

Zeti Akhtar Aziz: Strengthening Malaysia's financial system

Speech by Dr Zeti Akhtar Aziz, Governor of the Central Bank of Malaysia, at the launch of the Finance Accreditation Agency, Kuala Lumpur, 6 September 2013.

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It is my great pleasure to join you this morning on the occasion of the launch of the Finance Accreditation Agency. The establishment of the Finance Accreditation Agency (FAA) is part of the efforts to strengthen the financial system as it continues to evolve in a rapidly changing environment. The change in our financial system in this recent decade since the Asian financial crisis has been transformational. It has encompassed major structural reforms in the banking sector, the development of a deep and vibrant securities market which has now assumed a key role in financial intermediation, the growth of Islamic finance and the modernisation of the insurance sector. The regulatory and supervisory structure and approach has also evolved to become more risk-focused, more aligned with efficient capital and financial markets, and less reliant on prescriptive and direct controls. This has fostered greater innovation and competition in our financial system, while preserving strong incentives for prudent risk-taking. This has been reinforced through the supervisory oversight and increased market transparency. The evolution of business and distribution models has followed, with significant gains achieved in efficiency, greater financial inclusion and a more dynamic and responsive financial industry to better serve the economy. In addition, our financial system has become more global in its orientation, in turn lifting Malaysia's economic potential.

The strategic importance of human capital has been central to this transformation. The quality of human capital has become a key driver and enabler of the change in this recent decade, with greater emphasis on productivity, and on elevating the skills and competencies of the talent pool in the financial industry. Today, the financial sector workforce in Malaysia has the highest total-factor productivity growth relative to other sectors of the economy. Employment growth in the financial sector has also been in the higher skilled roles. This accounts for the higher level of wages in the financial sector which is more than one and half times the national average. Financial services employees are also generally educated to a higher level, with higher expectations for individuals in key and senior-level positions within the industry to hold post-graduate or professional qualifications, in addition to relevant work experience.

Going forward, the human capital imperative will increase in importance – for the financial industry to sustain and reinforce the strong foundations that have been built, and to take the industry to a new level of depth and maturity, with greater resilience. Accreditation has an important role in meeting this imperative.

Although it is only being officially launched today, I am greatly encouraged by what FAA has already been able to achieve in just slightly over a year of full operations. Some of you may know that FAA had its beginnings as a division within the Asian Institute of Finance, to review the quality of programmes being offered by AIF's affiliated institutes. As the components of a quality assurance framework and process started to come together under the AIF, it became clear that in order to realize the vision of a highly competent and high performing workforce in the financial sector, assuring the quality of the learning programs that serve the industry was vital. This led the Board of AIF to take the decision to establish an independent entity which would spearhead and develop this important role to its full potential.

That decision was motivated by two objectives. The first was to ensure that the quality assurance function would be fully independent of any interests in program development or delivery. This is necessary to provide a high level of confidence to the industry which should be able to rely on quality assurance assessments as a basis for decisions on training and development priorities. As a separate agency with a transparent governance structure in

place, FAA has been able to build a high level of credibility in providing an independent, objective assessment of the quality of training and development programs in meeting defined learning objectives.

The second objective was the desire to contribute towards raising standards on education and development in the area of financial services. As a separate agency, FAA's role extends beyond the program offerings of IBBM, MII, IBFIM and SIDC which are the affiliated institutes of AIF. I understand that FAA has already attracted both global and regional interests in its accreditation services, including from the UK, Asia and Middle East regions. FAA's current work to develop a qualifications structure that will link the various qualifications relevant to financial practitioners under a cohesive framework is also strategically significant. Such a structure will allow for the mutual recognition of qualifications and provide clear and systematic learning pathways for financial professionals. This is important to meet the increasing demand for talent in the financial services industry – not just in terms of numbers, but also in the quality.

I would also like to take this opportunity to acknowledge the critical role of the industry in enabling the FAA to meet its objectives. Ultimately, the value of the accreditation process lies in its ability to ensure that the educational foundations for professionals employed in the industry are preparing them adequately for their roles. The involvement of industry practitioners on the various accreditation committees and panels of the FAA provides that essential link to close the gaps between what the industry needs, and the training programs being offered. It also provides a platform for practitioners and training providers to engage on the future needs of the industry and the ways in which these needs can be met through professional education and training. If the talent requirements of the financial sector are to be effectively addressed and managed, the industry cannot be a spectator. It is acknowledged that there are already many practitioners who are already serving on the Accreditation Technical Committees and the Board of FAA from different parts of the world, who have committed their valuable time, experience and knowledge to this important initiative. These will be important contributions as the industry continues to develop and mature.

On that note, let me once again congratulate the Board and management of FAA on this occasion of its official launch. Bank Negara Malaysia together with the Securities Commission fully supports the FAA in its important role. I am confident that the FAA will have a significant impact in the efforts to sustain a strong talent pipeline for the financial sector in this more dynamic and challenging environment ahead.