Exclusive Interview with Chartered Banker, Fad'l Mohamed, CEO of Maybank Investment Bank Berhad
'Future-Proofing the Next Normal'

BANKING INSIGHT

IDEAS FOR LEADERS | **DECEMBER 2021**

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Move Along, Goldilocks

Forget about the economic sweet spot. Fundamentals are what we want.

Quantum Computing: Finance's Next Frontier

SUCCESSFUL TEAMS MUST BANISH SELF-DOUBT

AGILE MUST EVOLVE OR DIE

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TRUST IN OUR NEWLY MINTED CHARTERED BANKERS

Our 4th Chartered Banker Conferment was held on the morning of 2 October 2021 with 276 individuals conferred the Chartered Banker status, a prestigious designation jointly awarded with the Chartered Banker Institute (CBI), UK. The ceremony, broadcast from Bangunan AICB and joined virtually by close to 300 individuals, recognised the diligence and determination of conferees in attaining the gold standard in banking.

The ceremony commenced with a welcome address by the AICB Chairman Tan Sri Azman Hashim, FCB, with the Council in attendance. In his speech, Tan Sri Azman echoed the sentiments that underpin the expectations of all Chartered Bankers:

"When ethics becomes a shared responsibility, we will see real change that may even become our strongest defence against a future financial crisis.

And with good ethics and trust at the centre of any relationship, the possibilities for the future are boundless. This is where AICB's role as a professional body for bankers helps to promote good core values and develop this mindset and capacity in the banking workforce as we nurture our banking talent into leaders who will shape and contribute significantly to the industry."

Since its inception, the AICB has inducted

ESG FINANCE GATHERS STEAM

Sustainable finance has accelerated in the past decade with key regulatory developments in Malaysia lining up with global megatrends.

2011

- The Sustainable Banking Network (SBN) was launched as a community of regulatory bodies and banking associations from around the world.

2014

- Group of 20 (G20) established a task force, The G20 Energy Efficiency Finance Task Force Group.
- **OCT:** EU Directive 2014/95 was put forward requiring large companies and organisations to disclose and report on social and environmental factors.

2015

- **DEC:** Signing of Paris Agreement on climate change.
- The People's Bank of China issued its *China Green Bond Endorsed Project Catalogue* to govern green financial bonds.

2016

- **DEC:** Malaysian public-listed companies (PLCs) to produce Sustainability Statement in Annual Report or Standalone Sustainability Report.

2017

- **DEC:** GGFC created the Global and European Green Finance Policy Directory.
- Global Green Finance Council (GGFC) was formed, later renamed the Global Sustainable Finance Council.
- Bursa Malaysia commenced annual reviews of PLCs Sustainability Statements as a means to review compliance and quality of disclosures made.

2018

- United Nations Principles for Responsible Investment (UNPRI) announced the guidelines on implementing the Task Force on Climate-Related Financial Disclosures.
- **OCT:** World Federation of Exchanges published its five Sustainability Principles.
- Non-Financial Reporting Directive (NFRD) in place.
- **APR:** Bank Negara Malaysia (BNM) published Strategy Paper on *Value-based Intermediation: Strengthening the Roles and Impact of Islamic Finance.*

2019

- **FEB:** UNPRI announced all signatories to comply with its strategy and governance risk indicators from 2020 onwards.
- The Carbon Disclosure Project issues its Climate Change Report.
- **APR:** Coalition of Finance Ministers for Climate Action formed to implement the Paris Agreement.

  The Coalition endorsed the Helsinki Principles to promote climate action via fiscal policy and public finance.
- China published its *Green Industries Guidance Catalogue.*

Future-Proofing the Next Normal

Reporting by the Banking Insight Editorial Team

Banking is irrevocably changed and all the stronger.

In an exclusive interview, **FAD'L MOHAMED,** CB, CEO of Maybank Investment Bank Berhad reveals his thoughts on future-proofing of finance, the intersection of digital and human, and ushering the new year with renewed vigour.

Q ***Although Covid-19 isn't the first crisis we've encountered, for many, it is certainly the most severe. How has the pandemic impacted Maybank Investment Bank and how has the organisation adapted since?***

Sometimes it takes a century to change a day, and a day to change a century. The pandemic was certainly momentous on many levels. It changed the way we work and live. Our teams had to adapt quickly during the peak of lockdown to ensure business

MOVE ALONG, GOLDILOCKS

By Angela SP Yap

FORGET ABOUT THE ECONOMIC SWEET SPOT. FUNDAMENTALS ARE WHAT WE WANT.

Sometime in September 2020 – or about nine months into the pandemic – overt signs of market rallying entered mainstream media. Headlines like "Get ready for Goldilocks phase in 2021" and "Indonesia, Philippines well-placed for Asia's Goldilocks phase in 2021" were premised on a single report by a global investment bank which primed investors for "a sweet spot of accelerating and above-trend growth, rising-to-trend inflation, and a big easy policy".

From thereon, others began chiming in. In a letter to shareholders issued in April, one financial chief iterated "it is possible that we will have a Goldilocks moment". As recent as 27 October, the release of the Chancellor of the Exchequer's budget was likened by news agency *Reuters* as *'Rishi Sunak Bets on Goldilocks Economy'*.

When it was clear that predictions had run astray, one analyst, also speaking to news agency *Reuters*, introduced a new term – the "semi-Goldilocks" moment. A good soundbite, for sure, but this hair-splitting term defies logic to any analyst worth his or her salt. What will they conjure up next – a quarter Goldilocks?

As 2021 comes to a close, for those who've been waiting for the Goldilocks gravy train to arrive, we're here to remind that banking is built on sterner stuff. Sweet spots like Goldilocks are fleeting moments whereas the road to economic recovery is paved in fundamentals.

BEARISH FAIRY TALE

Coined by UCLA senior economist David Shulman in his equity-strategy paper *The Goldilocks Economy: Keeping the Bears at Bay,* the eponymous term taken from a children's fairy tale has been embedded in financial lexicon to denote an economy that's like that third bowl of porridge in the story: just right – not too hot, not too cold.

While there's really no hard and fast rule when it comes to defining the parameters of a Goldilocks economy, consensus dictates a precarious balance (some describe it as a knife's edge) typified by low unemployment rate, increase in asset prices, low market interest rates, low inflation, and steady economic growth. In other words, it is the ideal state where economic growth is, as one bank put it, "warm enough to keep a recession at bay but cool enough to stave off major inflation". The trifecta to every investor's dream.

However, like the law of gravity, nothing stays buoyant forever. A Goldilocks economy is temporary and part of the boom-and-bust cycle. What few will tell you is that the choices you make during this fleeting moment will leave a lasting impact in your organisation and an indelible ripple effect throughout the financial system.

As more countries – especially in emerging markets – move towards greater economic stabilisation after the stress of a crisis, financial institutions are driven to take on more risk in search of greater yield.

It bears reminding that bets that turn sour have knock-on effects. In this regard, the International Monetary Fund (IMF) has warned of the impact such strategies have on economic and financial stability, caused by banks that take on inordinate risks in the hopes of securing the greatest returns on investment.

The Risk & Return: In Search of Yield, an article published in the IMF's autumn issue of *Finance & Development* magazine, connects the dots between a firm's investing strategies and its implications for financial stability:

"Low rates of return tempt investors to take risks, which can cause economic and financial instability.

"Firms might seek to boost income through speculative investments financed by debt because borrowing is cheap. Financial institutions such as banks and insurance companies may make risky bets to maintain profits or even to survive. But riskier portfolios increase the likelihood of loss. Higher indebtedness means firms are in a more precarious position when confronted by adverse shocks. The result is greater institutional vulnerability and increased likelihood of economic and

AGILE MUST EVOLVE OR DIE

By Dr Amanda Salter

SIX FUNDAMENTAL CHANGES PRACTITIONERS MUST EMBRACE TO FIT BUSINESS DEMANDS WITH CUSTOMER NEEDS.

Back in 1991, the ideas of the Agile founders were seen as extreme, even radical, compared to the then-popular 'waterfall' project management method. "What? Start the project without having captured every requirement? That's crazy!"

Two decades on, the world has executed a rapid 180° turn, committed to Agile's focus on delivering projects quickly, especially during times of uncertainty or incomplete information. All looks well at a 30,000-foot glance, but to seasoned practitioners, the gaps in Agile are more evident than ever.

TROUBLE IN PARADISE

The reality is, Agile projects still fail, albeit less frequently than traditional 'waterfall' projects. One recent failure even appeared before the High Court in London. In one of the biggest cases of 2020 a high-value digital transformation project for a financial institution saw the appointment of a global technology company to design and implement a new IT platform for their general insurance business. From the outset, both parties agreed to use Agile, in the form of Scrum, to deliver the project.

(For the uninitiated, Scrum breaks down the work to be done into a set of user stories, which are then allocated to short timeboxes or sprints. Teamwork and assertive prioritisation are prerequisites for its success.)

In court, the evidence painted an all-too-familiar picture. The institution was late in producing the user stories and allowed the sprints to be derailed by stakeholders, demanding additional change to the out-of-the-

Two decades on, the world has executed a rapid 180˚ turn, committed to **AGILE'S FOCUS ON DELIVERING PROJECTS QUICKLY**, especially during times of uncertainty or incomplete information.

CAN THE OLDEST ETHICAL THEORY HOLD LESSONS FOR US TODAY?

By Bob Souster

Virtue ethics is making a comeback.

Modern approaches to business ethics often focus on duties (or obligations) and consequences. Both are products of the Enlightenment, a period of history that saw great philosophers such as Immanuel Kant, John Stuart Mill and Jeremy Bentham cast fresh light on how we should examine right and wrong. Today, the deontological (duties-based) approach is reflected in statements of values and codes of practice: they impose obligations on professional bankers to respect confidentiality, treat customers fairly and with respect and act in the best interests of stakeholders. The same sources urge those bound by these statements and codes to be aware of the consequences of their actions, a clear allusion to the teleological (consequentialist) approach to ethics. Yet, two thousand years before the Enlightenment writers wrote their enduring words, classical scholars considered ethics in relation to virtues, or the personal qualities that 'good' people would exhibit and put into practice.

Although it never went away, virtue ethics came to feature less among those specialising in applied ethics and business ethics. Since the global financial crisis, it has made something of a comeback. This article examines why this has happened.

WHAT IS VIRTUE ETHICS?

Virtue ethics suggests that ethical behaviour results from individuals possessing, demonstrating and applying inherently good characteristics. Once these personal traits are present, ethical behaviour and decisions should naturally flow.

In Europe, virtue ethics originated with the work of ancient Greek philosophers such as Plato and Aristotle. They conceived the notion of *arête*, or excellence, or in short, being the best that one can be. In those times, the desired virtues would be derived from the perceptions of ancient heroes; qualities such as bravery, physical strength and wit. Some virtues were thought to come with age and experience, including wisdom and intelligence. The Greeks regarded eudaimonia as achieving happiness, the highest human good. The term is best translated as 'flourishing'. The ancient scholars differed on their views of the virtues that would lead to happiness: Socrates suggested characteristics such as courage, piety and self-control; Aristotle proposed nine virtues (wisdom, prudence, justice, fortitude, courage, liberality, magnificence, magnanimity and temperance).

In Asia, Confucius similarly adopted a virtues-based approach, identifying five constants and four virtues. The four virtues are loyalty, filial piety, contingency and righteousness.

Some of the virtues that classical writers discussed were reflected many centuries later by Enlightenment philosophers. For example, John Stuart Mill discussed the nature of happiness and how this related to pleasures.

Some contemporary writers now produce interesting work on virtue ethics. Roger Steare writes of 'the ethics of reason' as reflecting who we are and the values we hold. We do the right thing because we consider it the right thing to do under the circumstances.

HOW ARE VIRTUES RELEVANT TO PROFESSIONALS?

Virtues have always been relevant to professionals in general and specifically to bankers. Organisations that aspire to

HELD TO ACCOUNT

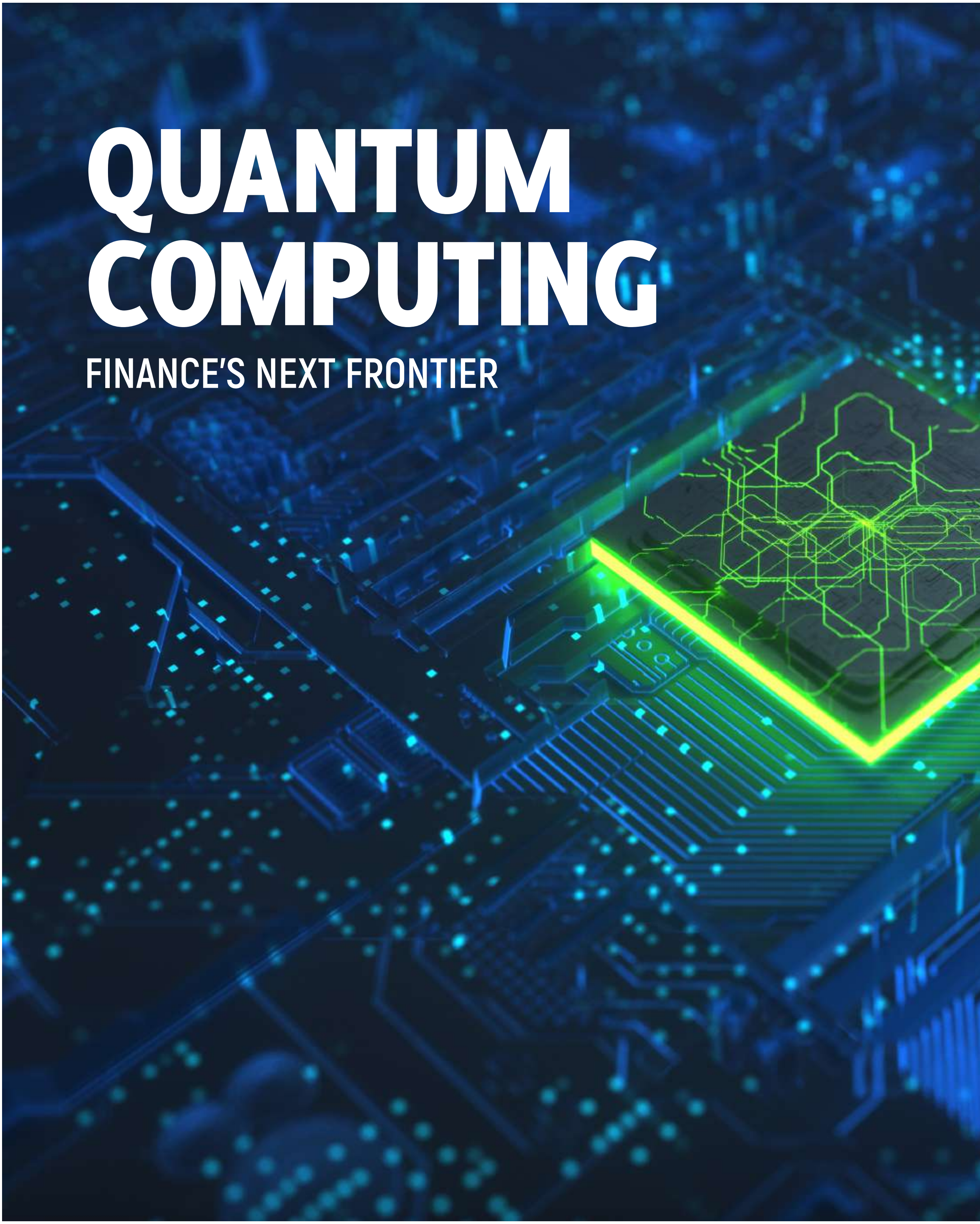
By Chartered Banker Institute, UK

The risk of being perceived to be greenwashing or sidestepping the real challenges in providing a truly neutral or positive impact on the environment have become a priority concern.

It's been widely reported that banks' environmental, social and governance (ESG) performance is of growing interest to investors and other stakeholders, with discrepancies between goals and actions now coming under scrutiny and even attracting litigation.

With the pursuit of profit no longer enough, banking professionals, like many others, are also more focused on their organisation's purpose and ESG performance. But, as interest in – and knowledge of – sustainable practices and reporting improves, do institutions have the measures in place to support the type of ESG-linked reporting required? And what is the risk for organisations not assuming accountability for their climate-related claims?

To explore this, we have to look at how the approach of banks – and the demands placed upon them by the 2015 Paris Agreement – has changed over recent years. "Clients in the investment management space are increasingly sophisticated in their understanding of what 'good' looks like in terms of ESG risk integration," says Caroline McGill, Sustainable Finance and



QUANTUM COMPUTING

FINANCE'S NEXT FRONTIER

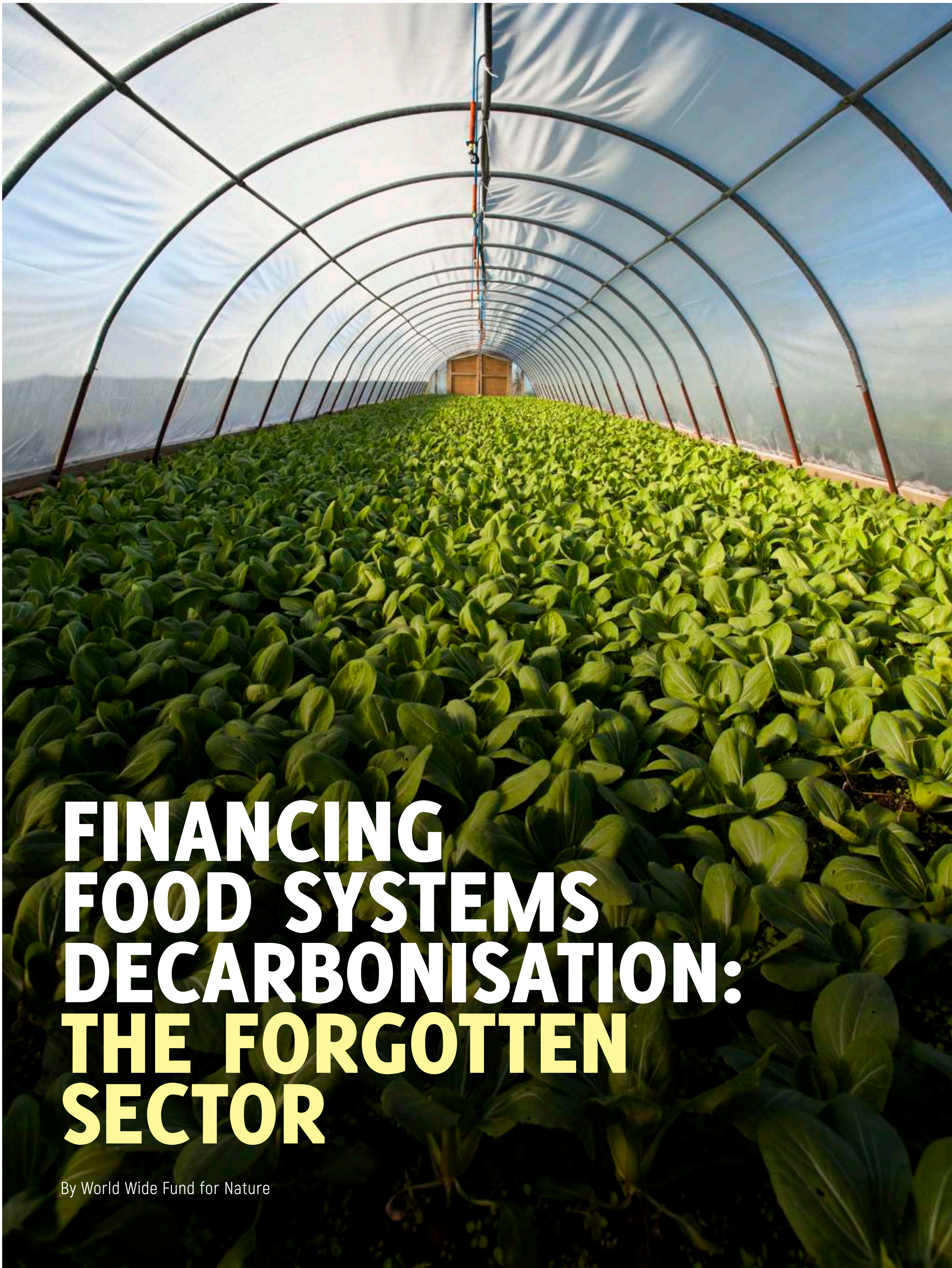
COMBATING THE RANSOMWARE ONSLAUGHT

By Ray Irving

Cyber insurance has emerged as a key bone of contention in the rapidly evolving cyberthreat space.

In the last few months, we have seen large-scale, high-profile ransomware attacks in the Asia-Pacific (APAC) region, including on large insurers and tech companies. These come on the heels of multiple ransomware attacks around the world, including on IT firm Kaseya as well as Colonial Pipeline and meat supplier JBS in the US. Ransomware is a growing threat due to the wide availability of ransomware kits (known as Ransomware-as-a-Service) that non-tech-savvy criminals can easily obtain, as well as the rise of cryptocurrencies as cross-border payment methods that are difficult to track.

While the rise in ransomware started in 2020, this year has seen an even bigger surge. Attacks rose 93% year-on-year, according to Check Point. While much of the activity centres on the US, Europe, and Latin America, APAC financial institutions must still be prepared as they too are in the crosshairs.



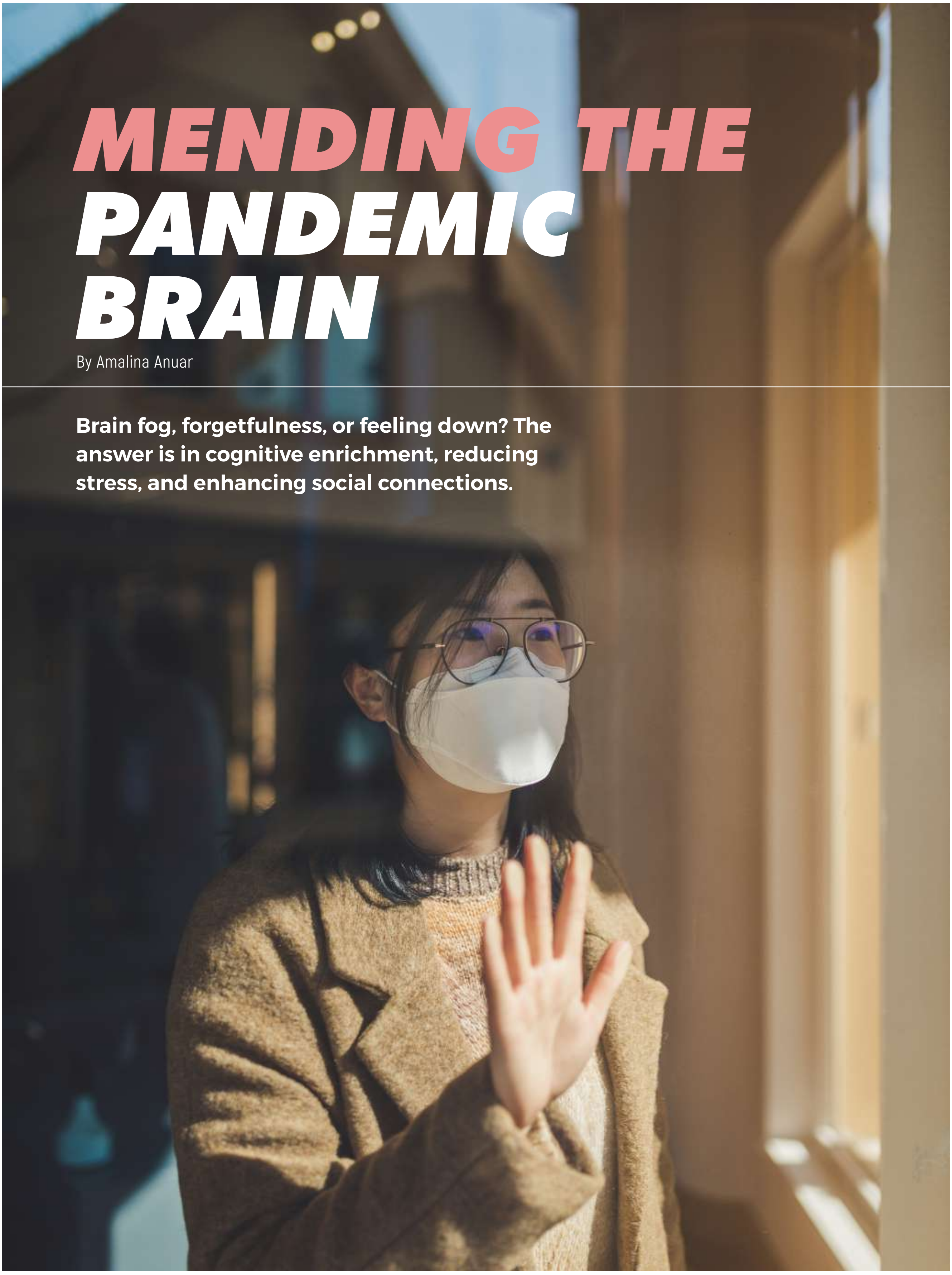
FINANCING FOOD SYSTEMS DECARBONISATION: THE FORGOTTEN SECTOR

By World Wide Fund for Nature

MENDING THE PANDEMIC BRAIN

By Amalina Anuar

Brain fog, forgetfulness, or feeling down? The answer is in cognitive enrichment, reducing stress, and enhancing social connections.



HOW WILL YOU DRESS FOR SUCCESS?

By Chartered Banker Institute, UK

AS WORKERS START FILTERING BACK TO THE OFFICE AFTER 20 MONTHS OF DRESSING DOWN, WILL THE SUIT NOW GET THE BOOT IN FAVOUR OF THE 'FINTECH FRIDAY' LOOK?

There are those who will breathe a heartfelt sigh of relief, reach for the suit that's been patiently hanging in the wardrobe awaiting the return of normality and go back to the traditional city look they were always comfortable in. And there's a lot to be said for normality.

But most of us have got used to more hybrid working, less business travel and new technology. So, will our colleagues all feel – and dress – the same? Will firms extend the new post-pandemic relaxation of rules of where and when to work to what to wear? Will, in fact, 'Fintech Friday' with its jeans, hoodies and trainers take over the whole working week even in the most conservative firms?

Or, conversely, will we feel the need to emerge from our Covid cocoons in butterfly-beautiful new outfits; brighter colours, sharper tailoring and snappier shoes, showing the world what it's been missing for the last year and a half? A recent survey by Randstad said that while most of us want to continue with less formal clothing, a substantial minority (24%) would welcome a return to the era of the suit.

Clearly tailors and dressmakers are very much hoping more of us are going to rush out and refresh our wardrobes. The list of clothing retailers that have closed, been bought out or transitioned to a solely online presence makes depressing reading: Brooks Brothers, iconic outfitters of US presidents and bankers for 200 years; shirtmakers TM Lewin; brand icon Jaeger; retro-inspired Cath Kidston. Even Topshop, among Philip Green's other Arcadia brands, was bought out of administration by online retailer ASOS. By contrast, ASOS tripled its profits during lockdown.

Early indications are of a significant shift in corporate dress codes, where far more is left to personal choice. As well

Early indications are of a significant shift in corporate dress codes, where far more is left to personal choice. As well as an acceptance that the pandemic has proved it's **PERFECTLY POSSIBLE TO BE A HIGH-PERFORMING PROFESSIONAL IN JEANS OR JOGGING BOTTOMS,** the larger and more traditional firms are realising that they're in a war for talent with more progressive tech organisations.

TO TAKE OR NOT TO TAKE?

By Julia Chong

CALLS TO RELAX AML/CFT STANDARDS FOR CHARITIES OPEN UP AN ETHICAL QUAGMIRE.

In the wake of the pandemic, some quarters are advocating that banking relax its iron fist on anti-money laundering/counter financing of terrorism (AML/CFT) laws if it's for a good cause. A recent opinion carried by *Bloomberg*, headlined *Tainted Money is Better than None for Struggling Charities,* is but one of the prominent editorials calling for this.

Such views are not new. As far back as the 1900s, William Booth, founder of the Salvation Army, reportedly said, "The problem with tainted money is that t'aint enough of it", believing that money was "washed clean" when channelled to a noble cause.

In the Basel era though, this does not withstand legal and ethical scrutiny and the responsibility of banks in ensuring the fidelity of monies flowing into and within the system is a weighty one.

AN EVEN HAND

The standard for AML/CFT regulations relating to non-profit organisations (NPOs) is established by the Financial Action Task Force (FATF), recognised as the global AML/CFT body. Its Recommendation 8 mandates that NPOs must not be misused:

- by terrorist organisations posing as legitimate entities;
- to exploit legitimate entities as conduits for terrorist financing, including for the purpose of escaping asset-freezing measures; and
- to conceal or obscure the clandestine diversion of funds intended for legitimate purposes to terrorist organisations.

In 2015, HSBC, UBS, and NatWest froze the UK-based bank accounts of charities and international non-governmental organisations in Syria, Gaza, and Iraq over concerns that the millions of pounds fundraised were linked to the financing of terrorism, including masked militant Jihadi John. Prior to that, the FATF cited more than 100 cases of charities being used for terrorist purposes, mostly involving diversion of funds.

The move caused an uproar as NPOs spoke out against what it deemed to be disproportionate scrutiny and withdrawal of services by banks for legitimate charitable causes, including salaries, logistics, and on-the-ground mobilisation.

In response, the FATF issued more thorough guidelines and tools for NPOs and banks in *Best Practices on Combating the Abuse of Non-profit Organisations (Recommendation 8).* Most notably, it clarified how de-risking – where financial institutions terminate or restrict business relationships with clients in order to avoid risk – wasn't in

SUPERMAN LIKE ADAPTABILITY

By Derek Ariss

The keys transitioning quickly in this ever-changing world.

Admission time! Ever since I was a kid, I always liked Superman, but not for the reason's you would think. It's not because he could run faster than a speeding bullet, or leap tall buildings in a single bound, or even be more powerful than a locomotive. It was because he had an incredible ability to adapt to changing circumstances and come out on top. I like that quality; dealing with change in a positive way.

Out of uniform, he was a mild-mannered reporter named Clark Kent doing his job reporting the news. And in uniform, he was using his super strengths to do good for himself and the people around him. When a supervillain appeared out of nowhere with a new 'super' evil plan, Superman would always go through the same process irrespective of the circumstances. He would stay calm, think things through, try a plan, make mistakes, adjust, learn, and find solutions. This is the type of core behaviour I believe is key to being adaptable. This adaptability lets us navigate and come out on top in this intense, constantly changing world that we live in. By learning how to adapt continuously, we gain a skill that prepares us for the future.

But don't just take my word for it. The ability to adapt is being identified by many as a core and essential competency.

For instance, a recent Deloitte Malaysia survey focusing on Millennials and Gen Z revealed that these market segments were unanimous in ranking adaptability and flexibility as the number one characteristic for success in a post-pandemic economic environment. Adaptability ranked ahead of expertise and being technological savvy.

However, the significance of being adaptable to changing environments is not a new one, and it has always been an essential quality for survival.

"According to Darwin's *Origin of Species*, it is not the most intellectual of the species that survives; it is not the strongest that survives, but the species that survives is the one that is able best to adapt and adjust to the changing environment in which it finds itself."

- Leon C Megginson, *Lessons from Europe for American Business*.

Adaptability, according to Darwin, is a survival skill. I agree with that statement and also believe all of us need to become more adaptable now.

Unfortunately, due to a combination of our competitive nature and the continued exponential growth in technology, the time for us humans to adapt is becoming shorter and shorter. To survive in the future, we must learn to adapt quickly.

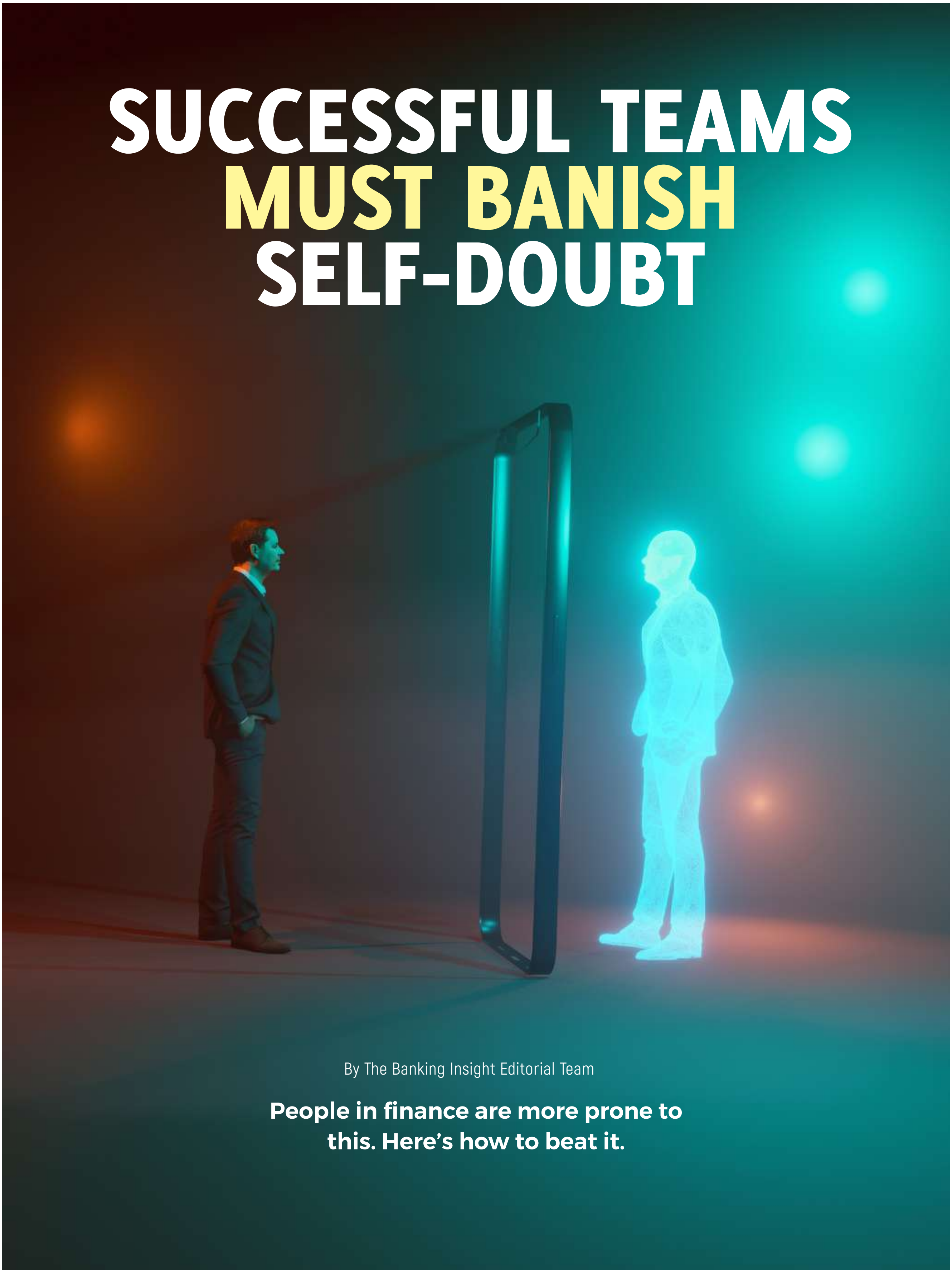
How do we become more adaptable both from the individual and then from the organisational point of view?

By Cognizant

Banking and financial services organisations are moving beyond the basics of digital banking and one-size-fits-all services, according to our recent study.

THE WORK AHEAD IN BANKING & FINANCIAL SERVICES: THE DIGITAL ROAD TO FINANCIAL WELLNESS

SUCCESSFUL TEAMS MUST BANISH SELF-DOUBT



By The Banking Insight Editorial Team

People in finance are more prone to this. Here's how to beat it.

Is Your Data Decision-ready?

By Julia Chong

Pure reliance on tech isn't enough. It's time to blend the best of humans and machines for optimal outcomes.

Anyone can make a decision, but the best managers and executives know that there is more than meets the eye when it comes to making the right decision.

With so much focus on tech and digital, it's easy to get carried away with the feeling that data is the be-all and end-all, but data should not be mistaken for knowledge. The most effective managers and decision-makers still possess that rare, sparkling quality of piercing through the 'white noise' of data to derive true insights – a blended, middle-path approach that straddles both worlds, combining the emotional quotient of human intuition with the hyperscale of tech.

This blended approach, touted as one of the future trends in data and finance, is designed to glean the most from data analytics. It isn't enough to just have data and dashboards; what's needed is analytics that are grounded in business reality, making it decision-ready. Global IT research firm Gartner's Clement Christensen, Senior Principal Advisor, states in a blog post: "Business leaders largely agree that data from finance are often out-of-date, inconsistent, or incomplete. Finance must think more broadly about making data decision-ready."

The IT firm posits that decision-ready data will be the next business imperative for financial institutions seeking to gain or retain its competitive advantage in the coming decade: "Progressive organisations are already complementing the best of human decision-making capabilities with the power of data and analytics and artificial intelligence (AI) — to create opportunities to fundamentally change what they do. The quality of the decisions being made by these data-driven organisations is giving them a competitive edge, especially on digital initiatives.

Decision-makers need organised information for feedback. They need reports and figures. But unless **THEY BUILD THEIR FEEDBACK AROUND DIRECT EXPOSURE TO REALITY** — unless they discipline themselves to go out and look — they condemn themselves to a sterile dogmatism.

THE USE OF AI/ML TO SHARPEN DETECTION

By Deloitte Southeast Asia

Cognitive technologies help tip the scale in the battle against money laundering.

Despite substantial investments in detection, prevention, and deterrence capabilities, financial crime remains a trillion-dollar problem and one of the top risks facing the financial services industry (FSI) and society in the world today. Criminals are becoming more sophisticated in their use of technology, identifying and exploiting flaws in financial systems and leveraging emerging technologies like new payment platforms and cryptocurrencies to conduct complex, multilayered transactions that are becoming increasingly difficult to detect and trace.

However, technology does not only impact how the crime takes place – it can be used to fight crime too. Digitisation, which has been accelerated by the impact of Covid-19, is changing the type of financial crime and the way law enforcement and regulators seek to detect it. For example, traditional cash flow metrics and physical document verification controls are becoming increasingly irrelevant to digital transactions. For businesses to see the greatest benefit of technology in the fight against financial crime, they will need to embrace it throughout the customer life cycle in an integrated fashion. However, different organisations are at different stages of technology adoption and have different needs and budgets to carry out such projects, especially since technology solutions often rely heavily on the ability to integrate efficiently with existing systems and require complete and accurate data.

AI/ML WORKING TOGETHER WITH TRADITIONAL SYSTEMS

Artificial intelligence (AI) refers to machines that can mimic human cognition and take on tasks that require relatively complex reasoning and decision-making.