

# banking insight

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**EXCLUSIVE INTERVIEW WITH  
DATUK YVONNE CHIA,  
CHAIRMAN OF STANDARD  
CHARTERED BANK  
(MALAYSIA) BERHAD  
AT THE TOP OF HER GAME**

Scepticism: An Essential Quality  
For Banking Professionals

**CULTURE IN  
GOVERNANCE MATTERS**



## Up in Arms

Are you financing weapons of war?

A PUBLICATION OF



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## Editor's Note

# UNCEASING EFFORTS TO WREST WHITE-COLLAR CRIME

**AS 2019 DRAWS TO A CLOSE**, we reflect on the momentous events that have marked our journey toward elevating professional and ethical standards in banking.

Of the many milestones, few have been more rewarding than the successful conclusion of AICB's International Conference on Financial Crime and Terrorism Financing (IFCTF) 2019 in November.

Convening global top financial crime experts and industry veterans in Kuala Lumpur, this year's theme – *Building Trust and Transparency: Collaborate, Accelerate, Strengthen* – is a clarion call for financial institutions to dig their heels deeper and combat criminal behaviour in the financial system.

World renowned experts at the IFCTF 2019 include Tom Keatinge, Director, Centre for Financial Crime and Security Studies, Royal United Services Institute; and blockchain expert Roberto Capodiecici of Blockchain Zoo, Indonesia.

Tun Dr Mahathir, the Prime Minister of Malaysia, launched the much-awaited Malaysia Financial Intelligence Network (MyFINet), an intelligence-sharing partnership to counter money laundering and terrorism financing, comprising the Royal Malaysia Police, the Malaysian Anti-Corruption Commission, the Royal Malaysian Customs, Securities Commission Malaysia, and 18 other reporting institutions.

In his keynote address to over 1,300 delegates, Tun Dr Mahathir said: "While we appreciate the insights and the latest development in dealing with the present day sophistication of financial crime and terrorism financing, the chink to the armour is always linked to bad and ineffective governance due to lack of integrity."

"I used to say that previously, when corruption was an 'under the table' act, it was a scourge to our nation's future. But the last few years saw corruption

becoming an 'over the table' act, being committed openly by the top leaders. Others will then do the same without fear."

How timely then that *Banking Insight* takes the bull by its horns with a

hard-hitting exclusive on the perils of proliferation deals, *Up in Arms: Are You Financing Weapons of War?* It questions whether banks' zero-tolerance for corruption is out of sync with reality in the arms trade.

Weighing in is Datuk Yvonne Chia, AICB Council Member and Fellow Chartered Banker, whose trailblazing career follows a life of purpose and mission. Insightful, motivational, and personal, she shares her philosophy as well as predictions on banking's not-too-distant future.

As always, keeping our members on point, *Banking Insight* presents forward-looking trends from global thought leaders.

Alex West, also on the panel at the IFCTF 2019, elaborates how banking technology has caught up with aspiration as surveillance efficiency evolves, linking isolated occurrences into patterns of behaviour to deliver more granular detection of market abuse.

Brian Hansen advocates why diversity in cybersecurity enhances operational effectiveness through the cultivation of different perspectives and talents for creative problem-solving. As cybercriminals are single-mindedly collaborating to cheat the system, leaders must incorporate diversity as "a business imperative, not a nice-to-have"

Which begs the question: Can we win the race against white-collar crime?

The jury is still out.

It is certainly food for thought as financiers take a well-deserved breather from boardrooms, banking halls, and trading floors. \*

*Hope you have a fruitful read.*

**The Editor**

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## BUSTING FINANCIAL CRIME & TERRORISM



From left: *Arsalaan Ahmed, Secretary, Association of Islamic Banking Institutions Malaysia; Tan Sri Tay Ah Lek, MD/CEO, Public Bank Berhad; Tan Sri Azman Hashim, Chairman, AICB; Datuk Syed Zaid Albar, Chairman, Securities Commission Malaysia; Datuk Nor Shamsiah Mohd Yunus, Governor, BNM; Tun Dr Mahathir Mohamad, Prime Minister of Malaysia; Latheefa Koya, Chief Commissioner, MACC; Dato' Pahlawan Mazlan Mansor, Deputy Inspector-General, Royal Malaysia Police; Dato' Azimah Abd Hamid, Deputy Director General, Royal Malaysian Customs (Enforcement/Compliance); Nik Azmir Nik Anis, Organising Chairman & Chairman, AICB Compliance Officers' Networking Group; Prasad Padmanaban, Chief Executive, AICB.*

Jointly organised by the Asian Institute of Chartered Bankers and the Compliance Officers' Networking Group, the 11th International Conference on Financial Crime and Terrorism Financing gathered over 1,300 leading regulators, experts, thought leaders and industry practitioners onto a common platform to debate and consolidate global efforts to combat financial crime. Supported by Bank Negara Malaysia, Securities Commission Malaysia and Labuan Financial Services Authority, this year's theme – *Building Trust and Transparency: Collaborate, Accelerate,*

*Strengthen* – covered a range of issues from the systemic challenges of bribery and corruption to increasingly complex threats such as money laundering, proliferation financing, and cybersecurity.

The conference convened luminaries such as Tun Dr Mahathir Mohamad, the Prime Minister of Malaysia; Datuk Nor Shamsiah Mohd Yunus, the Governor of Bank Negara Malaysia; Latheefa Koya, the Chief Commissioner of the Malaysian Anti-Corruption Commission and Tan Sri Azman Hashim, the Chairman of AICB. They shared their riveting bird's-eye views alongside global subject matter experts. \*

■ **"I wish to applaud the Financial Services Professional Board (FSPB) on its recent publication of standards on whistleblowing and on managing conflicts of interest...I hope that the industry will adopt these standards and this means moving beyond symbolic gestures, to the diligent implementation of policies and programmes that promote the desired culture."**

**Datuk Nor Shamsiah Mohd Yunus**  
Governor of Bank Negara Malaysia

■ **"AICB focusses its efforts on raising the professional and ethical standards of bankers through our membership and professional qualifications as we believe that capacity building plays an important role in preparing bankers for the fight against financial crime and maintaining the highest levels of integrity in one's professional practice. It is vital for bankers to have a code of ethics that promotes honesty, accountability and ethical conduct to maintain the highest levels of integrity in their professional practice."**

**Tan Sri Azman Hashim**  
Chairman of AICB

## ▶ EUROPE'S EUR60 BILLION 'ROBBERY OF THE CENTURY'

That's how French newspaper *Le Monde* describes the Cum-Ex scheme, a massive EU trading scandal involving an extensive network of bankers, traders, and lawyers. Uncovered in 2012 by a collective of European investigative journalists on tip-offs from German whistle-blowers, the plot to siphon taxpayers'



money from state funds is estimated to reach up to EUR31.8 billion in Germany, EUR17 billion in France, EUR4.5 billion in Italy, EUR1.7 billion in Denmark, and EUR201 million in Belgium.

Trials commenced in Bonn on 26 March 2019 to convict the alleged perpetrators on multiple counts of economic espionage, violation of banking secrecy laws, and tax fraud.

One of the architects of the scheme, Oxford-trained investment banker Martin Shields,

testified that the scheme reflects the attitude of banks and bankers who were bent on "taking advantage of any opportunities that could be found or created. This was not the clandestine approach of a few. Rather, I saw it as the clear and openly communicated expectation of most major banks and their customers."

Has banking truly laid the ghost of 2007 to rest...or are there more criminal spectres lurking in the shadows? \*

# AT THE Top of Her Game

VIBRANT, BOLD, AND INCISIVE AS EVER, **DATUK YVONNE CHIA, FCB, CHAIRMAN OF STANDARD CHARTERED BANK (MALAYSIA) BERHAD**, GRACIOUSLY PULLS BACK THE CURTAIN ON HER DEFINING MOMENTS AND SHARES HER THOUGHTS ON BANKING'S FUTURE.

**Q Your career has been marked by many Malaysian 'firsts', including the first female CEO of a commercial bank and steering two banks simultaneously during the Asian financial crisis. Please share your journey in charting your course in the sector.**

In my early days, I didn't know I wanted to be a banker but I knew I wanted to work for a multinational. Then I got lucky; I got my start in banking with a global bank. I fell in love with it and it became the catalyst for me to explore my full potential.

The excitement and fast-paced nature of finance, and the landscape pushes you to constantly evolve. I was hungry to learn, to stay ahead and, most importantly, excel in what I loved to do.

Anything you set out to do in life can only be sustained if your actions resonate with your inner voice. It'll drive you to wake up early, feel excited about your job, leave

money out of the equation, and in the process, feel contented and fulfilled. Before you know it, you are on the road to further success.

In retrospect, I believe my character and values were indelibly shaped by my 50-year-old father who suddenly passed away when I was a young teenager.

I was raised in a Hokkien household in Seri Menanti/ Kuala Pilah, where my father owned and operated the family business – a wholesale store, a retail grocery shop, a one-pump petrol station, a rubber factory, and a four-lorry fleet for hire – while my mother was a traditional housewife. Many knew me as the tauke's (boss') daughter as I followed him in his lorry along the supply route to the smaller towns before heading to school in the afternoon.

This was my first peek into entrepreneurship. As I watched my father, I picked up practical business knowledge on negotiating deals and collections, decisions to extend or withhold



# UP IN ARMS

## ARE YOU FINANCING WEAPONS OF WAR?

When asked to describe banks' ability to detect illicit financial transactions, one risk manager at a major bank said: "We only catch the dumb ones."

The interviews, conducted by financial crimes expert Dr Togzhan Kassenova and published in a research paper titled *Challenges with Implementing Proliferation Financing Controls: How Export Controls Can Help for Carnegie Endowment for International Peace*, illustrates the challenges banks have in wrapping their heads around the illicit financing of weapons of mass destruction (WMD), also known as proliferation financing.

"Compared to money laundering and terrorism financing, proliferation financing is a relatively recent and less understood challenge," writes Dr Kassenova.

### A CHANGING TYPOLOGY

There is no universally accepted definition of proliferation financing.

The Financial Action Task Force (FATF) defines proliferation as the transfer and export of nuclear, chemical or biological weapons; their means of delivery; and related materials that may or may not be included in control lists as 'sensitive materials'.

Proliferation financing is the trade financing and other forms of financial support extended to persons and entities engaged in the procurement of illicit arms.

Yet, as Dr Kassenova points out, this is increasingly difficult to pin, given that almost anything could potentially be used to construct a WMD.

"The risks posed by WMD stem not only from ready-made bombs, nuclear, chemical, or radiological material, but from dual-use goods and technology that are traded, shipped, and used globally.

"Laptops, transistors, instant coffee – almost every single moment, no matter where you find yourself in the world, you are surrounded by



The risks posed by WMD stem not only from ready-made bombs, nuclear, chemical, or radiological material, but from dual-use goods and technology that are traded, shipped, and used globally.

**Dr Togzhan  
Kassenova**

# 'I HAVE NO VESTED INTEREST'

Ex-trader Kweku Adoboli takes on notions of **ethics, systemic failure, and banking's 'power few'** in this no-holds-barred interview.

Convicted in November 2012 for the US\$2.3 billion trading loss at Swiss investment bank UBS, Kweku Adoboli served half of a seven-year prison term before being deported from the UK.

Now, the former equities trader is working to change the system.

Since June 2015, Adoboli has worked with regulators, corporations, academics, and students on transformative risk management, ethics, and systemic failure.

Starting out as an operations analyst at UBS, within three years, he was recruited to the exchange-traded fund (ETF) and index desk on the equities trading floor. In 2007, with just 10 months under his belt as an ETF trader, he jointly managed the desk's US\$50 billion trading book.

In 2011, under pressure to accelerate trading profits through client and proprietary trading, the desk incurred a significant trading loss. Kweku took sole responsibility for this and the systems employed by the desk.

In the final weeks before he was redetained and deported from the UK in November 2018, he worked with the counterterrorism unit of the UK Special Forces alongside ex-British Prime Minister Tony Blair, and British Army chief-turned-banking consultant General Sir Peter Wall.

Today, his view on ethics turns the table on conventional wisdom. He advises governments and the private sector on embedding ethics in organisational culture and the requisite system designs to keep the 'ethical engine' running.



# Licencing Fintech

A.K.A. HOW TO  
GET ALONG WITH  
FRENEMIES



Governing  
innovation today  
will determine  
**how well  
banking thrives**  
tomorrow.

# NOT JUST FOR TREE-HUGGERS ASIA'S DO-GOOD' LOANS

A slew of news reports indicate ESG loans are gaining ground in Asia Pacific. Here's a primer on sustainability for lenders.



The period from 2012 to 2018 has clearly set out the global growth trajectory in the sustainable debt market (see **Chart 1**).

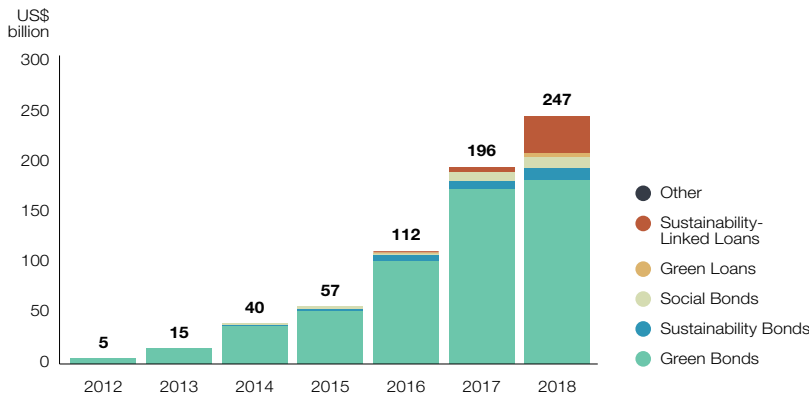
In the last year, Hong Kong and Japan both established programmes to incentivise market growth, whilst China emerged as a global leader in sustainable debt issuance (US\$25.5 billion), second only to the US (US\$45.4 billion).

The sustainable debt market itself surged 26% in 2018, with a record US\$247 billion worth of sustainability-themed debt instruments raised during the year. Of this, US\$36.4 billion worth came from sustainability-linked loans – facilities in which the interest rate is linked to sustainability performance targets – which chalked an unprecedented seven-fold increase from the previous year.

This level of growth represents an opportunity for far-sighted Asia Pacific lenders.

A study by the ASEAN–Japan Centre in 2019 found that environmental, social, and governance (ESG) firms in the region were more profitable on average than firms without an ESG thrust, reflected in higher average net profit margins (11.41% vs 9.61%). Leading ESG awareness was concentrated in three industry groups: food, beverage

**CHART 1 ANNUAL ISSUANCE OF GLOBAL SUSTAINABLE DEBT**



**SOURCE** BloombergNEF, Bloomberg LP.

# WHY EFFECTIVE DETECTION OF MARKET ABUSE REQUIRES A TRADER-CENTRIC VIEW

MOVING TO A MORE EFFECTIVE RISK-BASED APPROACH IN SURVEILLANCE.

Some of the fundamental problems with detecting market abuse stem from the siloed view that most organisations have to contend with when performing surveillance. People commit market abuse. Yet, most surveillance approaches take a transaction-centric view where alerts are generated based on rules-based triggers with little regard to the motivation or intent of the individual traders. Behavioural approaches have long been an aspiration. Technology has now caught up with aspiration and a trader-centric approach is an achievable possibility. A trader-centric view would significantly enhance the ability of analysts to link isolated occurrences into patterns of behaviour and deliver more effective surveillance.

Compelling efficiencies could be achieved by taking this a step further and applying an integrated and risk-based approach. The current lack of appreciation of how alerts relate to behaviour in turn leads to a situation where every alert is treated as equally valuable. A risk-based approach would enable surveillance teams to discriminate between very strong indicators of market abuse and very weak indicators. Consequently, surveillance teams could review alerts in priority order or assign more experienced



hands to alerts representing greater risk. Considering that surveillance solutions generate a very high number of 'false positive' alerts – PwCs *2019 Market Abuse Surveillance Survey* indicates that 99.9% of alerts were deemed 'false positives' by surveyed banks – it is apparent that a risk-based approach could deliver considerable efficiencies while also allowing effort to be focused on areas of greater risk.



**+ Compelling efficiencies could be achieved by taking this a step further and applying an integrated and risk-based approach. The current lack of appreciation of how alerts relate to behaviour in turn leads to a situation where every alert is treated as equally valuable.**

# CREATIVITY MINDSET IN BUSINESS: THE NEXT COMPETITIVE EDGE

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*Getting your mind to look at more.*

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**T**echnology is driving change at an ever-increasing rate. So quickly, in fact, that as businesses and individuals, we need some skills that will allow us to thrive in these ever-changing times. One of these skill sets lie in the area of creativity. We've often heard about the need for organisations to be more creative, both as a strategy and an operational tactic. But what does this mean?

If we look back on the past 100 years, civilisation has been continuously improving. We have gone from the industrial age, where the ability to build products was the competitive strength, to the information age, where information and data analysis will be the competitive advantage for organisations. However, the next age that will provide a point of

difference will be the age of creativity, where ideas that add value to our businesses in new and productive ways will be the hallmark of success.

Creativity and, for that matter, innovation seem to be at the heart of this opportunity list.

In this article, we will present a cross section of information on creativity, why it is vital in business, how all of us have tremendous creative ability and how we can start to apply it daily in our work and personal lives.

## **DEFINING CREATIVITY**

Creativity in this article is seen as the ability to use our minds and imagination to create something new and add value to the world. Often, we use creativity to

# culture in governance matters

## CULTURE VERSUS INSTITUTIONAL DESIGN

Independent board members, aligning pay incentives, internal controls, risk management, and so on. These corporate governance arrangements are no longer new concepts. Since the Cadbury Report in 1992, there have been innumerable publications, codes and laws on this subject.

Yet, despite these guides and exhortations, we continue to witness corporate scandals – Enron, WorldCom, Countrywide Financial, VW, Wells Fargo, to name a few. The 2008 global financial crisis exposed massive failures of ethics and leadership in finance, business and government.

## CONDUCT AND ETHICS

The consensus is that many of these issues boil down to the lack of a culture of ethical behaviour. Many employees within organisations that purportedly subscribed to ‘best practice’ in governance, were in fact living a different ethical culture. They role modelled after their leaders. They were driven by the wrong incentives or they may have operated under undue influence.

In 1994 when the UK Nolan

Committee published the *Seven Principles of Public Life*, the principles were considered “revolutionary” simply because the focus of the discussion was on behaviour and culture, not on process.

Today, the expectation of corporate boards to play an active role in ensuring corporate culture is explicit. The UK Corporate Governance Code, for example, states that the board is to assess and monitor culture. The ASX’s Corporate Governance Principles and Recommendations requires the board charter to include the role of the board to approve the entity’s statement of values and code of conduct to underpin the desired culture within the entity.

## THE CHALLENGE

The reality is that ethics and integrity have always been part of the governance conversation. A significant challenge is that ensuring this “culture” is impervious to implementation and measurement.

In the financial services world, at least we are beginning to see this change. In 2015, the Group of 30 published the *Banking Conduct and Culture: A Call for Sustained and Comprehensive Reform*, reflecting a global regulatory agenda to pin down this slippery issue of culture. What is interesting is that regulators today have begun to use behavioural science to assess how institutions are treating consumer interests. An international survey has reported that 25 regulators from across the world are now using behavioural tests to check on customer



**+ Many employees within organisations that purportedly subscribed to ‘best practice’ in governance, were in fact living a different ethical culture. They role modelled after their leaders. They were driven by the wrong incentives or they may have operated under undue influence.**

# THE COST OF GOING CASHLESS

Cash needs to stay core to life in the UK – or millions could be excluded. Natalie Ceeney CBE shares her thoughts on the Access to Cash Review.



Is Britain ready to go cashless? And if not, given the trends towards digital payments and away from notes and coins, how do we ensure that no one gets left behind?

These two key questions shaped the final report of the *Access to Cash Review*, which was published in March 2019 to examine the future of physical money across the UK.

Natalie Ceeney CBE, the former head of the Financial Ombudsman Service, led the review, which was set up amid concern about ATM accessibility and startling statistics showing declining cash use in Britain.

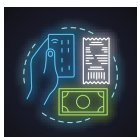
“Almost every day there is

another story in the media of bank branches and rural ATMs closing, or pubs, restaurants, charities and shops going cashless,” Ceeney says in her foreword to the final report.

“10 years ago, six out of every 10 transactions were cash. Now it’s three in 10. And in 15 years’ time, it could be as low as one in 10.”

## FINANCIAL EXCLUSION

The review found that around 17% of the UK population – more than eight million adults – would struggle to cope in



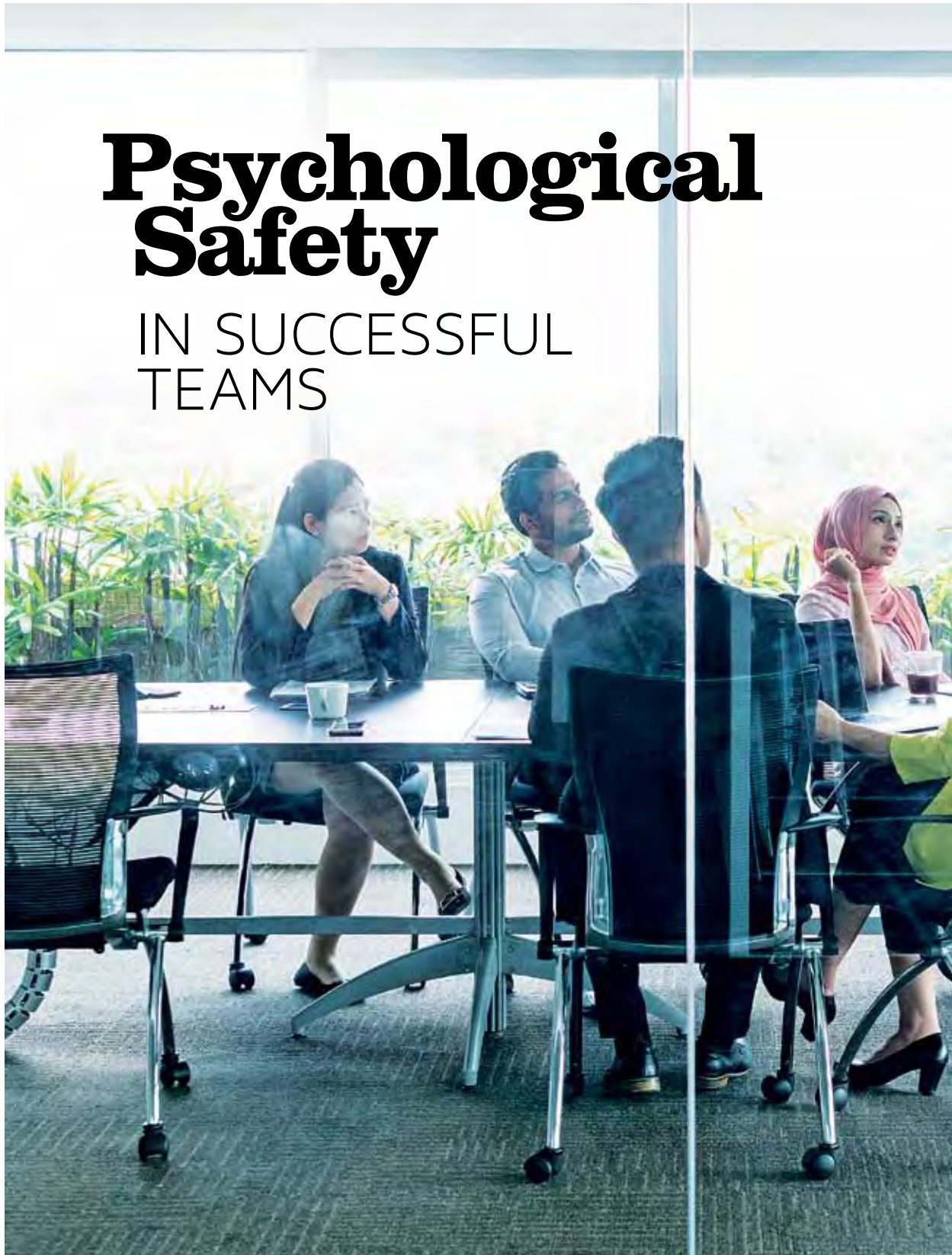
+ “10 years ago, six out of every 10 transactions were cash. Now it’s three in 10. And in 15 years’ time, it could be as low as one in 10.”

# Psychological Safety

## IN SUCCESSFUL TEAMS

Psychological safety describes a group environment where individuals are not hindered by interpersonal fear. Team members aren't afraid to speak up. They're not afraid to take risks when it comes to raising any concerns or sharing ideas. And you'll find that leaders and peers in a team with high psychological safety also have the courage to listen to perspectives that differ from their own.

Nicole Brigandi



# Tax That Bot!

Can a 'robot tax' level the playing field for humans?

British-based research firm IHS Markit announced in its April 2019 report, *Artificial Intelligence (AI) in Banking*, that robots and AI could be the cause for the disappearance of over 1.3 million jobs in the US and 500,000 jobs in the UK by 2030. If extrapolated globally, the figure reaches tens of millions of job losses or reassignments throughout the industry.

The report also projects global business value of the deployment of AI in financial services to hit US\$300 billion by 2030, a staggering 630% leap from US\$41.1 billion clocked in 2018.

Leading the pack is North America (2018: US\$14.7 billion vs. 2030: US\$79 billion) and the Asia Pacific (US\$11.5 billion vs. US\$98.6 billion) with China, Japan, South Korea, Hong Kong, and Singapore driving demand for AI within the banking sector over the next 10 years.

Don Tait, Principal Analyst at IHS Markit, points out the most vulnerable segments in the banking value chain: "Banking employees potentially impacted by the introduction of AI include tellers, customer service reps, loan interviewers and clerks, financial managers, compliance officers, and loan officers."

From automated collections processes to anti-money laundering detection and compliance, in an era of thinning margins, greater competition, and the advent of financial technology (fintech)

firms, it's hard to dispute the logic or business case for automation in the sector.

It isn't just finance that's getting hot under the collar. Virtually every industry touched by AI or automation will see job cuts and the risk of human obsolescence in the workforce.

From manufacturing to the services industry, in the US alone, Brookings Institute estimates that AI and automation will take away 36 million jobs. McKinsey Global Institute pessimistically doubles that figure at 73 million American jobs by 2030.

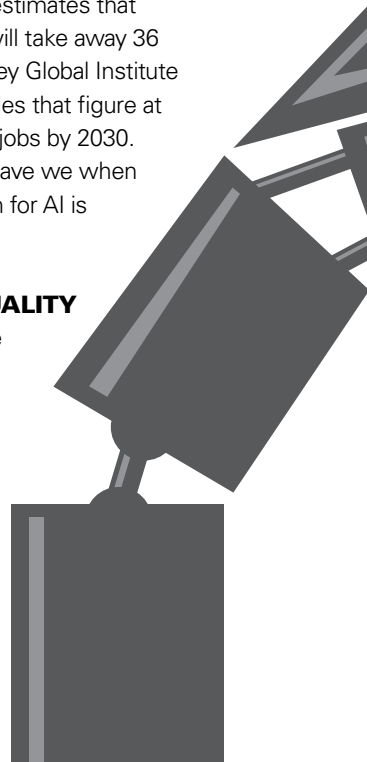
What alternative have we when the value proposition for AI is clear?

## INCOME (IN)EQUALITY

Andy Haldane, the Bank of England's Executive Director of Financial Stability and once listed by *Time* magazine as among the world's 100 most influential people, has called



+ It isn't just finance that's getting hot under the collar. Virtually every industry touched by AI or automation will see job cuts and the risk of human obsolescence in the workforce.





# SCEPTICISM

## AN ESSENTIAL QUALITY FOR BANKING PROFESSIONALS

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A **'trust no one'** approach can be a good thing.

Codes of conduct issued by professional bodies and corporate codes issued by organisations are characterised by a focus on the duties of a professional banker. These duties are often described using words and phrases such as integrity, honesty, probity, trust, respect and transparency. This is right and proper, as bankers must pay due regard to these duties, and if they fail to do so they will fall short of the expectations of their stakeholders.

Codes of conduct rarely mention scepticism, which despite its absence is an essential quality in the work of many banking practitioners. This article explains the concept, and by using some case scenarios underlines why it is so important.

### WHAT IS SCEPTICISM?

At face value, scepticism appears to be a negative quality. Scepticism implies adopting a questioning mind, or a disbelieving attitude.



**EMPOWERING  
BANKERS,  
HONOURING  
THE TRUST.**



# Professional Credit Certification

**Equip yourself for the future of credit management**

Professional Credit Certification (PCC) is a certification programme in credit for banking practitioners who seek to equip themselves with the skills, knowledge and tools to advance in the demanding and rapidly changing field of credit management. This certification is developed by Malaysian credit experts to provide greater academic learning with hands-on operational elements, presenting a clear education pathway to becoming credit professionals.

**To enrol, please visit [www.aicb.org.my](http://www.aicb.org.my)**



# WHY YOUR COMPANY NEEDS MORE Diversity in Cybersecurity

As cyberthreats become smarter, bringing in fresh perspectives can make all the difference.

With millions of unfilled positions around the world, the cybersecurity industry is in dire need of talent. Yet, the field remains overwhelmingly homogeneous, with only 11% of roles being filled by women, according to a study, *The 2017 Global Information Security Workforce Study: Women in Cybersecurity*, by the International Information System Security Certification Consortium (ISC)<sup>2</sup>. In the Asia-Pacific region, the numbers are worse with women in only 10% of cyber roles and 0% of leadership positions.

Beyond gender inequality, another (ISC)<sup>2</sup> study, *Innovation Through Inclusion: The Multicultural Cybersecurity Workforce*, that surveyed the US cybersecurity workforce found a serious imbalance

in ethnic groups, with 74% Caucasian employees, 9% black, and 8% Asian. The report also revealed a discrepancy in earnings, with minority groups being paid significantly less than their male Caucasian counterparts.

These numbers need to change; not just because we can't find enough talent where we are currently looking or because 'diversity and inclusion' are current corporate buzzwords.

## THE 'ENEMY' IS ALREADY DIVERSE

Cybersecurity thought leaders have noted that today's cybercriminals are so collaborative that their work almost seems crowdsourced. No matter their group, affiliation, language, or skill set, many cybercriminals share a common goal and willingness to collaborate

towards that end.

Any and all weaknesses can and will be exploited by cybercriminals, whose business is built on understanding their adversaries' unconscious bias. When solutions are built by only one group, they become much easier to circumvent. We need to make our strategies less predictable. Diversity in cybersecurity is, therefore, a business imperative, not a 'nice to have'.

## THE MANY DIMENSIONS OF CYBER

Today's cyberthreats are not only technological; they are psychological, political, and even socioeconomic. Protecting against them requires a wide array of skills and a multifaceted approach that can only come from maintaining a diversity of

# Cryptocurrency Kryptonite?

Far from becoming a ubiquitous payment method, **digital currencies seem to be sliding down a slippery slope.**

In April 2018, a *Thomson Reuters* survey found that one in five financial firms – from hedge funds to the biggest banks – were considering trading in digital currency within the next three to 12 months.

Joining the chorus was Brian Kelly, CEO of digital currency investment firm BKCM and CNBC talking head, who was quoted as saying: “In the last month we have seen Goldman and Barclays publicly acknowledge they are planning to trade cryptocurrency. That has everyone on notice that institutional money is ready to enter the market.”

Fast forward to 2019.

On 21 June, the intergovernmental Financial Action Task Force (FATF), issued a much-debated standard encompassing its 37 member nations, requiring cryptocurrency exchanges to pass on information about customers when transferring funds. *FATF Interpretive Note to Recommendation 16* requires originator and beneficiary data to



**+ Given the volatility and uncertainty governing crypto exchanges like Coinbase, it adds up why legit investors still view cryptocurrencies like Bitcoin and Monero as high-risk investments rather than reliable payment methods.**



# BRINGING DOWN CHARGE- OFFS

With delinquencies on the rise, here's how banks can tip the scales in their favour.

**C**harge-off – the declaration that a debt is unlikely to be collected after a customer is delinquent – is a significant risk for banks.

What's more, global growth is softening, and lending is, once again, at pre-crisis levels with an increase in defaulters across consumer segments.

Take, for instance, credit cards. According to data released by the central bank of China in its *2019 Second Quarter Payments System Operations General Circumstances* report, major Chinese banks reported a slowdown in active credit card growth in 2H2019 with a corresponding rise in delinquency rates.

As of 30 June this year, one of China's largest financial institutions, Bank of Communications Ltd, reported a 2.49%



# Pause. Think. Apply.

## REDESIGNING CUSTOMER EXPERIENCE IN BANKING

A paradigm **shift on regulatory compliance** and what it takes to gain loyalty.

**C**ustomer experience, or CX for short, has become an established buzzword in the services industry.

In recent years, leading banks in Asia Pacific, including DBS, OCBC, and Hong Leong, have come forward to declare their commitment to CX, recognising the potential and capability of customer experience initiatives to drive service differentiation, customer loyalty, and ultimately business performance.

In fact, organisations that have strategically placed CX at the heart of their process (re)design have emerged with the right end of the stick.

This article delineates good CX principles, its risk and rewards, and how it successfully dovetails with current Open Banking regulations to inspire greater customer loyalty.

### **BANKING'S NEW LEXICON**

For those who are new to the concept of CX, let's start with a quick definition.

What does a 'great customer experience' actually mean in banking?

Broadly, it means bringing a customer-centred mindset to the ecosystem of banking services, making banking easy and enjoyable for customers. It means recognising each customer as an individual, prioritising their needs over just selling them more products.

As Bill Gates famously said, "Banking is necessary, but banks are not". Financial institutions that truly understand this undergo a complete transformation of mindset. This works its way from top-level strategy all the way down to internal processes of each department.

With the rise of 'digital only' banking and proliferation of digital banking products, customer-led thinking has a huge influence in how these products (websites, apps, kiosks, etc.) are designed to be human and user-friendly.

Specifically, there are a number of emerging themes in delivering a



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