

## **Zeti Akhtar Aziz: Participation of Japanese financial institutions in Malaysia**

Speech by Dr Zeti Akhtar Aziz, Governor of the Central Bank of Malaysia, at the Launch of Bank of Tokyo Mitsubishi (M) Berhad Penang Branch, Penang, 13 July 2012.

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*The speech was read by Assistant Governor, Mr Donald Joshua Jaganathan.*

In these highly uncertain economic times, several of the developed economies are challenged to bring about growth and job creation while addressing several fundamental weaknesses in their economies and financial systems. While emerging economies have been affected by these developments, most are still on a positive growth path.

Asia, in this environment, continues to be an important growth centre in the global economy. While growth may have moderated, it has still remained at levels that have sustained job creation. Much of this growth is driven by domestic demand and the increased connectivity among the emerging economies in the region. Economic flexibility and strong financial systems have supported this trend. In Malaysia, while the slower external demand has affected our growth, strong domestic demand and our close economic linkages in the region have continued to underpin our steady growth path.

The Malaysian financial system has long had a tradition of the participation of foreign owned banking institutions. A number of foreign owned banking institutions began their foothold here in Penang over a hundred years ago. This was due to Penang's role then as a main entreport for the export of its hinterland commodities of rubber and tin. At that time, Penang had become a centre of banking in Malaysia. Therefore the oldest bank in Malaysia first opened its doors in Penang in 1875, then known as the Chartered Bank of India, Australia and China to cater to the financial requirements of early European traders. A number of other major banks also followed suit and established their operations in Penang to serve the large number of international traders who engaged and participated in Penang's vibrant trade activities. While Malaysia's financial centre has shifted to Kuala Lumpur, the importance of Penang as a major economic contributor to Malaysia's economy remains significant. Most financial institutions have large branches here in Penang with sizeable operations. The opening of the Bank of Tokyo Mitsubishi's branch here today demonstrates not only the continued expansion of Malaysian financial system, but that this expansion is well supported by a fundamentally stable economy that continues to perform during these most challenging of times.

The decision of Bank of Tokyo Mitsubishi to set up its newest branch will not only be supported by the large presence of Japanese customers but the continued ongoing investment activity here in Malaysia's northern region. We also recognise the in-roads the bank has made in the area of Islamic finance by way of offering new financial products and services including to international customers.

Malaysia warmly welcomes the continued participation of Japanese financial institutions in both the domestic financial sector and in the Labuan International Business and Financial Centre. As at June 2012, there are now 4 commercial banks, 4 insurance companies, 1 reinsurance company and 1 joint-venture takaful operator from Japan, operating in Malaysia. Through this participation, the Malaysian financial system has greatly benefited from Japanese investments through the transfer of expertise, knowledge and technology as well as through enhanced economic interlinkages.

On this note, I wish to congratulate Bank of Tokyo Mitsubishi (Malaysia) Berhad on this occasion of the commencing of their operations here. I also wish the management and staff of the Penang branch every success in its endeavours and look forward to its contribution to our economy.