

## **Muhammad bin Ibrahim: Reflection on professionalism, Hippocratic oath and the banking industry**

Remarks by Mr Muhammad bin Ibrahim, Governor of the Central Bank of Malaysia (Bank Negara Malaysia), at the 20th AICB Chartered Banker's Graduation and Awards Ceremony, Kuala Lumpur, 13 May 2017.

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Thank you for the opportunity to speak at the 20th AICB Chartered Banker's Graduation and Awards Ceremony. My congratulations to the 1,062 graduates who have been certified across 15 qualifications. Today, you join the ranks of the over 18,600 banking professionals in the nation. Your graduation is not only an important step in your own careers, but also contributes to our shared aspirations of elevating the banking profession towards greater heights.

When we reflect about professionalism, the medical profession often comes to mind for its dedication, devotion, care and interest for society. Over 2,000 years ago, the Hippocratic Oath was first introduced to the world. Today, most medical school students profess some form of the oath upon graduation.

While written in antiquity, its principles are held sacred by doctors to this day. Its words have evolved with history. But its message remains the same: treat the sick to the best of one's ability, preserve patient privacy, teach the secrets of medicine to the next generation, and much more.

What is interesting is not the oath itself, but the principles it expounds and the deep philosophical values that have firmly grounded the medical profession over the years. With it has also come an unwavering sense of identity, ethics and purpose for medical practitioners.

The numbers are equally telling. Polls such as Gallup and Ipsos have consistently ranked doctors among the most competent and ethical professionals worldwide. In 2016, 65% of people surveyed believed that medical doctors had either a high or very high level of honesty and ethical standards. The corresponding number for bankers was a mere 24%. A sad reflection of the state of affairs in the banking industry.

We trust doctors with the most intimate details of our health problems, complications and issues. We adhere to their instructions and advice, often assuredly and willingly. Few professions enjoy such stature, respect and trust. This is the epitome of professionalism.

Professionalism matters. Like the medical field, professionalism ought to form the cornerstone of the banking sector. It can be fostered. It should be practiced. And above all, it must be earned. As intermediaries in the economy and guardians of public funds, banking sector cannot hope to perform its role effectively if the respect and trust of the people is not earned.

As we commemorate this graduation today, there's no better time to ask ourselves what it means to be a professional banker. Drawing from the medical profession and the Hippocratic Oath, let us ponder on the traits to guide our pursuit of developing high calibre and trustworthy bankers, and professionalising the banking industry. Three traits come to mind; Competence, Character and Calling.

The first is Competence. Competence is a prerequisite of any professional – indeed, the promise to perform to the best of one's ability is the first line of the Hippocratic Oath.

In other fields, including medicine and law, the competency standards and pathways to qualification are often developed by the relevant professional bodies. For the banking sector here in Malaysia, we have made significant progress to professionalise the banking industry with the establishment of the Asian Institute of Chartered Bankers (AICB), Asian Banking School and the

roll-out of the Chartered Banker qualification. This initiative charts a clear pathway towards developing higher levels of technical proficiency and specialisation within our profession.

The AICB saw its pioneer batch of 45 graduates in 2015. This is a very good start. It lays the foundational bedrock for professionalising the banking industry. In fact, several accredited specialised programmes for the industry were introduced including the ones offered by AICB. Together with the Chartered Banker Qualification, the creation of specialised training and certification will further strengthen the required technical competencies and professional standards for the banking sector. Over time, financial institutions should give due recognition to these professional qualifications with clear linkages to bankers' career advancement.

As we move forward, we need to introduce steps that will further accelerate the move towards professionalising the banking sector:

1. Firstly, in line with existing practice for the credit, compliance and treasury functions, key personnel in other critical functions will also be required to acquire the appropriate specialised qualifications to better equip themselves in performing their respective functions. For example, staff who are involved in the development of internal models or those that carry out penetration testing to address cyber threats shall undergo specialised training and certification in the relevant fields to ensure effectiveness in discharging their role. To ensure smooth implementation, the industry is expected to work with AICB and the regulators to jointly develop the curriculum and a working timeline for implementation.
2. Secondly, to ensure that adequate attention is accorded to quality training and human capital development, the Bank will extend its supervisory oversight to review the quality of staff training expenditure. Capacity and capability development will be reinforced through qualification-based training and certification provided by professional bodies such as AICB. In this respect, the Board of financial institutions shall devise appropriate incentive structures to promote such programs by according appropriate weightage in the performance appraisal of senior management, including the chief executive officers.
3. Thirdly, I wish to lend my support to a proposal, that sometime into the future, all reporting submissions made by banks to Bank Negara Malaysia are to be undersigned by a Chartered Banker. This practice is not new. It is akin to the insurance industry where qualified actuaries are required to certify certain submission to the central bank. This idea came from a senior banker amongst us. With this requirement, my wish is that it will provide an impetus to the attainment of the chartered banker qualification.

Second is Character. If competence represents the 'head' of a professional banker, then character must surely be the 'heart'.

Over the last decade, the ethical scorecard of the financial sector was blemished by irresponsible risk-taking and opaque practices of bankers in the lead up to the global financial crisis. Ethical lapses and conduct failures in more recent years have compounded matters.

Far too often, we witness the rise of bankers who are highly competent but ethically deficient. Worse, we allow and tolerate such practices. This is unsustainable. It also tarnishes the reputation of the many who spent their lifelong careers in the industry, and who hold the profession with great dignity and regard.

Another principle worth attention in the Hippocratic Oath is the adage, "Do no harm". There is a lot of richness in this ethos. It is worth emulating. Considering that consumers come into contact with banking personnel far more frequently than they visit their doctors, one may even argue a higher expectation ought to be applied for the banking industry.

The Bank has actively worked towards reinforcing this objective over the years. The Bank believes that when the right set of fundamental principles is followed, it can positively shape the

actions and behaviour of people. Therefore, the Bank, in consultation with the industry, is due to publish five universal 'Principles for a Fair and Effective Financial Market'. These five Principles encapsulate values that are crucial for the well-functioning of Malaysia's financial market such as professionalism, integrity, transparency, competition and good internal governance.

In addition to this, the Bank also enhanced standards for corporate governance, strengthened requirements for KLIBOR rate setting and introduced a Code of Conduct for the Malaysian Wholesale Financial Markets. These are a few recent examples of initiatives aimed at promoting greater professionalism, integrity and quality service to the public, consistent with the Hippocratic Oath to 'Do no harm'. To add seriousness in upholding ethical standards and integrity, beginning 1 January 2018, a strengthened transparency framework for our enforcement actions will also be introduced to serve as an added deterrence against misconduct.

The recent findings published by the Financial Services Professional Board, based on a 2016 survey of Malaysian banking professionals, are sobering. 23% of respondents observed that supervisors reward behaviour derived through unethical means. Another 15% expressly stated that they would act unethically when not being watched or monitored. These disheartening results are a clear manifestation that our journey is far from over and that, much more needs to be done to further strengthen the character within the banking community.

There are economic consequences related to ethical choices. It is not a subject of discussion reserved only for the morally enlightened. The consequences are real. They can be dire and they can be expensive. The 2008 financial crisis alone cost the U.S. economy more than USD22 trillion. Misconduct costs by banks globally have exceeded USD320 billion since 2008, with USD42 billion incurred in 2016 alone.

At the institutional level, there should be a 'clear tone from the top' that unethical behaviour will not be tolerated. This culture of 'zero tolerance' for unethical behaviour should permeate across all levels of the organisation, including in the process of recruitment, retention and remuneration. As a community, we cannot possibly expect ethical behaviour to be burnished if we persist in retaining, hiring or rewarding people who had acted otherwise.

Our work environment should also evolve, making it conducive and safe for individuals to speak up on ethically questionable practices. Encouraging conversation about ethical behaviour in the workplace can go a long way in empowering all layers in the organisation to serve as an ethical beacon. This can significantly reduce the probability and occurrence of unethical conduct.

The third is Calling. We should marvel at the deep sense of purpose and identity contained in the medical profession. One sentence in the modern version of the Hippocratic Oath is particularly resonating:

"I will remember that there is art to medicine as well as science, and that warmth, sympathy, and understanding may outweigh the surgeon's knife or the chemist's drug."

Ultimately, to make sense of what we do in our profession, we cannot shy away from its purpose. To echo the words of the poet William Butler Yeats: "Though the leaves are many, the root is one." As a community of bankers, we should have one overriding root purpose – to serve and steward our community. The services we offer are to serve the larger interest of the community. We do not originate a loan merely to meet business targets, but to enable individuals to own homes, businesses to create jobs and for overall societal wellbeing

Finance exists for society, not society for finance. We can no more detach ourselves from this social purpose than we can separate humanity from humans. It ought to be an inherent part of us, our profession's DNA.

This sense of identity and purpose should ground all our pursuits. It is also the thread that ties all

functions of banking together. Whether you are in the credit, compliance, IT, risk management or audit functions, you share a common purpose to society and duty to serve the public interest.

As we reflect back over the centuries, the first banks in the ancient world made grain loans to farmers and traders who travelled between cities. During the 15th – 18th century, banks also catalysed the financing of international trade, subsequently ushering in a new age of maritime discovery and exploration. The banking world then served the real needs of the economy. However, the creeping commodification of finance over the years has gradually blurred the nature of finance, with excessive risk accumulation driven by greed and perverse incentives.

Serving the needs of the real economy is key. That is why issues such as financial inclusion, financial literacy and financial planning are so important to us as our nation progresses. As professional bankers, we should think beyond profits and understand how to meet the evolving needs of the economy. Like the medical profession, we cannot begin to prescribe a solution without first diagnosing the needs of the customer.

As an industry we should aspire that one day, consumers may walk into a bank, safe in the knowledge that bankers will always have their best interest in mind. That each encounter with the consumer is viewed not as opportunities to extract value, but as a privilege, to contribute towards financial wellbeing of the community we serve. It is an aspiration worth pursuing.

### **Closing remarks**

Let me conclude. Like the physicians, my hope is that as bankers we will always uphold the high standards expected of our profession. Like the physicians oath, an old banking maxim used centuries ago reads “my word is my bond”. Our knowledge of bonds and financial instruments may tell us what we know. But our bonds to society tell us about our existence.