

Governance, Organisational Development and Communications

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Governance, Organisational Development and Communications

EXECUTIVE SUMMARY

Change remains a constant in central banking. This year witnessed change on many fronts. 2017 marked the end of a decade of low interest rates with major economies initiating a gradual tightening of monetary policy. The socio-economic challenges posed by economic inequality, insufficient retirement savings and aging societies are gaining further traction on policymakers' radar the world over. Advancements in technology herald new trends for digital currencies and mobile payment delivery channels. Geo-political risks in the Middle East, Asia and other parts of the world continue to affect policy decisions. While global economic growth shows signs of improvement, it remains affected by uncertainties that influence planning and investment decisions.

In response to such dynamic challenges, the governance, organisational development and communications roles of the Bank continued to evolve to put in place new capabilities to face these new challenges. Organisational transformation progressed to address new needs in the Bank's talent requirements, IT capabilities, support operations and physical security standards.

Critically in this period of change, the Bank's Board of Directors (the Board), supported by the three Board committees, was actively involved to provide strong oversight of the management, operations and performance aspects of the Bank. Managing organisational resilience and state of readiness remains a priority given the rapid nature of change within the organisation, as well as in the domestic and international context. The depth and breadth of risk data and analytics presented to the Board Risk Committee emphasises on emerging risks. In this regard, the Board sets the tone for a robust risk management culture.

The Bank's medium-term business planning integrates strategies with the elements of risk, financial resources, talent management, IT capabilities and

sound operations management. Despite the demands on the Bank, the overall permanent staff size remains capped at the current level since three years ago. The Bank achieved this through a two-pronged strategy. First through the targeted use of contract positions for specific expertise but transitional business issues. Second through making targeted investments in learning and development to grow technical and leadership competencies. This ensures that individuals are of the right calibre for the various roles and positions across the Bank.

The Bank continues to drive forward its four-year IT transformation programme. The focus in 2017 was on building internal IT capabilities and strengthening cybersecurity management standards and tools. Due care was given to effective change management as the different technology platforms were migrated progressively to platforms based on new architecture.

The Bank continues to improve its communication strategy to better reach its diverse stakeholders and obtain a better understanding of the situation on the ground. Mainstream media channels such as newspapers, television, and radio, continue to be used, but new communication channels such as social and alternative media that recently have transformed the pattern of media consumption of certain population segments, have motivated the Bank to be more agile in its communication. The nature of social media, that thrives on bite-sized news and quick interactions have made it a more pervasive and influential communication platform. Social media is also less constrained by the limitations of time and space compared to mainstream media, and allows for a more rapid response to situations and developments which may often arise from events outside of the Bank's control. Timely provision of requisite data and facts is important to correct misperceptions or misinterpretation, before they can give rise to entrenched misunderstanding, negative perception or excessive speculation. A central hallmark of this overall approach is the readiness to disclose

relevant facts and data to raise public awareness on financial and economic issues. In many instances, the Bank has leveraged on social media to improve engagement with different stakeholders, including public agencies, NGOs and international counterparts.

GOVERNANCE

The Board plays a critical role in overseeing the Bank's performance and use of resources

The size and composition of the Board in 2017 remained at 11 members similar to the previous year.

Diagram 5.1

The Board comprises four ex-officio directors, namely Governor as the Chairman, two Deputy Governors and the Secretary General of Treasury. The remaining members comprise seven independent non-executive directors. His Majesty the Yang di-Pertuan Agong appoints the Governor, Secretary General of Treasury and seven independent non-executive directors while the Minister of Finance appoints the Deputy Governors. The appointment of Chew Cheng Lian (Jessica), CB as Deputy Governor took place on 1 January 2018 following the retirement of Dr. Sukudhew Singh as Deputy Governor on 31 December 2017.

The Board derives its authority from Section 14 of the Central Bank of Malaysia Act 2009. The strong

The Governance of the Bank



Source: Bank Negara Malaysia

oversight by the Board over the performance and use of resources by the Bank lends credence to the effective administration of the Bank. The oversight includes the approval of the budget and operating plan of the Bank, with regular performance and audit reports to keep the Board members informed.

Three committees, namely the Board Governance Committee, the Board Audit Committee and the Board Risk Committee, support the Board. All members of the Board committees consist exclusively of independent non-executive directors.

During the year, the Board deliberated on issues arising from global and domestic economic developments as well as financial sector and financial stability matters. The Board provided independent perspectives on the Bank's policy initiatives in addressing emerging risks. These issues included the level of household debt, the impact of high cost of living on the B40 group, risks pertaining to the oversupply of commercial properties, challenges for fiscal sustainability, opportunities presented by fintech and perspectives on the future of digital currency. The impact of Malaysia's overdependence on foreign labour and emerging trends of the digital economy were also

deliberated. In addressing the Bank's resiliency, the Board discussed the management of international reserves, organisational development and staff matters, and risk management that affects the Bank's operations and finances.

Holistic risk management

A risk culture that is responsive to a constantly changing world

The Bank manages risks in an integrated manner through its Enterprise Risk Management (ERM) framework (Table 5.1). The framework, benchmarked with other central banks within the International Operational Risk Working Group (IORWG) as well as with ISO standards, ensures a robust approach to risk management.

The Bank's risk governance framework includes the Board, Board Risk Committee, Risk Management Committee and the Reserves Management Committee. The Bank's risk governance framework embeds risk management practices within business functions, business continuity practices and

Table 5.1

The Bank's Enterprise Risk Management Framework		
Governance	Principle 1:	Governance structure with clearly defined roles and responsibilities over risk management
	Principle 2:	Risk reporting mechanism for effective decision making
Policy & Process	Principle 3:	Clearly defined policies to guide the risk management process
	Principle 4:	Standardised approach for risk management process of identification; assessment & measurement; prioritisation & treatment; monitoring & reporting
Tool & Methodology	Principle 5:	Standardised risk management tools to facilitate the process and implementation of ERM practices
	Principle 6:	Clearly defined standards to formulate and assess risk management strategies and internal controls
Effective Practices	Principle 7:	Sound risk management as part of the corporate culture
	Principle 8:	A mechanism and approach on communication to ensure high standards of transparency to internal and external stakeholders
	Principle 9:	A framework and policy for business continuity management to ensure continuity of operations in times of crisis
	Principle 10:	Effective and timely reporting to enable senior management to monitor the effectiveness of risk management; and to assist the Board of Directors in its oversight role

Source: Bank Negara Malaysia

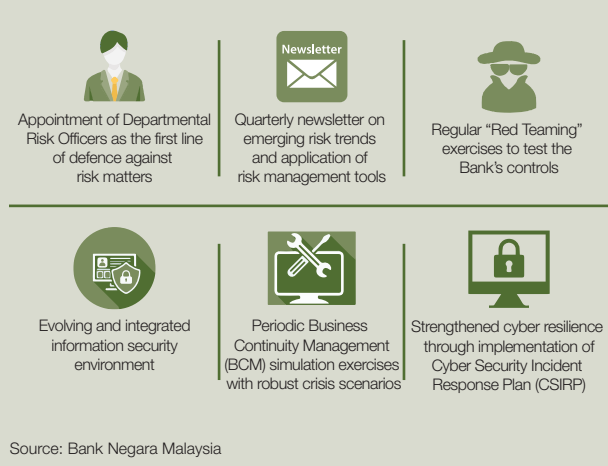
project management. Collectively the governance approach enables a more holistic and forward-looking assessment of risks. The governing framework is illustrated in Chart 5.1.

In ensuring effective governance, the Bank applies the three lines of defence model, namely line departments, Risk Management Department (RMD) and Internal Audit Department (IAD). The line departments are responsible for identifying, mitigating and managing risks within their business areas. RMD serves as an independent oversight function on operational risk matters, including information security and business continuity processes. It is accountable for the adoption and practice of risk management standards within the Bank. Risk management tools, including key risk indicators, incident reporting and risk controls self-assessments, are deployed to monitor and enforce good risk management practices. Finally, the IAD, as the third line of defence, provides independent assurance on the effectiveness of risk management policies, tools and methodologies.

The Bank proactively reviews its risk management practices to nurture a vibrant risk culture attuned to emerging risks throughout the organisation. These measures are summarised in Diagram 5.2.

Diagram 5.2

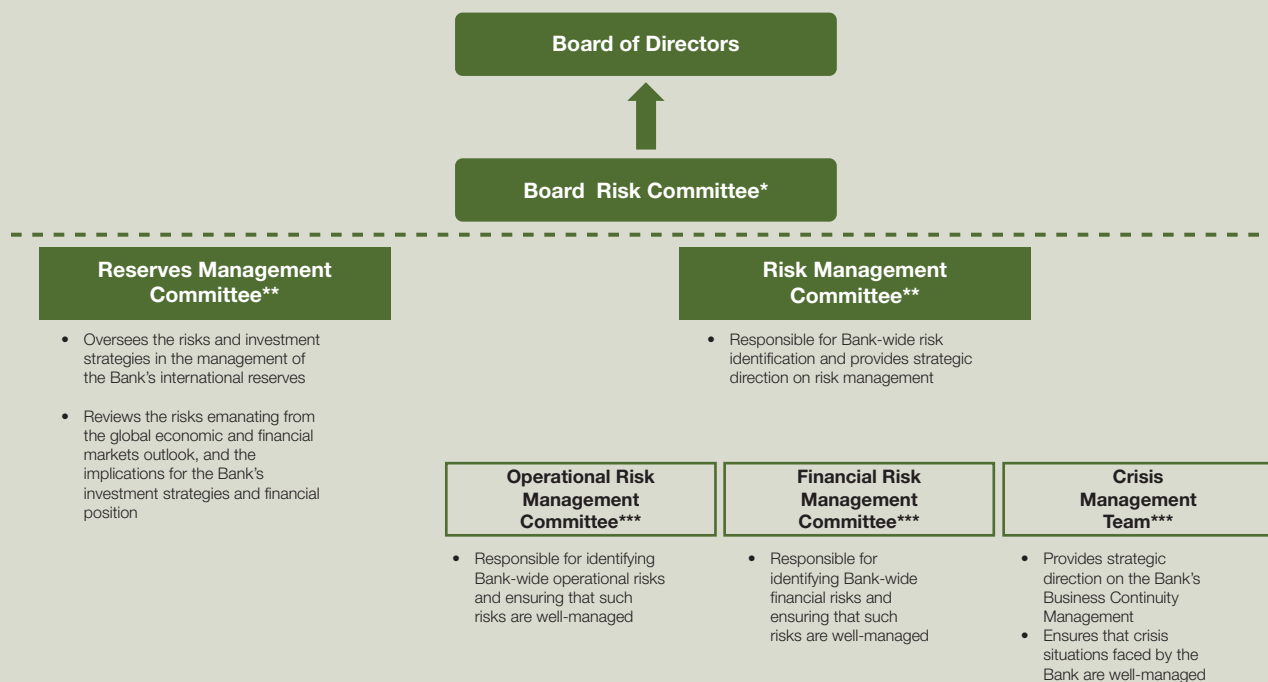
Strengthening Risk Management Practices in 2017



Source: Bank Negara Malaysia

Chart 5.1

Structure of the Bank's Risk Management Governance



* Chaired by an Independent Non-Executive Director of the Bank
 ** Chaired by the Governor
 *** Chaired by the Deputy Governor

Source: Bank Negara Malaysia

In 2017, the new Departmental Risk Officer (DRO) role was initiated to spearhead risk management practices at the operational level. The active DRO community encourages more transparent and regular discussion on risk matters to encourage risk learning and culture building. The DROs are coached to play their roles in different operational settings. The evolution of risk management practices is depicted in Diagram 5.3.

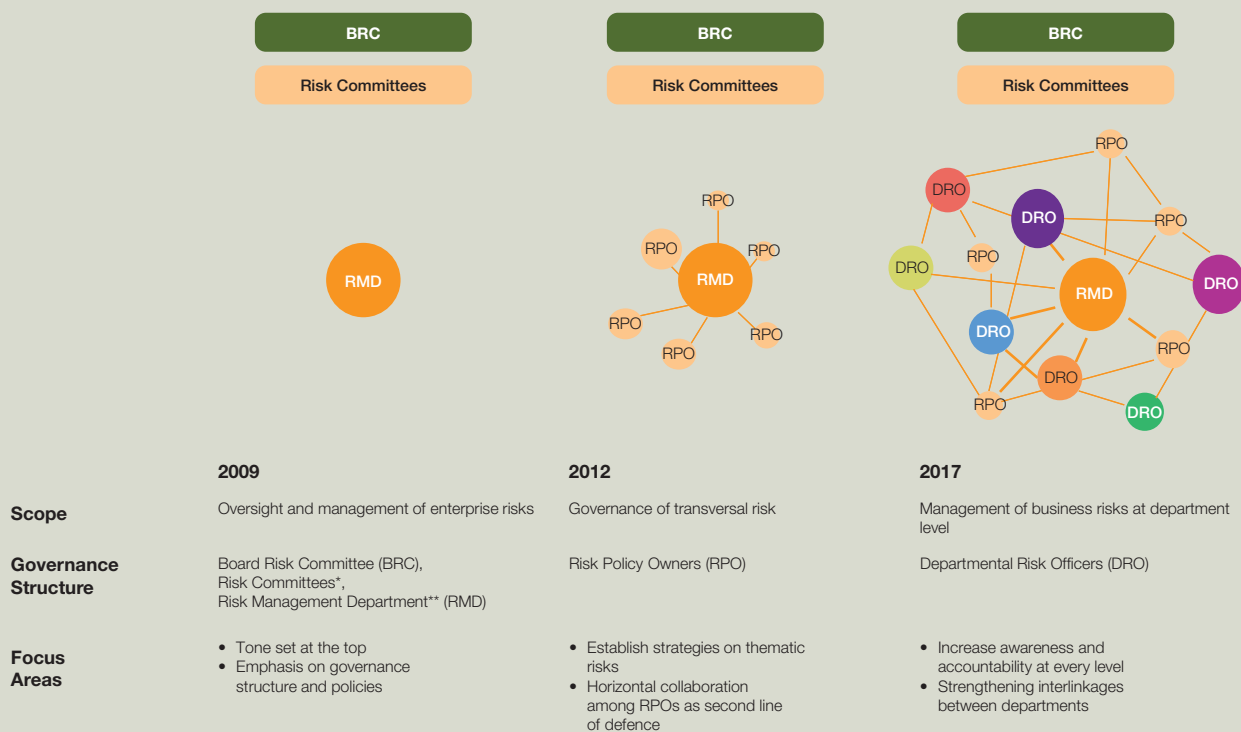
Risk awareness sessions are included in the Bank's onboarding programmes for new recruits, and periodic updates broadcasted Bank-wide to reinforce policies and guidelines. These updates include travel and safety alerts, and proper discipline in the usage of social media and password protection. This serves to protect information security while enabling staff to leverage on technology to perform their work more effectively.

Business continuity management

Business continuity management (BCM) standards continue to adhere to the ISO 22301 standard, coupled with constant benchmarking to best practices with industry groups and central banks. The Bank conducts simulation exercises, including robust crisis scenarios to test readiness in handling crises. The BCM plans are continuously reviewed to reflect emerging risk factors and strategies to ensure the Bank has the flexibility to pre-emptively arrest possible crisis developments early, and the capabilities to restore normalcy. This included the implementation of Cyber Security Incident Response Plan (CSIRP), one of the mandatory controls under the Society for Worldwide Interbank Financial Transaction's (SWIFT) requirements. The Bank continues to be an active participant in the country's national cyber security exercises.

Diagram 5.3

Evolution of Risk Management Practices in the Bank



* The various dates of establishment of risk committees – Risk Management Committee: 2002, Crisis Management Team: 2003, Operational Risk Management Committee: 2008, Financial Risk Management Committee: 2008

** Established since 1996

Source: Bank Negara Malaysia

Strengthening internal controls and assurance

The Board Audit Committee (BAC) oversees the accuracy of the Bank's financial reporting, and the effectiveness of internal controls and compliance with legal and regulatory requirements. It also supervises the internal audit function of the Bank. In 2017, the BAC convened six meetings.

The IAD provides assurance to both the management and the BAC on matters relating to governance processes, risk management, internal controls and operational effectiveness. This includes sustaining efficiency in reporting and compliance with policies and procedures, legal and regulatory requirements, and meeting the Bank's mandates.

IAD conducts regular assessments of departments, branches and the Bank's related entities to identify any potential risks in their significant activities. During the year, attention was given to critical areas such as cyber security and business continuity management and operational areas to manage risks related to fraud. IAD undertook a rigorous review of the management of cybersecurity to identify potential vulnerabilities and threats to the Bank's IT systems. Actions were taken to tighten controls and mitigate cybersecurity risks within the Bank. In addition, IAD also performed reviews on new projects, such as the Financial Education Campus, Automated Cash Centre, new requirements for SWIFT and the new Electronic Central Credit Reference Information System.

IAD also undertakes investigations on internal cases involving breaches of the Bank's Code of Ethics and provides advisory as an independent observer in the Bank's various management and project committees. This is to ensure adherence to proper internal controls and governance. IAD continues to provide assurance to the Minister of Finance with an independent quarterly report on the Bank's international reserves management activities. In line with greater transparency, auditors from the National Audit Department are invited to attend all BAC meetings.

To further complement the audit work undertaken by the IAD, periodic consultations and study visits are held with local regulatory authorities and the Heads of Internal Audit of ASEAN Central Bankers. The focus of these consultations are to exchange ideas and best practices in auditing.

The principles espoused by the Committee of Sponsoring Organizations of the Treadway Commission (COSO) Framework are embedded in the audit approaches for assessing the Bank's control environment, risk assessment, control activities, communication and monitoring of activities. As part of IAD's commitment to continuously enhance internal audit processes, the IAD also conducts continuous internal quality assurance and improvement programmes. Areas identified for improvement are communicated to the management of the Bank and reported to the BAC on a quarterly basis. The Bank's internal audit practices remain in conformance with the requirements of The Institute of Internal Auditors' International Standards for the Professional Practice of Internal Auditing (Standards).

In ensuring that auditors discharge their responsibilities effectively, the skill sets of auditors are developed in technical areas such as treasury and settlement, payment, procurement, IT security and fraud identification. The continuous learning and professional development includes pursuing professional certification offered by The Institute of Internal Auditors (IIA), Information Systems Audit and Control Association (ISACA), Business Continuity Management (BCM) and other professional bodies.

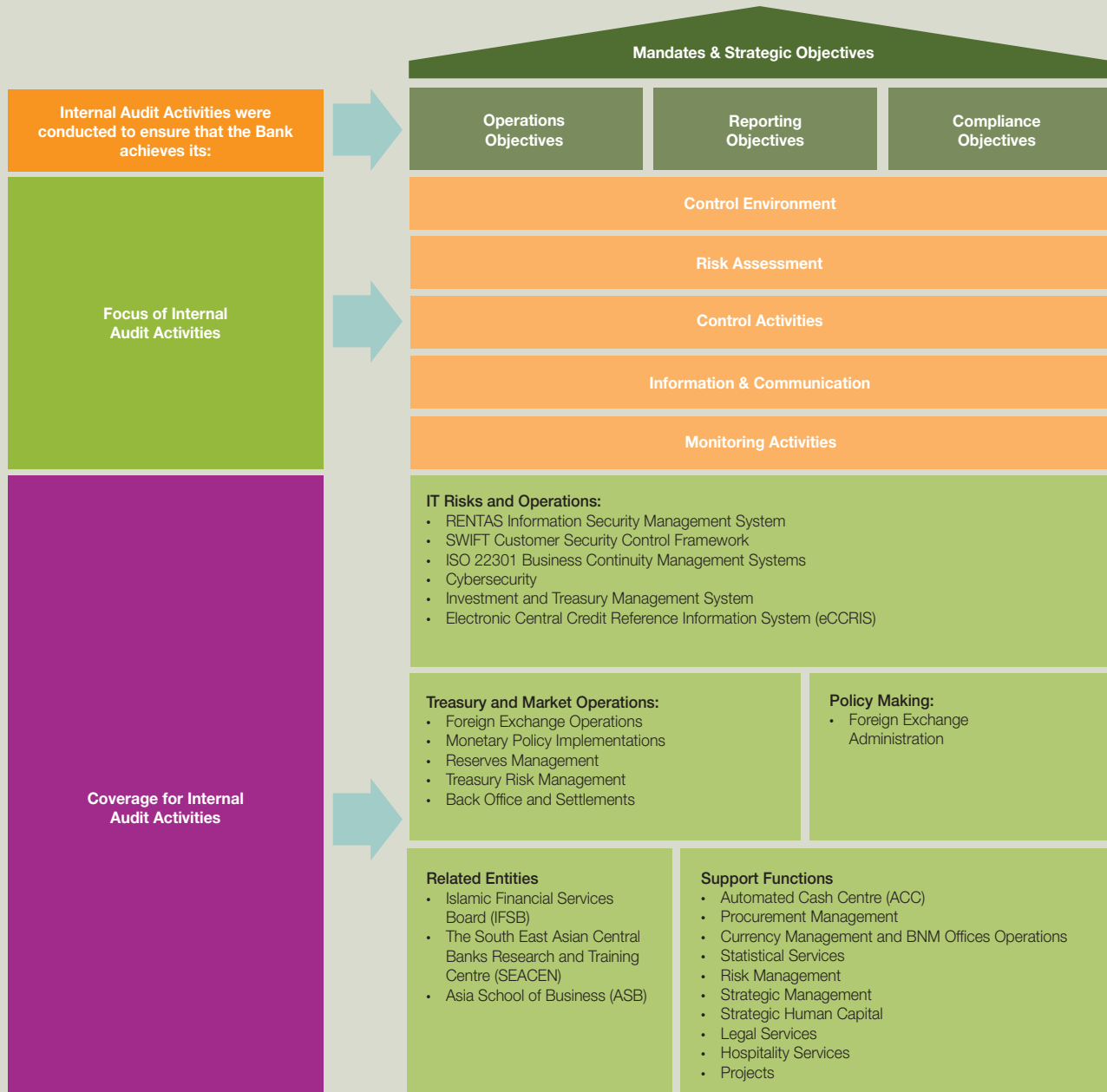
ORGANISATIONAL DEVELOPMENT

The Bank's emphasis is on achieving high-impact outcomes with measurable results, as outlined in the Business Plan 2018-2020

The strategic renewal of organisational capabilities is vital to remain effective under conditions of rapid change. It is also optimal to pursue transformative changes from a position of strength. The Bank has put in place a medium-term organisational business plan, and 2018 marks the fourth cycle of this three-year plan. The formulation of the Business Plan 2018-2020 (BP) will focus on addressing pressing domestic concerns and regional opportunities. The BP approach will stress high-impact outcomes to deliver measurable results. Leveraging on scenario planning and risk analysis, the Bank's medium-term strategies provide an outline plan that will address three issues. First are solutions to ensure an environment conducive for sustainable macroeconomic growth and monetary stability. Second are policy imperatives that aim to increase the state of

Diagram 5.4

Coverage of Internal Audit in 2017



Source: Bank Negara Malaysia

readiness to manage future uncertainties such as cyber threats and geo-political uncertainties. Third are capability development initiatives, particularly sustained investments in people, and development of new systems to ensure effective and productive results. The approach and key focus of the forthcoming BP is articulated in the Box Article on 'Business Plan 2018-2020: Framing the Future with Talent and Technology'.

The Bank's broad developmental role expands the boundaries of the organisation's knowledge and systems requirements. In anticipation of evolving risks and work demands, the Bank is undergoing transformative change in the fields of IT and physical security management, including the adoption of new digital systems for IT architecture, security surveillance and automation of business functions.

Organisational development efforts included improvements to the shared support services and project management. The improvements in project and financial management resulted in a reduction in project delays and better utilisation of planned budgets for the year. This contributed positively to business deliverables, and adherence to the Bank’s culture of responsible budgeting.

Procurement management

During 2017, additional measures, such as revisions to the Vendor Code of Conduct, were introduced to ensure the efficiency and integrity of the procurement process. The Bank’s vendors are now required to sign a declaration on non-fraudulent practices to enhance transparency and integrity of procurement-related payments. In addition, the introduction of the Vendor’s Pledge of Integrity aims to raise awareness among internal and external stakeholders about healthy business practices within the Bank. The management of tender submissions was streamlined to ensure more robust security of tender information, and improving response time to vendors. Other measures included the standardisation of variation orders to promote more objective monitoring and assessment of procurement contracts. Efforts are underway to review the landscape involving information technology vendors, with a view to establishing an internal Centre of Excellence (COE) in supplier management. This is to ensure that the Bank continues to reap optimal benefits from its IT investments by managing its vendors more effectively, including making further improvements to the existing procurement process.

Diagram 5.5

Developing people

The Bank has taken immediate steps to focus on re-skilling and developing a sustainable talent pipeline in meeting future and evolving challenges

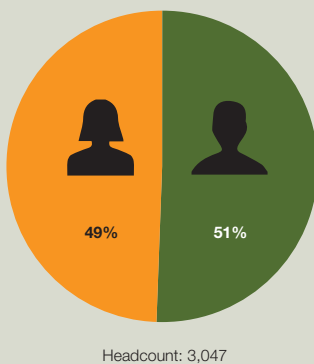
The Bank’s continued performance is based on the high quality and resilience of its people. New knowledge and skills are evolving on a daily basis. The rising cost of talent calls for higher levels of productivity, through automation and strategic partnerships, to contain the total cost of resources.

In strengthening the current talent pool, the Bank developed a sustainable pipeline for mission critical positions and sourced talent with critical skills such as IT and data sciences. The Bank’s investments in leadership assessment and profiling tools and methodologies are reaping significant dividends. These investments have allowed the Bank to form a holistic view of institutional talent in terms role fit, level of competence, leadership styles, and climate. High-potential talents identified from the succession and feeder pools, supported by leadership profiling and performance data, are better able to assume new and often larger roles in the Bank.

Culture that values diversity

The Bank has a relatively balanced and stable talent profile. There is significant diversity and considerable opportunities for growth, both as students of new knowledge, and as mentors to share unique experiences. The talent management eco-system

Gender Composition



Job level	Gender composition	Headcount
Senior Management	58% (Female) / 42% (Male)	168
Managers	44% (Female) / 56% (Male)	583
Executives	42% (Female) / 58% (Male)	1,207
Non Executives	62% (Female) / 38% (Male)	1,089

Source: Bank Negara Malaysia

seeks to leverage on this through a variety of knowledge sharing and recognition platforms, to celebrate the Bank's wealth of knowledge. The Bank has identified innovation, agile thinking and risk awareness as behavioural attributes that allow diversity in the work environment to flourish. Staff engagement is much higher as ideas are actively sought across the organisation via the community intranet and social media.

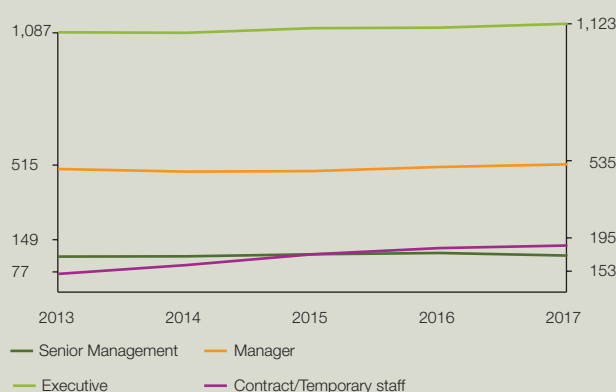
Clear and robust succession planning

The Bank conducted job rotations to broaden individuals' knowledge, skills and perspectives, and to form a deeper familiarity with the Bank's inter-connected policy work. Senior officers are increasingly given the responsibility to serve as spokespersons on behalf of the Bank in their respective areas of expertise. This extended communications role serves to increase the visibility of the Bank's strategic agenda, and ensure transparency of central banking activities.

The Bank has also adopted a broader repertoire of sourcing strategies to recruit specialist talents. Such talents include those with expertise in cyber security, data science, fintech, information technology, innovation management, procurement management and risk management. The Bank invested in codifying current and future skill sets for the structured development of competencies in line with market developments and the Bank's future role expectations. The return on the Bank's investment in talent is illustrated in Charts 5.2 and 5.3, in terms of a stable level of staff strength across all levels, and a relatively low attrition rate.

Chart 5.2

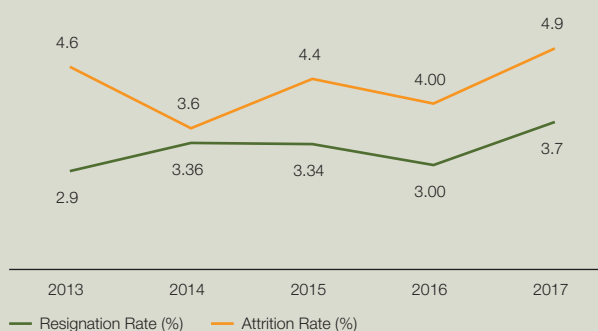
Staff Positions in the Bank (2013 - 2017)



Source: Bank Negara Malaysia

Chart 5.3

Attrition Trend in the Bank (2013 - 2017)



Source: Bank Negara Malaysia

Developing a competent workforce

The continued investments in learning and development reflect the high priority given to growing the talent pool. The overall learning budget increased to 6.02% of total gross salary (2016: 4.5%) comprising leadership and technical development, and scholarships for postgraduate studies. Other opportunities for learning are also through exposure via participation in international meetings and project teams that looked into critical issues concerning the Bank.

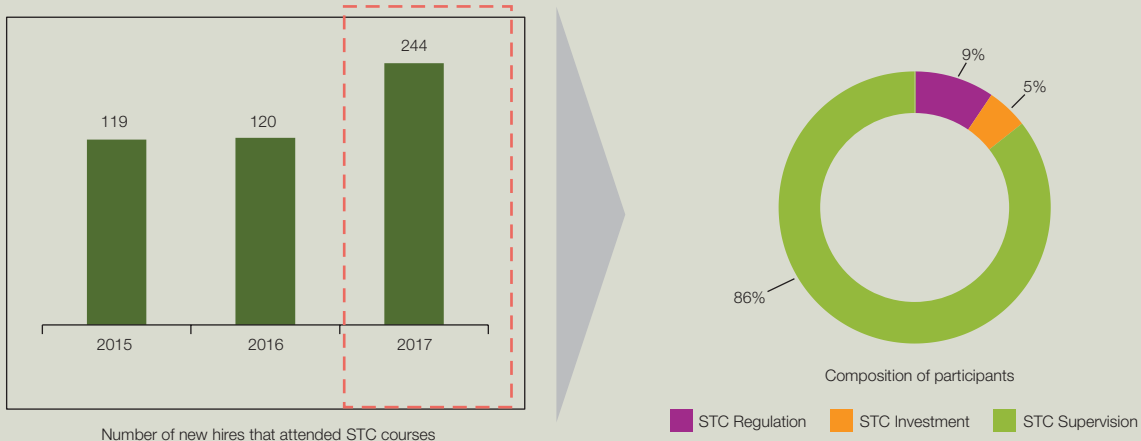
Given the significant and on-going shift in the Bank's staff demographics, time to competence is imperative to maintain the Bank's productivity. To ensure that new staff acquire essential central banking knowledge, the Bank designed and implemented foundational Structured Technical Curriculum (STC) for the Supervision, Investment and Regulation sectors. In 2017, 21 STC programmes were implemented for 381 learners, of which 244 (64%) were new hires with less than three years' experience in the Bank. The composition of participants per curriculum are detailed in diagram 5.6. The Bank focused on developing emerging technical skills in priority areas such as fintech, data science, cybersecurity and anti-money laundering and counter-financing of terrorism.

The Bank is a strong proponent of continuous professional development. In 2017, the Bank provided opportunities for staff to further their professional development and become members of the Asian Institute of Chartered Bankers (AICB) and the Institute of Chartered Accountants in England and Wales (ICAEW). These qualifications chart a clear pathway towards developing higher levels of technical proficiency and specialisation among Bank staff.

To enhance the quality and diversity of leadership, the Bank prioritised development for senior leaders

Diagram 5.6

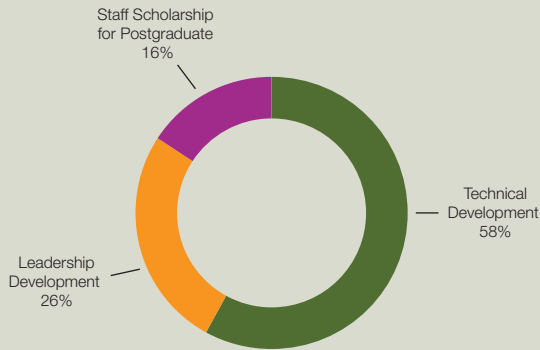
STC Courses for New Hires



Source: Bank Negara Malaysia

Chart 5.4

Learning and Development Investments



Source: Bank Negara Malaysia

through Executive Education Programmes at top business schools. In addition, to nurture ‘ready-now’ leaders, the Bank invested early in the feeder pool through structured Leadership Development Programmes. Leadership development exposure includes cross-functional assignments and job rotations to elevate their learning agility. In addition, as part of staff’s development, the Bank created opportunities for senior leaders and internal faculty to share their expertise and experience in small group conversations with staff and ‘leaders teach leaders’ programmes.

Capacity building for the domestic financial industry

Another dimension of capacity building is the collective effort with the financial industry to raise professional standards, and innovate on financial services. The Bank

has embarked on establishing a designated and integrated area, known as the Financial Education Hub, to promote and ensure continuous world-class learning and development. This education hub will include the new Asia School of Business complex and the Financial Industry Training Centre presently under construction. The International Centre for Education in Islamic Finance (INCEIF) and the International Shariah Research Academy will also be relocated to this area, which is contiguous to the Bank’s Sasana Kijang complex. The Hub is envisioned to be a focal point for international learning and research that will nurture a sustainable pool of local talents to support the development of the domestic financial industry.

International engagements for knowledge sharing

The Bank’s Sasana Kijang continues to be a centre of excellence for thought leadership, and learning and development in central banking and financial services, by hosting activities promoting collaboration and advancing knowledge in central banking. The Bank hosted the 2017 International Association of Insurance Supervisors (IAIS) Annual Conference. The Conference is an effective platform for insurance supervisors from around the world to exchange views on issues relevant to the supervision and development of insurance markets. Similarly, the Bank hosted the Global Symposium on Development Financial Institutions for DFIs and other relevant stakeholders to learn and exchange ideas on contemporary issues surrounding the development finance domain.

The Bank also had the honour of hosting and organising the BNM-IMF Summer Conference where research papers discussed included international trade, the impact of protectionism and labour migration, and new and innovative trade policies were proposed at the conference. Also held during the year was the BNM Monetary Policy Conference that focused on rethinking the monetary policy framework and how the rapid development in technology may alter and potentially disrupt the financial system.

In 2017, the Bank's technical cooperation programmes in the area of central banking supported regional integration and enhanced collaboration amongst central banks and regulatory agencies. In addition, the Bank partnered with Islamic training institutions to deliver programmes tailored to meet demands from countries that are furthering their Islamic finance agenda.

500 officers from 65 countries participated in various technical cooperation programmes organised by the Bank

The technical cooperation programmes drew on a diverse set of experts from the Bank, and The World Bank, Alliance for Financial Inclusion (AFI), Organisation for Economic Co-operation and Development (OECD), United Nations Capital

Development Fund (UNCDF), Behavioural Insights Team and Financial Conduct Authority, United Kingdom. The Bank also continued its partnership with the Asian Development Bank (ADB), Islamic Research and Training Institute (IRTI) and Statistical, Economic Research and Training Centre for Islamic Countries (SESRIC).

Transforming physical security

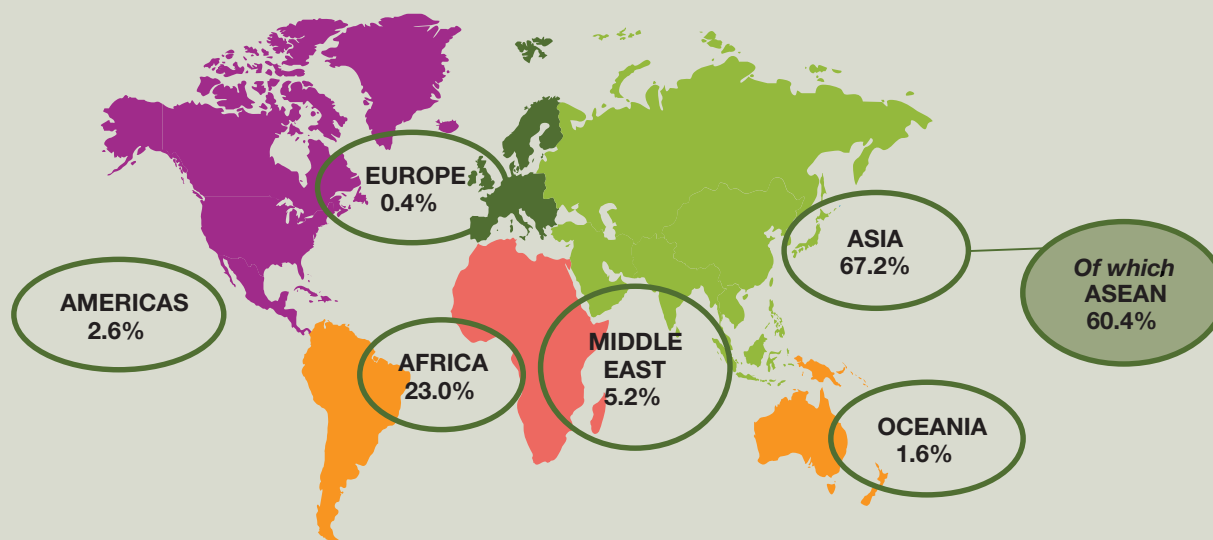
The safety and security of the Bank's people and assets are paramount. The comprehensive review and enhancement of the Bank's security management aims to strengthen the policies and capabilities in view of changes in potential threats in the environment. The scope of transformation included talent reskilling, process reengineering, implementation of new security devices and technology, and inculcating a more security conscious culture.

Key initiatives included the implementation of advanced access control systems, installation of X-Ray baggage scanners and walk-through metal detectors, enhancement of CCTV surveillance systems and development of a structured training curriculum for the Bank's Auxiliary Police. In addition, the Bank strengthened the capabilities of the security management team to undertake effective risk assessments, strategic planning, intelligence gathering and data analytics.

The Security Transformation Plan also focused on technology enhancement through the implementation

Diagram 5.7

The Bank's Technical Cooperation Programmes 2017



Source: Bank Negara Malaysia

of integrated and intelligent access management and surveillance systems for effective monitoring and timely response. The security network infrastructure was upgraded for greater bandwidth for speed and reliable data transmission. Scalability for future requirements was one of the features taken into account.

A major initiative was also undertaken to inculcate the desired security culture across all stakeholders in the Bank where security is recognised as a shared responsibility and reinforced through greater awareness, education and practices. In particular, security policies, procedures and awareness programmes were enhanced to improve the security culture among all staff, vendors and tenants in the Bank's premises to ensure a safe and secure working environment as well as effective protection of the Bank's assets.

The Bank has always given due attention to the welfare of staff as a core organisational value. In 2017, one of the initiatives was to embark on a project to replace several of its existing security quarters at a number of its key operating locations with new facilities that would provide a higher standard of living space for security personnel and their families.

Moving forward with IT transformation

Significant developments in technology requirements driven by the digital economy and financial technology innovations have shaped the Bank's IT transformation initiatives.

At the core of the IT transformation drive is its people. During the year, the Bank conducted recruitment drives to identify and onboard relevant talents to address shortages of specialised IT skills. The new organisational structure promotes clear accountabilities in the areas of enterprise architecture, solution development and deployment, resource planning and management, support and maintenance, and infrastructure management.

To ensure alignment to business needs, the Bank has initiated the adoption of a business-aligned IT portfolio management structure. Initiatives are aligned based on the different sectors and aim to achieve IT scalability, flexibility and adaptability moving forward.

Enhancing cyber resilience

Initiatives to further enhance the cyber resilience of the Bank's IT ecosystem continued to progress well in 2017. The Security Information and Events Management (SIEM) solution was implemented to assist in analysing security incidents within a real-time IT environment. Any threats to enterprise information systems (web sites, applications, databases, data centres and servers, networks, desktops and other endpoints) were assessed and defended. The Bank's cyber threat intelligence is continuously strengthened to ensure the Bank's IT infrastructure stays ahead of more advanced malware.

Pushing the boundaries of innovation

The Bank's Board of Directors and the Management team continue to emphasise the strategic benefits of IT. This includes developing more in-depth expertise in data sciences and big data analytics, and in improving productivity through increased innovation. As a result, the Bank has invested in a project team to spearhead the exploration of big data. This approach will allow the team to ideate and innovate among a small diverse group of skilled individuals to enable faster turnaround and outcomes.

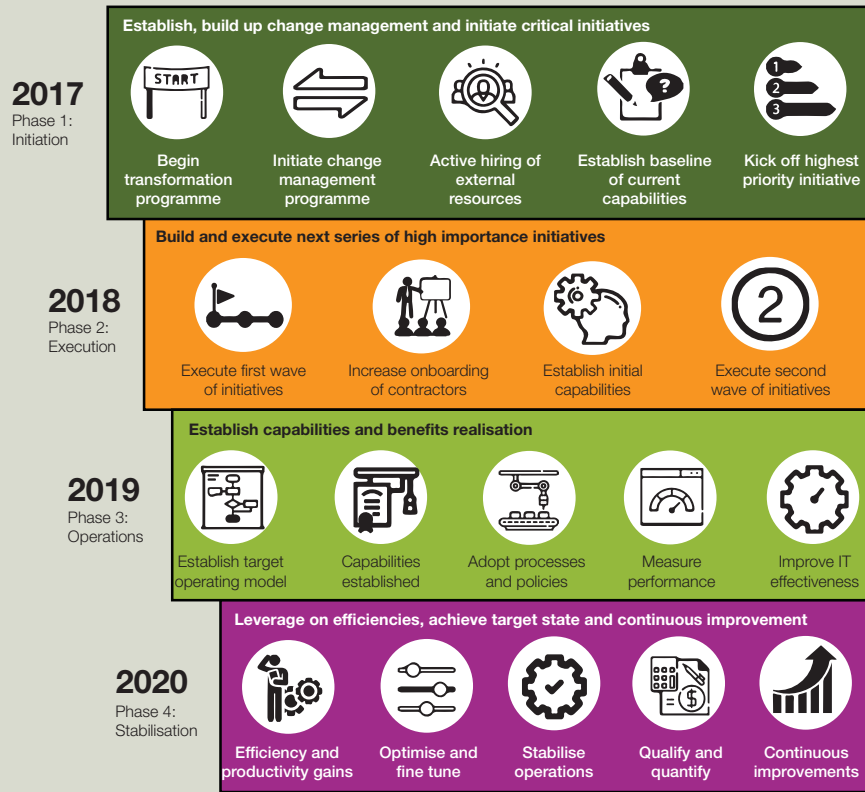
The ever-changing IT environment requires the Bank to adopt two distinct technology approaches (a bi-modal IT approach) in responding to new opportunities; i.e. (i) one that relies on stability and efficiency of the traditional information management framework, while (ii) the other focuses on being agile and flexible, responsive to the immediate needs of the stakeholders for digital innovation. This strategic shift entails IT operating in two vastly different but coherent styles of work, which opens up opportunities for digital innovation.

Robust ICT infrastructure

The renewal of the Bank's certificate under the revised ISO/IEC 27001 Information Security Management System (ISMS) standard for the Real-Time Electronic Transfer of Funds and Securities (RENTAS) IT infrastructure provides affirmation that the Bank's critical IT infrastructure and information assets are on par with international standards and best practices. It also demonstrates compliance with the requirements of the ISO standards for holistic management and governance of information security.

Diagram 5.8

The IT Department's Four-year Transformation Plan



Source: Bank Negara Malaysia

COMMUNICATIONS

The wide use of social media platforms among the public has necessitated the dissemination of quick information, and rapid response to emerging issues and viral postings

The Bank's communication approach in 2017 took on a dynamic change in terms of rapid response. This led to an expansion of methods and channels, quicker response and stronger messaging, and closer public engagements. The wide use of social media platforms among the public has necessitated a faster and more direct approach. Together with alternative media, these channels were used not only for closer communication with the public, but also as an intelligence gathering tool to sense the sentiment on the ground and identify sources of misinformation. In 2017, the Bank on several occasions responded swiftly to the misreporting by the media and other parties through the use of factual videos and easy-to-read infographics. The Bank

launched HousingWatch.my and FactWatch.my to provide a centralised fact-checking resource in this regard. The Bank also increased the publication of photographs of its events through multiple channels to increase the visibility of its activities among the public. The Bank continues to use traditional media channels to reach and inform the public, and to profile different spokespersons who are experts in their respective fields to front important issues.

Diagram 5.9

Speeches by Senior Officials



Source: Bank Negara Malaysia

Expanding engagement with stakeholders

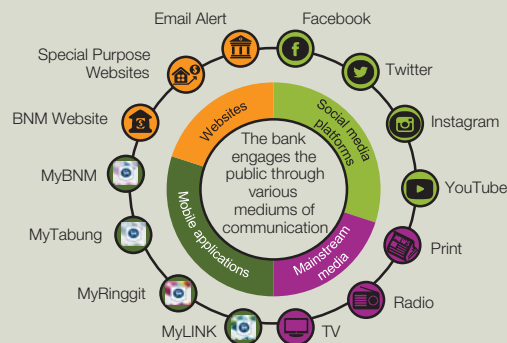
The Bank's Annual Report and Financial Stability and Payment System Report (AR/FSPSR) briefings to various stakeholders are important platforms to ensure all key stakeholders are cognisant of the Bank's policy actions. Similarly, the Bank organised communication sessions with manufacturers, exporters, trade chambers, MNCs and economists/analysts on the Financial Market Committee's measures to develop our domestic financial markets. Board Briefings to the Finance Minister, senior Economic Ministers and officials enabled the Bank to impart suggestions and observations to key economic policy makers in the Government. In addition, in 2017, the BNM Quarterly Bulletin's (QB) review significantly enhanced communications with the Bank's stakeholders with broader coverage and more visually oriented information.

The Bank's communication continued to focus on addressing issues of public interest. This included issues such as affordable housing via the HousingWatch.my website; an exposure draft to mitigate risks associated with uninformed speculation in digital currencies; benefits of motor insurance liberalisation measures; and the importance of conversion from signatures to Personal Identification Number (PIN) for verification of card payments. In line with the growing preference for mobile apps, the Bank introduced MyLink, MyBNM, MyRinggit and MyTabung to facilitate consumers in making informed financial decisions by providing the latest development and updates on financial matters. In particular, BNM MyLink is a one-stop mobile application which connects consumers to financial institutions in Malaysia to make enquiries, obtain advice and lodge complaints.

The Bank also conducted a Public Perception Survey to gauge the public's awareness and understanding of the Bank's roles and functions. This provided a baseline measure against which to measure the effectiveness of the Bank's education and awareness campaigns. The Bank utilises a variety of communication channels, as explained in Diagram 5.10, to reach out to its diverse stakeholders.

Diagram 5.10

Communicating through Multiple Media Channels



Source: Bank Negara Malaysia

Elevating public awareness through outreach programmes

Significantly in 2017, the Bank's new strategies in outreach programmes made major breakthroughs in public engagements with the public. The programmes are in partnership with other public agencies, NGOs and international partners. The cumulative benefits are expected to be significant, especially in creating a more inclusive financial system and elevating financial literacy. Table 5.2 provides the highlights of new initiatives and on-going programmes.

Nurturing financial awareness through the Museum and Art Gallery

The Bank continues to perform its role as a patron of Malaysian art and heritage through the Bank's own Museum and Art Gallery (Museum). The role of the Museum has continued to expand in the areas of financial education, and as a patron of local art. In 2017, the Museum organised exhibitions on diverse subjects ranging from nature conservation to promotion of financial awareness. Exhibitions that exclusively displayed the works of local artists were 'Lestari Alam/Nature Nurtured', 'The Unreal Deal', 'Art Bazaar' and 'Mini Art Bazaar'. The visibility of the Museum has been elevated through the increased coverage in both traditional and social media. As a result, local and international visitors increased by 13.4% and 29.8% respectively. The Museum was also acknowledged by Tourism Malaysia as a 'Must-See' Museum in Kuala Lumpur and has been a recipient of TripAdvisor's Certificate of Excellence Award for three consecutive years from 2015 to 2017.

Table 5.2

Outreach and Engagement Initiatives		
Communication targets	Collaborative partners and channels	Outcome
Enhancing financial knowledge and literacy of financial consumers	<ul style="list-style-type: none"> • Karnival Kewangan events in Kuala Lumpur, Sabah and Sarawak • Mini Karnival Kewangan at 70 sub-districts • Financial Education to government employees through 76 programmes • Engagements through “Train-the-Trainers” programmes 	<ul style="list-style-type: none"> • Attracted more than 75,000 financial consumers from diverse groups • Benefitted 8,893 people from rural communities and increase in financial literacy by 28% and take-up rate on basic financial products by 14% • Benefitted 8,000 government employees • 181 self-led Financial Education programmes benefitting 9,224 participants
Multi-channel approach for greater awareness on financial crime	<ul style="list-style-type: none"> • Financial Consumer Alert (FCA) website to alert members of the public on the list of companies and websites which are neither authorised nor approved under the relevant laws and regulations administered by the Bank • Social media, TV and radio channels e.g. “Forum Perdana Hal Ehwal Islam” • Organisations representing women • Religious groups • Business chambers 	<ul style="list-style-type: none"> • 132 entities listed in 2017 in FCA list (2016: 31 entities) • FCA list attracted 255,605 viewers in 2017 • Outreach to more than 1.9 million consumers through social media, TV, radio and strategic alliances
Increasing awareness on various financing and assistance schemes available to SMEs	<ul style="list-style-type: none"> • Events organised by ministries, key government agencies and financial institutions • Social media channels 	<ul style="list-style-type: none"> • Benefitted 14,000 SMEs • 65,000 information brochures were distributed, providing information on the many different financing initiatives
Conducting “Train-the-Trainers” programmes to provide advisory services on SME financing	<ul style="list-style-type: none"> • SME Corporation Malaysia • Associations of Financial Institutions [Association of Banks in Malaysia (ABM), Association of Islamic Banking Institutions in Malaysia (AIBIM) and Association of Development Finance Institutions in Malaysia (ADFIM)] 	<ul style="list-style-type: none"> • 17,043 SMEs have benefitted from 341 training sessions conducted by financial institutions on SME financing • 26,125 staff from financial institutions nationwide were trained to provide quality advisory services to SMEs
Introducing Small Debt Resolution Scheme for viable SMEs with impaired financing	<ul style="list-style-type: none"> • Print media • Radio and TV interviews 	<ul style="list-style-type: none"> • Increased awareness for financially distressed SMEs to seek assistance
Creating awareness on the availability of Disaster Relief Facility to assist SMEs affected by floods in the northern states	<ul style="list-style-type: none"> • Financial Institutions (FIs) • Insurers • Industry briefing • Dialogue sessions with SMEs and SME-related associations and business chambers • Info blast emails to SME-related associations and business chambers • Distribution of flyers to financial institutions • Online and social media channels 	<ul style="list-style-type: none"> • The Bank announced on 8 November 2017 on the RM500 million facility to alleviate the financial burden and accelerate resumption of SMEs’ businesses affected by the floods. • As at end-December 2017, FIs have approved financing totaling RM34 million under the Facility. • Besides these financing, FIs have also provided other assistance to the affected SMEs such as: <ul style="list-style-type: none"> □ restructuring and rescheduling of loans/ financing; □ moratorium on repayment of loans/ financing; and □ waiver of charges for replacement of ATM cards, cheque books and passbooks
Initiating largest collective impact for corporate social responsibility with the financial industry in Malaysia through the Financial Industry Collective Outreach (FINCO)	<ul style="list-style-type: none"> • 107 financial institutions 	<ul style="list-style-type: none"> • Focused on increasing English literacy levels and giving life aspiration to underprivileged children from lower income families

Source: Bank Negara Malaysia

Diagram 5.11

The Museum's Activities and Visitors in 2017



Source: Bank Negara Malaysia

Business Plan 2018-2020: Framing the Future with Talent and Technology

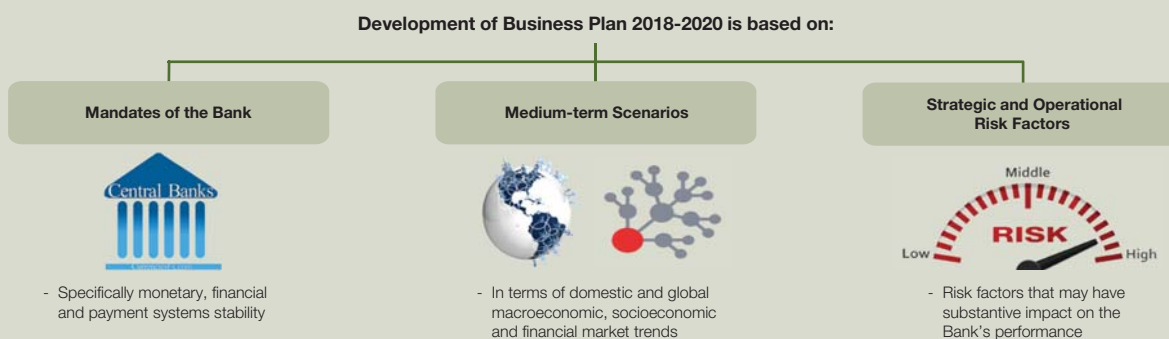
By Kalaiselvi Somasundaram and A. Kanagalingam

Introduction

The Bank's Business Plan 2018-2020 (BP) with the tag line 'Framing the Future with Talent and Technology' provides the lens in setting future priorities. The combination of talent and technology has given rise to several common themes that will have a profound impact on the 21st century organisation. These themes include innovation, productivity, agility and accountability. The themes reflect the new performance attributes required in today's organisation to cope with the rapid changes constantly reshaping the environment in which businesses operate.

Diagram 1

Development of Business Plan 2018-2020

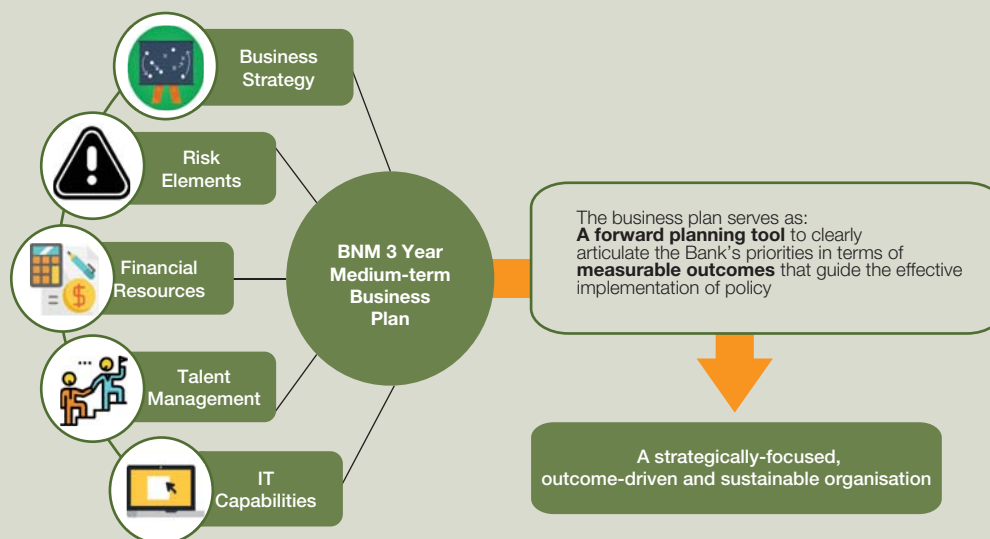


Source: Bank Negara Malaysia

The Bank's medium-term BP is designed as an integrated forward planning tool. It articulates the Bank's priorities in terms of measurable outcomes. These outcomes guide the effective implementation of policy, and align organisational capabilities with business imperatives.

Diagram 2

Business Plan as a Forward Planning Tool



Source: Bank Negara Malaysia

The objective of the BP is to ensure the Bank continues as a strategically-focused, outcome-driven and sustainable organisation. Renewal of the organisation's DNA becomes a pre-requisite for success in terms of new processes, technologies and solutions in the areas the Bank can make the most impact on the nation's socio-economic development, in line with the mandate and objectives of the Bank.

Business Plan in a Changing Economic and Financial Systems Environment

The Bank's medium-term Business Plan is anchored to four focus areas, namely:

Diagram 3

Business Plan Focus Areas



Source: Bank Negara Malaysia

The four focus areas address the Bank's legislated mandates and developmental priorities to nurture a progressive financial system that will be a catalyst for sustainable economic growth. The four focus areas are supported by Strategic Objectives that give greater clarity to the outcomes the Bank seeks to achieve over the medium to long-term. The Strategic Objectives also aim to develop stepping stones for continuous structural reforms and innovations for the economy of tomorrow, and the next generation of financial sector players.

The key strategic objectives and strategies that support game changing outcomes for the Malaysian economy, financial system and society are highlighted in Diagram 4. These strategies focus the Bank's policies on areas that offer significant opportunities for job and wealth creation, or to contain vulnerabilities that may hamper the country's socio-economic progress.

The focus on developing a culture that embraces innovation, agility, productivity and accountability is part of transforming the way the Bank operates in the new environment. New competencies and behaviours must be learnt quickly to adjust and capitalise on the pace of technological development, and to mitigate new risks. Ultimately, the business plan is to deliver results in terms of economic growth, financial stability and broad-based job and business opportunities that meet the expectations of the public, businesses and all stakeholders with a vested interest in the economic and social well-being of the nation.

As with any good plan, performance is reviewed and communicated through the Bank's broad range of publications and communication channels, with appropriate course corrections when necessary.

As the country continues to progress towards becoming a more developed nation, the financial sector and other economic structures must remain supportive of growth and be resilient to risks. The business plan aims to strike the right balance between regulation and allowing technological innovations to take place in our financial system.

Diagram 4

Strategic Outcomes

Sustainable Economic Growth

- Ensure macroeconomic environment conducive for **sustainable growth**
- Ensure a sustainable and balanced **housing market**
- Address pre-emptively the emergence of **risks of imbalances**

Financial System Stability

- Strengthen the **resilience and integrity** of the financial system
- Enhance **financial market capacity** to better intermediate risks
- Ensure **cost-effective supply** of quality and secure banknotes and coins

Digitalisation of Financial Services

- Greater **diffusion of technology** in financial services
- Accelerate **migration to e-payments** by displacing cash and cheques
- **Maximise network effects** through open and interoperable standards, and future-proofing public infrastructure

Domestic Socio-Economic Well-being

- Implement **sustainable social financing** to increase income generating activities and advance socioeconomic mobility for communities
- Ensure financial service providers are **fair in their dealings** with financial consumers
- Enact a **Consumer Credit Act** to impose consistent consumer protection requirements on banks and non-bank credit providers

Increase Professionalism and Skills

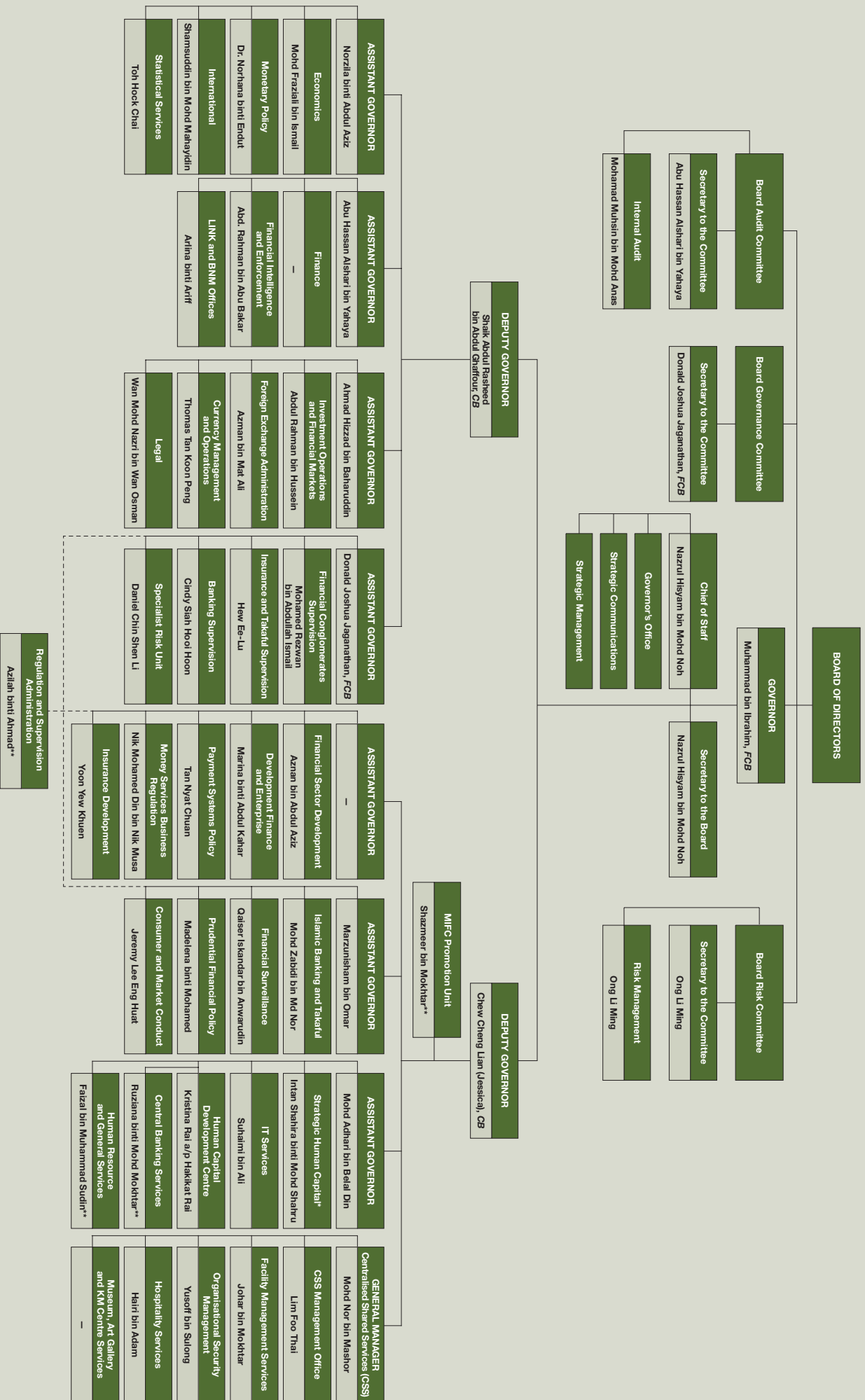
- **Professionalise** financial sector workforce including their intermediaries
- Strengthen **recruitment practises** and introduce **accountability framework** for the financial industry
- Develop the "**Financial Education Hub**" as a focal point for international learning and research to nurture a sustainable pool of local talents

Culture of Innovation and Agile Approaches

- Leadership that actively promotes continuous strategic renewal by encouraging **innovation and creative thinking**
- Adopt **agile approaches** to enable rapid deployment of solutions, including development for the necessary new skillsets
- **Digitalisation of workplace** to enable enhanced mobility, efficient information management and seamless collaboration

Source: Bank Negara Malaysia

BANK NEGARA MALAYSIA Organisation Structure



* Reports to Governor
** Deputy Director

Governor	Muhammad bin Ibrahim, <i>FCB</i>
Deputy Governor Deputy Governor	Shaik Abdul Rasheed bin Abdul Ghaffour, <i>CB</i> Chew Cheng Lian (Jessica), <i>CB</i>
Secretary to the Board	Nazrul Hisyam bin Mohd Noh
Assistant Governor Assistant Governor Assistant Governor Assistant Governor Assistant Governor	Norzila binti Abdul Aziz Donald Joshua Jaganathan, <i>FCB</i> Abu Hassan Alshari bin Yahaya Marzunisham bin Omar Ahmad Hizzad bin Baharuddin Mohd Adhari bin Belal Din
Chief of Staff Governor's Office Strategic Communications Strategic Management	Nazrul Hisyam bin Mohd Noh
Director Internal Audit Risk Management	Mohamad Muhsin bin Mohd Anas Ong Li Ming
<i>Economics</i> Economics Monetary Policy International Statistical Services	Mohd Fraziali bin Ismail Dr. Norhana binti Endut Shamsuddin bin Mohd Mahayidin Toh Hock Chai
<i>Regulation</i> Financial Sector Development Islamic Banking and Takaful Financial Surveillance Prudential Financial Policy Development Finance and Enterprise Payment Systems Policy Consumer and Market Conduct Money Services Business Regulation Insurance Development	Aznan bin Abdul Aziz Mohd Zabidi bin Md Nor Kaiser Iskandar bin Anwarudin Madelena binti Mohamed Marina binti Abdul Kahar Tan Nyat Chuan Jeremy Lee Eng Huat Nik Mohamed Din bin Nik Musa Yoon Yew Khuen
<i>Supervision</i> Financial Conglomerates Supervision Insurance and Takaful Supervision Banking Supervision Specialist Risk Unit Regulation and Supervision Administration Financial Intelligence and Enforcement	Mohamed Rezwan bin Abdullah Ismail Hew Ee-Lu Cindy Siah Hooi Hoon Daniel Chin Shen Li Azilah binti Ahmad* Abd. Rahman bin Abu Bakar
<i>Investment and Operations</i> Investment Operations and Financial Markets Foreign Exchange Administration Currency Management and Operations	Abdul Rahman bin Hussein Azman bin Mat Ali Thomas Tan Koon Peng
<i>Organisational Development</i> Strategic Human Capital Finance Legal IT Services Human Capital Development Centre Central Banking Services Human Resource and General Services LINK and BNM Offices MIFC Promotion Unit	Intan Shahira binti Mohd Shahru — Wan Mohd Nazri bin Wan Osman Suhaimi bin Ali Kristina Rai a/p Hakikat Rai Ruziana binti Mohd Mokhtar* Faizal bin Muhammad Sudin* Arlina binti Ariff Shazmeer bin Mokhtar*
<i>Centralised Shared Services (CSS)</i> General Manager CSS Management Office Facility Management Services Hospitality Services Organisational Security Management Museum, Art Gallery and KM Centre Services	Mohd Nor bin Mashor Lim Foo Thai Johar bin Mokhtar Hairi bin Adam Yusoff bin Sulong —
<i>Chief Representative</i> Beijing Representative Office London Representative Office New York Representative Office	Albert See Choon Kwang* Raja Syamsul Anwar bin Raja Mohammed Affandi* Harris bin Hassan**
<i>Head</i> BNM Office Johor Bahru BNM Office Pulau Pinang BNM Office Kuching BNM Office Kota Kinabalu BNM Office Kuala Terengganu	Raman a/I Krishnan* Hasjun binti Hashim* Rosnani binti Mahamad Zain* Zambre bin Ismail* Adlis Khairil Sazli bin Mohd Zaini*

* Deputy Director

** Manager