

Muhammad bin Ibrahim: Strengthening Malaysian financial markets

Remarks by Mr Muhammad bin Ibrahim, Governor of the Central Bank of Malaysia (Bank Negara Malaysia), at the Signing of Collaboration Agreement between Financial Markets Association of Malaysia (FMAM), Asian Institute of Chartered Bankers (AICB) and Asian Banking School (ABS), Kuala Lumpur, 31 October 2016.

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The signing of this collaboration agreement between ACI – Financial Markets Association of Malaysia (FMAM), the Asian Institute of Chartered Bankers (AICB) and the Asian Banking School (ABS) marks another milestone in strengthening the Malaysian financial markets. The focus of this agreement is to enhance the integrity, ethical standards and professionalism of market participants.

This collaboration is not new. It dates back to 1995 from when the FMAM has been working closely with Institut Bank-Bank Malaysia (currently known as AICB) to formulate and undertake the entry exams for the Pasaran Kewangan Malaysia Certificate (PKMC) for the dealers and brokers in the Malaysian wholesale financial markets. Bank Negara Malaysia's code of conduct of 1994 had made it mandatory for all dealers and brokers to be authorised and to secure a pass in the PKMC exam as a pre-condition to practice in the treasury domain. Since the introduction of the PKMC, a total of 2040 dealers and brokers, including Bank Negara Malaysia dealers, have graduated and this certification is now seen as an industry standard to be recognised as a professional dealer or broker.

What is noteworthy is that we are among the few countries in this region which require all dealers and brokers to undergo certification through a professional qualification examination.

Synergistic Collaboration in Raising Professional Standards

The FMAM, since its establishment, has taken various initiatives to continuously enhance the professionalism of its members and is directly involved in upholding the high standards of PKMC certification. As things stand, I am told the threshold for passing the PKMC examination is already high. The strengthened collaboration with AICB together with decades of experience in education and certification, combined with the high quality delivery standards of the Asian Banking School, form a potent formula in harnessing synergies for raising professionalism and ethical standards for the Malaysian financial markets industry. I would expect the curriculum, design, programme delivery and examination of PKMC to be continually enhanced to remain relevant and current, in keeping up with the rapidly evolving financial market environment in Malaysia today.

Moving forward, we should also aspire to raise the bar even higher by adopting more advanced qualifications for the treasury industry that can build on the knowledge and experience gathered through practice. I certainly look forward to seeing the day when such qualification stands on par with other benchmarks such as the Chartered Financial Analyst (CFA) or the Chartered Banker (CB) qualifications. The development of such enhanced qualification will augur well for more fulfilling careers in treasury that will also provide broader pathways for senior management and leadership positions in financial institutions.

Enhancing Integrity and Professional Conduct

Beyond the need for continuous development of knowledge and expertise, it is timely for industry associations to play a greater role in self-regulating their members and to enforce strict codes of conduct, professionalism and ethical standards. Maintaining high standards of market conduct and ensuring the orderly functioning of financial markets is vital to ensure continued public confidence in our financial system. This is because financial markets have

important linkages and interdependencies to the promotion of monetary stability and financial conditions of the economy.

In recent years, there have been many findings of serious market misconduct, ethical lapses and compliance failures at financial institutions globally that has eroded public trust on the integrity of financial markets. These institutions, in their pursuit of profits, have even coerced each other in manipulating financial benchmark rates such as the LIBOR. As a result, we have seen regulators in the United States, the UK and the European Union taking regulatory actions against global financial institutions. Global banks were fined staggering amounts (more than \$9 billion) and criminal charges were pressed against dishonest traders and brokers. Similarly, six global banks in the USA were ordered to pay more than \$5.6 billion for engaging in collusive practices that manipulate currency exchange rates.

We have no tolerance for such misconducts in our own markets. We must remain vigilant and vigorous when it comes to any issue impacting the integrity of our markets or its participants. Regulators and associations around the world are working towards enhancing public confidence through strengthening regulations and rules which govern market conduct. For example, the International Organization of Securities Commissions (IOSCO) issued the Principles for Financial Benchmarks in April 2013 to enhance the integrity, reliability and oversight of benchmarks. Recently, in the EU, the European Market Infrastructure Regulation (EMIR) also issued the Market Abuse Regulation to increase market integrity and investor protection.

In Malaysia, continuous efforts have been taken to preserve integrity and maintain confidence in our financial markets. For instance, Bank Negara Malaysia recently issued an enhanced policy document on corporate governance with emphasis on behavioural norms, corporate culture and ethics. In addition, the active engagement between FMAM and AICB has led to this official collaboration which seeks to strengthen the framework for enforcement of the code of conduct for their members.

To complement and further strengthen this, I am delighted to announce that today Bank Negara Malaysia is launching a consultation paper on a new **Code of Conduct for the Malaysia Wholesale Money and Foreign Exchange market**. We invite comments from market participants and the general public, including corporations that may deal in the wholesale financial market.

This Code of Conduct will be adopted by the industry and scope all activities within the foreign exchange and money markets as well as activities of regulated entities in other markets as well. Hence, the Code of Conduct will also be applicable to fund management companies, corporations and providers of electronic trading or broking systems that deal in the wholesale financial market, as well as interbank players in the bond markets.

The Code of Conduct sets out very clear principles and standards to be observed by market participants and lays out the role of industry associations in preserving market order and stability. It will also include enhanced requirements for institutions to have robust systems and internal controls to safeguard the professionalism and integrity of the financial markets.

With the Code of Conduct, we expect the financial market community to develop and maintain a corporate culture that emphasises the importance of professionalism and ethical standards, compliance with laws and regulations and consumer protection. All of these will be supported by strong and effective oversight by senior management. Explicit responsibilities will be placed on the senior management to set “the right tone from the top” in shaping the core values and culture of the institution.

Conclusion

A good culture can be supported but cannot be achieved solely by regulation. All parties must play their respective roles in ensuring a safe, sound and trusted financial system that upholds the highest standards of professionalism and integrity. I urge all of you here today as

stewards of the financial institutions to do your part in transforming the financial landscape by relentlessly pursuing these desired outcomes. Collectively, we can make meaningful and definitive changes to ensure that our workforce is best in class in assimilating a sound corporate culture, professionalism and high ethical standards.