

Muhammad bin Ibrahim: Developments in Malaysia's banking sector

Keynote address by Mr Muhammad bin Ibrahim, Deputy Governor of the Central Bank of Malaysia (Bank Negara Malaysia), at the Official Launch of the Asian Banking School, Kuala Lumpur, 17 August 2015.

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Thank you for inviting me to deliver my remarks at this official launch of the Asian Banking School (ABS). It is my great pleasure to be a part of this momentous occasion. Today is the culmination of the vision to take professional development and continuous learning in the Malaysian banking sector to new heights. It also marks the beginning of another important and exciting journey in our overall effort to enhance the standards, quality, productivity and competitiveness of the workforce of the financial services industry. It's an important first step in professionalising the industry.

The banking sector in Malaysia has come a long way to grow both in strength and stature, steadily advancing and maturing as it seeks to become more effective and efficient in performing its intermediation function. In the last decade alone, the industry has undergone some fundamental changes following a period of transformation facilitated by the Financial Sector Masterplan (FSMP). Today, our banking system is placed on a solid footing on the back of strong capitalisation, strengthened by improved risk management and governance practices. We are also seeing increased sophistication and a wide spectrum of products and services being offered by diverse players in the marketplace.

And the more competitive environment has led to continuous performance improvements, with pervasive use of new technologies for operational efficiencies from back to front office and new means of interface with consumers. Owing to our combined efforts, these developments have positioned the banking sector well to take the next leap forward to take advantage of new business opportunities, both onshore and abroad.

In charting the transformation journey of our financial services sector, we have long been aware that the quality of our workforce is fundamental to its success. Much focus therefore has been given since the last decade to talent development, with significant investment in capacity building and infrastructural ecosystem dedicated to raise the standards on education in financial services. As we progress into the new era of growth, our continued success in the ever-changing environment will very much depend on our ability to harness the industry's intellectual capital more productively. As envisioned in the new Financial Sector Blueprint that succeeded the FSMP, the financial sector is being positioned to play a key role in realising Malaysia's vision to become a developed economy. This design thinking for the industry necessitates the banking sector to further enhance its dynamism in the face of competition for innovation and quality in the offering of financial products and services. It also demands greater agility, astuteness and foresight on our part to go beyond and able to ride on the next wave of growth – either at the higher end of the spectrum of financial services that focus on sophisticated and high value added activities or the lower end that cater for the traditionally underserved, as well as opportunity to fully realise the benefits from the greater regional and international integration.

At the same time, a myriad of challenges including global regulatory reform, transformational technology and changing generational expectations will continue to drive change in the years to come. This would also mean that financial institutions will need to meet higher standards of how they manage risks and govern their operations.

Against this background, the professionalism, productivity and capability of our talents become more important now than ever before. Future success will hinge on our ability to constantly remould the workforce in the banking industry for a new marketplace, with emphasis on a corresponding increase in the levels of knowledge, skills, competencies and

overall quality of our talents. We clearly have an urgent and important task ahead of us. The critical questions therefore need to be asked here – Have we done enough to sustain the competitiveness of our workforce to meet the current and future industry needs and what more can be done to propel the industry to new heights?

With these questions in mind, allow me to now share two strategies in the context of human capital development that, to my mind, are key catalysts toward a new era of development of the banking sector, as well as the broader financial services industry, with a particular focus on our aspiration with regard to the role of ABS towards the attainment of these strategies.

First, is the strategic imperative toward professionalising the banking profession to create a banking workforce committed to highest standards of professional conduct, knowledge and competence.

Our motivation in pursuing this imperative is many-pronged – firstly, the move to professionalize the industry, to be achieved via the development of professional qualifications and specialised certification track, that can play a vital role in ensuring that the banking workforce consistently achieves high levels of capability through continuing professional development (CPD) and learning.

Secondly, by adhering to professional standards, professional conduct and CPD requirements of professional bodies, a higher level of professionalism and behaviour demonstrated by the banking workforce will generate increased public confidence and trustworthiness in the banking sector. Also vitally important, is the objective of creating structured career pathways for banking professionals through qualification and certification, thereby increasing the professional image, stature and attractiveness of the banking sector as a profession. Consequently we should be able to attract the best minds and talents into our mist.

The ABS, together with the Asian Institute of Chartered Bankers (AICB), is envisioned to be the catalysts in driving this important agenda of professionalising the industry. The transformation of Institut Bank-Bank Malaysia (IBBM) – the industry's former training outfit, into AICB – the new professional body for the banking sector, in 2013 was an important step in this direction. The AICB champions the vision of professionalising bankers and advocates for high standards of professionalism via the introduction of its new membership framework, subjecting its members to a strict code of conduct, professionalism and ethics.

Every effort now needs to be made to build on, and elevate further, the quality and value of AICB's award of the Chartered Banker qualification so that it can be truly regarded as a gold standard for the banking professionals. In this regard, the banking industry ought to give appropriate recognition to individuals and staff who attain this prestigious qualification. Of equal importance is the demand for higher and specialist skills for high value added jobs, there are also merits in introducing more specialised qualification and certification according to functional areas or business lines, beyond the current certification offerings for treasury traders and credit officers. The suite of qualifications and certifications would then allow the banking profession to raise the bar of competence higher across sector.

In taking on its mandate as the training and educational institution for the industry, we envisage the ABS to play a central role in supporting AICB as its premium learning partner in the move toward professionalising the banking sector. This will involve curriculum design towards the attainment of professional qualifications and the provision of high quality learning solutions that fulfils the AICB's CPD requirement for its members. A key focus area for ABS in the near to medium term is in acquiring the necessary capabilities and resources to enable it to carry out its objectives effectively. Central to this would be in developing strong in-house faculty and resources which may include visiting professors and industry subject matter experts. ABS is also expected to anticipate and spearhead cutting edge programs tailored to the evolving needs of the banking industry.

We have high hopes that in the next 5 years, ABS will distinguish itself in the quality of its programs, developing a particular strength in delivering integrative and practice-oriented education and learning in banking and business that combine intellectual know-how with practical applications. In an increasingly interconnected world, our workforce must be empowered with the right knowledge, the tools, the skills and the mind-set to deliver world-class performance.

The value proposition of ABS in adopting contemporary approach to business and banking education that equip students for the real world will be demanded as any expertise in a particular discipline. Ultimately, the aim is to integrate the multidisciplinary nature of the banking industry with modern management and professionalism, in turn developing talents with abilities to combine traditional disciplines as they tackle the challenges of uncertainty and complexity.

A monumental task is upon ABS. Its challenging and exciting. But I have every confidence that collectively, the combined effort of AICB and ABS together with the industry would transform the landscape of the Malaysian banking workforce in the coming years into one which is highly skilled and highly qualified.

This brings me to the second strategy toward sustaining the competitiveness of talents for the banking sector, which relates to the imperative to increase state of readiness for graduates at entry-level into employability, to bridge gaps and allow for a smooth transfer of academic skills to the work environment. What we should strive towards is a more structured and coordinated approach to training that reduces time to competence for graduates.

We need to consider a framework for structured industry-wide internship or apprenticeship programs for new entrants to the industry. The structured internship program for the accounting fraternity can perhaps be a good reference point for the banking sector to consider and emulate.

ABS can lead the pack in this initiative by playing a bigger role in the review of FSTEP by making it more relevant and forward working to industry requirements. To achieve these objectives we need to collaborate and work collectively as an industry to work more closely and in partnership with ABS and AICB. Clearly, there is scope for stronger collaboration in workforce development that delivers high value proposition between the banking institutions and the industry's talent development entities. Strong support and inputs from the banking institutions to systematically analyse skills requirements and training needs of their talents on an on-going basis is much needed and should serve as important feedback mechanism for ABS so that academic curriculum is tuned to the changing needs of the industry.

In closing, I would like to congratulate ABS for its launch today which opens an exciting new chapter as it seeks to contribute to the new era of growth for the banking sector.

Whilst its *raison d'être* is to serve the Malaysian banking sector, I have every confidence that Asian Banking School as the name suggests, will in no time start to expand its reach and relevance beyond national boundaries to evolve its role in meeting learning and development needs of the banking workforce in the region.

Last but not least, let me also thank everyone involved in the process that has brought us to this momentous occasion today. Without their vision and commitment, today's occasion would not be possible.

Thank you.