COMING INTO FORCE OF THE NETTING OF FINANCIAL AGREEMENTS ACT 2015

The Netting of Financial Agreements Act 2015 comes into force effective today. The Act provides a legal framework governing close-out netting for financial transactions in Malaysia which is in line with international practices. Close-out netting is an important risk management mechanism which is used by financial institutions and other financial market participants in financial derivative transactions and repurchase transactions. The Act provides assurance that the close-out netting mechanism for financial transactions is enforceable under the law. The enforceability of close out netting will provide credit risk reduction benefits by allowing counterparties to net off credit risk exposures instead of having gross exposures, and hence improve operational efficiency and reduce systemic risk of the financial system.

With the Act coming into force, efficiency of the financial markets in Malaysia will be enhanced as Malaysian banks are able to deal more competitively with foreign counterparts globally and develop new hedging instruments and innovative financial products to corporations, businesses and consumers. The Act will facilitate further development of a vibrant and competitive financial market in Malaysia.

Ministry of Finance
30 March 2015