

CHAPTER 6 CONCLUSION

In brief, the financial sector has played a significant role in the growth and development of the Malaysian economy over the period of 1970-2000. It is projected that the total saving to be mobilized and investment spending by 2010 will be much larger than its size in 2000. This indicates the greater role of financial system in mobilizing fund.

Besides that, market globalization would be another challenge to domestic financial intermediaries as it creates a greater international competition. The future financial intermediation needs could be addressed according to five broad areas, i.e. the regulatory and supervisory framework, the institutional and structural development, the technological advancement, product innovation and human resource development.

The unveiling of both master plans reflected the efforts of the regulators to meet the future financial intermediation needs. They could provide the broad direction for the financial institutions and financial market participants to strive for higher competitiveness in alignment with international standard, and to increase the efficiency conduit for the mobilization and allocation of funds.

As overall, the FSMP's main focus is further development of the supervisory framework, further consolidation of the industry and promotion of islamic banking and the venture capital industry. In addition, it also contains recommendations on the improvement of consumer protection and the intensification of R & D efforts.

As for CMP, its strength lies in the presentation of the recommendations and the implementation timeframe as well as the sequencing of recommendations. Besides that, the master plan concentrates on further strengthening of the regulatory framework, i.e. shifting from merit-based regulation towards a disclosure-based regulatory framework. In addition, the overlaps of rules implementation are well addressed in CMP. Other recommendations such as awareness and education programme are appropriate to promote investor protection.

However, there are several salient weaknesses in both plans. In FSMP, the descriptions for most of the recommendations are too brief, lacking information on the strategies that would be useful for the achievements of the objectives of the master plan. Furthermore, the concern about data security, the enforcement of ethical business practices and the overlap problems in rules implementation are amongst the issues that are not adequately presented in the blueprint. With regard to CMP, the timeframe for certain recommendations are relatively tight, and the R & D efforts in relation to product innovation are insufficient. Besides that, both master plans are weak in presenting the linkages between BNM and SC for the implementation of the master plans.

In view of the interconnection between the FSMP and CMP, both BNM and SC should further co-operate in providing training programmes, developing an integrated payment system, and sharing resources in R & D activities. In addition, the regulators should also study together the possibility of consolidating certain laws and regulations, and solving problems raised from the overlapping of the functions of different authorities.