APPENDIX A

Table A.1

Changes In The Financial Sector Policies, 1973-1996

Country	Start of Liberalization	Liberalized Financial sector	Credit Controls	Interest Rates	Entry Barriers	International Capital Flows
United States	1982	1973-1996	Savings and loans (S&Ls) Institutions deregulated in 1982.	Regulation Q suspended in 1982.	Foreign banks brought within federal regulatory framework in 1978. Interstate banking regulations eased in 1995, but restrictions remained.	Limited controls imposed in the 1960s, abolished in 1974.
Japan	1979	1993-1996	Window guidance discontinued in 1991. Special treatment for priority industries largely phased out by the 1990s.	Interest-rate deregulation began in 1979. Interest rates on most fixed-term deposits eliminated by 1993. Non-time-deposits rates freed in 1994. Lending rate markets determined in the 1990s.	Bank specialization requirements significantly reduced by 1993. Foreign trust banks and securities companies allowed since the mid-1980s.	Controls on capital inflows eased after 1979. Controls on capital outflows eased in the mid-1980s. Foreign-exchange restrictions eased in 1980. Remaining restrictions on cross-border transactions removed in 1995.
United Kingdom	1981	1973-1996	Supplementary special deposits scheme discontinued in 1980. Reserve-asset ratio abolished in 1981 and replaced by a universal 0.5% liquidity requirement.	Bank of England's minimum lending rate not published after 1981. Government withdrew guidance on mortgage lending in 1986.	Banks were allowed to compete with building societies for housing finance after 1981. Building societies allowed to expand their lending business after 1986. All remaining controls on hire purchase agreements eliminated in 1982. Fixed commissions on trading in government securities abolished in 1984. London stock exchange fully deregulated in 1986.	All remaining controls on foreign-exchange purchase eliminated in 1979.

Country	Start of Liberali-zation	Liberalized Financial sector	Credit Controls	Interest Rates	Entry Barriers	International Capital Flows
France	1984	1985-1996	Subsidized loans for exports, investments, and housing and to local authorities slowly phased out in the 1980s and 1990s but not eliminated.	Interest rates (except those on subsidized loan) freed in 1984. Subsidized loans, subject to uniform interest ceiling, now available to all banks.	Financial institutions are highly specialized until mid-1980s. Universal banks permitted after 1984. Unequal advantages still available to public sector banks.	Capital flow in and out of the country largely liberalized over 1986-1988. Liberalization completed in 1990.
Germany	1980	1973-1996	In 1996, non-interest bearing minimum reserve requirements stood at 12.1% for demand deposits and at less than 5% for time and savings deposits.	Interest rates freely market determined over entire period.	German banks are allowed to enter directly or indirectly into all financial services over the entire period. Foreign banks are also permitted. New instruments slowly introduced since the 1980s. Stock market regulation eased in 1980s. Money market funds permitted in 1994.	Most capital controls dismantled in 1973.
Indonesia	1983	1989-1996	System of bank credit allocation phased out since 1983. Banks required to allocate 20% of loans to small business after 1990. Reserve requirements lowered to 2% of deposits in 1988. Banks must extend 80% of foreign currency lending to exporters.	Most loan and deposits were freed in 1983. Some liquidity arrangement for priority sectors remained in place until 1988. Central-bank guidance eliminated in 1991.	The monopoly of state owned banks over the deposits of state-owned enterprises removed in 1988. Activities of financial institutions broadened in 1988. New foreign banks allowed to establish joint ventures in 1988.	Most transactions on the capital account are liberalized in 1971. Some restrictions on inflows remain. The regulation requiring exporters to sell their foreign-exchange earnings to banks abolished in 1982. Foreign direct investment regulations eased further in 1992.
Malaysia	1978	1992-1996	50% of net lending required to go to priority sectors in 1975. However, the scope of priority lending reduced in the 1980s. Extension of bank credit below the cost of funds eliminated in the 1980s.	Initially liberalized in 1978. Controls re-imposed in mid-1980s and completely eliminated in 1991.	No new license for foreign banks since 1973. Some foreign participation in joint ventures permitted recently. Local bank activities broadened in 1990s, but no new commercial banks allowed since early 1980s. Foreign currency accounts in selected local banks permitted in 1994.	Capital account mostly liberalized in the 1970s. Inward foreign direct and portfolio investment deregulated further in the mid-1980s. Controls on short-term and portfolio inflows temporarily re-imposed in 1994.

Country	Start of Liberali-zation	Liberalized Financial sector	Credit Controls	Interest Rates	Entry Barriers	International Capital Flows
Korea	1983		Targeted lending switched from heavy and chemical industries to small and medium-size firms in 1980s. Most policy-based lending phased out by 1996. However large banks are still subject to moral suasion.	A series of decontrol measures adopted in the 1980s and later abandoned. All interest rates were de-regulated by 1995, except demand deposits and government supported lending.	Branching of domestic financial institutions liberalized in 1986. Entry of non-bank financial institutions permitted in 1982. Limited foreign joint ventures permitted since 1983.	Controls on foreign borrowing under US$200,000 with maturity of less than three years eased in 1979. Restriction on foreign borrowing under US$1 million eased in 1982. Controls on outward and inward foreign investment gradually eased since 1985. Significant restrictions on inward investment in place until 1998.
Thailand	1985	1992-1996	Government gradually eliminated directed credit after 1980.	Interest rate ceilings on all types of deposits abolished in 1990. Ceiling on loan rates removed in 1992.	Foreign banks permitted with approval in 1990. Branching requirements for domestic banks loosened in 1986. Finance and securities companies permitted to set up banks outside Bangkok with approval in 1995. Scope of financial instruments for all financial institutions widened in 1992.	Restrictions on inward long-term investment eased in the mid-80s. Controls on short-term flows and outward investment eased in the 1990s. The reserve requirement on short-term foreign borrowings is 7%.

Source: A Survey Of Financial Liberalization – John Williamson And Molly Mahar (1998); IMF working paper – Robert Dekle And Mahmood Pradhan (1997).

Table A.2

Primary Instruments Of Monetary Policy

Country	Credit Ceilings	Reserve / Liquid Asset Requirements	Discount Rate	Open Market Operation	Foreign Exchange Market Operations	Moral Suasion
United States		✔	✔	✔		
Japan	✔	✔	✔	✔		
United Kingdom		✔	✔	✔		
Germany	✔	✔	✔	✔		
Indonesia		✔	✔	✔		✔
Malaysia	✔	✔		✔		✔
Korea			✔	✔		✔
Thailand			✔			✔
Singapore				✔	✔	

Source: Bank Of International Settlement; Policy Papers Number 3, 1998.

Table A.3

Monetary Policy Strategies In Selected Countries

Country	Intermediate And Short-Term Operating Target
United States	Eclectic targeting strategies, based on broad range of indicators
Japan	Eclectic targeting strategies, based on broad range of indicators
United Kingdom	Inflation targeting
France	Twin pillar strategy which include both monetary and inflation targeting
Germany	Monetary targeting strategy
Indonesia	Short term interest rate targeting; however continues to monitor monetary aggregate
Malaysia	Short term interest rate targeting; however continues to monitor broad monetary aggregate
Korea	Inflation targeting strategy; however continues to monitor monetary aggregates.
Thailand	Short term interest rate targeting; however continues to monitor monetary and credit aggregates
Singapore	Exchange rate targeting strategies

Source: The Central Bank And The Financial System In Malaysia – A Decade Of Change; Bank Negara Malaysia, 1999; Sequencing Financial Sector Reforms – Country Experiences And Issues, Barrry Johnston And Odd Brekk, IMF 1999.

APPENDIX B

Table B.1

Monetary Aggregates : M1, M2 And M3 – December 1999

		Total (RM Million)
Currency in Circulation	24872.8	
Demand Deposits	47445.4	
M1		**72318.2**
Savings Deposits	34328.4	
Fixed Deposits	194126.7	
NIDs	8088.7	
Repos	15154.1	
Foreign Currency Deposits	6892.1	
Narrow Quasi Money		**258590.0**
M2		**330908.2**
Deposit Placed with Other Banking Institutions		**103648.1**
M3		**434556.3**

Source: Bank Negara Monthly Statistical Bulletin

Table B.2

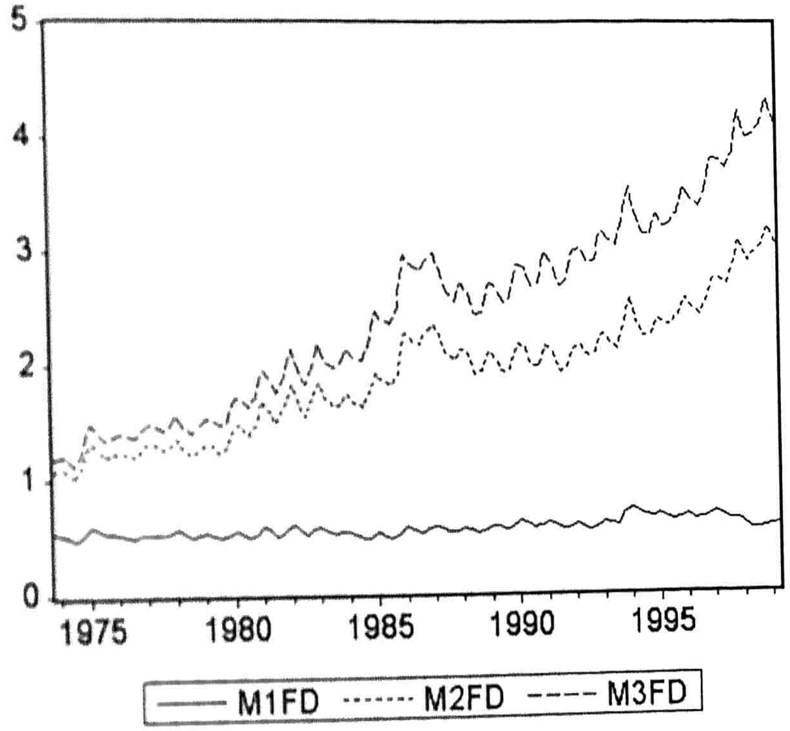
Broad Money M3 – December 1999

		Total (RM Million)
Currency in Circulation	23977.7	
Demand Deposits	48898.7	
Transaction Balances		**72876.4**
Savings Deposits	40450.5	
Fixed Deposits	289884.2	
NIDs	5769.1	
Repos	18680.2	
Foreign Currency Deposits	6895.9	
Broad Quasi Money		**361679.9**
Total Broad Money M3		**435556.3**

Source: Bank Negara Monthly Statistical Bulletin

Graph B.1

Financial Deepening



Graph B.2

Velocities Of Monetary Aggregates