

# **Adnan Zaylani Mohamad Zahid: Ethics & professionalism - leaders as role models for the next generation of Islamic finance professionals**

Speech by Mr Adnan Zaylani Mohamad Zahid, Assistant Governor of the Central Bank of Malaysia (Bank Negara Malaysia), at the Chartered Institute of Islamic Finance Professionals (CIIF) 4th Anniversary Dinner and Conferment Ceremony, Kuala Lumpur, 6 November 2019.

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I wish to extend my sincerest thanks to the Chartered Institute of Islamic Finance Professionals (CIIF) for inviting me here this evening to join the celebrations for the 4<sup>th</sup> anniversary of the Institute as well as the conferment ceremony of the Chartered Professional in Islamic Finance (CPIF) professional designation. I understand that this evening will also see the conferment of the first ever Fellows from amongst the existing Chartered members of the Institute, all of whom have served the Islamic finance industry with distinction over the years. The Institute's efforts to support the professionalisation of the Islamic financial services industry is part of a long journey that we embarked on some time ago, forming a key step towards achieving a vision of an industry that is rich with talent.

## **Developing talent development together as an industry**

Recognising that talent development is a long-term endeavour, Bank Negara Malaysia had set out the initial plan in the Financial Sector Blueprint 2011–2020 in which several affiliate institutions had been identified as having crucial roles to play in the development of talent for financial services industry as a whole. On Islamic finance, institutions such as Islamic Banking & Finance Institute Malaysia (IBFIM), Association of Shariah Advisors in Islamic Finance (ASAS), International Centre for Education in Islamic Finance (INCEIF) and International Shari'ah Research Academy for Islamic Finance (ISRA) were amongst the key affiliates that were given specific mandates for education and training. Similarly, the Chartered Institute of Islamic Finance Professionals (CIIF), then known as the Association of Chartered Islamic Finance Professionals (ACIFP), was identified as the key institution to develop professional standards and set the professional qualifications for the industry.

The Institute, now entering its 5th year of establishment, is recognised as the industry's own professional body through the Islamic Finance Profession Charter, and as such is strategically positioned as the platform for the development of ethically driven talent imbued with professional integrity. With the industry leadership on board as CIIF's members, the professional body is expected to continue its momentum towards becoming an influential organisation that embodies the very best of Islamic finance professionals. On this note, we commend the industry's effort to put the professionalisation agenda of the Islamic finance work force as utmost priority, through the signing of Joint Commitments between Association of Islamic Banking Institutions Malaysia (AIBIM), Malaysian Takaful Association (MTA), Association of Development Finance Institutions of Malaysia (ADFIM) with CIIF in 2018. To reinforce the knowledge and values of Islamic finance among Islamic finance practitioners, I am told that a full professional programme called Chartered Professional in Islamic Finance or CPIF, is due to be completed and launched by middle of the year 2020.

The year 2020 which is now on the horizon, will mark the completion of the Financial Sector Blueprint. We will have another one. With the industry where it is today, I think it is time for the industry to gradually take the reins of talent development and maximise the potential of the talent institutions established for the benefit of Islamic finance. In a number of these talent institutions, the Bank will take a step back, passing the baton for the industry to take over and provide the leadership. After all, we should expect the industry to know what is required to deliver their

financial services. Nonetheless, the Bank would continue to have a vested interest, in particular as the quality of talent will always have a direct bearing on the output and consequently financial stability and development. In other words, we do expect the industry to take talent development forward.

### **Ethics and professionalism at the core of Islamic finance**

When it comes to ethics, we tend to take for granted that Islamic finance is ethical. But there are many sceptics out there make the case that the practitioners appear to act similar to their conventional counterparts or rivals. In particular, they act out of self-interest or greed often at the expense of others. It is time to put this to rest. One can just take Islamic ethics as they are, and act as one say and as one mean. However, we should build on this, infuse it with a creed of professionalism that will provide its practitioners with not only a clear set of principles, but a sense of vocation to do what is right and to strive for the greater good and the betterment of the society to truly achieve the aspirations of maqasid al-Shariah.

Let me share some further thoughts on this.

In building such an ethos, we should always have in mind the basic or fundamental Islamic ethics that are also shared across many religions and societies. Such prescriptions lay out the fundamental basis of decency and behaviour. We cannot steal, cheat, lie, and act dishonourably. Principles that essentially guide us to be decent and in fact socially acceptable and responsible members of society. A natural component of this is 'amanah' or trust. As professionals, we should act as it is entrusted upon us, protecting the interests that we serve; our customers, shareholders, institutions, and sometimes this comes at personal expense. Trust is often called a valuable commodity. Indeed, it is even larger than that. Trust is a foundation or pillar of many relationships, including that of business and finance. With trust, we can have complex and far-flung relationships and conduct such transactions in full confidence that these would be honoured and all liabilities or debts will be met.

Without such trust, we need legal contracts and enforcement. We need money that provides finality to a transaction so parties can walk away afterwards. Unsurprisingly, money and even barter are mechanisms that allow us to do away with the need to trust. Though this can be expedient, it is not without a loss. What could have been an ongoing mutually beneficial business relationship is instead a series of individual and potentially costly transactions. Which is better? In a world without trust, we need the mechanisms to cope. In Islamic finance, with ethics as its core, such trust can be nurtured and sustained. We can thus rely less on the coping mechanisms which would merely serve as safeguards while focusing more on the business and activities that generate productive and impactful outcomes.

Acting ethically should also involve embracing professionalism. Having qualified Islamic finance professionals will be a key differentiator. Professional credentials can be instrumental in strengthening the trust between financiers and customers. These qualities will anchor businesses and financial institutions towards sound and fair practices even in an environment that is rapidly changing and uncertain. In addition, continuing professional development, or CPD, will be crucial to ensure talents keep their knowledge and skills fresh, enabling them to respond to changing circumstances with agility and precision. I believe this will culminate in Islamic finance leadership that is premised on ethics and professionalism. Islamic finance can then truly fulfil its key role in elevating the well-being of humankind, and not just for achieving halal profits.

### **Towards Sustainability: The Role of Islamic Finance**

Islamic finance value propositions not only are consistent with universal and ethical values, but the economic aspirations are to elevate our overall well-being. Much of today's discussion focus on as Sustainable Development Goals (SDGs) and Sustainable Responsible Investments (SRIs) that centre on impact-driven and value-added outcomes, in addition to being commercial-

oriented. On this note, Malaysia is at the forefront of innovation and thought leadership with the Value-Based Intermediation (VBI) initiative that aims to create positive and sustainable impact to the economy, community and environment, without compromising the financial returns to shareholders.

Our VBI journey has hit several key milestones. To date, 12 Islamic banking institutions have pledged to integrate environmental and social considerations in their offerings, practices and cultures. In facilitating this new journey, Bank Negara Malaysia will continue to collaborate with the industry to create an enabling environment for smooth and orderly transition. These include the issuance of several guidance documents such as the VBI implementation guide, VBI Scorecard and Value-based Impact Assessment Framework (VBIAF). More recently, the Bank and the VBI community of practitioners (COP) have embarked on efforts to develop sector-specific guides on value-based impact assessment alongside sectoral experts. To start with, the focus of these efforts will be on renewable energy, efficient energy, and primary commodities.

This year also witnessed the launch of an Islamic Index-based investment scheme, which has embedded environmental, social and governance (ESG) principles, and the launch of working capital financing for women entrepreneurs. In the same vein, the takaful sector is also moving towards integrating VBI elements, with the establishment of the VBI Takaful Task Force by the Malaysian Takaful Association (MTA) to look into establishing a strategic roadmap on VBI implementation by the takaful industry.

Success of these initiatives require conviction and commitment by the industry leaders to actively pursue these as an important agenda for Islamic finance. Therefore it is imperative that the industry leadership to also support this with talent development strategies to equip the Islamic financial institutions with the right talent pool. These include re-evaluating and refining the learning and development requirements, anchored at incorporating new learnings and more understanding of businesses that translate into value-added services to clients and addressing gaps in skills and competencies required to support the industry in this strategic direction. Indeed, to fully realise the strategic intent of Islamic finance, we must ensure that the talent pool is supportive through the development of the next generation of Islamic finance professionals. This requires the industry to come together to elevate the value of Islamic finance talent through the pursuit of professional excellence. Talent development therefore should be at the core of every financial institution's strategy, with professionalism as an important shared agenda across the industry.

Ladies and gentlemen, to conclude my speech, I would like to congratulate those who will be conferred the Chartered membership tonight, as well as to those who will be inducted as Fellow members. As leaders, you will also be the role models for the next generation of Islamic finance professionals, and will be expected to be the vanguard of the industry as it continues to develop and grow as a champion for the industry and our society. Sustainability and addressing the challenges of climate change is one aspiration. Yesterday our honourable Deputy Prime Minister, YAB Dato' Seri Dr. Wan Azizah Wan Ismail made a clarion call for Islamic finance to be an integral part of the halal ecosystem. I urge the industry to positively respond to this call to further optimise the potential of Islamic finance in serving the economy.