

## **Iosco: Malaysia in good shape to withstand shocks**

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By Lidiana Rosli

**FED RATE HIKE:** Sound Islamic finance market to act as buffer, says its research head

CONCERNS over rising United States interest rates have been plaguing capital markets in emerging economies, but Malaysia is in a good position to withstand any shocks, said International Organisation of Securities Commissions (Iosco).

It said the country's sound and globally recognised Islamic finance market would act as buffer to the impending shocks created by the Western markets.

Iosco head of research department Werner Bijkerk said he was aware that the two biggest issues plaguing global emerging markets this year would be the US Federal Reserve interest rate hike and the potential drying up of stocks and bonds.

"Malaysia is in a good shape as it has a developed Islamic finance market, which is less related and less vulnerable to shocks from the Western world and that's certainly beneficial for Malaysia," he said.

Bijkerk said Malaysia, which has gained valuable experience from the 1997 Asian financial crisis, is now better prepared to withstand any difficulties as the structure of the bond market and the economy and quality of its regulators have also improved.

"The concern now is that we are not privy to the speed and the level of the increase of the interest rates. We have seen the raising of the Treasury bill from two to three per cent, which is a 50 per cent growth. That is a significant increase and it has created flows within global market, including Malaysia," he said.

Bijkerk said it will be prudent for economies to start taking a long-term approach in minimising the possible US external risk.

"Regulators and central banks should start looking into conducting stress-testing of the economy, analyse global perspectives and how markets have reacted in the past due to the pressure," he said.

He added that countries should also take a leaf out of Malaysia's book and diversify its market so that it will lessen the potential economic damage.

The Iosco board met here last week for the first time in Asia to discuss issues facing global financial markets and securities regulators, with a focus on the resilience of emerging markets.

The Growth and Emerging Markets (GEM) committee is the largest within the secretariat, representing 75 per cent of its members.