



BANK NEGARA MALAYSIA
CENTRAL BANK OF MALAYSIA

Malaysia Overnight Rate (MYOR)

Applicable to the following interbank institutions:

1. Licensed banks
2. Licensed investment banks
3. Prescribed development financial institutions
4. Other interbank institutions which are direct participants of RENTAS

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PART A OVERVIEW

1 Introduction

- 1.1 Financial benchmark reforms are underway in various jurisdictions to improve the integrity and reliability of interest rate benchmarks, in line with the Financial Stability Board's (FSB) recommendation. Among the key recommendations of the FSB are the development of a nearly risk-free alternative reference rate (ARR) and strengthening of the existing interbank offered rate (IBOR) of respective jurisdictions.
- 1.2 Similar to other jurisdictions, the Malaysian ARR (i.e. Malaysia Overnight Rate (MYOR)) is based on overnight transactions in the interbank market and will run in parallel to the existing Kuala Lumpur Interbank Offered Rate (KLIBOR). The availability of both interest rate benchmarks will provide the market with the flexibility to choose either MYOR or KLIBOR as the reference rate for pricing of financial instruments.
- 1.3 This policy document sets out the benchmark design, methodology and governance framework to ensure the integrity and credibility of MYOR.

2 Applicability

- 2.1 This policy document is applicable to interbank institutions as defined in paragraph 5.2.

3 Legal provisions

- 3.1 The requirements in this policy document are specified pursuant to sections 140 and 143 of the Financial Services Act 2013 (FSA) and section 116 of the Development Financial Institutions Act 2002 (DFIA).
- 3.2 The guidance in this policy document is issued pursuant to section 266 of the FSA and section 126 of the DFIA.

4 Effective date

- 4.1 This policy document comes into effect on 24 September 2021.

5 Interpretation

- 5.1 The terms and expressions used in this policy document shall have the same meanings assigned to them in the FSA or DFIA, as the case may be, unless otherwise defined in this policy document.
- 5.2 For the purposes of this policy document:

“S”	denotes a standard, an obligation, a requirement, specification, direction, condition and any interpretative, supplemental and transitional provisions that must be complied with. Non-compliance may result in enforcement action;
“G”	denotes guidance which may consist of statements or information intended to promote common understanding and advice or recommendations that are encouraged to be adopted;
“agent”	refers to a market participant, generally an interbank institution or an approved money broker, who executes deals on behalf of its clients pursuant to the clients’ mandate and without taking on market risk in connection with the deals;
“business day”	means any calendar day from Monday to Friday except a public or bank holiday in Kuala Lumpur;
“FAST”	means the Fully Automated System for Issuing / Tendering which is a centralised system for the issuance of debt securities and to facilitate the Bank’s monetary policy operations;
“interbank institutions”	refer to the following institutions which are approved by the Bank to deal in the interbank market, whether acting as principals or agents in the wholesale financial markets – (a) licensed banks and licensed investment banks under the FSA; (b) prescribed development financial institutions under the DFIA; and (c) any other interbank institution which is a direct participant of the Real-Time Electronic Transfer of Funds and Securities System (RENTAS);
“MYOR”	refers to the Malaysia Overnight Rate, which is the transaction-based ARR for Malaysia with features listed in Appendix 1, and previously known as the Average Overnight Interbank Rate (AOIR);
“OPR”	refers to the overnight policy rate announced by the Bank from time to time;
“principal”	refers to a market participant who transacts for its own account and not acting as an agent;

“RENTAS”	means the Real-Time Electronic Transfer of Funds and Securities System which is the real-time gross settlement system;
“senior management”	refers to the chief executive officer and senior officers of interbank institutions;
“Standing Facilities”	means both the Lending / Funding Facility and Deposit / Acceptance Facility offered by the Bank.

6 Related legal instruments and policy documents

- 6.1 This policy document must be read together with other relevant legal instruments, policy documents, guidelines, codes or circulars issued by the Bank, in particular -
- (a) Code of Conduct for Malaysia Wholesale Financial Markets;
 - (b) Participation Rules for Payments and Securities Services; and
 - (c) Operational Procedures for Malaysian Ringgit (MYR) Settlement in RENTAS.

PART B DESIGN AND METHODOLOGY

7 Calculation and eligible transactions

- G** 7.1 MYOR is calculated as the volume-weighted average rate of unsecured overnight MYR interbank transactions, rounded to two decimal places and comprises the following eligible transactions:
- (a) Wholesale conventional unsecured deposits between interbank institutions (either brokered or direct/bilateral); and
 - (b) The Bank's conventional overnight monetary operations, which comprise tenders conducted through FAST or manual operations, and direct overnight lending/borrowing against interbank institutions, excluding Standing Facilities.

8 Data sources and quality

- G** 8.1 The data used to calculate MYOR is collected from two key sources:
- (a) RENTAS; and
 - (b) FAST.
- S** 8.2 In the event¹ that there is insufficient or missing transaction data submitted through RENTAS², interbank institutions shall provide all relevant data on their overnight interbank money market transactions to the Bank according to the template provided in Appendix 2 via email by RENTAS closing time, or immediately upon request by the Bank.
- S** 8.3 Interbank institutions shall notify the Investment Operations and Financial Market Department of the Bank and provide all relevant transaction data by the cut-off time specified in paragraph 9.2 upon identification of errors in RENTAS transaction data which affect the calculation of MYOR. The notification shall first be made via telephone followed by an email with supporting documentation.
- S** 8.4 The senior management of interbank institutions shall put in place and implement robust internal policies and mechanisms, including effective back-up arrangements to ensure the accuracy of RENTAS transaction data and enable timely detection of errors which may affect the calculation of MYOR.

9 Publication

- G** 9.1 MYOR for a given business day is published by 10:00 a.m. on the following business day on the Bank's official website.
- S** 9.2 Interbank institutions shall report any identified errors to the Investment Operations and Financial Market Department of the Bank by 12:00 noon on the publication day. Errors identified or reported after 12:00 noon shall not be taken into account by the Bank for the determination of the correct rate.

¹ For example, due to IT or RENTAS-related issues.

² Information in MT202 settlement instructions.

- G** 9.3 A republication shall be made by the Bank if the erroneous rate is two or more basis points away from the correct rate.
- G** 9.4 A notification shall be made by the Bank by 1.00 p.m. on the same publication day on the official webpage for MYOR to indicate a potential republication due to erroneous data. In the absence of such a notification, MYOR will not be republished.
- G** 9.5 The republication shall be made by the Bank by 2:00 p.m. on the same publication day. An annotation shall be made to the republished rate to indicate a rate change.

PART C GOVERNANCE

10 Administration of MYOR

- G** 10.1 The Bank is the administrator of MYOR and shall undertake periodic reviews of the design and methodology of MYOR to ensure that the benchmark rate accurately reflects the underlying market structure.
- G** 10.2 The Bank will seek the views of the Financial Markets Committee (FMC) to ensure that a holistic approach is undertaken when reviewing any changes to MYOR design or methodology. For material changes, the Bank will conduct a public consultation to seek feedback from market participants.

11 Contingency arrangement

- G** 11.1 In the event of disruption to the normal production of MYOR (e.g. disruption to trade settlement, interbank trading or data collection), the Bank shall calculate and publish MYOR based on the OPR plus the average spread of MYOR to OPR over the previous three publication days:

$$MYOR_t = OPR_t + \frac{1}{3} \sum_{n=1}^3 (MYOR_{t-n} - OPR_{t-n})$$

where t = day of disruption event

- G** 11.2 For exceptional circumstances other than short-term disruptions, the Bank shall exercise expert judgement and recommend an appropriate rate for publication.

APPENDIX 1 MYOR features

Description	MYOR is the transaction-based ARR based on unsecured overnight MYR interbank transactions in the Malaysian financial market.
Administrator and calculator	The Bank
Calculation methodology	Volume-weighted average
Rounding precision	Rounded to two decimal places
Eligible transactions	<p>(a) Wholesale conventional unsecured deposits between interbank institutions (either brokered or direct/bilateral); and</p> <p>(b) The Bank's conventional overnight monetary operations, which comprise tenders conducted through FAST or manual operations, and direct overnight lending/borrowing against interbank institutions, excluding Standing Facilities.</p>
Data sources	RENTAS and FAST
Data collection window	Eligible transactions done throughout the entire business day (i.e. until RENTAS close).
Publication	<p>10:00 a.m. Kuala Lumpur time on the next business day on the Bank's official website.</p> <p>Note: Historical time series of AOIR can be found at: www.bnm.gov.my/interest-rates-volumes</p>
Republication	<p>A republication shall be made by the Bank if the erroneous rate is two or more basis points away from the correct rate and is identified or reported by 12.00 noon on the publication day.</p> <p>A notification on potential republication due to erroneous data will be made by 1:00 p.m., with republication (if any) by the Bank by 2:00 p.m. on the same day.</p>
Contingency arrangements	<p>In the event of disruption to the normal production of MYOR, the Bank shall calculate MYOR as:</p> $\text{OPR} + [\text{average spread of MYOR to OPR over the previous 3 publication days}]$ <p>For exceptional circumstances, the Bank shall exercise expert judgement and recommend an appropriate rate.</p>

APPENDIX 2 Template for submission of RENTAS transaction data

Institution : _____

Date : _____

										MT202 Additional Info				
Transaction ID	Sender Ref ID	Seller BIC	Buyer BIC	Settlement date	TRN code	Trans type	Status	Currency code	Amount	Market Type	Method / Brokers	Product	Rate	Maturity date
					MMO00	MT202	Settled	MYR		C		DEP		

For the columns under “MT202 Additional Info”, the information shall be consistent with the codes outlined in Appendix XVII of the Operational Procedures for MYR Settlement in RENTAS, in particular:

Category	Details	Code
Market type	Conventional	C
Method / Brokers	Brokered Affin Moneybrokers Brokered ICAP (Malaysia) Brokered Harlow’s & MGI Direct Trade	AF IM HA DT
Product	Unsecured Deposits	DEP
Rate	Up to 2 decimal places	x.xx
Maturity date	MMM format: JAN, FEB, MAR, APR, MAY, JUN, JUL, AUG, SEP, OCT, NOV, DEC	DDMMYY