

Bank Negara not rushing ringgit trade overseas
Malaysiakini.com
September 26,2011

Bank Negara Malaysia is not rushing to let the ringgit be fully traded overseas anytime soon especially on the back of a highly uncertain global financial environment, said its governor Zeti Akhtar Aziz.

"Given this kind of highly uncertain, volatile environment, we would not change our circumstance with respect to the internationalisation of our currency," she said in an interview with Bloomberg in Washington, late yesterday.

Zeti was there for the International Monetary Fund (IMF) and World Bank meeting.

She said BNM was working towards putting in place the preconditions for such internationalisation, "but as of now, that certainly would not be a consideration given the highly uncertain and volatile international financial and economic environment."

Zeti said the central bank had been intervening in the currency market to limit the swings in the ringgit by restoring and ensuring orderly conditions, adding that that was the only motivation for its intervention, rather than trying to influence the trend.

Malaysia has been able to cope with a higher degree of volatility in the currency in the past few years because of a strengthened financial system, she said.

On whether the increased foreign-ownership of Malaysian government securities could post a risk if sell-off persists, Zeti said it would depend on who the investors were.

"What we notice is, particularly in the fixed income market and the bond market including the sukuk market, investors are with medium-term investment horizons and therefore they are not speculating.

"These are the kind of investors we look to invest in our markets. They contribute to adding liquidity in the market and that is positive."

Meanwhile, commenting on the deferment of Khazanah Nasional Bhd's yuan-denominated sukuk, Zeti said the decision made sense given the volatility in the financial markets.

"I believe the market is highly uncertain and volatile so it makes sense to wait.

"Spreads have widened. It's a whole issue of having cost-effective issuance as well."

- Bernama