



MALAYSIAN INSTITUTE OF ECONOMIC RESEARCH

PRESS RELEASE

MIER'S ASSESSMENT OF THE U.S. DEPARTMENT OF THE TREASURY–BANK NEGARA MALAYSIA JOINT STATEMENT

US Department of Treasury and Bank Negara Malaysia (BNM) released a statement on 28 October 2025 to clarify respective positions “to avoid manipulating exchange rates or the international monetary system to prevent effective balance of payments adjustment or to gain an unfair competitive advantage.”

The Malaysian Institute of Economic Research (MIER) views this statement from the perspective of (i) BNM's monetary policy and (ii) Existing disclosure standards and US Department of Treasury practices.

- (i) BNM does not utilise foreign exchange targeting as a tool for monetary policy. At times when the central bank intervenes in the foreign exchange utilising its reserves or suasion of parties to repatriate profits back onshore, it does so to dampen excess volatility in the ringgit exchange market.
- (ii) The U.S. Treasury Department has been monitoring America's major trading partners for potential currency manipulation when three specific criteria are met. These conditions, outlined in the Trade Facilitation and Trade Enforcement Act of 2015, are: (1) a significant bilateral trade surplus with the United States, (2) a material current account surplus, and (3) evidence of persistent, one-sided intervention in the foreign exchange market. The monitoring culminates in a widely anticipated semiannual Treasury report that could lead to certain countries being formally designated as currency manipulators.

From these perspectives, the shared statement can be understood as a clarification of existing conditions and practices rather than the introduction of new obligations.

In fact, the statement provides Bank Negara Malaysia (BNM) with greater flexibility and a clearer mechanism to operationalise its mandate. Specifically, the explicit acknowledgement that foreign exchange intervention is permissible in instances of excess volatility or disorderly market conditions removes previous ambiguity and reinforces the central bank's policy space. This clarity strengthens market confidence by affirming that Malaysia retains the capacity to act decisively in safeguarding financial stability. Equally important, there should now be no room for the misguided labelling of a genuine policy instrument to stabilise markets as market manipulation.

Foreign exchange markets may at times exhibit significant volatility that could drive the ringgit in either direction. MIER holds the view that decisions regarding intervention should remain with professionals who monitor and analyse market developments on a continuous basis, and who possess both tactical awareness and adherence to clearly established monetary policy. The use of the international reserves must continue to be judicious and aligned with the objectives of national monetary policy. It is therefore essential that such decisions remain insulated from both international and domestic political pressures, ensuring that monetary policy is conducted prudently, consistently, and in the long-term interest of the Malaysian economy.

Azizul Amiludin
Senior Fellow
Malaysian Institute of Economic Research
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About MIER:

MIER is an independent, non-profit organisation devoted to economic, finance and business research that serves as a think-tank for the government and the private sectors. Our trustees hail from various background to ensure the institute functions as a national economic research and policy hub. We undertake independent and problem-oriented economic and policy analysis on the country's economic challenges as well as providing advice on macroeconomic management, development and future economic perspectives.

Media enquiries:

Contact: 603 21420091



Email : admin@mier.org.my