

Robin: [00:00:00] There's rarely been a tougher time to be a central banker. There's the daily work of holding public trust while keeping the financial system safe and stable. almost constant flow of global financial rules arriving from every direction. harder, longer term question, what does a central bank need to become in a world where technology is moving faster than the regulatory cycle can keep up? Our guest today is facing all three of these challenges every day. He's also uniquely placed to tell us how he's navigating them. This is Inside Financial Inclusion.

Aban: We are delighted to have with us Assistant Governor Suhaimi Ali of Bank Negara Malaysia, the country's central bank. so fantastic about having AG Suhaimi as our guest today is that he's a seasoned central banker who's had a front row seat to the evolution of the financial sector, tech and innovation, and inclusion agendas over his career at Bank [00:01:00] Negara Malaysia.

He also chairs AFI's Global Standards and Policy Committee, the committee that shapes how AFI engages with standard-setting bodies. I'm sure it will be a very interesting conversation about being a central banker in a world that is changing faster than the rulebook

BNM Suhaimi: Thank you. Thank you for having me

Aban: Um, let's warm up the listeners by a reflection about your career at the Central Bank. You've been with Bank Negara now, I believe, for 26 years or so. What's the biggest change you've seen in Central Bank or central banking in general over this period, and why do you think that change has happened?

BNM Suhaimi: Uh, if I may answer your question in two parts, personal and institutional. When it comes to personal career journey, I would summarize that as a continuous change throughout, my career. when I first joined the central bank, I thought it was more about economics, about, you know, regulation and financial stability. But over time, I realized [00:02:00] that it is more about people and making sure that your policies can actually, reach the targeted audience and make the necessary impact that the policies, intend to achieve. I mean, I joined at the height of the Asian financial crisis. and, and that time, you know, we were just busy dealing with the, stability agenda. of course, that mandate continues to remain, but because the surrounding environment has evolved, now, uh, you need to basically also keep pace with that kind of, changes that is happening around that mandate. you would see, you know, since, the turn of the century, the focus of the central bank, while continues to focus on, stability, it has actually widened to look at, for example, the issues of effective intimidation and making sure that you can continue to build trust in the

system, especially, coming out from the aftermath of the Asian financial crisis. And then, continued to focus on building consumer protection [00:03:00] framework and making sure that market conduct, regulations are in place and able to achieve its objective. then we looked at, the issue of financial inclusion and making sure that, people have access, people are, making use of the access to make, uh, informed financial decisions and to be able to benefit from that. Now, we are moving into the digital era whereby the role of the central bank has, somewhat, expanded to ensure that you are the enabler of innovation. You are making sure that the innovation is done responsibly and, achieving, its purpose. And now, what we are focusing on is actually to make sure that bank can really help to support, financial wellbeing, through all the initiatives that we are doing, while, maintaining a strong focus on preserving monetary stability, financial stability, effective intimidation, and other mandates that typically entrenched within our,

uh, law.

Robin: [00:04:00] Actually, people know central banks and financial institutions as well as entities that rely heavily on data, on models, on ratios. But it's really interesting to hear from you that actually we should think about the financial sector and central banks as well as being fundamentally about people and impacting, uh, real lives. Have there been moments in your career where you've ever felt a tension between those objectives, and how do you sort of hold those things together now?

BNM Suhaimi: Now, uh, central banking work, when you design your policy, you need to design that with the outcome in mind, right? So with the people in mind. it is no longer that you design a policy, on paper and then hopes that, you know, it will achieve its intended objective. So you would basically need to engage your key stakeholders early on, to make sure that the necessary feedback, possible trade-offs that you need to manage is taken up in [00:05:00] your policy design so that it can actually be effective. And, a lot of the policies that we do now, we can no longer do it ourselves. There were times when a lot of the policies are fully within the remit of the central bank. Now, the whole economy is so interconnected that most of the policies will need to be delivered through partnership. And, third, your policies need to continuously be fine-tuned through feedback. And you need to build in that feedback loop with your key stakeholders to make sure, that, you are getting, the intended outcomes we want.

Aban: AG, um, you talked about feedback loops and partnerships, and I think that's a really big shift in, in central banking, not, uh, sitting in your, know, 40th floor and making policies, but really connecting with the people. And, um, you

know, living in Kuala Lumpur and, uh, we kind of have a, a better view on what's happening, uh, with Bank Negara and what it's doing in this [00:06:00] context.

And one of the coolest, I think, things you guys are doing is this financial literacy roadshow that the BNM does, um, every year, I think. And I've seen, you know, even yourself, you're out there with your team talking to people in communities where the impact of the policies is actually felt. what does a central banker learn when they leave the office and go to the communities that they are supposed to serve?

BNM Suhaimi: So the kind of data that we have typically tells you the whats. But the engagement that we do with the people tell us the why. And, data analytics that you do from our office, one is actually typically it is quite lagging. It may not actually provide, uh, analysis in terms of why certain things are happening on the ground. And what we have done at, actually at Bank Negara Malaysia is actually to make sure that our engagement complements, the kind of data that we have. Because ultimately, I can't be engaging, 35 million people, you know? The [00:07:00] engagement that we do is basically to help us also better understand the data that we have and the analysis that we have done, and whether there are any emerging, uh, issues that the lagging nature of the data, may not have picked up at this point in time, and the only way is actually by, talking to the people.

Robin: so I think we could-- we're gonna shift tone a little bit now, AT, and go from the very interesting grassroots engagement discussion to the other end of the spectrum, as it were, looking at the global standard-setting world and how that impacts your work. mentioned at the beginning that these days it seems like, uh, new standards, new rules are coming from many different directions, and of course, they can make your life complicated. But as you set out with, uh, what you said about the Asian financial crisis, they're also very necessary to keep the system, uh, stable and up and running. Uh, so for our listeners who, who may not be steeped in this world, could you just explain a little [00:08:00] bit about how this global financial standard-setting, uh, work, uh, progresses, and why it's important for a country like Malaysia to be part of that and engaged in the discussions?

BNM Suhaimi: Global standards have its purpose. it is important for sound risk management, and for confidence building. Having said that, -- the question that we need to ask is actually how do we preserve, strong standards without, rules that create unintended consequences, especially, for example, for inclusion. And to me, proportionality is not about weaker regulation or standards. It is about calibrating and having a smarter regulation that is actually fit for purpose, looked at from the context of our operating environment fit for the, institution that we are regulating, fit for the complexity of the institution and the system, and that can still achieve, the intended objective of, managing the risk and making sure, things are running, properly.

Robin: Thank you. I

think, I think that's [00:09:00] really elegant how you've set it out, AG, explaining that proportionality, risk-based. It's not about weakening the standard at all. It's about applying the standard more, um, intelligently in a way that balances, um, effectively different policy objectives.

BNM Suhaimi: now, developing countries, we are not just asking for flexibility. are basically asking to have a seat at the table, because we have, something to share and to contribute, given that in some areas we do have implementation experience. So now we are no, no longer just, the rule takers anymore. In some areas, for example, uh, digital payment, financial inclusion, we have a long history of, implementation, which can actually be useful, to help shape the standards.

Robin: That's, that's great to hear. So moving from, uh, asking for flexibilities to having a participatory role in shaping the new standards.

Aban, I know you [00:10:00] wanted to come in on this

Aban: Yeah.

Robin: well

Aban: Yeah, I want to, um, uh, just get AG's view on whether that is happening and happening fast enough. I mean,

uh, you know, you sit in rooms with the FATF Basel Committee, uh, other standard-setting bodies. do you think

the space for representation from the emerging and developing economies is expanding and the voices, uh, these processes are becoming more inclusive?

Uh, or is it still, um, a long way to go?

BNM Suhaimi: I think the approach has to be, more cohesive from the emerging economies. And AFI, for example, has a significant role to play, and we have seen, at least from the committee that I sit in, how AFI has actually been able to shape some of the, standards at, FATF and, some of the, international standard setting bodies to make sure that the objective of inclusion is not compromised, that the global standards are proportionate in nature, and, this should continue. And basically emerging [00:11:00] economies will need to come together because individually, I don't think you're gonna be able to make, a strong push. But having, a collective, arrangement through the likes of AFI and other, institutions could actually, push the agenda forward.

Robin: Have you seen anything in the last years, uh, AG, that's making you think something is shifting here? Have there been specific changes in the standards or maybe even the tone of the, the conversations, um, that, uh, is positive in this regard?

BNM Suhaimi: Even in the space of payments, you would see that, some of the e-emerging economies are actually driving some of the, cross-border, payment agenda. now we are seeing, advanced economies are actually joining the scheme or wanting to join the scheme, and basically, working with us, to be able to then embrace the standards that we have developed when it comes to, cross-border payment. So I wouldn't say that, the tide has shifted, uh, [00:12:00] then, it is just, uh, showing that are meaningful contribution that emerging economies can give the global economy, in terms of putting in place new standards,

Aban: AG, I think it would be interesting for many of our listeners to know why we talk about this so much, especially when we say this compromise or can compromise, uh, inclusion, and we are, uh, so strongly advocating for proportionality.

If we don't advocate and we don't have proportionality, what does that mean for the man or woman on the street?

BNM Suhaimi: It, it could be many things. Global standards that are not calibrated to the specificities of the individual countries could, create all those unintended consequences: financial exclusion, cost to operate, which then

translates into higher pricing. It could also translate into limited access, and that then drive, some segment of the [00:13:00] population, to be outside the formal system, which then creates other unintended consequences. You know, not having enough consumer protection because those sectors are not properly regulated. And because of that adopting a global standard, in its entirety without understanding our, operating environment or domestic consideration would typically end up with, some unintended, uh, outcomes. So in our approach at the central bank, typically even we, take on global standards, we will go through proper domestic consultation to make sure that we understand the unintended consequences and whether tweaking is actually needed for our

jurisdiction?

Robin: I think, KG, you've connected really well the different strands of our conversation so far because I said it may seem like global standards are disconnected from the grassroots, but actually you've connected them up very nicely there and highlighted how if we don't pay attention to one, then the other will be, um, adversely affected. [00:14:00] I'd like to, um, move on now to one of the topics that standard setters actually are very concerned about these days, which is the new risks arising from rapid pace of technology change. And in that regard, could you set out to us how a central bank like Bank Negara Malaysia is preparing for that world where, uh, it just seems like there's a new technology coming on stream all of the time, and the capabilities of those technologies is increasing at a very rapid rate?

BNM Suhaimi: Technology has to be useful for people. And basically the position that we normally adopt is actually we will embrace the technology, as long as it serves, people better. but it is never at the cost of trust, safety, and financial stability. in Malaysia, when it comes to, many of our developmental initiatives, we have moved away... well, we have not entirely moved away as yet, but we have moved to what we [00:15:00] call a regime.

So instead of, the traditional way of issuing discussion paper, exposure draft, policy document, which we still do because you need to have, the policy in black and white. But, a lot of the initiatives are done, through co-creation. So different stakeholders come together. The central bank is there to provide, broader guidance in terms of, what deemed to be, acceptable from the parameters point of view, and the kind of outcome that we want for the country, so that the innovation can happen in a manner, that is actually responsible.

And I mean, ultimately, what we want to make sure is actually before the innovation can scale, we want to make sure that it is safe, fair, does not undermine, the resilience of the system that we have built.

Aban: It also seems that BNM has one of the perhaps, uh, very sophisticated and innovation forward-looking, development agendas in the emerging and [00:16:00] developing countries. for example, you have... You're currently looking at open finance in a very ambitious way. You're looking at AI governance also.

You also have a digital assets innovation hub. So these are really cutting-edge, areas for many of our member institutions. So maybe you can pick one of these, whichever one, uh, is closest to your heart, and how BNM is looking at them and looking at this co-creation, approach in the coming months, years.

BNM Suhaimi: So basically what we want is actually, that particular innovation must be useful, that particular innovation must be governed, and that particular innovation must be inclusive. And, when we embark, for example, on, on open finance, it is actually, trying to unleash the potential of data sharing, within the financial sector and ultimately to the wider economy. So under the current, open finance work, we have actually co-created, and it is actually now in the pilot stage, with, uh, a handful of, [00:17:00] banks. At the same time, it is also involving the employee provident fund, for example. And that is basically to, test the potential of using, you know, income data from the employee provident fund for better underwriting, timely, income data, et cetera, uh, without the traditional way of having to ask your, payslip, for example, as a proof of income. Uh, at the same time, from the, employee provident fund point of view, having access to customer data will also help them in terms of their customers on how to better manage their retirement fund, knowing what kind of exposure that their customers have, in the financial sector. How can you better invest some of the savings given your, financial profile or your risk profile, so we are looking at also then expanding this to other players in the system, payment, insurance and backup operators and other players outside the financial sector, for example, telcos [00:18:00] and even, you know, inland revenue. Uh, so the potential is actually significant, but of course, in doing that, need to make sure that, the risk can be managed, before you can scale. And hence the cooperation, the pilot that we do is actually very important, uh, to make sure that we in a manner that we can manage the associated risk.

Aban: I guess we could conclude today by asking you, when you look

to the future based on what you know today and what directions you see emerging for central banking and financial sector, where are the gaps in central banking, and what are the capabilities that they need to start investing in to be prepared for the future that awaits us?

BNM Suhaimi: I think, uh, the central banks of the future must be adaptive and must be technology capable. At the same time, you must remain human. and the reason why I say [00:19:00] that is actually, uh, because now we are provided with, all sort of AI-generated, information, capabilities and all that. like it or not, you will never be able to outsource accountability. So accountability will always be human. Ethics and governance is actually very important given the fact that the whole system is built on trust. You know, uh, the reason why central bank can succeed in its policy is because people trust that they are acting in the interest of the people.

Stakeholder engagement, I mentioned earlier, ability to down talk to people is actually very important. Gone are the days where central banks can remain an ivory tower institution and still be successful. You really need to understand the pulse, uh, on the street and be able to then curate your policies accordingly. Uh, digital fluency. So [00:20:00] within the central bank, for example, we have actually adopted AI for, day-to-day efficiency. We are also using AI for some of the transformative use cases, , in terms of doing supervision, for example, uh, leveraging on AI, uh, in terms of the, analysis on money laundering, so those are actually, uh, transformative areas that can really help, uh, the central banks to be good in delivering their mandate.

Robin: Heartening to hear, AG, that humans are going to continue to be in charge of the central

for the foreseeable future. Uh, I think that's a wonderful place to bring this conversation to, to a close with a vision of the future for the central bank. Um, we've really covered, I think, a lot of ground today from the importance of getting the grassroots perspective of consumers, um, right up to the importance of being part of those global standard-setting discussions. Uh, we've talked about trade-offs, but also complementarities between the financial stability mandate [00:21:00] and financial inclusion goals. And we've also outlined strategies, uh, how a central bank should prepare itself, um, for the future. But I think maybe the red thread coming through all of your answers, um, was this fundamental importance of people being at the heart of the policymaking that you're doing.

So thank you very much indeed for your uh, your candor and your vision as well.

BNM Suhaimi: Thank you. Thank you so much everyone,