

## **Norhana Endut: Keynote address at the Malaysian Financial Planning Council**

Keynote address by Ms Norhana Endut, Assistant Governor of the Central Bank of Malaysia (Bank Negara Malaysia), at the Malaysian Financial Planning Council, Kuala Lumpur, 5 November 2022.

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It is my great pleasure to be here today at the 9th MFPC Graduation Ceremony. First of all, I wish to congratulate all successful graduates from the Class of 2019 to 2022. I am sure many of you have been waiting for this ceremony as it was postponed due to the pandemic since 2020.

The critical role of financial planning is often overlooked. But one lesson that we can take from the recent pandemic and economic crisis is that a sound financial management and planning is critical in weathering the storm. It is your role now as Registered Financial Planners and Shariah Registered Financial Planners to take the stage in helping Malaysians manage and rebuild their financial standing post-pandemic and be prepared for the future.

The Malaysian economy has recorded a strong growth momentum following the re-opening of all the sectors in the economy this year. Key to this is the improvements in labour market, in particular, income growth.

While there are reasons to be optimistic about the growth momentum, next year presents a more challenging outlook to the global economy with rising global inflationary pressures, signs of moderation in growth in several major economies, ongoing geopolitical conflicts and highly volatile financial markets. Malaysia is certainly not insulated from some of these headwinds.

Given these challenges and potential shocks to the economy, it is important that as a nation we build resilience and fortify the foundation of the economy. Towards this end, it is critical for us to be able to transform our economy.

Less than 50 years ago, the Malaysian economy was primarily based on agriculture and commodities such as tin and rubber. Today, we are a well-diversified nation, with the services, manufacturing, and mining sectors as key growth engines.

Most notable, Malaysia has established itself as a key hub for the electrical and electronics (E&E) manufacturing industry, playing an important role in the global supply chain. Looking to the future, we aspire to become an innovation-based and high value-added economy by leveraging on technology and high skilled talent.

Similarly, at individual level, Malaysians must build financial resilience by equipping themselves with the necessary knowledge and tools to manage their finances. This is where you, as practitioners, play a vital role by professionally advising, educating and guiding your clients to ensure they are on the right track to secure a better future for themselves and their loved ones.

A comprehensive and effective financial plan is crucial to help an individual or a family build financial resilience. Financial resilience is critical in a time of economic uncertainty and in a shock-prone world. It provides households with the ability to withstand the negative financial impact in periods of shocks.

Having sound and resilience finances is especially critical in navigating through the current challenges such as rising cost of living and periods of low return on non-financial assets. And these challenges are on the back of depleting buffers for some of the households given the hardship experienced during the pandemic.

Importantly, beyond ensuring the ability to sustain their wellbeing in the face of financial adversity, strong finances allow individuals and households to take reasonable risks, to invest and engage in economic activities. It allows individuals to take opportunities for growth to achieve their full potential, and this not only contribute to enhancing their productivity and livelihood, but also add value to the nation.

On this note, it is important to recognise the need for concerted efforts in supporting Malaysians to build resilience as we emerge from the economic crisis.

In tandem with efforts by the public sector, financial industry and other organisations, Bank Negara Malaysia (BNM) is also committed to educating the public and, in inspiring and instilling sustained behavioural change through our Financial Education Network initiatives.

For those of you who are not familiar, the Financial Education Network, or FEN is an inter-agency platform of eight partners comprises two Ministries and government-related agencies including BNM. FEN is committed in raising the level of financial literacy in Malaysia. MFPC is listed as FEN's partner that supports FEN's initiatives.

FEN is focused on shaping healthy financial attitudes from a young age, increasing access to tools and resources to help individuals manage their finances, and working across the spectrum of society to help individuals attain financial security, through sound financial planning and by cultivating sensible financial habits.

To date, FEN has undertaken about 700 financial education programmes and initiatives, with more than 60 million interactions through its various outreach programmes. All these initiatives are part of a five-year National Strategy for Financial Literacy plan developed in 2019 which, among its aims, is to empower Malaysians to plan ahead to secure a sustainable future.

Looking ahead into the future, it is important for us to be agile and to continuously innovate in facing emerging challenges and the fast changing environment. While the pandemic taught us the importance of economic and financial resilience, it also paved the way for a rapid adoption of digital financial services.

This is evidenced by the World Bank's finding in their Global Findex 2021 report which revealed that 79% of Malaysian adults use digital payments, of which 42% did so for the first time after the pandemic.

While the rising importance of digital financial services is welcomed, the adoption of such services without sufficient understanding and knowledge could pose risks to consumers. Malaysian consumers are vulnerable to the manipulation of online frauds due to low level of digital financial literacy.

Common mistakes that led to consumers being scammed include sharing bank account passwords or PIN numbers, not paying attention to the legitimacy of a website before making transactions and also clicking on suspicious links – all of these enable scammers to commit fraud more easily.

In our recent publication of the Financial Stability Report, we shared some of the findings of the Financial Capability and Demand survey which Bank Negara conducted recently. Among other findings from the survey, a troubling finding is that, more than a third or 37% of respondents stated that they have no issue or are willing to share their bank accounts passwords or PIN numbers with their close friends. This reflects the lack of understanding on the importance of being vigilance and safeguarding our banking information.

As financial transactions and services become increasingly digitalised, Malaysians must learn to be more responsible in managing their financial information, well-informed and sensible in assessing investment opportunities, while at the same time increase their vigilance against scams.

This is where you, as practitioners, could enhance your role as consumers advocates. It is important for financial planners to continuously provide awareness and alert clients against the latest frauds and scams. Public awareness, alongside preventive measures and coordinated enforcement actions, must be elevated to combat this crime and safeguard the hard-earned finances of Malaysians.

Once consumers are sufficiently equipped with the knowledge on using digital financial services responsibly and have a high level of trust in the reliability and security of online services, only then can we reap the full benefits of digitalisation.

This ties in with one of Bank Negara Malaysia's aspirations in the Financial Sector Blueprint 2022-2026 under the cluster of "finance for all", which is having diverse choices for consumers, with most preferring digital solutions.

We aspire for consumers to benefit from the availability of 'digital first' solutions such as invisible payments, digitalised motor claims and smart contracts.

Beyond digitalisation, we aspire for consumers to be confident and capable of taking charge of their finances. Towards this end, we are working together with other ministries and agencies in enhancing consumer protection reforms such as the enactment of the upcoming Consumer Credit Act, the establishment of the Consumer Credit Oversight Board and the streamlining of the regulatory regime for financial advisors and financial planners. The world we live in today is ever-changing and fast evolving. We live in a world where, while life expectancy has increased, health and

medical risks have also risen. While income is growing, the nature of employment has also change from largely stable income, to more volatile due to the growth in the gig economy as well high tendency for labour mobility.

Although technology attempted to keep pace in managing the impact of climate change, climate-related events have also becoming more frequent. These are only some of the many dynamics that we are experiencing at a rapid pace today. What these underscores to all of us, is the importance of continuous learning so we can continue to adapt and evolve.

I am sure the knowledge you have learnt in your respective courses will provide you a strong foundation as financial planners professionals. However, to keep pace with the changing environment you must have a lifelong learning mindset. It is important to keep abreast with the latest economic developments and continuously update your information set so that you are able to provide the most optimal advice to your clients.

Apart from providing information and filling the gaps in financial knowledge, financial planners play the important role of defusing biases that lead to common financial mistakes among consumers and help mediate in joint decision-making. This is especially true for vulnerable consumers who largely lack capability to fully understand and comprehend the risk-return assessments, not only of complex financial products and services but sometimes even those basic ones.

One financial decision can have far-reaching consequences on their current and future livelihood. It is therefore crucial not to downplay the importance of professional advice in improving the quality of life and the wellbeing of individuals and households.

In this regard, it is commendable that MFPC provides an evolving set of Best Practice Standards and Code of Ethics that must be adhered to by Registered Financial Planner (RFP) and Shariah RFP designees to ensure that the public will be served with the highest quality of financial planning services.

Let me also take the opportunity to applaud MFPC for their commitment in providing the platform for aspiring practitioners to integrate the twin pillars of professionalism in financial planning: "professional education" and "practice excellence".

Bank Negara Malaysia acknowledges the value of the professional qualifications conferred and is excited to share that we are actively considering the involvement of MFPC's modules in our requirements to enhance the professionalism of agents.

Now, let us all put our hands together to commend all graduates for their utmost commitment to continuous learning and professional development. May your spirit in valuing education and growth never die. As Steve Jobs once said, "Learn continually. There's always 'one more thing' to learn!"

With that said, my heartiest congratulations to all new graduates! I wish you all the very best in your current and future endeavours. May your journey be a meaningful and fulfilling one.