

Abdul Rasheed Ghaffour: Launch of the Tun Ismail Ali Center of Excellence

Opening remarks by Mr Abdul Rasheed Ghaffour, Governor of the Central Bank of Malaysia (Bank Negara Malaysia), at the Launch of the Tun Ismail Ali Center of Excellence Asia School of Business, Kuala Lumpur, 14 August 2025.

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It is a privilege to welcome you to the official launch of the Tun Ismail Ali Centre of Excellence ('TIA CoE'). The Tun Ismail Ali Centre builds upon Bank Negara Malaysia's longstanding commitment to policy-relevant research and institutional development. Previously known as the Tun Ismail Ali Chair and housed at Universiti Malaya, the Tun Ismail Ali Centre of Excellence, has now merged with the ASB Central Banking Research Centre and will continue under the patronage of the ASB.

This reflects the evolution in both ambition and scope, building on its legacy of enhancing academic excellence in monetary and financial economics. Since its reconstitution late last year, the Centre has brought together leading scholars and practitioners to deliberate and address pressing policy issues such as changing international monetary system dynamics, macro-financial linkages, and monetary policy challenges. These efforts show the Centre's role in linking research with real-world issues confronting policymakers, especially central bankers.

In reflecting on the Centre's journey, on behalf of the Bank, I would like to express our profound appreciation to Universiti Malaya for graciously hosting the Centre for over two decades since its establishment in August 2000. I would also like to record our deepest gratitude to Tan Sri Dr. Zeti Akhtar Aziz, for her visionary leadership of the Bank and the Centre's initial founding in UM. As we look ahead, we are optimistic that with an expanded mandate and a new home at the ASB, the Centre will scale new heights in advancing thought leadership and policy-relevant research.

Ladies and gentlemen,

We gather at a time of great transformation in the global monetary and financial system - where long-standing boundaries of central bank mandates are being tested by unprecedented structural shifts. Developments such as geoeconomic fragmentation, climate change, and the rapid digitalisation of finance are increasingly shaping the broader economic landscape, with far-reaching implications for the global financial and monetary system. If unprepared, central banks risk being caught off guard by brewing risks which could challenge incumbent systems and established frameworks.

Tun Ismail once said, *'The Central Bank works in an imperfect world, with instruments whose influence is only imperfectly understood, in seeking to attain objectives imperfectly focused and stated only in broad general terms. As such, the central banking profession is imperfectly defined and the decision-making process certainly not free from uncertainty and anxiety. To be successful, therefore, the central banker needs to have the serenity to accept what cannot be changed, the courage to change what cannot be accepted and most important, the wisdom and experience to differentiate one'*

from the other.¹ This quote remains deeply relevant today, where navigating the new economic landscape demands central bankers to display good judgment, resilience and above all, adaptability.

This must still, of course, be grounded in intellectual rigour and sound research. It is therefore especially insightful to draw upon the work of scholars and subject matter experts at the frontier of thought. In this instance, I would like to highlight some of the foundational work by today's guest of honour, Professor Robert Merton, particularly on how we conceptualise the financial system itself.

Professor Merton's work² on the functional perspective of financial intermediation reminds us that it is the *function* – not the *form* – that matters most. Whether it is a bank or a blockchain protocol performing maturity transformation or credit intermediation, it is important to understand the underlying risks, rather than just the institution undertaking them. In this way, Professor Merton's insight equips policymakers to not only interpret change, but to see through it, thus enabling clearer insights for policies.

For central banks, focusing on the *function* rather than the *form* of financial innovation is essential – especially amid developments that are reshaping our operating landscape. To illustrate this, we need to look no further than examples provided by the accelerated pace of innovation in the financial sector, including the rise of tokenised platforms and non-bank financial intermediaries.³

Looking at functions helps us keep a focused view on sizing up the key risks to our mandates from digitalisation and innovation, including potential implications to monetary transmission and overall economic and financial stability.

Ladies and gentlemen,

Bank Negara Malaysia has long been a proponent of evidence-based policymaking. Over the years, the Bank's flagship publications have expounded economic and financial policies that are anchored on comprehensive and sound analysis. We trust the Centre shares this mission and becomes a leading voice in monetary and financial economics, both in the region and globally, especially in areas which we have long pioneered and championed. To this end, we are committed to furthering global policy discourse in the areas ripe for exploration such as geoeconomic fragmentation, climate change, artificial intelligence and Islamic finance.

It is fitting that the Centre is inspired by a man whose intellect, wisdom, integrity, work ethic and dedication to nation-building became, and still remain, a hallmark of excellence in public service. Many years on, his conduct continues to inspire us to break new grounds in pursuit of progress for the people and the nation. In having the privilege to track paths forged by Tun Ismail Ali and my esteemed predecessors like Governor Zeti, I am time and time again reminded that we stand on the shoulders of giants.

As we reflect on the founding of Tun Ismail Ali Centre of Excellence up to today, we also honour the legacy of Tun Ismail, a man whose leadership was defined by always

putting nation above self. He was a central banker extraordinaire and a true statesman-well ahead of his time. May this Centre embody his spirit of principled leadership and policy excellence as we meet the challenges of an increasingly complex world.

Thank you.

¹ Gunasegaram, P. (2021). *Tun Ismail Ali: Paragon of Trust and Integrity*. Bank Negara Malaysia. p.171.

² Merton, R. C. (1995). *Financial innovation and the management and regulation of financial institutions*. Journal of Banking & Finance, 19(3–4), 461–481. [https://doi.org/10.1016/0378-4266\(95\)00002-P](https://doi.org/10.1016/0378-4266(95)00002-P)

³ Bank for International Settlements. (2025). *Annual economic report 2025*. <https://www.bis.org/publ/arpdf/ar2025e.htm>