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Khazanah Nasional: Malaysia's treasure trove

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Abstract

Malaysia's Khazanah Nasional, established in 1994, is one of the 20 largest sovereign wealth funds in the world. In the first decade of its existence, Khazanah had remained a relatively secretive organisation, sheltered by virtue of being wholly owned by the government and reporting directly to the prime minister who provided the organisation with investment direction. However, at the dawn of its second decade of existence, Khazanah became much more transparent and accountable, and provided the public

with more information and indicators of its performance. A reform in the internal control system of Khazanah has been implemented, and the public is now able to access more information about its activities. This article examines the role of Khazanah in Malaysia's economic development and its impact on the country's financial system. It also discusses the challenges faced by Khazanah in the future and provides some suggestions for improvement.

JEL classifications: D22 | F23 | G29 | O16

Notes

1. See <http://www.monitor.com/sovereignwealth> and <http://www.swfinstitute.org/fund-rankings>.
2. While Khazanah may have the largest ownership of GLCs in terms of market capitalisation, many large GLCs do not come under its purview.
3. Singapore's Temasek was also caught in a similar situation with its investments in Bank Danamon and Bank Internasional Indonesia.
4. Fortis had four seats on Parkway's board – versus Khazanah's two – even though there was little difference in the actual stake of the two companies. Fortis's Malvinder Singh also took on the role of chairman.
5. The bumiputera community refers to the ethnically Malay majority and a variety of other indigenous ethnic groups.

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