

**Tan Sri Dato'  
Dr Mohd Munir Abdul Majid**

Chairman, Financial Services Professional Board

By and For

# Malaysia's Financial Services Industry





Munir's experience, and more besides, will be brought to bear in his new role as Chairman of FSPB. It's our hope that his credentials in the private sector, with the full backing of the regulators – Bank Negara and the Securities Commission – will install a strong culture of professionalism across the industry.

Munir affirmed that, the FSPB is not a statutory or enforcement body. It was set up by Bank Negara Malaysia and the Securities Commission – the enforcement authorities – to encourage and facilitate adherence to good ethics and sound professional practices among financial institutions.

## A Mission of Ethics

Everyone would claim a commitment to ethical and professional behaviour. Munir couldn't be more sincere to have said, in reality, "We all know there are gaps in actual practice. Only major trespasses are caught out, if at all, by which time there may be heavy systemic and institutional and reputational cost." And it's the job of FSPB to discover how and why that commitment is not fulfilled.

In other words, it's the mission of FSPB to promote the internalisation of ethical and professional behaviour, coming out of the Financial Services industry and for the Financial Services industry.

## Vision

A financial services industry which is not contaminated by



The Financial Services Professional Board ("FSPB") is an industry-led initiative launched by Bank Negara Malaysia and Securities Commission Malaysia in 2014. As an initiative supported by a secretariat from the Asian Institute of Finance, jointly established by Bank Negara Malaysia and Securities Commission Malaysia, the aim of FSPB is to support a strong culture of professionalism and ethics across the financial service industry through the development and advocacy of professional and ethical standards that are applicable across the industry, including banking, capital markets, insurance and Islamic finance.

## The Watchman

The FSPB board has recently appointed Tan Sri Dr Mohd Munir Abdul Majid as its chairman, succeeding Tan Sri Azman Hashim. Tan Sri Dr Mohd Munir Abdul Majid has been instrumental in shaping the legal and regulatory framework of the capital markets in Malaysia, particularly in establishing disclosure-based regulation. He was also responsible for drafting the country's first code of corporate governance in the aftermath of the Asian Financial Crisis of 1997-98.

With an earlier career life in the journalism, and later to the frontline of private banking, Munir was invited by the Government of Malaysia then to establish the Securities Commission, where he also served as founding Executive Chairman for two terms until 1999.





unethical, sharp and illegal practice, this would be the vision of FSPB. "The values we hold dear are the values of service to customers, which do not sell them short, the values of pride in professional service, and the values of institutional loyalty, to promote and protect the institution worked for, in its own interest, but also in the interest of society," said Munir.

### Stubbornness

Munir preferred to see the ethical challenges as stubbornness, which implies there is still hope for remedy — instead of as an unatoneable plague. Instances of violation of ethical and professional practice had, repeatedly, caused the industry to be held in low esteem. At its worst we have seen catastrophic systemic outcomes as in the 1997-98 Asian financial crisis, and the 2007-08 Western financial meltdown. Instances of misreporting and dishonesty continue to occur in the industry. The responsibilities are not entirely on the "sellers", greed on the buying side frequently is among those underlying these damaging events and occurrences.

### Ethical Gaps

A baseline survey was conducted by FSPB in 2016 to gauge the ethical health of financial service industry and to get a baseline reading of FSPB's impact on the industry. The survey findings identified a number of gaps in professionalism and ethics, which

also indicated significant role remains for FSPB to support the industry's own initiatives to address these gaps.

In a report titled 'Earning the Trust: Ethical Standards and Practices in the Malaysian Financial Services Industry' published in April, among other things, FSPB highlighted:

- There are many gaps in ethical values and practices within financial institutions although codes do currently exist in many organisations.
- While managers generally stress the importance of ethics, this is not always reflected in the corporate reward systems with 37% of respondents stating their supervisors either reward or may be inclined to reward good results derived through unethical means.
- 15% of respondents expressly stated that they would act unethically when they are not monitored — and most worryingly this attitude is more prevalent among those in their 20s in the early stages of their careers.
- 40% of respondents are concerned about the consequences of reporting unethical behaviour.
- The majority of respondents agreed that adopting and implementing FSPB codes will be useful to the industry in raising professional standards and developing a more ethical culture.

### More than Ethics

There is no avoiding the fact that morality is a core issue which





the whole of society has to address in its different ways. Munir pointed that FSPB has its bit — as in its issue of the Code of Ethics — but acknowledged that the bigger picture will be on how to internalise good behaviour within the financial institutions without going heavy on moralising, or policing.

Realising the importance of principle-internalisation, FSPB is getting into conduct guide notes on issues such as: how to internalise ethics, how to get it incorporated into performance measurement and how to enhance training that focused on ethical and professional conduct.

## Reputation Matters

The cost of bad reputation is lethal to institutions. Thus FSPB is also advocating the importance of the “tone from the top”, the leading behaviour, example and equal commitment of directors and top executives of financial institutions in this huge industry effort.

## International Board

Functions of the Board, which comprised of an international composition, includes giving the FSPB secretariat's direction on how to pursue this massive effort to inculcate ethical and professional behaviour and conduct in the financial services industry. The watchword is full and intensive consultation with the institutions and professional bodies, which has been ongoing and will be enhanced.

“I do not want to see just buy-in. I want to see ownership across the whole industry, of what the FSPB comes out with. These are activities which need full support, and commitment. While there have been working groups and dialogues, the top executives need to be equally committed, in terms of time,” said Munir.

## Code of Ethics

Currently, discussions and meetings with invited chief executives and professional bodies are ongoing. “We are at the point of finalising the Guidance Notes on the issued Code of Ethics, and the Code of Professional Conduct,” added Munir, “at FSPB's board meeting in October, we will look again at our programme and progress of work.”

“The Board also hopes to meet the Governor of Bank Negara Malaysia and Chairman of the Securities Commission to review its remit. We also believe we should give the FSPB a higher profile than in the past.”

## Anticipating Changes

Ethics should be universal, there is no monopoly on good or bad behaviour, whether in the West or in Asia. “I would like to see FSPB make a difference in proposals to internalise good ethical standards and professional practices. I would emphasise the egalitarian approach to good conduct,” continued Munir, “its benefits to the individual, his institutions, his customers, his society and country. I would want FSPB to be ahead of the curve in anticipating challenges arising from digitisation, by learning from the experiences of China, America and Europe.”

## Hope

Moving forward, FSPB wants younger people in its team, especially the technology-savvy. Most of all, Munir wants FSPB to talk to people in the financial service market. We are due to witness an increased engagement and closer collaboration between FSPB and the industry. Despite having so many other responsibilities, Munir has taken up the gauntlet of leading FSPB, with the hope to make a difference. With the support of Bank Negara and SC, but more particularly that of the industry, Munir hopes FSPB will be able to make a sound contribution to pivoting an ethical financial service in Malaysia.

