

## Financial Markets Association of Malaysia Annual Dinner Speech

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17<sup>th</sup> November 2017

Governor Muhammad bin Ibrahim, *FCB* (Fellow Chartered Banker),  
Distinguished guests from Bank Negara Malaysia, Cagamas Berhad, Association of Banks  
in Malaysia, Association of Money Brokers, Malaysian Association of Corporate  
Treasurers, Asian Institute of Chartered Bankers and the Asian Banking School,  
Members of the Financial Markets Association of Malaysia or FMAM,  
Good evening and welcome to the 2017 Annual Dinner.

We are again deeply honored by the presence of Governor Muhammad bin Ibrahim in  
gracing FMAM's annual dinner and giving his keynote speech which Governor has done  
since 2010, with the only exception in 2012 when Governor was away. With us tonight is a  
full capacity audience of more than 1,100 guests and we had to turn away a lot of  
requests for tickets as this is all Istana Hotel or any hotels in KL can accommodate. Also,  
on behalf of FMAM, we would like to thank the generous sponsors displayed in the  
backdrop behind me and I am pleased to note that the probability of winning decent prizes  
including lucky draws tonight is as good as ever as total prizes this year is slightly more  
than RM150,000. Please also allow me to thank the Social Committee, led jointly by Encik  
Jamil Baharuddin and Encik Azli Jamil from AmBank, Ms. Kelly Ong from Hong Leong  
Bank, Encik Idham Sabki from Maybank, Pn. Zalina binti Md Zamani from CIMB, Ms.  
Karen Sta Maria, Cik Faten binti Zahira from Affin Hwang and our Carole for the hard work  
in organizing this dinner, which they do so well year in year out. Please join me in giving  
the Social Committee a big hand of applause as this is purely voluntary work, taking much  
time from their busy schedules.

2017, ladies and gentlemen, have been a tumultuous year for Malaysia and its financial  
markets. The measures taken by BNM in early 2017, with significant amount of  
deliberations taking place in the Financial Markets Committee, were profound, difficult but  
good for the country where (a) exporters are required to convert 75% of their export  
proceeds into Ringgit so that the positive fundamentals of the nation's GDP growth and  
current account surpluses get translated into the bid for the Ringgit FX consistently and  
sustainably and this is highly justifiable as Malaysia is a small and very open economy  
where countries that are much bigger and with much larger FX reserves such as China,

South Korea and India are more restrictive in their capital account control of export proceeds. And in any event, companies and businesses should not be speculating on currency movements on their export proceeds and import costs and should instead be focused on their core businesses (b) where domestic payments and receipts must be conducted in Ringgit to mitigate the risks of US dollarizing the domestic economy (c) in restricting Malaysians with domestic credit facilities from leveraging up borrowing in Ringgit to purchase foreign current assets which tantamounts to shorting of the Ringgit FX on a fully funded basis (d) of permitting foreign fund managers to dynamically hedge their investments in Ringgit securities of bonds and equity onshore as well as the introduction of Appointed Overseas Office or AOO which takes away the need for legitimate foreign fund flows from hedging in the offshore markets as they are now able to access the onshore markets for their RM FX hedging needs and (e) permitting domestic fund managers to dynamically hedge their foreign currency holdings which is equivalent to buying of MYR FX forward. These measures in my opinion have first and foremost DERISK the Ringgit FX and Malaysia SIGNIFICANTLY going forward as the strong economic fundamentals of GDP growth and current account surpluses are now being translated into a consistent and sustainable bid for the Ringgit FX day in day out and no longer subject to the vagaries of domestic sentiment; where Malaysia is no longer depleting its savings and FX reserves via the large amounts of investments abroad and where larger proportion of Malaysians' savings are now being redeployed and reinvested or deposited back onshore; permitting of dynamic hedging of currency risks for foreign and domestic fund managers such that all legitimate FX hedging needs of FDI and portfolio investments can now be conducted onshore where only Ringgit FX speculative activities that are prohibited need to be conducted offshore, and; to finally amputate once and for all any linkages of the offshore NDF Ringgit FX market to the onshore Ringgit FX markets. The Financial Markets Committee worked very closely with BNM and we applaud BNM for putting in place these very difficult measures. With economic fundamentals solid where GDP and current account surpluses doing better than expected three quarters in succession, with FX Reserves now in excess of USD100 billion and the recent BNM measures resulting in the direct translation of current account surpluses into FX Reserves, the outlook for the USDMYR FX is good with USDMYR FX closing today at 4.165. I made a pretty difficult and lonely 4.10 forecast to Bloomberg early this year when USDMYR FX was at 4.50 and it is now within reach.

With respect to the Malaysian financial markets in 2017, the markets recovered slightly this year compared to 2016 with trading volumes rising by RM0.6 trillion or 2% to an annualized trading volume of MYR25.2 trillion as of September 2017 YTD. The foreign exchange market saw a marked increase of 21% in trading volume encompassing FX spot, swaps and forwards and the increase is large enough to offset the decline in trading volumes in the secondary government and corporate bond and sukuk, money and OTC derivative markets.

The Ringgit bond origination primary issuance market continues to perform well. The Sukuk markets have out-performed YTD September 2017 with new issuances from government and corporates increasing by 22% or MYR18 billion to RM101 billion reflecting the strong investor demand for longer tenor sukuk. Supported by this momentum in the Sukuk market, the YTD September 2017 total primary Ringgit conventional bonds and sukuk issuances increased to RM166 billion as compared to RM139 billion in the same period in 2016.

Given the importance of the Malaysian financial markets, FMAM will be presenting its inaugural awards later this evening in recognition of banks who have most contributed to the development of the onshore financial markets during the year. For 2017, the awards will feature on 3 categories post the BNM FMC measures and they are: (a) Most Active FX Bank (b) Most Active Ringgit FX Bank and (c) Most Active Bank for Non-Resident Hedging Onshore in 2017.

Ladies and gentlemen,

FMAM has been and remains highly committed to ensuring very high standards of integrity and ethical standards in the Malaysian financial markets. With Governor Muhammad bin Ibrahim as the driving force, FMAM, in collaboration with the Asian Institute of Chartered Bankers or AICB, has taken on a new role to enforce against financial market misconduct in the Malaysian financial markets. On 23<sup>rd</sup> May 2017, we launched the AICB - FMAM Joint Disciplinary Scheme which was witnessed by Governor Muhammad bin Ibrahim. This Scheme is tasked to jointly receive and to hear Complaints and to lead the Investigation, Disciplinary and Appeal Committees. Our primary focus is to ensure proper financial market conduct including adhering to BNM's Code of Conduct for the Malaysian Wholesale Financial Markets as well as a transparent and fair due process to the parties

concerned. In addition, FMAM had rolled out new standardized operating procedures and forms for (a) Application for New and Existing Memberships (b) Reporting by Member Institutions on Resignations or Transfers of FMAM members (c) Review of Internal Disciplinary Inquiries held by Member Institutions into FMAM Members, and (d) Lodging of Official Complaint on financial market misconduct by a bank or person on a FMAM member to FMAM. Also, FMAM members will be required to submit an Annual Compliance Declaration to their employer and to submit a one-off financial market conduct declaration to FMAM by end of this year.

Our next priority in the collaboration with AICB and ABS is to provide more continuous education opportunities for FMAM members focusing on the developments in financial markets globally, technological advances and changing global regulations. Socrates the philosopher once postulated that a key pillar of ethics is professional knowledge and competence as the argument Socrates made was how does one ensure that goods are of good quality if one does not have the professional knowledge and competence to identify quality in the first instance? And this argument of Socrates linking professional knowledge with ethics applies particularly to financial markets as goods in the Socrates instance can easily be substituted with financial markets products with their ever growing complexity and array.

In order to formalize this process, I am pleased to announce that we will commence the continuing education requirement from January 2018 for dual membership holders of FMAM and AICB who will be granted professional titles of Certified Market Practitioners and Certified Senior Market Practitioners. These members will be required to undertake annually 38 hours of continuing professional development courses or CPD comprising 20 hours of structured programs (i.e. seminars and courses) and 18 hours of unstructured programs. Of the 20 hours of structured programs, 5 hours must be structured CPD in ethics and 10 hours structured CPD in treasury related programs. Seminars and courses conducted by Bank Negara Malaysia, the Securities Commission, Securities Industry Development Corporation, FMAM, AICB, ABS and banks' own in-house courses approved by the Education Committee of FMAM will be recognized in meeting the 20 hours of the structured CPD requirement.

We will also witness today the launch of the new PKMC text books by Governor Muhammad bin Ibrahim after his keynote speech. This set of text books marks yet another

collaborative effort between FMAM, AICB and ABS to enhance the lecture and study materials for the PKMC exam sitting, and hopefully the passing rate, as the study materials in past years were in a more casual format depending on the module and lecturer. There will also be changes to the PKMC examination format as there will now be 100 multiple choice questions for Module 1 from 80 questions currently and 60 multiple choice questions and 20 scenario-based multiple choice questions for Modules 2, 3 and 4 from 40 questions and 3 essays currently. The enhanced syllabus and format will take effect from the July 2018 session onwards.

Ladies and gentlemen,

Today, FMAM's total membership count stands at 1,862 which is inclusive of ordinary, international, provisional, associate and broker members and we have another 4,977 members with the Investor Protection Professional Certification (IPPC) who are qualified to market structured products, bonds and sukuk to bank customers. The collaboration with AICB on the joint disciplinary scheme and on the education front is a significant milestone for FMAM where our standards will compare very well to most financial market associations globally. It shall also benefit the ordinary, associate and broking members of FMAM in ensuring high ethical standards, integrity and professional knowledge as there is absolutely no substitute for personal integrity in guiding us in all that we do. Like Warren Buffet once said "I look for 3 things in a person. Intelligence, Energy & Integrity. If they don't have the last one (of integrity), don't even bother with the first two". And on behalf of FMAM, I would like to express our utmost appreciation to Governor Muhammad bin Ibrahim and other senior officers of Bank Negara Malaysia for their strong support in bringing this collaboration to fruition and to flourish for the greater prospects of the Malaysian financial markets.

On this note, I will end my speech here and wish everyone a good 2018 year ahead. Thank you.