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*In conjunction with the release of the Financial Sector Blueprint 2011-2020  
by Bank Negara Malaysia on 21 December 2011*

Kuala Lumpur, 22 December 2011 – The Financial Sector Blueprint (FSB) is an innovative, bold and ambitious roadmap that, *if implemented effectively*, will take Malaysia to the forefront of global banking in the next decade.

Based on our country's current domestic platform of a strong core banking framework, the industry is well positioned to undertake this revolutionary financial blueprint to creatively lead the economy and be the new engine of growth for Malaysia in the next decade.

**On e-Channels**

OCBC commends the value of the FSB's idea to provide greater flexibility for the establishment of new delivery channels such as mobile banking and direct internet payments via RENTAS, given its effectiveness in reaching consumers beyond the typical high-cost model of physical branch banking.

Similarly, the same prohibitive costs apply to the setting up of e-Payment systems and thus the need to promote shared infrastructure in order to optimise the investment. There has been significant groundwork thus far in shared infrastructure such as MEPS and cheque clearing outsourcing but there is certainly room for greater infrastructure sharing.

Then there is also the need to create awareness and provide education on mobile banking in order to raise confidence levels among the public. We would also like to point out that there is currently a lack of regulatory protection for customers in the event of e-payment losses as well as a need for more clarity in handling e-payment disputes.

At OCBC we have been actively positioning our business in tandem with the direction of the FSB and are excited over the benefits that are set to accrue from these initiatives.

**On SME positioning**

In an effort to facilitate the movement of SMEs to higher value activities apart from via bank financing, the blueprint is calling for venture capitalists and equity/quasi-equity financing under the risk and profit sharing model that provides capital for investment into knowledge intensive and innovative activities. This is a positive move indeed.

Another welcome move is to expand the distribution and reach of banking services to SMEs especially in rural areas. The proposition of agent banking under the blueprint is a step in the right direction towards financial inclusiveness in order to enhance the reach to SMEs.

There are agent banking models today that have been deployed with varying degrees of success in countries in Latin America, for example. There is also a retail branch franchise model operating in Australia. These models would facilitate the lowering of costs in distributing banking products while providing a higher level of service compared to simply a self service e-Pos machine or kiosk. For this to take off in Malaysia we will need to duly address and manage credit risks and compliance requirements.

### **On Local & Regional Currency payment arrangements**

The blueprint is timely also because regional trade contributes significantly to Malaysia's growth prospects. And the continued commitment to expand the use of local and regional currency payment arrangements will help to further boost intra-regional trade.

Our total trade to GDP for the period October 2010 - September 2011 stands at 190% and our total regional trade accounts for two-thirds of our total trade amount during the same period. This move allows local companies to manage their foreign currency risk exposure better and reduce transaction costs for cross border trades and investments.

Given the volatile nature of the foreign exchange market and the tendency for Asian currencies to move in a similar trend, expanding the use of local and regional currency payment arrangements will help to reduce foreign exchange risks stemming from currency mismatches.

In 2010, BNM had for the first time allowed Malaysian companies to make settlement in MYR via a non-resident External Account onshore; and, in 2009, China started to use RMB for settlement of cross border trade including that with Malaysia. At OCBC, one of our focuses has been in building the RMB business as we expect bilateral trade volumes to surge further amidst the huge growth potential in China which accounts for 12.8% of Malaysia's total trade. In 2009 we launched the RMB FX settlement services and have actively promoted the use of this currency.

### **On the FX market**

The blueprint allows financial institutions to offer internet and electronic trading platforms for corporate and retail customers to trade in Foreign Currency including margin trading. We applaud the government's continued thrust to liberalise the FX market.

Ultimately this move will also deepen and broaden the local FX market. OCBC Ltd Singapore and its regional branches are already offering this service and we can expand this service into Malaysia. As this is a capital intensive investment and requires 24 hour servicing, banks must be prepared to invest in the systems and talent and also ensure proper controls are in place.

### **Conclusion**

The FSB's proposition to propel the financial industry is both emphatic and imperative, given the widespread credit crunch that has seized the previously strong financial markets. The proposal to go beyond traditional bank financing for alternative business financing avenues balanced with a vibrant risk capital ecosystem will equip the economy with the necessary resource allocation for productivity and efficiency.

The FSB will position Malaysia as a test bed for modern digital banking, leveraging on e-channels, and cross-border activities to intensify our regional presence and global outreach in international trade, financial intermediation and markets.

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### **About OCBC Bank**

OCBC Bank is the longest established Singapore bank, formed in 1932 from the merger of three local banks, the oldest of which was founded in 1912. It is now the second largest financial services group in Southeast Asia by assets and one of the world's most highly-rated banks, with an Aa1 rating from Moody's. It is also ranked by Bloomberg Markets as the world's strongest bank.

OCBC Bank and its subsidiaries offer a broad array of specialist financial services, ranging from consumer, corporate, investment, private and transaction banking to treasury, insurance, asset management and stockbroking services.

OCBC Bank's key markets are Singapore, Malaysia, Indonesia and Greater China. It has a network of over 500 branches and representative offices in 15 countries and territories, including more than 400 branches and offices in Indonesia that are operated by its subsidiary, Bank OCBC NISP.

OCBC Bank's insurance subsidiary, Great Eastern Holdings, is the largest insurance group in Singapore and Malaysia by assets. Its asset management subsidiary, Lion Global Investors, is one of the largest private sector asset management companies in Southeast Asia. Private banking services are provided by subsidiary Bank of Singapore, which has been ranked among the top three private banks in Singapore.

OCBC Bank offers Islamic banking products and services in Malaysia through its wholly-owned subsidiary, OCBC Al-Amin Bank Berhad.

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