

Zeti Akhtar Aziz: Malaysian financial sector developments

Opening speech by Dr Zeti Akhtar Aziz, Governor of the Central Bank of Malaysia, at the Malaysia Financial Exhibition 2007, Kuala Lumpur, 30 October 2007.

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It is my pleasure to be here this afternoon at the Opening Ceremony for the Malaysia Financial Exhibition 2007 or MYFex2007, organised by PIDM, Perbadanan Insurans Deposit Malaysia . PIDM was established two years ago to reinforce the role of Bank Negara Malaysia in ensuring the soundness and stability of the financial system. PIDM forms part of the financial safety net and plays a crucial role in administering an effective deposit insurance system that promotes public confidence in the soundness of the banking system. Public Confidence is key to financial stability and to the efficient functioning of the financial system. In this context, PIDM is actively raising awareness about deposit insurance and this exhibition is an effort to frame deposit insurance within the larger scope of the financial landscape.

A financial system that is not firmly rooted in the public belief that it is safe and sound cannot hope to expand and evolve successfully. This confidence is enhanced with having an effective deposit insurance whose role is to act in the best interest of depositors. With an explicit deposit insurance system, depositors can have further certainty of the safety of their money at the banking institution as well as knowing that banking system has a strong element of protection that can be count upon.

The Malaysian financial sector has undergone significant transformation and progress since we launched the Financial Sector Masterplan in 2001. This is particularly most evident in the banking sector which has undergone restructuring, consolidation, and rationalisation. Gradual deregulation and liberalization has also altered the financial landscape bringing with it improved performance and enhanced resilience. This has further matured the banking sector and paved the way for new areas of growth. Besides these tangible results, structural changes have also taken place in the form of the emergence of new entities, the increased presence of new international players and more diversified and developed financial markets. The advancement of deregulation and liberalization have also increased competition which has in turn resulted in further new business opportunities. Within the context of these developments, the banking sector has become an important pillar of strength of our economy.

One dimension that is growing rapidly in the context of these developments is the rise of consumerism. The improvement in the quality of life, the rising affluence and better education has resulted in a new generation of consumers whose financial requirements are becoming increasingly more sophisticated. This has resulted in a major reorientation of the banking industry to become consumer driven and to become more focussed on consumer needs. This has brought new financial products and services for consumers. The rise of consumerism demands that products and services can no longer be just generic but must now be tailored to meet consumers' evolving needs.

With the rise of consumerism, the need to create informed consumers is even more important. As the financial sector continues to rapidly evolve, offering sophisticated products and services to cater for greater and more diverse needs, consumers need to become even more financially savvy. While the consumer has an important responsibility to become more informed, financial service providers, the regulators and the authorities have an important role to provide the enabling and conducive environment that nurtures consumer empowerment. Indeed, consumer empowerment begins with financial awareness and consumer education. This in part can be achieved through greater disclosure and by

increasing the education outreach to consumers thereby enhancing their ability to make informed financial decisions.

Ladies and gentlemen,

This exhibition aims to provide an enabling platform for consumer empowerment. MYFex2007 is a conscious effort to raise financial awareness by bringing together the various entities in the financial system that includes the industry, regulators and other agencies that provide information, the avenues for redress and financial advice with the aim of creating financially informed consumers. In essence, this one stop centre creates a comprehensive opportunity for consumers to improve their financial literacy and for the financial players to engage the consumers.

An important thrust of our policies at the Central Bank is financial inclusion. This is to ensure that every economic activity, geographical region and segments of society have access to financial services thereby promoting a more balanced growth. Financial inclusion is supported through a number of strategies amongst which includes increased access to financial services, access to financial information and advisory services and consumer education. Currently, 98% of the adult population in Malaysia have a savings account. Given this greater financial inclusion, banks need to recognise their role and their special relationship with their customers. Customers expect banks to provide relevant financial information to them to ensure that they will be able make informed judgments.

Avenues for the public to seek redress is also an important part of the financial safety net. The Financial Mediation Bureau provides an alternative redress mechanism between the service providers and consumers on financial disputes. In addition, with the objective of promoting prudent financial management, the Credit Counselling and Debt Management Agency offers free advisory services. This is to ensure the sustainability and resilience of the household sector. In addition, there is also the BNMLINK and BNMTELELINK at the Central Bank to provide a further interface with the public.

The objectives of financial inclusion can also be met with the support of banking institutions as the benefits would justify the effort. Banks and other financial institutions that approach their business strategies responsibly and with the consumer interest in mind will stand to reap long-term gains from enhanced franchise value, a strong reputation and positive association with socially responsible values that will engender public trust and confidence.

Public confidence is an important pre-condition for financial stability. Public confidence is however, not one that is created and expected to remain constant without making conscious efforts to enhance it. Public confidence must be created, nurtured and continuously enhanced by all the players in the financial sector working together through a range of approaches and strategies. This mandate requires a holistic and a collaborative effort of the authorities, financial service providers, private sector, educators and related associations that are here today.

I am delighted to note that MYFex2007 is one such effort. In the short 26 months it has been in existence, PIDM has gone beyond its statutory duty to create public awareness about deposit insurance and promoting public confidence in the resilience of the Malaysian financial system. They have embarked on a noteworthy initiative to contribute to financial system stability by organising a comprehensive financial awareness exhibition that seeks to create informed consumers with a view to contribute to financial system stability. I am pleased to see various Government agencies, the market players and related associations and professional bodies participating in this important financial awareness initiative.

The vision for an effective, efficient and resilient financial sector requires the unified efforts of all the stakeholders in the financial system. The financial players, the regulators, the Government and the consumers all have a meaningful role in achieving this vision. With this let me conclude my remarks.