

Muhammad bin Ibrahim: Central bank collaboration in Asia – facilitating the use of local currencies for settlement of trade and investments

Remarks by Mr Muhammad bin Ibrahim, Governor of the Central Bank of Malaysia (Bank Negara Malaysia), at the Signing Ceremony of the Memoranda of Understanding between Bank Indonesia and Bank Negara Malaysia and Bank Indonesia and the Bank of Thailand, Bangkok, 23 December 2016.

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My delegation and I are pleased to join Governor Veerathai and Governor Agus here in Bangkok today to mark the collaboration between our central banks to facilitate the use of local currencies for settlements of trade and investments.

Our economies face common challenges in managing the risks from heightened volatility in the global financial markets. We can expect continued episodes of volatility to occur in the periods ahead, driven by a combination of policy uncertainties, negative sentiment and speculative activity.

The arrangements signed today are part of our continuous efforts to provide the institutional and policy framework to promote orderly financial market conditions and support the efficient management of financial risks. In particular, these arrangements will enable exporters and importers in our countries to better manage foreign exchange risks by using local currencies to settle trade and investment activities.

In addition to improving cost efficiencies for businesses, the increased demand for local currency financial products will also contribute towards deepening the region's financial markets. This is important to further strengthen conditions for regional financial stability.

When Bank Negara Malaysia and the Bank of Thailand first operationalized this arrangement between our central banks in March 2016, we saw the potential and benefits for local currencies to play a more important role in enhancing regional trade linkages. The expansion of the arrangement today to include our close trade partner, Indonesia, underscores this potential.

The signing of this MoU between Bank Indonesia and Bank Negara Malaysia represents another important milestone in the move to strengthen the relationship between Malaysia and Indonesia. Following the conclusion of the ASEAN Banking Integration Framework, we are confident financial institutions in both countries will be able to collaborate towards realizing the objective of facilitating greater cross-border trade and investments.

Both Thailand and Indonesia share important links with Malaysia, forged through a long history of trade and investment activities, and close cooperation between our central banks.

This occasion reflects how far we have come in this process. The cooperation arrangements between our central banks have now expanded to include clearly defined protocols and operational frameworks in a broad range of areas, including financial market development, supervision, surveillance, payment arrangements and crisis management.

Bank Negara Malaysia has long been a strong supporter of financial and economic integration in both ASEAN and broader Asia – to unlock the region's growth potential and support a stronger, more resilient economic community. We continue to believe that this is the path forward for the region, and one that requires our institutions to continue to further deepen our already strong ties in building capacities to manage risks in a more challenging environment. We look forward to closely collaborate with Bank Indonesia and the Bank of Thailand as well as other central banks

in the region.

I would like to thank Governor Veerathai and his team at the Bank of Thailand for the excellent arrangements today and for the warm welcome extended to us. I would also like to express my appreciation to all of you for being with us today to witness this significant occasion by the three members of the ASEAN central banking community.