

Central Bank
Of Malaysia
Ordinance, 1958

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Central Bank
Of Malaysia
Ordinance, 1958

(No. 61 of 1958)

INCORPORATING ALL AMENDMENTS
UP TO
31ST JULY, 1982.



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CENTRAL BANK OF MALAYSIA ORDINANCE, 1958

(F.M. No. 61 of 1958)

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List of Amendments

Amended by	Provisions amended
Act 27/1960	Sections 1, 29.
Act 33/1963	Section 30.
L.N. 230/1963	"Central Bank of Malaysia" substituted for "Central Bank of Malaya".
Act 16/1965	Sections 2, 6, 8, 9, 10, 13, 15, 18 -21, 27A (new), 28, 30, 31, 36, 37, 40, 49A (new), 50, 51, 53; and the Ordinance extended to apply throughout Malaysia.
Act 61/1966	Sections 19, 21, 28, 30.
Act 47/1967	Section 50.
Act 19/1968	Sections 13, 37, 44.
P.U. (A) 394/1970	Section 9.
P.U. (B) 324/1970	Section 10.
Act A18	Sections 28, 30.
Act A67	Section 9.
Act A68	Section 24.
Act 102	Sections 2, 11, 30, 42.
Act A189	Sections 2, 29, 30, 31, 36, 37, 40, 41, 42, 43, 44, 51, 51A (new).
Act 160	Section 18 and throughout the Ordinance "ringgit" substituted for "Malaysian dollar", "Malaysian dollars", "dollar" and "dollars", and "sen" substituted for "cents".
Act A298	Sections 27A, 30, 31, 37, 50.
Act A378	Section 30.
Act A407	Section 6.
Act A454	References in the Ordinance to "borrowing company", and its grammatical variations modified to read "finance company".
Act A529	Sections 2, 30, 31, 33, 37, 39, 41.
Act 276/83	Sections 2, 37, 41, 42, 51

CENTRAL BANK OF MALAYSIA ORDINANCE, 1958

(F.M. No. 61 of 1958)

An Ordinance to provide for the establishment, administration, powers and duties of a Central Bank of Malaysia.

[Part III and s. 30 (1) (a) - 12th June, 1967;
Remainder - 25th January, 1959*.]

IT IS HEREBY ENACTED by the Yang di-Pertuan Agong with the advice and consent of the Legislative Council as follows:

PART I
PRELIMINARY

1. Short title and commencement.

This Ordinance may be cited as the Central Bank of Malaysia Ordinance, 1958, and shall come into force on such date as the Minister may by notification in the Gazette^{*} appoint, and the Minister may appoint different dates for the coming into force of different provisions thereof.

Provided that Part III shall not be brought into force until such time as the Currency Ordinance, 1951, shall either have been repealed or have been so amended as to terminate the powers of the Board of Commissioners of Currency, Malaya and British Borneo as the sole authority for the issue of legal tender currency in the Federation.^{**}

2. Interpretation.

In this Ordinance, unless the context otherwise requires —
"bank" means a bank licensed under the Banking Act, 1973;
"Bank" or "Central Bank" means the Central Bank of Malaysia established by section 3;

"Board" means the Board of Directors of the Central Bank;

"Deputy Governor" means the Deputy Governor of the Central Bank;

"investment account liabilities" in relation to an Islamic bank means the deposit liabilities at that bank in respect of funds placed by a depositor with that bank for a fixed period of time under an agreement to share the profits or losses of that bank on the investment of such funds;

"Islamic bank" means a bank licensed under the Islamic Banking Act 1983;^{**} and

or withdrawal of monies;

*See I.N. 12/1959 and P.U. 241/1967.

^{**}The Board ceased to issue currency notes and coins in the territory of Malaya w.e.f. 12.6.1967, and from 16.1.1969 the notes and coins of the Board ceased to be legal tender in Malaya. See F.G.N. 4152 of 29.8.1968

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“Deputy Governor” means the Deputy Governor of the Central Bank;

“director” means a director appointed under section 10, and includes the Governor or Deputy Governor;

“Governor” means the Governor of the Central Bank;

“Minister” means the Minister charged with the responsibility for finance;

and in relation to an Islamic bank means deposit liabilities at that bank other than savings account, investment account, sight and time liabilities and deposit liabilities from another bank or the Central Bank; *A 276/83*
or withdrawal of monies;

*See L.N. 12/1959 and P.U. 241/1967.

[†]The Board ceased to issue currency notes and coins in the territory of Malaysia w.e.f. 12.6.1967, and from 16.1.1969 the notes and coins of the Board ceased to be legal tender in Malaysia. See F.G.N. 4152 of 29.8.1968

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“other deposit liabilities” in relation to a bank means deposit liabilities at that bank other than savings account, sight and time liabilities and deposit liabilities from another bank or the Central Bank; *A 276/83*

“savings account liabilities” in relation to a bank means the total deposits at that bank which normally require the presentation of passbooks or such other documents in lieu of passbooks as approved by the Central Bank for the deposit or withdrawal of monies;

*See L.N. 12/1959 and P.U. 241/1967.

[†]The Board ceased to issue currency notes and coins in the territory of Malaysia w.e.f. 12.6.1967, and from 16.1.1969 the notes and coins of the Board ceased to be legal tender in Malaysia. See F.G.N. 4152 of 29.8.1968

"sight liabilities" in relation to a bank means the total deposits at that bank which are repayable on demand, but does not include savings account liabilities or the deposits of any other bank or of the Central Bank at that bank;

"time liabilities" in relation to a bank means the total deposits at that bank which are repayable otherwise than on demand, but does not include savings account liabilities or the deposits of any other bank or of the Central Bank at that bank.

PART II

ESTABLISHMENT, CAPITAL AND ADMINISTRATION OF THE BANK

3. Establishment of Bank.

There shall be established a bank, to be called "Bank Negara Malaysia" or, in English, "Central Bank of Malaysia", which shall be a body corporate and shall have perpetual succession and a common seal and may sue and be sued in its own name.

4. Principal objects of Bank.

The principal objects of the Bank shall be —

- (a) to issue currency in the Federation and to keep reserves safeguarding the value of the currency;
- (b) to act as a banker and a financial adviser to the Government;
- (c) to promote monetary stability and a sound financial structure; and
- (d) to influence the credit situation to the advantage of the Federation.

5. Offices of the Bank.

(1) The Bank shall have its Head Office in Kuala Lumpur.

(2) The Bank may open branches and appoint agents and correspondents within and without the Federation.

6. Capital.

(1) The authorized capital of the Bank shall be two hundred million ringgit.

(2) Twenty million ringgit of the authorized capital shall be subscribed and paid up by the Government on the establishment of the Bank.

(3) The paid up portion of the authorized capital may be increased by such amount as the Minister may approve from time to time and the Government shall subscribe and pay the amount of the increase to the Bank:

Provided that the payment of the increase in capital may be made by way of such transfers from the General Reserve Fund as the Minister may from time to time approve.

7. General Reserve Fund.

(1) There shall be a General Reserve Fund of the Bank.

(2) At the end of each financial year the net profit of the Bank for that year shall be determined after allowing for the expenses of operation and after

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provision has been made for bad and doubtful debts, depreciation in assets, contributions to staff and pension funds and such other contingencies as are usually provided for by banks.

(3) The net profit of the Bank shall be dealt with as follows:

(a) such amount as the Minister, after consultation with the Board, so determines shall be placed to the credit of the General Reserve Fund; and

(b) the remainder shall be paid to the Government:

Provided that —

(i) in the case of any year at the end of which the General Reserve Fund is less than half the paid up capital of the Bank, the whole of the net profit shall be credited to the General Reserve Fund; and

(ii) in the case of any year at the end of which the General Reserve Fund is not less than half the paid up capital of the Bank but less than twice the paid up capital of the Bank, not less than thirty per centum of the net profit shall be credited to the General Reserve Fund.

8. Board of Directors.

(1) There shall be a Board of Directors constituted as provided in this section, which shall be responsible for the policy and general administration of the affairs and business of the Bank.

(2) The Board of Directors of the Bank shall consist of —

- (a) the Governor;
- (b) the Deputy Governor; and
- (c) not less than five but not more than eight directors appointed under section 10.

(3) The Governor or, during any period of his absence or inability to act from illness or any other cause, the Deputy Governor, shall be entrusted with the day-to-day administration of the Bank, and may, subject as is expressly stated in this Ordinance, give decisions and exercise all powers and do all acts which may be exercised or done by the Bank.

(4) The Governor and the Deputy Governor shall be answerable to the Board for their acts and decisions.

(5) In the event of the absence or inability to act of the Governor or Deputy Governor during his term of office the Minister may appoint a person to discharge the duties of such office during the period of such absence or inability; and while so acting the person so appointed by the Minister shall act as an ex-officio member of the Board.

9. Governor and Deputy Governor.

(1) The Governor and Deputy Governor shall be appointed by the Yang di-Pertuan Agong.

(2) The Governor and Deputy Governor shall each be appointed for a term not exceeding five years and shall be eligible for reappointment.

(3) The Governor and Deputy Governor shall devote the whole of their professional time to the service of the Bank and while holding office shall not occupy any other office or employment whether remunerated or not:

Provided that they may if so appointed with the approval of the Minister –

- (a) act as members of any committee or commission appointed by the Government to enquire into any matter affecting currency, banking, economic or financial matters in the Federation;
- (b) become directors, governors or members of the board, by whatever name called, of any international bank or international monetary authority to which the Government shall have adhered or given support or approval;
- (c) become directors of any corporation in the Federation in which the Bank may participate under paragraph (j) of subsection (1) of section 30;
- (d) become directors or members of the board of management, by whatever name called, of any statutory authority or of any company as defined in subsection (1) of section 4 of the Companies Act, 1965.

(4) The Governor and Deputy Governor shall be appointed on such terms and conditions as may be provided for in their respective letters of appointment.

10. Appointment of directors.

(1) The directors referred to in paragraph (c) of subsection (2) of section 8 shall be appointed by the Yang di-Pertuan Agong.

(2) The directors appointed under subsection (1) shall be persons of standing and experience in affairs, and as directors of the Bank shall not act as delegates on the Board from any commercial, financial, agricultural, industrial or other interests with which they may be connected:

Provided that the said prohibition shall not extend to any director holding or for the time being acting in the office of Secretary General to the Treasury or Deputy Secretary General to the Treasury.

(3) A director appointed under subsection (1) shall hold office for a term not exceeding three years and shall be eligible for reappointment.

(4) The directors appointed under subsection (1) shall be paid by the Bank such remuneration and allowances as may be prescribed by the Minister.

11. Disqualification of directors.

(1) No person shall be appointed or shall remain as Governor, Deputy Governor or other director of the Bank who –

- (a) is or becomes a member of the Senate or House of Representatives or any Legislative Assembly;
- (b) is a director or salaried official of any bank licensed under the provisions of the Banking Act, 1973;
- (c) holds a whole-time office in any of the public services:

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Provided that one of the directors appointed under the provisions of section 10 may be the person holding the office of Secretary General to the Treasury or Deputy Secretary General to the Treasury, and notwithstanding the provisions of subsection (3) of section 10 any director so appointed shall remain a member of the Board for so long as he holds the office of Secretary General to the Treasury or Deputy Secretary General to the Treasury, as the case may be, or for such lesser time as may be provided in his letter of appointment.

(2) The Yang di-Pertuan Agong may terminate the appointment of the Governor, Deputy Governor, or any other director if he –

- (a) resigns his office;
- (b) becomes of unsound mind or incapable of carrying out his duties;
- (c) becomes bankrupt or suspends payment or compounds with his creditors;
- (d) is convicted by a court of law in the Federation of an offence and sentenced to imprisonment for a term of not less than two years, or of any offence involving dishonesty, and has not received a free pardon;
- (e) is guilty of serious misconduct in relation to his duties;
- (f) is absent, except on leave granted by the Minister from all meetings of the Board held during two consecutive months or during any three months in any period of twelve months;
- (g) fails to comply with his obligations under section 14.

12. Vacancies in the office of Governor or Deputy Governor or of another director.

If the Governor or the Deputy Governor or any other director dies or resigns or otherwise vacates his office before the expiry of the term for which he has been appointed another person may be appointed by the Yang di-Pertuan Agong for the unexpired period of the term of office of the person in whose place he is appointed.

13. Meetings and acts of the Board.

(1) The Governor, or in his absence the Deputy Governor, shall be the chairman of the Board.

(2) The chairman of the Board shall summon meetings as often as may be required but not less frequently than once in each month.

(3) At every meeting of the Board a quorum shall consist of four directors, and decisions shall be adopted by a simple majority of the votes of the directors present and voting.

Provided that in the case of an equality of votes, the chairman shall have a casting vote.

14. Director's interest in contract to be made known.

(1) A director who is directly or indirectly interested in a contract made, or proposed to be made, by the Bank shall disclose the nature of his interest at the first meeting of the Board at which he is present after the relevant facts have come to his knowledge.

(2) A disclosure under subsection (1) shall be recorded in the minutes of the Board and, after the disclosure, the director—

- (a) shall not take part in any deliberation or decision of the Board with respect to that contract; and
- (b) shall be disregarded for the purpose of constituting a quorum of the Board for any such deliberation or decision.

(3) No act or proceeding of the Board shall be questioned on the ground of the contravention by a member of the Board of the provisions of this section.

15. Officers and employees of the Bank.

(1) The Bank may appoint such officers and employees as it considers to be necessary for the efficient conduct of the business of the Bank.

(2) Officers and employees of the Bank shall hold office for such period or periods, receive such salaries and allowances, and be subject to such other terms and conditions of service as may be determined by the Board.

(3) The Bank may, with the approval of the Minister, out of the funds of the Bank establish and maintain a pension and provident fund for its officers and employees and their dependants.

In this subsection, the expression "officers" includes the Governor and Deputy Governor.

(4) Where officers or employees of the Bank have been seconded or transferred to the service of the Bank from or have previously been in the service of the Federal or a State Government or other public authority approved by the Board, the appointments of those officers or employees shall, subject to the provisions of any Federal or State law, be made in accordance with such arrangements as to pensions and allowance for previous service as the Board may determine.

16. Preservation of secrecy.

Except for the purpose of the performance of his duties or the exercise of his functions or when lawfully required to do so by any court or under the provisions of any law, no director, officer, or employee of the Bank, shall disclose to any person any information relating to the affairs of the Central Bank or of a bank or of a customer of the Central Bank or of a bank which he has acquired in the performance of his duties or the exercise of his functions.

17. Remuneration not to be related to profits.

No salary, fee, wage, or other remuneration, or allowance, paid by the Bank shall be computed by reference to the profits of the Bank.

PART III CURRENCY

18. Unit of currency.

(1) The unit of currency in the Federation shall be the ringgit which shall be divided into one hundred sen.

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(2) Upon the coming into force of this section, every contract, sale, payment bill, note, instrument and security for money and every transaction, dealing, matter and thing whatsoever relating to money or involving the payment of, or the liability to pay, any money which but for this subsection would have been deemed to be made, executed, entered into, done and had for, in and in relation to Malaysian dollars shall be deemed instead to be made, executed, entered into, done and had for, in and in relation to ringgit.

19. Parity.

(1) The parity of the ringgit shall be determined by the Minister on the recommendation of the Bank in terms either of the currency or currencies of other members of the International Monetary Fund, the Special Drawing Right, the common denominator prescribed by the International Monetary Fund under paragraph 1 of Schedule C to the Articles of Agreement of the International Monetary Fund, or any other denominator consistent with the obligations of Malaysia under Article IV and Schedule C to the Articles of Agreement of the International Monetary Fund:

Provided that if and when the Bank notifies the International Monetary Fund of the parity of the ringgit upon the International Monetary Fund deciding under the Articles of Agreement to introduce a widespread system of exchange arrangements based on stable but adjustable par values, such parity shall be published in the *Gazette* and shall take effect accordingly.

(2) The parity of the Malaysian ringgit may be changed to such an extent as the Minister on the recommendation of the Bank may determine.

(3) Any change under subsection (2) shall be published in the *Gazette* and shall take effect accordingly in substitution of the parity gazetted under subsection (1).

(4) Notwithstanding subsection (1), the Minister may decide on the recommendation of the Bank that it is necessary and expedient for Malaysia not to determine a parity for the ringgit, but instead to apply any exchange arrangement for the ringgit that is not inconsistent with the Articles of Agreement of the International Monetary Fund, including, but not limited to, the severing of the parity of the ringgit to any currency or currencies or any denominator.

20. Right to issue bank notes and coin.

The Bank shall have the sole right of issuing notes and coin throughout the Federation and neither the Government nor the Government of any State nor any public authority, bank, other institution or persons shall issue currency notes, bank notes or coin or any documents or tokens payable to bearer on demand being documental tokens which, in the opinion of the Bank, are likely to pass as legal tender.

21. Power to buy and sell Malaysian currency.

The Bank shall at its discretion buy and sell Malaysian currency against gold or other currency eligible for inclusion in the reserve of external assets specified under section 28:

Provided that the rate of exchange quoted for any such transaction shall be consistent with the Articles of Agreement of the International Monetary Fund.

22. Printing of notes, minting of coins and issue of notes and coins.

The Bank shall —

- (a) arrange for the printing of notes and the minting of coins;
- (b) issue, re-issue and exchange notes and coins at the Bank's offices and at such agencies as the Bank may, from time to time, establish or appoint;
- (c) arrange for the safe custody of unissued stocks of currency and for the preparation, safe custody and destruction of plates and paper for the printing of notes and of dies for the minting of coins.

23. Denominations and forms of notes and coins.

(1) Notes and coins issued by the Bank —

- (a) shall be in such denominations of the ringgit or fractions thereof as shall be approved by the Minister on the recommendation of the Bank;
- (b) shall be of such forms and designs and bear such devices as shall be approved by the Minister on the recommendation of the Bank.

(2) The standard weight and composition of coins issued by the Bank and the amount of remedy and variation shall be determined by the Minister on the recommendation of the Bank.

24. Legal tender.

(1) Notes issued by the Bank shall be legal tender in the Federation at their face value for the payment of any amount.

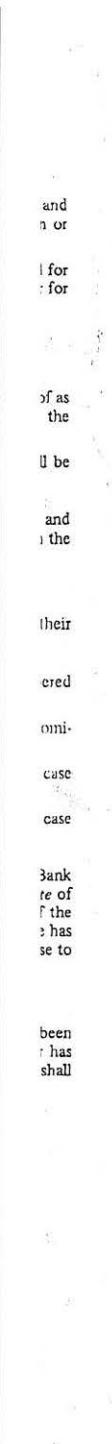
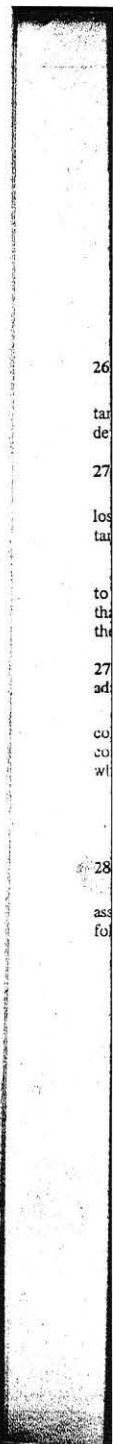
(2) Coins issued by the Bank shall, if such coins have not been tampered with, be legal tender in the Federation at their face value —

- (a) for the payment of any amount in the case of coins of the denomination exceeding one ringgit;
- (b) for the payment of an amount not exceeding ten ringgit in the case of coins of the denomination of fifty sen and one ringgit; and
- (c) for the payment of an amount not exceeding two ringgit in the case of coins of the denomination of less than fifty sen.

(3) Notwithstanding the provisions of subsections (1) and (2) the Bank shall have power, on giving not less than three months' notice in the *Gazette* of its intention to do so, to call in any of its notes and coins on payment of the face value thereof; and any such notes or coins with respect to which notice has been given under this subsection shall, on the expiration of the notice, cease to be legal tender.

25. Coins tampered with.

A coin shall be deemed to have been tampered with if the coin has been impaired, diminished or lightened otherwise than by fair wear and tear or has been defaced by stamping, engraving or piercing, whether the coin shall or shall not have been thereby diminished or lightened.



26. Cancellation of coin.

Any worn coin or coin which has ceased to be legal tender or which has been tampered with may be called in, cut, broken or destroyed under conditions determined by the Bank.

27. Refund of lost or imperfect notes or coin.

(1) No person shall be entitled to recover from the Bank the value of any lost, stolen, mutilated or imperfect note or coin or any coin that has been tampered with.

(2) The circumstances in which, and the conditions and limitations subject to which, the value of lost, stolen, mutilated or imperfect notes or coins or coins that have been tampered with may be refunded as an act of grace shall be within the absolute discretion of the Bank.

27A. Restriction on the use of photographs, drawing or design of note or coin in advertisements, etc.

Except with the permission of the Bank, no person shall, in any size, scale or colour, use any photograph of or any drawing or design resembling any note or coin or part thereof, in any advertisement or on any merchandise or products which that person manufactures, sells, circulates or otherwise distributes.

PART IV
RESERVE OF EXTERNAL ASSETS

28. Reserve of external assets.

It shall be the duty of the Bank to maintain at all times a reserve of external assets to meet its obligations under this Ordinance, consisting of all or any of the following —

- (a) gold coin or bullion;
- (b) notes, coin, bank balances and money at call in such country or countries as may be approved by the Minister on the recommendation of the Board;
- (c) Treasury bills of such government or governments as may be approved by the Minister on the recommendation of the Board of a maturity not exceeding ninety-three days;
- (d) bill of exchange bearing at least two good signatures and drawn on and payable at such place or places as may be approved by the Minister on the recommendation of the Board and having a maturity not exceeding three months (exclusive of days of grace);
- (e) securities of, or guaranteed, by such government or governments or international financial institutions as may be approved by the Minister on the recommendation of the Board;
- (f) securities purchased under the provision of subsection (1) (oo) (i) of section 30 of this Ordinance;
- (g) any readily available international drawing facility as may be approved by the Minister on the recommendation of the Board.

29. External reserves as proportion of Banks' liabilities.

The aggregate value of the reserve of external assets specified in section 2b shall not be less than such percentage of the Banks' notes and coin in circulation as the Minister may by notice in the *Gazette* declare to correspond to the minimum reserve of external assets which the Board of Commissioners of Currency, Malaya and British Borneo, would have been required to maintain against notes and coin issued by the Commissioners under the Currency Ordinance, 1951, including any amendments thereto in force immediately prior to the coming into effect of Part III:

Provided that the Yang di-Pertuan Agong may by order published in the *Gazette* vary the percentage declared.

PART V

BUSINESS OF THE BANK

30. Authorized business of Bank.

(1) The Bank may —

- (a) issue and redeem notes and coin in accordance with the provisions of Part III;
- (b) issue demand drafts and other kinds of remittances made payable at its own offices and branches or at the offices of agencies or correspondents;
- (bb) (i) issue, with the approval of the Minister, securities in its own name and the issue, holding and sale of such securities shall be subject to such terms and conditions as the Bank may determine at the time of the issue of such securities:
Provided that the total amount of securities so issued shall not at any time exceed three times the total of the Bank's paid-up capital and General Reserve Fund;
- (ii) purchase, sell and redeem securities issued by the Bank pursuant to paragraph (bb) (i) of this subsection;
- (c) purchase, accept on deposit and sell gold coin or bullion;
- (d) accept deposit of money in any currency;
- (e) purchase, sell, discount and rediscount inland bills of exchange and promissory notes arising out of bona fide commercial transactions bearing two or more good signatures and maturing within three months (exclusive of days of grace) from the date of acquisition;
- (f) purchase, sell, discount and rediscount inland bills of exchange and promissory notes bearing two or more good signatures drawn or issued for the purpose of financing seasonal agricultural operations or the marketing of primary produce and maturing within six months (exclusive of days of grace) from the date of acquisition;
- (ff) make advances for the purpose of assisting the growing or marketing of primary produce, to—
 - (i) authorities formed under any written law in the Federation; and
 - (ii) co-operative societies engaged in farming, agricultural, horticultural, pastoral, grazing or fishing operations;

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- (fff) make advances to such public authorities and corporations in which the Government has an interest as the Minister may approve on the recommendation of the Board:

Provided that the total amount of advances so made shall not at any time exceed two-and-one-half times the total of the Bank's paid-up capital and General Reserve Fund;

- (fffff) establish a Special Investment Fund to finance specific projects, wholly or partly, in the public sector and on such terms as may be approved by the Minister on the recommendation of the Board for the purpose of promoting economic development from monies set aside from the reserve held at the Central Bank by banks under section 37 (1) (c), by finance companies under section 37 (c) of the Finance Companies Act, 1969, and by other financial institutions required by the Bank from time to time to hold such reserve:

Provided always that the total amount so set aside for such Special Investment Fund shall be approved by the Minister on the recommendation of the Board and shall not exceed the amount of the General Reserve Fund of the Bank;

- (fffff) allow for a temporary overdrawing by account holders subject to the imposition of such rate of interest on the overdraft as the Bank may deem fit;

- (g) purchase, sell, discount and rediscount Treasury bills of the Government or of the Government of any State authorized to issue Treasury bills;

- (h) purchase and sell securities of the Government or of the Government of any State, or of any public authority maturing in not more than thirty years which have been publicly offered for sale or form part of an issue which is being made to the public at the time of acquisition and any other securities as may be approved by Minister on the recommendation of the Board.

- (i) invest in securities of the Government or of the Government of any State, or of any public authority for any amount, and to mature at any time, on behalf of staff and pension funds and other internal funds of the Bank;

- (j) with the approval of the Minister, acquire, hold and sell shares of any corporation set up with the approval of, or under the authority of, the Government for the purpose of promoting the development of a money market or securities market in the Federation or for the financing of economic development in the Federation:

Provided that the total amount so invested shall not at any time exceed fifty per centum of the General Reserve Fund of the Bank;

- (k) grant advances for fixed periods not exceeding three months against Treasury bills of the Government or of the Government of any State authorized to issue Treasury Bills;

- (l) grant advances for fixed periods not exceeding three months secured by the pledge with the Bank of—

(i) gold coin or bullion;

(ii) securities of the Government or of the Government of any

Act 6.

State, or of any public authority which have been publicly offered for sale and are to mature within a period of thirty years or any other securities as may be approved by the Minister on the recommendation of the Board.

Provided that no such advance so secured shall at any time exceed the market value of the security pledged;

- (iii) such bills of exchange and promissory notes as are eligible for purchase, discount or rediscount by the Bank;
- (iv) warehouse warrants or their equivalent (securing possession of goods), in respect of staple commodities or other goods duly insured and with a letter of hypothecation from the owner:

Provided that no such advance shall exceed sixty per centum of the current market value of the commodities or goods in question;

- (m) purchase and sell currencies, and purchase, sell, discount and rediscount bills of exchange and Treasury bills drawn in or on places outside the Federation and maturing within ninety-three days from the date of acquisition;
- (mm) borrow money, establish credits and give guarantees in any currency, within and without the Federation, on such terms and conditions as it may deem fit;
- (mmm) establish a credit bureau to collect, in such manner as the Bank may think fit, credit information on the customers of banks, finance companies licensed under the Finance Companies Act, 1969, and other financial institutions and to disclose the information so collected in such manner as may be deemed appropriate by the Bank to these institutions:

Provided that the credit information so collected shall be used solely for the purpose of operating the credit bureau and that any information disclosed by the Bank to such institutions shall be secret between the Bank and these institutions;

- (n) maintain accounts with central banks outside the Federation and with other banks within and without the Federation;
- (o) purchase and sell securities of, or guaranteed by, such government or governments or international financial institutions as may be approved by the Minister on the recommendation of the Board;
- (oo)
 - (i) purchase and sell such other securities as may be approved by the Minister on the recommendation of the Board;
 - (ii) pay to the International Monetary Fund the subscriptions in respect of which the Government is responsible under the Bretton Woods Agreements Ordinance, 1957, as amended from time to time, and take to the Bank's own account the payments of the aforesaid subscriptions already made by the Government;
 - (iii) pursuant to paragraph (oo) (ii) of this subsection, create and issue to the International Monetary Fund in such form as is appropriate any such non-interest bearing and non-negotiable notes or other obligations as the International Monetary Fund may under section 4 of Article III of the Articles of Agreement

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of the International Monetary Fund determine to accept in place of any part of the subscription of the Government which would but for such acceptance be payable in Malaysian currency;

(iii) draw from time to time on the compensatory financing facility and other facilities of the International Monetary Fund and upon the request of the Government make available to the Government funds arising from such drawings, which funds the Government is hereby authorised to receive;

(iv) draw from time to time on the buffer stock financing facility of the International Monetary Fund and make available to the Government funds arising from such drawing required for contribution to any buffer stock created under any international commodity agreement to which Malaysia is a signatory; and in the case where such drawing is not available or insufficient to meet the requirement, make available to the Government funds from the Bank's own resources;

(v) create and issue to the International Monetary Fund in such form as is appropriate any such non-negotiable notes or obligations as may be acceptable to the International Monetary Fund in respect of any transactions with the International Monetary Fund;

(vi) exchange, if requested by other members of the International Monetary Fund at the time of purchase, balances of Malaysian currency purchased by other members from the International Monetary Fund, or obtained by other members in exchange for currency purchased from the International Monetary Fund, for freely usable currency (defined in Article XXX (f) of the Articles of Agreement of the International Monetary Fund) selected by the Bank at an exchange rate between the ringgit and that currency as may be consistent with section 7 (a) of Article XIX of the Articles of Agreement of the International Monetary Fund;

(p) act as correspondent, banker or agent for any central bank or other monetary authority and for any international bank or international monetary authority established under governmental auspices;

(q) open accounts for and accept deposits from the Government, State Governments, public authorities, banks, other credit institutions and, with the prior approval of the Minister, other persons in the Federation;

(r) underwrite loans in which it may invest;

(s) undertake the issue and management of loans publicly issued by the Government or the Government of any State or by any public authority;

(t) act as agent of the Government under the Exchange Control Act, *Act 17*, 1953;

(u) accept from customers for custody securities and other articles of value;

- (v) undertake on behalf of customers and correspondents the purchase, sale, collection and payment of securities, currencies and credit instruments within and without the Federation, and the purchase or sale of gold and silver;
- (w) establish bank Clearing Houses in Kuala Lumpur and in such other places as the Bank may consider necessary;
- (ww) participate in schemes undertaken in conjunction with Central Banks or authorities outside the Federation to promote regional and international co-operation in economic and financial research and training;
- (www) with the approval of the Minister, participate on its own behalf or as agent of the Government in schemes undertaken in conjunction with Central Banks or authorities outside the Federation to promote regional and international monetary co-operation;
- (x) do generally all such things as may be commonly done by bankers and are not inconsistent with the exercise of its powers or the discharge of its duties under this Ordinance or under the Banking Act, 1973.

Act 102.

(2) The expression "primary produce" in paragraphs (f) and (ff) of subsection (1) means such goods as the Minister may on the recommendation of the Board prescribe:

Provided that any advance under paragraph (ff) shall not be made for more than one year.

31. Business which Bank may not transact.

The Bank may not—

- (a) engage in trade or otherwise have a direct interest in any commercial, agricultural, industrial or any other undertaking except—
 - (i) as provided in paragraph (j) of subsection (1) of section 30; or
 - (ii) in the course of the satisfaction of debts due to the Bank; provided that any such interest shall be disposed of at the earliest suitable opportunity;
- (b) grant loans upon security of any shares;
- (c) except as provided in paragraphs (j) and (oo) (i) of subsection (1) of section 30, purchase the shares of any corporation, including the shares of any banking company;
- (d) except as provided in section 33, section 42 and section 49, grant unsecured advances or advances secured otherwise than as laid down in paragraphs (ff), (fff), (ffff), (fffff), (k) and (l) of subsection (1) of section 30;

Provided that in the event of any debt due to the Bank becoming in the opinion of the Bank endangered, the Bank may secure such debt on any immovable or movable property of the debtor and may acquire such property, which shall, however, be resold at the earliest suitable moment;

- (e) purchase, acquire or lease immovable property except in accordance with the proviso to paragraph (d) of this section and except so far as

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the Bank shall consider necessary or expedient for the provision or future provision, of business premises for the Bank and its agents and any Clearing Houses established pursuant to paragraph (w) of subsection (1) of section 30 and of residences for the Governor, Deputy Governor, officers and employees and of amenities for the promotion of the welfare of officers and employees;

- (f) draw or accept bills payable otherwise than on demand;
- (g) allow the renewal or substitution of maturing bills of exchange purchased, discounted or rediscounted by or pledged with the Bank;

Provided that in exceptional circumstances the Bank may authorize one renewal or one substitution only in either case of not more than fifty per centum of the original amount of any such bill for a period not exceeding ninety days;

- (h) accept for discount, or as security for an advance made by the Bank, bills or notes signed by members of the Board or by the Bank's officers or employees, except in relation to any loan made by the Bank under section 49.

PART VI RELATIONS WITH THE GOVERNMENT

32. Bank as a banker to the Government.

- (1) The Bank shall act as a banker and a financial agent to the Government.
- (2) Whenever the Bank shall receive and disburse Government moneys it shall keep account thereof without remuneration for such service.
- (3) In any place where the Bank has no branch, it may appoint another bank to act as its agent for the collection and payment of Government moneys.

(4) The Bank may act generally as agent for the Government on such terms and conditions as may be agreed between the Bank and the Government, where the Bank can do so appropriately and consistently with the provisions of this Ordinance and with its duties and functions as a central bank.

33. Temporary advances to the Government.

- (1) The Bank may grant temporary advances to the Government and the Government is hereby authorised to receive such advances in respect of temporary deficiencies of budget revenue at such rate or rates of interest as the Bank may determine.
- (2) The total amount of advances granted under subsection (1) outstanding shall not at any time exceed twelve and a half per centum of the estimated receipts of the Federation shown in the statement laid before the House of Representatives pursuant to Article 99 of the Constitution for the Government's financial year in which the advances are granted.
- (3) All advances granted under subsection (1) shall be repaid as soon as possible and shall in any event be payable not more than three months after the end of the Government's financial year in which they are granted; and if after that date any such advances remain unpaid, the power of the Bank to grant

further such advances in any subsequent financial year shall not be exercisable unless and until the outstanding advances have been repaid.

34. Issues of policy.

(1) The Board shall keep the Minister informed of the monetary and banking policy pursued or intended to be pursued by the Bank.

(2) The Minister may, from time to time, if he disagrees with the Board on the monetary and banking policy pursued or intended to be pursued by the Bank, issue directives to the Board as to the monetary and banking policy to be pursued by the Bank, and any such directive shall become binding on the Board, which shall forthwith take all steps necessary or expedient to give effect thereto.

(3) If the Board objects to any such directive, the Board may submit its objections and the reasons therefor in writing to the Minister, who shall cause the same, together with his directive, to be laid before the House of Representatives.

PART VII RELATIONS WITH THE BANKS

35. Co-operation with other banks.

The Bank shall use its best endeavours in co-operation with other banks in the Federation—

- (a) to promote and maintain banking services for the public;
- (b) to foster high standards of banking in the Federation.

36. (Repealed).

37. Recommendations to banks.

(1) When the Board is satisfied that it is necessary to do so for the purpose of giving effect to the objects of the Bank, the Board may make recommendations to the banks on all or any of the following matters:

- (a) the policy to be followed by banks in relation to the granting of advances and the extension of credit facilities, including the classes of purposes for which advances may or may not be made or credit facilities extended;
- (b) the rates of interest payable to or by banks^{other than Islamic bank}, the rates of discount chargeable by banks, or the rates of commission and other charges payable to banks;^{other than Islamic bank}
- (c) a reserve to be held by each Islamic bank at the Central Bank comprising such amounts expressed as a percentage of each bank's sight, savings account, investment account, time and other deposit liabilities as may be approved by the Minister on the recommendation of the Board, whether denominated in Malaysian or foreign currency.^{other than Islamic bank}

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- (c) a reserve to be held by each bank^{at the Central Bank comprising} such amounts expressed as a percentage of each bank's sight, savings account, time and other deposit liabilities in the Federation and such other liabilities as may be approved by the Minister on the recommendation of the Board, whether denominated in Malaysian or foreign currency.^{other than Islamic bank}

(2) The recommendations made in pursuance of paragraph (c) of subsection (1) may specify different ratios of reserves for different categories of banks. The Board may determine the categories by reference to the size or location of the

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banks or to both, size being measured in relation to the number of branches, any or all categories of assets or liabilities of the bank or any combination thereof.

(3) In respect of paragraph (a) of subsection (1) the Board may, in regard to the advances of each bank or each class of purpose for which these advances are made, specify that a deposit or deposits be placed by each bank with the Central Bank against such advances at such rates of interest payable to the bank as may be determined by the Central Bank.

38. Recommendations to persons or classes of persons (other than banks).

When the Board is satisfied that it is necessary to do so for the purpose of giving effect to the objects of the Bank, the Board may make recommendations to such persons or classes of persons (other than banks) carrying on business in relation to the receipt of money on deposit from members of the public as may be determined by the Minister on the recommendation of the Board in relation to the rates of interest payable to or by, or the rates of discount chargeable by, such persons or classes of persons.

39. Directions to banks or other persons.

(1) When the Board has made a recommendation in accordance with section 37 or 38, the Bank may subsequently, with the approval of the Minister, issue a direction in writing to each bank or person or class of persons on all or any of the matters referred to in such section requiring that effect is given to the recommendation within a reasonable time.

(2) The direction issued under subsection (1) in relation to a reserve to be held by a bank at the Bank may specify different ratios of the reserve for different categories of banks. The Bank may determine the categories by reference to the size or location of the banks or to both, size being measured in relation to the number of branches, any or all categories of assets or liabilities of the bank or any combination thereof.

40. Saving in respect of sections 37 to 39.

Nothing in sections 37 to 39.

- (a) authorizes a recommendation or a prescription to be made or a direction to be given in relation to an advance made or proposed to be made or the extension of credit facilities to a particular person or the rate of interest or rate of discount chargeable to a particular person;
- (b) affects the validity of a transaction entered into in relation to an advance or credit facility or affects the right of a bank to recover money advanced or enforce the security given in respect of money advanced.

41. No discrimination in directions.

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(2) The direction issued under subsection (1) in relation to a reserve to be held by a bank at the Bank may specify different ratios of the reserve for different categories of banks. The Bank may determine the categories by reference to the size or location of the banks or to both, size being measured in relation to the number of branches, any or all categories of assets or liabilities of the bank or any combination thereof.

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- (a) authorizes a recommendation or a prescription to be made or a direction to be given in relation to an advance made or proposed to be made or the extension of credit facilities to a particular person or the rate of interest or rate of discount chargeable to a particular person;

- (b) affects the validity of a transaction entered into in relation to an advance or credit facility or affects the right of a bank to recover money advanced or enforce the security given in respect of money advanced.

41. No discrimination in directions.

The Bank shall not discriminate among banks or groups of banks in any directions issued under section 39 in regard to the policy to be followed by banks in granting advances or the extension of credit facilities or the rates of interest payable to or by banks or the rates of discount chargeable by banks;

Provided that the Bank may prescribe for different categories of banks different proportions of their deposits or of their loans and advances which may be

used for such financing purposes as the Bank may specify. The Bank may determine the categories by reference to the size or location of the banks or to both, size being measured in relation to the number of branches, any or all categories of assets or liabilities of the bank or any combination thereof.

42. Special loans to banks.

The Central Bank may, if it deems such action necessary to safeguard monetary stability, make a loan or advance to a bank carrying on business under the Banking Act, 1973,^{Act 102.} and to a company licensed under the Finance Companies Act, 1969 against such form of security as the Central Bank may consider sufficient.^{Act 6.}

43. Clearing Houses and settlement of balances between banks.

(1) In order to facilitate the clearing of cheques and other credit instruments for banks carrying on business in the Federation the Bank shall, at an appropriate time and in conjunction with banks operating in the Federation, establish a Clearing House in Kuala Lumpur and in such other place or places as the Bank may consider necessary.

(2) A bank shall settle, in such manner as the Central Bank may from time to time specify by notice in writing, all balances between itself and any other bank arising out of the general clearances effected in Kuala Lumpur and such other places as the Central Bank may specify.

44. (Repealed).

PART VIII
GENERAL

45. Bank's financial year.

The financial year of the Bank shall begin on the first day of January and end on the thirty-first day of December of each year.

46. Audit.

The accounts of the Bank shall be audited by the Auditor-General.

47. Return of assets and liabilities.

(1) The Bank shall forthwith after the fifteenth day and after the last day of each month make up and publish a return of its assets and liabilities as at the close of business on such days respectively or, if either of those days is a holiday, then at the close of business on the last business day preceding those days.

(2) A copy of each return made under subsection (1) shall be transmitted to the Minister.

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(2) (Omitted).

(3) Any bank which, or any person who, fails to comply with any direction issued under section 39 other than in relation to a reserve to be held by the bank shall, on conviction, be liable to a fine not exceeding five thousand ringgit and to a further fine not exceeding one thousand ringgit for every day during which the default continues.

(4) (a) Any bank which, or any person who, fails to comply with any direction issued under section 39 in relation to a reserve to be held by the bank shall be liable to pay, on being called upon to do so by the Central Bank, a penalty interest charge of not more than one-tenth of one per centum of the amount of the deficiency for every day during which the deficiency continues.

(b) Any bank which, or any person who, fails or refuses to pay a penalty interest under paragraph (a) shall, on conviction, be liable to a fine not exceeding five thousand ringgit.

(5) Any person who contravenes the provisions of section 16 shall, on conviction, be liable to imprisonment for a period not exceeding six months or to a fine not exceeding one thousand ringgit or to both such imprisonment and fine.

(6) Any person who contravenes the provisions of section 27A shall be guilty of an offence and shall on conviction be liable to a fine not exceeding one thousand ringgit.

51A. Power of Governor to compound.

(1) The Governor with the concurrence of the Minister may compound any offence punishable under this Ordinance by accepting such sum of money as he thinks fit not exceeding the amount of the maximum fine to which that person would have been liable if he had been convicted of the offence.

(2) Any monies paid to the Governor pursuant to the provisions of subsection (1) shall be paid into and form part of the Consolidated Fund.

52. Fiat of Public Prosecutor.

No prosecution in respect of any offence under this Ordinance shall be instituted without the consent in writing of the Public Prosecutor.

53. Jurisdiction.

Notwithstanding the provisions of any other written law, a Sessions Court shall have jurisdiction to try any offence against this Ordinance and to impose the full penalty prescribed therefor.

In this section the expression "Sessions Court" shall mean the Court of a First Class Magistrate in relation to Sabah and Sarawak.

54. Power of Bank to make regulations.

The Bank may, with the approval of the Minister, make regulations for the better carrying out of the objects and purposes of this Ordinance.

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55. Preliminary acts and expenses.

Notwithstanding the provisions of section 1, the Minister may at any time prior to the coming into force of Part II do all such acts and incur all such expenses as he may consider necessary in connection with the establishment of the Bank; and upon the coming into force of Part II all such acts and expenses shall be deemed to have been done and incurred by the Board.

PART IX EXTENSION OF JURISDICTION

56. Special provision relating to extension of jurisdiction, etc., of the Bank.

Whenever the Government shall have entered into an agreement with the Government of any territory whereby the jurisdiction powers and obligations of the Bank may be extended to any such territory, and such agreement has been approved by resolution of the House of Representatives, the Yang di-Pertuan Agong may by order amend, adapt or repeal such provisions of this Ordinance as appear to him necessary for the purpose of bringing the provisions of this Ordinance into accord with the provisions of such agreement.

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