan<sup>11</sup> in Pulau Pinang. Through the IFL forum and the Shariah Clinic,<sup>12</sup> consumers received practical guidance on Islamic finance and basic wealth management. This support helps them take part in the system more confidently and responsibly.



Panelists of IFL Forum including Deputy Governor Adnan Zaylani Mohamad Zahid (second from the right), Mufti of Wilayah Persekutuan Ustaz Ahmad Fauwaz Fadzil (in the middle), and SAC member of BNM Dr. Ahmad Basri Ibrahim (first from the left)

<sup>10</sup> Shariah experts are developing and established Shariah professionals who are progressively building expertise, exposure, and practical experience in Islamic finance. They display potential as the next generation of Shariah scholars in Islamic finance.

<sup>11</sup> Karnival Celik Kewangan is an initiative by the Financial Education Network (FEN), aimed to enhance financial literacy among Malaysians through engaging and interactive approaches. Further details can be found in the chapter 'Engaging Malaysians' in BNM's Annual Report 2025.

<sup>12</sup> The forum refers to a panel discussion entitled 'Berkat Rezeki, Tenang Jiwa – Memahami Kebimbangan Pengurusan Kewangan dari Perspektif Islam' which explores how Islamic principles guide financial decisions-making. Shariah Clinic provides a consultation booth offering on-the-spot guidance on Shariah and Islamic finance matters.

### Thrust 3: Positioning Malaysia as global thought leader

We continue efforts to position Malaysia as a global thought leader in Islamic finance. This builds on a solid ecosystem and steady market progress. Our priorities for 2025 include strengthening business linkages, promoting mutual Shariah recognition, accelerating innovation and building global capabilities (Diagram 6). Through these efforts, Malaysia aims to build a more connected and progressive global Islamic finance ecosystem.

#### Strengthening industry stewardship

The regulators including BNM have played a key role in the early development phase of Islamic finance in Malaysia. As the industry now being more mature, it is time for them to drive key agendas for the Malaysia International Islamic Financial Centre (MIFC). To support this, industry players formed the MIFC Business Network (MBN) in October 2025. It serves as a sector-wide coordination platform for players in the banking, takaful, capital market and ancillary services. The MBN can better coordinate efforts to draw interest on Malaysia's Islamic finance business opportunities, positioning Malaysia as an international gateway. It also supports efforts to develop and nurture the industry into regional or global players. MBN builds on the foundation laid by the MIFC Leadership Council (MLC) where 18 identified Impact Projects<sup>13</sup> have already catalysed early progress toward these outcomes (Diagram 7).

#### Driving value-based innovation

Malaysia partners with global counterparts to drive innovation that addresses social and sustainability needs. With the theme of 'Accelerating Innovation Empowering Change,' BNM and the MLC worked with global<sup>14</sup> and domestic<sup>15</sup> partners for the MIFC Global Impact Challenge (MIFC GIC). Through this challenge, participants developed Shariah-compliant solutions targeting social and sustainability issues.

<sup>13</sup> The Impact Projects as outlined in MLC Position Paper 2024 aim to drive collective actions and shifts by the industry to foster positive societal change through Islamic finance. Further information at ([https://mifc.com/main/wp-content/uploads/2024/05/MIFC\\_Positioning\\_-\\_Paper.pdf](https://mifc.com/main/wp-content/uploads/2024/05/MIFC_Positioning_-_Paper.pdf)).

<sup>14</sup> Islamic Finance Council UK, Hong Kong Trade Development Council, Islamic Development Bank, and the World Bank Group Inclusive Growth and Sustainable Finance Hub in Malaysia.

<sup>15</sup> ASBhive by the Asia School of Business acted as the knowledge partner and accelerator programme provider. Other partners are Fintech Association of Malaysia, Association of Shariah Advisors in Islamic Finance and Islamic Finance News.

Diagram 6: Key Initiatives in 2025



Source: Bank Negara Malaysia

Diagram 7: MIFC Next Chapter: Tactical Shift in Realising Business Outcomes



Source: Bank Negara Malaysia

The four winning ideas covered social welfare, estate planning, agritech and digital platforms. These solutions enhance transparency, improve efficiency and empower communities. The MLC and MIFC GIC partners provided support and guidance to winners, over a 12-month period, on how to scale up their solutions for wider adoption. This collaboration showcases Malaysia’s role in encouraging practical, value-based innovation that can benefit the wider Islamic finance community globally.

### Promoting greater cross-jurisdictional Shariah advocacy

We value diversity in Shariah views as robust discourse allows for clearer guidance and stronger industry practice. In this context, the Centralised Shariah Authorities Forum (CSAF) continues to serve as a key platform to strengthen global collaboration in Shariah

matters. By hosting and steering CSAF, Malaysia brings together leading Shariah authorities to share insights, address emerging issues and enhance collective understanding. The 6th CSAF, held in October 2025, marked another important milestone where the CSAF Terms of Reference (ToR) was finalised. This further strengthened the governance framework and coordination among member countries. It also fostered deeper mutual respect among Shariah authorities.<sup>16</sup> Discussion areas include thematic and jurisdictional Shariah developments such as takaful practices and modern money.

Building on this momentum, further discussion continued at the Muzakarah Cendekiawan Syariah Nusantara 2025 in Bangkok. These sessions broadened understanding of digital asset development and supported deeper cross-jurisdictional Shariah discussions. They also strengthened our role in shaping global Shariah perspectives on emerging financial innovations.

<sup>16</sup> Include delegates from ten jurisdictions including Malaysia (Libya, Maldives, Morocco, Nigeria, Oman, Pakistan, the Philippines, United Arab Emirates and Uzbekistan (as observer)).



MIFC Global Impact Challenge Demo Day at Sasana Kijang, Kuala Lumpur



International delegates attending the 6th CSAF meeting in Kuala Lumpur



Deputy Governor Adnan Zaylani Mohamad Zahid (fourth from the right) presented the research paper at the Muzakarah Cendekiawan Nusantara



Welcoming representatives from Central Asia countries and Azerbaijan during the Islamic Finance Capacity Building Programme

### Strengthening capacity building

Learning from one another is crucial to know what works well and what to avoid. In 2025, we supported 17 jurisdictions<sup>17</sup> by sharing Malaysia’s experience through technical consultations and strategic dialogues. We also hosted the inaugural Islamic Finance Capacity Building Programme (IFCBP).<sup>18</sup> The programme offered practical guidance on building dual financial systems in Central Asia countries<sup>19</sup> and Azerbaijan. It covered key areas on regulatory and supervisory frameworks, and liquidity management. The positive feedback we received reaffirms Malaysia’s role as a reference point for jurisdictions when developing their Islamic

finance ecosystems. It also allows us to expand and tailor the programme for other regions.

### Going Forward

Looking ahead to 2026, our priorities are to strengthen value-based intermediation capabilities including in sustainability and climate agenda, foster an enabling environment for impactful innovation, and catalyse economic potential through the halal economy and global opportunities. Guided by strategic stewardship and collaboration, BNM remains committed to advancing Malaysia’s Islamic financial ecosystem. This ensures its progressive evolution delivers lasting benefits for all.

<sup>17</sup> Including Azerbaijan, Benin, Cambodia, Djibouti, Hong Kong, Indonesia, Kazakhstan, Kenya, Kyrgyz Republic, the Philippines, Somalia, Tajikistan, Türkiye, Turkmenistan, the United Kingdom, Uzbekistan and Zambia.

<sup>18</sup> The IFCBP was organised in collaboration with Islamic Development Bank, INCEIF University, and International Shariah Research Academy for Islamic Finance (ISRA).

<sup>19</sup> Such as Kazakhstan, Kyrgyz Republic, Tajikistan, Turkmenistan and Uzbekistan.

# The Rise of Islamic Finance in ASEAN: Unlocking Its Growth Potential

Over the past decade, Islamic finance in ASEAN continues to transform. What began as an offering aimed primarily at meeting the needs of Muslim consumers has evolved into a dynamic segment of the regional financial system. Increasing demand for Shariah-compliant solutions, given the range of diverse options and stronger policy support across several ASEAN economies are main forces driving this growth. As global interest in ethical and sustainable finance expands, Islamic finance has gained further momentum in ASEAN. Its emphasis on value-based principles, balanced risk-reward considerations and wider benefits for society and the environment speaks to a growing demand for financial solutions that create long-term propositions beyond profits.

Since 2014, Islamic financial assets in ASEAN have more than doubled from USD468 billion to USD954 billion in 2024.<sup>1</sup> Importantly, the growing rise of Islamic finance is also evident in countries such as Singapore and the Philippines – largely non-Muslim societies, reflecting its wider appeal.

## Islamic finance as a catalyst for inclusive and sustainable growth across ASEAN

Islamic finance continues to contribute meaningfully to both national and regional development objectives. It has expanded financial access for underserved groups, particularly, among Muslim communities that were previously reluctant to engage in conventional banking.<sup>2</sup> Through Shariah-compliant financing, many have been able to obtain funding for home and vehicle ownership. At the same time, small and medium enterprises (SMEs) are now able to access Shariah-compliant financing to start or grow their business, helping them to expand productive capacity and boost job creation.

Beyond financing, Islamic finance also promotes inclusive wealth distribution. By integrating *zakat*, *waqf* and *sadaqah* into the sector, Islamic finance provides broader channels for supporting vulnerable communities. Indonesia, for example, has introduced innovative instruments such as cash waqf linked sukuk and cash waqf linked deposit that allow account holders to channel their funds into social, humanitarian or public projects. Malaysia, on another note, has actively leveraged blended financing initiative, known as iTEKAD, to support entrepreneurial activities by combining bank's financing with zakat-based seed capital, further reinforced with capacity-building programmes and skills training. As these communities expand their income-generating activities, they evolve from recipients to economic contributors who help uplift others. As a result, this creates pathways for more inclusive and sustainable growth within the economy. Meanwhile, *takaful* and risk-sharing structures help strengthen financial protection. Together, these features make it a practical tool for advancing financial inclusion, social resilience, and consequently equitable development across ASEAN.

Islamic finance also plays a vital role in supporting economic development. This reflects its fundamental principle, which requires financial instruments to be backed by underlying assets and linked to real economic activities. Sukuk, in particular, has been widely used for the construction of various development and infrastructure needs. Both the Malaysian and Indonesian sukuk markets have funded the development of various infrastructures including roads, healthcare facilities and green projects. The use of sukuk is also attributed to its capability of providing long-term funding from a wider pool of investors, suitable for the financing needs of large-scale and capital-intensive projects.

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<sup>1</sup> Source: London Stock Exchange Group (LSEG)

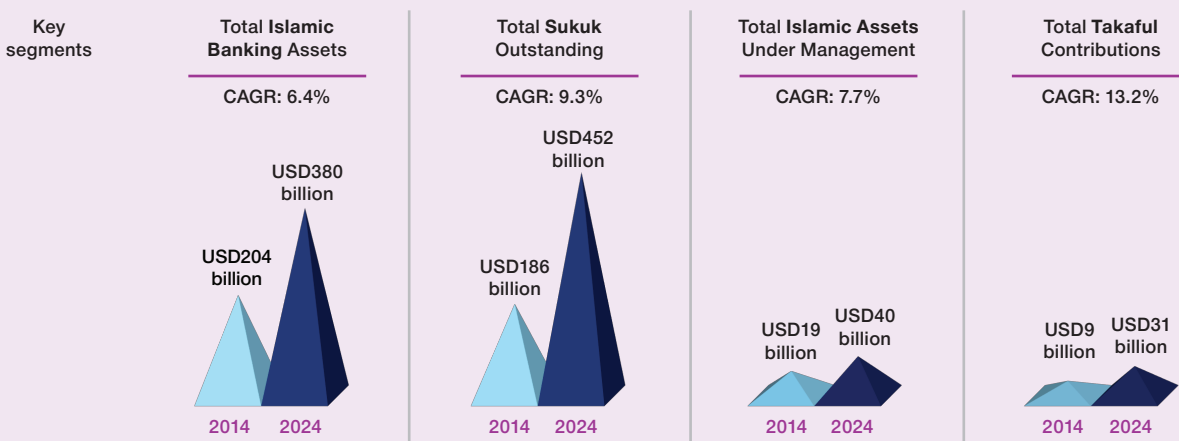
<sup>2</sup> Estimates by the Islamic Development Bank reveal that, on average, around nine percent of the population in 35 selected Muslim-majority countries (including Indonesia and Malaysia) voluntarily exclude themselves from the formal financial sector due to religious considerations (Alliance for Financial Inclusion, 2024). A similar pattern is seen in the Philippines, where a survey found high interest in Islamic banking but low account ownership among Muslim respondents, indicating unmet inclusion needs (Asian Development Bank Survey, 2024).

More recently, Islamic finance has increasingly been channelled toward green and transition-related activities. Indonesia and Malaysia collectively contribute 45% share of the global SRI and ESG sukuk outstanding in 2024.<sup>3</sup> This reinforces the sector’s alignment with broader ESG objectives and strengthens its role as a catalyst for sustainable development. Building on this momentum and recognising the importance of SMEs in the economy, we developed practical tools to support their transition. These efforts include blended facilitation programmes such as the Greening Value Chain (GVC) and Greening Halal Businesses (GHB),<sup>4</sup> which offer both technical and financial assistance. Together with the Asian Development Bank and the United Nations Development Programme, BNM published the ‘Building Supply Chain Resilience: Insights into Greening Value Chains for ASEAN’ Playbook. The playbook draws from Malaysia’s experience and provides guidance for ASEAN policymakers, financial institutions and businesses on how they can integrate sustainability considerations and practices into their value chains. Beyond SMEs, we also promoted Islamic finance as a viable funding source for large public infrastructure such as the ASEAN Power Grid and innovative solutions under Climate Finance Innovation Lab.<sup>5</sup>

Amid growing size and maturity of key segments within Islamic finance ecosystems in ASEAN (refer Chart 1), cross-border sukuk issuances, investment flows and financial partnerships begin to also support greater regional integration. This integration is important to broaden the pool of market participants, diversify instruments, deepen liquidity and mobilise capital flows across the region. As of 2025, nine participants from ASEAN took part in Malaysia’s commodity trading platform, known as Bursa Suq Al-Sila’ (BSAS), with a combined transaction value of RM55.9 billion for the year.<sup>6</sup> Their participation in BSAS primarily supports their operations for Shariah-compliant financing, deposit taking and investment activities.

**Chart 1: Overview of Islamic Finance in ASEAN**

**Islamic finance in ASEAN: Growing contributions**  
Growth by segments 2014 vs 2024



Note: CAGR refers to Compound Annual Growth Rate.  
Source: LSEG

## Malaysia’s roles in advancing Islamic finance across ASEAN

Malaysia has pursued a deliberate, long-term strategy to develop a comprehensive financial system, where Islamic finance exists alongside the conventional financial system. At Bank Negara Malaysia (BNM), efforts to support Islamic finance include strengthening Shariah governance, enhancing legal, regulatory and market ecosystem as well as spurring innovation to meet more diverse economic and social needs. Supported by sustained investment into capacity building, Malaysia has gradually developed a diversified Islamic finance ecosystem spanning banking, capital, financial markets and takaful.

<sup>3</sup> Source: LSEG

<sup>4</sup> More details on Greening Halal Businesses can be found in the annual report’s chapter on ‘Promoting a Progressive and Inclusive Islamic Financial System’.

<sup>5</sup> The Climate Finance Innovation Lab (CFIL) aims to serve as a collaborative platform to ideate, develop, and accelerate innovative climate finance solutions and mechanisms that can mobilise private and public finance to support Malaysia’s transition to net zero, to strengthen its climate resilience and to advance nature-positive actions.

<sup>6</sup> ASEAN BSAS participants comprise a range of financial institutions, including full-fledged Islamic banks, Islamic windows, development financial institutions and asset management companies from Singapore, Brunei, Indonesia and Thailand. This transaction value excludes Malaysia (Source: Bursa Malaysia).

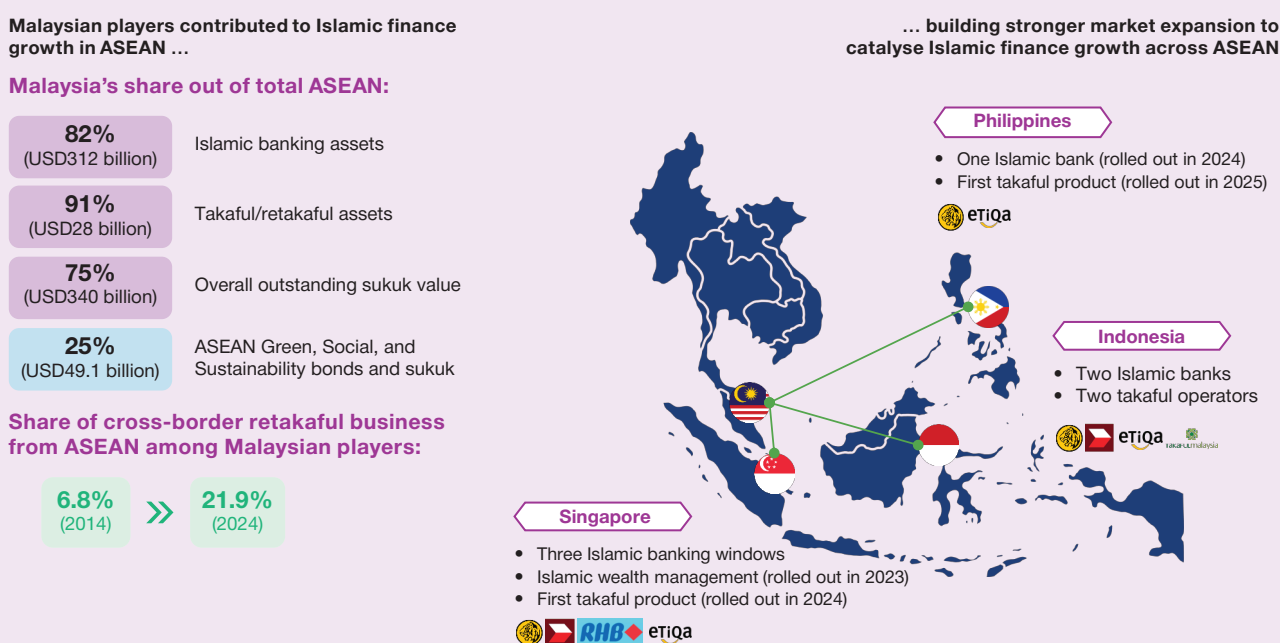
## PROMOTING A PROGRESSIVE AND INCLUSIVE ISLAMIC FINANCIAL SYSTEM

Leveraging the strengths of the domestic ecosystem, Malaysia has been actively pursuing initiatives to facilitate the outreach of Islamic finance in partnership with the neighbouring economies. These efforts – together with support from host country regulatory authorities – have facilitated market entry and enabled the development of new Islamic finance segments across ASEAN. The following section illustrates Malaysia’s contribution in supporting various developments as ASEAN countries look to capitalise on Islamic finance.

### (i) Expanding regional footprint and cross-border services

Malaysia has nurtured credible and competitive Islamic finance institutions with deep expertise and a strong track record. The larger domestic banks have strong presence in the region offering a wide range of Islamic financial solutions. These banks are also well recognised for their advisory roles in sukuk issuances within ASEAN and beyond, reflecting their active roles in the Islamic capital market developments. In the takaful sector, Malaysian retakaful operators have steadily expanded their client base across the region (refer Diagram 1). Beyond expansion of financial services, Malaysia’s ancillary service providers, particularly legal and Shariah advisory firms, also play a pivotal role in enabling cross border Islamic finance transaction.

**Diagram 1: Malaysian Players Actively Tapping Regional Business Opportunities**



Note: Malaysia’s Islamic asset figures exclude Malaysian players’ Islamic operations abroad.

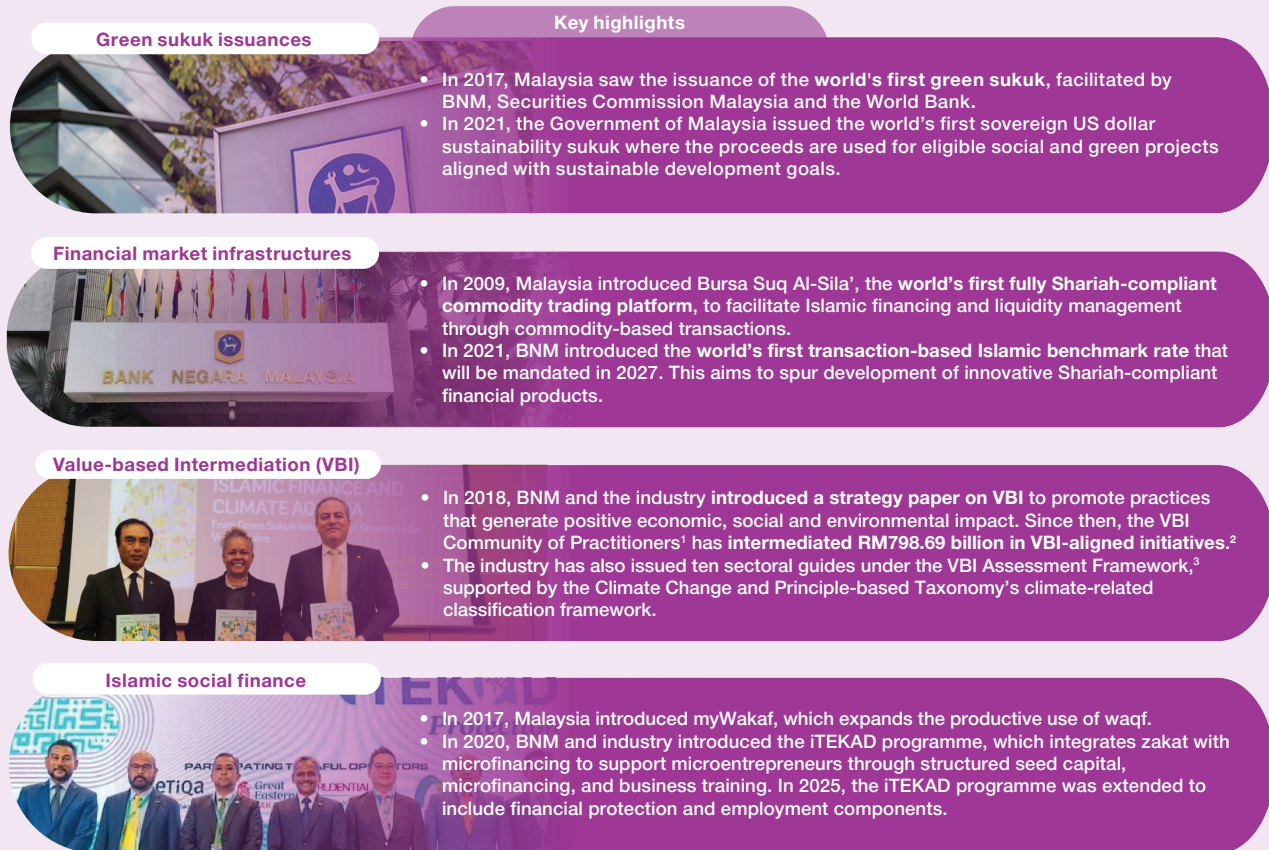
Source: LSEG, Securities Commission Malaysia and Bank Negara Malaysia (data as of September 2025)

This progress is meaningful. It opens new business opportunities for Malaysia’s financial sector while enabling domestic players to scale their operations, enhance service quality, and compete more efficiently at a regional level. The provision of cross-border services also encourages collaboration with regional partners and generates shared growth opportunities – ranging from the creation of new jobs to a broader supply of alternative financial products and services.

### (ii) Pioneering innovation and market developments

Malaysia has been at the forefront of innovation and market developments in Islamic finance. This includes pioneering new sukuk and social finance innovations, introducing financial market infrastructure and spearheading the adoption of value-based intermediation, VBI (refer Diagram 2). These advancements provide useful reference models and practical lessons for other ASEAN countries, helping to raise overall standards and support greater development of Islamic finance across the region. Collectively, these developments also attract international investors and global financial institutions, further deepening the region’s Islamic financial markets.

Diagram 2: Malaysia's Key Innovations and Market Developments



<sup>1</sup> The VBI Community of Practitioners or 'CoP' is a collaborative platform for industry players to strategically advance industry-wide implementation of the VBI agenda.

<sup>2</sup> This includes both green and social finance. Source: Association of Islamic Banking and Financial Institutions Malaysia (AIBIM)

<sup>3</sup> This covers ten sectors: palm oil, renewable energy, energy efficiency, oil & gas, construction, infrastructure & manufacturing, agriculture, mining & quarrying, road transportation and waste management.

### (iii) Nurturing talent and capabilities

The advancement of Islamic finance requires a steady pipeline of skilled professionals with expertise spanning economics, finance, Shariah, and other related disciplines. At the industry level, Malaysia's talent development institutions play a central role by offering specialised professional certifications, degree and postgraduate programs that nurture well-trained talent and future-ready workforce (refer Diagram 3).

As Malaysia deepens its engagement with ASEAN, these institutions have also taken on a broader regional role. The expansion of cross-border services and partnerships demands professionals who can navigate diverse regulatory and market environments while upholding high standards of Shariah compliance and financial integrity. In 2025, a total of 1,632 graduates and professionals from across ASEAN have been supported by the various postgraduates and training modules offered by these Islamic finance talent entities.<sup>7</sup>

At BNM, we also work closely with regional regulatory counterparts in critical areas such as Islamic liquidity management and Shariah matters (refer Diagram 4). These collaborative efforts promote mutual understanding, support more consistent implementation across jurisdictions, and help address regulatory gaps, ultimately strengthening the region's Islamic finance ecosystem.

<sup>7</sup> Based on data provided by INCEIF University, Islamic Banking and Finance Institute Malaysia (IBFIM) and Association of Shariah Advisors in Islamic Finance Malaysia (ASAS).

Diagram 3: Malaysia's Vibrant Islamic Finance Talent Ecosystem to Support Growth of the Industry



<sup>1</sup> Certified Shariah Advisor (CSA) and Certified Shariah Practitioner (CSP).

Source: Bank Negara Malaysia

Diagram 4: Collaborations with ASEAN Counterparts



Source: Bank Negara Malaysia

## The way forward – Stronger ASEAN partnerships

With its universal ethical foundation, Islamic finance holds significant potential to scale across ASEAN. Realising this potential will require coordinated action across the entire ecosystem.

From BNM's perspective, Malaysian industry players must continue to modernise and diversify products, enhance value propositions, and widen distribution channels in tapping the opportunities across the region going forward. This includes:

- **Advancing financial inclusion and sustainability** across ASEAN, by expanding Shariah-compliant solutions that address financing gaps among Micro, Small and Medium Enterprises (MSMEs), underserved communities, and climate-vulnerable sectors. This supports ASEAN's broader push for inclusive growth and an orderly transition.
- **Deepening intermediation roles within the regional halal value chain**, capitalising on ASEAN's position as a fast-growing hub for halal production, trade, logistics, and tourism. Financial institutions can play a catalytic role in financing halal SMEs, providing protection needs, enabling cross-border trade, and supporting certification and supply-chain integration.
- **Accelerating digitalisation of Islamic financial services**, including through fintech collaboration, embedded finance models, and data-driven innovation. A stronger digital ecosystem enhances customer experience, increases operational efficiency, and enables wider outreach across a diverse and highly mobile ASEAN population.

The establishment of the MIFC Business Network (MBN)<sup>8</sup> in 2025 is timely in capitalising on these business opportunities. By bringing together players across banking, capital market, takaful, private market, and ecosystem development, the network aims to drive innovation, co-develop solutions and unlock new growth opportunities that can deepen Islamic finance penetration across ASEAN. BNM, together with other agencies, will continue providing support to the industry players in navigating the next chapter of the MIFC agenda. Beyond this, capacity building will also catalyse long-term growth of Islamic finance in ASEAN. Continued sharing of expertise can be done by tapping on various platforms including initiatives to cater for the regional needs such as the ASEAN Takaful Alliance<sup>9</sup> and Muzakarah Cendekiawan Syariah Nusantara.<sup>10</sup>

Islamic finance in ASEAN remains a journey in progress. Its future will depend on collective advancement rather than the performance of any single market. Regulatory cooperation will be vital, alongside deeper engagement among regulators to support cross-border activities while simultaneously safeguarding financial stability. Stronger collaboration among market participants will also be essential.

<sup>8</sup> More details on MIFC Business Network can be found in the annual report's chapter on 'Promoting a Progressive and Inclusive Islamic Financial System'.

<sup>9</sup> Launched at the Global Islamic Finance Forum 2025, the ASEAN Takaful Alliance is committed to fostering knowledge sharing and enhancing capacity among takaful operators within ASEAN.

<sup>10</sup> A regional annual conference that brings together Shariah scholars, Islamic finance advisors, regulators, academics, and industry practitioners from across the Nusantara region (including Malaysia, Indonesia, Brunei, Singapore, and Thailand). It serves as a high-level platform for intellectual exchange, collaboration and the discussion of contemporary Shariah issues affecting Islamic finance.

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# Promoting Safe and Efficient Payment and Remittance Services

BNM remains steadfast in ensuring payment and remittance transactions are safe, reliable and affordable.

## Making payment and money services<sup>1</sup> safe, efficient and reliable for everyone

In 2025, Bank Negara Malaysia (BNM) continued to focus on making payment services safe, efficient and reliable for everyone. Our efforts are centred on three fronts:

- Expand electronic payments (e-payment) so that transactions are easier and more inclusive, while maintaining user confidence.
- Strengthen infrastructure and oversight arrangements while keeping payment systems resilient and regulations relevant as the ecosystem evolves.
- Explore new technologies to futureproof Malaysia's payment ecosystem so that consumers and businesses can transact in a safe and efficient manner.

## Sustaining greater digitalisation of payment and money services

E-payment transactions grew by 25% to 18.4 billion (2024: 14.7 billion) in 2025, as more people chose fast, convenient and secure payments for daily transactions.

On average, each Malaysian made 538 e-payments in 2025, a 25% increase from 432 in 2024<sup>2</sup> (Diagram 1). Between 2022 and 2025, e-payment transactions rose by an annual average rate (CAGR) of 17%. With this, Malaysia

has consistently surpassed the Financial Sector Blueprint 2022-2026 target of at least 15% CAGR in average e-payment transactions per capita. The growth in 2025 was supported by steady consumption activity. This was evident from higher retail e-payment transactions<sup>3</sup> by 19% for the year to RM831 billion (2024: RM698.2 billion).

More businesses, especially smaller ones, are increasingly using e-payments, broadening adoption across the economy.

Key developments include:

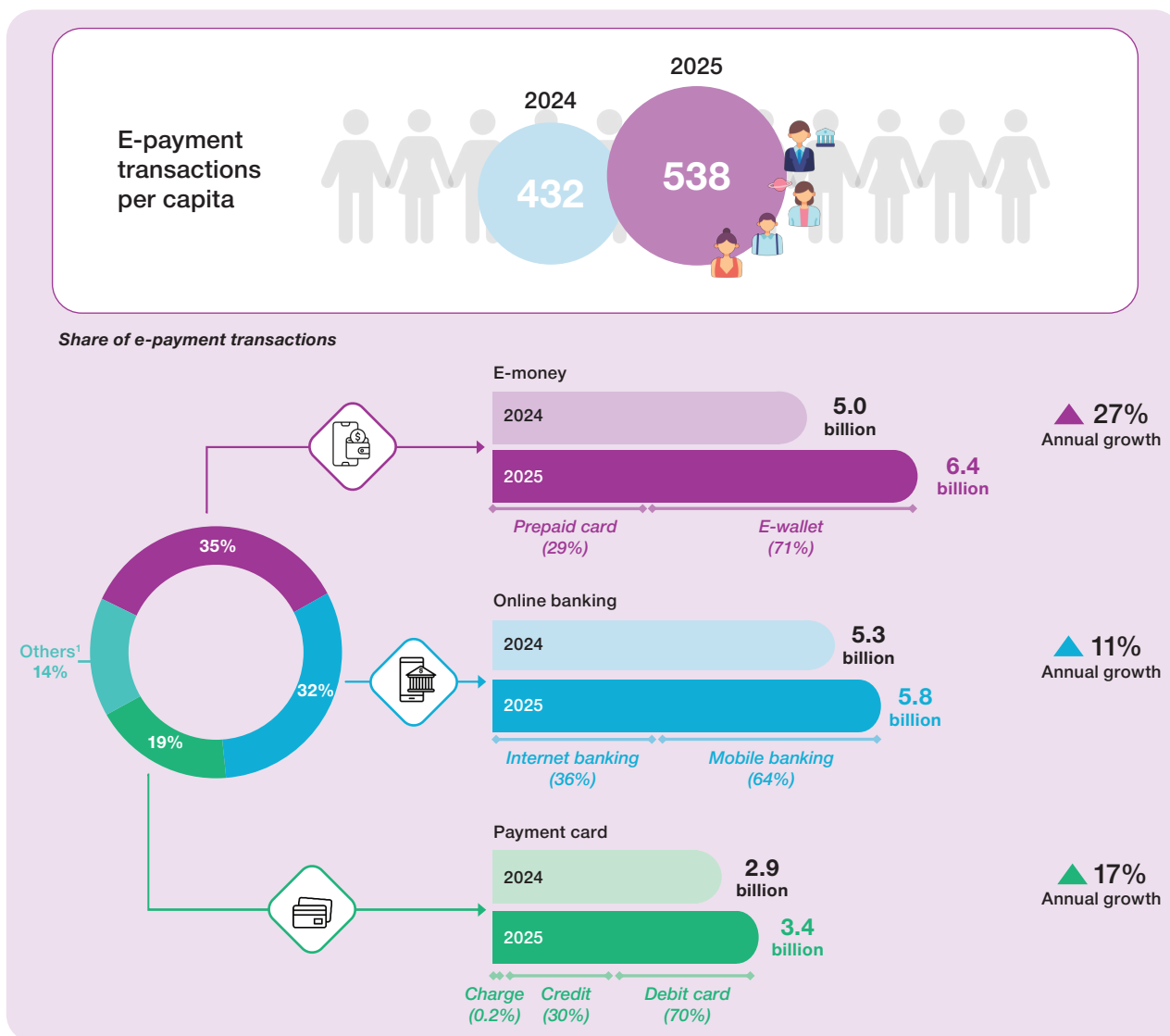
- **Wider use of e-money.** The higher average e-money transaction size of RM43 (2024: RM33) reflects growing user confidence, not just for daily spending such as transport, food and beverages, but also for higher-value payments. These include payments for financial services such as micro-financing, money-market fund investment and micro-insurance/takaful.
- **Steady growth in online banking.** As the preferred online banking channel with a 64% market share, mobile banking continued to outpace internet banking as high smartphone penetration enables seamless and on-the-go transactions. Active mobile banking users grew by 8.7% to 25 million, while active internet banking users fell by 3.1% to 21 million compared to 2024.
- **Sustained card usage.** Card payments continued to be important and recorded a healthy growth. While debit card transactions' growth almost doubled the pace of credit card transactions (20.5% versus 10.9%), the average debit card ticket size was lower by 11.5% (2025: RM69; 2024: RM78). This indicates greater acceptance of debit card for everyday lower-value purchases against cash and other payment channels. Contactless payments also gained traction, growing by 20.3% (2025: 2 billion; 2024: 1.7 billion transactions), driven by ease and speed of use.

<sup>1</sup> Namely remittance, currency exchange and wholesale currency services. Wholesale currency refers to the buying and selling of foreign currency with licensed commercial banks, Islamic banks, investment banks or licensed money services business (MSB) operators, as well as the import and export of foreign currency notes.

<sup>2</sup> E-payment transactions per capita for 2024 have been revised from the number published in BNM's Annual Report 2024 due to an update in the population data used in the computation.

<sup>3</sup> Refers to e-payment transactions made via payment cards, e-money purchase transactions, Financial Process Exchange (FPX) and DuitNow Online Banking/Wallets (OBW) transactions. FPX and DuitNow OBW is commonly used for e-commerce purchases.

Diagram 1: Snapshot of E-Payment



<sup>1</sup> Refers to direct debit transactions, ATM e-payment transactions and RENTAS (third-party payment) transactions.

Source: Bank Negara Malaysia

The acceleration in domestic e-payment adoption was also driven by greater preference for QR payments in daily transactions. DuitNow QR transaction<sup>4</sup> volume doubled to three billion in 2025 (2024: 1.5 billion) mainly due to its convenience and wide merchant acceptance. As at end-2025, there are almost three million registered DuitNow QR touchpoints across Malaysia (2024: 2.6 million). A majority are small businesses who also benefit from DuitNow QR's

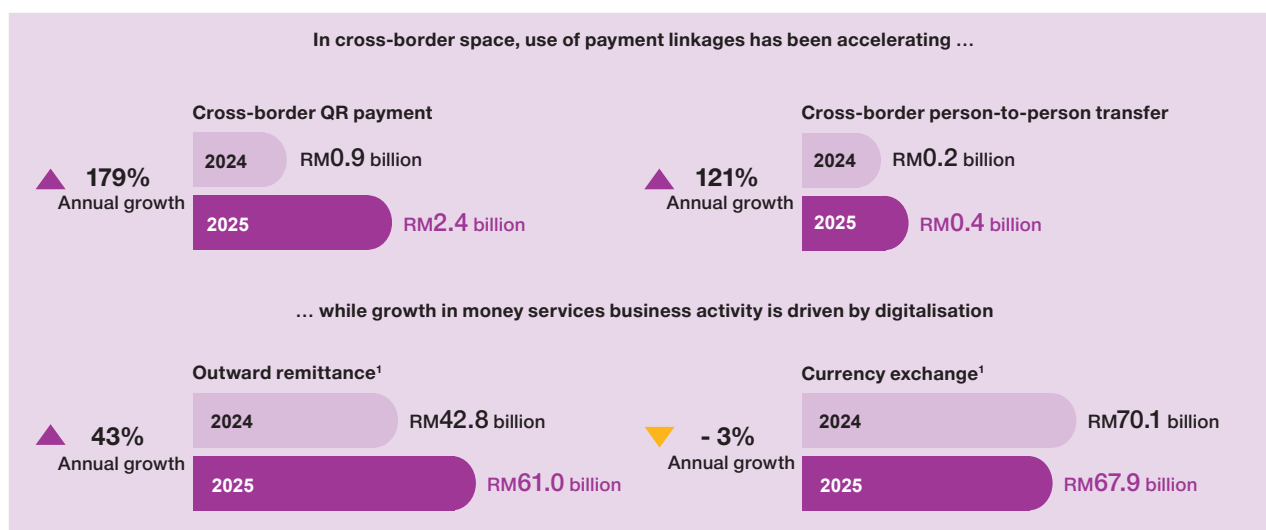
lower acceptance costs. Aside from lowering business costs, QR payments also increase digital access for the underserved and deliver a seamless payment experience for consumers.<sup>5</sup>

With rapid e-payment adoption, use of cheques reduced further including by small businesses. In 2025, only 31.4 million cheques were issued, 21.3% lower compared to 40 million issued in 2024.

<sup>4</sup> This includes DuitNow QR transactions conducted by individuals and merchants, encompassing both banks and non-bank financial institutions.

<sup>5</sup> Refer to feature article on DuitNow QR: Fostering Inclusive Digital Payments ([https://www.bnm.gov.my/documents/20124/12142010/ar2023\\_en\\_box6.pdf](https://www.bnm.gov.my/documents/20124/12142010/ar2023_en_box6.pdf)) in Annual Report 2023 for more details on the cost-effective setup of DuitNow QR.

Diagram 2: Snapshot of Cross-Border Payment and Money Services Business



<sup>1</sup> Refers to transactions conducted by non-bank service providers.

Source: Bank Negara Malaysia

There is now a growing demand for similar convenience when paying for goods overseas or receiving money from abroad. This explained the higher cross-border e-payment transactions seen through our payment linkages, by both banks and non-banks (Diagram 2). This trend is also supported by more payment players offering cross-border payment services alongside intensified promotional efforts<sup>6</sup> driving greater familiarity among consumers. This, in turn, facilitates cross-border trade, including for smaller businesses.

Digitalisation is also driving growth trends in money services business segments.

- **Digital services are driving strong growth in remittances.** E-remittance services by licensed remittance service providers surged by 70.1% reaching RM31.6 billion in 2025. This represents 51.8% of outward remittances. Bangladesh, Indonesia and Myanmar are the top recipient corridors for remittances in line with the large presence of migrant workers from these countries.
- **Currency exchange services being supported by digital solutions.** Despite the negative overall growth, currency exchange transactions undertaken by non-bank currency exchangers through digital means, rose by 29.1% to RM7.6 billion (2024: RM5.9 billion). This is due to more offering of digital solutions, including through e-payment acceptance and multi-currency prepaid cards.

<sup>6</sup> This refers to social media and on-the-ground awareness campaigns carried out by PayNet together with banks, e-money issuers and acquirers.

## Priorities in 2025

Our efforts in 2025 were directed towards three themes – expand, preserve and futureproof Malaysia’s payment ecosystem (Diagram 3).

### Expand the Reach of E-payments for a More Inclusive Economy

#### Balancing innovation with inclusivity and affordability

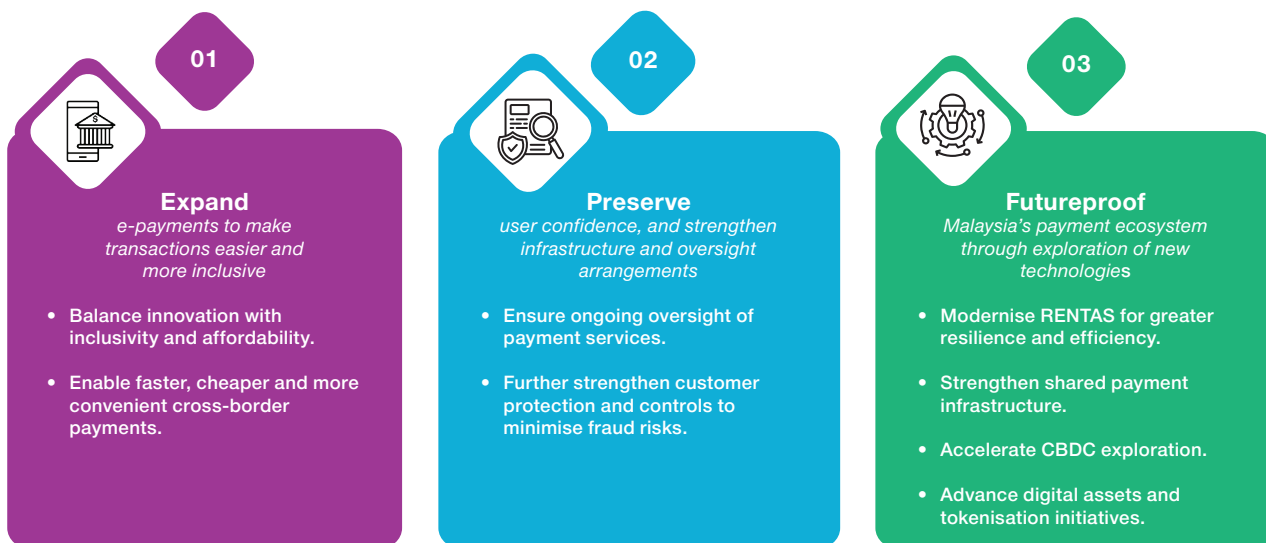
E-payments support broader business participation across the economy. For small enterprises in particular, faster settlement cycles and lower acceptance costs improve cash flow management. Meanwhile, lower cash handling mitigates operational and security risks.

To make these services more accessible, we updated the interchange fee<sup>7</sup> (IF) framework for debit card in 2025. The IF is a key component of the merchant discount rate (MDR). It serves as an important cost factor for businesses when deciding whether to accept digital payments using mobile wallets.<sup>8</sup> The revised framework allows them to accept such payments at a lower cost. We also require card issuers to now enable the lowest-cost network option for co-badged debit cards, including via mobile wallets. Together, these measures give businesses more flexibility

<sup>7</sup> An interchange fee is a charge between banks for processing card payments, which influences the cost for merchants to accept card payments.

<sup>8</sup> Examples of mobile wallets include Apple Pay, Samsung Pay and Google Pay.

Diagram 3: Key Payment-Related Priorities in 2025



Source: Bank Negara Malaysia

to route transactions through their preferred payment network and avoid costly payment methods. As for consumers, it means more choices on how they pay, including through a mobile wallet option which is more convenient.

In addition, the Government exempts service tax on fees and commissions for basic banking services, including fund transfers via DuitNow, and issuance of payment cards. This allows financial institutions to better manage transaction costs and keep digital payments affordable for consumers and businesses.

Collectively, these initiatives promote inclusivity and help accelerate Malaysia's journey towards a modern digital economy that is less reliant on cash.

### Faster, cheaper and more convenient cross-border payments

Cross-border digital payments are becoming more common for many Malaysians, whether for travel, shopping or business. In 2025, we therefore intensified regional efforts to enhance access, speed and affordability of these payments under Malaysia's ASEAN chairmanship<sup>9</sup> and

BNM's co-chairmanship<sup>10</sup> of the ASEAN Working Committee on Payment and Settlement Systems (WC-PSS). The Priority Economic Deliverables (PEDs) (Diagram 4) led by BNM, sought to make paying across ASEAN as seamless as domestic transactions. It also aims to reduce costs and delays that often come with cross-border payments. Currently, there are 29 live instant payment linkages in the region (Diagram 5), reflecting growing demand for more convenient cross-border options.

During the year, phase 2 of the Malaysia-Cambodia payment linkage went live, building on existing operationally resilient and secure domestic systems. Malaysians can now pay Cambodian merchants by scanning the KHQR<sup>11</sup> simply using Malaysian banking applications. This complements Phase 1, which took effect in September 2024, enabling Cambodian visitors to just use their Bakong<sup>12</sup> or selected Cambodian banking applications to scan DuitNow QR in Malaysia. Spending abroad is much easier for travellers with access to QR payments at over seven million businesses across the two countries. These businesses, particularly smaller merchants, also

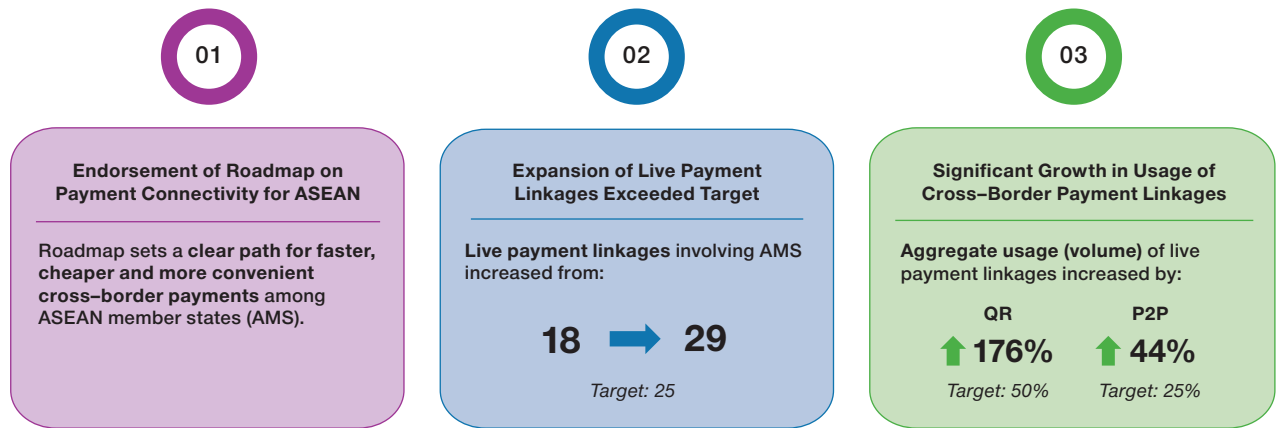
<sup>9</sup> Please refer to the feature article titled 'Malaysia's 2025 ASEAN/ASEAN+3 Chairmanship: Advancing Inclusive and Sustainable Economic Growth for ASEAN and Malaysia'.

<sup>10</sup> Together with Brunei Darussalam Central Bank as co-chairperson for WC-PSS.

<sup>11</sup> Khmer QR (KHQR) is a standardised QR code payment system in Cambodia, designed to facilitate cashless transactions and enhance interoperability among different banks and payment service providers.

<sup>12</sup> Bakong is Cambodia's all-in-one mobile payment and banking app, launched by the National Bank of Cambodia. It allows users to make payments, transfer money and access various financial services through a single platform.

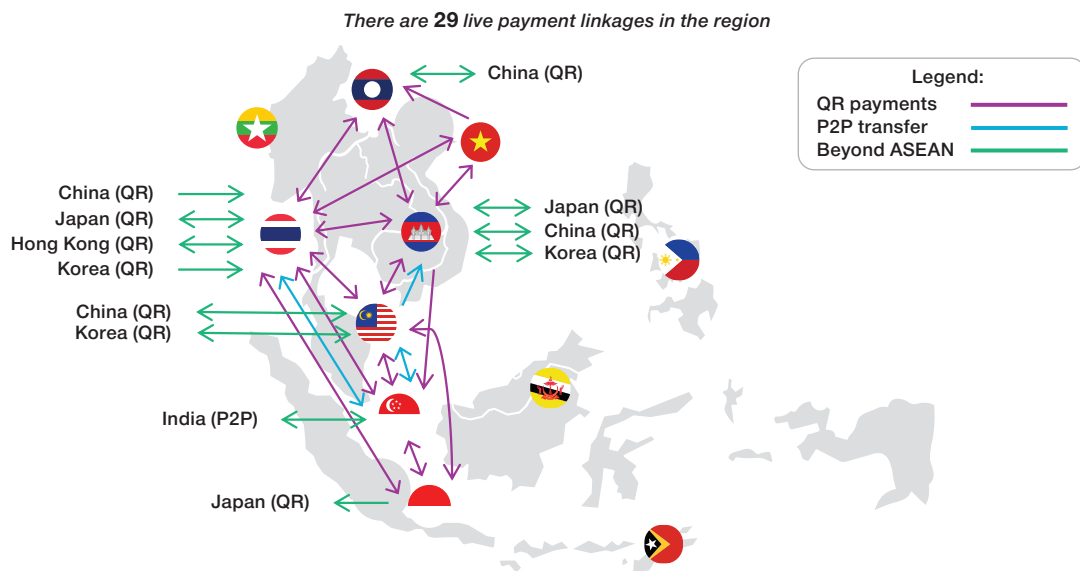
Diagram 4: Key Achievements under the PEDs



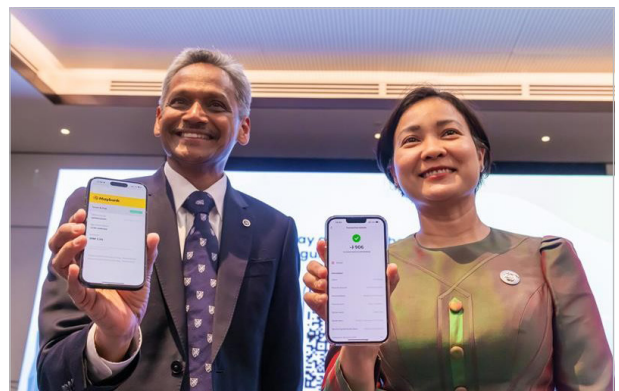
With this, Malaysians can now pay and get paid across ASEAN (and beyond) more easily, supporting tourism, trade and financial inclusion. Businesses benefit from wider customer base, cheaper acceptance cost and faster settlement, while consumers enjoy greater convenience when travelling.

Source: AMS Survey Conducted by Bank Negara Malaysia in January 2026

Diagram 5: Live Payment Linkages Across AMS



Source: AMS Survey Conducted by Bank Negara Malaysia in January 2026



Governor Abdul Rasheed Ghaffour and Governor Chea Serey (National Bank of Cambodia) showcasing successful transactions during launch of the Phase 2 cross-border QR payment linkage between the two countries

benefit from the higher customer flows through the convenient and low-cost QR payment channels.

Drawing from the lessons and benefits of linking instant payment systems (IPS) bilaterally, the region is coming together to develop a common global bridge through Project Nexus. Nexus intends to link IPS from India, Malaysia, the Philippines, Singapore and Thailand via a single connection, creating a network of networks that delivers faster and more affordable cross-border payments. This approach simplifies country expansion and reduces integration costs for IPS and payment service providers. In 2025, Nexus Global Payments (NGP) was set up as the scheme owner to govern the Nexus platform and prepare for its live rollout. Industry readiness also continued to be built through engagements led by BNM and PayNet, the operator of Malaysia's IPS, the Real-time Retail Payments Platform (RPP).<sup>13</sup> This includes gathering feedback on the proposed scheme rules and commercial arrangements.

For customers to enjoy a familiar and seamless experience, more financial institutions connected to the RPP will be able to support cross-border payments through the existing bilateral linkages and participation in Nexus. This approach will broaden user access to regional payment options and support Malaysia's wider economic priorities by making it easier for individuals, businesses and travellers to transact across borders.

### Preserving Public Confidence in the Use of Payment Services

As digital payments usage continues to rise in Malaysia, robust safeguards are essential for services to remain reliable. Safeguards also serve to maintain public trust and protect users from digital fraud in the payment ecosystem. In 2025, efforts focused on keeping high service availability, strengthening fraud security and achieving fair treatment of fraud victims.

### Ongoing oversight of payment services

Throughout 2025, RENTAS and major retail payment platforms maintained high systems availability. This ensured that payments worked when people and businesses need them. In the

isolated cases where issues arose, measures such as timely switch to back-up sites and system fixes were swiftly deployed to resolve and avoid recurring events. We also did a supervisory review on the RPP to identify further system and operational enhancements to preserve resilience, reliability and security.

To reinforce system integrity, we also did targeted reviews on the adequacy of fraud controls, information technology risk management and cybersecurity. We then took enforcement actions<sup>14</sup> to address significant lapses found. These steps led to better efficiency, compliance and reduced operational risks among payment system operators and service providers. With lower risk of payment failure for customers, this means businesses face fewer interruptions at checkout and benefit from more efficient fund settlement.

We also began to use supervisory technology (SupTech) to improve detection of emerging risks and enhance work efficiency (Diagram 6). Timely insights and enhanced analytics have helped supervisors identify potential risks earlier and pre-emptively intervene before issues affect a wider group of people. This has ensured that oversight stays responsive in a more digitalised payment landscape.

### Policy responses to strengthen customer protection and minimise fraud risks

During the year, we extended security standards already in place for online banking to payment cards. This raised the bar for safer card payments, thus strengthening consumer protection and reducing fraud risks. This includes shifting away from SMS-based one-time password (OTP) towards stronger authentication methods.<sup>15</sup> That said, SMS OTP is still available for a limited group of users as a fallback option to manage potential exclusion risk. This means users who rely on basic or older devices can still make secure online card payments. Cardholders can also now choose their own security settings. These include the ability to disable online payment<sup>16</sup> function and activate the 'kill switch', for instant blocking when they detect suspicious activity.

For e-money issuers (EMIs), BNM also introduced proportionate security standards to reflect their varied business models. Effective

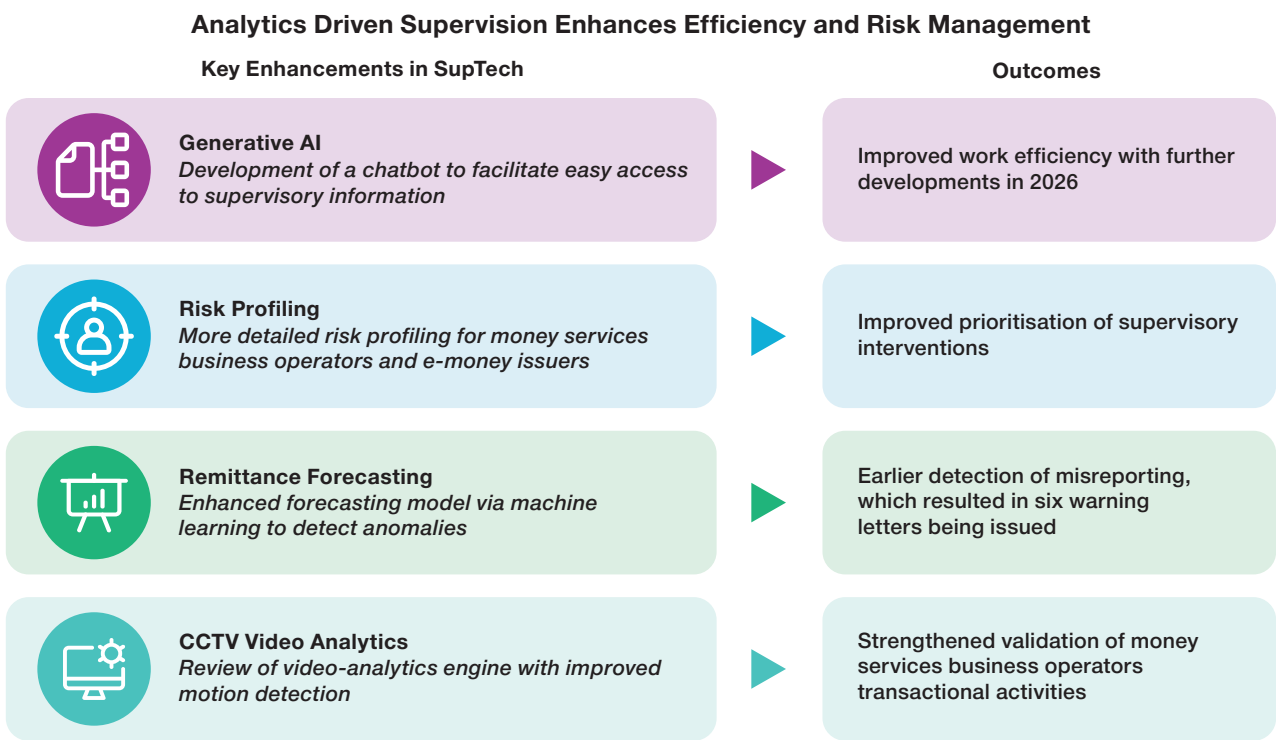
<sup>13</sup> RPP is the shared payment infrastructure developed and established by PayNet which facilitates instant payments and collections using easily remembered proxies or by account numbers.

<sup>14</sup> Refer to chapter on 'Promoting Financial Stability' in BNM's Annual Report 2025 for more details on enforcement actions taken.

<sup>15</sup> This is to address SMS-based vulnerabilities such as exposure to SIM-swap, malware and interception risks.

<sup>16</sup> Also refers to card-not-present transactions.

Diagram 6: Key Enhancements in SupTech



Source: Bank Negara Malaysia

January 2025, eligible EMIs<sup>17</sup> must adopt controls similar to banks. These include multi-factor authentication, single secure device authentication and the provision of a ‘kill switch’. EMIs that choose not to adopt these measures must fully bear the cost of fraud losses. This creates a strong incentive to implement enhanced controls and protects users from bearing the cost of weaker security.

To strengthen protection for fraud victims, BNM also closely looked at how banks applied the compensation framework introduced in October 2024 under the Policy Document on Ensuring Fair Treatment for Victims of Unauthorised e-Banking Transactions (SEFT). Our review focused on case management practices and the allocation of losses for such transactions, to ensure that customers did not bear losses caused by gaps in banks’ fraud controls.<sup>18</sup>

### Futureproofing Key Payment Infrastructure

Malaysia’s payment systems sit behind almost every transaction we make. As the economy becomes more digitalised, the infrastructure supporting these payments must stay secure, resilient and ready for future innovation. In 2025, BNM advanced several initiatives to modernise our core payment infrastructure and explore emerging technologies (Diagram 7). The aim is for consumers and businesses to continue enjoying fast, safe and efficient payment services.

### Modernising RENTAS for greater resilience and efficiency

RENTAS+<sup>19</sup> went live on 29 September 2025, enabling near real-time settlement (NRTS) for RPP transactions. With RENTAS+, these

<sup>17</sup> EMIs are grouped into eligible EMIs and standard EMIs. Eligible EMIs are those that meet BNM’s criteria for significant market presence and are subject to stronger safeguards. All others are considered standard EMIs.

<sup>18</sup> Refer to feature article titled ‘Fraud Resolution: Building Trust through Shared Accountability’ in BNM’s Annual Report 2025 for more details on the implementation.

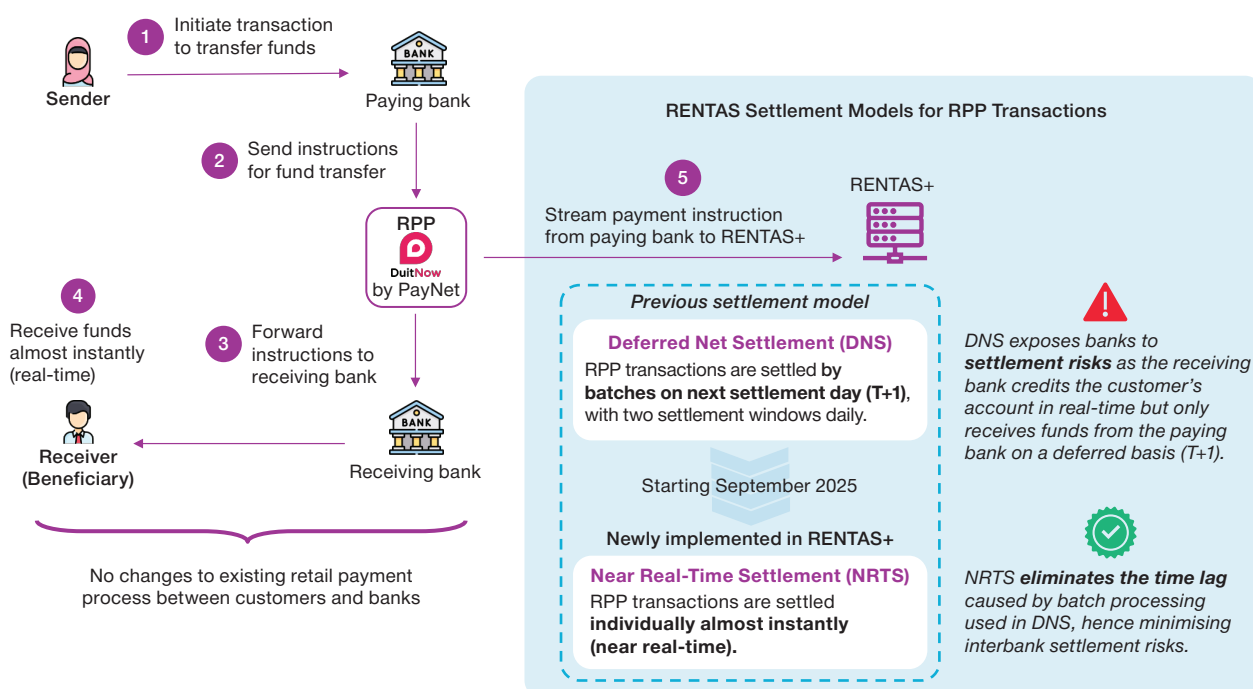
<sup>19</sup> RENTAS+ builds on the existing RENTAS infrastructure using modern cloud technology. It enables interbank fund transfer and settlement in RENTAS on a 24 by 7 basis throughout the year. To support round the clock settlement, financial institutions have access to a newly-introduced 24/7 automatic liquidity facility using repurchase agreements (repo) and sell and buy back agreements (SBBA).

Diagram 7: Key Initiatives to Modernise Malaysia’s Payment Infrastructure



Source: Bank Negara Malaysia

Diagram 8: Comparison of Settlement Models for RPP Transactions in RENTAS



Source: Bank Negara Malaysia

transactions are settled almost instantly, shifting from the deferred net settlement<sup>20</sup> (DNS) model (Diagram 8). For the public, the payment experience stays the same. However, back-end settlement is now faster and more reliable, increasing confidence that payments will settle on time. This helps reduce credit and liquidity risks for financial institutions.

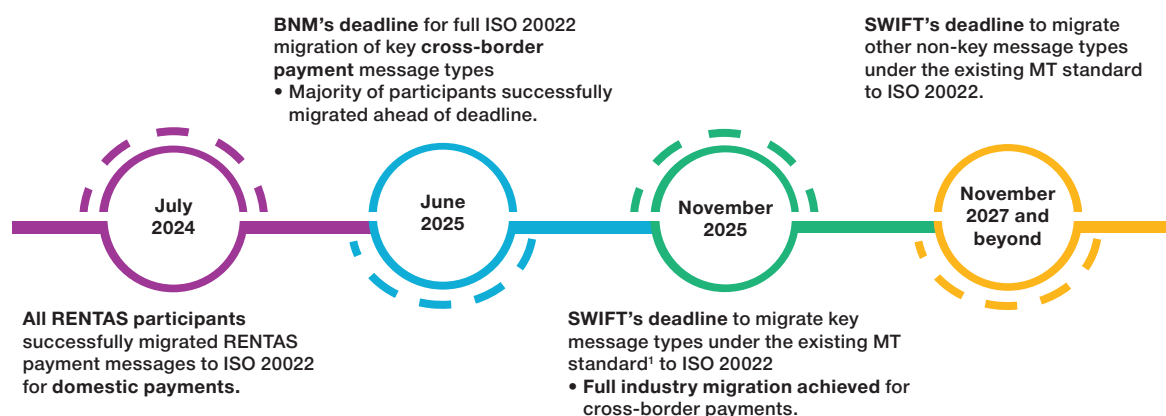
It is important for our key payment infrastructure to also keep pace with global standards to support

efficient cross-border payments. In 2025, Malaysia became the first country to achieve full adoption of the ISO 20022<sup>21</sup> messaging standard for cross-border payments. This reflects our industry’s strong commitment to supporting the transition (Diagram 9). ISO 20022 improves payment network interoperability, hence enabling faster, more transparent and cheaper cross-border payments. For businesses, the richer structured data reduces errors and eases reconciliation, reducing manual rework and leading to better customer service.

<sup>20</sup> RENTAS+ settles each retail payment transaction individually in real time. Meanwhile, the DNS model groups multiple transactions over a pre-determined period and calculates each participant’s net settlement position. At the end of each settlement cycle, only the net amount is settled.

<sup>21</sup> ISO 20022 is an international messaging standard for the financial industry with enhanced data content and structured messaging formats. For more information, please refer to BNM’s Annual Report 2020 and the introductory video at (<https://www.iso20022.org/about-iso-20022>).

Diagram 9: ISO 2022 Migration Milestones



<sup>1</sup> Refers to ISO 15022.

Source: Bank Negara Malaysia

Malaysia has fully adopted the ISO 2022 standard for cross-border payment transactions, ahead of the global compliance deadline set by SWIFT.

### Strengthening shared payment infrastructure<sup>22</sup>

To advance Malaysia's payment ecosystem, access to shared payment infrastructure such as the RPP needs to remain inclusive with appropriate safeguards in place. This prevents market fragmentation, drives efficiency and innovation, and strengthens public confidence amid rising cybersecurity threats. To this end, BNM initiated a review on the Interoperable Fund Transfer Framework, which supports instant fund transfer across different financial institutions. As part of this review, BNM plans to require domestic QR code schemes<sup>23</sup> to be interoperable with the national QR code standard. This would remove the display of operator-specific QR codes, ensuring a more seamless payment experience for consumers across Malaysia.

### Accelerating Central Bank Digital Currency (CBDC) exploration

BNM is committed to driving future payment innovations in Malaysia. In 2025, Project Mata Wang Ringgit, also known as Project Mawar, made notable progress in assessing how wholesale CBDC (wCBDC) and distributed ledger technology (DLT) can make settlement more efficient (Diagram 10). Key upsides include faster and more reliable interbank settlements with fewer intermediary banks involved and more efficient processing. The project examined use cases in greater detail, which will guide future efforts to modernise RENTAS, such as enabling 24/7 operations. Banks taking part in the project have contributed by identifying viable use cases based on current pain points. This project has also supported capacity building on emerging technologies, ensuring industry readiness for any potential future adoption of CBDC.

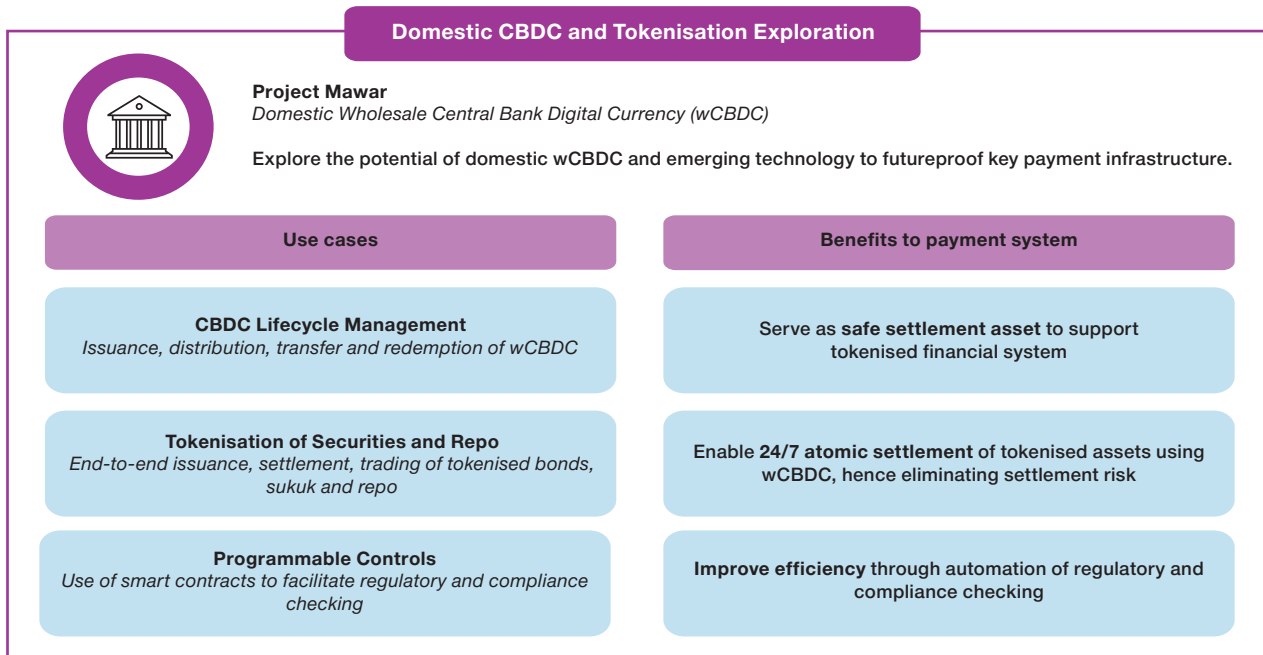
BNM also continues to work with the Bank for International Settlements Innovation Hub (BISIH) and other central banks on global initiatives<sup>24</sup> (Diagram 11). All these efforts ensure Malaysia is well-positioned to take advantage of new payment innovations and transition exploratory initiatives into live implementation in the future.

<sup>22</sup> Shared payment infrastructure serves as an interoperable network connecting bank accounts and non-bank e-money accounts for both account-to-account fund transfers as well as payments to merchants. It has enabled the industry to collaborate by pooling resources and sharing costs, while competing at the product level at the same time to better serve end-users, such as consumers and merchants.

<sup>23</sup> This requirement will only be applicable to banks and eligible EMIs.

<sup>24</sup> Project Rialto was the most recently completed project with the BISIH Eurosystem and Singapore Centres. Four central banks namely Banque de France, the Bank of Italy, the Monetary Authority of Singapore and BNM participated in this project. The Project Rialto technical report was released on 10 December 2025 and is accessible via (<https://www.bis.org/publ/othp106.htm>).

Diagram 10: Advancing Malaysia’s Exploratory Work into CBDCs: Domestic Payments





A panel session during Sasana Symposium discussing the future of digital assets, followed by the launch of Digital Asset Innovation Hub

### Advancing digital assets and tokenisation initiatives

Digital assets and emerging technology like DLT, have drawn strong public interest. They have the potential to transform how money is stored, transferred and used across the financial system domestically and across borders. To enable safe testing of credible use cases, we created the Digital Asset Innovation Hub (DAIH)<sup>25</sup> as a platform for industry players to test digital asset solutions. As of first quarter of 2026, several major institutions have been

onboarded to develop use cases for tokenised money under the umbrella of DAIH. The strong industry momentum signals the growing need for regulations to also adapt in this space.

In addition, we also issued a Discussion Paper on Asset Tokenisation, outlining high level principles and priority use cases to guide industry focus areas. This is supported by a dedicated industry working group (IWG) for structured dialogue.

BNM recognises that building a sustainable digital asset ecosystem requires strong partnership between public and private sectors. To achieve this, we also worked closely with the Securities Commission Malaysia<sup>26</sup> and other agencies to align policies, including through the Digital Assets and Artificial Intelligence Advisory Council chaired by the Prime Minister. In addition, BNM brought together financial institutions and digital asset players for structured dialogue, to ensure mutual understanding on risk management practices and build trust.

These steps will help Malaysia build a digital economy that is safe, vibrant and supports responsible innovation while maintaining monetary and financial stability.<sup>27</sup>



Prime Minister chairing the Digital Assets and Artificial Intelligence Advisory Council meeting involving BNM and various ministries and agencies



<sup>25</sup> Launched by BNM's Digital Currency Hub, DAIH has received strong interest since its launch in June 2025. The hub has engaged a wide variety of players including domestic and international players across the financial, fintech and non-financial sectors. Admission of participants into DAIH will be guided by the principle of responsible innovation, which includes credible value proposition and track record of sound governance and risk management, among others.

<sup>26</sup> The Securities Commission Malaysia regulates the issuance, trading and custody of digital assets in Malaysia through the 2019 Prescription Order and additional guidelines covering Digital Asset Exchanges (DAX), Initial Exchange Offerings (IEO) and Digital Asset Custodians.

<sup>27</sup> Digital asset innovation, when accompanied by sound risk controls and an appropriate regulatory framework, can be scaled safely to minimise any foreign currency pressures and contagion risks while ensuring that payment arrangements remain resilient.

## Going Forward

In 2026, BNM will continue to pursue efforts that ensure payment and money services are secure and reliable for consumers and businesses. Efforts to expand digital payment adoption across all segments of society will be intensified. At the same time, strengthening oversight and fraud prevention to protect users will remain a priority. This includes closer cross-sector collaboration and enhanced cross-border safeguards to counter increasingly sophisticated scams. These measures will ensure users can transact securely and support confidence in Malaysia's digital economy.

In line with growing global interest towards a tokenised economy, BNM will continue to advance work on asset tokenisation and digital money including CBDC, tokenised deposits and Ringgit stablecoins. This work will be undertaken with the intention to establish a clear regulatory framework. This approach provides industry certainty while safeguarding financial stability and consumer protection. Together, these efforts will position Malaysia as a trusted and forward-looking nation for responsible digital finance innovation. Ultimately, this will translate into real economic gains and support Malaysia's broader economic transformation.

# Fraud Resolution: Building Trust through Shared Accountability

Globally, consumers lost about USD442 billion to scams<sup>1</sup> in 2024. In Malaysia, the reported impact amounted to RM2.8 billion in 2025.<sup>2</sup> In these statistics, there are stories of real people suffering misfortune – a retiree who lost his entire life savings or a family whose emergency funds disappeared overnight.

This raises an important question: *When fraud happens, who should take responsibility and bear the losses? Is it the financial institution, the consumer, or should responsibility be shared more broadly across the digital ecosystem?*

This question touches on the aspect of trust within the financial system. Amid increasingly sophisticated fraud tactics, we need to ensure that digital payments remain safe and accessible, and that public confidence is upheld. Financial institutions must continue investing in technology to shore up their defences against fraud. At the same time, consumers need to be equipped with better tools and awareness to keep digital banking secure. But when fraud does happen, fairness must be upheld for both the consumer and financial institution. This should be supported by a robust investigation process to help justify a reasonable outcome for all parties. Ultimately, preventing fraud is a shared accountability. This accountability should also be reviewed over time as the role of other key digital players beyond the financial ecosystem become more prominent, reflective of the broader digital ecosystem.

Regulators worldwide recognise that ensuring fraud victims are treated fairly is just as important as strong prevention. Many countries are exploring compensation frameworks for victims alongside tighter security controls. However, developing this framework is not an easy task. It requires striking a balance between fairness, legal limits and ease of implementation. Even so, only a few countries have taken the step of introducing compensation frameworks. These frameworks are tailored to fit their respective fraud landscapes and regulatory environments (Table 1).

For Malaysia, BNM introduced a compensation framework in 2024 through the Policy Document on Ensuring Fair Treatment for Victims of Unauthorised e-Banking Transactions (SEFT). The policy currently focuses on unauthorised transactions.<sup>3</sup> SEFT promotes a shared approach to accountability between banks and their customers (Diagram 1). This is done without compromising the need for ongoing customer vigilance. While SEFT provides a basis for considering compensation, it does not guarantee compensation to victims in all cases. The policy recognises that, in some cases, liability should be shared and not rest with just one party.

SEFT provides a clear and transparent framework for assessing cases, ensuring customers are aware of their rights. The framework also clarifies the respective roles of both the banks and customers in preventing fraud. For instance, customers are expected to avoid risky actions, such as clicking on unknown links which could lead to the unintentional sharing of their passwords. At the same time, banks remain accountable for failing to detect and prevent suspicious transactions that occur outside customers' normal behaviour. There are also cases where the victim is held fully responsible for the fraud and therefore should not be eligible to any compensation. For example, when a victim refuses to cooperate with the bank during the investigation or proceeds to download harmful mobile applications despite prior warnings from the bank of its risks. Through this approach, SEFT reinforces the principle of shared accountability. It emphasises that both banks and customers play an active role in safeguarding the integrity of digital payments.

<sup>1</sup> Global State of Scams 2025 Report by Global Anti-Scam Alliance (GASA).

<sup>2</sup> As per data by Polis Diraja Malaysia (PDRM) that includes telecommunication scam, e-commerce scam, loan scam, investment scam, love scam as well as malware and phishing.

<sup>3</sup> These refer to transactions made by fraudsters without the victim's knowledge. Fraudsters use methods like malware and phishing to obtain personal credentials of their victims. Once compromised, fraudsters use these credentials to perform unauthorised transactions. This excludes cases where customers initiate transactions themselves, including those made under coercion or undue influence, such as love or investment scams.

**Table 1: Comparable Frameworks At a Glance**

	Malaysia <sup>1</sup>	United Kingdom <sup>2</sup>	Singapore <sup>3</sup>	Thailand <sup>4</sup>
<b>Scope</b>	Unauthorised transactions	Authorised push-payment fraud (APP)	Phishing-linked unauthorised transactions	Authorised and unauthorised payment fraud
<b>Effective date</b>	October 2024	October 2024	December 2024	April 2025
<b>Parties involved</b>	1. Banks 2. Customers	1. Banks and payment service providers 2. Customers	1. Banks and payment service providers 2. Telecommunication providers (Telcos) 3. Customers	1. Banks and payment service providers 2. Digital asset operators 3. Telcos 4. Social media platform providers 5. Customers
<b>Core principle</b>	Clear and timely case management process; shared accountability between banks and customers, accounting for their respective obligations	Mandatory reimbursement, with sending and receiving institutions equally sharing the loss, unless customer was found to be acting with gross negligence	Shared responsibility with loss to be fully borne by a party that fails to meet its obligations, based on a clearly defined hierarchy: bank or payment service provider → telco → customer	Shared responsibility with parties breaching duties paying the loss

<sup>1</sup> The policy document can be found here: ([https://www.bnm.gov.my/documents/20124/938039/Ensuring\\_Fair\\_Treatment\\_for\\_Victims\\_of\\_Unauthorised\\_eBanking-Transactions.pdf](https://www.bnm.gov.my/documents/20124/938039/Ensuring_Fair_Treatment_for_Victims_of_Unauthorised_eBanking-Transactions.pdf)).

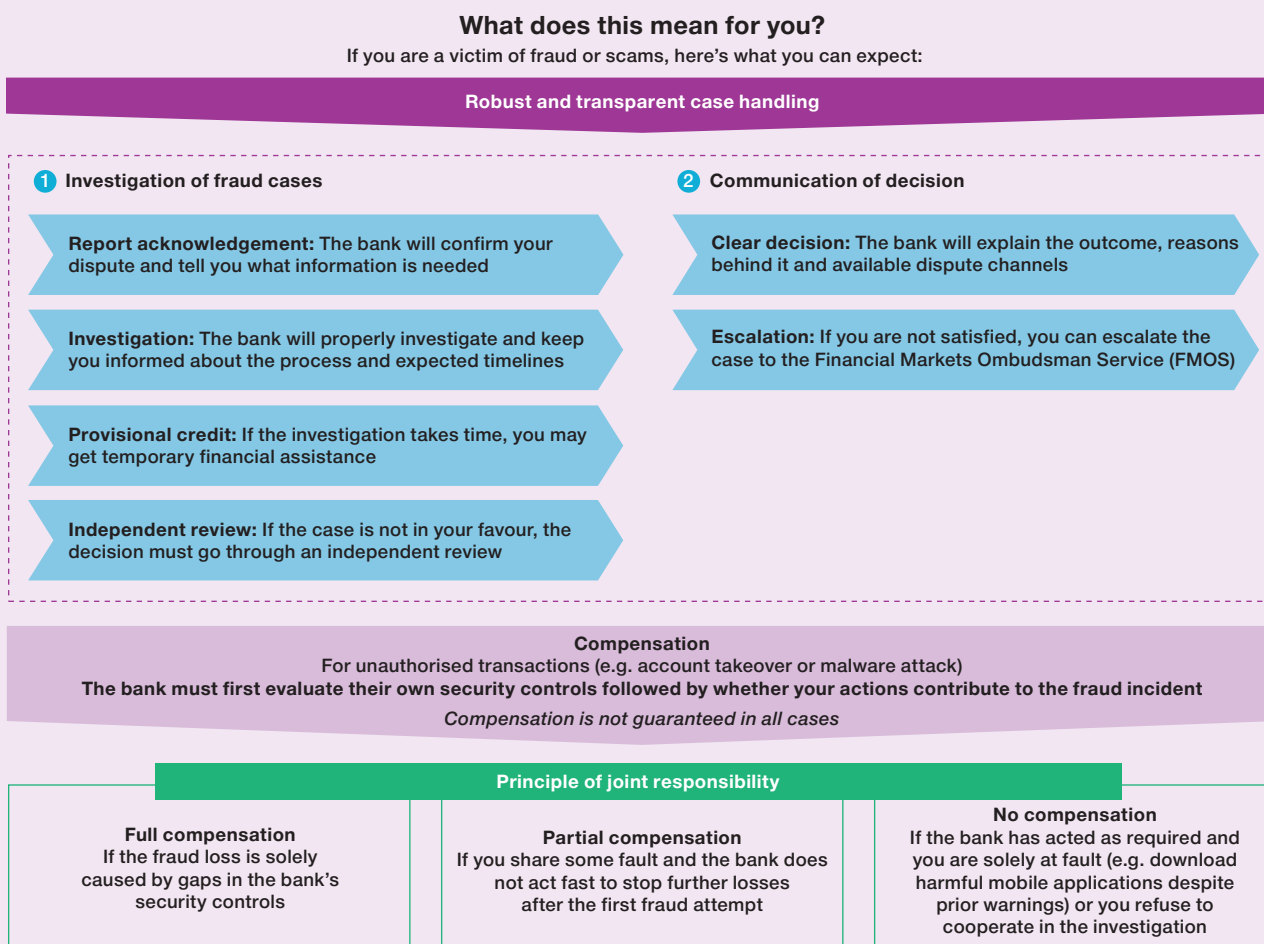
<sup>2</sup> UK’s APP scams reimbursement requirement (<https://www.psr.org.uk/publications/policy-statements/ps255-app-scams-reimbursement-requirement/>).

<sup>3</sup> Singapore’s Guidelines on Shared Responsibility Framework (<https://www.mas.gov.sg/regulation/guidelines/guidelines-on-shared-responsibility-framework>).

<sup>4</sup> Thailand’s Emergency Decree on Measures for the Prevention and Suppression of Technological Crime (No. 2) (2025) (<https://www.bot.or.th/th/news-and-media/news/news-20250428.html>).

Source: Bank Negara Malaysia

**Diagram 1: Understanding the Key Principles of SEFT**



Source: Bank Negara Malaysia

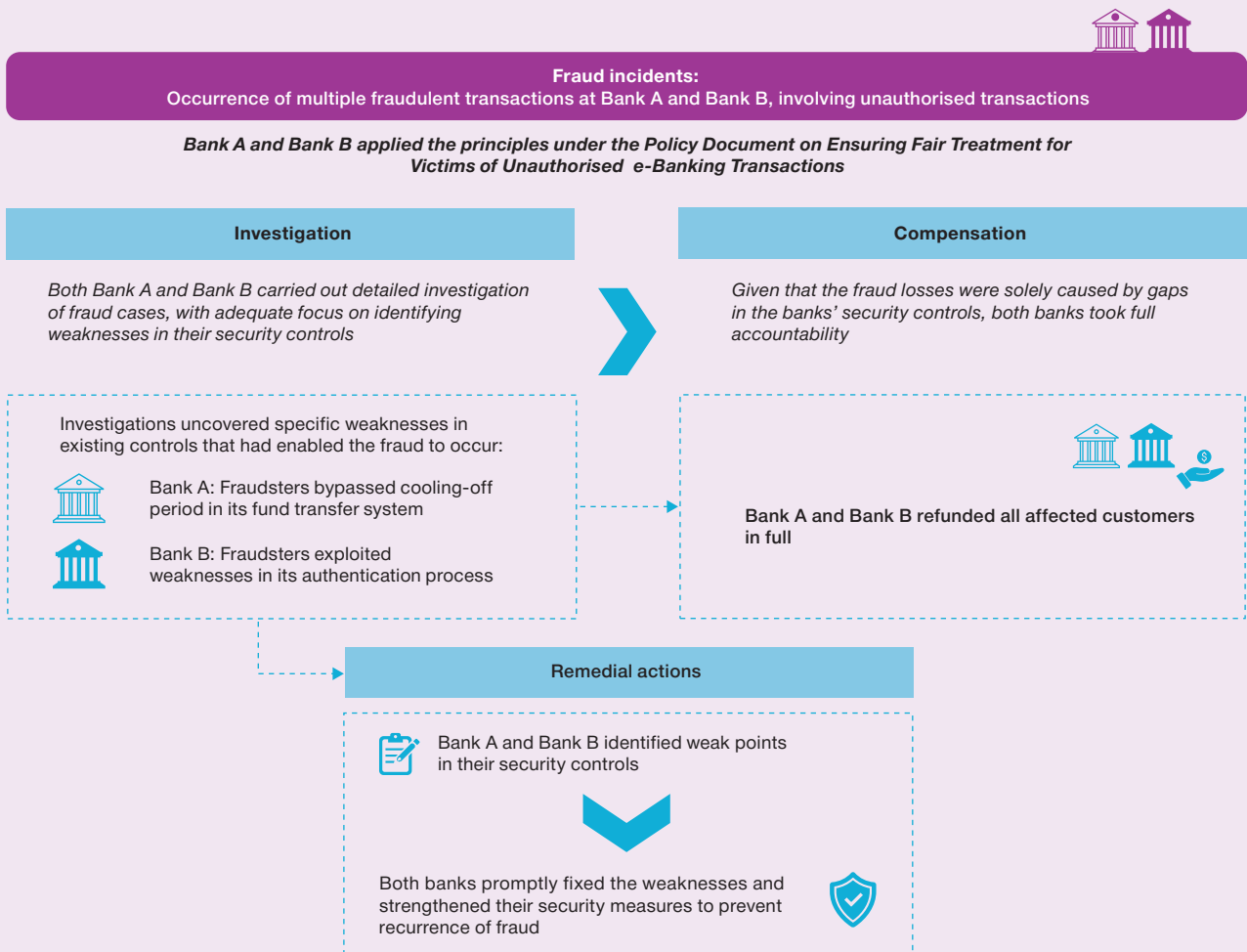
## From Policy to Practice: One Year On

SEFT came into effect in October 2024. Since then, BNM has been closely monitoring banks' implementation. The initial focus has been on how banks manage fraud cases and allocate fraud losses. *So, has SEFT really made a difference?*

We have begun to see encouraging signs (Diagram 2). Initial findings show that SEFT has made banks more accountable and transparent in carrying out investigations. This is validated by an increase in the number of victims receiving either full or partial compensation in 2025 by about 26% compared to the previous year. Banks have also taken proactive steps to strengthen malware defences, with some reporting zero malware cases in 2025. This pre-emptively prevents unauthorised transactions, thereby reducing the need for reactive compensation. Some improvements attributed to SEFT implementation include:

- **Greater accountability in investigation:** Banks check for weaknesses in their systems first before placing any accountability on customers. In several cases, banks fully absorbed losses upon identifying system weakness.
- **Greater transparency around customer rights:** Banks inform victims upfront of their rights during the investigation process. Banks are showing greater consistency in completing investigations within the expected 14-day timeline. This reflects timelier case management, while maintaining the rigour of the process. For cases that take longer, banks are offering temporary financial assistance to help victims with daily needs.
- **Faster system fixes:** Compensation decisions push banks to address system weaknesses more quickly.

Diagram 2: An Illustration of the Impact of SEFT



Source: Bank Negara Malaysia

These developments not only safeguarded consumers' interests but also paved the way for quicker fixing of control gaps. In turn, these led to further strengthening of security and trust in the overall banking system.

### Where We Need to Raise the Bar

While progress is clear, further areas for improvement include:

- **Navigating shared accountability amid evolving fraud risks:** Fraud cases are becoming more complex as tactics continue to evolve. It is much harder to distinguish between genuine and fraudulent interactions and attribute culpability. This adds to the challenges in implementing a fair compensation framework.

Recognising this, SEFT offers a structured approach to assigning accountability, fostering clarity and consistency in how cases are assessed. Under SEFT, banks must first assess the effectiveness of their own controls before considering customer actions. This ensures case reviews are balanced and support the reasoning behind case outcomes, even in complex situations. As implementation of SEFT matures, BNM expects increased consistency in how shared accountability is implemented. Such consistency will be key in maintaining trust in resolution outcomes.

- **Access to alternative dispute resolution channels:** Compensation offered by a bank is not the end of the process. Many customers remain unaware of their rights and channels available if they are not happy with compensation offered by the bank.

Customers can dispute the bank's decision by bringing their case to the Financial Markets Ombudsman Service (FMOS).<sup>4</sup> Banks must make this channel known to customers and remind them of its availability. This ensures that consumers can exercise their rights with confidence.

### Looking Ahead

The first year of SEFT shows early alignment with the principles of fair treatment and shared accountability. However, the fight against fraud is far from over. In fact, it is an ongoing process. Further efforts to strengthen prevention, enforcement and recovery, as well as consumer protection continue to be pursued.

As knowledge is the most effective shield against scams and helps build a more vigilant society, efforts on consumer education are also being accelerated. This is especially important as about 95% of online fraud cases in Malaysia are authorised transactions.<sup>5</sup> Diagram 3 outlines the key habits consumers must adopt to better protect themselves from scams.

BNM will also explore stronger protection for vulnerable consumers. This includes assessing whether expanding SEFT's scope would help address the risks faced by this group, while accounting for the level of digital financial literacy and fraud landscape in Malaysia. At the same time, BNM recognises that potential behavioural changes from this expansion could unintentionally compromise customer vigilance. This initiative forms part of multi-pronged efforts to combat fraud and preserve trust in our financial system.

The approach taken in other countries where telecommunication service providers and digital platforms are covered in their compensation frameworks also gives us additional frontiers to consider. Given the critical role of these players in the digital ecosystem, there is merit for Malaysia to consider broadening participation in fraud compensation to further strengthen consumer protection and uphold accountability across all parties.

<sup>4</sup> Affected customers may reach FMOS via their portal here: (<https://complaint.fmos.org.my/index.php>).

<sup>5</sup> These refer to cases where victims are deceived into transferring money to fraudsters under false pretences. Here, fraudsters use social engineering tactics to exploit emotions like greed, fear, or love, making individuals vulnerable to fraud.

Diagram 3: Protecting Oneself from Scams



Source: Bank Negara Malaysia

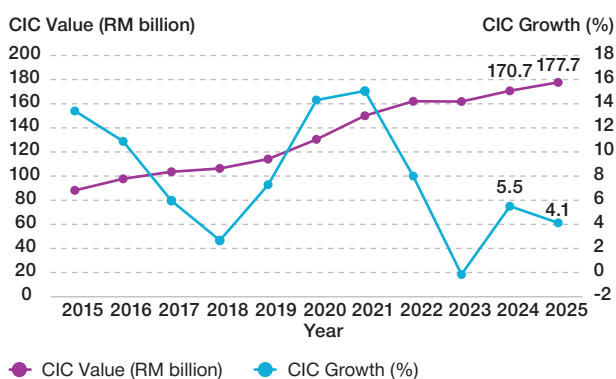
# Issuing Currency

As the sole issuer of Malaysian currency, BNM's mandate is to ensure ringgit banknotes and coins are reliable, accessible and trusted. We also ensure that there is enough currency in circulation (CIC), with genuine and high-quality banknotes and coins.

## Currency in Circulation

Cash continues to be in demand even as digital payments gain momentum (Chart 1). This phenomenon is not unique to Malaysia, and a number of factors underpin this trend. For many, cash is easy to use and works even when digital systems are disrupted or when connectivity is limited such as during natural disasters. In these instances, the ability to continue transacting sustains confidence in the financial system and reduces stress on the economy. Cash enables those in rural areas and the unbanked population to participate in economic activities. For these reasons, strong currency management is a strategic priority for us. It is central to safeguarding stability and preserving public confidence in Malaysia's financial system.

**Chart 1: Annual CIC Value and Growth**



Source: Bank Negara Malaysia

## Ensuring Operational Resilience

Securing cash availability at all times requires a well-coordinated and robust currency operations framework. We achieve this by maintaining adequate stock levels and strive to process and distribute banknotes efficiently.

All banknote processing in Peninsular Malaysia now takes place at our Automated Cash Centre (ACC). The shift to centralise all processing activities to a single, purpose-built facility has allowed BNM to strengthen efficiency, improve risk controls and leverage on automation. In turn, this minimises interruptions in the processing and distribution of banknotes nationwide.

In 2025, BNM processed 1.7 billion banknotes (2024: 2.5 billion), with 86% handled through ACC (2024: 69%). The remaining volume was supported by currency operations undertaken by our regional offices in East Malaysia.<sup>1</sup> Resiliency of currency operations is further reinforced by the broader cash industry. For instance, Registered Currency Processors<sup>2</sup> (RCPs) continue to take on a larger role in supporting day-to-day processing activities such as the collecting, sorting and packing of currency. They complement BNM's centralised operations and ensure timely distribution of banknotes to meet public demand.

## Recirculating Banknotes and Coins

Recirculation is a key component of a sustainable cash ecosystem. By reusing fit banknotes and ensuring coins flow back into the economy, BNM reduces waste, lowers production needs and supports a more circular currency ecosystem.

In 2025, BNM issued 1.9 billion banknotes, with 67% classified as fit banknotes (2024: 66%). This steady trend reflects BNM's continued efforts to incorporate sustainability considerations into its currency management operations.

<sup>1</sup> The remaining 14% was processed by BNM Regional Office Kota Kinabalu and BNM Regional Office Kuching.

<sup>2</sup> Registered Currency Processors are business entities which carry out currency processing business for financial institutions.

Coins, on the other hand, play a distinct role in supporting everyday transactions, especially exact-value and small-value retail transactions. Yet, coins often lay idle with households and businesses. This creates inefficiencies and leads to more coins being produced than needed. To address this, BNM has developed recirculation strategies (Diagram 1) and expanded the role of our appointed Coin Agents (CAs) in 2025. Beyond distributing coins from Malaysia Mint (MyMint), CAs now also process and redistribute coins collected from financial institutions and retailers (Diagram 2). These efforts have begun to show results. By end-December 2025, coin recirculation initiatives accounted for 31% of total coins issued (2024: 18%), with 169.1 million coins channelled back through financial institutions and CAs.

BNM will continue to scale coin collection initiatives to improve efficiency and accessibility nationwide. This includes collaborating better with financial institutions and businesses so that excess coins are returned to circulation promptly as well as increasing the number of coin collection points.

## Cutting-Edge Solutions for a Sustainable Currency Ecosystem

BNM continues to explore innovative ways to reduce waste and repurpose materials. Currently, BNM disposes shredded banknote waste (paper and polymer) through Waste-to-Energy (WTE) facility. This method converts shredded banknote waste into combustion material used for electricity generation. This year, more than 506 million banknotes were disposed through WTE conversion, generating more than 362 MWh of energy – enough to power 452 homes for a month.

In 2025, BNM was one of the first amongst our regional and international peers to conduct a proof-of-concept exercise to recycle Malaysia’s shredded paper banknotes (Diagram 3). This builds on our 2024<sup>3</sup> success in converting shredded polymer banknotes into furniture.

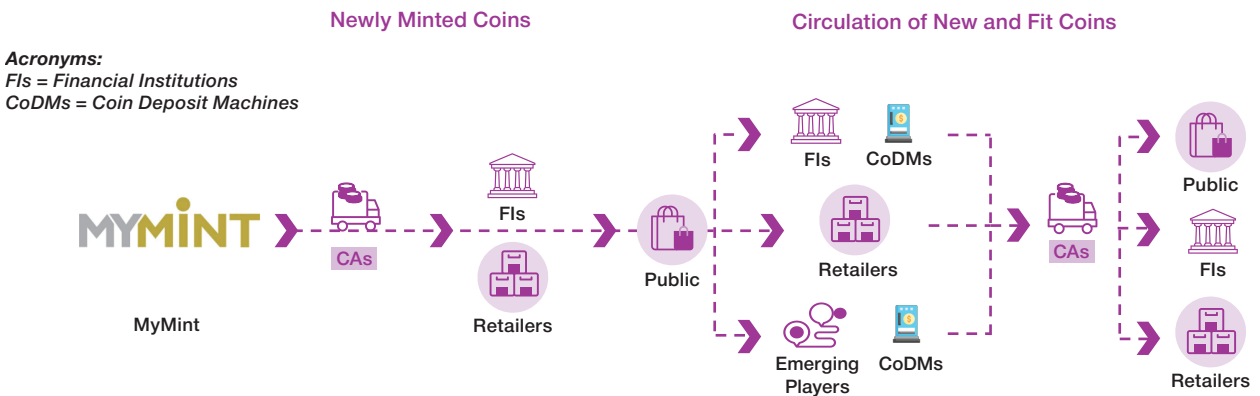
We partnered with a local recycler and completed a trial to repurpose cotton-based banknote waste.

**Diagram 1: BNM’s Approach Towards an Inclusive, Efficient and Future-Proof Coin Ecosystem**



Source: Bank Negara Malaysia

**Diagram 2: BNM’s Coin Agents**



Coin Agents are appointed entities tasked to store, process, package, receive and distribute coins nationwide in accordance with BNM’s requirements.

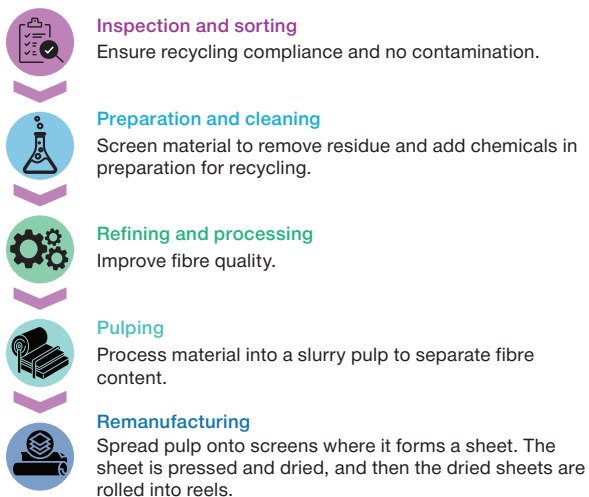
Source: Bank Negara Malaysia

<sup>3</sup> For further information on BNM’s proof of concept exercise to recycle polymer banknotes, please refer to BNM Annual Report 2024 at ([https://www.bnm.gov.my/documents/20124/17493532/ar2024\\_en\\_book.pdf](https://www.bnm.gov.my/documents/20124/17493532/ar2024_en_book.pdf)).

## ISSUING CURRENCY

This is a complex process due to the small size of shredded banknotes, the presence of embedded security features and lower absorbency compared to traditional wood pulp paper. Now, paper banknote waste material can be an alternative source of raw material for good quality paper-based products such as notebooks, art paper and money packets. BNM will continue to explore scalable solutions with industry partners to integrate such sustainable practices across the currency ecosystem.

### Diagram 3: Process Flow for Paper Banknote Recycling



Source: Bank Negara Malaysia



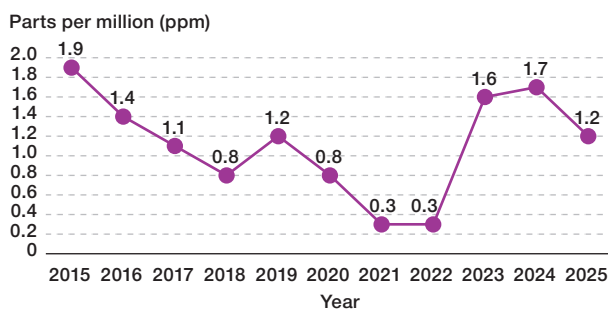
Cash packets and notebooks produced from banknote material

## Integrity of Malaysian Currency

Currency must be genuine and secure as confidence in money underpins confidence in the financial system and economy. Counterfeit currency can disrupt payment transactions and erode public trust. This necessitates BNM to actively monitor counterfeit activity in Malaysia to be ahead of emerging threats.

Malaysia's counterfeit rate is lower than benchmarked countries,<sup>4</sup> declining from 1.7 parts per million (ppm) in 2024 to 1.2 ppm in 2025 (Chart 2). This reduction reflects stronger collaboration with Royal Malaysia Police, including intercepting counterfeit currency before it enters circulation. Efforts also include timely information sharing, strategic coordination to facilitate investigations and implementation of effective measures against counterfeiting activities.

### Chart 2: Malaysia's Counterfeiting Index



Source: Bank Negara Malaysia

## Strengthening Regional Collaboration on Currency Management

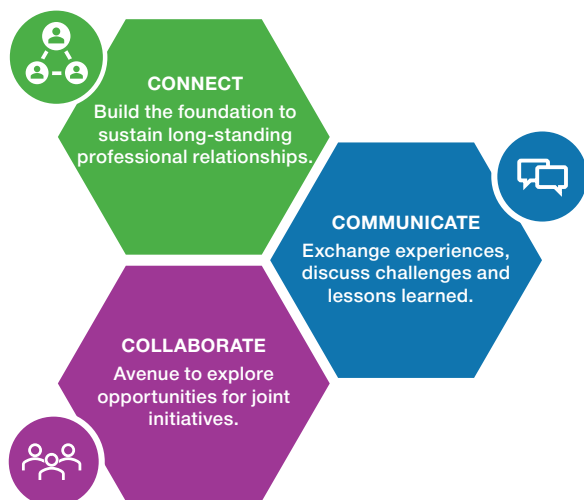
Regional collaboration is increasingly important as central banks face common challenges such as rapid technological disruption, evolving cash usage trends and the need for stronger data-driven currency management. Thus far, BNM worked with regional counterparts to establish a sustained and structured platform for cooperation. This effort is anchored by a newly formed Community of Practice (CoP), established following the inaugural Regional Currency Directors' Forum held in Kuala Lumpur in December 2025.

<sup>4</sup> The counterfeit rates of benchmarked countries range between 3 and 20 ppm. (Source: Websites and annual reports of respective central banks.)

Designed as a dedicated platform for central banks and monetary authorities in Southeast Asia,<sup>5</sup> the Forum serves as the first step towards deeper, institutionalised cooperation on currency-related matters. This guides strategic and technical collaboration across Southeast Asia, marking a key milestone in strengthening long-term regional currency management.

Grounded in the principles of connect, communicate and collaborate, the Forum brought together representatives to exchange perspectives, share operational insights, and explore opportunities for future joint initiatives (Diagram 4).

#### Diagram 4: Shaping the Future of Regional Currency Management



Source: Bank Negara Malaysia

Participants shared actionable approaches to common challenges, from strengthening currency resilience to navigating shifts in consumer payment behaviour. Future areas for joint efforts include automation, counterfeit management, sustainable operations and emerging technologies.

During a technical visit to MyMint and ACC, delegates were able to benchmark BNM's advanced automation capabilities and observe end-to-end cash processing workflows. These visits reinforced the value of collaboration by translating knowledge shared during discussions into real operational insights.



The first Regional Currency Directors' Forum hosted by BNM, with 21 delegates from regional central banks and monetary authorities



Forum participants discussing prevalent currency issues

### Strategic Outreach through Currency Education Programmes

Enhancing public understanding of Malaysia's currency is a key part of strengthening confidence in cash. In 2025, BNM continued to strengthen currency knowledge through the Currency Master Trainer and Know Your Currency programmes across all regions in Malaysia. These efforts went beyond financial institutions and RCPs and included government agencies and business organisations such as Royal Malaysia Police, Royal Malaysian Customs Department, business chambers and academic institutions. These programmes reached about 700 participants nationwide, equipping them with knowledge on currency quality, authentication and discussions on BNM's policies.

<sup>5</sup> The Forum was attended by delegates from Brunei Darussalam Central Bank, National Bank of Cambodia, Bank Indonesia, Bank of the Lao P.D.R, Central Bank of Myanmar, Bangko Sentral ng Pilipinas, Bank of Thailand, and Banco Central de Timor Leste.

## ISSUING CURRENCY

Complementing engagements with the industry, BNM also stepped up currency education efforts to the public, including through Karnival Celik Kewangan (KCK) in Pulau Pinang and Tawau. These focused on helping the public recognise genuine banknotes and coins, handle currency properly and understand the importance of coin recirculation. BNM also strengthened its education efforts through social media campaigns featuring content on currency care and recirculation. These efforts aim to keep the public and industry players well-informed and aligned with BNM’s goals for a secure and efficient payment system.



BNM’s booth on currency education during KCK in Tawau



Penang Chief Minister visiting BNM’s booth during KCK in Penang

## Numismatic Activity

Currency is more than a medium of exchange. It is also a reflection of our culture, history and national identity. Commemorative coins serve to mark Malaysia’s national milestones and shared identity. Through design and symbols, these coins preserve stories for future generations while reinforcing the role of currency as both functional and cultural.

In 2025, BNM issued two limited-edition commemorative coins to mark significant national milestones and regional achievements. These were a coin commemorating Malaysia’s Chairmanship of ASEAN in 2025 and another celebrating the 75th anniversary of the Department of Statistics, Malaysia.

### Diagram 5: Commemorative Coins



Obverse (left) and reverse (right) design of ASEAN-Malaysia Chairmanship 2025 commemorative coin. Minted on Nordic gold and in colour on sterling silver.



Obverse (left) and reverse (right) design of 75th anniversary of the Department of Statistics, Malaysia. Minted on Nordic gold and sterling silver.

Source: Bank Negara Malaysia

## Going Forward

BNM is committed to preserving the availability, integrity and quality of Malaysia's currency, while driving sustainability and innovation. As the currency landscape evolves, BNM will continue to enhance its policies to promote greater

industry involvement in the retail distribution and recirculation of currency. At the same time, we will strengthen enforcement efforts under the Currency Act 2020 to preserve public confidence in our currency. These initiatives collectively will keep Malaysia's currency ecosystem secure, sustainable and future-ready.

# Maintaining Financial Integrity

Malaysia's upgrade in the latest mutual evaluation by the Financial Action Task Force affirms the strengthened effectiveness of the country's AML/CFT/CPF regime. It also reinforces global confidence in the integrity of our financial system. This milestone reflects sustained reforms, credible enforcement and strong whole-of-nation collaboration in combatting ML/TF/PF.

## BNM's Role

BNM is the competent authority that oversees and administers the Anti-Money Laundering, Anti-Terrorism Financing and Proceeds of Unlawful Activities Act 2001 (AMLA 2001). As the competent authority, we act as the country's financial intelligence unit (FIU). We also supervise reporting institutions on matters relating to money laundering, terrorism financing and proliferation financing (ML/TF/PF).<sup>1</sup> To promote a whole-of-government approach, BNM acts as the Chair and Secretariat of the National Coordination Committee to Counter Money Laundering (NCC). The NCC brings together 19 ministries and agencies.<sup>2</sup> It serves as the national inter-agency platform that formulates, coordinates, implements and monitors Malaysia's anti-money laundering, countering

financing of terrorism and countering proliferation financing (AML/CFT/CPF) strategic direction and initiatives. This ensures a robust national AML/CFT/CPF framework which is in alignment with international standards and best practices.

### Diagram 1: Notable Achievements in 2025



Malaysia's upgrade to the highest tier category in the Mutual Evaluation (ME)



Strengthened regional and industry cooperation through capacity-building programmes, conferences, forums and ASEAN-driven initiatives



Enhanced scam prevention, with the National Scam Response Centre (NSRC) recording more than double mule account disruptions and funds frozen

Source: Bank Negara Malaysia

In 2025, national efforts were intensified towards the preparation for the ME. The ME assesses a country's effectiveness and compliance with the Financial Action Task Force's (FATF) standards. Preparations were extensive to ensure the country is ready for the assessment. These include on-site interviews and reviews of the draft ME report ahead of its discussion and decision at the FATF Plenary. Assessment is done on a peer review basis covering a wide range of areas. These include risk management, international cooperation, supervision, preventive measures, financial intelligence and enforcement. The results can impact a country's reputation, investor confidence, ease of doing business and compliance costs.

<sup>1</sup> Reporting institutions are defined in the First Schedule of AMLA 2001 and includes the financial institutions, non-bank financial institutions and designated non-financial businesses and professions.

<sup>2</sup> These include the Attorney General's Chambers, Companies Commission of Malaysia, Immigration Department of Malaysia, Inland Revenue Board of Malaysia, Labuan Financial Services Authority, Malaysian Anti-Corruption Commission, Ministry of Domestic Trade and Cost of Living, Ministry of Finance, Ministry of Foreign Affairs, Ministry of Home Affairs, Ministry of Investment, Trade and Industry, National Anti-Financial Crime Centre, Registrar of Societies, Royal Malaysia Police, Royal Malaysian Customs Department, Securities Commission Malaysia, Legal Affairs Division of Prime Minister's Department (as an observer), Department of Wildlife and National Parks Peninsular Malaysia (as an observer) and BNM.

As the national coordinator as well as the Chair and Secretariat of the NCC, we organised preparatory sessions including mock assessments ahead of the on-site ME visit in February 2025. These efforts strengthened coordination across agencies and showcased Malaysia’s whole-of-nation approach. As a result, Malaysia’s ME report was successfully adopted at the FATF Plenary in October 2025. Malaysia’s upgrade to the highest follow-up category reflects significant enhancements in the country’s AML/CFT/CPF regime since the 2015 evaluation.<sup>3</sup> This places Malaysia among a small group of FATF member countries<sup>4</sup> in the regular follow-up process.<sup>5</sup> It also underscores stronger technical compliance and a more effective AML/CFT/CPF framework. Diagram 2 highlights the outcomes of ME report.

The NCC also monitors the implementation of the NCC Roadmap 2024–26, which outlines Malaysia’s national priorities and actions to strengthen its AML/CFT/CPF regime. The aim is such that AML/CFT/CPF efforts stay agile, effective and fit-for-

purpose to address Malaysia’s risk exposures amid national, regional and global developments. This includes taking into account key recommended actions in the ME report.<sup>6</sup>

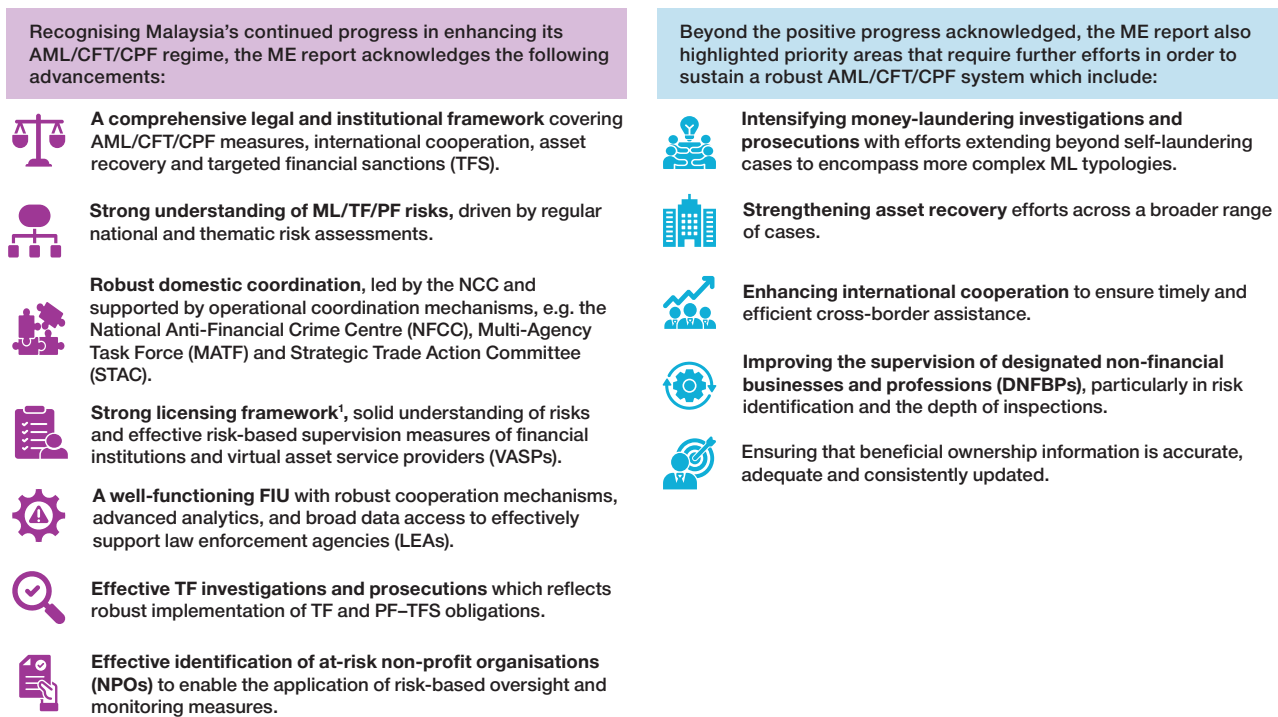
## Strengthening AML/CFT/CPF Measures through Coordinated National and Regional Efforts

Recognising these areas of improvement, Malaysia will recalibrate the NCC Roadmap 2024–26 to align with the key recommended actions in the ME report.

## Reinforcing the Nation’s AML/CFT/CPF Regime

During the year, the Anti-Money Laundering, Anti-Terrorism Financing and Proceeds of Unlawful Activities (Amendment) Act 2025 received royal assent and was gazetted.

Diagram 2: Outcomes of FATF’s Mutual Evaluation



<sup>1</sup> This includes usage of sanction mechanisms by supervisors, and financial institutions and VASPs understanding their AML/CFT/CPF obligations and ML/TF/PF risks. This is demonstrated by the implementation of appropriate mitigating measures, including customer due diligence process, compliance programme and reporting of suspicious transaction reports.

Source: Bank Negara Malaysia

<sup>3</sup> Previously in 2015 ME, Malaysia was placed in the ‘Enhanced Follow-up category’.  
<sup>4</sup> These include FATF member countries that have gone through the previous rounds of ME.  
<sup>5</sup> There are three tiers of follow-up categories i.e. ‘Regular Follow-up’, ‘Enhanced Follow-up’ and ‘Referral to the International Cooperation Review Group (ICRG)’.

<sup>6</sup> Further details can be found in the ME report (see Malaysia’s measures to counter money laundering, terrorist financing and proliferation financing).



*Adoption of Malaysia's ME report at the October 2025 FATF Plenary*

The amendments have come into effect as of 1 March 2026. This brought greater alignment with the latest FATF standards and methodology. The amendments also addressed operational challenges in relation to the freezing, seizure and forfeiture of illicit proceeds. These amendments would among others, enable more effective investigation and prosecution efforts, as well as improve clarity on compliance by reporting institutions.

### Enhancing Collaboration Efforts on AML/CFT/CPF Measures

As the 2025 ASEAN Chair, Malaysia led efforts to foster greater common understanding of ML/TF/PF threats, vulnerabilities and emerging risks amongst member states. This enabled Malaysia to shape regional priorities to combat financial crimes and promote sustainable development through transparent and resilient financial systems.

BNM lent support to the Ministry of Home Affairs at the ASEAN Senior Officials Meeting on Transnational Crime (SOMTC). The meeting achieved two major milestones. First, the SOMTC set up the Working Group on Money Laundering (WG on ML). Secondly, the meeting paved the way for the issuance of the first ASEAN Leaders' Declaration on Combating Money Laundering. The SOMTC WG on ML will further strengthen regional cooperation through sharing of information and best practices as well as elevating ASEAN's AML/CFT/CPF strategies to be in line with international standards.

BNM also hosted the inaugural ASEAN DNFBPs Supervisor Forum, with 120 participants from across ASEAN. At the forum, participants shared best practices in combating ML/TF/PF risks and in addressing supervisory gaps. The forum also explored potential joint supervision, shared cross-border risks and showcased supervisory technology (SupTech) initiatives that can help elevate supervisory effectiveness.

Additionally, BNM partners with our counterparts here and abroad to enhance crime detection and intelligence. We also advance regional and industry cooperation through capacity building initiatives, conferences, and forums (Diagram 3). These platforms allow us to deepen coordination with domestic LEAs and the private sector. They also improve efforts on early identification of red flags, emerging threats, and the character vetting process. These collective efforts allow the country to better respond to potential financial crimes and reinforce the resilience and integrity of the financial system.

Diagram 3: Snapshot of Regional and Industry Collaboration Initiatives

<p>International Conference on Financial Crime and Counter Terrorism Financing (IFCTF)</p>	<ul style="list-style-type: none"> <li>• Hosted by The Asian Institute of Chartered Bankers (AICB) and Compliance Officers' Networking Group (CONG), and supported by BNM, Securities Commission Malaysia and Labuan Financial Services Authority.</li> <li>• The theme focused on the fight against financial crime and technology-driven compliance. The event drew one of the largest crowds in recent years, with over 1,300 participants.</li> <li>• The three-day conference strengthened shared capabilities. It also gathered an extensive range of public and private sector experts, from both international organisations (e.g. The Egmont Group, Australian Transaction Reports and Analysis Centre (AUSTRAC) and the Singapore Police Force) as well as domestic LEAs, ministries and supervisory authorities.</li> <li>• The IFCTF explored a wide range of critical topics. These include enhanced due diligence processes, global financial crime risks, emerging fraud typologies and revisions to the AML/CFT/CPF and TFS requirements. The conference also featured AI-driven compliance enhancements and fraud detections through real-time analytics and behavioural monitoring.</li> </ul> <div style="display: flex; justify-content: space-around;">   </div> <p style="text-align: center;">15th International Conference on Financial Crime and Counter Terrorism Financing</p>
<p>Asia / Pacific Group on Money Laundering (APG) Typologies Workshop</p>	<ul style="list-style-type: none"> <li>• Together with public and private sector representatives, BNM participated in the APG Typologies Workshop. The workshop focused on emerging ML/TF/PF risks, including cyber scam hubs.</li> <li>• We presented Malaysia's multi-pronged approach to financial scams, including through the FIU, the National Fraud Portal (NFP), public-private partnerships and initiatives under the National Scam Response Centre (NSRC).</li> </ul> <div style="text-align: center;">  <p>2025 APG Typologies Workshop</p> </div>
<p>Financial Intelligence Analyst Course (FIAC)</p>	<ul style="list-style-type: none"> <li>• Co-hosted by BNM and AUSTRAC with participants from relevant agencies including BNM, Royal Malaysia Police (RMP), Malaysian Anti-Corruption Commission and Royal Malaysian Customs Department.</li> <li>• The course strengthened participants' capabilities to detect and respond to ML/TF risks, while deepening their understanding of criminal methods linked to organised crime, corruption and drug offences.</li> </ul> <div style="text-align: center;">  <p>2025 Financial Intelligence Analyst Course</p> </div>
<p>Supervisory College</p>	<ul style="list-style-type: none"> <li>• BNM hosted the Supervisory College for regional supervisors of a banking group. This brought together representatives from regional supervisory authorities including Otoritas Jasa Keuangan Indonesia, Monetary Authority of Singapore and the Bank of Thailand.</li> <li>• This platform facilitates timely sharing of ML/TF/PF emerging risks and vulnerabilities in the region and cross-border cooperation and coordination among supervisors in multiple jurisdictions.</li> <li>• It helps strengthen safeguards against cross-border risks and vulnerabilities that criminals seek to exploit, thereby advancing global efforts to combat financial crime.</li> </ul>

Source: Bank Negara Malaysia

## Sharing of Financial Intelligence and Supporting Law Enforcement

BNM is committed to sharing financial intelligence through its FIU. The FIU works closely with domestic LEAs and foreign FIUs to support ML/TF/PF investigations.

In 2025, the FIU held six industry-wide sharing sessions with banks, non-bank e-money issuers, money services businesses, capital market intermediaries and Labuan entities. These sessions clarified expectations and provided guidance on submitting quality suspicious transaction reports (STRs). Additionally, the FIU also shared several red flags and typologies reports with reporting institutions. These initiatives helped to improve awareness. This led to better articulation and detection of evolving crimes and more comprehensive analysis in STR submissions. In 2025, we received over 430,000 STRs compared to about 342,000 STRs the year earlier. Money laundering was the highest reported suspected offence, accounting for 47% of the total STRs, followed by fraud, tax offences and corruption. The FIU uses advanced data analytic tools such as network visualisation to identify links between STRs, entities and accounts. This helps focus investigations on higher risk cases and supports case reviews. To remain effective against evolving financial crimes, the FIU regularly updates its analytical methods and works closely with reporting institutions to improve the quality and usefulness of STRs submitted.

The FIU works closely with domestic LEAs to support investigations into crimes such as money laundering, fraud, corruption, smuggling and organised crime. Through joint taskforces such as those coordinated by the NFCC and the MATF, this collaboration led to more than 65 arrests and the seizure, freezing and recovery of criminal assets worth over RM400 million – more than double the 2024 amount. Shared intelligence also aided surveillance and investigations relating to national security<sup>7</sup> matters.

Besides domestic LEAs, the FIU actively shared financial intelligence<sup>8</sup> with more than 25 foreign FIUs in 2025, as part of international cooperation efforts. In some cases, such sharing also led to investigations by foreign authorities. About 25% of disclosures made by the FIU was to foreign FIUs. Overall, about 70% of total disclosures made to domestic LEAs and foreign FIUs relate

to high-risk crimes<sup>9</sup> and national security matters (Chart 1). Stakeholders do acknowledge FIU’s support in efforts to combat crimes within their respective jurisdictions, both within Malaysia and internationally.

**Chart 1: Financial Intelligence Disclosures by Serious Offences in 2025**



Note: ‘Other offences’ include offences related to sexual exploitation, human trafficking, illegal remittance etc.

Source: Bank Negara Malaysia

## Measures to Elevate and Coordinate Fraud Response

Fraud has consistently ranked among the higher-risk crimes in all five iterations of the National Risk Assessment (NRA) on ML/TF since 2013. The NSRC remains the first responder to financial scams, continuing to deliver swift tracing of stolen funds and responses to online financial fraud. The NSRC now operates as a 24-hour, seven-day-a-week hub for scam response through the NSRC hotline (997). Since July 2025, the NSRC is managed by the RMP’s Commercial Crime Investigation Department. This gives the NSRC direct powers to investigate as well as to act quickly and efficiently. Diagram 4 highlights the NSRC’s key outcomes in 2025.

Scam tactics continue to evolve. This raises the need for timely access to comprehensive and high-quality data to facilitate effective fund tracing and fraud detection. It also requires a more coordinated and robust industry-wide response. BNM regularly reviews measures implemented under the NFP<sup>10</sup> with Payments Network Malaysia Sdn. Bhd. (PayNet) and industry players. These have strengthened the NFP, broadening coverage to more entities and data sets, making it easier to trace illicit funds. The industry has also rolled out a standard protocol for e-money issuers to handle mule accounts and improve information quality and integrity, aligning

<sup>7</sup> National security covers terrorism/terrorism financing and proliferation financing.

<sup>8</sup> The sharing of financial intelligence to support law enforcement investigations into financial crimes.

<sup>9</sup> High-risk crimes include fraud, corruption, organised crimes, smuggling and drugs trafficking, as identified under the NRA 2023.

<sup>10</sup> The NFP is an integrated platform to strengthen the operational capabilities of the NSRC. It automates the end-to-end process of handling scam reports and tracing of stolen funds by the NSRC.

**Diagram 4: NSRC’s Key Outcomes in 2025**

NSRC’s Key Outcomes in 2025
Opened <b>24,013</b> investigation papers involving cheating and issued freezing orders on targeted collection accounts amounting to <b>RM19 million</b> .
Identified and stopped <b>162,642</b> suspected mule accounts, making it harder for criminals to move and hide stolen funds.
Attended to <b>138,953</b> calls on online financial scams from the public, of which <b>83,232</b> calls were from scammed victims.

Source: NSRC

with the measures adopted by banks in 2024. New features currently being explored such as tampered identity card detection and advanced fraud analytics will further help to spot fraudulent activities faster. Collectively, these upgrades improve fraud response and accountability in the financial system.

Amendments to the Penal Code and Criminal Procedure Code which came into effect in October 2024 have led to higher enforcement against mule accounts. In 2025, 969 convictions were secured against mule account holders. These multi-pronged actions underscore the whole-of-government approach to dismantle mule account networks.

### Promoting Sustainable AML/CFT/CPF Compliance of Financial Institutions and DNFBPs

BNM continues to strengthen its role in ensuring a robust AML/CFT/CPF compliance culture across the financial and DNFBP sectors. Our supervisory approach stressed on sustainability, accountability and adaptability to evolving risks. To achieve this, we continue to employ a range of supervisory tools and strengthen our risk-based supervisory activities. This includes leveraging SupTech for efficiency and effectiveness.

In addition to ongoing focus of supervision on ML/TF/PF risk and controls in financial institutions we regulate, we did a thematic review across the banking industry. The review assessed the adequacy and effectiveness of transaction monitoring and sanctions screening systems. We will inform the banking sector on the findings to elevate industry standards and shape industry best practices.

For DNFBPs, we continued our focus of on-site supervision across higher-risk sectors

(i.e. lawyers, dealers in precious metals or precious stones, and registered estate agents). BNM also supported Companies Commission of Malaysia and the Malaysian Institute of Accountants in their supervision of their respective sectors. This has led to stronger AML/CFT/CPF oversight and sector-specific risk understanding, resulting in improved implementation of AML/CFT/CPF policies.

BNM maintained its commitment to enforcement as a deterrent against non-compliance. In 2025, we took several enforcement actions such as issuing warning letters, directive orders, administrative monetary penalty and compound. These actions signal our expectation for reporting institutions to strictly comply with AML/CFT/CPF obligations.<sup>11</sup>

We continue to work with the industry to build a strong compliance culture. We do this through regular engagements and forums, like with the CONG, to hear insights on the current issues, challenges and possible solutions. This helps improve understanding of financial crimes and emerging threats, thereby enabling faster detection and quicker response. BNM also complements these engagements with regular publications on regulatory expectations and developments to financial institutions and DNFBPs.

### Going Forward

In 2026, BNM will continue to strengthen the implementation of AML/CFT/CPF standards. Our focus lies on addressing the areas highlighted in the ME report and in implementing the strategies in the NCC Roadmap. These include working better with LEAs, supervisory authorities, and the private sector. At the same time, we intend to continue leveraging technology to address evolving ML/TF/PF risks – including cross-border threats. Malaysia’s current standing provides a solid foundation and calls for sustained effort and further improvements to uphold global standards and safeguard the nation’s financial integrity.

<sup>11</sup> More information on enforcement actions taken can be found in the ‘Promoting Financial Stability’ chapter.



# Building What's Next

#*AtOurBest*

Imagine it. Share it. Your idea will shape what comes next.  
Pick a card and share your idea according to the focus areas.



Managing Bank Negara Malaysia

# Managing Bank Negara Malaysia

## People

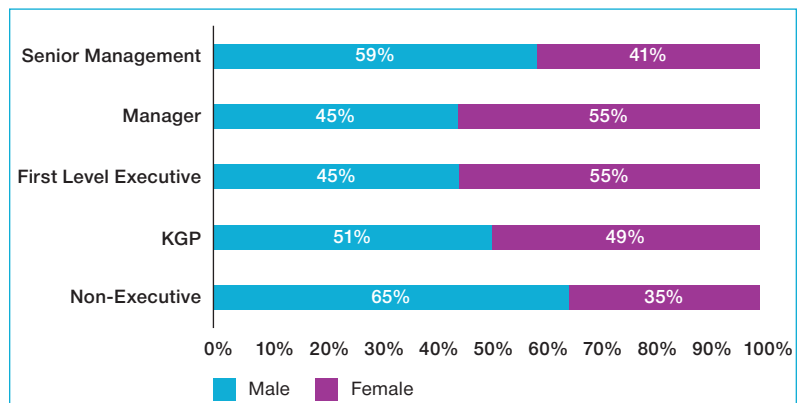
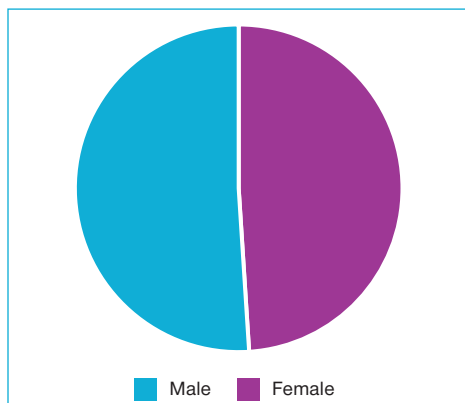
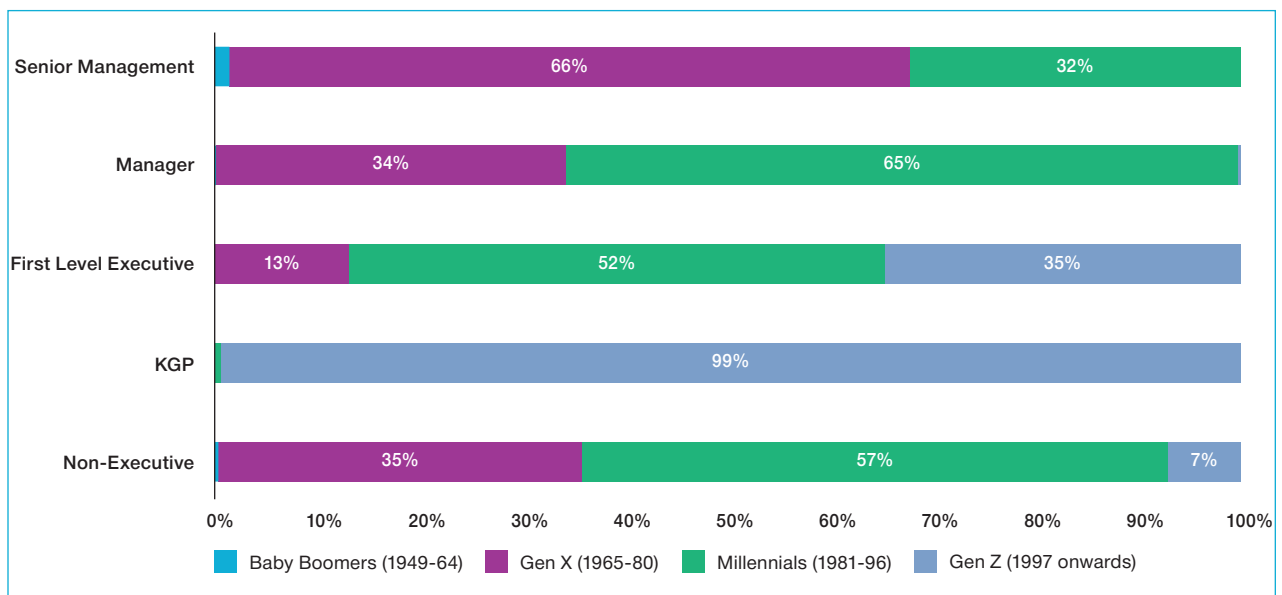
### Building BNM's Future-Ready Workforce

Building a future-ready workforce is central to BNM's mission of promoting monetary and financial stability for sustainable growth. Our efforts span across all segments of our workforce, from early-career entrants to mid-career professionals and seasoned experts. Every generation brings unique strengths that collectively help BNM respond to future

challenges. This inclusive approach ensures our whole workforce remain agile, skilled and ready for the evolving financial and technological landscape.

In building an inclusive and sustainable talent ecosystem, attracting new talent and developing our people are critical. So is making leaders stay adaptive in an increasingly complex and dynamic operating environment. In 2025, we therefore focused on strengthening our early-career talent pipeline, deepening central banking business acumen, leveraging technology and AI responsibly and promoting wellness and wellbeing.

Diagram 1: Multi-Generational and Gender-Balanced Workforce



Source: Bank Negara Malaysia

Our diverse and gender-balanced workforce, spanning young and experienced talent, supported by targeted capability-building programmes and leadership development efforts, positions BNM strongly for the future. This ensures that we continue to cultivate a deep pipeline of emerging leaders while preserving institutional knowledge and thought leadership for years to come.

## Kijang Graduate Program (KGP): Early Career Talent Pipeline

Within our broader talent strategy, early-career programme forms an important initiative. We aim to inspire young Malaysians to view central banking as a career that is meaningful and impactful. Our goal is to attract individuals who are both eager to contribute to nation building and ready to navigate the challenges of a fast-evolving economic and financial landscape.

In 2025, we continued to expand our outreach to young Malaysians through career fairs and engagements with universities and student associations. These platforms offer insights into BNM's role and the breadth of career pathways available, from economics, policy and research to technology, data science, cybersecurity and communications. Our belief is that talent should not merely be recruited, but inspired, nurtured and empowered to grow within the organisation. And for this, we emphasise on the skills and values needed to thrive at BNM.

The KGP has become an important pipeline for early career talent at BNM since its introduction in 2021. Increasingly, the programme is attracting bright young Malaysians who are eager to work at BNM and contribute to nation building. In 2025, demand soared, recording a 55% increase in applications. Of this, we recorded a 47% increase in applicants mainly from the world's top 100 universities compared to 2024.

The KGP brings together diverse talents, spanning economics, public policy, technology, data science, education and even literature in our most recent cohorts. This diversity enriches our talent pool and reinforces our commitment on interdisciplinary thinking. The KGP offers three different tracks of structured program; Graduate Analyst, Supervision Graduate

Analyst and Digital Graduate Analyst, that runs over a period of 18-months, where graduates rotate across three central banking functions. This enables the graduates to gain hands-on exposure to economic surveillance and policy analysis, financial stability and development, as well as corporate management. These are done under the guidance of experienced mentors. This structured exposure helps graduates understand how distinct functions work together to advance BNM's mandate, enabling meaningful contributions early in their careers.

## Deepening Central Banking Business Acumen

BNM continues to strengthen workforce capabilities. This is necessary to ensure that our talent remains agile, future-ready and equipped with emerging skills essential to central banking. We expanded our technical learning efforts by creating more opportunities for staff to participate in external programmes. These programmes expose them to global expertise and diverse perspectives that enrich our organisational capabilities. Our initiatives also support both the upskilling of existing staff and the accelerated development of new hires



*Learning sessions during Central Banking Business Acumen Programme*

with a total of 174 technical training sessions, comprising of 785 learning hours conducted for the Economics, Investment, Supervision, Regulation and Payment Services departments.

BNM also recognises that on-the-job learning and real-life experience are powerful drivers of talent development. This underpins the Talent Mobility Programme, a twelve-month cross-department attachment for staff, that aims to broaden perspectives, promote working together and accelerate professional readiness. In addition, in partnership with the Asia School of Business (ASB), BNM delivers the new Central Banking Business Acumen Programme for mid to senior level leaders. The programme is designed to broaden staff exposure to central banking perspectives and strengthens participants' appreciation of policy interlinkages, helping them make more informed decision across functions. Collectively, these initiatives form a cohesive approach to developing a capable, adaptive workforce aligned with BNM's long-term strategic priorities.

## Boosting Productivity Responsibly with Technology and Artificial Intelligence (AI)

BNM continues to embrace technology and AI as we head forward. Recognising the need for a digitally proficient and future-ready workforce, we take a proactive, measured approach towards AI adoption. This includes AI-powered productivity tools developed in-house, such as KijangBot, a general-purpose generative AI, and PolicyBot, which supports enterprise knowledge on BNM policies and regulatory documents available on BNM website.

As BNM embraces digital tools including AI, it is vital to strengthen workforce cybersecurity awareness. We have conducted mandatory training, phishing simulations, and ongoing outreach, ensuring employees stay equipped to counter evolving threats and protect BNM's assets and reputation.

### Charting BNM's Journey with Generative AI: From Early Adoption to Future Transformation

Over the past two years, BNM has pursued a deliberate and measured approach towards Generative AI adoption. We begin by initiating exploratory pilots, deploying two purpose-built bots (KijangBot and PolicyBot), and putting in place the GenAI Governance Standard for responsible use. For now, GenAI serves as a supportive partner that helps staff work smarter. By easing repetitive tasks and helping to summarise and create content, GenAI supports learning, sharpens thinking and strengthens decision-making. Within controlled pilots and with appropriate safeguards in place, BNM aims to realise efficiency gains while ensuring that the risks are carefully managed.

Today, these tools can augment the way our people work. KijangBot helps to summarise documents, perform translation and support content creation at scale. PolicyBot is used to locate the right policies faster, allowing staff to focus their effort on applying judgement and making decisions with the information. These pilots also provide insights on how we can redesign the way we work, simplify processes and equip our staff with the right AI skills.

Focus will continue to be on how AI can be used as a tool across the organisation. Rather than adopting AI for its own sake, the focus is to understand where it can genuinely add value. These could be in supporting knowledge management and improving processes. Another area is on how AI can equip staff to make better decisions by integrating it in policy design, decision support and operational workflows. Central to realising this is capability development of staff. This covers areas such as developing AI literacy and improving staff skills, which remain as key priorities so that our staff are well equipped to use GenAI safely, effectively and in ways that support our mandate.

## Living Our Values: An Engaged and Healthy Workforce

Creating a workplace culture that helps our people to be at their best is key to support the effective delivery of BNM's mandates. Building on the momentum of translating awareness into action, 2025 focused on strengthening how positive experiences can be cascaded across the organisation. We want to make sure our values are reflected in everyday behaviours, forming a strong foundation for how we work.

We recognise that meaningful change begins on the ground. We were encouraged to observe staff, including leaders across departments, experimenting practical ways to strengthen everyday behaviours and actions surrounding feedback. To broaden the reach and impact of such efforts, we created safe spaces for them to share their ideas, sparking creativity and collectively improving how we can work in BNM.

To further reinforce culture surrounding feedback, we introduced an in-house communications series to show how we act on staff feedback.



Health screening programme during BNM Safety, Health, Environment (SHE) and Wellness Week 2025

This illustrated how feedback should be treated across the organisation whereby we must reflect on it, consider it, and communicate what we did with it. Together, these initiatives encourage experimentation, candour and collaboration. We want BNM to be a place where people feel safe and confident to share their views in shaping better outcomes. By strengthening this culture of empowerment and trust, we enhance our ability to deliver effectively on our mandates.

People perform best when they feel supported in mind and body. Over the years, we have placed strong focus on promoting wellbeing. In 2025, we expanded access to wellbeing support, including professional counselling. We support this with awareness campaigns, training and practical workshops. We introduced the Wellbeing Hub, a one-stop platform that brings together mental health resources in a single, easy to access space, helping staff seek support early, confidently and on their own terms.

Our wellness initiatives focus on meaningful experiences that support employees' overall wellbeing. These include the BNM Safety,



Top: A bowler in action during the thrills of Karnival Sukan BNM 2025. Middle: Athletes powering through the 5,000 meters walk race during Karnival Olahraga BNM 2025. Bottom: Runners taking off at the 5km and 10km run during Larian BNM 2025

Health, Environment (SHE) and Wellness Week. Through targeted opportunities, staff can take part in a variety of programmes and activities throughout the year, including access to health assessments and screenings, influenza vaccinations, chiropractic sessions and blood donations. Overall participation rate more than doubled, showing strong demand and appreciation of the support offered by the organisation.

Beyond mental and emotional wellbeing, we encourage staying active and healthy through a range of physical activities and events that

build camaraderie outside of work. Larian BNM 2025, Karnival Sukan 2025 and Karnival Olahraga 2025 drew strong and widespread participation, showing their value as accessible platforms for staff to show their sporting prowess while fostering team spirit across departments. These initiatives encouraged healthier lifestyles and reinforced the need for balance, reminding our people that strong performance at work goes hand in hand with caring for one’s physical wellbeing.

### Driving Purpose Beyond BNM

At BNM, we believe our purpose goes beyond our four walls. Purpose is also about creating meaningful impact by giving back to the community. Volunteering brings our people together to make a real difference, whether it is helping those in need, promoting social wellbeing or contributing to environmental sustainability. These efforts reflect our core values, strengthen collaboration and build a shared sense of purpose across the institution.

In 2025, BNM Volunteers (BNMV) continued to carry out activities that drive positive change. One key highlight was World AIDS Day, HIV Awareness & Support which was done in collaboration with Hospital Tengku Ampuan Rahimah (HTAR) and Malaysian Society for HIV Medicine (MASHM). This programme focused on raising HIV/AIDS awareness for our staff and the public. These efforts not only reduce stigma, but also strengthen support for patients, especially adolescents.

BNMV also played a key role in conserving the environment. BNMV partnered with local agencies and community groups and planted 1,000 Tangkol trees through the Riverbank Tree Planting Program in Tuaran, Sabah to mitigate floods, prevent erosion, stabilise soil and support biodiversity. This initiative reflects our belief that environmental care is a shared responsibility. Our commitment to wildlife and conservation also continues through the sponsorship of Barking Deer, which is also known as BNM’s mascot at Zoo Negara. The programme recorded positive conservation results, including the birth of new fawns, showing the success of the care and support provided.



*BNMV giving back to the community through meaningful volunteerism activities*

*Top: Staff and community members participating in a World AIDS Day awareness session. Middle: Volunteers planting trees along the riverbank in Tuaran, Sabah. Bottom: One of the barking deers BNM adopted at Zoo Negara*

## Recognition

Our ongoing efforts to make BNM Malaysia's employer of choice are showing results and gaining recognition. In 2025, we received several awards such as the Best Organisation & Most Preferred Employer 2025 (Life at Work Awards by TalentCorp, GRADUAN Brand Awards, Graduates' Choice Award 2026 by Talentbank), Best Young Graduates & Most Preferred Graduates Programme 2025 (Life at Work Awards by TalentCorp, GRADUAN Brand Awards). BNM is also listed among

Malaysia's 100 Leading Graduate Employers 2025 (GTi Media).

Going forward, BNM will continue building a workforce that is agile, resilient, ready for the future and driven by purpose. We are committed to creating a workplace where people feel supported, valued and empowered to grow. As we respond to new challenges and opportunities in an increasingly digitally enabled economy, our focus stays the same: to help every member of our team thrive, so together, BNM can make a lasting impact on Malaysia's future.



People Department team at Life at Work Awards 2025

# Towards a Greener Financial System

We remain committed in our climate journey and that of the financial industry. Our approach focuses on strong governance, adaptive strategies, and practical measures. One key initiative is the Climate Finance Innovation Lab (CFIL) to fast-track climate and nature-positive projects in Malaysia. This and other efforts support a stable financial system and enable a smooth and credible transition for the economy.

## Introduction

In 2025, global political shifts and renewed debates on climate commitments created uncertainty. At the same time, climate impacts became more visible domestically. Floods, heatwaves and other extreme events damaged homes and businesses, putting lives and livelihoods at risk. These events reminded us to stay focused on building a climate-resilient financial system.

Our approach in 2025 centred on driving innovation and collaboration (Diagram 1). We placed attention on transition and adaptation solutions. We continued to build climate resilience across the financial system. During Malaysia's ASEAN Chairmanship, we also provided platforms to develop avenues that support funding of regional projects.

Diagram 1: BNM's Climate Approach Over the Years



Source: Bank Negara Malaysia

We also promoted financing models that can speed up transition, including for the ASEAN Power Grid (APG).<sup>1</sup> These efforts reflect our commitment to shaping credible climate strategies for Malaysia and the region at large.

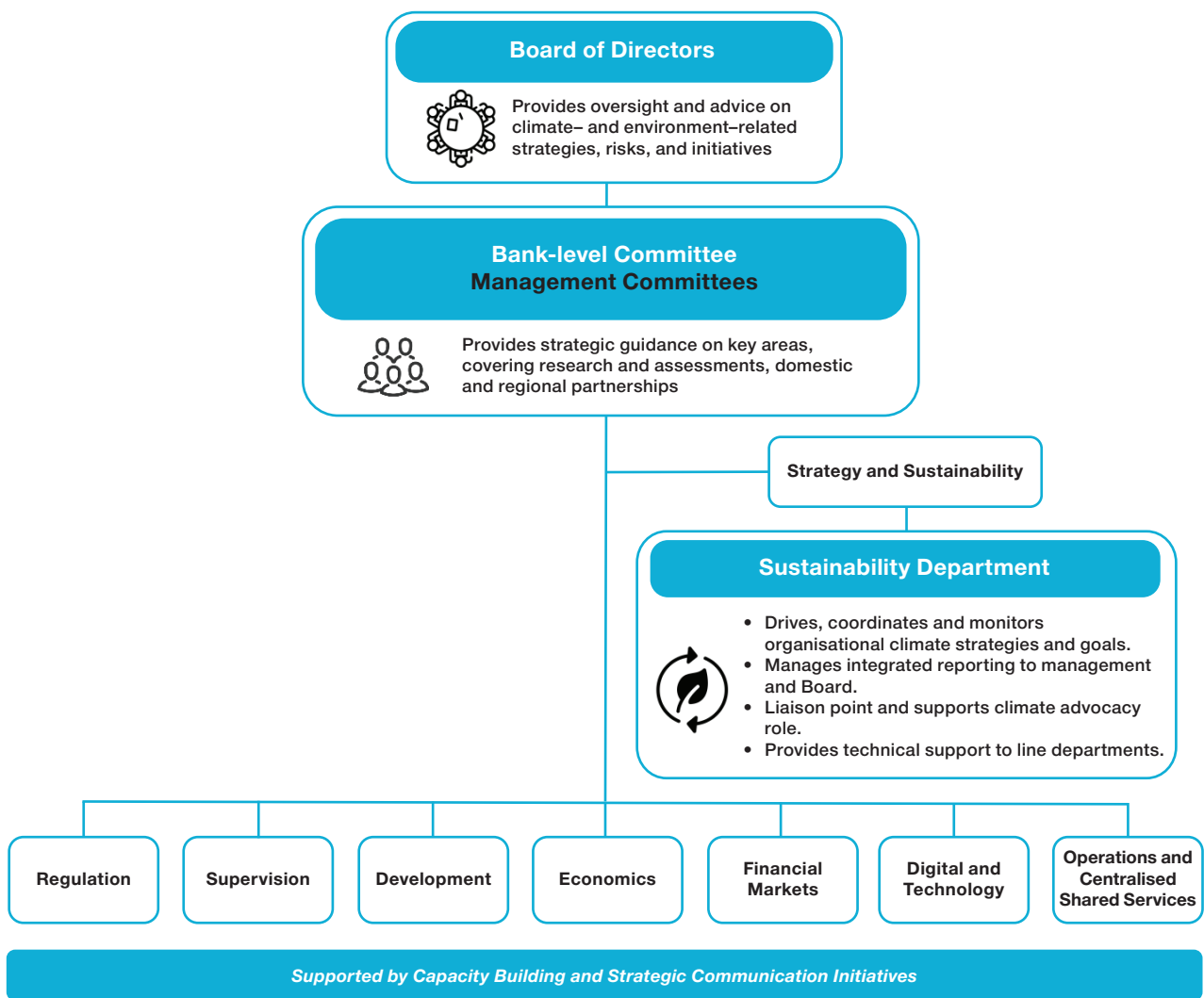
As an organisation, we also ramped up efforts to green our operations. This included improving how we measure our emissions and strengthening its disclosure. We are guided by the Recommendations of the Task Force on Climate-related Financial Disclosures (TCFD)<sup>2</sup> and the Guide on Climate-related

Disclosure for Central Banks<sup>3</sup> by the Network for Greening the Financial System (NGFS) to ensure credible and transparent disclosure.

### Strengthening Our Climate Governance and Driving BNM’s Climate- and Environment-Related Strategies Forward

Climate considerations are well-integrated within BNM. Our governance structure ensures that we stay ahead of climate- and environment-related risks<sup>4</sup> (Diagram 2).

Diagram 2: BNM’s Climate Governance Structure



Source: Bank Negara Malaysia

<sup>1</sup> The ASEAN Power Grid (APG) is the shared vision of ASEAN Member States (AMS) for fully integrated grid operations in Southeast Asia by 2045. The APG holds great promise for promoting regional economic integration and growth, enhancing energy security and accelerating clean energy transition.

<sup>2</sup> A globally recognised framework to help public companies and other organisations more effectively disclose climate-related risks and opportunities through their existing reporting processes.

<sup>3</sup> A guide that serves as a complement to the TCFD recommendations, providing additional guidance for central banks that are taking their first steps in climate-related disclosure.

<sup>4</sup> More information on BNM’s climate governance structure and the role of the Board and senior management can be found in the ‘Strengthening Our Climate Governance’ section in chapter on ‘Towards a Greener Financial System’ of Bank Negara Malaysia’s Annual Report 2024.

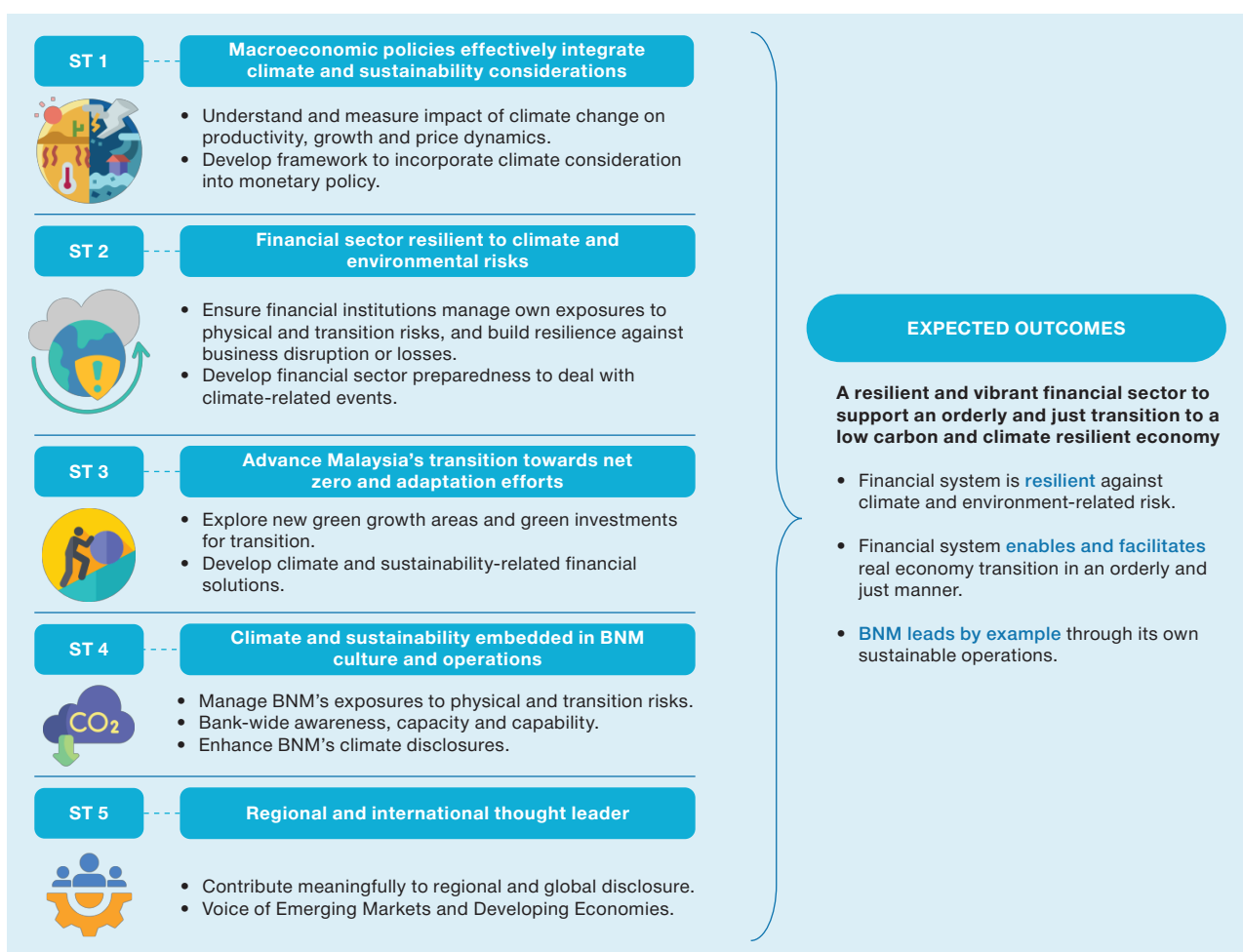
## TOWARDS A GREENER FINANCIAL SYSTEM

In 2025, we made further progress on our climate- and environment-related initiatives across our core functions. Five strategic thrusts guided our work (Diagram 3). This is also aligned with BNM's Business Plan and the Financial Sector Blueprint 2022–2026.

Our strategies cover macroeconomic policies, financial sector resilience, national transition, internal initiatives and thought leadership (Diagram 4). These align closely with BNM's mandates and national climate and environmental plans. Internationally, BNM continued to advocate for global collective action through the NGFS and other global platforms (Diagram 5). Through these engagements, BNM consistently highlights the unique transition challenges faced by emerging economies. This ensures greater inclusivity when global commitments or best practices are discussed.

During Malaysia's ASEAN Chairmanship, we supported the development of the ASEAN Taxonomy for Sustainable Finance Version 4. As in the past, we led the work on setting thresholds – this time for the manufacturing sector. The taxonomy remains a key framework that provides consistent definition and application of green and transition finance across the region. We also directed focus on improving access to finance to support a just and climate-resilient transition. We secured strong interest to fund the ASEAN Power Grid, including support from financial institutions, multilateral development banks, philanthropic capital providers and other partners. We also expanded the Greening Value Chain (GVC)<sup>5</sup> programme to ASEAN member states to help SMEs in the region transition. Specifically, we partnered with the Asian Development Bank and United Nations Development Programme

Diagram 3: Strategic Thrusts (ST) of BNM's Climate and Environment-Related Strategies



Source: Bank Negara Malaysia

<sup>5</sup> Supports SMEs in reducing their carbon footprint through technical training, emission reporting tools and financing.

Diagram 4: Progress of Key Initiatives in 2025

## STRATEGIC THRUST 1

### Macroeconomic policies effectively integrate climate and sustainability considerations



Enhanced understanding of the impact of climate-related shocks and risks on the macroeconomy and implications for monetary policy.



Continued strengthening of modelling capabilities to assess climate-related impacts on the macroeconomy.

## STRATEGIC THRUST 2

### Financial sector resilience to climate- and environment-related risks



#### Enhancing management of climate- and environment-related risks

- Analysed CRST<sup>1</sup> submissions from Cohort 1<sup>2</sup> financial institutions and facilitated peer learning<sup>3</sup> with Cohort 2<sup>4</sup>. Insights will inform capacity-building initiatives and guide refinements for future CRST exercises.
- Revised CRMSA<sup>5</sup> on 17 March 2025, mandating all financial institutions to produce climate-related disclosures aligned with the National Sustainability Reporting Framework (NSRF) in phases starting 2025, enhancing transparency and comparability of disclosures.

#### Supporting understanding of nature-related risks

- Piloted the TNFD LEAP<sup>6</sup> approach with three financial institutions and two corporates from the agriculture and construction sectors to understand current state of nature-related risk assessments and disclosures in Malaysia. Further details in the section on Addressing Nature-Related Financial Risks.

#### Development of Malaysia Taxonomy

- BNM and Securities Commission Malaysia (SC) are jointly developing the Malaysia Taxonomy to guide financial sector players in mobilising climate and sustainable finance.

## STRATEGIC THRUST 3

### Advance Malaysia's transition towards net zero and adaptation efforts

#### Advocacy and advisory on execution of national policies

- Conducted internal research on current challenges that affect effective implementation of adaptive policies.
- Advocated nature-based solutions to complement Government's existing flood mitigation plans and strengthen community resilience to floods.



#### Green finance and investment

- Facilitated financial flows towards green and climate-related initiatives, including support for small and medium enterprises (SMEs) in their transition to sustainable practices.
- Hosted closed-door roundtable session between iron and steel industry players, financial sector and Ministry representatives to discuss and enhance transition finance solutions for the industry.

## STRATEGIC THRUST 4

### Climate and sustainability embedded in BNM culture and operations

#### Reducing energy usage



Set indoor air-conditioning temperature at 24°C–25°C for main and selected premises.



Lights off at 7:00 p.m. for main premises (manually switch on if needed).



Limit operational duration of 296 water dispensers at main premises to 12 hours daily.



#### Greening our currency operations



Issued fit notes during festive seasons, supplemented by new notes when necessary (as much as 67% fit notes issued in 2025).

Captured about 360 MWh energy generated from waste-to-energy<sup>7</sup> method for disposal of banknotes.



Successfully conducted proof of concept exercise for the recycling of polymer and paper banknotes.



Implemented incentive programme for coin processing to increase efficiencies in coin recirculation, with an increase of 72% of coins recirculation compared to 2024.

Working to produce a product carbon footprint for the entire currency ecosystem to better understand and manage currency emissions. Inputs received from currency suppliers, financial institutions and registered currency processors.

#### Recycling of electronic waste



Recycled over 216.5 kg of electronic waste, 17.3% increase from 2024.

#### Factoring in sustainability in our investments

- 1 Portfolios are internally measured across ESG metrics (i.e. ESG and carbon emission scores).
- 2 Gradual increase in exposure to ESG-label instruments.
- 3 Keeping abreast with latest market landscape and actively engaging with NGFS and BIS.

#### Increasing internal technical expertise

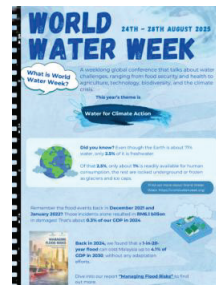
- Continuation of climate as a learning topic in programme for new hires (Taking Off Programme) and supervisors (Supervisory School).
- Continuation of Climate Change e-Module training for staff to better understand climate risk.



#### Active internal communication on climate and sustainability



*Brown bag session on Switching to Green: The Journey of an Eco-friendly F&B Operator, to educate BNM F&B vendors on eco-packaging*



*Forum posts and quizzes*

## STRATEGIC THRUST 5

## Regional and international thought leader

**Plenary member in the Network for Greening the Financial System (NGFS)**

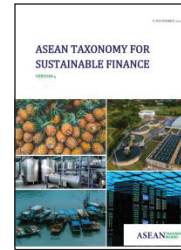
- Continued to offer valuable insights into transition challenges faced by emerging economies to shape NGFS guidance to central banks.



Sustainability Director, Shasha Kartini Ridzam highlighted BNM's initiatives in assessing and managing nature-related financial risk as a panellist at the ECB-NGFS Workshop: *Vanishing Nature, Rising Risk: A Central Banking and Supervisory Lens on Ecosystem Degradation*

**Member of ASEAN Taxonomy Board**

Published Version 4 of the ASEAN Taxonomy in November, which includes the complete Foundation Framework and technical screening criteria for all six focus and three enabling sectors of the Plus Standard.

**ASEAN 2025 Chairmanship**

Supported Malaysia's ASEAN Chairmanship and Priority Economic Deliverables (PEDs) through initiatives to catalyse access to finance for a just and climate-resilient transition.

- Garnered interest to participate in the ASEAN Power Grid Project (APG) given substantial investments needed to upgrade and modernise the infrastructure. This was done through the organisation of two investor roundtables in Kuala Lumpur and Hong Kong.
- Collaborated with multilateral stakeholders to advance the Greening Value Chain (GVC) programme within ASEAN and published a playbook to assist in decarbonisation of small and medium enterprises.
- Conducted a series of technical workshops (in collaboration with Asian Development Bank and United Nations Development Programme) as part of ASEAN regional roll-out of GVC pilot, commencing with Cambodia and Indonesia.

<sup>1</sup> Climate Risk Stress Testing.

<sup>2</sup> Cohort 1: Domestic banking groups, selected locally incorporated foreign banks, and insurers and takaful operators (submission by 30 June 2025).

<sup>3</sup> Further details on capacity building initiatives relating to CRST are in the chapter on 'Promoting Financial Stability' of Bank Negara Malaysia's Annual Report 2025.

<sup>4</sup> Cohort 2: Other banks, development financial institutions, and insurers and takaful operators (submission by 31 December 2025).

<sup>5</sup> Climate Risk Management and Scenario Analysis.

<sup>6</sup> Locate, Evaluate, Assess and Prepare.

<sup>7</sup> Waste-to-Energy (WTE) method converts solid waste into usable forms of energy, such as heat and electricity. Further details on sustainability initiatives on currency are in the chapter on 'Issuing Currency' of Bank Negara Malaysia's Annual Report 2025.

Source: Bank Negara Malaysia

in developing the playbook for ASEAN GVC.<sup>6</sup> The rollout of the GVC pilots in Cambodia and Indonesia indicates growing interest in facilitating SMEs in the region to stay competitive and build resilience within the global supply chain.

**Enhancing our regulatory focus**

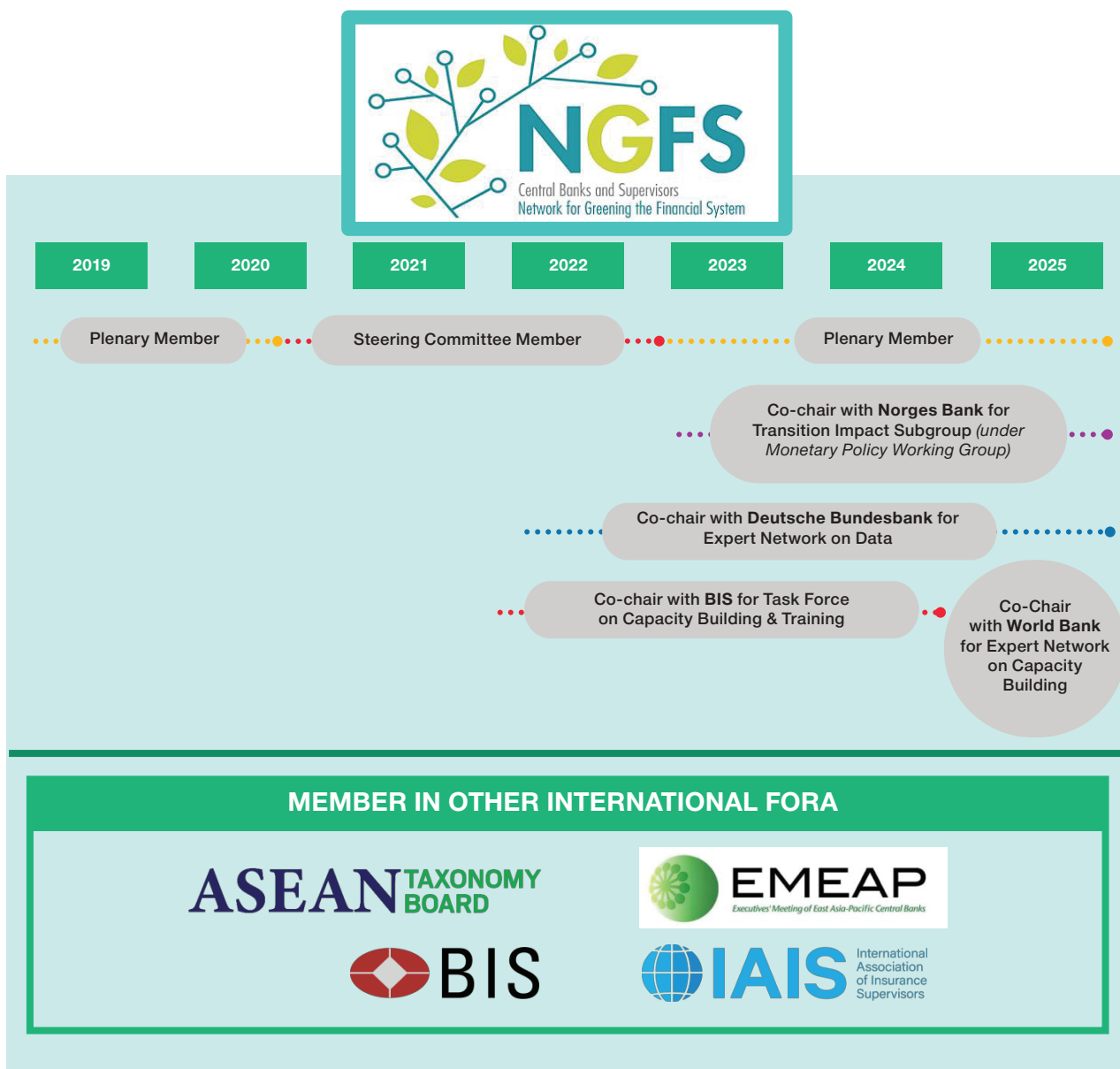
A strong regulatory foundation is critical for managing climate-related risks. In 2025, we enhanced supervisory expectations and guidelines to strengthen how financial institutions identify and manage climate risk. We continued to improve the credibility and consistency of financial institutions' reporting under the Climate Change and Principle-based Taxonomy (CCPT). Supplementary documents for the CCPT issued

<sup>6</sup> Further details on Priority Economic Deliverables (PEDs) are in the chapter on 'International Engagements' and the feature article on 'Malaysia's 2025 ASEAN/ASEAN+3 Chairmanship: Advancing Inclusive and Sustainable Economic Growth for ASEAN and Malaysia' of Bank Negara Malaysia's Annual Report 2025.

through the Joint Committee on Climate Change (JC3) facilitated more effective assessments by financial institutions. We also simplified and harmonised information submission to financial institutions to ease the burden of customers. We ran the first industry-wide climate risk stress testing exercise in 2025. To support this exercise, we issued reporting templates to capture how financial institutions apply the Climate Risk Stress Testing (CRST) Methodology Paper released in 2024.

A credible plan is key to a smooth climate transition. We worked with financial institutions to better understand their challenges in developing credible transition strategies. We held technical clinics that zoom in on various aspects of the transition plan. These include implementation strategies, governance and engagement, and metrics and science-based targets. These clinics helped build the capacity of staff in financial institutions who are responsible for their institutions’ transition plans.

Diagram 5: Evolving Role of BNM in the NGFS and Other International Fora



Note: Further details on role of BNM in international fora are in the chapter on 'International Engagements' of Bank Negara Malaysia's Annual Report 2025.

Source: Bank Negara Malaysia



Governor Rasheed encouraged the mobilisation of different pools of capital to fund climate projects through his keynote address at the AVPN Global Conference 2025, Hong Kong



Assistant Governor Madelena Mohamed emphasised the importance of robust climate protection solutions in her keynote address at the Institute and Faculty of Actuaries (IFoA) Asia Conference 2025, Kuala Lumpur



Yuki Yasui, Managing Director of GFANZ Asia Pacific Network sharing insights on the inclusion of metrics and targets in transition plan frameworks for financial institutions at the Transition Planning Clinic 4, Kuala Lumpur

## Enhancing awareness and understanding

Issues surrounding climate and sustainability continue to evolve rapidly. This requires us to engage widely to keep pace with what is happening on the global and domestic fronts. This included speaking to external experts who shared practical industry insights. Within BNM, to keep everyone abreast, we issued postings, conducted brown-bag sessions and e-learning modules. These efforts helped deepen understanding of climate- and environment-related risks and BNM's role in managing them.

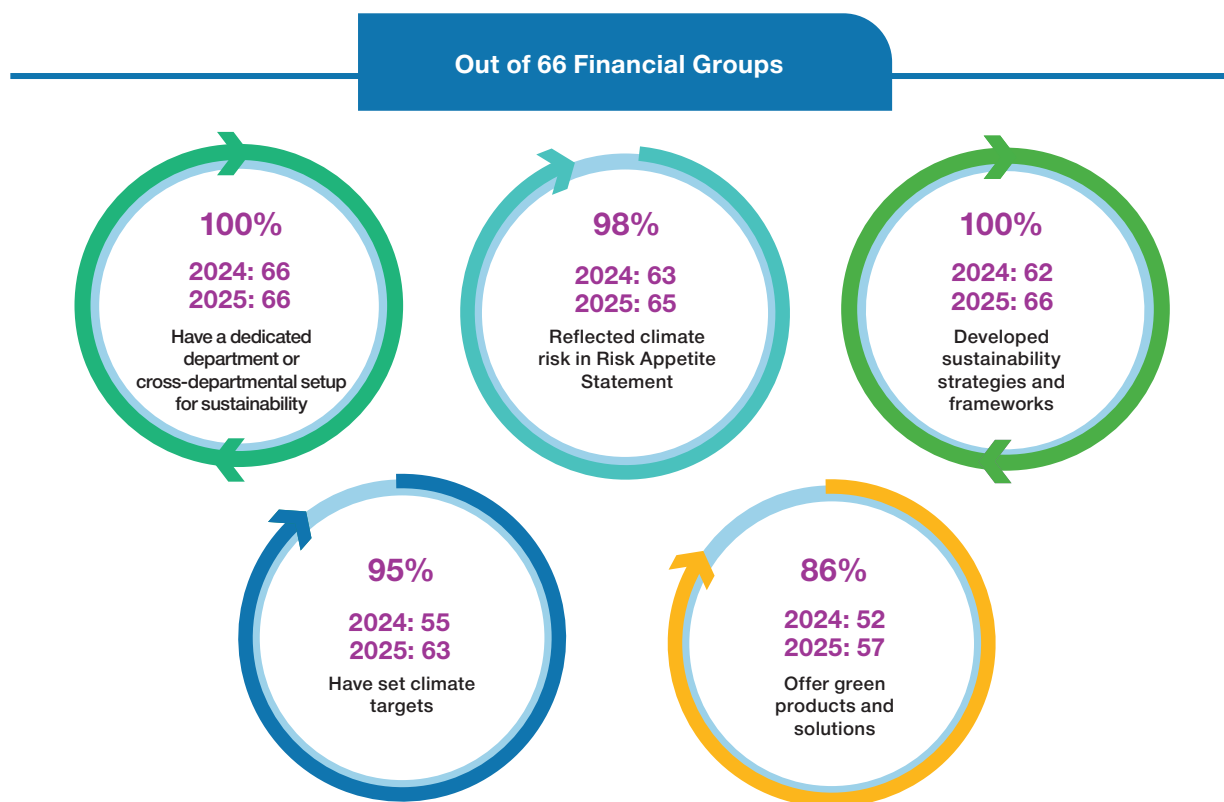
## Advancing Climate Action in the Financial Sector

The financial sector plays an important role in Malaysia's shift towards a greener economy. Thus far, financial institutions have made inroads in embedding climate considerations in risk management, business strategies, operations and product development (Diagram 6). This shift has been supported by practical tools and frameworks that help financial institutions and their clients manage the transition with more confidence. These resources also catalysed change by supporting businesses as they adapt and tap into new opportunities for sustainable growth.

## Greater consistency in reporting

Reporting standards under the Climate Change and Principle-based Taxonomy (CCPT) have strengthened across institutions. This improves how financial institutions engage with and advise their clients. The quality of assessment continues to improve. This is also supported by enhanced classifications introduced in 2024.

Diagram 6: Progress Observed in the Financial Industry in 2025



Note: 66 financial groups (seven groups comprising conventional and Islamic banks, four groups comprising conventional and Islamic banks, insurers and takaful operators, 12 groups comprising insurance and takaful operators, one group comprising development financial institutions, 42 standalone banks/development financial institutions/insurance and takaful operators).

Source: Bank Negara Malaysia

The new C5b category allows financial institutions to better identify economic activities that are neither climate-positive nor pose significant harm to the environment.

In 2025, financial institutions also began to implement the National Sustainability Reporting Framework (NSRF). The NSRF builds on the TCFD disclosure recommendations and is aligned with the IFRS Sustainability Disclosure Standards issued by the International Sustainability Standards Board (ISSB). This strengthens climate-related disclosures across the financial sector. To further support implementation by financial institutions, a guidance document on NSRF is being developed alongside planned training sessions.

### JC3 as a platform for innovation and collaboration

The JC3 continued to play an important role in accelerating climate action within the financial sector (Diagram 7). The launch of the Climate Finance Innovation Lab (CFIL) marked a key

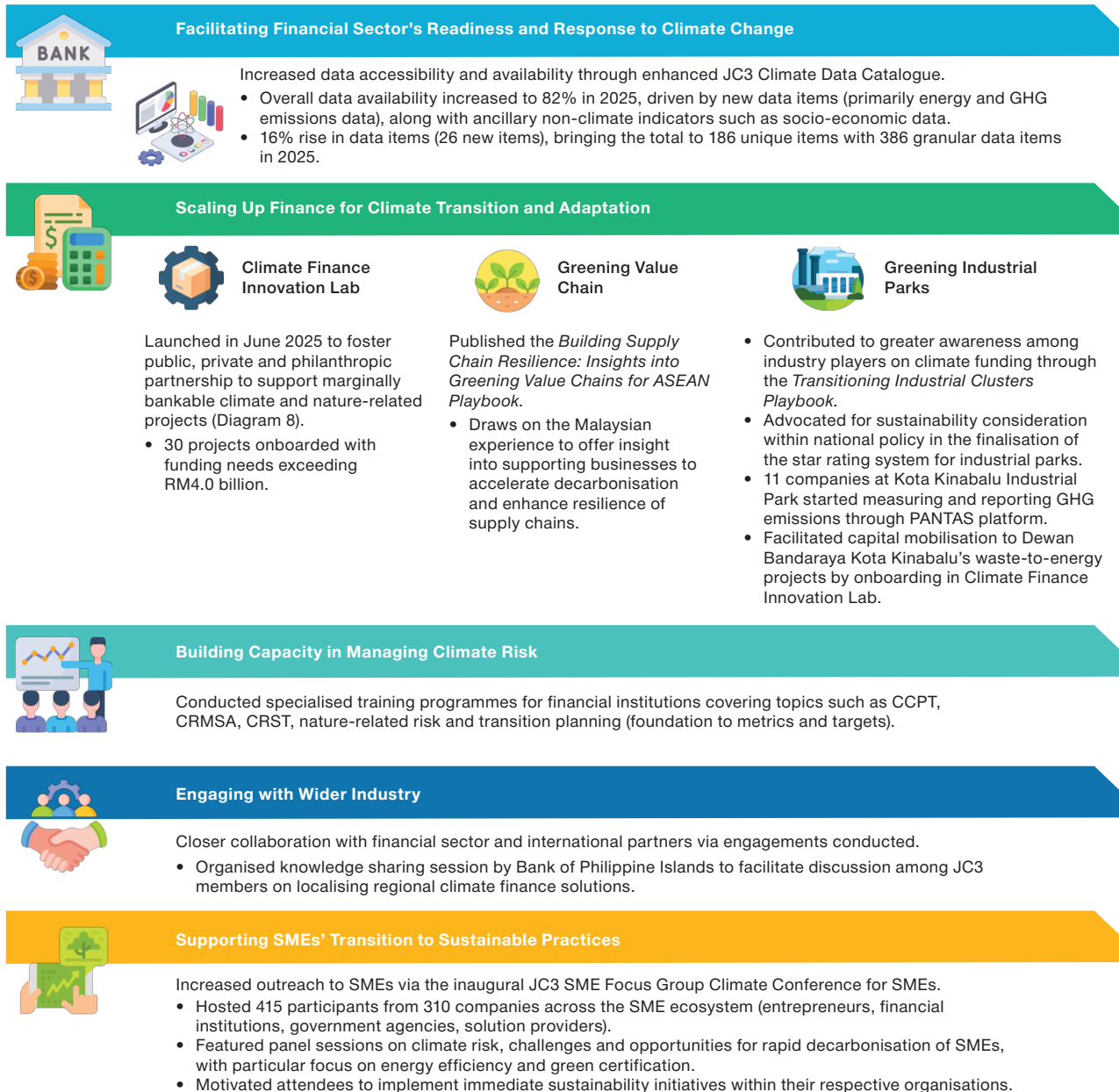
milestone. CFIL connects project developers with potential funders to turn ideas into viable projects. It focuses on creating practical and innovative financing solutions. Qualifying projects gain access to funding, expert guidance, and a strong partner network to help them scale (Diagram 8).

### Managing Climate- and Environment-Related Risk Across BNM’s Operations

While much of our work focuses on climate action across the financial sector, it is equally important that we manage the climate- and environment-related risks within our own operations.

Climate- and environment-related risks can disrupt operations, damage assets and affect employee safety. For a central bank, managing these risks is critical to maintain operational continuity and uphold public trust. Our aim is to safeguard critical functions while reducing our environmental footprint in a credible and transparent manner.

## Diagram 7: Progress and Deliverables of JC3 in 2025



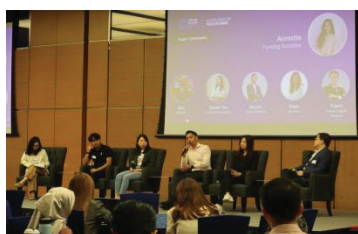
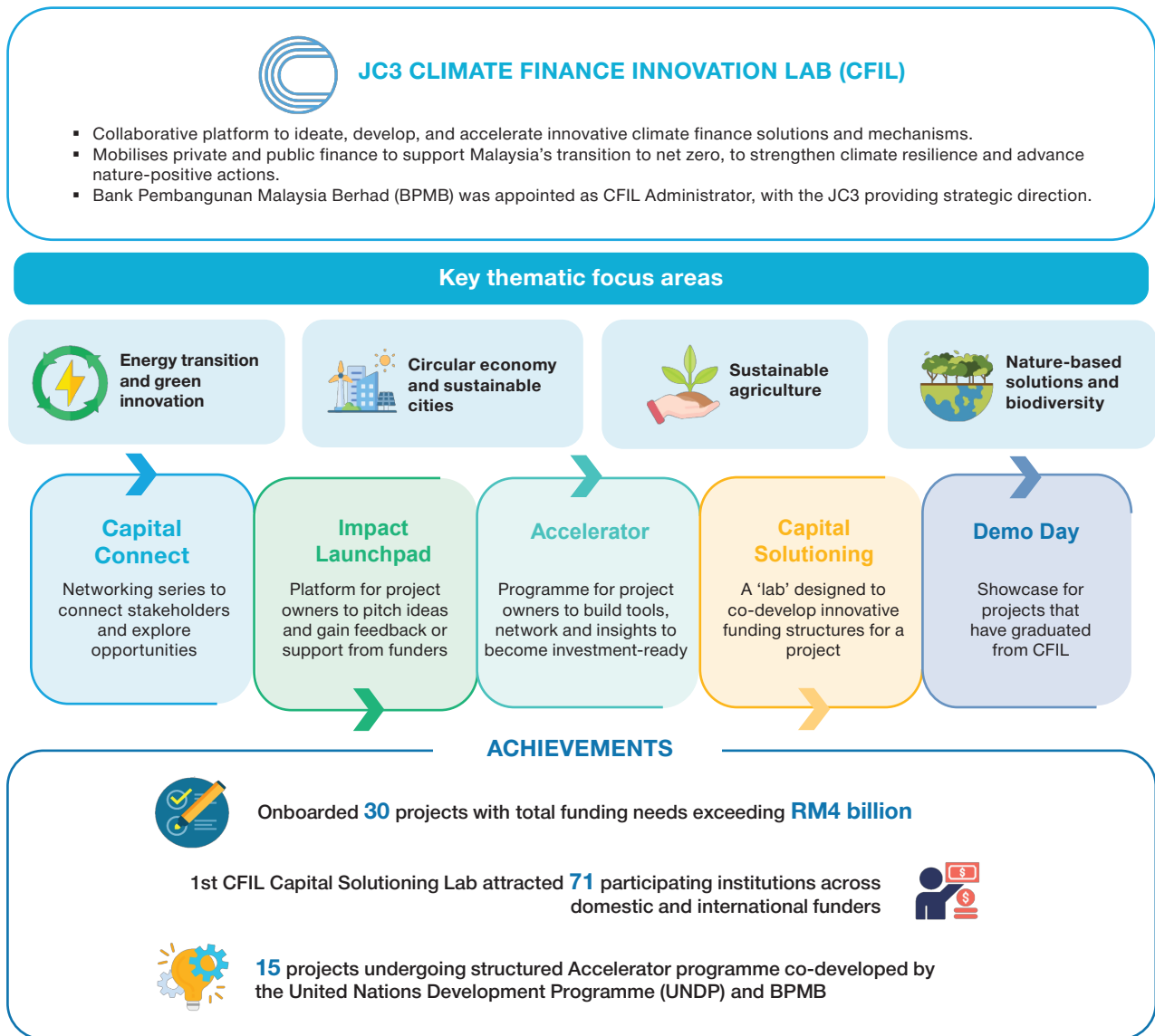
Note: More information on JC3 on the JC3 website ([www.jc3malaysia.com](http://www.jc3malaysia.com)).

Source: Bank Negara Malaysia

Assistant Governor and co-chair of Joint Committee on Climate Change Madelena Mohamed reinforced the pivotal role that SMEs play in the national decarbonisation journey in her keynote address at the JC3 SME Focus Group Climate Conference for SMEs, Kuala Lumpur



Diagram 8: Climate Finance Innovation Lab (CFIL)



Panel session featuring speakers representing diverse funding sources during CFIL Accelerator programme



Project owners pitching ideas to funders during CFIL Capital Solutioning Lab

Note: More information on CFIL on the CFIL website (<https://www.bpmb.com.my/mycfil/>).

Source: Bank Negara Malaysia

### Enhancing internal risk management

The Board Risk Committee provides oversight on how we manage climate- and environment-related risks within our enterprise risk framework. This strengthens governance and accountability.

In 2025, we strengthened our internal approach to managing these risks. We updated the Enterprise

Risk Appetite Statement to better reflect how we assess and respond to climate- and environment-related risks across our assets and premises. A clearer statement helps protect our buildings, reduce operational disruptions and keep our employees safe.

We also began reviewing our business continuity management (BCM) plans to prepare for

disruptions, such as floods, water shortages and fires. These actions reduce operational vulnerabilities and protect critical financial infrastructure. They also allow us to set a strong example for the industry on good climate-related risk management.

### Improving emissions monitoring and management

We are committed to strengthen how we manage emissions from our operations, address data gaps and enhance emissions reporting. With support from experts through technical engagement, we now have a method to measure, track and report emissions from our physical operations and currency-related activities. This has improved the accuracy of our emissions measurement and guided refinements to our internal sustainability dashboard. It is also aligned with global standards under the Greenhouse Gas (GHG) Protocol and considers various scenarios. Over time, we will expand these strategies to encapsulate other parts of our operations. These will inform the development of a credible transition plan for BNM.

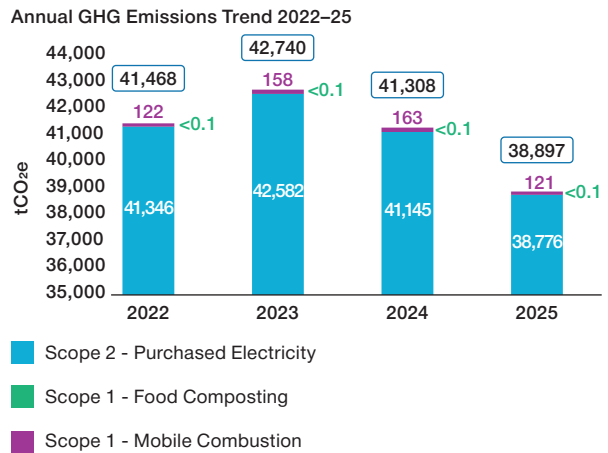
The targeted carbon reduction initiatives and asset rationalisation across our operations have begun to yield outcomes (Chart 1). To manage Scope 2 emissions, we rolled out measures such as using electricity more efficiently, raising staff awareness on sustainability, optimising building systems, and investing in energy-saving technologies. We also continued our subscription to the Green Electricity Tariff for key premises, including Sasana Kijang, the Automated Cash Centre, and BNM Headquarters. This helped us avoid the generation of fossil fuel electricity by 21,848 tCO<sub>2</sub>e (56% of total Scope 2 emissions) in 2025.

### Addressing Nature-Related Financial Risks

Nature-related risks, like climate risks, can lead to financial and economic losses. They can also worsen the effects of climate change. Building on our 2022 study with the World Bank on *An Exploration of Nature-related Financial Risks in Malaysia*, we continued to deepen our understanding of nature-related risks and opportunities. In 2025, we advanced to practical action.

Working with the World Bank and UNDP BIOFIN, we piloted the use of Taskforce on Nature-related Financial Disclosures (TNFD) LEAP

**Chart 1: BNM's Gross Carbon Footprint for Physical Operations (Scope 1 and Scope 2), 2022 to 2025**



Note: 1. BNM adopts an operational control-based approach to define the organisational boundary for its GHG emissions, aligned with methodology described in GHG Protocol.  
 2. Our disclosed emissions data is limited to Scope 1 emissions from mobile combustion and food composting, and Scope 2 emissions from purchased electricity (gross emissions without offsetting), due to data availability. Scope 1 emissions are calculated based on emission factors from Department for Environment, Food & Rural Affairs (DEFRA) 2024. Scope 2 emissions are market-based and calculated based on location specific emission factors.

Source: Bank Negara Malaysia

(Locate, Evaluate, Assess, Prepare) approach for assessing nature risk. Two economic sectors with strong value chains are used in this pilot.

Three financial institutions and two corporates participated in the pilot, generating practical insights and recommendations to improve nature-related risk and opportunity assessments in Malaysia. The full report will be published in 2026.

### Going Forward

Malaysia is strengthening its pathway to net zero by 2050. Two key plans – the Long-Term Low Emissions Development Strategy and the NDC Roadmap – set the direction for emissions reductions and shifting to cleaner energy. New laws and policies, including the climate change legislation and the national carbon market policy, will create the frameworks needed for credible climate action and carbon trading systems.

For the financial sector, these developments signal new opportunities and responsibilities. BNM's priorities for 2026 reflect this, with a focus on nature, climate and institutional readiness to support a smooth transition for the whole economy (Diagram 9).

Diagram 9: BNM's Key Focus Areas for 2026



<sup>1</sup> Climate Risk Stress Testing.

<sup>2</sup> Joint Committee on Climate Change.

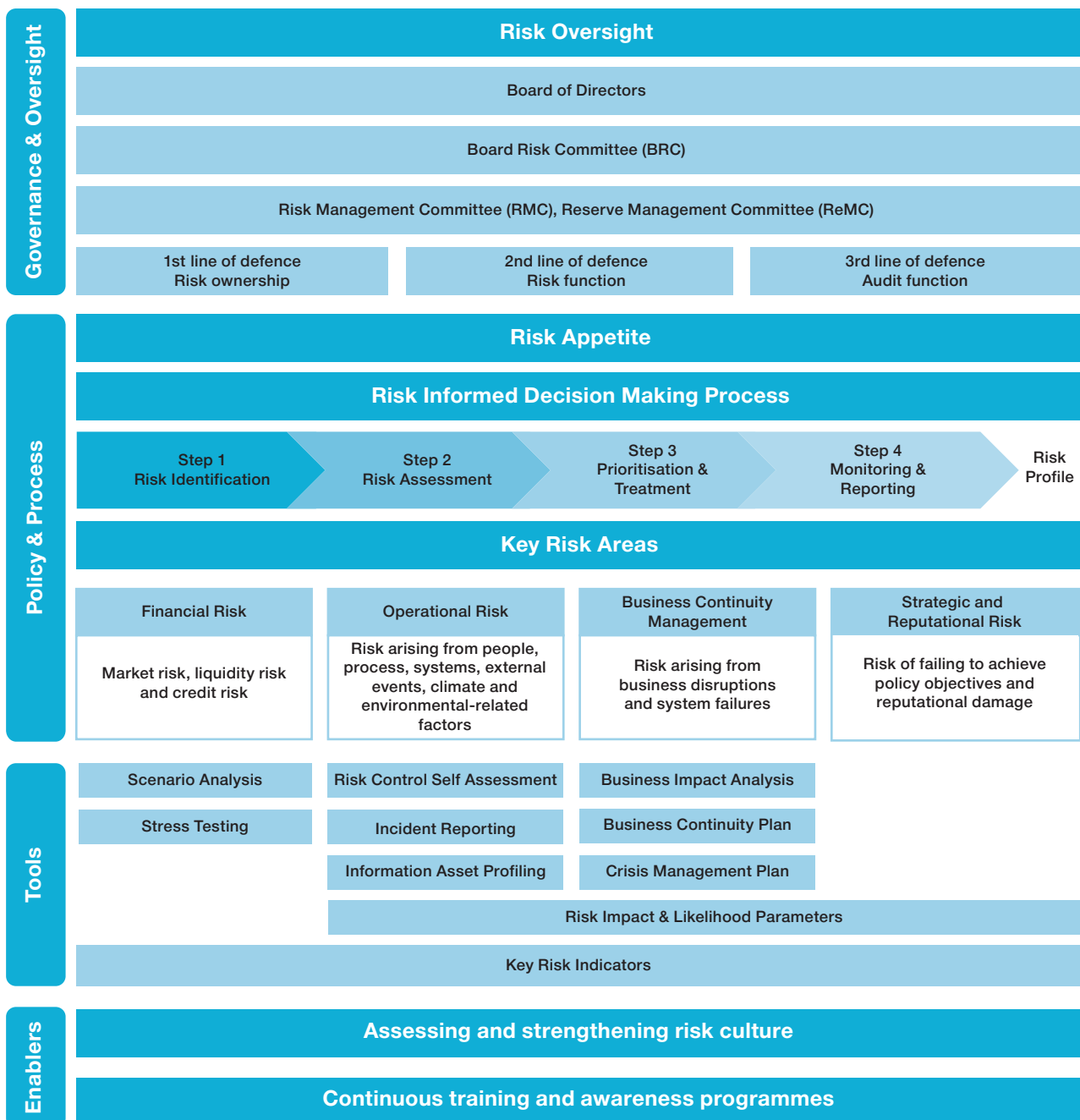
Source: Bank Negara Malaysia

# Risk Management and Internal Controls

BNM applies its Enterprise Risk Management (ERM) Framework (Diagram 1) to provide a structured approach for identifying, assessing,

monitoring and managing risks. The framework also fosters a strong risk culture and ensures consistent risk strategies across the organisation.

Diagram 1: Bank Negara Malaysia's Enterprise Risk Management Framework



Source: Bank Negara Malaysia

## Ensuring Robust and Effective Risk Oversight and Governance

Risk management is a collective responsibility at BNM, with responsibilities shared across departments, independent risk and control functions, as well as internal audit. With the support of the Board Risk Committee (BRC), the Board of Directors oversees BNM’s risk management frameworks and practices, ensuring sound governance and effective risk oversight. They are also responsible for setting the tone from the top, setting the risk appetite, and reinforcing a strong organisation-wide risk culture.

At the management level, we exercise our risk management responsibility through two key governance structures, the Risk Management Committee (RMC) and the Reserve Management Committee (ReMC). The RMC deliberates enterprise risks and is supported by functional committees (Diagram 2), while the ReMC focuses on strategies and risks related to the management of international reserves.

BNM adopts the ‘Three Lines of Defence’ model (Diagram 3). Business units act as our first line of defence. They are responsible for assessing risks, setting appropriate controls and ensuring their

effective implementation. To reinforce this role, some business units have introduced a ‘1.5 line of defence’ – where dedicated risk and control functions are embedded within their operations. This structure strengthens risk awareness and proactive management at the operational level.

The Risk Management Department (RMD) serves as the second line of defence, providing independent assessments and monitoring of risks across the organisation. The RMD also supports management in maintaining oversight of overall risk trends and issues at the organisational level. Its direct reporting line to the BRC also enables independent judgement and timely escalation, strengthening oversight and effective monitoring of risk developments. Meanwhile, the Treasury Risk Management Section, part of the Treasury Risk and Infrastructure Unit, looks at investment risks for international reserves, reporting directly to a Deputy Governor. These structures enhance safeguards and promote sound risk practices throughout BNM.

Reporting directly to the Board Audit Committee (BAC), the Internal Audit Department (IAD) forms the third line of defence, providing independent assurance through comprehensive audits and reviews on the effectiveness of controls and governance.

Diagram 2: Risk Management Governance Structure



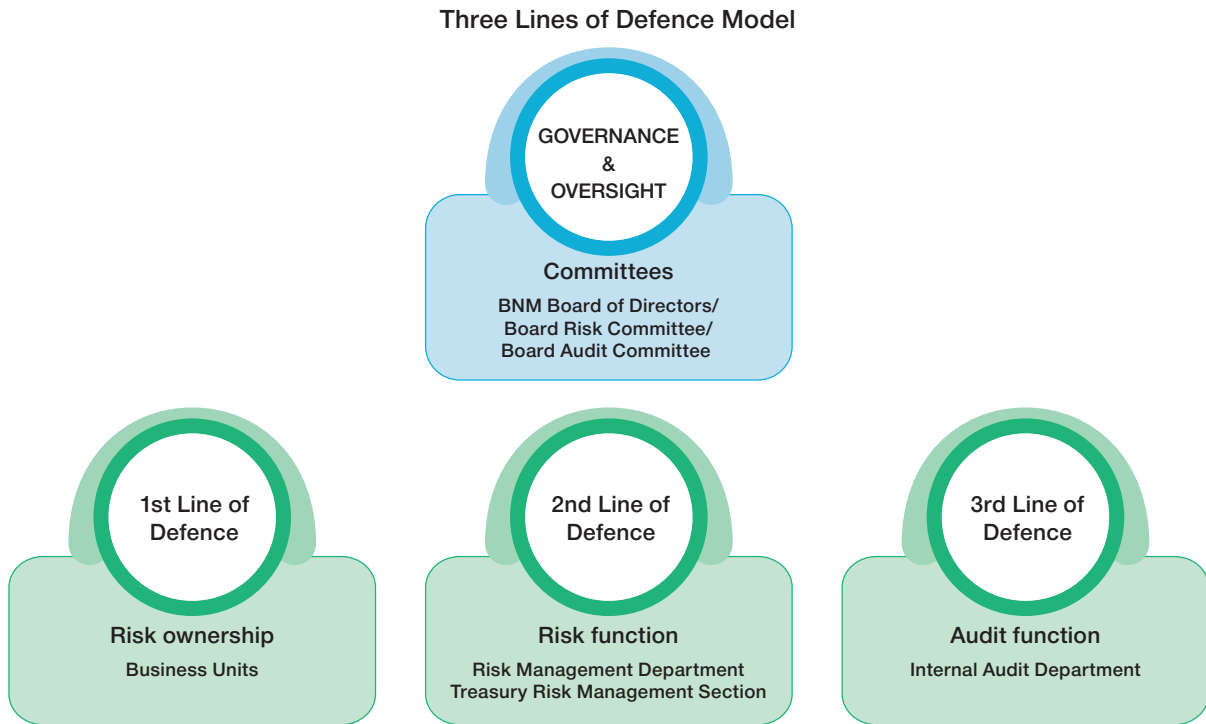
<sup>1</sup> Chaired by an Independent Non-Executive Director of BNM.

<sup>2</sup> Chaired by Governor.

<sup>3</sup> Chaired by Deputy Governor.

Source: Bank Negara Malaysia

Diagram 3: Three Lines of Defence Model



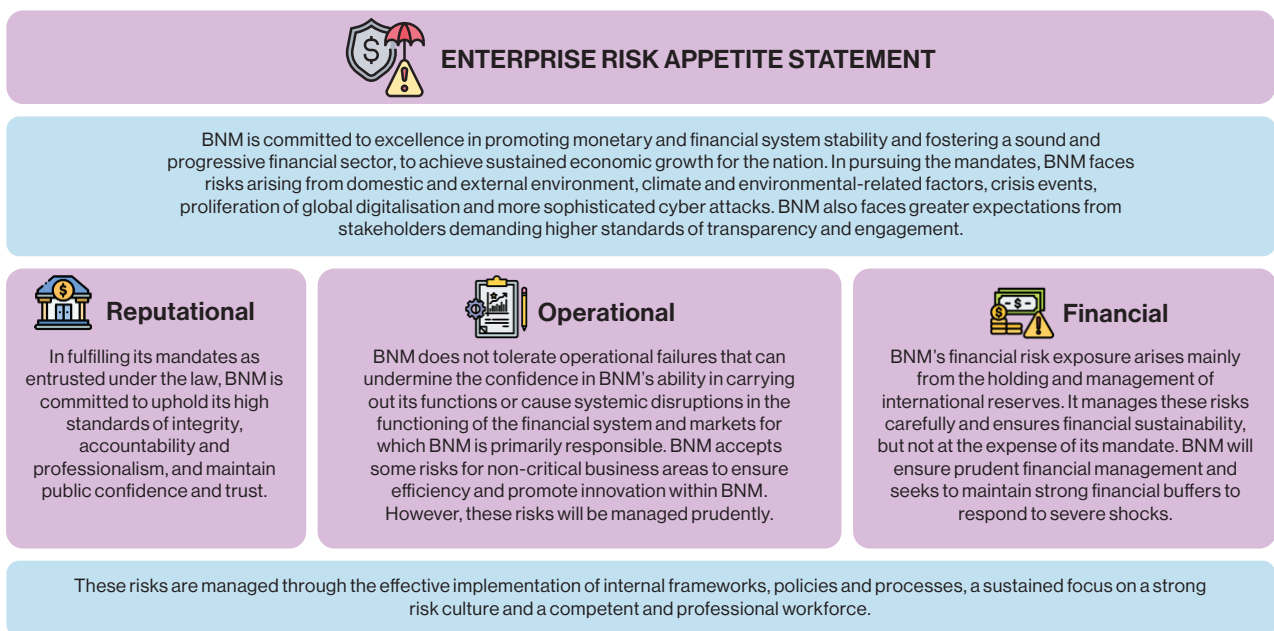
Source: Bank Negara Malaysia

## Defining Clear Risk Boundaries for Stronger Governance

BNM’s enterprise risk appetite statements (Diagram 4) outlines the levels of risk BNM is prepared to take in pursuit of its business objectives. We review

the statements periodically so that it remains relevant and practical in line with changes in the risk landscape. We conduct training and engagement sessions regularly across all levels and functions to align operations with the defined risk appetites. We also have an Accountability Framework to deal with incidents of risk breaches, an important

Diagram 4: Bank Negara Malaysia’s Risk Appetite Statements



Source: Bank Negara Malaysia

tool to promote compliance and strengthen accountabilities at all levels. This year, we began to apply the Accountability Framework to better align behaviours and actions with our internal recognition and rewards mechanisms.

### Robust Policy Governance, Resilience and Operational Continuity

We adopt a multi-pronged approach to risk management that is underpinned by the three lines of defence. This includes robust policy governance and prudent management of international reserves. We complement this with disciplined oversight of technology, cybersecurity and business continuity to support resilient operations.

#### Sound policymaking and governance

BNM is committed to sound policymaking practices. The Policy Development Framework provides clear governance for the development, review and approval of policies. As part of its governance, all policies undergo rigorous technical discussions before being deliberated and approved by the Management Committee, Financial Stability Committee, or Financial Development Committee. Monetary policy decisions are made by the Monetary Policy Committee and supported by rigorous technical analysis and discussions. As part of its policy development process, BNM also conducts external consultations for non-monetary policy areas to ensure the views and concerns of its key stakeholders are duly considered. This allows for more informed policy design and practical application.

Operational matters are decided by the Operational Management Committee that comprises both internal members and external experts.

#### Managing market, credit and liquidity risks

On treasury-related financial risks, our role in managing Malaysia's international reserves exposes BNM to market, credit and liquidity risks. These risks are closely monitored and managed against the investment benchmark and risk controls approved by the Board of Directors. During the year, BNM revised its investment strategic asset allocation (SAA) for international reserves. In line with industry best practices, the SAA is reviewed every three to five years

to reflect significant changes in global financial market conditions.

#### Outcome-focused risk management

Our risk approach is framed by the outcomes we must safeguard – the continuous delivery of critical services, the integrity and confidentiality of data and strong recovery capabilities. As technology adoption accelerates and cyber threats evolve, BNM enhances its frameworks and methodologies to better assess and manage technology and cybersecurity risks. This contributes to stronger protection of its digital assets against potential threats.

The Digital Technology Committee (DTC) provides oversight and strategic direction on technology and digital related matters. The Technology and Cyber Security Working Group oversees technology and cybersecurity risk management, sets priorities for technology initiatives, and ensures IT service efficiency. Independent validation through external assurance, red teaming and third-party assessments provides objective insights on the effectiveness of controls and helps uncover blind spots, enabling targeted and timely remediation.

#### Continuous compliance and modernisation

Compliance monitoring provides early warning of policy drift. It also helps to detect potential control weaknesses. It is supported by periodic reporting through interactive dashboards and automation. At the same time, ongoing technology upgrades and system modernisation deliver more secure and reliable platforms.

#### Embedding strategic risk assessment in planning

As in previous years, we emphasise identifying risks that can impact our strategic outcomes and mandates. We do this by systematically embedding risk considerations in our business plan, decision and policy making and departmental actions. For example, we review business plan 'must wins' to surface emerging risks and re-prioritised initiatives, integrating actionable mitigation strategies aligned to organisational priorities. This strengthens delivery of Business Plan outcomes by ensuring key initiatives remain achievable and on track despite emerging risks and changing conditions. Careful monitoring of emerging risk events also enables us to flexibly manage ongoing initiatives and ensure that we stay on course to achieve our strategic priorities.

## Leveraging technology for better risk reporting

Standardised taxonomies improve data quality, while interactive dashboards support faster decision-making. They support clearer and consistent risk communication across BNM. This was made possible through enhanced periodic risk reporting. We achieved this by leveraging automation and data visualisation techniques. For example, we use data visualisations such as trend charts, heatmaps and drill-down views (enabled by filters and summary indicators) allowing us to spot changes in patterns, risk levels and key action areas.

## Critical market infrastructures

BNM's Real-Time Electronic Transfer of Funds and Securities System (RENTAS) and Fully Automated System for Issuing/Tendering (FAST) systems are critical financial market infrastructures that support Malaysia's payment and settlement networks. The Financial Market Infrastructure Committee (FMIC) provides oversight and sets strategic direction for these systems, including ongoing development and upgrades. FMIC oversees the strategic governance over operational resilience and risk management, ensuring these systems remain safe, efficient and reliable. Amid rapid growth of retail instant payments, we upgraded the real-time gross settlement system to RENTAS+.



*Building a stronger, more resilient organisation through a purposeful cyber readiness exercise*

This upgrade enabled continuous interbank fund transfers and retail payment settlements 24/7 throughout the year. This marked a major milestone in BNM's multi-year modernisation plan of the RENTAS platform.

### Strengthening operational continuity of critical functions

An enhanced ability to respond promptly and effectively during disruptions is critical. In 2025, we conducted mid-day live run tests. We also carried out physical scenario exercises to validate operational readiness. This includes mobilisation to the recovery centre and prolonged manual operations for critical business functions. In addition, we strengthened emergency response and staff safety measures, introducing a rapid-response communication tool to enhance coordination during crises. These exercises confirmed the effectiveness of key recovery procedures and provided practical insights to further refine and strengthen coordination during disruptions.

### Cyber incident preparedness and resilience

In 2025, BNM ran a cybersecurity drill simulating real-world threats to test our risk management, internal controls and crisis protocols. This allowed us to affirm our ability to respond to threats in a coordinated and effective manner.

### Building shared responsibilities

As we accelerate the use of AI and digital tools, we accord high priority to strengthening security awareness. This is crucial to safeguard BNM's data and assets. In 2025, we rolled out mandatory bank-wide cybersecurity training, covering emerging threats such as AI-enabled attacks and deepfakes. This helped build stronger security resilience in an AI era. We also carried out periodic phishing simulation exercises to help employees recognise suspicious emails in a safe, controlled environment. Insights from these exercises are used to develop targeted training for higher-risk groups and further strengthen internal controls. Furthermore, we expanded organisation-wide awareness outreach. We take this opportunity to share monthly security advisories and campaigns as well as engage with business units. This is intended to keep employees informed on emerging threats and real-world attack trends. It also reinforces best practices to protect our assets, stakeholders and reputation.

### Risk governance and industry collaboration

In our efforts to promote strong risk governance and foster a resilient risk culture, we hosted a series of engagements with external parties across key focus areas, such as risk culture, technology and cybersecurity. These included a Regional Risk Dialogue with central banks to discuss emerging risks, Risk Networking Group Roundtable to exchange views on current issues, and RiskX Talk series featuring industry experts on risk management and organisational resilience. We also reviewed our Enterprise Risk Appetite Statements to give greater prominence to climate and environmental risks for physical safety and security, as a start. This enables the organisation to better anticipate, withstand and respond to evolving environmental threats.

### Internal Audit

The BAC, supported by IAD, plays a central role in overseeing the adequacy and effectiveness of BNM's internal controls and the integrity of its financial reporting process. IAD's functional and direct reporting to the BAC preserves its independence and objectivity. This ensures that audit priorities and findings are overseen at the highest level of governance at BNM. This reporting line enables the BAC to obtain objective, independent assessments on the effectiveness of governance arrangements, risk management practices and internal control systems. IAD also provides assurance to the Minister of Finance on a quarterly basis, that the international reserves are managed in line with policies and guidelines approved by the Board of Directors.

BNM adopts a risk-based approach in determining audit priorities and engagements. This allows focus on areas of higher significance to BNM's mandates and reputation (Diagram 5). Close engagements with the BAC, Senior Management, RMD and line departments helped refine these priorities. In 2025, we audited 33 departments and affiliates. Audit findings are accompanied by constructive and practical recommendations aimed at strengthening controls, improving efficiency and enhancing governance practices. IAD also monitors the implementation of agreed management actions and provides regular updates to the BAC on pertinent control enhancements, thereby reinforcing accountability and continuous improvements across BNM.

In enhancing audit efficiency, IAD continues to modernise its audit processes through technology

and innovation. Increasingly, we adopt data analytics and GenAI tools such as Optical Character Recognition and Natural Language Processing to enable comprehensive assessments of emerging risks and control effectiveness. These capabilities enhance audit coverage and support timely and insightful assurance. In 2025, we also began to introduce elements of continuous auditing in selected areas to strengthen overall risk management and control environment.

Moving forward, IAD is committed to expanding AI-driven and data-centric audit approaches to stay aligned with enterprise needs and industry benchmarks. Knowledge sharing and exposure to international best practices will be key. We

will continue to engage with our counterparts via the ASEAN Central Banks’ Heads of Internal Audit Network Meeting, Regulators Internal Audit Roundtable meeting and global professional networks, to support ongoing progress towards a future-ready audit function.

In a rapidly changing environment, it is also crucial that IAD remain focused on delivering independent and practical assurance to support sound decision-making. By strengthening core audit practices, progressive development of staff capabilities and adoption of advanced technology, IAD is able to deliver actionable insights and ensure internal controls are adaptive and resilient in navigating a dynamic risk landscape.

Diagram 5: Coverage of Audits Conducted in 2025



Source: Bank Negara Malaysia

# Engaging Malaysians

As the country's central bank, our policies and actions affect millions of Malaysians and businesses. Our aim is to keep stakeholders informed of our work and mission. Ultimately, our goal is clear – to make effective policy decisions and to help Malaysians better understand our actions and the reasons behind them.

Building on 2024, we stepped up efforts to widen the reach and deepen the impact of our engagements and communications. From West to East Malaysia, we met and reached out to Malaysians, businesses and organisations. We engaged on national priorities, such as structural reforms to foster economic growth and advance healthcare, Malaysia's ASEAN Chairmanship as well as day-to-day issues affecting ordinary Malaysians such as financial management and scams.

## Enhancing Transparency and Deepening Engagement

The public is a key constituent for BNM. We aim to respond to the needs of the public for information and advice to help them better understand economic and financial matters. At the same time, they are an important source of input to our economic and financial assessments and policymaking.

In 2025, BNM continued efforts to build trust through clear and timely communication.

## Making monetary policy and the economy understandable

**BNM governor sees economy remaining strong after OPR kept at 2.75%**

KUALA LUMPUR (Sept 8): Following is the transcript of Bernama's email interview with Bank Negara Malaysia (BNM) governor Datuk Seri Abdul Rasheed Ghaffour on the overnight policy rate (OPR).

**1. Governor, can you guide us through the Monetary Policy Committee's (MPC) decision on the OPR last week?**  
The MPC decided to maintain the OPR at 2.75% at our meeting on Sept 4 last week. At the current OPR level, our monetary policy stance is appropriate and supportive of the economy amid price stability. We expect the earlier pre-emptive OPR reduction in July to provide additional lift to growth for the rest of 2025 and into 2026. The MPC will continue to monitor global developments, particularly those surrounding trade and geopolitics, while assessing the balance of risks for our growth and inflation outlook.

**2. Several major developments have taken place since the recent MPC meeting in July, including the US tariff outcome for Malaysia. What is the MPC's latest assessment for domestic growth?**  
The Malaysian economy expanded by 4.4% in the first half of the year and is on track to grow between our forecast range of 4.0% to 4.8% in 2025. Moving forward

Bernama



**3. What is the MPC's outlook for inflation, considering the recent domestic policy changes?**  
Headline and core inflation averaged 1.4% and 1.9% in the first seven months of the year respectively. The moderation in headline inflation has so far been primarily driven by further declines in prices for non-core items, particularly fresh food and fuel. For example, prices for fresh vegetables and eggs have declined since the first quarter of this year. More recently, fuel prices such as for RON97 and diesel have also come down, following softer global commodity prices. Looking ahead, we expect the easing trend in global commodity prices to continue contributing to moderate domestic cost conditions. As such, headline inflation is projected to remain moderate for the rest of the year and into 2026. In line with our growth outlook, domestic demand will remain supportive of the economy while not generating excessive inflationary pressures. Core inflation is therefore expected to remain stable and close to its long-term average. This trend is also expected to continue going into 2026. In this environment, we expect the overall effects of the announced and upcoming domestic policy reforms on inflation, such as the sales and service tax (SST) expansion

**“** Looking ahead, we expect the easing trend in global commodity prices to continue contributing to moderate domestic cost conditions. As such, headline inflation is projected to remain moderate for the rest of the year and into 2026.”




Kredit BNM

EKONOMI • 03/07/2025 06:54 PM

**MPC Kurangkan OPR Sebagai Langkah Awalan Kekalkan Haluan Pertumbuhan Stabil - Gabenor BNM**

**BERNAMA Biz** EN | BM

BUSINESS • 08/09/2025 05:30 PM



**Economy Remains Strong As OPR Unchanged At 2.75 Pct**

KUALA LUMPUR, Sept 8 (Bernama) -- Following is the transcript of Bernama's email interview with Bank Negara Malaysia (BNM) Governor Datuk Seri Abdul Rasheed Ghaffour

The Governor conducted regular interviews with the media to explain decisions of the Monetary Policy Committee and economic developments in a more relatable way.

Partnering with the media



The media plays an important role in keeping the public informed on our work. In 2025, we conducted technical workshops to deepen the media’s understanding on issues such as the Malaysian economy and finance, as well as our policy reforms and initiatives to protect financial consumers. Through such forums alongside closed-door engagements with senior management of BNM, the media had the opportunity to gain deeper insights to our policy thinking and actions.

Engaging stakeholders, deepening dialogue



We recognise that effective policymaking is shaped through meaningful dialogue. We engaged a wide range of stakeholders including parliamentarians, economists and financial analysts to exchange perspectives on topics relating to the economy and financial stability. This constructive dialogue allows us to explain our work and thinking on many areas and invites stakeholders to share with us their perspectives.

Going social and digital



On social media, we shared insights on current topics and policies. We also continued to raise public awareness and understanding of issues

such as financial scams. We also established our presence on TikTok to expand our reach on social media.

Enhancing Public Awareness of Financial Scams

In 2025, we conducted various efforts to raise public awareness of financial scams across a variety of channels and platforms.



From reports to real conversations



Sasana Symposium returned in 2025 with the theme ‘Structural Reforms: Building a Resilient Malaysia’. The event spotlighted the importance of structural reforms in strengthening Malaysia’s resilience and ability to navigate uncertainties. The symposium

sparked meaningful conversations on issues surrounding digital assets, inflation, cost of living, social safety nets, healthcare reforms and climate finance. The digital asset innovation hub and RESET initiative were also announced during the symposium.

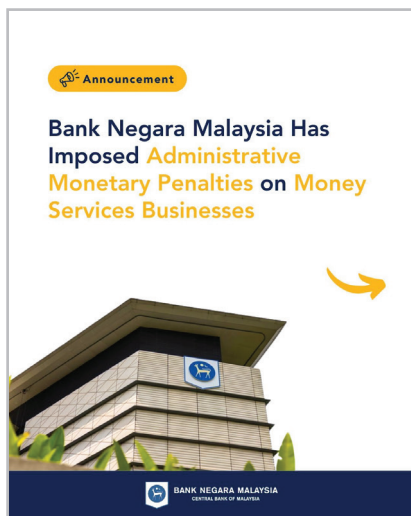
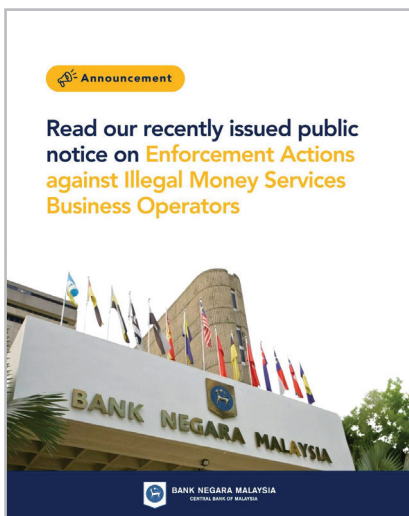
### Advocating policy and seeking feedback

We consult widely with the public and the industry on key policies and initiatives. In 2025, we published 15 exposure drafts, discussion papers and research papers to seek feedback and foster discussion in a broad range of areas which include artificial intelligence, open finance and asset tokenisation. A paper exploring Shariah perspectives on modern money and central bank digital currencies was also published. These efforts reflect BNM’s commitment to develop and advocate for policies to further develop the

financial sector so that it can better serve the Malaysian economy and public.

### Protecting consumers and amplifying compliance culture

We started regularly publishing enforcement actions on our website and social media. Through greater transparency and disclosure, we seek to reinforce the deterrent principle of enforcement actions and promote confidence in the financial system.



## Imposition of Administrative Monetary Penalty on 10 Money Services Business Licensees for non-compliances with Money Services Business Act 2011

**Embargo : Not for publication or broadcast before 1500 on Wednesday, 31 December 2025**  
31 Dec 2025

Bank Negara Malaysia (BNM) imposed Administrative Monetary Penalties (AMP)<sup>[1]</sup> ranging from RM1,500 to RM3,000 against 10 Money Services Business (MSB) licensees (as listed in Table 1) for non-compliances with regulatory requirements between January 2024 and June 2025, relating to failure to:

1. submit statistical information to BNM within the stipulated timeline<sup>[2]</sup>; or
2. meet the minimum capital funds (MCF) requirement<sup>[3]</sup>.

**malaymail**

### BNM fines four banks for regulatory breaches, imposing millions in penalties




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## Advancing Financial Literacy Nationwide

We continue to promote access to financial services and financial literacy. This is to help Malaysians better manage their finances and build lasting financial resilience. With greater financial capability, Malaysians will also be better able to protect themselves against risks, such as financial scams and over-indebtedness. In turn, this supports our mandate for a resilient and inclusive financial system for the nation.

In 2025, we held two Karnival Celik Kewangan (KCK), one each in Tawau and Pulau Pinang. These carnivals bring financial education directly to the community through interactive exhibitions, educational talks, workshops and family friendly activities (Diagram 1). Through these activities, visitors gained practical knowledge on topics such as personal finances, digital payments and financial scams.

Diagram 1: Karnival Celik Kewangan

	KCK Tawau 5–6 July 2025	KCK Pulau Pinang 14–16 November 2025
	12,000 visitors 944,000 reach online	27,200 visitors 1.9 million reach online
	20 interactive educational activities 3.2 million reach on #24jambijakwang financial education livestream*	26 interactive educational activities 16,000 users on the Interactive Anti-Scam Portal
	576 financial transactions** RM2.5 million	3,007 financial transactions** RM29.8 million

\* Led by mySalam and the Financial Education Network (FEN), supported by TikTok Malaysia and the Malaysian Takaful Association (MTA).

\*\* Total amount of deposits collected, financing approved and insurance/takaful policy sold by financial service providers onsite in their transactions with the public.

Source: Bank Negara Malaysia



At KCK Pulau Pinang, we launched Just-in-Time Financial Education (JITFE) in collaboration with participating banks to embed financial education targeted on personal financing. Customers of participating banks will receive practical advice during the borrowing process, helping them understand financing terms, costs and risks before committing to personal financing.



## Financial Literacy Month 2025: A Whole-of-Nation Effort

The Financial Education Network (FEN)<sup>1</sup> organised the Financial Literacy Month (FLM) 2025 in October. Launched by YAB Prime Minister, FLM empowers Malaysians with essential knowledge and skills to navigate rising costs of living and adapt to an increasingly digital world. The FLM Nationwide Roadshow by the Financial Literacy Squad visited 125 locations, engaging 26,000 Malaysians.



Surveys conducted at the roadshow also showed that participants are more aware of financial scams. They learned about good digital financial habits, such as making safer online transactions and using stronger passwords.

### Diagram 2: Share of Correct Answers in the Digital Financial Literacy Survey\*



\* 1,669 survey samples throughout FLM SCK Roadshow.

Source: Bank Negara Malaysia

<sup>1</sup> FEN is co-chaired by Bank Negara Malaysia and the Securities Commission Malaysia. Other members are the Ministry of Education, Ministry of Higher Education, Employees Provident Fund, Perbadanan Insurans Deposit Malaysia, Permodalan Nasional Berhad, and the Credit Counseling and Debt Management Agency (AKPK).

In conjunction with FLM, the National Strategy for Financial Literacy 2026–30 was also launched. It marks Malaysia’s renewed national commitment to strengthening financial literacy through an inclusive and digital whole-of-nation effort.



## Strengthening Regional Outreach

BNM operates regional offices around the country which serve as our ‘eyes and ears’ to get insights that feed into our policymaking. They help us get a better, on the ground, feel and pulse as to what is going on with local businesses and communities. These offices also conduct policy surveillance, advocacy and outreach.

In 2025, we opened our sixth regional office in Kuala Lumpur. This office covers Selangor, Negeri Sembilan, Kuala Lumpur and Putrajaya. This sixth office expands our nationwide network – comprising Pulau Pinang, Kuala Terengganu, Johor Bahru, Kuching and Kota Kinabalu.

Beyond that, we also work closely with state agencies and regional partners to advance efforts in the area of financial development and inclusion. For example, in 2025, we worked with local partners to expand take-up of the Perlindungan

Tenang Voucher 3.0, helping eligible recipients use the RM30 voucher to obtain microinsurance or microtakaful protection.

Our regional offices also worked with local partners to accelerate the iTEKAD initiative. These include state economic planning units, state Islamic religious councils, regional economic corridors, business chambers, and state agencies. Together, we connected them with iTEKAD participating financial institutions and implementation partners. The goal is to help low-income micro-entrepreneurs earn a steady income and improve their living standards.

Direct engagement with regional stakeholders helps us design policies that reflect Malaysia’s diverse needs and local realities. Through targeted outreach, regional offices help us advance the development and inclusion agenda to all Malaysians.



## Converging Arts, Culture and Finance

BNM MAG is our museum and art gallery, where we educate the public through art, culture and finance. Through exhibitions and education activities, BNM MAG not only encourages an appreciation for numismatic and art heritage, but also promotes public awareness and understanding on BNM’s role in the economy and financial sector.

BNM MAG is a platform for us to deliver engaging learning experiences and deepen community connections. In 2025, we welcomed 391,327 visitors, with a record 6,598 visitors passing through our doors on our busiest day.

## ASEAN Exhibitions: Numismatic Marvels and Palette & Pen

In 2025, BNM MAG worked with ten central banks to organise two exhibitions:

- Numismatic Marvels showcased stories of 20 ancient southeast Asian kingdoms alongside an ASEAN Marketplace model; and
- Palette & Pen explored the interplay of art and literature through over 150 works from Malaysia and ASEAN.



## ‘Exploring ASEAN’ Through Play at Children’s Festival @ MAG 2025

Tailored for those aged seven to 17, programmes at the festival focused on money matters, heritage and cultural awareness, and innovation and sustainability. This event was inspired by Malaysia’s ASEAN Chairmanship and our commitment to create meaningful experiences for children.



## Medical Health Insurance/Takaful (MHIT): Whole-of-Nation Approach

During the year, we worked closely with key stakeholders on RESET, a series of reforms to address the challenge of medical inflation (refer to the chapter ‘Promoting a Progressive and Inclusive Financial System’ for further information).



At Sasana Symposium in June 2025, the Prime Minister unveiled RESET, as well as the formation of the Joint Ministerial Committee on Private Healthcare Costs (JBMKKS).



The JBMKKS, co-chaired by the Minister of Finance II and the Minister of Health, is tasked to lead a national effort to design and implement measures that support value-based healthcare. This is a model that shifts its focus from ‘services provided’ to ‘patient outcomes’ for effective and affordable care, delivering high-quality, patient-centred results.



We worked with many stakeholders to shape these reforms. They include doctors, private hospitals, policymakers, consumer groups, and insurance and takaful agents. These discussions gave us important input and feedback that guided the design of these reforms, including the base MHIT plan. The base MHIT plan is a healthcare plan aimed at being more affordable and sustainable for Malaysians.

## Looking Ahead

In 2026, we will continue to engage Malaysians. Whether it is to explain our work, to shape better policies that meet real needs or to help improve

public understanding of matters relating to the economy and finance, we seek to strengthen transparency, foster meaningful dialogue, and make our communications more accessible and relatable.

# International Engagements

In 2025, amid shifts in geopolitics, trade dynamics and global financial conditions, we stepped up our international collaboration. By working more closely with our partners, we built shared understanding, advanced solutions and strengthened resilience to help the country navigate an increasingly complex global environment.

## Enhancing Partnerships amid Geopolitical Shifts

2025 was a significant year for Malaysia and BNM as Malaysia assumed the ASEAN and ASEAN+3 Chairmanship. BNM continued to engage actively in international discussions on issues affecting Malaysia and the global economy.

As ASEAN Chair, BNM together with the Ministry of Finance, led key meetings and initiatives under the ASEAN Finance Track. These focused mainly on strengthening regional financial integration and stability. Meanwhile, under the ASEAN+3 Finance Process, Malaysia worked alongside China as co-chairs to strengthen financial safety nets. Key milestones achieved during the ASEAN and ASEAN+3 Chairmanship are elaborated in the feature article 'Malaysia's 2025 ASEAN/ASEAN+3 Chairmanship: Advancing Inclusive and Sustainable Economic Growth for ASEAN and Malaysia'.<sup>1</sup>

Through the Executives' Meeting of East Asia-Pacific Central Banks (EMEAP), BNM worked closely with members to identify key policy challenges and policy responses over the medium term. These included areas such as the implications of digitalisation and artificial

intelligence, as well as climate-related risks. We also discussed initiatives to further enhance the effectiveness of EMEAP.



Governor Abdul Rasheed Ghaffour at the Governor Talks session 'The Future Ahead: Malaysia and ASEAN in a Changing Landscape' during the International Monetary Fund (IMF)-World Bank Group (WBG) Spring Meetings on 23 April 2025 in Washington, D.C.

Source: IMF Photo/Alyssa Schukar



Governor Abdul Rasheed Ghaffour with Malaysia's Minister of Finance II, Yang Berhormat Senator Datuk Seri Amir Hamzah Azizan at the IMF-ASEAN Roundtable during the IMF-WBG Spring Meetings

Source: IMF Photo

<sup>1</sup> The Finance Track advances regional financial integration across areas, including payments, local currency use, capital markets, sustainability, taxation and treasury functions.



Governor Abdul Rasheed Ghaffour and his counterparts at the 30th EMEAP Governors' Meeting and 14th Informal Meeting of EMEAP Governors and Heads of Supervisory Authorities on 20-22 July 2025 in Bangkok, Thailand

We participated actively in key international standard-setting and policy platforms, including the Bank for International Settlements (BIS), Basel Committee on Banking Supervision (BCBS), Financial Stability Board (FSB), International Association of Insurance Supervisors (IAIS) and the Islamic Financial Services Board (IFSB) – amplifying Malaysia's voice in shaping global regulatory developments. These platforms enable us to align our policies with evolving international standards. Additionally, these platforms support collective efforts that strengthen the resilience and competitiveness of our financial system.

In parallel, we continued to strengthen bilateral engagements with peers and partners. These bilateral engagements are integral for several reasons. First, they enable us to exchange views on challenges and emerging policy issues in the wider economy and financial sector. Secondly, they create opportunities to explore solutions to enhance financial and economic resilience. Lastly, these engagements deepen our relationships with key stakeholders – making Malaysia a credible, trusted and well-connected partner in the global financial community.



Governor Abdul Rasheed Ghaffour with IMF Managing Director Kristalina Georgieva during a bilateral meeting on 27 October 2025 in Kuala Lumpur, Malaysia



BNM senior management with their counterparts of the Banko Sentral ng Pilipinas during a bilateral meeting on 5 December 2025 in Langkawi, Malaysia

## Driving Connectivity, Resiliency and Inclusivity Across Borders

In the area of connectivity, BNM worked closely with regional and global partners to transform cross-border payments, helping make seamless transactions a reality.<sup>2</sup>

BNM is actively involved in Project Nexus – a multilateral initiative to build a scalable and interoperable infrastructure for seamless cross-border payments. The project aims to make cross-border payments as seamless and efficient as domestic ones. Progress is well underway, with the system expected to go live in 2027.

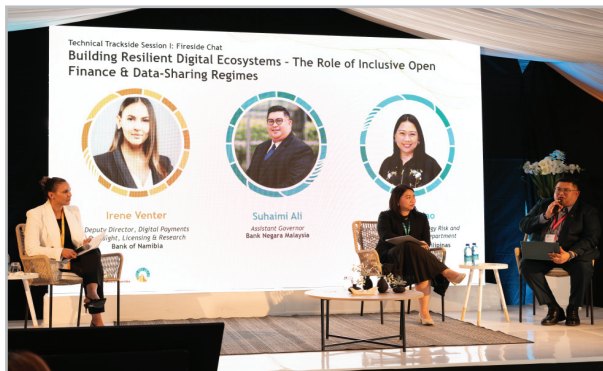
We are an active contributor to the Alliance for Financial Inclusion (AFI), a network we have been part of since 2009 and has hosted its headquarters in Kuala Lumpur since 2015. BNM chairs AFI's Global Standards and Policy Committee and contribute knowledge, experience, and policy insights across multiple working groups. These include leading policy discussions across areas such as open finance, MSME digitalisation, financial capability, and national strategy development. We also actively facilitate knowledge exchange on a wider range of financial inclusion topics, including hosting in-person study visits by member countries. In 2025, BNM received AFI's inaugural Honorary Recognition Award. The award recognises our long-standing leadership and support for AFI's institutional development.

BNM also worked closely with the World Bank Group, the Organisation for Economic Co-operation and Development (OECD) and

<sup>2</sup> Further details on these initiatives can be found in the chapter 'Promoting Safe and Efficient Payment and Remittance Services' and the feature article 'Malaysia's 2025 ASEAN/ASEAN+3 Chairmanship: Advancing Inclusive and Sustainable Economic Growth for ASEAN and Malaysia' in BNM's Annual Report 2025.

## INTERNATIONAL ENGAGEMENTS

the ASEAN Working Committee on Financial Inclusion (WC-FINC) to deepen evidence-based policymaking in financial inclusion. These collaborations provided access to shared knowledge, best practices and emerging international standards. Together, they help build BNM's institutional capacity and ensure Malaysia stays aligned with regional and global developments.



Assistant Governor Suhaimi Ali at the AFI Global Policy Forum on 2-5 September 2025 in Swakopmund, Namibia

## Continued Commitment to Prevent Financial Crimes

At BNM, we are committed to supporting global efforts to protect the integrity of the financial system.<sup>3</sup> We are an active member of the Financial Action Task Force (FATF) and the Asia/Pacific Group on Money Laundering (APG). We do so by helping to shape global standards to combat financial crimes – contributing to updates to FATF standards, reports on proliferation financing and sanctions evasion, and guidance on financial inclusion and de-risking.

In preparing Malaysia for the FATF's Mutual Evaluation Exercise,<sup>4</sup> we actively engaged with key stakeholders, including relevant domestic agencies, several FATF member countries, as well as the FATF and APG Secretariat. These engagements were essential to ensure our readiness for the evaluations. As part of our FATF obligation, we also contributed to peer evaluations of other member countries' measures, helping to strengthen global implementation of anti-money laundering, countering financing of terrorism and countering proliferation financing (AML/CFT/

CPF) standards. These evaluations reinforce our commitment to a safer, more transparent financial system, and safeguard the integrity of the global financial ecosystem.

## Elevating Malaysia's Global Leadership in Islamic Finance

Malaysia continued to hold a leading position in Islamic finance. The country shapes global standards and drives thought leadership that enhance the resilience, integrity and international credibility of the Islamic finance ecosystem.

As Chair of the Executive Committee of IFSB, BNM led efforts to further strengthen IFSB's institutional foundation. The Executive Committee is a key component of the IFSB governance structure that provides advisory to the IFSB Council on strategic matters. The Committee also makes decisions on operational matters. At the standard-setting and technical level, we play an active role in developing prudential standards, providing technical assistance and capacity-building to other jurisdictions, and reinforcing sound governance and institutional effectiveness of IFSB.

We played our role as a member of the International Islamic Liquidity Management Corporation (IILM) by providing strategic advice and support to strengthen its governance framework and internal controls. Our support



Governor Abdul Rasheed Ghaffour chairing the 14th IFSB Executive Committee Meeting on 17 November 2025 in Kuala Lumpur, Malaysia

<sup>3</sup> Further details on BNM's efforts in 2025 can be found in the chapter 'Maintaining Financial Integrity' in BNM's Annual Report 2025.

<sup>4</sup> The Mutual Evaluation (ME) is a peer review assessment which analyses a country's level of compliance with international standards and the level of effectiveness of its AML/CFT/CPF system. Further details on the ME of Malaysia can be found here: (<https://www.fatf-gafi.org/en/publications/Mutualevaluations/mer-malaysia-2025.html>).

includes steering best-practice frameworks, guiding decision-making and facilitating the IILM's business transformation phase. This helped IILM become among the top three Sukuk issuers globally in 2025, contributing to enhanced global Islamic liquidity for Islamic banks and financial institutions.

## Advancing Sustainable Finance through Collaboration

BNM continued to contribute to regional and global efforts in advancing a more climate-resilient financial system.<sup>5</sup> We actively participate and contribute to key international bodies such as the ASEAN Taxonomy Board (ATB) and the Network for Greening the Financial System (NGFS).

As a member of the ATB, BNM contributed to the development of the ASEAN Taxonomy Version 4 (Taxonomy). In 2025, we led the work on developing the Technical Screening Criteria (TSC) for the manufacturing sector. Additionally, we were also involved in developing the TSC for the remaining sectors<sup>6</sup> under the Plus Standard. The updated Taxonomy offers comprehensive guidance on identifying and classifying sustainable projects and economic activities in the region. The goal is to help investors and companies make informed investment decisions on environmentally sustainable investments.

At the side event of the Ethical Global Finance Summit 2025 in Edinburgh, United Kingdom, in collaboration with Sustainable Development Goals Hive-Ethical Finance Global, we showcased how integrating Islamic finance principles with sustainability can deliver tangible development outcomes. By sharing our approach with the global audience, we positioned Islamic finance as a practical solution supporting long-term global sustainability priorities. The strong interest from international audiences and investors signals growing momentum to collaborate with Malaysian stakeholders. This paves the way for

new partnerships, deeper knowledge exchange and greater investment opportunities that drive responsible growth and real-world impact.

## Expanding Trade and Investment Potential

As the lead negotiator for financial services, BNM continued to work to improve market access and negotiating strategic provisions to position Malaysia's financial sector as a competitive global player – driving investment, fostering innovation, and fuelling sustainable economic growth.

In 2025, we played a role in the conclusion of two major trade agreements. First, the Malaysia–European Free Trade Association (EFTA) Economic Partnership Agreement (MEEPA) – Malaysia's first trade pact with several European countries.<sup>7</sup> Our involvement secured new markets for Malaysian financial institutions to provide services in EFTA countries, including for cross-border insurance. The second agreement is the Malaysia–Korea Free Trade Agreement (MKFTA). It strengthens collaboration with Korea as a key economic partner in the region. It also creates potential for Malaysian businesses to explore future economic opportunities in strategic areas such as digital economy and green economy.

These achievements set the stage for deeper integration and future opportunities. They also ensure our financial sector remains agile and competitive, making Malaysia an attractive trade and investment destination.

## Going Forward

As global dynamics continue to shift, our international engagements remain anchored in a clear purpose. In 2025, we continued to safeguard stability while unlocking new opportunities for the nation and the region. Nevertheless, each partnership is part of a larger story. It is one of resilience, collaboration and shared progress. Moving forward, BNM will continue to be proactive and work closely with our partners. This would further enable us to ensure the financial system remains robust, responsive and future-ready.

<sup>5</sup> Further details on BNM's efforts can be found in the chapter 'Towards a Greener Financial System' in BNM's Annual Report 2025.

<sup>6</sup> The remaining sectors are (i) Agriculture, Forestry and Fishing; and (ii) Water Supply, Sewerage, Waste Management and Remediation Activities. The updated Taxonomy also includes inclusion of enabling sectors (i) Information & Communication; and (ii) Professional, Scientific & Technical Activities.

<sup>7</sup> Members of EFTA are Iceland, Liechtenstein, Norway and Switzerland.

# Malaysia's 2025 ASEAN/ASEAN+3 Chairmanship: Advancing Inclusive and Sustainable Economic Growth for ASEAN and Malaysia

ASEAN and ASEAN+3 serve as key regional platforms for cooperation, enabling countries to work together to foster shared economic prosperity and enhance collective resilience against external shocks. For Malaysia and for Bank Negara Malaysia (BNM), these platforms are important in strengthening economic and financial ties with our regional partners.

ASEAN Chairmanship rotates annually among the 11 ASEAN Member States (AMS). As Chair, a country sets the region's priorities for the year – setting the agenda, convening and chairing ASEAN meetings, and driving cooperation initiatives across the ASEAN tracks and pillars.

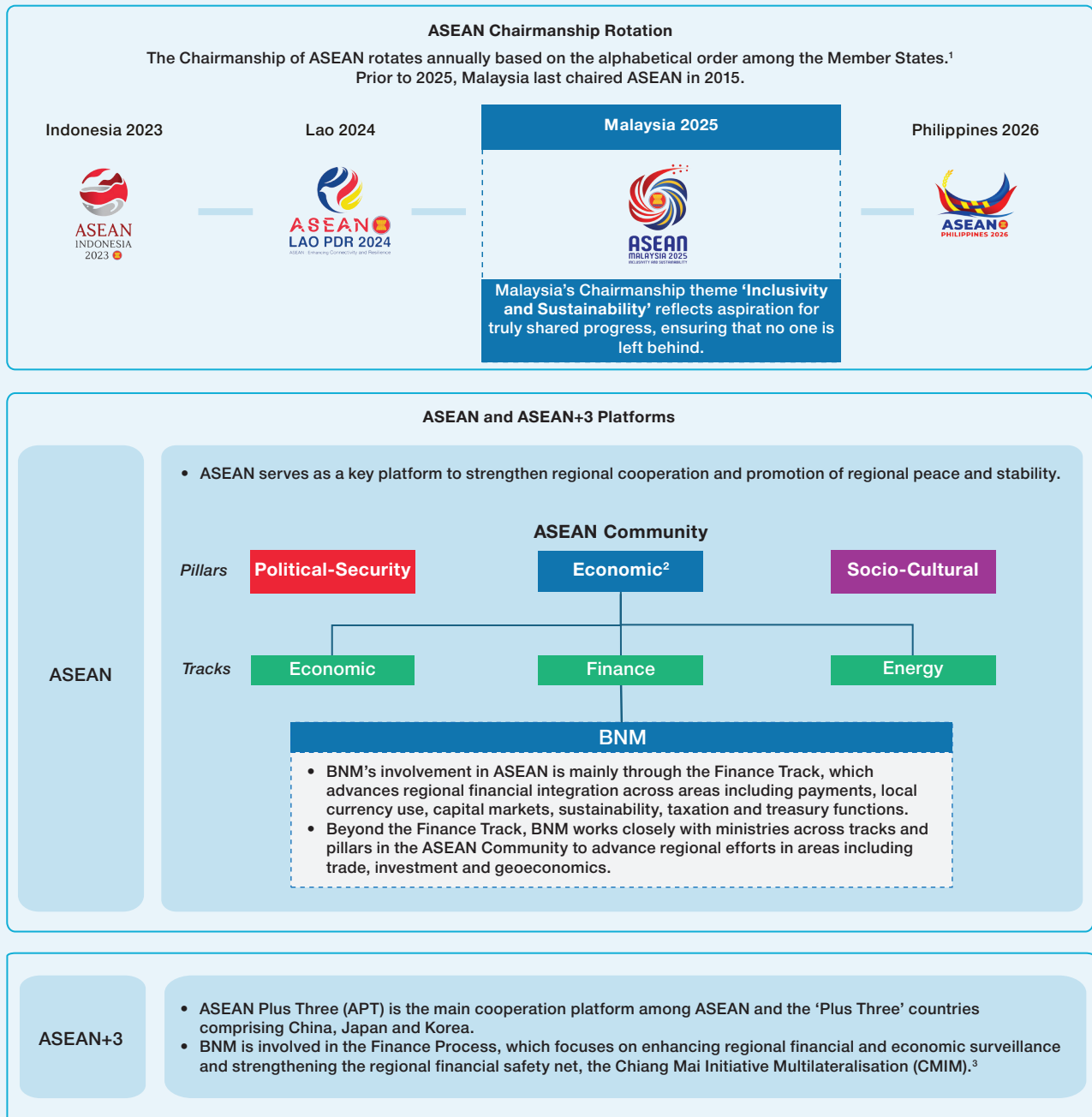
Malaysia's ASEAN and ASEAN+3 Chairmanship (Diagram 1) coincided with a period of heightened global fragmentation. In an environment marked by rising trade tensions and geopolitical uncertainty, the task of reinforcing regional economic and financial integration, trade facilitation, and investment cooperation becomes important. Against this backdrop, BNM worked closely with the Ministry of Finance to advance practical initiatives under the ASEAN Finance Track.<sup>1</sup> Our aim was to bring tangible benefits to households and businesses in Malaysia and across the region.

For its ASEAN Chairmanship, Malaysia chose the theme 'Inclusivity and Sustainability'. This theme reflects the country's commitment to narrow development gaps, improve living standards and mitigate climate-related risks in an increasingly fragmented and uncertain global environment. Drawing from this theme, BNM's efforts focused on advancing sustainable finance, strengthening payment connectivity across ASEAN, and enhancing the regional financial safety net. Additionally, Malaysia's Chairmanship sought to strengthen the ASEAN platform by fostering deeper policy dialogues aimed at driving tangible, impactful outcomes for the region.

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<sup>1</sup> The ASEAN Finance Track actively pursues cooperation in various areas covering efforts to enhance financial integration and resilience, further develop capital markets, and advance cooperation in taxation and treasury functions.

Diagram 1: ASEAN Chairmanship and BNM’s Involvement



<sup>1</sup> At the ASEAN Summit in 2023, Leaders decided that Myanmar will not be taking over the rotating Chairmanship as scheduled in 2026.  
<sup>2</sup> The Economic Community consists of various tracks including Finance; Economic; Energy, Agriculture and Forestry; Transport; Tourism and others.  
<sup>3</sup> The CMIM is a liquidity support facility in the form of a multilateral currency swap arrangement, in which ASEAN+3 members commit to financially support each other during a balance of payment and/or short-term liquidity difficulties.

Source: Bank Negara Malaysia

## ASEAN and ASEAN+3 Key Deliverables

We applied three core principles to guide our deliverables – (i) prioritising *rakyat* centric outcomes; (ii) advancing Malaysia’s thought leadership; and (iii) delivering practical solutions with measurable impact. With these principles in mind, our Priority Economic Deliverables (PEDs)<sup>2</sup> focused on initiatives to promote sustainable and inclusive regional growth (Diagram 2). These efforts are critical in strengthening regional resilience and enhancing the region’s capacity to better withstand future shocks. These initiatives form part of the national PEDs and the annual work plans of the ASEAN Finance Track Working Committees.

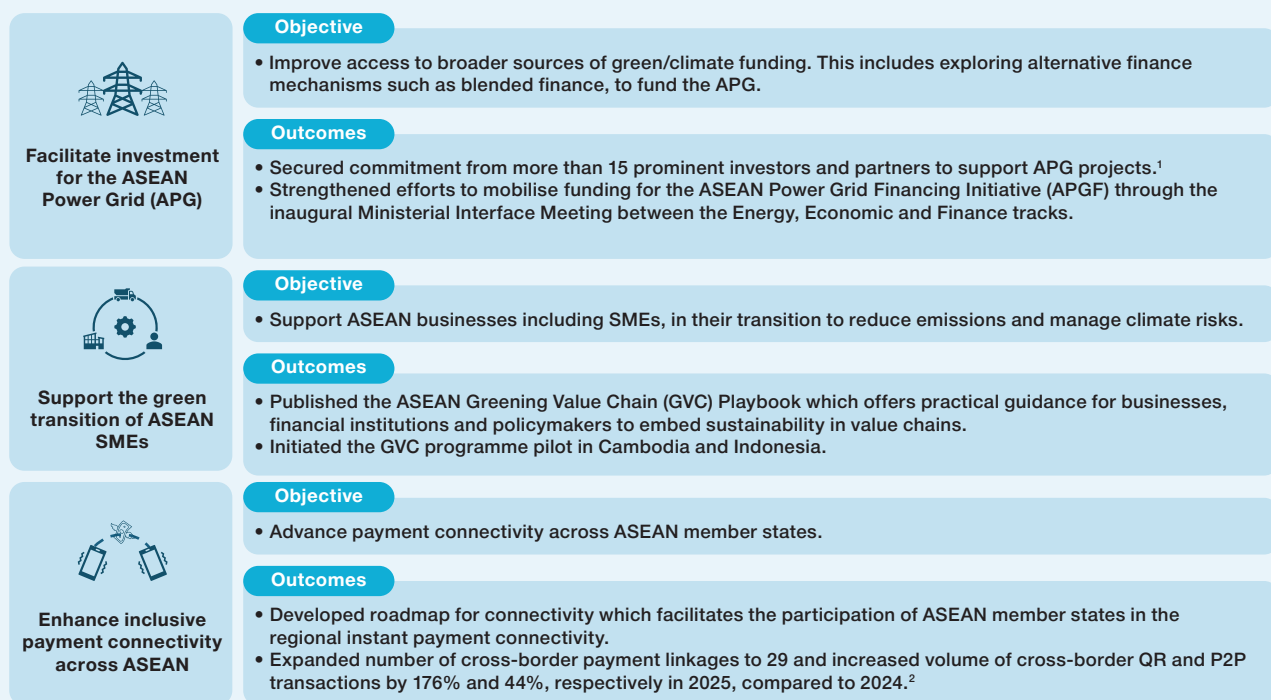
<sup>2</sup> PEDs are initiatives of the ASEAN Chair that aim to yield impactful outcomes and contribute to ASEAN’s economic integration agenda. The PEDs are to be implemented and fully completed during the Chairmanship year.

ASEAN’s growth priorities include increased demand for cleaner, more reliable and resilient energy supply. This requires ASEAN to upgrade its grid infrastructure and invest in renewable energy. In this regard, we focused efforts on developing avenues to finance the ASEAN Power Grid (APG).<sup>3</sup> Given the scale and the early stage of the projects involved, we gathered the public, private and philanthropic capital funders to discuss funding solutions for the APG. Following its launch, the ASEAN Power Grid Financing Initiative (APGF)<sup>4</sup> serves as a catalytic platform offering early-stage, non-debt funding to help APG projects take off. This helps de-risk investments and strengthen the financial viability of the APG projects in their initial stage, paving the way for greater private-sector participation as the projects mature.

BNM also took its domestic experience to the regional scene. Along with United Nations Development Programme (UNDP) and the Asian Development Bank (ADB), we launched the ASEAN Greening Value Chain (GVC) Playbook.<sup>5</sup> The Playbook provides practical guidance for firms in the region to remain competitive as global markets transition towards low carbon standards. This also supports access to new markets and financing opportunities and creates more resilient jobs for the future. Two AMS have since initiated the GVC programme with the release of the Playbook, with two more expressing interest.

In the payments area, BNM worked on inclusive payment connectivity across ASEAN. This aims to make cross-border transactions simpler, faster and affordable. With increased regional payment linkages, individuals, micro-entrepreneurs and businesses are now able to send and receive money across borders with greater ease and at a lower cost. This, in turn, supports trade, tourism, remittances and everyday transactions. By end-2025, ASEAN has formed 29 bilateral payment connectivity arrangements, from 18 in January 2025.

Diagram 2: BNM’s ASEAN Finance Track PEDs



<sup>1</sup> This includes the Asian Development Bank (ADB), Asian Infrastructure Investment Bank (AIIB), Bank Pembangunan Malaysia Berhad (BPMB), CIMB Islamic, HSBC Amanah, HSBC Bank Singapore, Islamic Development Bank, Japan Bank for International Cooperation, Khazanah Nasional Berhad, Kumpulan Wang Persaraan (KWAP), Mizuho Bank (Malaysia) Berhad, MUFG Singapore, Standard Chartered Singapore, The Rockefeller Foundation and Private Infrastructure Development Group (PIDG).

<sup>2</sup> For more information on cross-border payment linkages, please refer to chapter on ‘Promoting Safe and Efficient Payment and Remittance Services’.

Source: Bank Negara Malaysia

<sup>3</sup> The ASEAN Power Grid (APG) is the shared vision of ASEAN Member States (AMS) for a fully integrated grid operations in Southeast Asia by 2045. The APG holds great promise for promoting regional economic integration and growth, enhancing energy security and accelerating clean energy transition.

<sup>4</sup> Led by ADB and World Bank in cooperation with the ASEAN Secretariat and the ASEAN Centre for Energy (ACE).

<sup>5</sup> The playbook draws insights from Malaysia’s Greening Value Chain (GVC) pilot programme by the Joint Committee on Climate Change (JC3).

Beyond the PEDs, through ASEAN Working Committees, we worked to strengthen regional financial stability and make cross-border payments work better for people and businesses. By spearheading the Model Operating Guidelines for the Local Currency Transaction Framework, BNM helped expand the use of local currencies in regional trade. This helps to reduce foreign-exchange costs and volatility for businesses, particularly SMEs.

BNM also led the review of the ASEAN Banking Integration Framework (ABIF) Guidelines, providing clearer and more consistent regulatory rules for ASEAN banks operating across borders. This supports a more competitive banking environment, improving access to financing for businesses and households across the region.

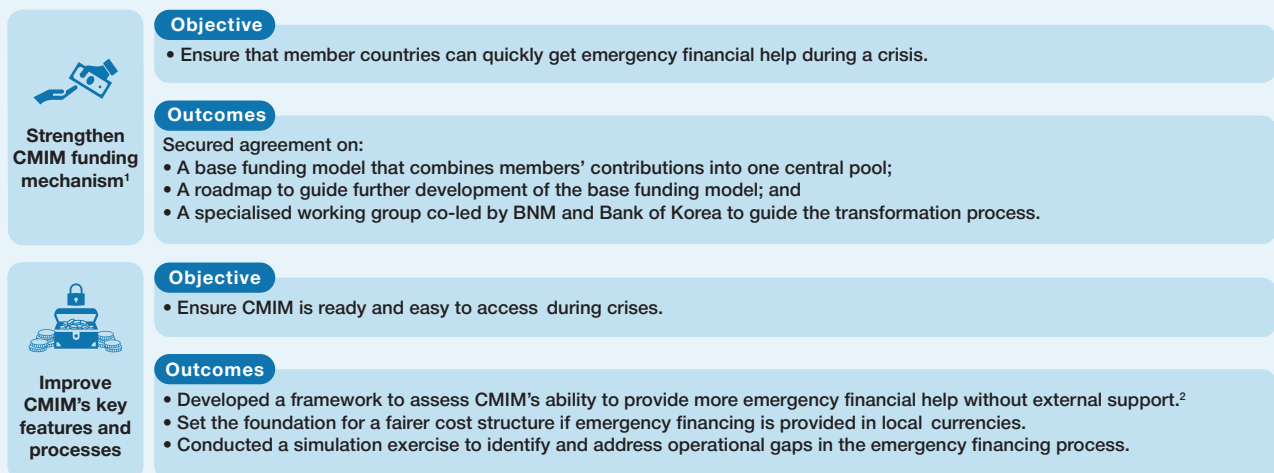
To strengthen crisis preparedness, BNM played a central role in efforts to re-establish the ASEAN Swap Arrangement (ASA). The ASA provides short-term foreign-exchange liquidity support to member countries facing balance-of-payments pressures. This regional safety net helps reduce the risk of sudden financial disruptions that could spill over to jobs, incomes and everyday economic activity.

In facing the rising digital risks, we continued our regional collaboration through the ASEAN Cyber Security Resilience and Information Sharing Platform (CRISP). By promoting the sharing of cyberthreat intelligence and technical expertise, these efforts helped protect payment systems and financial services that people and businesses rely on daily. In turn, aside from strengthening trust, this also promotes resilience in the region's financial system.

As co-chairs, alongside the People's Bank of China, BNM led the efforts to enhance the Chiang Mai Initiative Multilateralisation (CMIM), the region's safety net, which has a total size of USD240 billion. A major milestone in 2025 was the formation of the Rapid Financing Facility. This mechanism provides ASEAN+3 member countries with quick access to emergency funds in the event of sudden financial pressures arising from extreme events such as natural disasters.

BNM also worked closely with our counterparts to upgrade the CMIM's funding mechanism into a paid-in capital structure. This means countries contribute funds upfront, making the CMIM more readily usable. This is intended to speed up the release of support and access to the funds during crises. Specifically, we made progress through the adoption of a centralised base funding model for the paid-in capital structure. This was also supported by a clear implementation roadmap. In parallel, work to strengthen CMIM's operational framework also progressed. This aims to improve accessibility, cost efficiency and response time to crisis. Together, these efforts ensure that ASEAN+3 including Malaysia has the tools and resources to cushion the impact of global economic shocks.

### Diagram 3: BNM's ASEAN+3 Deliverables



<sup>1</sup> This refers to CMIM's transition from a structure where members individually commit to providing funds only when requested, to a more predictable and transparent funding structure where funds are centralised into the liquidity facility before any requests.

<sup>2</sup> A portion of CMIM resources can only be accessed through a joint funding arrangement with the International Monetary Fund (IMF), which adds additional procedures that may delay emergency funding disbursement.

Source: Bank Negara Malaysia

## Strengthening ASEAN Collective Voice

BNM worked with AMS and strategic partners, including financial institutions, businesses and international organisations, to address shared challenges and priorities. This included aligning views and coordinating actions on issues such as US tariffs, fraud and scams, improving cross-border payments, promoting sustainable finance and digital innovation.

As the region faces heightened geopolitical uncertainty, regional challenges and growing geoeconomic fragmentation, such efforts helped ASEAN converge on clearer and coordinated regional positions and action plans at a defining moment.

As part of these efforts, BNM supported the initiation of an independent study on structural barriers to intra-ASEAN trade. This led to ASEAN+3 Macroeconomic Research Office’s (AMRO) in-depth analysis on intra-regional trade and investment. The study comes at a pivotal moment, offering strategic recommendations to unlock further growth potential for Malaysia and ASEAN. We also recommended for the IMF to provide perspectives on shifting trade patterns and its implications for regional integration.<sup>6</sup>



Prime Minister of Malaysia, Yang Amat Berhormat Datuk Seri Anwar Ibrahim with Finance Minister II Yang Berhormat Datuk Seri Amir Hamzah Azizan, Governor Abdul Rasheed Ghaffour and other ASEAN Finance Ministers and Governors at the ASEAN Finance Ministers and Governors Meeting (AFMGM) on 10 April 2025, in Kuala Lumpur



Finance Minister II Yang Berhormat Datuk Seri Amir Hamzah Azizan and Governor Abdul Rasheed Ghaffour alongside China co-chairs, Finance Minister Lan Fo'an and Governor Pan Gongsheng of the People's Bank of China, at the ASEAN+3 Finance Ministers and Governors Meeting (AFMGM+3) Press Conference on 4 May 2025, in Milan



Deputy Governor Marzunisham Omar co-chairing the ASEAN Finance and Central Bank Deputies Meeting (AFCDM) on 7 April 2025, in Kuala Lumpur



Deputy Governor Marzunisham Omar and other ASEAN representatives at the ASEAN Senior Level Committee on Financial Integration Meeting (SLC) on 13 March 2025, in Kota Kinabalu

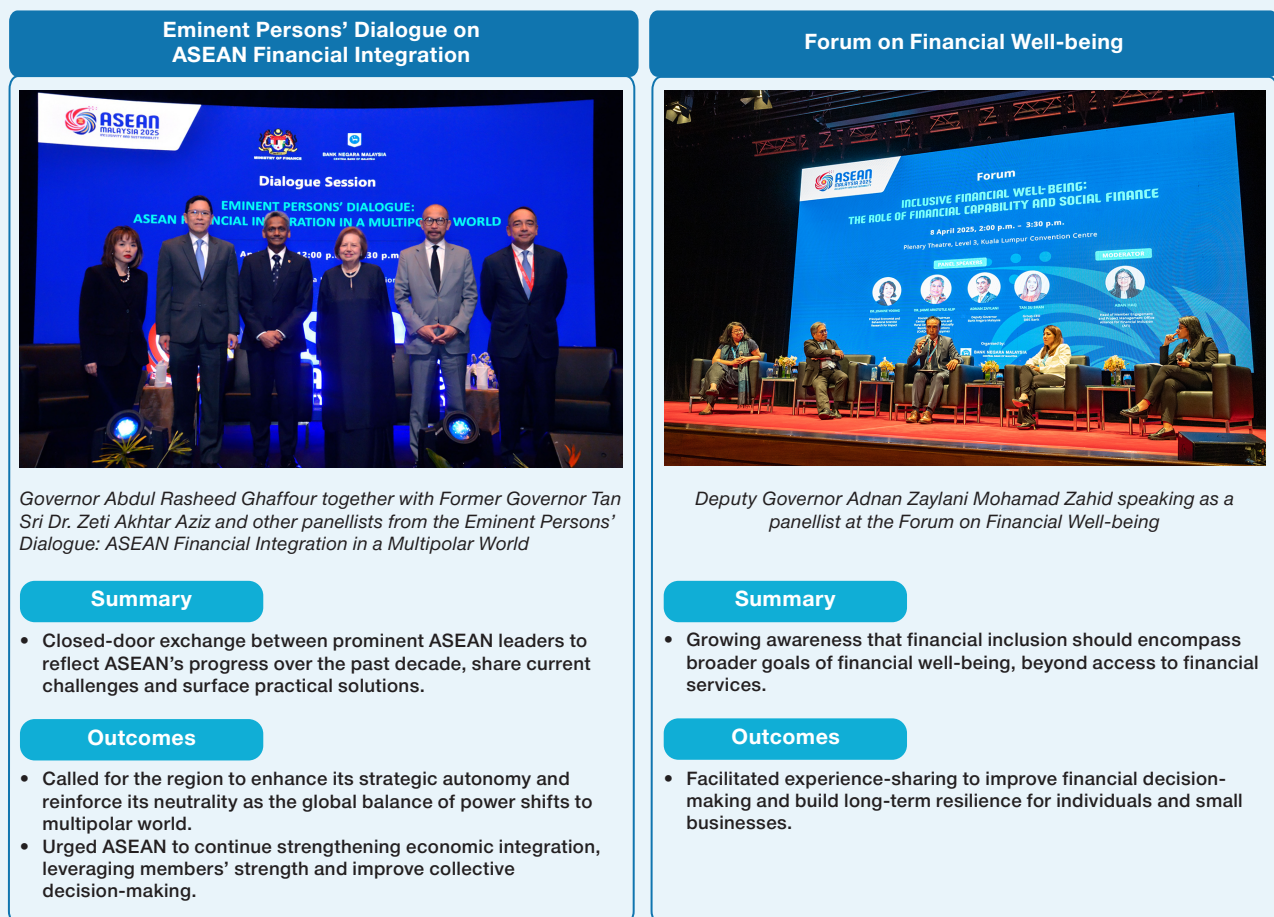
<sup>6</sup> IMF presented its study on ASEAN Integration in a Shifting Global Landscape during the IMF-ASEAN Roundtable in October 2025.

## Enhancing Outreach Through ASEAN Finance Track Side Events and Exhibitions

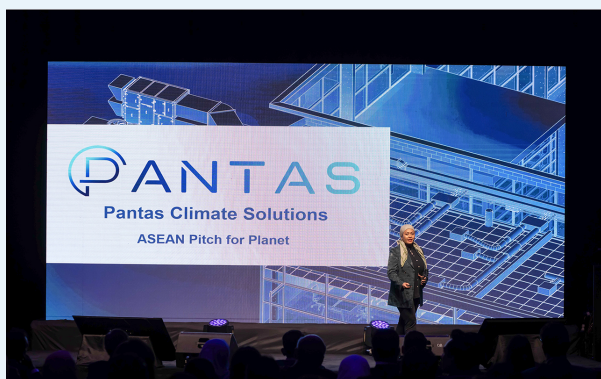
Aside from policy engagements, BNM organised side events to raise awareness of Malaysia's Chairmanship initiatives and deepen stakeholder engagement. These events brought together policymakers, industry participants and international partners to engage in dialogues and collaborate across areas such as sustainable finance, financial well-being, local currency transactions and regional integration.

A key event was the Malaysia Open House Exhibition, jointly organised by BNM and the Ministry of Finance. The exhibition attracted a diverse range of visitors, from financial institutions to ASEAN SMEs, and showcased practical financial innovations with real world applications. One of the highlights was a live demonstration of cross-border QR payments, now available in several ASEAN countries. These solutions enable merchants and consumers to make instant mobile payments across borders without complex processes or high fees. For small businesses, travellers and everyday users, these make cross-border payments as seamless as domestic transactions.

**Diagram 4: Side Events Organised by BNM on the Sidelines of the ASEAN Finance Track Meeting**



Pitching Session on ASEAN Green Projects



Pantas Climate Solutions showcasing its green project to investors and attendees at the ASEAN Pitch for Planet

Summary

- Showcased six Malaysian-based and four ASEAN-based climate and sustainability-focused projects.
- Facilitated meaningful engagements among investors and project owners to mobilise funding.

Outcomes

- Connected project owners with interested investors to explore further collaboration opportunities.

Panel Session on Catalysing Trade and Investment



Assistant Governor Mohamad Ali Iqbal Abdul Khalid with the speakers of the panel session on Advancing ASEAN Financial Integration: Catalysing Trade and Investment

Summary

- Gathered more than 400 participants to discuss the role of local currency transactions and call for greater adoption and collaboration.

Outcomes

- Strengthened visibility of the Local Currency Transaction Framework and generated interest from other ASEAN member states and private sector to explore its adoption.
- Kickstarted similar panel discussions in other ASEAN member states.

Local Currency Initiatives in ASEAN Exhibition



Governor Abdul Rasheed Ghaffour with the Governor of the National Bank of Cambodia, H.E. Dr. Chea Serey visiting the Local Currency Initiatives Exhibition at the sidelines of the AFMGM

Summary

- Six Appointed Cross-Currency Dealers (ACCDs) representing Malaysia, Thailand and Indonesia participated in showcasing local currency initiatives across the ASEAN region.

Outcomes

- Enhanced visibility of the Local Currency Transaction Framework (LCTF), generating interest from both ASEAN Member States and private-sector participants to explore its adoption.
- Stimulated interest from additional parties seeking to participate in the LCTF, helping to further expand its reach and potential market impact.

Source: Bank Negara Malaysia

## Promoting Cross-Pillar Collaboration

Beyond the Finance Track, we also worked closely with ministries<sup>7</sup> across other tracks and pillars in the ASEAN Community. Specifically, BNM facilitated the formation of a Ministerial Interface platform across the Energy, Economic and Finance Tracks. This platform provides a coordinated approach to mobilising investments for the APG, strengthening alignment across policy areas.

In parallel, through the ASEAN Goeconomics Task Force (AGTF),<sup>8</sup> BNM helped to identify key policies for ASEAN to respond to rising geopolitical uncertainties. BNM further supported AGTF's efforts to promote cross-pillar collaboration on goeconomic issues. This led to the first ASEAN Joint Foreign and Economic Ministers' (AMM–AEM) Meeting, which bridged the gap between the ASEAN's Political-Security and Economic pillars. The engagement reflected the growing intersection of security and economic issues, alongside the need for a more coherent and coordinated regional response.



Assistant Governor Fraziali Ismail with Former Minister of Investment, Trade and Industry Yang Mulia Tengku Datuk Seri Zafrul Abdul Aziz, Former Deputy Minister of Investment, Trade and Industry Yang Berhormat Liew Chin Tong, and other AGTF members at the Fifth Meeting of the AGTF on 22 September 2025, in Kuala Lumpur

Malaysia's Chairmanship initiatives at both the ASEAN and ASEAN+3 strengthened ties with member countries, regional bodies and strategic partners. By aligning regional positions and acting together, ASEAN elevates its capacity to tackle economic shocks, trade disruptions and emerging global risks. These outcomes bolstered collective resilience and delivered tangible benefits for Malaysia, supporting jobs, keeping trade and payments smooth, and safeguarding incomes and livelihoods amid global uncertainty.

<sup>7</sup> This includes the Ministry of Investment, Trade and Industry and Ministry of Foreign Affairs.

<sup>8</sup> The AGTF is an ad-hoc, specialised, high-level advisory body under the Economic Track – set up in early 2025 to provide coordinated, strategic, and region wide analysis and actionable policy recommendations to support ASEAN Sectoral Bodies in addressing the current geopolitical and goeconomic challenges. The AGTF published the first goeconomics report in November 2025.





# Governance

# | Governance

Bank Negara Malaysia (BNM) maintains strong governance arrangements to ensure effective discharge of its mandates as set out in the Central Bank of Malaysia Act 2009, along with other laws and regulations administered by BNM.

## Board of Directors















The current 11 member Board comprises four Bank executives, the Secretary General of the Treasury (ex officio), and six Independent Non-Executive Members who make up the majority. His Majesty the Yang di-Pertuan Agong appoints the Governor and Independent Non-Executive Members, while the Minister of Finance appoints the Deputy Governors. The Governor serves a five-year renewable term, while Deputy Governors and Independent Non-Executive Members serve a three-year renewable term each.

The Independent Non-Executive Members are essential to ensuring the Board's independence and objectivity. With extensive expertise spanning economics, accounting and finance, banking and insurance, risk management and audit, strategic investment and sustainability, they challenge assumptions, provide balanced perspectives, and strengthen overall governance of the Bank. The appointment of two new Independent Non-Executive Members in 2025 further enhanced the Board's diversity and capability to address emerging risks and opportunities.

# Board Committees

The Independent Non-Executive Members also serve as members of the Board Governance Committee, Board Audit Committee and Board Risk Committee (Diagram 1). Each committee, operating under its own Terms of Reference, supports the Board in providing checks and balances on BNM's operations.

Diagram 1: Board Committees

	Board Governance Committee (BGC)	Board Audit Committee (BAC)	Board Risk Committee (BRC)
Chairperson	 Tan Sri Mohamed Azman Yahya	 Puan Chin Suit Fang	 Dato' Dr. Nirmala Menon a/p Y B Menon
Members	 <ul style="list-style-type: none"> <li>• Puan Chin Suit Fang</li> <li>• Dato' Dr. Nirmala Menon a/p Y B Menon</li> </ul>	 <ul style="list-style-type: none"> <li>• Dr. Nungsari Ahmad Radhi</li> <li>• Dato' Sheranjiv a/l M Sammanthan</li> </ul>	 <ul style="list-style-type: none"> <li>• Tan Sri Mohamed Azman Yahya</li> <li>• Dr. Nungsari Ahmad Radhi</li> <li>• Puan Siti Hurrairah Sulaiman</li> </ul>
Roles and Responsibilities	 Oversees BNM's governance framework and practices.   Reviews and recommends to the Board on BNM's budget, business plan, performance assessment and remuneration policies.   Recommends the appointment and reappointment of members of the Board and other legislated committees of BNM such as: <ul style="list-style-type: none"> <li>• Monetary Policy Committee</li> <li>• Financial Stability Executive Committee</li> <li>• Shariah Advisory Council</li> <li>• Monetary Penalty Review Committee</li> </ul>	 Oversees the integrity of BNM's accounts and financial statements.   Oversees the adequacy of BNM's internal controls and compliance with legal requirements and internal policies.   Reviews and approves BNM's audit framework, audit charter, internal audit plan and reports, and oversees management actions to address material findings.	 Oversees the implementation of BNM's enterprise risk management framework.   Oversees BNM's management of financial, operational, reputational, climate and environmental, and IT and cybersecurity risks, including risk governance, structure and accountabilities in these areas.

Source: Bank Negara Malaysia

## Effective Oversight and Strategic Decisions

Throughout 2025, the Board's steer and support ensured BNM discharged its mandates effectively while managing resources prudently. This was underpinned by the Board's endorsement of Business Plan 2025, which articulated our immediate priorities and performance indicators, and its oversight of progress throughout the year.

To safeguard monetary and financial stability, we apprised the Board, on an ongoing basis, of our assessments of the global economy, trade dynamics and efforts to preserve Malaysia's balance of payments and ringgit stability. The Board also provided input and guidance that supported us to fulfill our advisory role to the Government effectively. These include matters surrounding advocating structural reforms in areas such as subsidy rationalisation and investment incentives, and reforms to address medical inflation. In advancing the financial sector's catalytic role in national development, the Board's oversight supports BNM's implementation of strategies under the Financial Sector Blueprint 2022–2026.

The Board commended on achieving strong outcomes in the Financial Action Task Force Mutual Evaluation on Malaysia and its contributions to Malaysia's ASEAN 2025 Chairmanship, where BNM drove key deliverables for regional financial integration. The Board welcomed the enactment of the Consumer

Credit Act 2025, which led to the establishment of the Consumer Credit Commission to enhance consumer protection. The Board also acknowledged BNM's continued efforts to address financial scams by strengthening the fund tracing and recovery capabilities, as well as preventive and awareness-building measures.

To strengthen operational effectiveness and ensure prudent resource management, the Board and BNM continued to reinforce institutional resilience. The Board approved key frameworks, such as the capital asset ratio framework. The Board also approved a new strategic asset allocation for reserves to guide reserve management for the next three years. The Board guided BNM's initiatives to modernise IT architecture, adopt generative artificial intelligence (AI) to boost productivity and enhance our defence against cybersecurity. The Board is a strong proponent of sustainability – providing steer, guidance and support for BNM to advance its transition towards Net Zero.

To ensure its governance arrangements remain aligned with global best practices and industry standards, the Board Charter has been renewed. The Board also performed an independent evaluation of its effectiveness at the Board and Board Committee levels. Outcome of this exercise forms the basis for plans to further strengthen their performance and governance practices.

## Attendance

The Board meets monthly as required, achieving 97% attendance for Board meetings and 93% for committee meetings, as illustrated in the following table:

Designation	Members	Board	BGC	BAC	BRC
Chairperson	Dato' Sri Abdul Rasheed Ghaffour	12/12			
Ex officio Member	Dato' Marzunisham Omar	12/12			
	Encik Adnan Zaylani Mohamad Zahid	12/12			
	Encik Aznan Abdul Aziz <sup>1</sup>	9/9			
	Datuk Johan Mahmood Merican (Secretary General of the Treasury)	9/12*			
Independent Non-Executive Member	Puan Chin Suit Fang	12/12	6/6	7/7	1/1 <sup>^</sup>
	Dato' Dr. Nirmala Menon a/p Y B Menon	12/12	5/6*		4/4
	Tan Sri Mohamed Azman Yahya	12/12	6/6		3/4*
	Dr. Nungsari Ahmad Radhi	11/12*		5/7*	4/4
	Dato' Sheranjiv a/l M Sammanthan	12/12		7/7	1/1 <sup>^</sup>
	Puan Siti Hurrairah Sulaiman	12/12			4/4
Retired in 2025					
Ex officio Member	Datuk Jessica Chew Cheng Lian <sup>2</sup>	3/3			

<sup>1</sup> Appointed on 1 April 2025.

<sup>2</sup> Retired on 31 March 2025.

\* Absent due to unavoidable commitments.

<sup>^</sup> Non-members attending by invitation to discuss specific matters under consideration by the Committees.

Source: Bank Negara Malaysia

### Note of Appreciation:

The Board of Directors extends its deep appreciation and gratitude to Datuk Jessica Chew Cheng Lian for her 32 years of contributions to BNM, and the Board since her appointment as Deputy Governor on 1 January 2018.

## Board Induction and Development

Upon appointment, the Independent Non-Executive Members undergo comprehensive induction sessions on BNM's mandates, policy priorities, governing frameworks and operations. Throughout the year, they engaged in policy discussions with BNM's management and staff on core central banking issues, including macroeconomics developments, reserves management, regulatory and

development policies, and supervision. They also participated in development programmes on contemporary themes such as generative AI, digital assets, as well as climate and sustainability. These engagements and trainings enabled them to deepen their knowledge and understanding of BNM business and to discharge their oversight responsibilities effectively.

## Board of Directors



*Front row (seated from left to right)*

**Dr. Nungsari Ahmad Radhi**  
*Independent Non-Executive Member*

**Puan Chin Suit Fang**  
*Independent Non-Executive Member*

**Dato' Sri Abdul Rasheed Ghaffour**  
*Chairperson*

**Dato' Dr. Nirmala Menon a/p Y B Menon**  
*Independent Non-Executive Member*

**Puan Siti Hurrairah Sulaiman**  
*Independent Non-Executive Member*

*Back row (standing from left to right)*

**Encik Aznan Abdul Aziz**  
*Ex officio Member*

**Dato' Sheranjiv a/l M Sammanthan**  
*Independent Non-Executive Member*

**Tan Sri Mohamed Azman Yahya**  
*Independent Non-Executive Member*

**Datuk Johan Mahmood Merican**  
*Ex officio Member, Secretary General of the Treasury,  
Ministry of Finance*

**Dato' Marzunisham Omar**  
*Ex officio Member*

**Encik Adnan Zaylani Mohamad Zahid**  
*Ex officio Member*

# Board of Directors



## Dato' Sri Abdul Rasheed Ghaffour

### Chairperson

Appointed to the Board: 16 July 2016

### Qualifications

- Master of Business Administration, University of Oxford, United Kingdom
- Bachelor of Economics, University of Malaya, Malaysia
- Fellow Chartered Banker, Asian Institute of Chartered Bankers

### Key Appointments and Directorships

- Chairperson, Board of Directors of The SEACEN Centre
- Member, Board of Governors of The SEACEN Centre
- Chairperson, Board of Trustees of Staff Training Fund
- Council Member and Chairperson of Executive Committee of Islamic Financial Services Board
- Member, Board of Directors of Malaysia Deposit Insurance Corporation
- Member, Governing Board of International Islamic Liquidity Management Corporation
- Member, Board of Directors of Petroleum Nasional Berhad (PETRONAS)
- Member, Board of Trustees of National Trust Fund

### Past Experiences

- Deputy Governor and member of Board of Directors, Bank Negara Malaysia
- Assistant Governor, Bank Negara Malaysia
- Alternate Executive Director, Southeast Asia Voting Group Office of the International Monetary Fund



## Dato' Marzunisham Omar

### Ex officio Member

Appointed to the Board: 15 June 2020

### Qualifications

- Master of Arts (Economics), University of Cambridge, United Kingdom
- Bachelor of Arts (Economics), University of Cambridge, United Kingdom

### Key Appointments and Directorships

- Member, Board of Directors of ASB Management Sdn. Bhd.
- Member, Board of Governors of Asia School of Business
- Member, Board of Directors of Malaysian Investment Development Authority (MIDA) and Chairperson of Board Audit Committee
- Member, Board of Directors of The SEACEN Centre
- Chairperson, National Coordination Committee to Counter Money Laundering
- Member, Advisory Board of National Anti-Financial Crime Centre
- Adjunct Professor, Universiti Utara Malaysia

### Past Experiences

- Assistant Governor, Bank Negara Malaysia
- Executive Director, South East Asia Voting Group of the International Monetary Fund

# Board of Directors



## Encik Adnan Zaylani Mohamad Zahid

### Ex officio Member

Appointed to the Board: 1 September 2023

### Qualifications

- Master of Public Policy, Blavatnik School of Government, University of Oxford, United Kingdom
- Master of Science in Global Market Economics, London School of Economics and Political Science, United Kingdom
- Bachelor of Science in Economics, London School of Economics and Political Science, United Kingdom
- Chartered Professional in Islamic Finance, Chartered Institute of Islamic Finance Professionals

### Key Appointments and Directorships

- Member, Board of Directors of Securities Commission Malaysia
- Member, Board of Directors of Nexus Global Payments
- Member, Board Executive Committee of International Islamic Liquidity Management Corporation
- Member, Board of Directors of Retirement Fund (Incorporated)
- Member, Board of Directors of International Centre for Education in Islamic Finance (INCEIF) University and Chairperson of Executive Committee
- Member, Ad Hoc Governance Committee of Islamic Financial Services Board
- Member, Board of Trustees of Staff Training Fund
- Adjunct Professor, Universiti Malaysia Terengganu

### Past Experiences

- Assistant Governor, Bank Negara Malaysia
- Member, Leadership Council of Malaysia International Islamic Financial Centre
- Authority Member, Labuan Financial Services Authority
- Member, Investment Panel of Employee Provident Fund
- Member, Board of Directors of Credit Guarantee Corporation Malaysia Berhad
- Member, Executive Committee of Islamic Financial Services Board
- Member, Board of Directors of Maybank Venture Capital Company Sdn. Bhd.

# Board of Directors



## Encik Aznan Abdul Aziz

### Ex officio Member

Appointed to the Board: 1 April 2025

#### Qualifications

- Bachelor of Science in Economics and Accounting, University of Bristol, United Kingdom
- Chartered Financial Analyst

#### Key Appointments and Directorships

- Chairperson, Board of Directors of Danamodal Nasional Berhad
- Alternate Member, Board of Directors of Malaysia Deposit Insurance Corporation

#### Past Experiences

- Assistant Governor, Bank Negara Malaysia
- Member, Board of Directors of Labuan Financial Services Authority
- Ex officio Member of Financial Reporting Foundation
- Member, Executive Committee of International Association of Insurance Supervisors
- Chairperson, Board Audit Committee of International Islamic Liquidity Management Corporation
- Chairperson, Financial Technology Enabler Group
- Chairperson of the Board of Management, The ASEAN Insurance Training and Research Institute
- Member, Board of Directors of TPPT Sdn. Bhd.
- Member of the Board of Directors and Chairperson of the Executive Committee of The Malaysian Insurance Institute
- Alternate Member, Board of Directors of the Vehicle Theft Reduction Council of Malaysia Berhad
- Assistant General Manager, Danamodal Nasional Berhad



## Datuk Johan Mahmood Merican

### Ex officio Member

Appointed to the Board: 27 February 2023

*Secretary General of the Treasury, Ministry of Finance*

#### Qualifications

- Bachelor of Arts (Economics), University of Cambridge, United Kingdom
- Associate Chartered Accountant, Institute of Chartered Accountants in England and Wales

#### Key Appointments and Directorships

- Chairperson, MySalam
- Chairperson, Board of Directors of Inland Revenue Board of Malaysia
- Chairperson, Board of Directors of Retirement Fund (Incorporated)
- Chairperson, Board of Directors of Public Sector Home Financing Board
- Chairperson, Board of Directors of Digital Nasional Berhad
- Member, Board of Directors of Permodalan Nasional Berhad
- Member, Board of Directors of Malaysia Deposit Insurance Corporation
- Member, Board of Executive Directors of Islamic Development Bank

#### Past Experiences

- Deputy Secretary General of Treasury (Policy), Ministry of Finance
- Director of National Budget Office, Ministry of Finance
- Chief Executive Officer, Talent Corporation Malaysia Berhad (TalentCorp)
- Principal Private Secretary to the Minister in the Ministry of Finance and Economic Planning Unit
- Deputy Director General (Human Capital), Economic Planning Unit

# Board of Directors



## Puan Chin Suit Fang

### Independent Non-Executive Member

Appointed to the Board: 1 November 2019

#### Qualifications

- Malaysian Institute of Accountants
- Malaysian Institute of Certified Public Accountants

#### Key Appointments and Directorships

- Member, Monetary Penalty Review Committee

#### Past Experiences

- Partner, PwC Malaysia
- Markets Leader for PwC Malaysia and PwCMYVN (Malaysia & Vietnam)
- Corporate Responsibility and Diversity & Inclusion Leader, PwC Malaysia
- Member, PwC Global Gender Advisory Council
- Mentor for Women in Leadership Malaysia by ICAEW & TalentCorp Malaysia



## Dato' Dr. Nirmala Menon a/p Y B Menon

### Independent Non-Executive Member

Appointed to the Board: 16 March 2020

#### Qualifications

- Postgraduate qualifications in Insurance Medicine
- Bachelor in Medicine, University of Mysore, India

#### Key Appointments and Directorships

- Member, Board of Directors of Sime Darby Berhad
  - Chairperson, Nomination and Remuneration Committee
  - Member, Investment Committee
- Member, Board of Directors of Singlife Holdings Private Limited (Singapore)
  - Member, Sustainability Committee
  - Member, Audit Committee
  - Member, Risk Committee
- Member, Board of Directors of Amanat Lebuhraya Rakyat Berhad
- Member, Board of Directors of Sistem Penyuraian Trafik KL Barat Sdn. Bhd. (SPRINT)
- Member, Board of Directors of Lingkaran Trans Kota Sdn. Bhd. (LITRAK)
- Director and Shareholder, Tasuni Superannuation Pty Ltd

#### Past Experiences

- Member, Board of Directors of AXA Affin General Insurance Berhad
- Member, Board of Directors of Khazanah Nasional Berhad
- Member, Board of Directors of Avicennia Capital Sdn. Bhd.
- President and Chief Executive Officer, ING Malaysia Berhad
- Head of South Asia, ING Asia Pacific Limited
- Executive Vice President, Head of Designated Markets & Health Asia, Metlife Asia Pacific Limited
- Medical Officer, Hospital Kuala Lumpur

# Board of Directors



## Tan Sri Mohamed Azman Yahya

### Independent Non-Executive Member

Appointed to the Board: 1 June 2020

#### Qualifications

- Bachelor of Science (Economics), London School of Economics and Political Science, United Kingdom
- Institute of Bankers Malaysia
- Institute of Chartered Accountants in England and Wales
- Malaysian Institute of Accountants

#### Key Appointments and Directorships

- Chairperson, Board of Directors of Symphony House Sdn. Bhd.
- Member, Board of Directors of Beringin Land Sdn. Bhd.
- Member, Board of Directors of Azman & Sons Sdn. Bhd.

#### Past Experiences

- Chairperson, Board of Directors of Sepang International Circuit Berhad
- Chairperson, Board of Directors of Ranhill Utilities Berhad
- Chairperson, Corporate Debt Restructuring Committee
- Chairperson, Board of Directors of Pengurusan Danaharta Nasional Berhad\*
- Member, Board of Directors of Khazanah Nasional Berhad
- Member, Board of Directors of Sime Darby Berhad
- Member, Board of Directors of AIA Group Limited
- Member, Board of Directors of PLUS Expressways Berhad
- Member to PEMUDAH, Financial Reporting Foundation, Capital Market Advisory Group, Malaysia Special Economic Committee



## Dr. Nungsari Ahmad Radhi

### Independent Non-Executive Member

Appointed to the Board: 15 February 2023

#### Qualifications

- Doctor of Philosophy (Economics), Purdue University, United States of America
- Master of Science (Mathematics), Southern Illinois University, United States of America
- Bachelor of Arts (Economics and Mathematics), Southern Illinois University, United States of America

#### Key Appointments and Directorships

- Chairperson, Board of Directors of Malaysia Airports Holdings Berhad
- Member, Policy Advisory Committee to the Prime Minister
- Director, Ratulin Sdn. Bhd.
- Member, Board of Trustees of Khazanah Research Institute
- Member, Board of Trustees of Yayasan Rahimah binti Yusof

#### Past Experiences

- Director, Koperasi Tunas Muda Sungai Ara Berhad
- Executive Chairperson, Malaysia Aviation Commission
- Executive Director, Khazanah Nasional Berhad
- Managing Director, Prokhas Sdn. Bhd.
- Principal Officer, Board of Directors of DanaInfra Nasional Berhad
- Principal Officer and Member, Board of Directors of Pengurusan Danaharta Nasional Berhad
- Principal Officer and Member, Board of Directors of Syarikat Jaminan Kredit Perumahan Berhad
- Member, Board of Directors of Commerce Tijari Bank/CIMB Islamic Bank Berhad
- Member, Board of Directors of Bank Pertanian Malaysia

\* Also served as the Managing Director of Pengurusan Danaharta Nasional Berhad prior to his appointment as Chairperson.

# Board of Directors



## Dato' Sheranjiv a/I M Sammanthan

### Independent Non-Executive Member

Appointed to the Board: 1 January 2025

#### Qualifications

- Bachelor of Commerce (Accounting), University of Birmingham, United Kingdom
- Fellow of Institute of Chartered Accountants in England and Wales
- Fellow of Institute of Corporate Directors Malaysia

#### Key Appointments and Directorships

- Co-Founder and Executive Director of Fitrah Capital Associates LLC
- Member, Board of Trustees of Yayasan Munarah

#### Past Experiences

- Member, Board of Directors of S.P. Setia Berhad
  - Chairperson, Risk Management Committee
  - Member, Finance and Investment Committee
  - Member, Sustainability Committee
- Director of Battersea Project Holding Company Limited
- Partner/Executive Director/Senior Manager, PwC Kuala Lumpur and PW/PwC London
- Executive Director - Managing Director's Office, Khazanah Nasional Berhad
- Director, Khazanah Europe Investment Limited
- Representative for Khazanah Nasional Berhad, Institutional Investor Council of Malaysia
- Executive Director, Taman Tugu Project Development Sdn. Bhd.
- Non-Executive Director, Malaysia Aviation Group Berhad
- Non-Independent Non-Executive Director, UEM Sunrise Berhad
- Non-Independent Non-Executive Director, UEM Land Berhad
- Member, Audit Committee, M+S (Pte) Limited, Singapore
- Member, Board of Trustees of Yayasan Hasanah



## Puan Siti Hurrairah Sulaiman

### Independent Non-Executive Member

Appointed to the Board: 1 January 2025

#### Qualifications

- Bachelor of Engineering (Mechanical), Imperial College London, United Kingdom

#### Key Appointments and Directorships

- Country Chair of Shell Malaysia
- Senior Vice President for the Shell Upstream in Malaysia
- Director on the Board of various Shell Companies and Subsidiaries in Malaysia
- Vice President of Malaysian Petroleum Club
- Member, Board of Trustees of Merdeka Award Trust

#### Past Experiences

- Shell Group
  - Vice President, Technical Asset Operations (Global)
  - Vice President, Integrated Gas Ventures East (Regional)
  - General Manager, Global Operations Commercial Services in Shell's Trading and Supply United Kingdom
  - Asset Manager and Director, Sabah Shell Petroleum Company Limited
- Representative for Shell as Director on the Board of Brunei LNG (Brunei), Shell Middle Distillate Synthesis (Malaysia) and the ex-British Gas Companies (India)

# Senior Management

As provided by the Central Bank of Malaysia Act 2009, the Governor is responsible for the management of BNM in discharging its mandates. In performing these duties, the Governor is assisted by a senior management team consisting of Deputy and Assistant Governors. BNM's organisation structure is designed to promote clear lines of reporting and accountability across its wide-ranging functions.

Various management committees are established to enable the senior management team and other senior officers to deliberate on BNM's business, and in particular those involving the organisation's strategy and top-most priorities. These management committees include policy committees such as the Financial Stability

Committee and the Joint Policy Committee, a committee tasked to deliberate cross-cutting issues and coordinate policies that may have impact on the financial system and the broader economy. The management committees enable BNM to draw on diverse functional backgrounds and insights across the organisation to arrive at well-informed decisions through open and candid deliberations.

Supported by these structures, senior management sets internal policies and leads the operations of BNM to ensure that it gives effect to its objects, carries out its functions and uses its resources in a manner that is effective, prudent and consistent with the interests of BNM, for the benefit of the nation.

# Management Committee



*First row (from left to right)*

**Marzunisham Omar**  
*Deputy Governor*

**Aznan Abdul Aziz**  
*Deputy Governor*

**Abdul Rasheed Ghaffour**  
*Governor*

**Adnan Zaylani Mohamad Zahid**  
*Deputy Governor*

*Second row (from left to right)*

**Fraziali Ismail**  
*Assistant Governor*

**Dr. Norhana Endut**  
*Assistant Governor*

**Abd. Rahman Abu Bakar**  
*Assistant Governor*

*Third row (from left to right)*

**Madelena Mohamed**  
*Assistant Governor*

**Cindy Siah Hooi Hoon**  
*Assistant Governor*

*Fourth row (from left to right)*

**Mohamad Ali Iqbal Abdul Khalid**  
*Assistant Governor*

**Suhaimi Ali**  
*Assistant Governor*

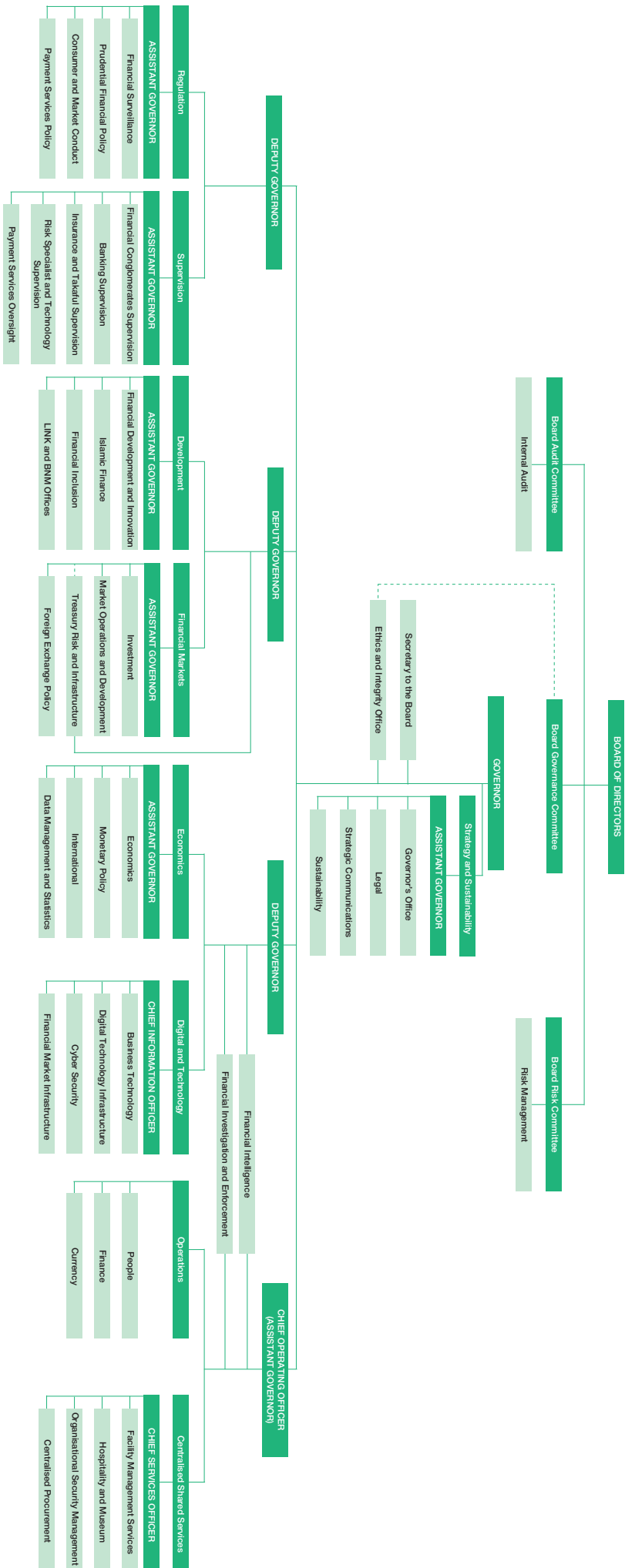
## Senior Officers

Governor	Abdul Rasheed Ghaffour
Deputy Governor	Marzunisham Omar
Deputy Governor	Adnan Zaylani Mohamad Zahid
Deputy Governor	Aznan Abdul Aziz
Assistant Governor	Abd. Rahman Abu Bakar
Assistant Governor	Fraziali Ismail
Assistant Governor	Dr. Norhana Endut
Assistant Governor	Suhaimi Ali
Assistant Governor	Mohamad Ali Iqbal Abdul Khalid
Assistant Governor	Madelena Mohamed
Assistant Governor	Cindy Siah Hooi Hoon
Secretary to the Board	Nik Nurazlina Ali
Governor's Office	-
Internal Audit	Kamarul Nazim Yop Ahmad
Risk Management	Muhamad Jamil Fathi Jamaludin
Ethics and Integrity Office	Santamarie Shamni Arulanandam
Legal	Mohd Sofiyuddin Ahmad Tabrani
Sustainability	Shasha Kartini Ridzam
Strategic Communications	Roy Lim Way Zhi
Financial Intelligence	Zarifa Izan Zainol Abidin
Financial Investigation and Enforcement	Suhanna Omar
Financial Surveillance	Endran Fadzil
Prudential Financial Policy	Nul Azlin Ahyaluddin
Consumer and Market Conduct	Lau Chin Ching
Payment Services Policy	Qaiser Iskandar Anwarudin
Financial Conglomerates Supervision	Hong Chin Pheng
Banking Supervision	Mohd Zabidi Md Nor
Insurance and Takaful Supervision	Hoo Hon Shiong
Risk Specialist and Technology Supervision	Hew Ee-Lu
Payment Services Oversight	Mohd. Faizal Abdullah
Financial Development and Innovation	Harizal Alias
Islamic Finance	Nurul Izza Idris
Financial Inclusion	Nor Rafidz Nazri
LINK and BNM Offices	Thomas Tan Koon Peng
Investment	Shahredza Minhat
Market Operations and Development	Nurashiqin Asri
Treasury Risk and Infrastructure	Yusof Ramzan Abd Rahim
Foreign Exchange Policy	Albert See Choon Kwang

<b>Economics</b> <b>Monetary Policy</b> <b>International</b> <b>Data Management and Statistics</b>	Dr. Mohamad Hasni Sha'ari Raja Syamsul Anwar Raja Mohammed Affandi Ida Harniza Johar Ong Li Ming
<b>Chief Information Officer</b> <b>Business Technology</b> <b>Digital Technology Infrastructure</b> <b>Cyber Security</b> <b>Financial Market Infrastructure</b>	Tay Gim Soon Victor Khor Eng Swee Ahmad Affzan Mokhtar Anuar Aizuddin Mohd Ghazali Noor Hazama Fadhilah Abdullah
<b>People</b> <b>Currency</b> <b>Finance</b>	Razman Samsudin Mohamad Zaini Ab Jabbar Toh Ying Ying
<b>Chief Services Officer</b> <b>Facility Management Services</b> <b>Hospitality and Museum</b> <b>Organisational Security Management</b> <b>Centralised Procurement</b>	Mohd Fuad Arshad Yuserizal Mohd Noor Noreen Zulkepli Abd. Razak Hussin Zulkippli Haron
<b>Beijing Representative Office</b> <b>London Representative Office</b> <b>New York Representative Office</b> <b>BNM Regional Office Johor Bahru</b> <b>BNM Regional Office Pulau Pinang</b> <b>BNM Regional Office Kuching</b> <b>BNM Regional Office Kota Kinabalu</b> <b>BNM Regional Office Kuala Terengganu</b> <b>BNM Regional Office Kuala Lumpur</b>	Mohd Faizal Md. Fathil Hasman Farid Mohd Ali Noh Aimran Yahaya Rosnani Mahamad Zain Panimoli Kalidass Rantai Naga Adlis Khairil Sazli Mohd Zaini Zambre Ismail Ruziana Mohd Mokhtar

# BANK NEGARA MALAYSIA

## Organisation Structure



# Statutory Committees

In certain areas, the responsibility for decision-making is placed beyond the direct remit of the Board or Management. These matters are reserved for specific organs created by statute.

## Monetary Policy Committee

The primary objective of monetary policy in Malaysia is to maintain price stability while giving due regard to developments in the economy. Under the Central Bank of Malaysia Act 2009 (CBA 2009), the Monetary Policy Committee (MPC) of BNM is responsible for formulating monetary policy and the policies for the conduct of monetary policy operations. The MPC decides on the policy interest rate, also known as the Overnight Policy Rate (OPR), that influences other interest rates in the economy.

In carrying out this mandate, the MPC determines monetary policy based on its assessment of the balance of risks to both Malaysia's inflation and growth outlook. The MPC also monitors risks of financial imbalances given their destabilising implications on the economy. The MPC meets at least six times a year to decide on the OPR and publishes its Monetary Policy Statement (MPS) after each meeting to explain its decisions.

The MPC comprises the Governor, the Deputy Governors, and not less than three but not more than seven other members. These include external members who are appointed by the Minister of Finance, as recommended by BNM's Board Governance Committee. The MPC currently has ten members, three of whom are external members. The membership of the MPC seeks to bring together a diverse range of experiences and expertise that is critical for sound monetary policy decision-making.

## Members\*

Dato' Sri Abdul Rasheed Ghaffour (Chairperson)

Dato' Marzunisham Omar

Adnan Zaylani Mohamad Zahid

Aznan Abdul Aziz

Dr. Norhana Endut

Fraziali Ismail

Mohamad Ali Iqbal Abdul Khalid

Nor Zahidi Alias (External Member)

Lim Chee Sing (External Member)

Datuk Yogeesvaran Kumaraguru (External Member)

\* As at 31 March 2026

# Financial Stability Executive Committee

The Financial Stability Executive Committee (FSEC) was established in 2010 pursuant to Section 37 of the Central Bank of Malaysia Act 2009 (CBA 2009). The FSEC supports BNM's statutory mandate of preserving financial stability through its powers to decide on specific policy measures that may be taken by BNM to avert or reduce risks to financial stability.

In carrying out this mandate, the FSEC reviews, assesses and decides on proposals tabled by BNM to:

- issue orders to a person or financial institution that is not regulated nor supervised by BNM to undertake specific measures in the interest of financial stability;
- extend liquidity assistance to a financial institution that is not regulated nor supervised by BNM, or to the overseas operations of a licensed financial institution in Malaysia; and
- provide capital support to a licensed financial institution in Malaysia that has ceased to be viable or is likely to become non-viable.

This serves to ensure continuous and effective financial intermediation, including the orderly functioning of the money market and foreign exchange market, and preserve public confidence in the financial system.

The FSEC consists of seven members, a majority of whom are non-executive members who are independent of BNM's Management. Members are subject to the FSEC Code of Ethics and Conflict of Interest, which serves to preserve the integrity of the FSEC's decisions. In 2025, the FSEC met twice to discuss developments and assessments on financial stability risks amid a global environment of heightened volatility arising from the ongoing uncertainties surrounding policies from major economies and developments in geopolitical conflicts.

## Members\*

**Dato' Sri Abdul Rasheed Ghaffour (Chairperson)**

**Dato' Marzunisham Omar**

**Datuk Johan Mahmood Merican (Independent non-executive member)**

**Dato' Mohammad Faiz Azmi (Independent non-executive member)**

**Rafiz Azuan Abdullah (Independent non-executive member)**

**Dato' Abdul Rauf Rashid (Independent non-executive member)**

**Wong Chee Lin (Independent non-executive member)**

\* As at 31 March 2026

# Shariah Advisory Council

The Shariah Advisory Council (SAC) of Bank Negara Malaysia (BNM) was established in May 1997 as the highest Shariah authority for Islamic financial institutions in Malaysia. The Central Bank of Malaysia Act 2009 (CBA 2009) outlined the roles and functions of the SAC as the authority for the ascertainment of Islamic law for the purposes of Islamic financial business which are supervised and regulated by BNM.

The ascertainment of Islamic law by the SAC (SAC's ascertainment) serves as a reference for Islamic financial institutions in ensuring their business operations comply with Shariah principles. The SAC's ascertainment also serves as a reference for the courts and arbitrators. In this regard, the SAC specifies the principal requirements taking into consideration various Shariah views, research findings, as well as custom and market practices. The SAC is therefore central to promoting certainty of Shariah practices and sustaining public confidence in the Islamic financial system.

The SAC members are appointed by His Majesty the Yang di-Pertuan Agong. Currently, the SAC has nine members comprising Shariah scholars and practitioners with vast experience, domestically and abroad in the areas of Shariah, law, accounting, audit, Islamic economics and finance.

In 2025, the SAC met eight times to deliberate and address pressing issues and measures to strengthen long-term developmental impact on the Islamic finance ecosystem in Malaysia.

## Members\*

**Dato' Prof. Dr. Ashraf Md Hashim (Chairperson)<sup>1</sup>**

**Prof. Dr. Engku Rabiah Adawiah Engku Ali (Deputy Chairperson)<sup>1</sup>**

**Sahibus Samahah Dato' Setia Dr. Haji Anhar Haji Opir**

**Dr. Marjan Muhammad**

**Dr. Ahmad Basri Ibrahim**

**Burhanuddin Lukman<sup>1</sup>**

**Prof. Dr. Amir Shaharuddin<sup>2</sup>**

**Dr. Abdul Rahim Abdul Rahman<sup>2</sup>**

**Dato' Zabariah Mohd Yusof<sup>3</sup>**

## Service term ended on 31 December 2025

**Datuk Prof. Dr. Mohamad Akram Laldin**

<sup>1</sup> Reappointed on 1 January 2026

<sup>2</sup> Appointed on 1 May 2025

<sup>3</sup> Appointed on 1 February 2026

\* As at 31 March 2026

# Monetary Penalty Review Committee

The Monetary Penalty Review Committee (MPRC) is an independent committee established under section 238 of the Financial Services Act 2013 (FSA) and section 249 of the Islamic Financial Services Act 2013 (IFSA). The MPRC considers appeals from persons (individuals or institutions) against the administrative monetary penalties (AMPs) or pecuniary remedies imposed by BNM in exercising its administrative enforcement powers under the FSA, the IFSA, the Development Financial Institutions Act 2002 and the Currency Act 2020 (CA).<sup>1</sup>

The MPRC provides an independent avenue for aggrieved parties to appeal against BNM's decisions. The MPRC may decide to either confirm BNM's decision or require BNM to reconsider and reach a decision in accordance with the findings of the MPRC. The members of MPRC are appointed by the Minister of Finance from among the Independent Non Executive Board Members of BNM or other external persons upon recommendation by BNM.

## Members\*

Datuk Abdul Karim bin Abdul Jalil (Chairperson)

Chin Suit Fang

Goh Ka Im

<sup>1</sup> For the CA, the appeals would only be against the AMPs imposed by BNM.

\* As at 31 March 2026





# Our Finances

# | Our Finances

BNM recorded a net profit after tax of RM12.45 billion for the financial year ended 31 December 2025 (2024: RM13.16 billion), following total income of RM14.35 billion (2024: RM14.98 billion), net of costs associated with managing the reserves portfolio and monetary operations. For 2025, we spent RM1.86 billion in managing our organisation.

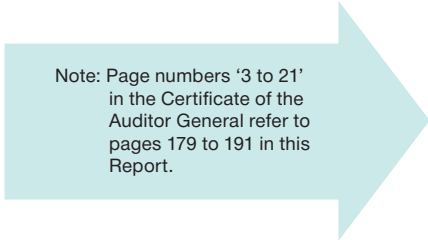
Of the RM12.45 billion net profit, RM7.45 billion (2024: RM7.91 billion) will be transferred to the Risk Reserve,<sup>1</sup> which stood at RM155.31 billion as at end-2025 (2024: RM147.90 billion). As 85% of our assets are denominated in foreign currency, it is important for us to build adequate Risk Reserves. This allows us to cushion against financial market volatility and exchange rate

fluctuations in the foreign currency assets. The balance of the net profit of RM5 billion will be paid as dividend to the Government (2024: RM5.25 billion).

Total assets as at 31 December 2025 stood at RM602.22 billion (2024: RM621.54 billion), mainly reflecting currency translation effects amid the strengthening of the ringgit. International reserves continued to account for the bulk of our assets amounting to RM509.79 billion (2024: RM520.13 billion). Our liabilities comprised mainly currency in circulation (2025: RM177.75 billion; 2024: RM170.72 billion) and deposits by financial institutions (2025: RM118.06 billion; 2024: RM131.92 billion).

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<sup>1</sup> Risk Reserve comprises cumulative transfers of net profits, foreign exchange differences arising from translation of foreign currency assets and liabilities, and changes in fair value of financial assets.



Note: Page numbers '3 to 21' in the Certificate of the Auditor General refer to pages 179 to 191 in this Report.



**CERTIFICATE OF THE AUDITOR GENERAL  
ON THE FINANCIAL STATEMENTS OF  
BANK NEGARA MALAYSIA  
FOR THE YEAR ENDED 31 DECEMBER 2025**

**Certificate on the Audit of the Financial Statements**

**Opinion**

I have audited the Financial Statements of the Bank Negara Malaysia. The Financial Statements comprise the Statement of Financial Position as at 31 December 2025 of the Bank Negara Malaysia and the Income Statement for the year then ended, and notes to the Financial Statements, including a summary of material accounting policies, as set out on pages 3 to 21.

In my opinion, the accompanying Financial Statements give a true and fair view of the financial position of the Bank Negara Malaysia as at 31 December 2025, and of its financial performance for the year then ended in accordance with the Malaysian Financial Reporting Standards (MFRS) and the Central Bank of Malaysia Act 2009 requirements to the extent that it is, in the opinion of the Board of Directors, appropriate to do so, having regard to the objects and functions of the Bank.

**Basis for Opinion**

The audit was conducted in accordance with the Audit Act 1957 and the International Standards of Supreme Audit Institutions. My responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of my certificate. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my opinion.

*Independence and Other Ethical Responsibilities*

I am independent of the Bank Negara Malaysia and I have fulfilled my other ethical responsibilities in accordance with the International Standards of Supreme Audit Institutions.

## **Information Other than the Financial Statements and Auditor's Certificate Thereon**

The Board of Directors of the Bank Negara Malaysia is responsible for the other information in the Annual Report. My opinion on the Financial Statements of the Bank Negara Malaysia does not cover the other information than the Financial Statements and Auditor's Certificate thereon and I do not express any form of assurance conclusion thereon.

## **Responsibilities of the Board of Directors for the Financial Statements**

The Board of Directors is responsible for the preparation of Financial Statements of the Bank Negara Malaysia that give a true and fair view in accordance with the Malaysian Financial Reporting Standards (MFRS) and the Central Bank of Malaysia Act 2009 requirements to the extent that it is, in the opinion of the Board of Directors, appropriate to do so, having regard to the objects and functions of the Bank. The Board of Directors is also responsible for such internal control as the Board of Directors determines is necessary to enable the preparation of the Financial Statements of the Bank Negara Malaysia that are free from material misstatement, whether due to fraud or error.

In preparing the Financial Statements of the Bank Negara Malaysia, the Board of Directors is responsible for assessing the Bank Negara Malaysia's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting.

## **Auditor's Responsibilities for the Audit of the Financial Statements**

My objectives are to obtain reasonable assurance about whether the Financial Statements of the Bank Negara Malaysia as a whole are free from material misstatement, whether due to fraud or error, and to issue an Auditor's Certificate that includes my opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the International Standards of Supreme Audit Institutions will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these Financial Statements.

As part of an audit in accordance with the International Standards of Supreme Audit Institutions, I exercise professional judgement and maintain professional scepticism throughout the audit. I also:

- a. identify and assess the risks of material misstatement of the Financial Statements of the Bank Negara Malaysia, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for my opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control;
- b. obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Bank Negara Malaysia's internal control;
- c. evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Board of Directors;
- d. conclude on the appropriateness of the Board of Directors's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Bank Negara Malaysia's ability to continue as a going concern. If I conclude that a material uncertainty exists, I am required to draw attention in my Auditor's Certificate to the related disclosures in the Financial Statements of the Bank Negara Malaysia or, if such disclosures are inadequate, to modify my opinion. My conclusions are based on the audit evidence obtained up to the date of Auditor's Certificate. However, future events or conditions may cause the Bank Negara Malaysia to cease to continue as a going concern; and
- e. evaluate the overall presentation, structure and content of the Financial Statements of the Bank Negara Malaysia, including the disclosures, and whether the Financial Statements represent the underlying transactions and events in a manner that achieves fair presentation.

The Board of Directors has been informed regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that I have identify during the audit.

I have also disclosed to the Board of Directors that I have complied with the ethical requirements regarding independence, and communicated with them all relationships and other matters that may reasonably be thought to bear on my independence, and if applicable, actions taken to eliminate threats or safeguards applied.

**Other Matters**

This certificate is made solely to the Board of Directors of the Bank Negara Malaysia in accordance with the Central Bank of Malaysia Act 2009 requirements, and for no other purpose. I do not assume responsibility to any other person for the content of this certificate.



**(DATO' SERI WAN SURAYA WAN MOHD RADZI)**  
AUDITOR GENERAL  
MALAYSIA

PUTRAJAYA  
**13** MARCH 2026



# BANK NEGARA MALAYSIA

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## STATEMENT BY DIRECTORS

We, Abdul Rasheed Ghaffour and Chin Suit Fang, being the Chairperson and one of the Directors of Bank Negara Malaysia, do hereby state that, in the opinion of the Directors, the financial statements are drawn up so as to give a true and fair view of the financial position of Bank Negara Malaysia as at 31 December 2025 and financial performance for the financial year then ended, in accordance with the Central Bank of Malaysia Act 2009 and the Malaysian Financial Reporting Standards (MFRS) to the extent that it is, in the opinion of the Directors, appropriate to do so, having regard to the objects and functions of Bank Negara Malaysia.

On behalf of the Board of Directors,



**ABDUL RASHEED GHAFFOUR**  
CHAIRPERSON

25 FEBRUARY 2026  
KUALA LUMPUR



**CHIN SUIT FANG**  
DIRECTOR

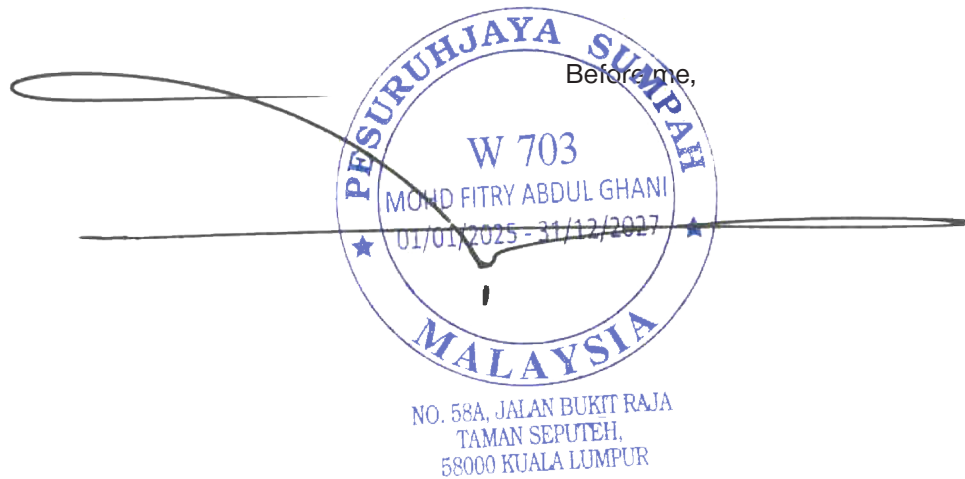
25 FEBRUARY 2026  
KUALA LUMPUR

## BANK NEGARA MALAYSIA

### DECLARATION BY THE OFFICER PRIMARILY RESPONSIBLE FOR THE FINANCIAL MANAGEMENT OF BANK NEGARA MALAYSIA

I, Toh Ying Ying, being the officer primarily responsible for the financial management of Bank Negara Malaysia, do solemnly and sincerely declare that the financial statements for the year ended 31 December 2025, are to the best of my knowledge and belief, correct and I make this solemn declaration conscientiously believing the same to be true and by virtue of the provisions of the Statutory Declarations Act, 1960.

Subscribed and solemnly declared )  
by the abovenamed at Kuala Lumpur )  
on 25 February 2026. )



# BANK NEGARA MALAYSIA

## STATEMENT OF FINANCIAL POSITION AS AT 31 DECEMBER 2025

		2025 RM million	2024 RM million
<b>ASSETS</b>	<b>Note</b>		
Gold and Foreign Financial Assets	3	480,292	489,309
International Monetary Fund Reserve Position and Holdings of Special Drawing Rights	4	29,494	30,821
Malaysian Government Papers	5	13,420	12,805
Deposits with Financial Institutions	6	2,535	-
Loans and Advances	7	28,416	26,310
Property and Equipment	8	4,564	4,598
Other Assets	9	43,498	57,697
<b>Total Assets</b>		<b>602,219</b>	<b>621,540</b>
<b>LIABILITIES AND CAPITAL</b>			
Currency in Circulation		177,750	170,720
Deposits from: Financial Institutions		118,059	131,918
Federal Government		4,504	5,233
Others	10	65,572	79,866
Bank Negara Papers	11	9,007	12,431
Allocation of Special Drawing Rights	4	26,830	28,185
Other Liabilities	12	3,752	3,121
<b>Total Liabilities</b>		<b>405,474</b>	<b>431,474</b>
Capital	13	100	100
General Reserve Fund	14	28,888	28,888
Risk Reserve	15	155,310	147,896
Unappropriated Profits	16	12,447	13,182
<b>Total Capital and Reserves</b>		<b>196,745</b>	<b>190,066</b>
<b>Total Liabilities and Capital</b>		<b>602,219</b>	<b>621,540</b>

The accompanying notes form an integral part of the financial statements.

## BANK NEGARA MALAYSIA

### INCOME STATEMENT FOR THE YEAR ENDED 31 DECEMBER 2025

	Note	2025 RM million	2024 RM million
<b>Total Income</b>	17	<b>14,345</b>	<b>14,978</b>
Less:			
Recurring Expenditure	18	(1,706)	(1,647)
Development Expenditure	19	(150)	(128)
<b>Total Expenditure</b>		<b>(1,856)</b>	<b>(1,775)</b>
<b>Net Profit Before Tax</b>		<b>12,489</b>	<b>13,203</b>
Less: Taxation	20	(42)	(41)
<b>Net Profit After Tax</b>		<b>12,447</b>	<b>13,162</b>

The accompanying notes form an integral part of the financial statements.

# BANK NEGARA MALAYSIA

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2025

### 1. General Information

Bank Negara Malaysia (BNM) is a statutory body established under the Central Bank of Malaysia Act 1958 which has been repealed by the Central Bank of Malaysia Act 2009. The principal place of business is located at Bank Negara Malaysia, Jalan Dato' Onn, 50480 Kuala Lumpur.

The principal objects of BNM are to promote monetary stability and financial stability conducive to the sustainable growth of the Malaysian economy. In this regard, BNM's primary functions are as follows:

- (a) to formulate and conduct monetary policy in Malaysia;
- (b) to issue currency in Malaysia;
- (c) to regulate and supervise financial institutions which are subject to the laws enforced by BNM;
- (d) to provide oversight over money and foreign exchange markets;
- (e) to exercise oversight over payment systems;
- (f) to promote a sound, progressive and inclusive financial system;
- (g) to hold and manage the foreign reserves of Malaysia;
- (h) to promote an exchange rate regime consistent with the fundamentals of the economy; and
- (i) to act as financial adviser, banker and financial agent of the Government.

### 2. Accounting Policies

#### 2.1 Basis of Preparation of Financial Statements

- (a) The financial statements have been prepared in accordance with the Central Bank of Malaysia Act 2009 and the applicable Malaysian Financial Reporting Standards (MFRS). Section 10 of the Central Bank of Malaysia Act 2009 provides that BNM, in preparing its financial statements, shall comply with the MFRS to the extent that it is, in the opinion of the Directors, appropriate to do so, having regard to the objects and functions of BNM. The Directors, having considered BNM's responsibilities for managing effective monetary policy and promoting financial stability, are of the opinion that, it is appropriate to differ, in some respects, from the MFRS.
- (b) The preparation of the financial statements based on MFRS requires the management to exercise its judgement in the process of applying the accounting policies. It also requires the use of estimates and assumptions, based on available information, that may affect the reported amounts of assets and liabilities as well as disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of income and expenses during the financial year. Although these estimates are based on the management's best knowledge of current events and actions, the actual results could differ from these estimates.
- (c) The financial statements have been prepared under the historical cost convention and on an accrual basis, except as otherwise disclosed.

## BANK NEGARA MALAYSIA

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### 2.2 Change in Accounting Policy

During the financial year, BNM changed its accounting policy for motor vehicles where the costs of the motor vehicles exceeding a certain threshold is capitalised. This provides more relevant information as motor vehicles are expected to provide economic benefits over its useful life and this aligns with MFRS requirement.

The impact of the change in accounting policy is not material to BNM's financial position and operations.

### 2.3 Foreign Currency Translation

- (a) The financial statements are presented in Ringgit Malaysia, BNM's functional currency, and rounded to the nearest million, unless otherwise stated.
- (b) Transactions in foreign currencies are measured at the exchange rate prevailing at the date of transaction. Foreign currency gains or losses resulting from the settlement of such transactions are recognised in the Income Statement.
- (c) Assets and liabilities denominated in foreign currencies are translated into Ringgit Malaysia using the exchange rate prevailing on the balance sheet date. Foreign exchange differences arising from the translation are recognised in the Risk Reserve.

### 2.4 Consolidation

#### (a) Subsidiaries

Subsidiaries are entities over which BNM has control. BNM controls an entity when BNM is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power to direct the relevant activities of the entity.

#### (b) Associates

Associates are entities over which BNM has significant influence but not control or joint control, and generally accompanying a shareholding of between 20% and 50% of the voting rights of the entity.

BNM does not consolidate the financial performance of its subsidiaries and associates as these entities were established for developmental and financial stability purposes. Investment in subsidiaries and associates are carried at cost and adjusted for impairment, if any.

### 2.5 Gold

Gold is stated at fair value and changes in the fair value of gold are recognised in the Risk Reserve. Realised gains or losses from the sale of gold are recognised in the Income Statement.

### 2.6 Foreign Financial Assets

Foreign financial assets, comprising fixed income securities and equities, are stated at fair value. Changes in the fair value are recognised in the Risk Reserve or the Income Statement based on classification of the financial instruments. Realised gains or losses from the sale of financial assets are recognised in the Income Statement.

## BANK NEGARA MALAYSIA

### 2.7 Repurchase and Reverse Repurchase Agreements (Repos and Reverse Repos)

Repos and Reverse Repos are treated as collateralised borrowing and lending. The securities sold under Repos are not derecognised from the Statement of Financial Position, and the corresponding amount borrowed is reported under Other Liabilities. Similarly, the securities purchased under Reverse Repos are not recognised in the Statement of Financial Position and the corresponding amount lent is reported under Other Assets. The difference between sale and repurchase price under Repos and Reverse Repos is recognised as interest expense and interest income respectively in the Income Statement.

### 2.8 Property and Equipment

Property and equipment are stated at cost less accumulated depreciation. The cost includes expenditure that is directly attributable to the acquisition of the item. Subsequent costs are added to the asset's carrying amount, or recognised as a separate asset as appropriate, only when it is probable that they will generate future economic benefits to BNM and the cost can be reliably measured. Repair and maintenance costs is charged to the Income Statement during the financial period in which they are incurred.

Freehold land and work-in-progress are not depreciated. Leasehold land, buildings and motor vehicles are depreciated on a straight line basis over their estimated useful lives, as follows:

	<u>Useful Life</u>
Leasehold land	Period of the lease
Buildings on freehold land	50 years
Buildings on leasehold land	50 years or remaining lease period (whichever is shorter)
Building improvement	Remaining useful life of the building
Motor vehicles	5 years

On disposal of property and equipment, the difference between the net disposal proceeds and the net carrying amount is recognised in the Income Statement.

### 2.9 Other Fixed Assets

All other fixed assets are fully expensed in the year of purchase.

### 2.10 Impairment of Non-Financial Assets

Assets are assessed for impairment when there is indication that the asset's carrying amount may not be recoverable. If such indication exists, the recoverable amount of the asset is estimated to determine the amount of impairment loss. The impairment loss is recognised in the Income Statement.

Reversal of impairment losses recognised in prior years is recorded when there is an indication that the impairment losses recognised for the assets no longer exist. The reversal if any, is recognised in the Income Statement to the extent that it does not exceed the carrying amount of the assets had no impairment losses been recognised for the assets in prior years.

### 2.11 Currency in Circulation

Currency in circulation (CIC) represents banknotes and coins, including commemorative banknotes and coins, and demonetised currency, that have been issued by BNM for use in the economy. The CIC is recognised in the Statement of Financial Position at face value when they are placed into circulation and derecognised when they are withdrawn from circulation. Expenses incurred in the purchase and production of banknotes and coins are recognised in the Income Statement.

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### 2.12 Net Profit

The net profit of BNM is appropriated in accordance with section 7 of the Central Bank of Malaysia Act 2009.

### 3. Gold and Foreign Financial Assets

	2025 RM million	2024 RM million
Gold	21,794	14,556
Securities	363,572	359,576
Deposits and bank balances	85,261	104,752
Others	9,665	10,425
	<u>480,292</u>	<u>489,309</u>

### 4. International Monetary Fund (IMF) Reserve Position, Holdings of Special Drawing Rights (SDR) and Allocation of SDR

The reserve position comprises Malaysia's paid-up portion of IMF Quota and loans granted by BNM under the IMF's Financial Transaction Plan (FTP), New Arrangements to Borrow (NAB) and Poverty Reduction and Growth Trust (PRGT). These programmes are used by IMF to provide loans to its member countries.

	2025 RM million	2024 RM million
IMF Reserve Position	5,264	5,440
Holdings of SDR	24,230	25,381
	<u>29,494</u>	<u>30,821</u>
Allocation of SDR	(26,830)	(28,185)
<b>Net position with IMF</b>	<u>2,664</u>	<u>2,636</u>

### 5. Malaysian Government Papers

	2025 RM million	2024 RM million
Malaysian Government Securities	11,261	11,249
Malaysian Government Investment Certificates	2,159	1,556
	<u>13,420</u>	<u>12,805</u>

### 6. Deposits with Financial Institutions

Refers to deposits placed by BNM with financial institutions under section 75(i) of the Central Bank of Malaysia Act 2009.

### 7. Loans and Advances

Loans and advances include financing extended by BNM to participating financial institutions under various funds established pursuant to section 49 of the Central Bank of Malaysia Act 2009 to promote financial inclusion.

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	2025 RM million	2024 RM million
BNM's Fund for small and medium-sized enterprises (SME)		
Fund to promote growth and development for SME	6,803	5,655
Special Relief Facility for SME	19,432	18,206
PENJANA Tourism and Automation & Digitalisation Financing for SME	864	1,154
Fund for Affordable Homes	975	975
Others	342	320
	<u>28,416</u>	<u>26,310</u>

### 8. Property and Equipment

2025	Freehold Land	Leasehold Land	Buildings on Freehold Land	Buildings on Leasehold Land	Motor Vehicles	Work-in- Progress	Total
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
<b>Cost</b>							
As at 1 January	3,325,421	4,044	1,248,677	450,159	-	-	5,028,301
Effect of change in accounting policy	-	-	-	-	674	-	674
Addition	-	-	-	-	-	637	637
Disposal	-	(52)	(859)	(577)	-	-	(1,488)
As at 31 December	<u>3,325,421</u>	<u>3,992</u>	<u>1,247,818</u>	<u>449,582</u>	<u>674</u>	<u>637</u>	<u>5,028,124</u>
<b>Accumulated Depreciation</b>							
As at 1 January	-	1,570	285,215	143,482	-	-	430,267
Effect of change in accounting policy	-	-	-	-	140	-	140
Depreciation charge	-	43	24,861	8,927	135	-	33,966
Disposal	-	(20)	(345)	(211)	-	-	(576)
As at 31 December	<u>-</u>	<u>1,593</u>	<u>309,731</u>	<u>152,198</u>	<u>275</u>	<u>-</u>	<u>463,797</u>
<b>Net carrying amount</b>	<u>3,325,421</u>	<u>2,399</u>	<u>938,087</u>	<u>297,384</u>	<u>399</u>	<u>637</u>	<u>4,564,327</u>

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2024	Freehold Land	Leasehold Land	Buildings on Freehold Land	Buildings on Leasehold Land	Motor Vehicles	Work-in-Progress	Total
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
<b>Cost</b>							
As at 1 January	3,327,144	5,514	1,225,523	450,159	-	-	5,008,340
Addition	-	-	23,737	-	-	-	23,737
Disposal	(1,723)	(1,470)	(583)	-	-	-	(3,776)
As at 31 December	<u>3,325,421</u>	<u>4,044</u>	<u>1,248,677</u>	<u>450,159</u>	-	-	<u>5,028,301</u>
<b>Accumulated Depreciation</b>							
As at 1 January	-	2,567	260,772	134,553	-	-	397,892
Depreciation charge	-	43	24,700	8,929	-	-	33,672
Disposal	-	(1,040)	(257)	-	-	-	(1,297)
As at 31 December	-	<u>1,570</u>	<u>285,215</u>	<u>143,482</u>	-	-	<u>430,267</u>
<b>Net carrying amount</b>	<u><b>3,325,421</b></u>	<u><b>2,474</b></u>	<u><b>963,462</b></u>	<u><b>306,677</b></u>	-	-	<u><b>4,598,034</b></u>

### 9. Other Assets

	2025 RM million	2024 RM million
Reverse Repurchase Agreements	33,750	50,728
Investments in Shares		
Subsidiaries	4,257	4,257
Associates	115	37
Other investments	275	95
Others	<u>5,101</u>	<u>2,580</u>
	<u><b>43,498</b></u>	<u><b>57,697</b></u>

### 10. Deposits from Others

These deposits include deposit placement by other central banks and government agencies.

### 11. Bank Negara Papers

Bank Negara Papers are papers issued as part of BNM's market operations tools to manage liquidity in the domestic money market.

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### 12. Other Liabilities

	2025 RM million	2024 RM million
Repurchase Agreements	1,746	1,104
Accruals	1,590	1,462
Others	416	555
	<u>3,752</u>	<u>3,121</u>

### 13. Capital

BNM is wholly-owned by the Government of Malaysia.

### 14. General Reserve Fund

Appropriation of net profits to the General Reserve Fund is recognised upon the approval from the Board of Directors and the Minister pursuant to section 7 of the Central Bank of Malaysia Act 2009. There was no transfer to the General Reserve Fund during the financial year ended 31 December 2025 and 31 December 2024.

### 15. Risk Reserve

The Risk Reserve includes cumulative transfers of net profits, changes in fair value of financial assets and foreign exchange differences arising from translation of foreign currency assets and liabilities.

	2025 RM million	2024 RM million
As at 1 January	147,896	151,251
Effect of change in accounting policy	-	24
Movements during the year	7,414	(3,379)
<b>As at 31 December</b>	<u><b>155,310</b></u>	<u><b>147,896</b></u>

### 16. Unappropriated Profits

	2025 RM million	2024 RM million
As at 1 January	13,182	7,186
Less:		
Transfer to Risk Reserve	(7,932)	(4,336)
Dividend paid to the Government	(5,250)	(2,850)
	<u>-</u>	<u>-</u>
Current year	12,447	13,162
Add:		
Transfer of revaluation surplus arising from disposal of properties	-	20
<b>As at 31 December</b>	<u><b>12,447</b></u>	<u><b>13,182</b></u>

Upon approval from the Board of Directors and the Minister, the appropriation of profits will be recognised in the financial statements of the next financial year.

The dividend paid to the Government for the financial year ended 2024, amounted to RM5.25 billion, was approved by the Minister on 11 March 2025.

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For the financial year ended 31 December 2025, the Board of Directors approved the transfer of RM7.45 billion to the Risk Reserve and a dividend of RM5 billion to the Government.

### 17. Total Income

		2025 RM million	2024 RM million
Operating Income	(a)	14,110	14,655
Loans and Advances Income	(b)	36	33
Other Income	(c)	199	290
		<u>14,345</u>	<u>14,978</u>

(a) **Operating Income**

Includes interest, dividends, gains or losses on disposal of securities and net of monetary operations cost.

(b) **Loans and Advances Income**

		2025 RM million	2024 RM million
BNM's Fund for SMEs		18	16
Fund for Affordable Homes		10	10
Others		8	7
		<u>36</u>	<u>33</u>

(c) **Other Income**

Includes income from currency processing and sales of commemorative banknotes and coins.

### 18. Recurring Expenditure

		2025 RM million	2024 RM million
Human Capital	(a)	(881)	(879)
Currency Operations	(b)	(204)	(195)
Information Technology	(c)	(170)	(159)
Utilities and Maintenance	(d)	(174)	(176)
Administrative and General	(e)	(243)	(204)
Depreciation	(f)	(34)	(34)
		<u>(1,706)</u>	<u>(1,647)</u>

(a) **Human Capital**

Includes salaries, allowances, staff medical costs and employer statutory contributions.

(b) **Currency Operations**

Expenditures incurred directly and indirectly in issuing the currency banknotes and coins.

(c) **Information Technology**

Expenditures incurred to maintain IT infrastructure and equipment, including renewal of licences and purchase of IT consumables.

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- (d) **Utilities and Maintenance**  
Expenditures relating to the upkeep of BNM's office buildings and other premises.
- (e) **Administrative and General**  
Expenditures incurred in the administration of BNM's day-to-day operations and other expenses.
- (f) **Depreciation**  
Depreciation charges for leasehold land, buildings and motor vehicles.

### 19. Development Expenditure

Expenditures incurred mainly to finance developmental and long term initiatives in line with BNM's objects and functions.

### 20. Taxation

BNM is exempted from payment of income tax and supplementary income tax as set out in the Income Tax (Exemption) (No. 7) Order 1989. Tax expenses relate to unclaimable withholding taxes on dividend and interest income earned from the foreign investments and capital gains taxes on sale of foreign investments.

### 21. Contingencies and Commitments

#### 21.1 Contingent Assets

BNM has provided funding to International Centre for Leadership in Finance (ICLIF) Trust Fund and International Centre for Education in Islamic Finance (INCEIF) Trust Fund to support training, research and human capital development in banking and financial services, managed by Asia School of Business (ASB) and INCEIF University, respectively. The funding will be returned to BNM when ASB and INCEIF University become self-sufficient.

#### 21.2 Legal Proceedings

A number of legal proceedings against BNM were outstanding as at 31 December 2025. For litigation exposure where a loss is probable, an appropriate provision shall be made. Based on available information as at 31 December 2025, the estimated contingent liability will not have any material impact on BNM's financial position and operations.

#### 21.3 Commitments

Total outstanding commitments of BNM are as follows:

	Note	2025 RM million	2024 RM million
Membership with IMF	(a)		
Unpaid Quota	(i)	14,967	15,769
New Arrangement to Borrow	(ii)	3,778	3,969
Bilateral Borrowing Agreement	(iii)	1,750	1,929
Swap Arrangements	(b)		
Bilateral Swap Currency Arrangement with Other Central Banks	(i)	154,866	170,704
Chiang Mai Initiative Multilateralisation	(ii)	36,971	40,745
Repurchase Agreement with Central Banks and Monetary Authorities	(iii)	20,305	22,378
Shareholding in Bank for International Settlements	(c)	67	70
<b>Total Outstanding Commitments</b>		<b>232,704</b>	<b>255,494</b>

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### (a) **Membership with IMF**

- (i) The Unpaid Quota represents the unpaid portion of Malaysia's quota in the IMF under the Articles of Agreement in which BNM has an obligation to pay to IMF in SDR or in other convertible currencies.
- (ii) The New Arrangements to Borrow (NAB) is a multilateral credit arrangement between BNM and the IMF to provide a supplementary source of financing to IMF for the purpose of safeguarding the stability of the international monetary system.
- (iii) The Bilateral Borrowing Agreement (BBA) involves bilateral contribution by BNM to the IMF for precautionary and financial crisis resolution purposes.

### (b) **Swap Arrangements**

#### (i) **Bilateral Swap Arrangement (BSA)**

BNM participates in BSAs with other central banks with the objective of promoting and facilitating trade settlement and direct investment in local currency between the two countries and providing liquidity support for short-term balance of payments. BNM currently signed BSA with the People's Bank of China, Bank of Korea, Bank Indonesia, Bank of Japan and Bank of Thailand.

#### (ii) **Chiang Mai Initiative Multilateralisation Arrangement**

BNM participates in the Chiang Mai Initiative Multilateralisation (CMIM) which aims to provide financial support through currency swap transactions in US dollar or selected local currencies to ASEAN+3 member countries to address balance of payments and short-term liquidity difficulties in the region.

#### (iii) **Repurchase Agreement with Central Banks and Monetary Authorities**

BNM has entered into repurchase agreements with various central banks and monetary authorities under the Executives' Meeting of East Asia-Pacific Central Banks (EMEAP) to provide liquidity assistance in times of emergency.

### (c) **Shareholding in Bank for International Settlements (BIS)**

This represents the uncalled portion of BIS shares.

## 22. **Financial Risk Management**

The Reserve Management Committee oversees the assessment, measurement and control of the investment risks in the management of reserves to be within acceptable levels. This is to ensure that the objectives of capital preservation, liquidity and reasonable returns are met. In undertaking this function, the major risks of the investments are:

### (a) **Market Risk**

Market risk is the exposure of BNM's investments to adverse movements in market prices related to foreign exchange rates, interest rates and prices of bonds and equities. Market risk is assessed and monitored on a daily basis. A benchmark policy approved by the Board of Directors reflects the long-term objectives and acceptable risk-return profile of the investments. Investments may be made in instruments that are different from those in the benchmark. This deviation in investment is controlled through a set of risk management limits, governance arrangements and investment guidelines that are also approved by the Board of Directors.

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### (b) Credit Risk

Credit risk is the risk of default of the debt issuer or failure of the counterparty to perform its contractual obligation to BNM resulting in BNM not receiving its principal and/or interest that has fallen due. A comprehensive credit risk framework governs the permissible investments and the risk appetite of BNM. The framework, which is approved by the Board of Directors, also incorporates market-based indicators and quantitative measures which supports a more forward-looking credit assessment.

### (c) Operational Risk

Operational risk is the risk of financial losses due to failed internal processes, inadequate controls and procedures, or any other internal or external events that impede operations. Operational risk is mitigated through a risk governance framework and effective implementation of risk controls and limits. A comprehensive operational risk surveillance mechanism is in place to support the identification of emerging risks in BNM's operations to allow for action to be taken in managing gaps and in mitigating financial losses.

### 23. Bank Negara Malaysia Staff Welfare Account (Medical Fund) (termed as the 'Medical Fund Account')

The Medical Fund Account was established on 21 June 2006 under section 15(6) of the Central Bank of Malaysia Act 1958 and continue to exist under section 83(4) and (5) of the Central Bank of Malaysia Act 2009.

The Medical Fund Account is governed under the Bank Negara Malaysia Staff Welfare Account (Medical Fund) Trust Directions 2006 and Supplementary Trust Directions 2017. The objective of the Medical Fund is to assist BNM to meet the medical expenses of eligible retirees and their dependents. As stipulated in the Bank Negara Malaysia Staff Welfare Account (Medical Fund) Trust Directions 2006, the Medical Fund shall be administered by a Medical Fund Committee. The Medical Fund Account is to be maintained separately and shall be audited in the same manner as BNM's Account.

### 24. Related Party Transactions and Balances

#### Government of Malaysia

BNM is wholly-owned by the Government of Malaysia. BNM funds its own operations and maintains organisational and functional independence from the Government. In the normal course of its operations, BNM enters into transactions with related parties and significant balances are presented in these financial statements.

#### Significant Related Party Balances

	2025 RM million	2024 RM million
<b>Shareholder</b>		
Government of Malaysia		
Holdings of Malaysian Government Papers	13,420	12,805
Deposit placements from the Government	4,504	5,233

### 25. Approval of Financial Statements

The Board of Directors approved the annual financial statements on 25 February 2026.

