Ms Ng Wei Wei, CB, Chief Executive Officer of United Overseas Bank (Malaysia) Berhad
'You are Defined by Your Personal Core Values'

BANKING INSIGHT

IDEAS FOR LEADERS | AUGUST 2024

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A Fast & Furious Dress-down

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Reporting by the Banking Insight Editorial Team

Insights into the journey of the newest CEO to be conferred Chartered Banker status.

Our exclusive interview with ***MS NG WEI WEI, CB, CHIEF EXECUTIVE OFFICER OF UNITED OVERSEAS BANK (MALAYSIA) BERHAD*** is proof that fortune favours the bold as she joins our illustrious alumni of Chartered Bankers at the Institute's 2024 conferment.

Q You have had an impressive career journey. Could you share with us the start of your banking career journey and key highlights of your professional life?

Interestingly, being a career banker was never in the plan. In fact, I had always wanted to follow in my father's footsteps to become an entrepreneur. So, after graduation, I decided to do a couple of years in banking to get exposure to various sectors of business before venturing out on my own.

But I discovered that banking goes beyond transactions and balance sheets; it's really about making a real impact on people's lives. I fell in love with banking and since then, I have been given the opportunity to hold various senior country and regional leadership roles at global financial institutions in Malaysia and Hong Kong.

A FAST & FURIOUS DRESS-DOWN

By Angela SP Yap

When it comes to window dressing, Basel takes the bull by the horns.

Do you seem more attractive than you actually are?

Or rather, does your bank look better than it actually is?

That is what we call window dressing, behaviour that is increasingly coming under the radar of supervisory authorities led by the Basel Committee on Banking Supervision (BCBS).

In the decade since the adoption of chapter SCO40 of the consolidated Basel Framework in 2013, which describes the indicator-based measurement approach for assessing global systemically important banks (G-SIBs), the BCBS has stated: "Window-dressing by banks is unacceptable, as it undermines the intended policy objectives of the leverage ratio requirement and risks disrupting the operations of financial markets."

BRACE FOR IMPACT

"The mismeasurement of systemic importance in the G-SIB methodology due to window-dressing activity can result in changes in the allocation of G-SIBs to the buckets used to assign the higher loss absorbency requirements and the misidentification of G-SIBs. Also, bank scores in the G-SIB framework are calculated using a relative methodology, which means that any window-dressing behaviour by banks to artificially lower their G-SIB scores will cause the scores of banks that do not engage in window-dressing activities to increase.

"These impacts have implications for financial sector resilience and resource efficiency as well as broader unintended consequences for both financial stability and monetary policy."

Evidence from the BCBS' quantitative impact study, *Working Paper 42: Banks' Window-dressing of the G-SIB Framework,* indicate that the existing G-SIB framework generates window-dressing incentives, with such behaviour occurring significantly more in the group of banks that lie just below the G-SIB bucket threshold since 2016.

In order to rein in such behaviour, on 7 March 2024, the BCBS published its proposed revisions to the assessment framework containing potential measures

Unified Ledger: Blueprint for a Future Monetary System

By Kannan Agarwal

The foundation of trust provided by central bank money heralds fundamental changes in the financial world.

On 20 June 2023, in a special chapter published as part of the Bank of International Settlements' (BIS) annual economic report, the international institution for central banks discussed how it seeks to turn the page on the faltering progress of ongoing tokenisation projects through "a new type of financial market infrastructure – a unified ledger – [which] could capture the full benefits of tokenisation by combining central bank money, tokenised deposits, and tokenised assets on a programmable platform."

Entitled *Blueprint for the Future Monetary System: Improving the Old, Enabling the New*, it writes: "Today, the monetary system stands at the cusp of another major leap. Following dematerialisation and digitalisation, the key development is tokenisation – the process of representing claims digitally on a programmable platform. This can be seen as the next logical step in digital recordkeeping and asset transfer."

In finance, the issuance of tokens is used to represent assets such as central bank money or central bank digital currencies (CBDCs); bonds; equities; real estate; contracts; or even intellectual property (through non-fungible tokens). A recent podcast with Hyun Song Shin, economic adviser and head of research at the BIS, explains how tokens can be put to practical use in the financial world.

"Tokenisation is…a form of digital representation but on a programmable platform, which means that the token can govern the rules and logic regarding transfers as well as the information regarding the asset itself, like what it is, who owns it, et cetera."

In its present form, Hyun explains that transactions are recorded on separate databases and these need to be connected through separate

OBJECTIVITY AND INDEPENDENCE

By Bob Souster

The threats to objectivity in making independent / unbiased judgement calls.

Both the Malaysian Code on Corporate Governance and the Asian Institute of Chartered Bankers (AICB) Code of Professional Conduct refer to objectivity and independence. This article explains the importance and significance of these terms and explores some of the challenges that banks face when applying these important qualities.

The intended outcome of Principle A of the Malaysian Code on Corporate Governance states:

> **'Board decisions are made objectively in the best interests of the company taking into account diverse perspectives and insights'.**

It also states that:

> **'An effective board should include the right group of people, with an appropriate mix of skills, knowledge and experience and independent elements that fit the company's objectives and strategic goals'.**

The AICB Code of Professional Conduct includes objectivity as one of its six principles, defined as follows:

> **'Objectivity: Members shall act impartially and not allow self-interest, bias or conflicts of interest to influence business decisions or judgements.'**

While the Malaysian Code of Corporate Governance focuses on how companies are directed and controlled, the AICB Code of Professional Conduct is binding on members of the Institute.

Objectivity and independence are distinctive concepts, but views differ on how they relate to one another. Some use the terms interchangeably, which may depend on the context in which they are used. However, according to Mike Jacka, writing in a 2023 article for *Internal Auditor,* "Independence is a sub-set of objectivity. Yes, independence is crucial to the work we do. But it is only one of the aspects of objectivity we must consider". However, both terms are highly relevant to professionals, irrespective of their fields of expertise.

The key terms in the AICB definition are self-interest, bias, and conflicts of interest. If an individual applies any of these in forming a judgement then their ability to be objective may be compromised.

+ **Self-interest** arises when there is a conflict between their personal interests and those of stakeholders, who may include customers, colleagues or other stakeholders. An oft-cited example of this arose during the global financial crisis when some bankers were accused of mis-selling products and services in order to generate lucrative bonuses based on sales performance.

+ **Bias** is exhibited when an individual has a personal preference which influences their judgement or decisions. Most people would admit to some bias in relation to their personal or business lives, but biases become material when they influence judgements concerning strategic options and choices. For example, one major European supermarket chain admitted that the board's insistence on continuing to operate physical stores and not develop online services resulted in them being five years behind its competitors, which created significant problems when the Covid-19 pandemic forced many customers into online shopping.

+ **Conflicts of interest** arise when a professional undertakes services for two or more people whose interests are in conflict, or when the professional's own interests are in conflict with those of a party with whom they are dealing.

DECARBONISING THE BANKING SECTOR

How Green Finance is Paving the Pathway for Institutions to Achieve their Net-zero Targets

By Dr Chee Wei Yen

Banking's Nine Lives

By Angela SP Yap

In the unrivalled push for global financial stability, how many more chances will we have to get it right?

Price tag: USD14 trillion.

That's what financial crises have collectively cost the world over the past two decades, according to the International Monetary Fund (IMF).

In its latest *Global Financial Stability* report in April 2024, the international financial institution warns that although near-term global financial stability risks have receded, its internal growth-at-risk framework points to expectations that global disinflation is entering its 'last mile'.

"Stalling disinflation," it reports, "could surprise investors, leading to a repricing of assets and a resurgence of financial market volatility." For context, readers may wish to revisit the background to this discussion in *Inflation: Why We Should All Take 'Small Steps in a Dark Room'* from *Banking Insight*'s June 2022 edition.

The question is whether we've moved past too-big-to-fail. Judging by last year's Credit Suisse creditor run and the failures at three US banks – Silicon Valley Bank, Signature Bank, and First Republic Bank, which represented a combined USD440 billion of assets to become the second, third, and fourth biggest bank resolutions since the Great Depression – the answer is a clear 'no'.

TAIL RISK

It is clear that the prescriptive panaceas of a post-2008 Basel regime, one that is centred on capital adequacy and other mostly quantitative standards, are no longer adequate to contain the risks arising from, first, the profile of newer banks; and second, banking's rapidly changing landscape from

AI IN THE BANKING SECTOR

By William Kiong Wai Lun

NEW USES FOR AI IMPROVES EFFICIENCY IN THE BANKING SECTOR.

Why the Convergence of IT and OT is more than just Technology

By Jaco Benadie

The integration has profound implications that will shape the future of organisations.

Digital transformation is revolutionizing industries by unravelling unparalleled opportunities for efficiency and innovation. One of the significant shifts leading this revolution is IT/OT convergence, which is the integration of Information Technology (IT) systems used for data-centric tasks with Operational Technology (OT) systems used for monitoring and controlling physical devices and processes. This integration significantly impacts the operational technology asset management lifecycle. However, the convergence of IT and OT spans far beyond a simple technical integration – it is a strategic, operational, and cultural change that holds the potential to shape the future of organisations.

IT/OT CONVERGENCE: MORE THAN JUST TECHNOLOGY

While the IT/OT convergence has a major technological component, it is not purely technical. The effective integration of IT systems with OT systems involves more than just rolling out new technology and hoping things work smoothly. It is a strategic business decision that requires a carefully planned and executed transformation programme. This programme typically encompasses changes in strategy, business processes, skills, and culture to successfully leverage the power of both IT and OT.

> The effective integration of IT systems with OT systems involves more than just rolling out new technology and hoping things work smoothly. It is a **STRATEGIC BUSINESS DECISION THAT REQUIRES A CAREFULLY PLANNED AND EXECUTED TRANSFORMATION PROGRAMME.** This programme typically encompasses changes in strategy, business processes, skills, and culture to successfully leverage the power of both IT and OT.

A STRATEGIC TRANSFORMATION

Rather than approaching it as a mere technology project, IT/OT convergence should be regarded as a strategic transformation that aligns with the organisation's overall business objectives. Decisions around IT/OT convergence should align with the company's strategy, and the potential benefits of convergence - such as increased throughput, improved safety, and greater visibility into operations - should be clearly identified and linked to strategic objectives.

A DELICATE EQUILIBRIUM

By Chartered Banker, UK

While digital know-how remains an extremely important aspect of almost every sector, it's indisputable that there's much more to the financial services skills mix needed today and tomorrow than tech insight.

If most of us were asked to close our eyes and picture what job roles would look like in the future, the chances are they would resemble something from the 2002 tech-noir film *Minority Report*. Think the likes of gesture-controlled computer interfaces and ubiquitous large-scale digital displays.

While there's no denying that this is the direction that we're heading in – and fast – this way of thinking might greatly underestimate the necessity for certain mindset and attitude-related skills that will keep customer-service-centric sectors – such as financial services (FS) – afloat.

In fact, Claire Tunley, Chief Executive, Financial Services Skills Commission (FSSC), is firmly of the opinion that within FS, the future is far from a complete focus on tech and digital. "It's about the behaviours and capabilities that sit beneath those," she says. "These are absolutely necessary in order to be able to apply the relevant tech."

BEHAVIOURS THAT UNDERPIN SUCCESS

Tunley comments on a recently launched FSSC report called *People + Technology*. "It's all about how skills can unlock value for financial services," she says. "We spent a lot of time thinking about the title. I think it was Reid Hoffman (American internet entrepreneur and co-founder of LinkedIn) who said, "It's not people or technology, it's people plus technology".

She continues: "We've been on this journey for a while, but what we've always done is work with firms to understand where their skills needs are. Now, that took a bit of time because we had to ask firms to forecast their skills and improve how they're looking at their future skills needs, which we've done using some specific tools. But what we've come out with is a set of 13 future skills – seven technical skills and six behaviours – and what is interesting is that the behaviours have very much been prioritised as much as the technical skills."

The vital technical skills that came out on top were data analysis, digital literacy, software development, cybersecurity, and machine learning (ML). Meanwhile, the core human skills firms are prioritising were empathy, adaptability, creative thinking, and coaching.

Tunley explains that some skills were added at later dates. "In the first phase, we had teamwork, relationship management, and adaptability," she recalls. "These all came from our members, which is important. They told us that these behaviours underpin success in their work – and this includes ML or artificial intelligence (AI), or customer journeys and user experience.

"Coaching and creative thinking were added a year later because companies were telling us that more was needed in these spaces – that they needed to think creatively and have more innovation."

FIGHT OR FLIGHT? MANAGING EMOTIONS AT WORK

By Dr Amanda Salter

Ten tips to turn the tide in difficult conversations.

What type of manager are you? Do you shy away from fraught situations? Or do you band together with your team when trouble comes knocking at the door?

According to a 2022 Myers Briggs study, managers spend over four hours a week dealing with conflict on average. The main reasons for workplace conflict were found to be poor communication, the lack of role clarity, heavy workloads, and personality clashes.

THE COST OF WORKPLACE CONFLICT

In its simplest definition, conflict happens when two or more people have interests or goals that appear to be incompatible. As a leader you are right to be concerned about conflict – unfair or unethical behaviour, distress, disruption, and disagreement will all impact day-to-day work, increase stress, and distract people from bringing their best selves to work.

Workplace conflict comes with a hefty price tag. Few studies have been done to quantify the exact cost of workplace conflict in Asia-Pacific nations, but most research agree that the costs of conflict are the sum total of decreased work performance, increased staff leave taken, increased time and money spent on addressing conflict, and higher staff turnover.

It is possible to infer the cost of workplace conflict by examining the costs of work-related stress. A 2020 research study by Siu Oi Leng et al, *Occupational Stress and its Economic Cost in Hong Kong: The Role of Positive Emotions,* reports that the total cost of work-related stress in Hong Kong ranged from HKD4.81 billion to HKD7.09 billion (RM2.89 billion to RM4.26 billion) per annum.

Conflict management is therefore a critical skill for managers.

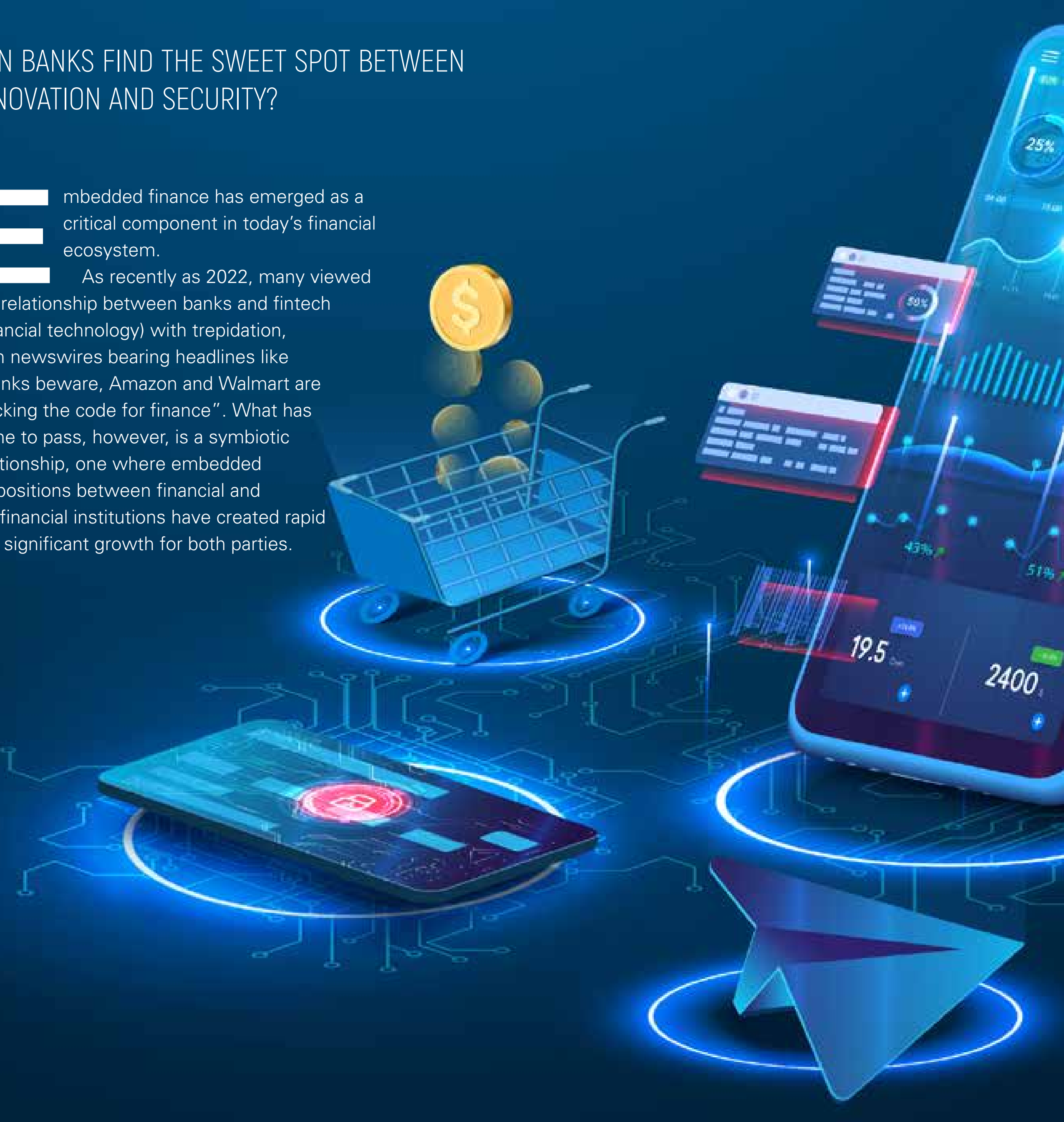
EMBEDDED FINANCE: RISKS & REWARDS

By Julia Chong

CAN BANKS FIND THE SWEET SPOT BETWEEN INNOVATION AND SECURITY?

Embedded finance has emerged as a critical component in today's financial ecosystem.

As recently as 2022, many viewed the relationship between banks and fintech (financial technology) with trepidation, with newswires bearing headlines like "Banks beware, Amazon and Walmart are cracking the code for finance". What has come to pass, however, is a symbiotic relationship, one where embedded propositions between financial and nonfinancial institutions have created rapid and significant growth for both parties.



LEADING FROM THE TOP

By Chartered Banker, UK

FROM SOCIAL RESPONSIBILITY TO PROTECTING CUSTOMERS – THERE'S NO SHORTAGE OF ELEMENTS OF THE ETHICS LANDSCAPE IN BANKING.

When It Comes to Statistics, Boring is No Longer the Benchmark

By Julia Chong

HAPPIER BY THE MINUTE

By Dr Amanda Salter

Five crucial pillars to rev up your employee experience strategy.

Research has shown that an improved employee experience (EX) drives workforce engagement, wellbeing, productivity, and ultimately, overall business performance.

In 2021, Willis Towers Watson reported in its *Employee Experience Survey* that 92% of employers were choosing to prioritise EX – a staggering increase from the pre-pandemic figure of 52%. Despite this, employees don't seem to be getting any happier. A bellwether study by BambooHR found that employee happiness in the United States plummeted 10 times faster in 2023 than in the previous three years. This trend has been dubbed the 'Great Gloom', a worrying follow up to the Great Resignation. It's time to double down on your EX to avoid being pulled into this downward spiral.

For the uninitiated, 'employee experience' is the sum total of all the interactions that happen between an employee and their employer. The savvier amongst us will see the parallels here with the term 'customer experience'. EX covers the full lifecycle of your employees, from the moment they first encounter your organisation, all the way to joining, leaving, and perhaps even rejoining your organisation.

Despite the commonly heard messages from HR consultancies or HR IT platform providers, EX is much broader than just your stance on hybrid working or your ability to provide the latest and greatest technology for your employees. Far-sighted banks need a long-term, employee-centric EX strategy, a 'north star' that will provide focus, guide budget allocation, maximise engagement, and minimise staff churn.

I propose that a great EX strategy has five pillars: people, processes, policies, data, and technology.

1 LOOK AFTER YOUR PEOPLE

There is truth in the cliché, 'your employees are your greatest asset', but many banks struggle to live out this statement, especially in the area of training. According to a PwC study in 2023, less than half (45%) of employees say that their company is upskilling its workers. Some banks are just not keen on