

Best Current Accounts in Malaysia

by Hann Liew

Every bank in Malaysia needs to have one, but not every person does! Find out whether you actually need one, and save RM100s a year in the process. Banks are constantly trying to confuse us with new charges, promotions, incentives, cashback, higher interest, and especially 'terms & conditions'. In this guide we will break down all you have to know about current accounts, and which type of current account is suitable for you!

Introduction to Current Accounts

What is a Current Account?

A current account is a type of deposit account available at all major banking institutions in Malaysia. The main feature of a current account is that you can use cheques to make payments, both current accounts and savings accounts have the usual features of withdrawals, fund transfers, Interbank GIROs, bill payments etc.

	Current Account	Instant Access Savings	Fixed Deposit
Cheque Facility	Yes	No	No
ATM / Debit Card	Yes	Yes	No
Online Banking / Bill Payment / IBG	Yes	Yes	No
Easy Access to Funds	Yes	Yes	No
Interest Rates (usually)	Low	Medium	High

Current accounts usually (but not always) have very low interest rates on balances in them, so be sure to have a look at what kind of bank account user you are. If you use cash, debit cards and credit cards for your daily spending, why not put your money in an Instant Access Savings Account and use that as your 'main account'? Interest rates are consistently higher for savings accounts, and you can still use your Debit Card or ATM linked to your savings for spending or withdrawing money.

If you pay bills or people, instead of using cheques you can use your bank's bill payment (free) or internal transfer (normally for free) to payees with the same Bank, for people with other banks, you can use Interbank GIRO.

But I want cheque writing facilities, can I still Save Money?

Starting from 2nd May 2013 onwards, the fee of interbank GIRO / IBG transactions performed online (via internet / mobile) will be reduced significantly to RM0.10. Effective from 1st April 2014, Banks will start charging a processing fee of RM0.50 on the issuer of the cheque. This fee is in addition to the existing stamp duty of RM0.15 per cheque leaf.

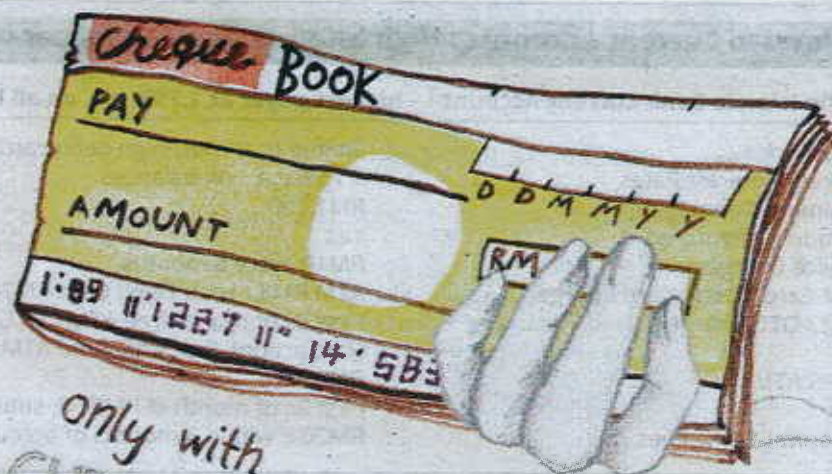
As such, it has become much cheaper for you to pay people at different banks via IBG but more expensive to issue a cheque!. Even if you do need cheque facilities from a current account, if you are in credit (ie not in debt / overdraft) you should focus on earning the most interest on your positive balance!

Put JUST enough money in your Current Account for cheque writing and dump the rest of your 'spending' cash into the Top Savings Accounts / Fixed Deposits at all times to maximise your interest.

A simple example, that takes a bit of discipline:

Faizal needs to write a cheque of RM2,000 to his landlord for rental every 15th of the month, so in anticipation of this he keeps RM2,000 from his end of monthly salary money in a current account earning 0.1% p.a.

If he keeps this RM2,000 in a savings account at 2% p.a. until the 14th, and then transfers it instantly over to his current account for free (he can even do this online) before he issues the cheque, he can earn half a months of interest every month, which adds up to almost RM20 per year!



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Current Account FAQs

Interest Rate Tiers

Many banks offer attractive interest rates for current accounts, but only with VERY high levels of deposits (can be RM1 million and above). Unless you need large sums of money readily available at any time, or want to save a large sum of money for less than 1 month, it might be a better idea not to apply for such an account simply for the high rate, as you may be able to get higher rates from Savings Accounts and FDs.



Introducer Required



Most banks current accounts require you to have an introducer in order to open a current account, usually this is someone who is an existing account holder (for at least 12 months), or you can possibly bring your past 3-6 months of bank statements from another bank and ask if that's a sufficient proxy / substitute.

Average Daily Balance (ADB)

This is the sum of your balances every day in the month divided by the number of days in the month. For example: If you put RM10,000 into your account on the 1st of April and don't touch it till the 30th of April, your ADB for April will be: RM300,000 / 30 days = RM10,000. If you put RM10,000 into your account on the 1st of April and take the whole amount out on the 14th of April, your ADB for April will be: RM140,000 / 30 days = RM 4,666.67.



Islamic Current Accounts

Islamic banking is a banking system that follows the Islamic law (Shariah) and principles, guided by Islamic economics. Prohibiting riba' (collection and payment of interest), usury, trading in financial risk and unlawful (haram) business ventures, Islamic banking has now become a growing trend in the global banking scenario.

While interest is prohibited, Islamic accounts in Malaysia (especially the ones featured below) pay 'interest' in the form of a profit to the account holder, they are financially similar to (and sometimes better than) regular accounts in all but name. Anyone is eligible to apply for Islamic accounts, you don't have to be a Muslim to do so.

Any person (Muslim or non-Muslim) is eligible to apply for an Islamic Current Account

Monthly, Quarterly, Half-yearly or Annual Service Charges / Maintenance Fees

There is no free banking requirement in Malaysia, so banks are allowed not to have a fee-free current account. To this end, most banks charge customers a fee simply to use the account or a service charge if the account balance falls below a certain amount. When operating your current account, be sure to watch out for the following charges, which can eliminate any interest you may earn! Why not forgo that chequebook, and make your payments directly from your interest earning savings account!

Some typical current account service charges:

- RM10 every 6 months if average daily balance falls below RM1,000 over the 6-month period (most common!)
- RM5 monthly if balance is less than RM100
- RM15 annual fee + RM5 every month average balance under RM1,000