



**By Rita Benoy Bushon**  
Chief Executive Officer,  
Minority Shareholder  
Watchdog Group (MSWG)

**THE** banking landscape has undergone tremendous transformation to rebuild trust in them. These changes stemmed largely from failure of leadership, governance and unethical conduct by bankers after

the global financial crisis.

Being a critical sector and the lifeblood of a nation, regulators normally impose tighter and stringent regulatory requirements. Malaysia witnessed this phenomenon when the central bank imposed measures to control risk exposures. Measures are also included to ensure capital and liquidity adequacy, while promoting ethics and risk management thinking to stem similar crisis occurring here.

#### **Banks now are compelled to operate under a new norm of:**

- ▶ Stricter banking regulations;
- ▶ Higher capital and liquidity requirements under Basel III, IFRS 9, anti-money laundering, whistleblowing regulations in line with global standards; and
- ▶ Higher scrutiny by all stakeholders, including by ordinary tax paying citizens

In addition, banks have to manage various challenging global environments such as increase in sophisticated customers, rapid technological changes, changing demographic structure and increasing mobile workforce.

The recent earnings season has highlighted the fact that the banking sector no longer appears to enjoy its previous profitable sweet spot. The weakening global environment and declining regional businesses have led to lacklustre operating conditions for banks.

Perhaps now is a good time for local banks to take stock of the situation. They ought to relook their business models. They will also have to reassess their critical role as economic financiers.

# The changing and challenging banking landscape

## Central banks imposing tighter and more stringent regulatory requirements after the global financial crisis



Measures imposed by the central bank include to ensure capital and liquidity adequacy while promoting ethics and risk management thinking to stem similar crisis occurring here

This is somewhat akin to being the fiscal guardian of the country and economy.

Our banks should learn from the mistakes of their larger international peers. They should not pursue growth paths that might threaten their foundation.

In this respect, we note that our local banks are well-capitalised. Nevertheless, they must ensure sustainable value creation through prudent and stringent risk management policies. Solid, transparent due diligence processes must be undertaken for new ventures, acquisitions as well as disposals.

This includes embracing the digital platform. Finding new ways of doing businesses would increase access to much-needed funding. It will also increase efficiency, allowing resources to be more effectively deployed.

Overzealous ambition and greed, as we know, saw some of the biggest global banks becoming so big and bloated that even when they failed, they were deemed to be too big to go under.

Even today, nearly seven years after the global financial crisis, the US and Europe continue to struggle with their problems.

#### **We cannot go this way**

Costs must be contained, excesses must be curtailed and any increase in rewards must be in line with productivity and responsibilities. Our banks are already in the process of rebooting themselves.

In this day and age when competition is rife in a multitude of forms from many different areas, be it in shadow banking, crowdfunding or even with the advent of the likes of new foreign competitors like Ali Baba's new online bank, the challenges are immense.

The emergence of new wave in banking behaviour also means that banks need the right kind of talents at all levels of their organisation – be it the board, C-suite, managerial level or total workforce in general.

Moving forward, banks will be subjected to the survival of the fittest test. Those which are inefficient or ineffective will lose the race or even face extinction. Only the best and those able to quickly adapt to the changes will be left standing. **FocusM**