

Abdul Rasheed Ghaffour: Evolving roles and responsibilities of central banks in a changing landscape

Keynote address by Mr Abdul Rasheed Ghaffour, Governor of the Central Bank of Malaysia (Bank Negara Malaysia), at the Central Banking Meetings, Kuala Lumpur, 31 March 2026.

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Selamat datang ke Malaysia. It is a great honour to welcome you to a country that has grown and adapted through cycles of reinvention, and emerged stronger each time. In many ways, that journey mirrors the institutions we serve. Central banks are not fixed monuments. We are living institutions, **shaped by experience, refined by discipline, and renewed by purpose.**

Let me begin not with an answer, but with a question - one that I suspect many of us quietly reflect on. As we look at the map of challenges confronting the world today, geopolitical conflict, the fragmentation of global trade, rapid digital transformation, and the irreversible pressures of climate change, how do we ensure that our work remains true to our mandate, while staying agile and resilient enough for the world as it is becoming? And even more troubling, are we a stabilising force, or are we amplifying risks?

I do not raise this to unsettle. I raise it because it is precisely here – in the challenges and trade-offs between our fundamental mandates and what the world now requires of us – that the most important thinking in central banking must take place. It is these challenges and trade-offs that form the central thread of what I want to explore with you this afternoon.

What we are confronting today is not the familiar cyclical turbulence that central banks are traditionally used to dealing with. It is a structural shift in the very context in which economies function, in which policies are made and in how risk manifests. Meeting these demands requires not only better instruments, but a clearer sense of purpose.

My central argument today is that central banks can no longer afford to see themselves merely as stewards of stability, important as that role remains. We must also be **architects of resilience**. Stability keeps the house standing. Resilience ensures it can be lived in, safely, adaptively, and for the long term. And here, it is important to remind ourselves that this responsibility sits squarely at the heart of our mandate.

For Malaysia, our duty to safeguard monetary and financial stability exists precisely to provide a conducive environment for the sustainable growth of the economy. In other words, resilience building is not an extension of what we do, it is an expression of why we exist. That means shaping an economy that can absorb shocks, adapt to structural change, and continue to generate opportunities that are inclusive and lasting. It is, without question, a demanding task. But it is also an indispensable one.

Central Banking in Perspective

To chart where we must go, it helps to recall how far we have come. Central banking did not arrive at its current form by design. It evolved, reshaped by crises, by failures, and by the hard-won learning accumulated over generations. Indeed, many episodes of economic history – The Great Depression, the stagflation of the 1970s, the Asian Financial Crisis of 1997 - 98, the Global Financial Crisis of 2008 – have challenged and reconfigured what central banking is and does.

For Malaysia, this evolution has been deeply lived. The Asian Financial Crisis in the late 90s was formative. Decisions then were guided by a clear purpose: to safeguard our financial system, protect households and businesses, and lay the foundation for a recovery that many doubted was possible. That experience instilled and shaped Bank Negara Malaysia's institutional character in lasting ways, a strength that carried through as we navigated the pandemic years and beyond. And it gave us a conviction that resilience is not accidental. It is **built holistically** through **strengthening the ecosystem, disciplined policy, clear institutional roles, robust frameworks, and the willingness to make difficult decisions in difficult times.**

History teaches us a simple but enduring truth: moments that appear to constrain us can also produce the most durable opportunity for institutional growth. And so, as we look ahead, the question is: what does building resilience demand of us in this new landscape?

The Challenges Reshaping Central Banking Today

The environment we are navigating has shifted, and in ways that are structural, not cyclical. Let me walk through what I see as **four defining pressures** of our moment.

I. The shifting global economic landscape

First: The global economy is being reorganised. Trade routes are shifting, supply chains are being rebuilt for resilience rather than speed, commodity prices are increasingly influenced by geopolitics, and the costs of climate transition are fast appearing in countries' risk profiles. These are structural shifts that make uncertainty a more constant feature of the economic environment and outcomes harder to predict. Prices can now be pushed by forces that interest-rate adjustments alone cannot quickly counter. As a result, the traditional channels through which monetary policy affects the economy have become less certain, and the policy frameworks built for a more stable world are being tested. This has implications for growth, inflation and financial stability. In this setting, policy making must be designed to operate with uncertainty as a given. Keeping the economy steady requires us to be agile in how we respond, with stronger coordination across monetary, fiscal, structural, and prudential policies and, where appropriate, cooperation across borders. It also calls for a forward-looking posture, with **frameworks that recognise these structural forces rather than treating them as temporary disruptions.**

II. The rapid transformation of emerging technology

Second: Into this already-complex environment, technology is reshaping not only finance, but the economy and labour market too from within. Digitalisation has accelerated dramatically. Cryptocurrencies, tokenised assets and decentralised finance

are opening parallel channels for intermediating capital, often beyond traditional regulatory boundaries, while also introducing new dimensions of risk. At the same time, AI is moving deeper into all corners of finance – be it in credit assessments, risk management, and trading. Cyber threats also continue to grow in sophistication. When new rails emerge, risks do not disappear – they migrate. This is why strengthening cyber resilience and enhancing governance around AI and data risks are now core priorities for central banks. On the one hand, there is the temptation for central banks to jump on and respond to every trend and development. On the other, there is also the instinct to restrict, or to wait for certainty before proceeding. But certainty rarely arrives on schedule. The useful question to ask is not *'how do we control this?'* but *'how do we govern what we cannot yet fully see?'*

III. Shifting demographics and expectations

Third, is the changing character of the societies we serve. As populations age and labour-force growth slows, potential output, consumption patterns, and savings behaviour shift in lasting ways. In Malaysia, the share of older persons is rising while the working-age population is beginning to peak. Perhaps this is a less conspicuous force reshaping our environment. But we already see this reflected in consumption patterns, for example, with higher share of household spending allocated for healthcare.

For monetary policy, this may alter how interest-rate adjustments transmit through the economy, shaping incentives, expectations and behaviour in different ways, and thereby the level of rates to sustain growth and maintain stable inflation. For financial stability, demographic shifts affect credit demand, portfolio preference and risk appetite. These forces are gradual but powerful, requiring central banks to adopt a longer-term, more structural perspective alongside our cyclical policy frameworks.

At the same time, expectations are being reshaped as lived economic and financial experiences become more immediate and visible. People engage with institutions through the pressures they face – younger generations may grapple more with costs such as housing, while older generations may face concerns with healthcare costs. These are challenges which require deeper, more structural change, beyond the remit of central banks. But when central banks need to act in pursuit of their mandates – such as to tighten monetary policy in the face of rising inflationary pressures so that cost pressures can be better managed – our actions may sometimes be perceived or understood as having the opposite effect, especially in the short run.

IV. Central banks under scrutiny

Which brings me to the fourth challenge: the nature of public scrutiny has fundamentally changed. For example, while interest rate decisions of central banks have always come under the public gaze, nowadays, they tend to be discussed more widely. Decisions by central banks are dissected in real time, translated into narratives that reach millions within hours. Every word in a policy statement is sifted for hidden meaning. On occasion, our words are clipped and circulated without context – sensationalised, politicised or weaponised. We are also confronted with a high-level of mistrust of institutions, fuelled by niche grievances, and hardened by misinformation that spreads easily through social media echo chambers. A central bank that refrains from public engagement does not become neutral – instead, it creates a vacuum that others will fill,

often with incomplete or misleading information. Our response must therefore meet a higher standard: clearer, more consistent, and genuinely responsive to the questions people on the ground are asking.

These four forces are not arriving in sequence. They are arriving **simultaneously**, amplifying uncertainty and reinforcing one another. Together, they pose a challenge to not only how we implement our mandates, but how we organise ourselves to deliver them. And that brings us to the next question: how do we orient ourselves to navigate this complexity while staying true to our mandates?

How Central Banks are Responding

Allow me to turn to how central banks, including my own, are adapting to this changing landscape. I see this evolution unfolding across four dimensions.

First: **Transforming our focus**. Today's economic environment has widened what societies expect from central banks, demanding both a sharper and more integrated approach to our mandate. For Malaysia, price stability and financial stability remain our backbone, but in our interconnected economy, monetary policy does not operate in isolation – it is shaped by fiscal conditions, labour markets, financial inclusion, and household resilience. This is why we engage with the Government on structural efforts such as the New Industrial Master Plan and fiscal reforms, always within our advisory role and firmly anchored on our mandate. As a financial regulator, we have stepped up efforts to safeguard financial and operational resilience, while also better protecting consumers in a more digital world and interconnected financial system. We also continue to think about how finance can be reshaped to more effectively serve the economy. Long-term financial resilience is now inseparable from sustainability. As such, we have embedded climate considerations into our supervisory work, from stress testing to transition-financing frameworks. It is true that it makes boundary management highly challenging. That is why we adopted clear parameters like macro-criticality, our own expertise in these relevant areas, exit opportunities, and timing to guide us without depleting our resources.

The second dimension is **strengthening resilience through collective action**. No central bank navigates today's landscape alone. Experience has shown that resilience is not only institutional; it is collective. Confidence is built when fiscal, monetary, financial and structural policies are coherent and mutually reinforcing, helping economies absorb shocks and recover more smoothly.

At the domestic level, this means policy coherence across public and private sectors to advance structural reform and social protection measures. While global institutions and multilateralism are under attack, I continue to believe that there is much that we can do and achieve together at the regional and global level. For example, to build instant cross-border payment arrangements which require common standards, interoperable infrastructure, and close coordination – Institutions such as the World Bank, BIS, and IMF, whose research and policy dialogues also continue to be useful to shape the global knowledge frameworks guiding central banks. These partnerships help us benchmark our approaches, contribute to global thought process in many areas, and

enable collective problem-solving. In a world where finance moves seamlessly across borders and across platforms, collective action is no longer optional, it is essential for delivering stability, efficiency, and trust.

Third: **Communicating to earn trust.** All of this – the sharpened focus, the collective resilience-building – depends on something that cannot be legislated. Public trust. A central bank that loses the confidence of the people it serves finds its tools less effective, its messages discounted, and its independence contested. Trust is not the by-product of good policy. It is a *transmission channel* for policy. Communications must be clear, accessible, and honest, designed to strengthen genuine public understanding of what we do and why. For example, our use of social media is not aimed at broadcasting messages alone. It is an instrument for listening, for understanding sentiment, and for engaging Malaysians in ways that make our work more relatable. This ensures our communications do not simply speak *to* the public, but *with* them.

Fourth, and finally: **Building institutional capacity through technology and human capital.** The issues we face today are multidisciplinary, cutting across economics, finance, technology, climate risk, and other domains. As the demands on central banks evolve, our effectiveness ultimately depends on whether our institutions have the skills, judgment, and confidence to navigate this complexity. Technology, including artificial intelligence is a powerful enabler – reducing routine effort and giving people time to focus on what matters most. But AI does not replace judgement. At Bank Negara Malaysia, we are developing AI tools internally, with the appropriate governance to ensure these tools are used responsibly and serves the right ends.

We humbly admit our limitations; tools and technology alone are not enough. They cannot easily replace people, especially in aspects of our work where judgment and discernment is key. For this reason, central banks must continue to attract, develop and retain talent to meet the growing demands of our mission. This includes understanding not just central banking, but the broader ecosystem we oversee. To meet these demands, we now see central banks exploring new career pathways, expanding continuous learning offerings, and building teams that blend policy expertise with practical industry insight.

Conclusion

The scope of my remarks has been deliberately broad. I admit that I must have left you with more questions than answers. But I am confident that in these two days, the sharing and exchanging of insights will help unpack the challenges we face and, inspire some thought-provoking discussions and offer much needed solutions.

Central banking has never been static. Our work is never over. Its history is one of continual adaptation. What makes this moment unique is not the scale of any single challenge, but their convergence all at once. The frameworks we build, the partnerships we forge, and the trust we earn today will define the space within which central banks can act for the next generation. Let us take this opportunity to deepen our collaboration, strengthen shared standards, and explore new models for innovation and resilience.

Terima kasih and I wish you a fruitful exchange of ideas and productive sessions ahead. Finally, enjoy Kuala Lumpur while you are here.

