

Abdul Rasheed Ghaffour: The changing landscape and talent development initiatives for Malaysia's financial sector

Speech by Mr Abdul Rasheed Ghaffour, Governor of the Central Bank of Malaysia (Bank Negara Malaysia), at the Asian Institute of Chartered Bankers 8th Chartered Banker Conferment Ceremony, Kuala Lumpur, 24 May 2025.

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It is a privilege to stand before you at this conferment ceremony, where we celebrate the achievements of more than 600 individuals who demonstrated dedication and outstanding achievement in banking. We are also honouring the conferment of Honorary Fellowship to Governor Eli, and paying tribute to the lifetime achievement of Tan Sri Azman Hashim, Fellow Chartered Banker (FCB), both outstanding individuals who have made immense contributions and shown commitment to excellence, which we can all strive to emulate.

About a month ago, we welcomed our regional partners for the ASEAN meetings. We had the opportunity to engage deeply on the region's most pressing challenges, namely the uncertainty from the US tariff announcements, the acceleration of digital transformation and the urgency of promoting sustainability practices.

These challenges underscore the critical need for the financial sector to adapt and evolve in response to an ever-changing landscape. To navigate these complexities, continuous investments in talent are not merely an option but a necessity. By equipping our workforce with the necessary skills and knowledge, we empower them to transform challenges into opportunities and drive our economy forward. The knowledge, devotion and tenacity that have brought all conferees together today are the essential foundations that will propel Malaysia to greater heights.

Global trade uncertainty, digitalisation and sustainability will shape the financial sector landscape in Malaysia

Ladies and gentlemen,

Our banking sector has been no stranger to formidable challenges. Yet, in recent years, we have been faced with transformative forces that could redefine the landscape of banking. Allow me to expand on three pivotal areas which I mentioned earlier: economic uncertainty, digital transformation and sustainability, and their implications on the banking sector workforce.

As I speak, global trade uncertainty continues to persist, arising from a growing push for greater protectionism and a shift away from globalised supply chains. As a small open economy, the escalation in trade tensions and global policy uncertainties will affect Malaysia. However, we are facing this from a position of strength. Our economy will continue to grow, anchored by continued household spending and steady expansion in investment activities. Externally, resilient underlying demand for E&E goods and a

sustained momentum of tourism activity can cushion the impact of tariffs on our exports. Malaysia's diversified product and export markets further underscore our resilience against external shocks.

These shifts in economic outlook remind us that the global landscape is ever-changing, underscoring the need for resilience and adaptability in the face of these headwinds.

On this, the banking sector plays a critical role in allocating capital efficiently to support economic growth and transformation. We have demonstrated robust expertise in traditional areas such as retail segments (mortgages and personal finance), as well as other mature corporate industries. However, as the financial landscape evolves, new opportunities are emerging that remain underexplored, offering potential for growth and innovation. Financing of trading activities such as shipping, aviation or aerospace, investments in data centres, and other high-growth industries, represent untapped avenues that could contribute meaningfully to our economic development. By broadening their focus and addressing these gaps, the banking sector can better position businesses to compete effectively on a global stage.

In the wake of global trade uncertainties, the banking sector's role in supporting domestic businesses becomes more pronounced. Banks must collaborate with industry players to identify new opportunities, leveraging on both financial expertise and industry insights. A workforce adept at risk management, market analysis and client advisory enables banks to offer innovative financial solutions to help businesses stay ahead.

The next transformative force is the increasing pace of technological breakthroughs, a trend underpinned by the proliferation of artificial intelligence (AI), data and automation. The Malaysian banking sector has increasingly leveraged AI and automation for risk management, fraud detection and complex analysis to enhance operational efficiency and strengthen security. The use of AI-powered chatbots and virtual assistants has also allowed customers to benefit from enhanced and personalised customer experiences, often without the need to visit a bank branch.

While technology has clear benefits for the financial sector, it needs to be adopted responsibly, balancing efficiency with risk management. Senior leaders in the banking sector have themselves expressed increasing concerns about new vulnerabilities introduced from AI adoption, such as cybersecurity, legal uncertainty related to operations, difficulties in controlling outcome accuracy and prejudice from model bias.¹ The banking sector's shift to leverage technology, in particular AI, to remain competitive must be underpinned by strong governance frameworks, stringent data privacy protections and the highest ethical standards across the workforce. To ensure responsible adoption of AI, banks need to develop an understanding of both the opportunities and risks associated with AI, and invest in training programmes to enhance AI awareness, create an organisation-wide culture of responsible AI adoption and help employees recognise potential risks.

Let's now turn to the third critical area: sustainable finance and environmental, social and governance considerations. This year's ASEAN Chairmanship theme on sustainability underscores the region's commitment to equitable growth and environmental stewardship.

At our meeting in Milan earlier this month, the ASEAN+3 finance ministers and central bank governors reaffirmed our commitment to collaborate on transition finance, disaster risk financing, and climate resilience. The meeting also recognised the need to channel greater capital flows into green and sustainable projects, including large-scale regional initiatives such as the ASEAN Power Grid (APG) being pursued as part of our chairing of ASEAN this year. A report by AMRO highlighted that Southeast Asia will require over USD200 billion annually in climate-related investments to achieve its net-zero targets.

As we delve into this important area, it is evident that these are not just environmental imperatives, but instead, a strategic priority area across the region. Therefore, the banking sector must integrate ESG factors into their core operations and decision-making. Banks play a pivotal role in channelling financial solutions and capital towards projects that are not only economically viable, but also environmentally and socially responsible. For example, the increasing importance of blended finance as a key lever in scaling up climate-aligned and impact-driven investment will require bankers to build skills that go beyond standard credit risk assessment. This shift requires a banking sector workforce which is well-equipped with the right knowledge and expertise to be able to not only reduce credit risk for lenders, but also contribute meaningfully to advancing sustainability priorities and meeting ambitious climate goals.

Significant efforts have been undertaken by talent affiliates, while more can be done by the industry to collectively upskill the workforce

Ladies and gentlemen,

Malaysia has invested significantly in developing talent in our financial sector. Over the years, we have developed a comprehensive ecosystem of talent affiliates providing training, certification and future-looking guidance on the skills needed by the financial sector. On this, I would like to take a moment to applaud the Asian Institute of Chartered Bankers (AICB), Islamic Banking and Finance Institute Malaysia (IBFIM) and Asian Institute of Insurance (AII) for their commitment in driving the development and encouraging the implementation of the Financial Sector Future Skills Framework (FSF) since its launch in July 2024. I also wish to highlight the important role played by financial institutions to further complement these efforts through their respective learning and development academies.

While the financial services industry benefits from a good talent development ecosystem, more collective actions are needed to future-proof the workforce. In an era of rapid transformation, the question remains: Is the industry investing enough in talent to meet evolving business needs and remain competitive?

With the FSF as a common dictionary on skills critical for the future, I call on the banking sector to accelerate efforts to foster knowledge acquisition in areas that are relevant to address both current industry challenges and needs, as well as emerging trends to prepare professionals for future opportunities. This includes building a deep understanding of the unique financial requirements of sectors that will catapult the growth of the Malaysian economy, and in tandem, enhancing technical skills in credit risk assessment for these sectors to ensure financing decisions are made sustainably. Additionally, training should also focus towards building capacity to address regional financing demands, particularly in infrastructure financing and blended financing, to

support the long-term economic growth of the region. By equipping banking professionals with advanced capabilities and specialised expertise, the financial sector can proactively respond to emerging opportunities, ensuring its readiness to meet evolving economic challenges and contribute to Malaysia's regional competitiveness.

Equally important is the need to continuously nurture ethical and principled bankers who uphold the highest standards of integrity. In a rapidly changing financial landscape, the foundation of trust and accountability is indispensable for ensuring the sector's long-term sustainability and resilience. AICB, alongside industry leaders, must emphasise the development of bankers who embody professionalism, ethical conduct, and a commitment to responsible practices.

In closing, I would like to once again congratulate all conferees today. Your individual commitment to self development and dedication towards embodying the values of integrity, professionalism and expertise will collectively elevate the banking sector. Your achievement today is setting a benchmark for the industry and will hopefully inspire many others to follow in your footsteps.

To Governor Eli, today's honorary conferment recognises your exemplary leadership, transformative contribution and excellence within our profession. Through his previous role in the Bank for International Settlements (BIS), Governor Eli advanced research and discussions on regional and international finance, and has been recognised as one of the top-performing central bank governors globally in his current role. As a former professor and director at the Asia School of Business (ASB), Governor Eli has also significantly contributed towards strengthening central banking education through the development of the Master's in Central Banking course.

To Tan Sri Azman Hashim, the Lifetime Achievement Award is a fitting honour to an industry heavyweight whose visionary contributions have profoundly shaped and advanced the Malaysian banking sector.

Malaysia's financial system is renowned for its resilience, innovation and sound governance. But the true strength behind this success is our people. I end with a simple quote from Jack Welch, the CEO of General Electric for more than twenty years, 'The most important job you have is growing your people'.

Thank you, and I wish all of you a fruitful journey ahead.

¹ IBM's 2024 Global Outlook for Banking and Financial Markets