The Parliament of Malaysia passed the new Central Bank of Malaysia Act 2009 (the Act) in July 2009. The Act received royal assent on 19 August 2009 and was later gazetted on 3 September 2009. Officially, the Act came into force on 25 November 2009.

As highlighted in a press release issued by Bank Negara Malaysia (BNM) – Malaysia’s Central Bank – on 25 November 2009 with regard to the enforcement of the Act, the legislation provides greater clarity on BNM’s mandate and vests it with the necessary powers and instruments to achieve this mandate. In addition, the Act offers a more robust governance framework that provides for a high degree of accountability and transparency. Furthermore, the Act institutionalises the good practices that have been put in place over the recent decade which have proven to be important in enhancing the function and effectiveness of BNM.

Recognition of a dual financial system in Malaysia

It is interesting to note that the Act also explicitly acknowledges the dual financial system in Malaysia, which was not mentioned anywhere in the Central Bank of Malaysia Ordinance 1958 (Act 519). Section 27 of the Act clearly states that the “financial system in Malaysia shall consist of the conventional financial system and the Islamic financial system.”

This is seen as a clear recognition by the Government of Malaysia of the rapid development of Islamic banking and finance in Malaysia alongside conventional banking. This is also consistent with the goal by the Government to promote Malaysia as an international centre for Islamic finance globally.

Enhancement of the roles and functions of the Shariah Advisory Council

The roles and functions of the Shariah Advisory Council of the Central Bank of Malaysia (SAC) have been enhanced and rede-