# MALAYSIA WEEKLY ECONOMIC NEWS

***(28 November 2016 – 2 December 2016)***

| Topics | Highlights |
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| **Bank Negara wants rules of NDF market to be changed** | Bank Negara Malaysia (BNM) wants a change in the rules for the offshore ringgit non-deliverable forward (NDF) market following the recent weeks of speculative position taking. The rout in the country's bond market saw the Malaysian Government Securities (MGS) yields rising at its fastest pace ever to around 15-month high in a matter of two weeks. The ringgit is now hovering at its lowest levels in 19 years as a result of continued capital outflow. Saying that "perhaps it is time to change the rules of the game," central bank governor, YBhg. Datuk Muhammad Ibrahim said that the financial market players, especially those in the NDF market, need to be as transparent as the demands they expect of others.<br><br>*(Source: The Star, 28 November 2016)* |
| **Report: Fintech likely to disrupt fund transfers** | More than four-fifths of local financial institutions see financial technology (fintech) as a threat to their business. Meanwhile, 59% of these financial institutions say their engagement with fintech firms are either through joint ventures, acquisition of fintech companies, setting up venture funds or start-up programmes, launching their own fintech subsidiaries or rebranding purchased services. Fintech refers to the close corraboration or fusing of financial services together with various technology platforms. This corraboration, which has become pervasive in recent years, has grown and evolved, according to a report published by PricewaterhouseCoopers Malaysia and the Asian Institute of Chartered Bankers entitled "Catching the fintech wave". The report, which drew its insights from one survey of 84 respondents as well as face-to-face and written interviews this year, showed that a significant 22% of financial institutions believe that fintech companies can potentially seize more than 20% of their revenues.<br><br>*(Source: The Star, 29 November 2016)* |
| **Malaysian palm oil price reverses course to rise, tracking crude oil rally** | Malaysian palm futures reversed course to gain in late trade as they tracked a rally in crude oil prices, following stronger prospects that oil supplies could be cut. Palm prices are impacted by crude oil's performance, as the tropical oil is used as component for biodiesel. Palm oil shipments from Malaysia, the world's No.2 producer of the tropical oil, fell 10-12 percent for the full month of November from the previous month, according to data from cargo surveyors.<br><br>*(Source: The Sun, 30 November 2016)* |
| **Fintech eroding Malaysian banks' share of customers, says Bain report** | As the spread of financial technology (FinTech) grows rapidly, Malaysian traditional primary banks' share of pie in the banking field is slowly taken over by their new competitors. Malaysian banks lose about 50% of new banking products sales to a competitor, according to the "Customer Loyalty in Retail Banking: Global Edition 2016" report by Bain & Company. The research found that deposits made up about 55% of purchases from primary banks in Malaysia over the last 12 months, compared to just 22% at competing banks. Across the surveyed countries, consumers make products purchases digitally at competing banks at 1.4 times the rate at their primary banks. However, Malaysia is the only country where consumers purchase products more digitally at primary banks. About 9% of Malaysian respondents indicated that they experienced a branch closure in the past one year.<br>*(Source: The Star,1 December 2016)* |

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| **Bank Negara: Seven global banks attest to not engaging in NDF transactions and introduced measures** | Bank Negara said seven global banks have attested that they are not and will not engage in non-deliverable forward (NDF) related transactions. Bank Negara had requested through onshore banks that any non-resident banks which transact in the foreign exchange market, to attest that they are not and will not engage in NDF related transactions. It came up with the measure as ringgit transactions in the NDF market had a damaging influence on the onshore pricing of the local currency. Bank Negara announced several measures to increase the demand for the ringgit and reduce its volatility against the US dollar. Among the measures are that exporters are to convert 75% of their proceeds into ringgit effective 5 December. t the moment, exporters are required to bring back their proceeds into Malaysia within three months of completing a transaction. However they are allowed to hold the proceeds in foreign currencies. Other measures to increase the demand for the ringgit include placing a cap on the amount that companies and individuals can invest locally or abroad in foreign currencies.<br><br>*(Source: The Star, 2 December 2016)* |

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