



# **Study on talent and skills requirements for the banking sector in Malaysia**

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# Foreword

*This report presents IBBM's key findings from the Study on talent and skills requirements for the banking sector in Malaysia. The content of this report is based on the following:*

- *Five different surveys conducted across the four bank types (i.e. Retail/Commercial, Investment, Islamic and Development banks) and their Strategic supporting services. The survey achieved a response rate of 56%.*
- *16 interviews with C-Suites and Human Resources (HR) heads across the four bank types.*
- *Two workshops involving 34 HR representatives across the four bank types.*

## Keeping up with change

The banking sector globally witnessed multi-dimensional transformation in the recent years. Banks are constantly updating their strategies to keep up with the evolving regulatory requirements, the varying demands of their customer segments and the radical shift in technology. All these have propelled the need for innovation across the entire value chain of the banking sector.

Such strategic changes can only be supported by the right set of talent. Globally, banks are currently grappling with the challenges of attracting and retaining the right talent.

***“Talent makes the competitive difference.”***

Furthermore, they are required to focus on developing current talent with the right skill set to meet the business landscape.

## Malaysia ahead in the change curve

This also impacts Malaysia's banking sector in terms of their operations, product offerings and the way talent is managed. According to key players, Malaysia is well-equipped to adapt to these changes and is ahead of the curve in certain dimensions. The areas where the Malaysian banking sector is ahead of the pack include responsiveness to technological advancement, imbibing regulatory requirements and also spearheading Islamic banking.

Malaysian banks are adopting the usage of technology to create value for their customers. The advancement of technology will result in digitised distribution channels, enhanced customer engagement through data analytics and social media as well as created more opportunities for advisory services. With a risk averse culture and compliant behaviour, the banks in Malaysia were able to minimise the impact of the global financial crisis.

Banks in Malaysia gradually responded to the demographic shifts by developing innovative products and also adopting their ways to manage the new set of customers (e.g. a wealthier and younger generation with different expectations).

In spite of these proactive steps in managing talent, Malaysian banks are still finding it difficult to attract and retain the right set of talent. Banks are also constantly updating and reviewing their training programmes to equip talent with the right skills to meet the evolving career requirements.

## Need for specialised training

Nowadays, banks no longer take a business-as-usual approach to their talent development strategy. They are required to rethink their training channels and content constantly. Apart from training talent on their products and services, banks are focusing more on product innovation to develop products and services to target niche segments. Banks also have to develop talent who can respond to the various regulatory requirements promptly. For example, talent capable of implementing Basel III, International Financial Reporting Standards 9 (IFRS 9), and Foreign Account Trade Compliance Act (FATCA) are highly sought after.

Apart from equipping talent with the right technical skill set, banks should also take into account non-technical skills such as problem solving abilities and skills to interpret information and communicate effectively in a competitive environment.

## Certified content and innovative delivery

To respond to these emerging requirements, the Malaysian banking sector requires training providers who can develop and deliver a broad range of programmes that are in line with professional standards and meet industry demands. Moreover, training programmes have to be certified to ensure that they are recognised regionally. This ensures the quality of talent and hence, increases credibility of the training programmes. The content is also matched to global industry standards, reviewed regularly and benchmarked against the best-in-class.

In order to match the training needs and changing requirements of talent, the banking sector should put in place a strategy to rethink the implementation

of a learning platform which is flexible and yet addresses the expectations of the varied demographics. The enhanced learning platform allows quick and easy access of training content which is in line with global standards and is imparted by international faculties.

## A national study on talent and skills requirements in the banking sector

To understand these emerging requirements of the sector and how it impacts the talent, we conducted this study on “Talent and skills requirements for the banking sector in Malaysia” (the Study). This Study apart from identifying the impact of the trends on talent requirements also highlights the areas and reasons for talent shortage, key training requirements and provides recommendations to address this shortage.

We wish to thank our survey respondents who have invested time to participate in the survey, our interviewees who have provided valuable insights and the workshop attendees for validating the results and developing recommendations for the banking sector. We hope this report will help Malaysia’s banking sector and individual banks in responding to the talent requirements of the sector.

Tay Kay Luan  
CEO  
*Institute of Bankers Malaysia*



## Key trends shaping the banking sector

Changing banking regulations transforming the ways banks operate, develop products and interact with customers.



Technological shift is driving the competitive edge across the sector.

Changing demography shaping banking products and services.



Innovative products and cross-selling enabling banks to diversify their revenue streams.

## Scarcity of talent and their reasons



Talent shortage areas are predominantly in **Middle** and **Specialist** levels due to limited pool of skilled and experienced talent

## Moving forward

### Advancing talent management practices



Managing the multi-generational workforce



Focusing on depth, not breadth



Progressing on the right track

# Executive Summary

## Three key drivers for managing talent

### Attract

#### Top 5 attraction factors

1. Bank's branding and culture
2. Competitive basic salary
3. Strong leadership and management
4. Attractive and competitive benefits
5. Clear career progression

### Retain

#### Top 5 retention factors

1. Clear career progression
2. Strong leadership and management
3. Competitive basic salary
4. Performance linked bonus
5. Attractive and competitive benefits

### Develop



#### Technical training

Specialised training in the areas of application of technology, banking related laws, credit knowledge, industry and product knowledge and risk management.



#### Non-technical training

Communication and presentation skills, critical thinking skills, language proficiency, leadership skills and team working.



#### Graduate training programmes

On-the-job rotations, regular mentoring programme and timely performance evaluations are all key components of graduate talent development.

### A shared responsibility



Starting with the end in mind



Reaching out for the best

### IBBM, the driving force



Spearheading talent development



Taking professionalism to the next level







# Trends observed in the banking sector

*This section highlights the key trends observed in Malaysia's banking sector and how they are shaping talent requirements in banks.*

The four key trends discussed in this section are as follows:

**1**

*Managing unprecedented regulatory changes*

**2**

*Technology, driving the competitive edge*

**3**

*Demographic changes shaping products and services*

**4**

*Innovation and cross-selling to diversify revenue streams*

# 1

## Managing unprecedented regulatory changes



After the global financial crisis in 2008, regulatory measures were tightened by regulators globally to ensure the stability of the banking sector. The same is witnessed in Malaysia, where Bank Negara Malaysia (BNM) is playing a significant role to improve the performance of the local banking sector.

Sustainable efforts by BNM along with the collaboration of Malaysian banks are reaping positive results. This is reflected in BNM's 'Financial Stability and Payment Systems Report 2012'<sup>1</sup> which reported that:

- The Malaysian financial market remained stable throughout 2012 and supported the growth of the Malaysian economy
- Malaysia's enactment of the Financial Services Act 2013 (FSA) and the Islamic Financial Services Act 2013 (IFSA) strengthened the foundation for a regulatory and supervisory framework that is effective and transparent
- Malaysian banks are at a strong starting point in the domestic implementation of Basel III

### Changing regulatory requirements impacting talent across the banks

The introduction of laws and standards (e.g. Basel III, FSA, IFSA etc.) are some of the key initiatives undertaken by BNM to improve the overall regulatory environment of the banking sector in Malaysia.

These initiatives enabled banks to further improve their operations, control their risk exposure and ensure capital adequacy. These measures help to prevent development setbacks, ensure deployment of funds in the most effective way and safeguard banks' and consumers' interest.

To address these regulatory requirements, talent in the Risk Management functional area and across the bank at all job levels is expected to understand the regulatory requirements and their impact.

Talent at the Senior level<sup>2</sup> is required to devise banks' strategy within the purview of risk and regulatory guidelines. Talent at the Middle level is expected to innovate or customise products to meet the regulatory requirements, whereas talent at the Entry level has to understand the impact of regulations on their day-to-day operations.

Apart from the various technical capabilities, it is necessary to inculcate strong values of ethics and integrity amongst the talent. This assists the sector in the long run as talent will be able to make better judgements while serving their customers.

# 75%

of interviewees highlighted that regulatory changes are impacting their banks significantly.

*"Since the 2008 financial crisis, banks had to strengthen their capital requirements and controls, leading to what's called re-regulation. Although Malaysian banks are not as affected as foreign markets, we are still impacted as we do not operate in a closed economy."*

*- Interview findings*

1. BNM - Financial Stability and Payment Systems Report 2012

2. Refer to Appendix 3 for the definition of job levels

**62%**

of Investment banks' respondents stressed that the tightening of overall risk management measures is impacting their business in many ways.

**Innovative products addressing regulatory requirements are required in Investment banks**

A majority of Investment bank respondents (62%) stressed that the tightening of overall risk management measures is impacting their business in many ways. Talent across Investment banks requires the ability to interpret risks (e.g. liquidity, credit, market, interest rate, foreign exchange and investment risks etc.) while structuring products and conducting day-to-day operations. This is further supported through interviews that one of the key impacts of increasing regulations is in the area of product development.

To ensure that banks stay ahead of the competition while operating within these regulations, they are required to innovate or customise their product and service offerings. Hence, Investment banks need specialised talent in the area of product development, who can ensure compliance. Supporting this, 50% of Corporate Finance respondents echoed the need for talent capable of innovating and executing Corporate Finance offerings to address changing regulatory environment.

**50%**

of Corporate Finance respondents echoed the need for talent capable of innovating Corporate Finance offerings and executing it.



## Understanding of *Shariah* principles and concepts apart from regulatory requirements is key in Islamic banks

The introduction of IFSA requires that Islamic banks to follow standard *Shariah* governance principles and with that, Islamic banks are expected to focus more on the regulations apart from the requests of individual bank's *Shariah* board. 74% of respondents from Islamic banks agreed that an increase or change in regulations for Islamic banks will impact their banks' operations.

In particular, 86% of *Shariah* Management respondents emphasised the need for advice on new Islamic banking products (e.g. structured Islamic products, Islamic microfinance products etc.). However, in the present environment of tightening risk control, talent not only needs an understanding of the various *Shariah* products but also, how risk management requirements are impacting the same. This impacts talent on two fronts. Firstly, talent is required to ensure that the products developed are compliant with the various regulatory and *Shariah* principles and secondly it assists front-end employees to provide holistic information to the customers.

Supporting this need, 80% of Islamic Treasury respondents placed significant importance on the interpretation and application of *Shariah* principles and concepts (e.g. *Mudharabah*, *Musyarakah* etc.). This requires Islamic banks to have specialised talent who can understand and interpret specific Islamic banking principles and concepts along with the emerging regulatory requirements.

*"IFSA puts pressure on banks in Shariah standards, audit, compliance and risk. These were never a Shariah issue but now you are expected to have governance in this area."*

*- Interview findings*

# 86%

of *Shariah* Management respondents emphasised the need to advice on new Islamic banking products.

# 80%

of Islamic Treasury respondents placed significant importance on the interpretation and application of *Shariah* principles and concepts.

**77%**

of Development bank respondents indicated that they are facing a tightening of overall risk management measures.

**54%**

of Development bank respondents supported the importance of increasing transparency in loan approvals and disbursement of funds.

### **Development banks to reduce risk and explore funding models to be self-sustaining**

77% of Development bank respondents indicated that they are increasingly facing a tightening of overall risk management measures. Apart from being more compliant, talent is expected to operate more efficiently and transparently.

This is in line with the Development Financial Institutions Act 2002 (DFIA) where Development banks are encouraged to be more self-sustaining<sup>3</sup>.

To be self-sustaining, Development banks are focusing on exploring different funding models, including risk sharing to reduce reliance on the Government as stated by Development bank survey respondents.

In addition, Development banks are also expected to be more transparent in loan approvals and funds disbursement, which was supported by 54% of respondents. This not only requires talent to be well informed and compliant with the banks' internal risk controls but also the need to instil a risk awareness culture amongst all employees.

*“The increase in regulations, risk-based pricing, capital management plan, liquidity framework and management efficacy are some areas for Development banks to focus on.”*

*- Interview findings*

## Risk Management (RM) function ensuring adherence to regulatory requirements

While core banking functional areas are affected by the changes in new regulations and laws, the Risk Management and Compliance functions are the custodian and key drivers of this change.

Although majority of Malaysian banks are focusing on strengthening their positioning in local markets, however as banks progress and aim towards expanding regionally, understanding of regional regulatory laws will eventually become important. This is to ensure that they are on par with global banks. 75% of Risk Management respondents stressed the need for talent with the skill set to interpret and apply global banking standards such as Basel III.

With the banks' growing involvement in emerging industries, talent in the Risk Management function has to understand the associated risk in emerging industries to ensure that the banks' interests are safeguarded.

This was supported by 89% of Risk Management respondents who pointed out the need for talent with the skill set to understand emerging business from a risk perspective.

## Compliance function to act as trusted advisor on preventive measures

With greater focus on risk management, banks should also strengthen their capabilities in the Compliance function. Talent in the Compliance function is expected to shift from regular monitoring activities to advising business on the preparation of regulatory changes, accurate interpretation and application of new regulations and assessment of potential compliance risks. Supporting this, 93% of Compliance respondents emphasised the need for talent with the right skill set to identify and prevent financial crimes such as fraud, money laundering, bribery and corruption etc.

# 93%

of Compliance respondents emphasised the need for talent with the right skill set to identify and prevent financial crimes such as fraud, money laundering, bribery and corruption.

# 89%

of Risk Management respondents pointed out the need for talent with the skill set to understand emerging business from a risk perspective.

# 75%

of Risk Management respondents stressed the need for talent with the skill set to interpret and apply global banking standards (e.g. Basel III).

# 2

## Technology, driving the competitive edge





Technology is an essential part of a bank's strategic planning as it impacts the way they operate, develop products and interact with customers. Most of the Chief Executive Officers (CEO) and key business heads in the study identified technological advances as the key factor significantly impacting banks across the entire value chain.

As banks in Malaysia are leveraging more on technology, they are expected to ensure their talent capabilities mirror the customer requirements and the demands of the sector. In line with this, banks would like talent to have the ability to understand and implement these new technologies (e.g. online and mobile platforms, cyber security, data analytics, social media etc.) to drive the competitive difference.

## Digitisation of distribution channels

Today's customers have constant access to technology and they prefer to perform their day-to-day banking operations online or on mobile platforms. The integration of banking services online offers customers a seamless experience as banking products and services can be accessed through various online or mobile platforms. This is supported by 67% of Retail/Commercial bank respondents who suggested a greater emphasis on seamless multi-channel integration.

The impact of technology is apparent across all bank types where usage of online and mobile banking is dominant. For example, mobile banking is increasingly disrupting distribution models (e.g. instant video conferences with product experts) and the payments industry (e.g. Person-to-Person (P2P), mobile payments). Similarly, advances in security and verification will enable all aspects of sales, service and delivery to be conducted online.

To accelerate Malaysia's growth in this area, BNM also targets to increase the number of e-payment transactions per capita from 44 transactions to 200 transactions, by 2020<sup>4</sup>.

*"Leveraging on technology to develop products, its delivery and marketing through digital channels have become crucial to gain a competitive advantage."*

*- Interview findings*

**88%**

of interviewees agreed that changes in technology will significantly impact the way banks operate.

**67%**

of Retail/Commercial bank respondents supported the trend on greater emphasis on multi-channel integration.

*“Majority of sales employees at the branch level still lack the required skills necessary to provide consultative and cross-selling experience.”*

*- Interview findings*

### **Digital reach to win new customers**

As technological advances enable more aspects of banking to be conducted online, opportunities will arise for banks to market their products and services through digital channels. Technological trends such as social media will be an important marketing platform as it serves as an important medium for banks to connect, engage, inform and reach out to a larger set of customers.

Banks can analyse customer feedback to generate leads, tailor products, improve customer experience and spot industry trends via this digital channel.

This rising usage of digital platforms will demand talent who not only understands the new technology but also possess the creative ability to innovate on these new technologies to maximise their potential benefits.

### **Technology, enabling bank branches to focus on advisory services**

Technology is empowering banks to shift online and branches are undergoing transformation from their traditional roles<sup>5</sup>. The transformation is on both ends, where branches serve as engagement hubs in which advisory and full service capabilities are offered or emergence of smart kiosks where majority of the low-end banking transactions are conducted through electronic payment kiosks. The benefits of technology here is twofold: customer engagement will be more focused and operational cost can be minimised as branches reduce in terms of numbers and size.

This transformation allowed the banks to shift their focus to provide more value-added advisory services, where talent is expected to secure more business from the same set of customers. This will require talent, especially front line sales employees, to be equipped with advisory skills, which include negotiation skills, customer centricism and cross-selling ability.

### **Analytics enhancing customer engagement, through customised products for targeted segments**

Banks are applying customer analytics to understand the demands of diverse customer segments, to serve the right products and to remain competitive.

Customer analytics enables banks to recognise their customers' capability, behaviours and aspiration in more detail. Some of the key aspects which customer analytics dwell into include customers' value potential, their transactional value, salary deposit patterns and spending trends etc. 63% of Retail/Commercial bank respondents indicated that there is an increased spending on customer analytics, which enables banks to understand the usage pattern and behaviour of customers, thus assisting in developing the right products targeted at specific market segments. This results in enhancement of customer engagement as banks will be better equipped to address the specific customers' requirements.

In line with the above trend, talent with the ability to analyse and interpret large amount of customer data to develop customised products and delivery channels is needed. 80% of respondents from the Strategy and Transformation functional area pointed out the need for talent to interpret and apply data analytics to formulate strategic business insights.

### **Technology enhancing Strategic supporting services**

Technology, apart from its impact on core banking areas, is also transforming Strategic supporting services.

For example on the HR front, technology is enhancing how talent is sourced, managed and developed. Digital channels are commonly used to enhance the recruitment process as it offers access to a large pool of potential candidates through various online platforms (e.g. social media to source for talent, online platforms to conduct assessments etc.).

In terms of talent management, one key technological driver is workforce analytics. Workforce analytics is used in identifying the benefits from various HR initiatives, and developing effective and focused talent management programmes.

# 63%

of Retail/Commercial bank respondents indicated the trend on increased spending on customer analytics.

# 80%

of Strategy and Transformation respondents pointed out the requirement for talent to interpret and apply data analytics to formulate strategic business insights.

*"We cannot, not be part of the digital world. However, this has also added a new dimension to security – cyber security."*

*- Interview findings*

Even in Finance function, usage of data analytics, backed up by relevant technological architecture and programmes have increased significantly. Some of the key areas of usage of technology lie in estimating and benchmarking the process cost, improving inventory turnover, reducing pricing errors and disputes with customers. All these advancements as a result of technology have positioned the Finance function as a strategic business advisor.

Another example is in the Compliance functional area where technology is being utilised to improve overall effectiveness. The usage of analytics enhances compliance tracking and monitoring, earlier detection of red flags and reporting of breaches etc.

### **Specialised talent required to safeguard banks from cyber threats**

The driving forces of technology, while provide growth opportunities, also brings along associated risks. Cyber insecurity is a constant threat, and banks are constantly upgrading their infrastructure to safeguard themselves against cyber crimes with the aim of protecting the integrity of their customers' data.

A reactive approach and sole reliance on infrastructure to respond to cyber threats may not be sufficient. A proactive response which includes developing cyber security strategies that are aligned with business objectives, risk management protocols and regulatory requirements is vital.

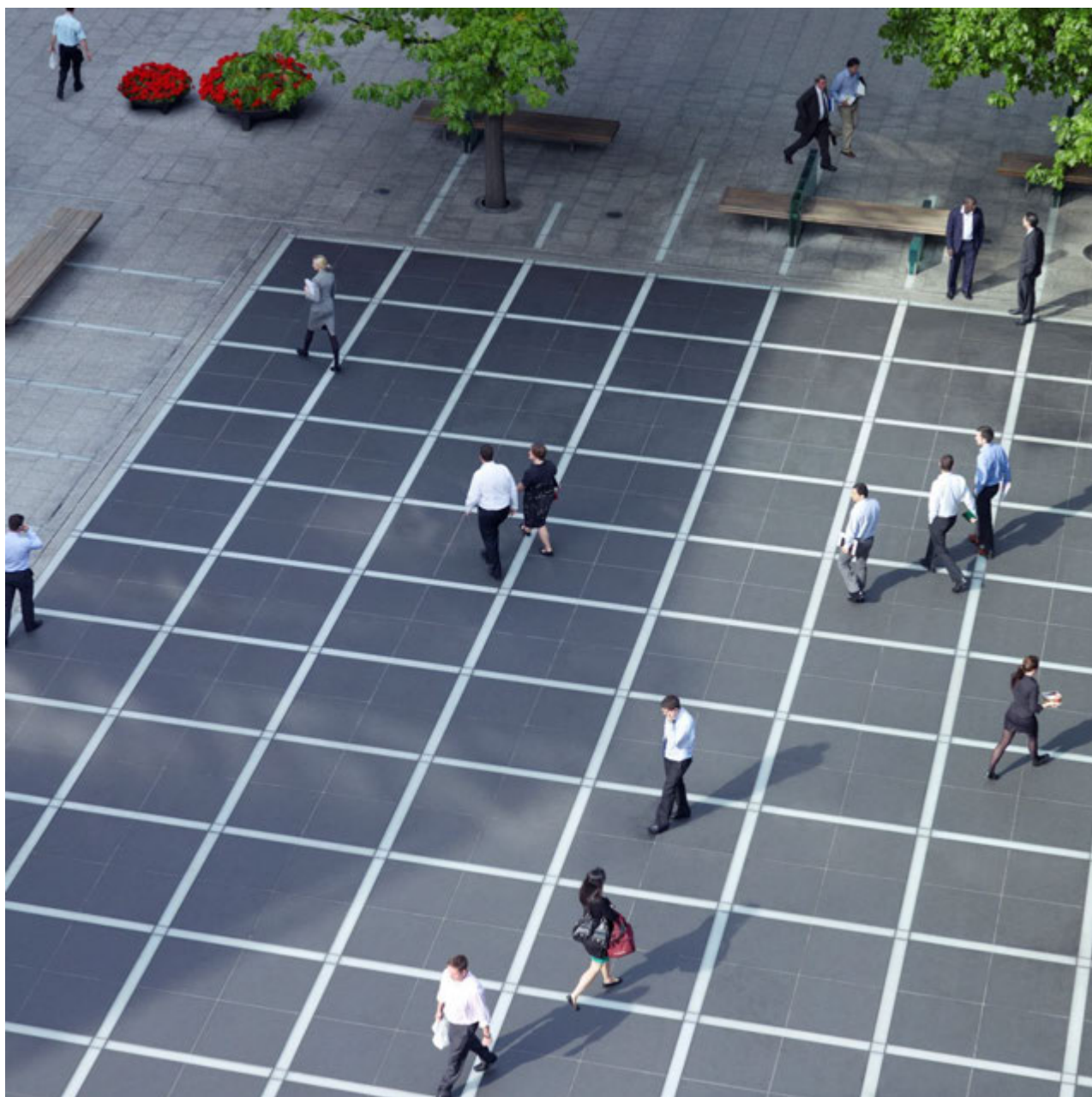
However, cyber security is not just the responsibility of the Information Technology (IT) functional area; it is for the entire bank to be aware of the various cyber threats and the act prudently. In-depth awareness of cyber threats, various risk management practices along with response and mitigation plans are assisting banks in safeguarding themselves from various unforeseen cyber threats.

In line with this, talent with capabilities in cyber security who focuses on network security, cyber crimes, cryptography, risk and security management is highly sought after. In addition, talent with IT certifications such as Certified Information Systems Auditor (CISA) and Certified Information Security Manager (CISM) is gaining popularity as they have the relevant technical knowledge relating to IT security management. The growing exposure to cyber threats also increased the emphasis on in-house cyber security training to develop their talent and increase awareness on this subject.



# 3

## Demographic changes shaping products and services



*“Banks have to develop and innovate on products and offerings, targeted towards sophisticated and affluent customers.”*

*- Interview findings*

### **The banking sector is witnessing a constant demographic shift globally and also locally**

Banks are catering to an increasingly affluent population, at the same time they are serving a younger generation of customers. BNM's Financial Sector Blueprint (FSB) emphasised on developing products to cater to these demographic segments by enhancing the provision of financial services for wealth management, retirement and long-term healthcare.

The impact of demographics is not only restricted to banking products but also on how banks perform a balancing act between their diverse workforce from various generations to drive the desired business outcomes.

### **Rising affluence requires proactive response from banks**

The affluent group of customers' top choice of investment are in sophisticated products such as fixed income, securities, structured products, exotic investments etc. This market segment demands a diversified and differentiated range of banking and investment products for wealth creation, accumulation and preservation.

Banking relationship with these customers is recommended to be established over a period of time as they expect a long-term commitment to serve their financial objectives. Hence, this gives rise to the need for talent who could act as a trusted advisor to these affluent customers and provide them with integrated financial planning.

Banks are required to proactively identify the needs of these affluent customers and subsequently train their employees to provide advice on relevant financial services. Customer analytics are also used extensively to identify this customer segment based on their earning and spending patterns.

Furthermore, talent with skill set in communication, presentation and negotiation is also required to fulfil the high expectations of this set of customers.

## Affluent segment expects holistic solutions

To cater to the sophisticated and diverse requirements of the affluent target segment, banks are seeking talent with advisory skills, through which they can engage customers and advise on various banking needs. This is crucial as customers in this segment seek holistic banking solutions that are able to meet their overall wealth planning requirement. 82% of respondents within High-Net-Worth & Affluent Banking suggested a greater demand of holistic solutions including emerging products (e.g. integrated wealth planning services etc.) to promote cross-selling to their customers.

In terms of services required, the mass affluent segment predominantly looks for receiving recommendations on investments, wealth management and management of stocks, securities, bonds etc. To address these requirements, talent with strong interpersonal skills, extensive product knowledge and the ability to advise and manage affluent clients are in demand.

Given the banks' focus to maximise revenue from their affluent and other segment of customers, talent should possess the ability to cross-sell. This includes talent who is able to lead customer conversations by deliberating lending and investment needs and identifying cross-sell opportunities. This trend is supported by 65% of respondents from Retail/Consumer Finance who indicated the need for advisory and cross-selling skills to enable them to sell other financial products including emerging products (e.g. bancassurance, mutual funds etc.).

## Gen-Y looking for easily accessible products

The well-informed and aspiring younger generation demands a diverse range of banking products and services which are cost-effective and accessible through online and mobile channels.

To address this market segment's needs, the usage of technology as a channel for sales and distribution is crucial. As a result, talent with the ability to apply new technologies and use it as a source of innovation on current banking products are highly sought after.

*"The pace of change will accelerate as banks try to stay relevant. This is due to demographics changes where customer expectations become higher and more sophisticated."*

*- Interview findings*

# 82%

of High-Net-Worth & Affluent Banking respondents suggested a greater demand of holistic solutions including emerging products and cross-selling.

# 65%

of Retail/Consumer Finance respondents indicated that advisory and cross-selling skills enable talent to sell other financial products including emerging products (e.g. bancassurance, mutual funds etc.).

*“Gen-Ys as a different talent segment have to be managed very differently. Banks require diverse talent management initiatives to retain Gen-Ys as they need the right mix of repetitive and interesting work to challenge and excite them.”*

*- Interview findings*

### **Managing talent – one size does not fit all**

Demographic shift impacts how talent is managed at the workplace. Banks are striving to maintain a balance between the diverse career aspirations of baby boomers, Generation X (Gen-X) and Generation Y (Gen-Y).

While baby boomers are dedicated, possess a strong work ethic and are loyal, Gen-Ys are ambitious and generally values the opportunity to progress quickly over monetary reward. Gen-Y is also a generation that switches jobs frequently and may have more loyalty to its ‘network’ than its employers<sup>6</sup>.

In addition, there is a growing emphasis on females as they are entering the workforce in larger numbers than ever<sup>7</sup>. Banks must commit to an inclusive culture with policies and processes to promoting women at the workplace. With that in mind, programmes such as flexible work arrangements, mid-career breaks and a commitment to developing promising women for leadership roles will be vital to attract, retain and capitalise on the talent of the female millennial.

To manage these diverse talent segments, banks are implementing flexible and customised talent management programmes to address the varying talent requirements. Coupled with the right talent management a fair performance review process will ensure that the right talent continues to contribute to their banks and be rewarded accordingly.

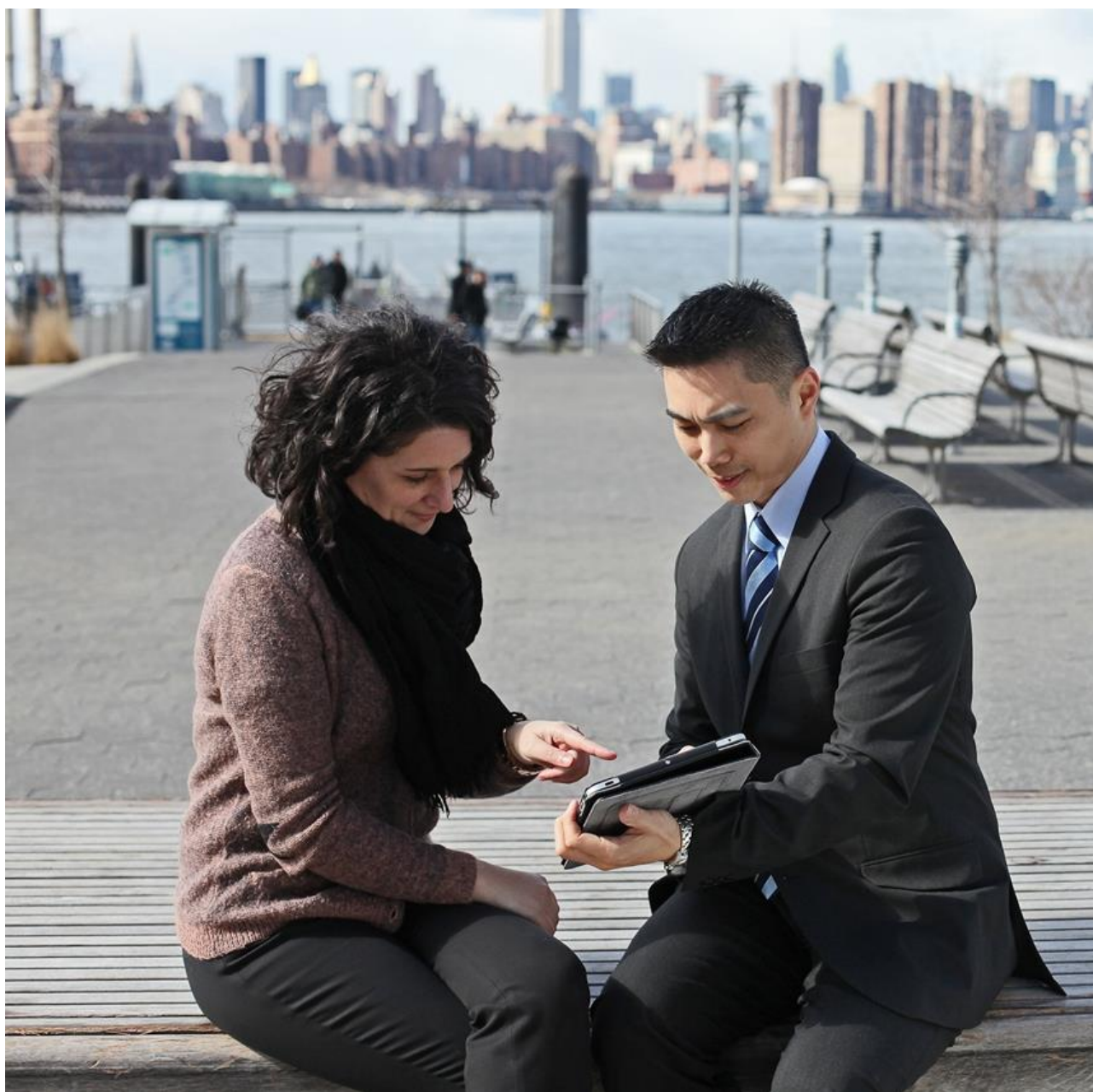
6. PwC - Millennials At Work: Reshaping the workplace in financial services report (2012)

7. PwC - Next Generation Diversity: Developing tomorrow's female leaders report (2014)



# 4

## Innovative products and cross-selling to diversify revenue streams



# 73%

of Retail/Commercial bank respondents cited an increase in fee-based income.

The changing banking sector impacts how banks are developing their products and diversifying their revenue streams. One of the key areas which is gaining focus is fee-based income which is important in today's market of increasing stringent lending guidelines. The other area where banks are required to invest their resources is in developing innovative products.

In addition, with prevalence of technology, customers have access to accurate and real-time information of the various products and services offered. Banks are designing innovative products based on data analytics addressing the demand of diverse market segments.

Therefore, banks are in need of talent with an understanding of wide range of products and enhanced interpersonal skills to cross-sell these innovative products.

## Retail/Commercial banks need 'out-of-the-box thinkers' to develop and sell innovative products

Intense competition, tighter lending regulations and more stringent capital and liquidity requirements under Basel III resulted in a shift of banks' focus towards fee-based income as cited by 73% of Retail/Commercial banks' respondents.

Fee-based income products typically include foreign exchange, treasury solutions, wealth management, bancassurance, transaction banking products, unit trust and structured products.

Fee-based income products typically include foreign exchange, treasury solutions, wealth management, bancassurance, transaction banking products, unit trust and structured products.

With the increased focus towards fee-based income, there is an expectation for talent to innovate products. This is where talent with the ability in data analytics becomes useful as it enables the innovation and development of customised fee-based products as mentioned earlier.

Furthermore, banks placed greater emphasis on cross-selling to engage customers on various fee-based banking products. In line with that, 80% of Corporate Banking respondents emphasised the need of cross-selling various Corporate Banking offerings including emerging products for emerging industries. One key area of focus is in the area of financing for emerging sectors such as green technology/clean energy. For banks to fully capitalise on this opportunity, they require talent to be well-versed with the latest industry developments, regulations, government programmes and incentive schemes.

### Islamic banks demand talent to innovate products which are *Shariah* compliant

Islamic banks are focusing on improving their products and service offerings to respond to the following market requirements.

Firstly, there is a wider acceptance of Islamic finance products which are deemed to be socially responsible. Also due to Malaysia's focus in developing this area, there is a greater demand for Islamic financial products (e.g. home loan-i, auto financing-i, *Sukuk* etc.) as suggested by 68% of Islamic bank respondents.

Secondly, Islamic banks are seeking to compete with conventional banks in terms of products and services to increase their market base. Therefore, there is a need for Islamic banking products to be on par or more competitive than conventional banking products.

These two trends resulted in demand for talent who has a deeper understanding of Islamic products and also *Shariah* principles and concepts (e.g. *Mudharabah*, *Murabahah*, *Musyarakah* etc.) as supported by 60% of Islamic Retail respondents.

# 80%

of Corporate Banking respondents stressed the need for talent with cross-selling abilities.

# 60%

of Islamic Retail respondents supported the need for deeper understanding of Islamic products and also *Shariah* principles.

86%

of *Shariah* Management respondents suggested advising on new Islamic banking products as important.

Furthermore, 86% of *Shariah* Management respondents stated the need for advising on new Islamic banking products (e.g. structured Islamic products, Islamic microfinance products etc.) to increase their customer base.

All the above reasons give rise to requirement for talent with the ability to innovate on Islamic banking products which are *Shariah* compliant as indicated by 71% of respondents in Islamic Product Development.

71%

of Islamic Product Development respondents indicated innovation of Islamic banking products to be important.

46%

of Development bank respondents suggested that improving products and service offerings will ensure they are on par with Retail/Commercial banks.

### Development banks calls for innovative talent with industry expertise

With BNM's guidelines to be more self sustaining and efficient, Development banks are constantly trying to improve their product and service offerings.

46% of Development bank respondents indicated the need for improved products to ensure they are on par with Retail/Commercial banks. This calls for talent with product development capabilities to address the niche segments of Development banks.

Areas where Development banks are focusing their product development include various financing schemes (e.g. microfinance), products for developing entrepreneurs and rural segments.

Since Development banks' mandate is to develop certain strategic areas, this requires talent who is innovative and possesses in-depth understanding of the specific industries. This was cited by 89% of Business Banking respondents. To cater to this, Development banks are increasingly seeking talent with industry expertise and understand credit and risk aspects of the relevant industries.

Talent with industry specific knowledge is also required to educate their customers/potential customers on the various products and services offered by Development banks and how it meets their requirements. For example, a loan to a small and medium-size enterprise applicant to start a small business will benefit the applicant as it may not require a processing fee, guarantor or collateral and will have a fast approval of the loan.

While there is a focus to increase the customer base, talent in Development banks is required be prudent of the risk profiles of their customers to safeguard the risk exposure of the banks. As such, it is highly important for talent within Development banks to have strong credit knowledge, especially in the areas of credit risk management and credit assessment.

# 89%

of Business Banking respondents cited the need for talent with industry-specific knowledge.

*"To keep ahead of the curve we are trying to shift product offerings to be more like a conventional bank."*

*- Interview findings*





# Talent management practices

*This section highlights the key areas where banks are facing talent shortage, their reasons and the key talent management initiatives adopted in the following sub-sections:*

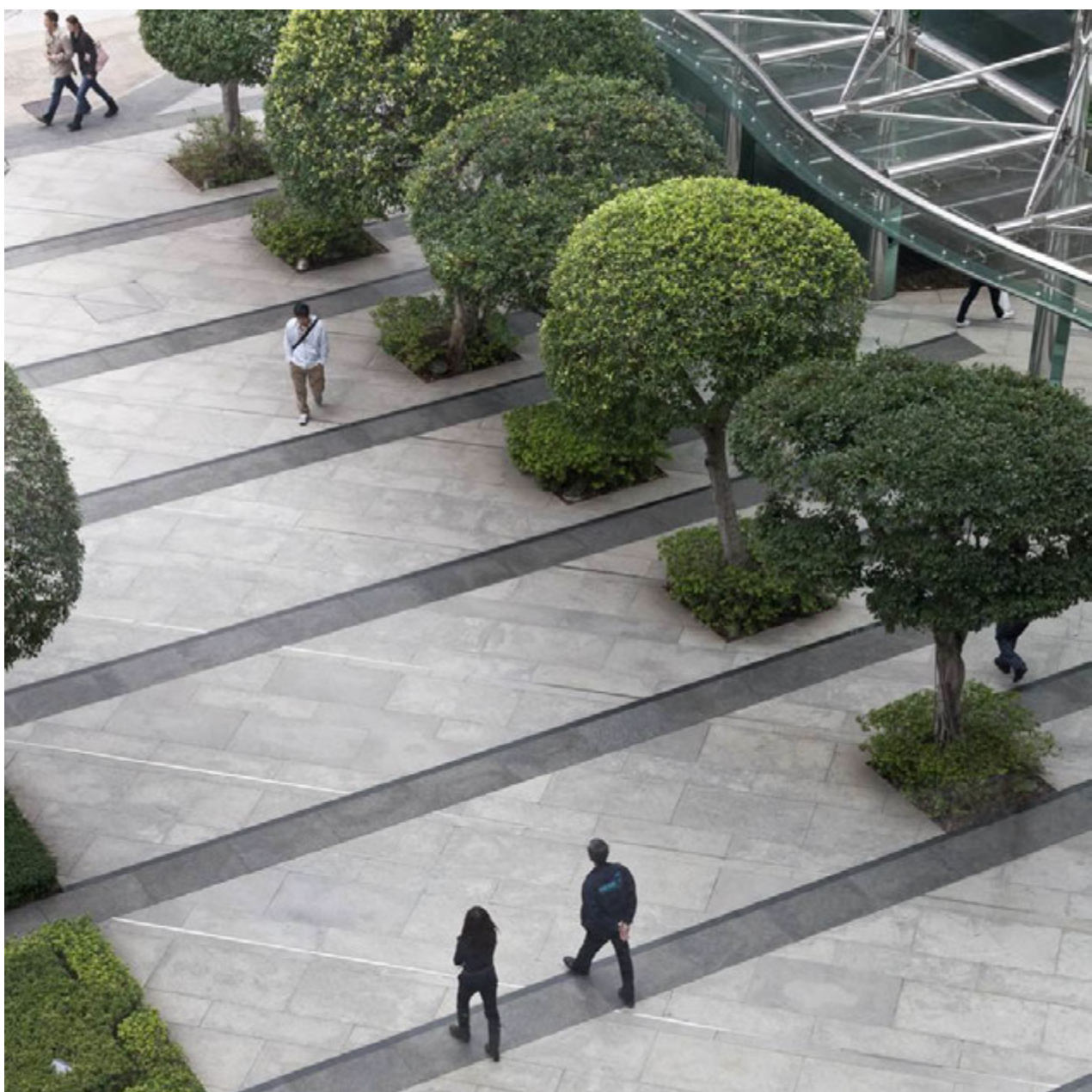
- *Scarcity of talent and their reasons*
- *Attracting the right talent*
- *Retaining the right talent*
- *Developing talent from within*





# 1

## Scarcity of talent and their reasons

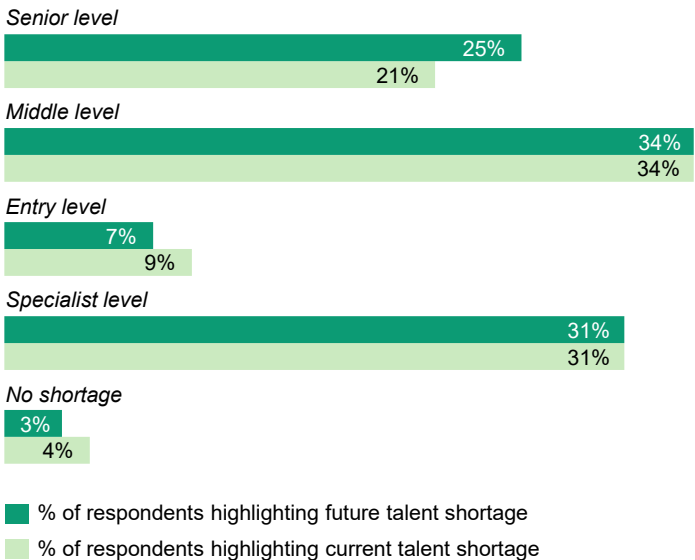


The banking sector, due to its specialised nature only has a limited pool of skilled and experienced talent to recruit from, resulting in a constant shortage of talent.

To exacerbate the situation further, the changing requirements of the banking sector call for talent who is both specialised and experienced in their respective functional areas.

These twin forces have resulted in critical talent shortage, hence, impacting the growth of Malaysia’s banking sector.

Figure 1: Talent shortage areas across the banking sector



Key areas of talent shortage - Middle and Specialist levels

Banks are facing talent shortage mainly in the Middle and Specialist levels<sup>8</sup>, as highlighted by 34% and 31% of respondents respectively. It was also stated that the shortage of talent at these levels will remain the same in the future.

Talent shortage in the Middle level is faced primarily in the functional areas of Risk Management, Compliance, Sales, Credit and Treasury across all the bank types. The impact of losing talent at the Middle level is significant to banks as substantial amount of time and money were invested in training and developing them. This also causes a gap in succession planning for the next level.

Similarly, shortage in the Specialist level is critical as banks rely on them to venture into new areas or to develop the capabilities of their other employees. The key areas which experienced a shortage of talent in Specialist levels include Risk Management (e.g. operational risk, credit risk, liquidity risk, Basel III etc.), IT (e.g. cyber security specialist, network risk management specialist etc.), Islamic banking (e.g. *Shariah* advisors and *Shariah* auditors etc.), customer analytics and talent with industry specialisation.

8. Refer to Appendix 3 for the definition of job levels



*“Over the next 10 years, Malaysia’s financial sector will require an additional workforce of 56,000 from the current headcount of 144,000 employees. This significant increase in workforce requirements will only compound the issue of talent shortage further, if it is not addressed currently.”*

*- FSB<sup>9</sup>*

### **Key areas of talent shortage - Middle and Specialist levels (cont’d)**

The current shortage at the Senior level is only cited by 21% of respondents. However, more respondents (25%) have cited a shortage of Senior level in the future.

For Entry level talent, 9% of respondents cited a talent shortage. Also, only 4% of respondents indicated no current talent shortage.



## Talent shortage due to limited pool of skilled and experienced talent

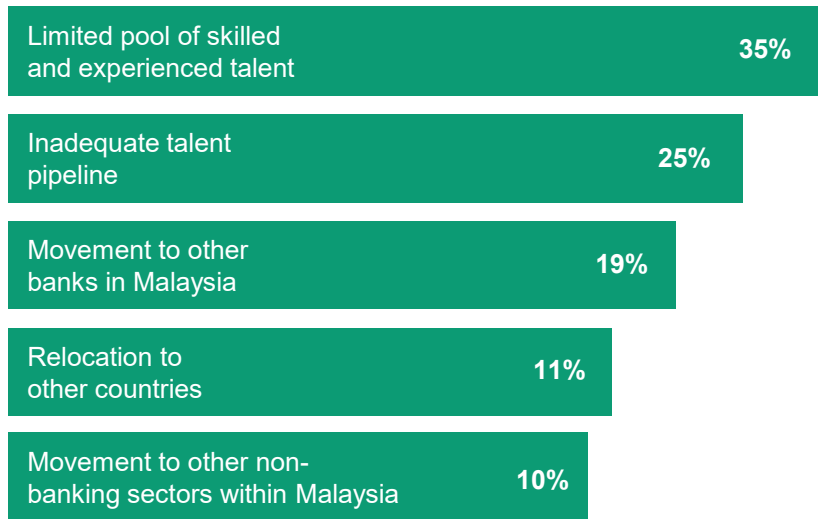
Across banks, limited pool of skilled/experienced talent and inadequate talent pipeline are the key reasons for talent shortage. The contributing factors to the limited pool of skilled/experienced talent and inadequate talent pipeline vary from bank to bank. As per the Study, the following are unique factors contributing to talent shortage in each bank type.

### Retail/Commercial bank – high mobility between banks

Due to the prevalence of large number of Retail/Commercial banks in Malaysia, talent has various career opportunities which resulted in high mobility. Also, similarity in nature of work (e.g. Sales, Credit etc.) poses a barrier for career movements in Retail/Commercial banks.

Talent moves across banks as a result of better remuneration and/or to join large local banks with regional presence or international banks due to their brand value. Furthermore, talent is moving from Retail/Commercial to Islamic banks because they identify themselves with Islamic banking concepts.

Figure 2: Reasons for talent shortage



### Investment bank – limited specialised talent pool and movement to more matured markets

The type of work carried out by Investment banks is more specialised in nature and as such, there is a limited talent pool to begin with which results in scarcity of talent across all levels. Also in the absence of international Investment banks in Malaysia as a source of learning and development, talent seeks opportunities in matured markets for both personal and professional development. As a result, high performing talent prefers to join international banks, resulting in talent shortage.

*“From the perspective of an Islamic bank to remain competitive while being Shariah compliant, talent is required to be innovative and creative to develop products that is compliant to Shariah requirements and yet equivalent to conventional banks, if not better.”*

*- Interview findings*

### **Islamic bank – lack of specialised talent**

Due to the specific requirement of talent who can understand *Shariah* principles and concepts, experienced talent in Islamic banks is limited and is highly sought after.

With Retail/Commercial banks venturing into Islamic banking, the demand for specialised talent has increased significantly. This additional demand for talent further intensifies the shortage faced by Islamic banks.

### **Development bank – losing high performing talent and unable to attract young talent**

Development banks typically do not face high attrition rates. However, they tend to lose their high performing talent to Retail/Commercial banks as a result of wider exposure and better remuneration offered by Retail/Commercial banks.

Development banks are mandated to develop and promote key sectors in Malaysia. This might cause a mismatch in expectations while attracting young talent who seeks a wider career exposure and therefore may not find these banks appealing. This impacts Development banks' ability to attract a younger workforce and sustain a talent pipeline.

## Talent shortage due to brain drain and movement to other sectors

Limited pool of skilled and experienced talent and inadequate talent pipeline contributed to talent shortage. A minority of respondents acknowledged that they are losing their talent to other countries (11%) and also to other sectors (10%). This section aims to look at these factors in some level of detail.

### Relocation to other countries

Malaysia's highly skilled talent pool is in demand internationally, especially in Hong Kong, the Middle East, Singapore and United Kingdom.

With the growing globalisation and increased mobility of labour, highly sought after talent is able to find employment abroad easily, causing a brain drain.

Malaysia is predominantly losing its banking sector talent to matured markets where talent gets opportunity to work on more advanced and sophisticated banking products and innovative deals with complex financial instruments. This allows talent with better opportunities to acquire the latest knowledge and to work on banking products that are otherwise limited in Malaysia.

Also, the reward level in these countries is significantly higher, compared to Malaysia, which adds to the brain drain. As per industry leaders, this trend of brain drain may potentially set off a vicious cycle of talent leakages which may hamper talent development and the growth of the sector.

### Movement to other non-banking sectors within Malaysia

While a significant number of talent movements are within the banking sector itself, there has been a constant movement of talent to other non-banking sectors within Malaysia, across the bank types and throughout all job levels.

Talent typically moves to sectors that are non-banking related such as asset management, regulators, insurance, finance related professional services and boutique advisory firms. As most of the talent has accumulated skill set and experience relevant to these sectors, talent from the banking sector could easily be absorbed into these sectors.

A lesser proportion also indicated movement of talent to other non-financial service sectors such as manufacturing, oil and gas, property, telecommunications, Fast Moving Consumer Goods (FMCG) or even to start their own business. While those sectors are not related to banking, findings suggested that talent is still able to apply their banking sector experience in those new roles (e.g. Corporate Finance, Audit, Strategy etc.).

*“Talent shortages occur in Malaysia’s investment banking market due to outflow of high quality talent overseas as Malaysian talent is highly mobile and in high demand overseas.”*

*- Interview findings*

## The three key drivers for managing talent

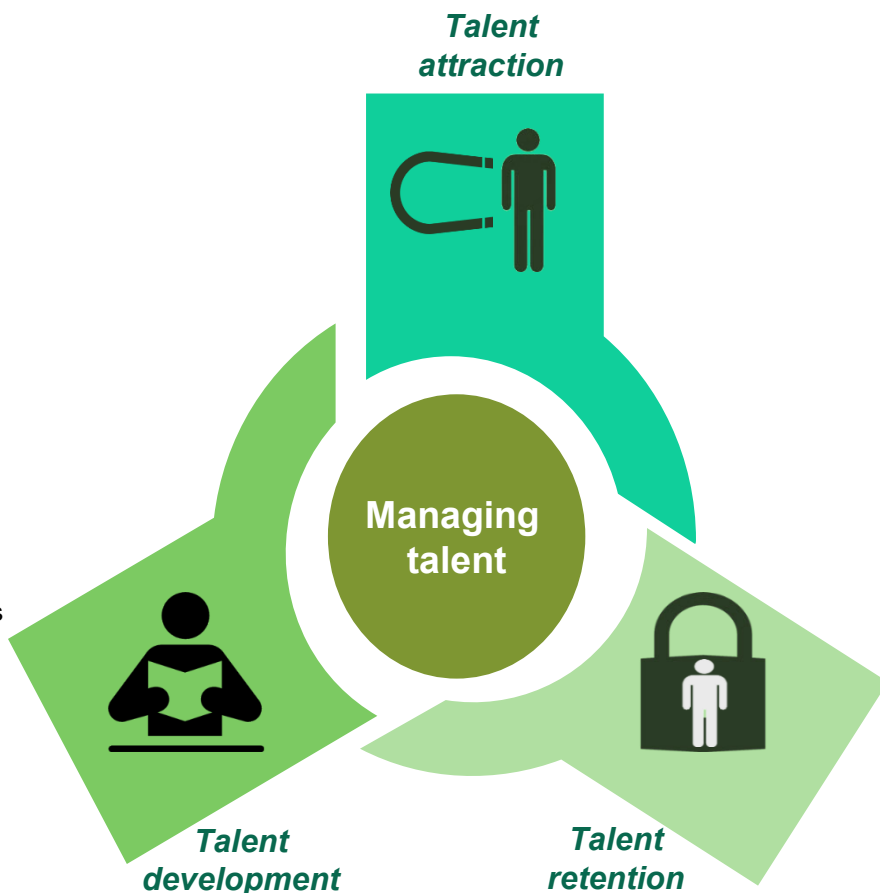
The talent issue is always the top priority for banks' CEOs as they need to ensure that they have the right people to work in an industry which is rapidly evolving. Consistent with PwC's global CEO findings, 93% of CEOs see a need to improve strategies for managing talent<sup>10</sup>.

Both globally and locally, if banks are unable to respond to these changes and transform themselves to attract, retain and develop the right set of talent, they run the risk of losing their most valuable asset – people.

### Banks balancing external and internal forces impacting talent

The banking sector is constantly transforming due to external forces such as emerging regulations, technology and evolving banking products and services. Internally, banks are facing challenges in the form of shifting demographics, where talent of different generations have different career aspirations and developmental requirements.

These two forces cause banks to constantly modify their talent management framework to address the needs and aspirations of the current talent, while ensuring that the talent is able to meet the demands of the ever-growing business requirements.



### Striking the right balance between the three talent management factors

Banks as part of their Employee Value Proposition (EVP) focuses on all the three key talent management factors – talent attraction, talent retention and talent development, in order to provide a holistic experience to their talent. Although Malaysian banks' EVP mainly comprises attractive salaries but there is an increasing trend of banks adopting a balanced offering to meet the diverse requirements of employees (e.g. non-monetary benefits, career progression opportunities, culture, management style and training and development etc.).

Some of the key talent management initiatives currently undertaken by banks are explained in the following sections.

# 2

## Attracting the right talent







## Talent attraction

### Top 5 talent attraction factors

- 1 Bank's branding and culture
- 2 Competitive basic salary
- 3 Strong leadership and management
- 4 Attractive and competitive benefits
- 5 Clear career progression

Banking sector in Malaysia is growing at a rate of 8% to 11% annually<sup>11</sup>. In line with PwC's 17<sup>th</sup> Annual Global CEO Survey, the world-wide shift of the banking sector towards Southeast Asia<sup>12</sup> will significantly impact the talent demand. These two factors made the search for the right talent increasingly competitive and banks are relying on various factors to attract their desired talent.

To meet this growing talent demand banks are looking beyond the banking sector to attract talent with the relevant skill set. These sectors include professional services, consulting, IT, manufacturing and FMCG. The trend of hiring talent from non-banking sectors is mainly at the Entry and Specialist level. Talent at the Entry level from other sectors could be trained easily on banking products and services. At the Specialist level, talent is recruited by banks to overcome the growing requirement of specialised skill set in pertinent areas such as IT, Compliance, Audit etc.

Talent, regardless of whether hired from banking or non-banking sector, would value banks' long term performance.

The top five talent attraction factors, suggested by respondents in order of priority are in the adjacent illustration.

## Strong brand and culture

Talent across bank types and levels joins banks with compelling employer branding. This was supported by survey respondents, where brand and culture ranked as a top attraction factor for banks.

Most of the large local and international banks in Malaysia rely on their strong branding and employer friendly culture to attract talent.

Development banks lack strong brand presence when compared to large local banks or international banks. However, due to their mandate of developing specific sectors, they attract talent who can identify themselves with these objectives. Similarly, Islamic banks attract talent who identify themselves with the *Shariah* principles.

11. Bank Negara Malaysia - Financial Sector Blueprint 2011 - 2020

12. PwC - 17th Annual Global CEO Survey 2013

## Holistic approach in rewarding talent

Typically banks reward better compared to other sectors. This enables them to attract talent across various levels.

However, banks are now increasingly shifting their focus from high quantum of fixed pay to include other elements such as non-traditional benefits to ensure the reward is holistic and beneficial to all employee segments.

Apart from competitive salaries and benefits, performance-linked bonus creates a strong pull factor for talent who are motivated by a high performance culture.

## Strong leadership and management – learning from the best

Strong leadership and management apart from growing the business are associated with several intrinsic parameters (e.g. commitment to business, improving confidence levels among stakeholders etc.) which talent looks forward to while joining the bank. With the sector losing its lustre, strong leaders along with their ethical behaviours, risk awareness and compliant approach, build credibility, hence, increases the attractiveness of the bank amongst its talent segments.

Additionally, talent also correlates their growth and exposure within a bank with that of capable leaders and would join banks with a long term career perspective.

## Structured career progression

In a competitive sector like banking, where talent generally comprises high performers, the opportunity to develop both personally and professionally is considered crucial. Hence, talent seeks to join banks that can help them to develop their skill set while advancing in their career.

Several banks are also relying on lateral movements to ensure that talent is multi facet and able to address the changing business requirements as well as assist customers on a wide range of products and services. This initiative of lateral movements is attractive to talent, especially for Gen-Ys who can test their skills across various functional areas, before finalising their career option.

Similarly graduate training programmes with their structured and transparent career progression act as a key attraction factor amongst Gen-Ys.

*“Competitive remuneration package that has a high performance variable component is one of the initiatives undertaken to attract and retain talent.”*

*- Interview findings*

*“Gen-Ys don’t join banks but they join what excites them, where they see growth and challenging opportunities and where they can be creative.”*

*- Interview findings*

*“Pay and branding are amongst the top attraction factors for us, however good working culture, strong leadership and talent development programmes are key to retain talent in the long run.”*

*- Interview findings*

*“Opportunities for global mobility is one of the key factors when considering an employer.”*

*- PwC findings<sup>13</sup>*

## Other talent attraction factors

Apart from the top five talent attraction factors, banks are also adopting other initiatives to attract the desired talent segment. This includes mobility opportunities and Corporate Responsibility (CR) initiatives.

### Mobility opportunities

Talent values and often seeks for banks that can provide mobility opportunities for both personal and professional development. Banks recognise this preference and are actively embedding international assignment programmes in addition to job rotations as part of their workforce development strategies to attract talent.

## Corporate Responsibility – improving employer branding

CR initiative is one of the key attraction factors as talent seeks opportunities with banks where they can impact the society in a positive way.

One of the recent studies conducted by PwC<sup>14</sup> showed that organisations which are involved with various CR initiatives enjoy a higher brand index. Increasingly banks are also focusing on various CR initiatives as part of their EVP to attract talent.

Similarly to Retail/Commercial banks, Islamic banks' CR initiatives are based on Islamic philosophy (e.g. *tawhid*, *ihsan* etc.) which not only has societal impact but also improve banks' appeal to talent who identify themselves with Islamic principles.

13. PwC - Millennials at Work – Reshaping the Workforce report (2012)

14. PwC - The keys to corporate responsibility employee engagement report (2014)

# 3

## Retaining the right talent





## **Talent retention**

### **Top 5 talent retention factors**

- 1** Clear career progression
- 2** Strong leadership and management
- 3** Competitive basic salary
- 4** Performance-linked bonus
- 5** Attractive and competitive benefits

With the limited pool of skilled and experienced talent and inadequate pipeline highlighted earlier, retaining the right set of talent is a key concern.

To retain talent, traditionally, considerable proportion of banks' EVPs were built around financial reward elements and this practice still dominates the employee retention parameters in Malaysia.

However, after the financial crisis, continuing the same growth level of compensation puts a significant pressure on banks' employee cost. Hence, globally and in Malaysia there is a shift in focus towards other employee retention parameters.

The top five retention factors, suggested by respondents in order of priority are in the adjacent illustration.

### **Structured career progression – providing a career, not just a job**

Most of the study respondents agreed that a structured and transparent career path assists in retaining employees for a longer duration, as one can visualise themselves growing within the bank.

Malaysian banks consider structured career path as the top retention criteria and are focusing on complementing it with customised training and development opportunities.

A transparent and structured career path not only improves the engagement levels, but also drives performance, resulting in a win-win situation for both employee and bank.



## Strong leadership and management – inspiring and engaging talent

The presence of good leaders and managers in retaining talent is being recognised across all sectors including banks. In the long run, it is the vision, culture, decisions and the support provided by the leaders that will create a lasting impact on talent engagement, satisfaction and more importantly, retention.

Hence banks are equipping their leaders with the right skills and imbuing the right culture which is essential in leading the bank forward. Some banks are investing in leadership training programmes and initiatives (e.g. Leading Leaders and Business Leadership programmes by Iclif, leadership training provided by top tier business schools etc.) to develop the right skill set and culture amongst their leaders.

## Customised reward elements to retain talent

To provide a holistic experience to employees, banks are focusing on total rewards as part of their EVPs to retain talent. Banks are looking beyond fixed and variable monetary compensations, and rewarding talent with allowances and benefits (e.g. health, retirement and work/life benefits etc.) and various career development programmes.

Simultaneously banks are also ensuring that the components of total reward are customised to cater to the needs and aspirations of the diverse employee segments and act as an effective motivational and retention strategies (e.g. flexibility to choose benefits etc.).

Also in the banking sector, employees value reward which is linked to performance. These reward elements, as long as they are transparent and clearly communicated, can drive the desired productivity levels. Furthermore, performance bonuses also act as a 'golden handcuff', assisting in retaining talent.

*“Although pay and benefits may initially attract employees, organisations focusing on top tier leadership assist in retaining and developing talent.”*

*- Interview findings*

*“Reward is important, but it is not the only factor. It requires a combination of rewards with career development opportunities to drive employee engagement.”*

*- Interview findings*

*“Introducing flexi-management practices was one of the ways highlighted to manage Gen-Y talent.”*

*- PwC findings<sup>15</sup>*

*“We have in place various initiatives to ensure our EVP is in line with the changing requirements of our talent.”*

*- Interview findings*

## Other talent retention factors

Apart from the top five factors, other factors such as flexibility at workplace, banks' brand and culture, emphasis on training and development and corporate responsibility initiatives are regarded as important components of talent retention strategies.

### Flexibility at workplace

Although this factor did not emerge as the top 5 factors, it is gaining prominence in retaining Gen-Ys and female workforce.

More banks are promoting work-life balance through flexible work arrangements, catered to a diverse set of employees (e.g. working mothers, latent talent returning to the workforce, Gen-Ys on career breaks etc.).

This coincided with a PwC study 'Millennials at Work - Reshaping the Workforce (2012)'<sup>15</sup>, which stated that 94% of Gen-Ys in the financial sector placed importance on work-life balance and value flexible working hours.

## Bank's branding and culture

While strong branding helps in attracting talent, upholding the brand promise and work culture is crucial in fostering talent retention. The culture within a bank needs to be cultivated and nurtured from the top. It is the leaders who can uphold a bank's brand values and lead by example in practising and propagating bank's culture. This ensures talent retention as there is a consistent commitment from the top which talent can associate themselves with.

15. PwC - Millennials at Work – Reshaping the Workforce (2012)

## Emphasis on training and development

Talent often views training and development as key to achieve a successful and fruitful career. In line with this, banks are increasingly investing in talent development as part of their talent retention strategy.

This is carried out by implementing customised training programmes to match the needs of their talent as well as investing in other development initiatives such as periodic formal/informal feedback, mentoring programmes, e-learning and event-based educational platforms (e.g. seminars, workshops, industry lectures etc.).

## Corporate Responsibility – improving employee engagement

Typically Gen-Y prefers organisations which invest in CR programmes, as they are more engaged and can see themselves working for employers with a sense of responsibility towards the environment and society.

This was supported by PwC's report 'The Keys to Corporate Responsibility Employee Engagement'<sup>16</sup>, which highlighted that talent becomes increasingly passionate about their work within organisations which take initiatives towards CR.

*"In order to retain talent and ensure employee engagement, our HR programmes offer various value propositions, of which include CR initiatives."*

*- Interview findings*

# 4

## Developing talent from within





## Talent development

### Key talent development components

- 1 Technical training programmes
- 2 Non-technical training programmes
- 3 Graduate training programmes

Given the short supply of skilled and experienced talent in the market, sourcing talent with specialised skills is becoming more challenging and unsustainable for banks. Hence, banks in Malaysia are investing in training and development to nurture talent internally and to build a talent pipeline to address the gaps in key skill set required.

Three key components for talent development include technical, non-technical and graduate training programmes.

Talent in banks requires a balance between technical and non-technical skills. As highlighted in the first section (Trends Observed in the Banking Sector), there is a significant demand for technical training across banks focusing on relevant industry and product knowledge, understanding of associated risks and related banking laws and standards.

In order to develop talent who is well-rounded, apart from having the technical know-how, talent should be able to engage with clients and provide holistic advice. This will require focus on developing non-technical skills through dedicated training programmes. Lastly, to ensure a constant talent pipeline, banks are investing in graduate training programmes to bridge the skill gaps of talent from universities.

The following pages summarise in order of priority, the technical, non-technical and graduate training programmes for each bank type.



## Training programmes at a glance

		Core banking operations			
		Retail/Commercial bank	Investment bank	Islamic bank	Development bank
High priority areas	Technical training	<ul style="list-style-type: none"> <li>• Anti-money laundering principles</li> <li>• Banking related laws and accounting standards (e.g. FSA etc.)</li> <li>• Credit knowledge (e.g. credit assessment, credit risk in emerging industries etc.)</li> <li>• Data analytics for customised products</li> <li>• Product development (e.g. fee-based products etc.)</li> <li>• Product knowledge (e.g. personal financial planning, wealth management etc.)</li> <li>• Risk management (e.g. credit scoring, risk analytics, BCM etc.)</li> <li>• Technology for digital marketing and digital distribution</li> <li>• Treasury tools (e.g. Bloomberg, Thomson Reuters etc.)</li> </ul>	<ul style="list-style-type: none"> <li>• Banking related laws and relevant reporting standards (e.g. IFRS 9 etc.)</li> <li>• Credit knowledge (e.g. credit assessment for large corporate customers etc.)</li> <li>• Data analytics for market trading strategies</li> <li>• Product knowledge (e.g. derivatives, equities, bonds, structured products etc.)</li> <li>• Understanding of regional financial markets and regulations for executing cross border deals</li> <li>• Risk management (e.g. credit risk, market risk, operational rate etc.)</li> <li>• Treasury tools (e.g. Bloomberg, Murex etc.)</li> </ul>	<ul style="list-style-type: none"> <li>• Introduction to Islamic banking products (e.g. Sukuk etc.)</li> <li>• Islamic banking related laws (e.g. IFSA etc.) and BNM specific guidelines for Islamic banks (e.g. <i>Shariah</i> standards, <i>Shariah</i> governance framework etc.)</li> <li>• Product development under <i>Shariah</i> principles</li> <li>• Risk management in Islamic Finance (e.g. <i>Shariah</i> non-compliance risk, credit and operational risk etc.)</li> <li>• Technology for digital marketing and digital distribution</li> </ul>	<ul style="list-style-type: none"> <li>• Credit knowledge (e.g. credit assessment, risk profiling etc.)</li> <li>• Financial analysis and accounting (e.g. financial modelling etc.)</li> <li>• Industry and product knowledge</li> <li>• Introduction to Islamic banking products (e.g. business financing-i, personal financing-i etc.)</li> <li>• Process improvement for operational efficiency</li> <li>• Relevant risk management guidelines, laws and AML principles (e.g. AMLATFA, DFIA etc.)</li> <li>• Technology for digital marketing and digital distribution</li> </ul>
	Non-technical training	Graduate training programme specific: <ul style="list-style-type: none"> <li>• Introduction to banks' products and service offerings</li> <li>• Communication and presentation skills</li> <li>• Critical thinking skills</li> </ul>			
	Non-technical training	Graduate training programme specific: <ul style="list-style-type: none"> <li>• Business communication and language proficiency</li> </ul>			
Other important areas	Technical training	<ul style="list-style-type: none"> <li>• Impact of GST on banking products and services</li> <li>• Introduction to Islamic banking products (e.g. home loan-i etc.)</li> </ul>	<ul style="list-style-type: none"> <li>• Anti-money laundering principles</li> <li>• Banking and accounting standards (e.g. Basel III etc.)</li> <li>• Financial analysis and accounting (e.g. financial modelling etc.)</li> <li>• Impact of GST on banking products and services</li> <li>• Introduction to Islamic banking products (e.g. personal financing-i etc.)</li> </ul>	<ul style="list-style-type: none"> <li>• Anti-money laundering principles</li> <li>• Banking and accounting standards (e.g. IFRS 9 etc.)</li> <li>• Credit knowledge</li> <li>• Impact of GST on banking products and services</li> </ul>	<ul style="list-style-type: none"> <li>• Banking and accounting standards (e.g. Basel III, IFRS 9 etc.)</li> <li>• Impact of GST on banking products and services</li> </ul>
	Non-technical training	Graduate training programme specific: <ul style="list-style-type: none"> <li>• Overview of banks' operations</li> </ul>			
	Non-technical training	Graduate training programme specific: <ul style="list-style-type: none"> <li>• Advisory skills</li> <li>• Customer centric and relationship building skills</li> <li>• Business acumen</li> </ul>			
	Non-technical training	Graduate training programme specific: <ul style="list-style-type: none"> <li>• Negotiation skills and selling techniques</li> <li>• Team working and leadership</li> </ul>			

Strategic supporting services						
Compliance	Group Finance	Human Resources	Information Technology	Internal Audit	Risk Management	Strategy and Transformation
<ul style="list-style-type: none"> <li>• Anti-money laundering principles</li> <li>• Banking related laws (e.g. PDPA etc.)</li> <li>• Fraud risk management (e.g. preventive measures in potential compliance risk)</li> <li>• Latest regulatory requirements</li> <li>• Legal knowledge in compliance</li> </ul>	<ul style="list-style-type: none"> <li>• Banking and accounting standards (e.g. IFRS 9 etc.)</li> <li>• Financial analysis (e.g. financial modelling for regulatory capital)</li> </ul>	<ul style="list-style-type: none"> <li>• HR effectiveness (e.g. HR analytics)</li> <li>• Talent development programmes (e.g. tools to enhance talent management practices, job effectiveness, motivational and personal development etc.)</li> </ul>	<ul style="list-style-type: none"> <li>• Cyber security (e.g. network security, cryptography etc.)</li> <li>• Data analytics (e.g. platforms and tools)</li> <li>• IT Standards (e.g. COBIT, ITIL, CMMI etc.)</li> <li>• Understanding and implementing new technologies</li> </ul>	<ul style="list-style-type: none"> <li>• Anti-money laundering principles</li> <li>• Banking related laws (FATCA etc.)</li> <li>• Cross-function training (e.g. integrated risk and compliance principles)</li> <li>• Fraud risk assessment (e.g. financial forensics practices, investigative techniques etc.)</li> </ul>	<ul style="list-style-type: none"> <li>• Banking and accounting standards (e.g. Basel III, IFRS 9 etc.)</li> <li>• Banking related laws (e.g. AMLATFA etc.)</li> <li>• Risk management (e.g. Basel III, risk modelling, liquidity risk management, risk analytics etc.)</li> <li>• Risk management tools (e.g. integrated stress testing, risk mapping tool etc.)</li> </ul>	<ul style="list-style-type: none"> <li>• Data analytics (e.g. business and customer intelligence)</li> <li>• Introduction to banks' products and markets</li> <li>• Project management and change management (e.g. PMP, PRINCE 2 etc.)</li> </ul>
<b>Graduate training programme specific:</b> <ul style="list-style-type: none"> <li>• Introduction to banks' products and service offerings</li> <li>• Communication and presentation skills</li> <li>• Critical thinking skills</li> <li>• Language proficiency</li> <li>• Team working and leadership</li> </ul>						
<b>Graduate training programme specific:</b> <ul style="list-style-type: none"> <li>• Business communication and language proficiency</li> </ul>						
<ul style="list-style-type: none"> <li>• Banking and accounting standards (e.g. IFRS 9 etc.)</li> <li>• Basic finance related laws and regulations</li> <li>• Cross-function training</li> <li>• Risk management</li> </ul>	<ul style="list-style-type: none"> <li>• Banking related laws (e.g. FSA etc.)</li> <li>• Cross-function training</li> </ul>	<ul style="list-style-type: none"> <li>• Compensation and benefits programmes</li> <li>• Employee relations</li> </ul>	<ul style="list-style-type: none"> <li>• N/A</li> </ul>	<ul style="list-style-type: none"> <li>• Banking and accounting standards(e.g. Basel III etc.)</li> </ul>	<ul style="list-style-type: none"> <li>• Anti-money laundering principles</li> <li>• Cross-function training</li> </ul>	<ul style="list-style-type: none"> <li>• Financial analysis</li> </ul>
<b>Graduate training programme specific:</b> <ul style="list-style-type: none"> <li>• Overview of banks' operations</li> <li>• Advisory skills</li> <li>• Customer centric and relationship building skills</li> <li>• Business acumen</li> <li>• Risk management and compliance regulation</li> <li>• Innovation skills</li> <li>• Negotiation skills and selling techniques</li> </ul>						
<b>Graduate training programme specific:</b> <ul style="list-style-type: none"> <li>• Advisory skills</li> <li>• Business acumen</li> <li>• Customer centric skills</li> <li>• Negotiation skills and selling techniques</li> <li>• Team working and leadership</li> </ul>						

# 1 Technical training programmes

With high growth and evolving market scenario, there is a need for talent to be up skilled and trained continuously on specialised skill set to remain relevant. This need is also stressed by BNM and hence, in the FSB, they emphasised on talent development as a key focus area to support a more dynamic banking sector.

Banks are rethinking their approach in talent development to harness the capabilities and develop the skill set of their talent. Furthermore, they are focusing on specialised training in the areas of industry and product knowledge, credit knowledge and banking related laws.

Depending on their strategic focus and maturity of business, banks are customising their technical training. By doing so, they will be better positioned to drive business performance through the right capabilities and skill set as required.

The following pages emphasise the key technical training, segregated by the four bank types and Strategic supporting services, namely:

- Retail/Commercial banks
- Investment banks
- Islamic banks
- Development banks
- Strategic supporting services
  - Compliance
  - Group Finance
  - Human Resources
  - Information Technology
  - Internal Audit
  - Risk Management
  - Strategy and Transformation

*“Malaysia’s financial sector is anticipated to grow between 8% to 11% annually and this will have a profound impact on having talent with the right capabilities to support this growth.”*

*- FSB<sup>17</sup>*

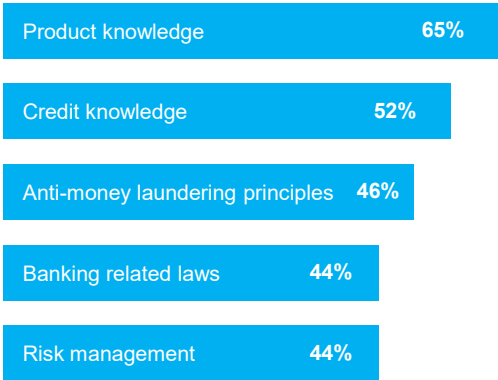
# Retail/Commercial banks

## Banking products and credit knowledge and experience

- **Product knowledge** – Banking customers are increasingly expecting service levels to be on par with other consumer sectors, where the front-end facing employees are well-versed with product offerings. Also, with greater focus on maximising revenue channels from the same set of customers, front-end facing employees are also required to cross-sell the existing product offerings which requires an in-depth product knowledge. Besides, today's customers are well informed about various products and services offered by banks across the sector and hence, require front-end employees to be well-versed in product offerings across the sector.

This product knowledge is not just limited to their own bank types as talent is required to be aware of products offered by other bank types as well (e.g. Retail/Commercial banks' talent needs to be aware of Islamic banking products). Similarly, talent is expected to be familiar with the products and services offered by other banks to provide customers with a comparative analysis.

Figure 3: Technical training rated as most important – Retail/Commercial banks



This has resulted in banks focusing on training which imparts a comprehensive understanding of the products of the banks and also what is being offered in the market. Product knowledge based training includes detailed understanding of banks' entire product range (e.g. personal financial planning, wealth management, loans etc.) along with pricing structure and other salient features of a product (e.g. age requirements, income bracket and credit history as minimum product requirements etc.).

**Credit knowledge** – Following the global financial crisis, talent should have a greater understanding of the credit associated with their retail and corporate customers to safeguard banks' overall exposure.

Hence, banks are aiming to develop their talent by providing them with specialised training on credit assessments. To ensure that talent's understanding in this area is holistic and also recognised across the industry, banks are adopting certification programmes. One such certification is Professional Credit Certification (PCC) which is recognised by the industry and is in demand.

In the case of talent dealing with corporate customers to provide better credit assessment talent is expected to understand the clients' industry and their business in addition to strong credit knowledge.

## Retail/Commercial banks (cont'd)

### Knowledge of various laws and regulations to reduce risk

- **Anti-money laundering (AML) principles** – Banks can avoid potential financial losses through the understanding and implementation of AML principles. This also prevents the bank from exposure to reputational risks, regulatory risks and legal risks.

With globalisation, corporate customers' businesses spread across international borders resulting in greater exposure to money laundering activities. It is crucial that talent in banks is aware of these AML requirements and applies them when assessing their customers. As a result, bank employees are expected to undergo various training on AML principles (e.g. Anti-money laundering/counter financing of terrorism certification programmes etc.).

This training is not only restricted to employees in Compliance functional area but extended to all relevant bank employees, such as tellers and customer account representatives to train them to identify suspicious customers and escalate it.

- **Banking related laws** – Banks require talent who is well-versed in these regulations (e.g. AMLATFA, IFSA, FATCA, FSA etc.)<sup>18</sup>. Training related to banking laws ensures bank employees are aware of the impact the laws have on the banks business and avoid any non-compliance.

- **Risk management** – With the tightening of risk management measures across the sector, all employees are responsible to ensure compliance with banks' risk management requirements. Therefore, focus on providing risk management related training (e.g. stress testing, credit scoring, risk analytics, enterprise risk etc.) is key to ensure increased awareness and compliance.

18. Refer to Appendix 2 for full name of accreditations



# Investment banks

## Knowledge of Investment banking products and related laws and standards

• **Product knowledge** – Post financial crisis, product development in Investment banks have been significantly impacted by the tightening of overall risk management measures. Investment banks are required to restructure their products to reduce exposure while making sure the product development complies with the regulatory requirements. Hence, talent across Investment banks requires knowledge of their banking products to adequately interpret risks (e.g. liquidity, credit, market, interest rate, foreign exchange and investment risks etc.) while structuring products.

Additionally, given the increasing demand to cross-sell various products within Investment banks and across the banking group, in-depth knowledge of products (e.g. derivatives, equities, bonds, and structured products etc.) was put forward as one of the key training requirements. This helps employees to be up-to-date with banks' new offerings and engage clients effectively.

Figure 4: Technical training rated as most important – Investment banks

Product knowledge	62%
Banking related laws and relevant reporting standards	54%
Credit knowledge	54%

• **Banking related laws and relevant reporting standards** – The current, evolving laws and reporting standards have impacted multiple facets of the Investment banks' business. These effects span across various areas (e.g. capital adequacy, liquidity, governance, remuneration etc.) and caused Investment banks to adapt their business model and operations to the evolving landscape.

Talent in Investment banks is expected to assimilate the regulatory requirements in their day-to-day activities.

This requires a strong focus on developing talent by imparting regular training related to banking laws and reporting standards (e.g. AMLATFA, FATCA, FSA etc.). This ensures that talent is aware of the laws and reporting standards and be in a position to prevent any non-compliance.

In addition, familiarity with related regional banking laws is beneficial for talent to manage and grow cross-border operations of the bank.

## Investment banks (cont'd)

### Knowledge of credit which is industry specific

- **Credit knowledge** – In order to safeguard banks' position in a competitive market environment, talent should understand credit management. This allows them to identify and prevent defaults that may jeopardise the position of the bank where transactions and deals comprise large value.

As clients from Investment banks are predominately large corporates from varying industries, it is also essential for talent to be aware of the various credit aspects associated with that industry. Furthermore, understanding of clients' industry and business is crucial to provide a better credit assessment.

Therefore, talent development is focused on credit. The areas considered for credit training include product evaluation, understanding of credit grading system, credit review, specialised training on credit for specific industries etc.

In addition, most of the banks are relying on certification programmes to ensure that talent receives high quality training on credit recognised in Malaysia and across the region.

*“Local Investment banks do not have talent with sector expertise (e.g. oil & gas, palm oil etc.) which is important to conduct business while avoiding various associated risks.”*

*- Interview findings*

## Islamic banks

### Developing the basics in Islamic principles and products

- **Introduction to Islamic banking products** – Islamic banking products that traditionally only catered to Muslim customers are becoming more attractive even to non-Muslims. This resulted in a greater demand for Islamic banking products, requiring more talent in Islamic banks. All the talent joining Islamic banks (including fresh graduates and recruits from other bank types) has to be trained on the basics of Islamic banking products and *Shariah* principles.

Besides that, conventional banking customers are becoming well-versed in different conventional and Islamic banking products and frequently seek comparative advice on both conventional and Islamic banking products to make more informed decisions. This calls for talent to have an understanding of Islamic bank products along with Retail/Commercial bank products.

To meet customers' requirements, employees have to be well-equipped with sufficient Islamic banking product knowledge (e.g. home loan-i, personal financing-i, *Sukuk* etc.) and its differences from conventional banking products.

Figure 5: Technical training rated as most important – Islamic banks



Training on the underlying concepts and differentiating factors are therefore essential for employees especially front-end facing employees. This training is also relevant for the Retail/Commercial banks as a strong foundation of Islamic banking products will better prepare employees to give holistic advice to their customers and cross-sell products.

Key certifications such as Islamic Financial Planner (IFP), Fundamental Certificate in Islamic Banking and Takaful (FCIBT) are key to develop talent with Islamic banking capabilities.

*“Accredited Islamic finance professionals are always in need. There is a limited amount of talent and once they are trained they become the most sought after.”*

- Interview findings

## Islamic banks (cont'd)

### Understanding of Islamic banking related laws and risk management principles

#### Islamic banking related laws –

Like all other banks, Islamic banks are also impacted by the changing regulatory requirements and are also required to adhere to their *Shariah* based laws.

Talent within Islamic banks has to be trained on Islamic banking related laws (e.g. IFSA) and BNM guidelines specific to Islamic institutions (e.g. financial reporting for Islamic banking institutions, *Shariah* standard on *mudharabah* and *Shariah* governance framework for Islamic financial institutions etc.).

Training on specific Islamic related laws through various accreditation programme was highlighted as a way forward as the industry is currently facing a shortage of accredited Islamic finance professionals who are well-versed in Islamic law principles.

- **Risk management in Islamic finance** – Due to Islamic banks' special treatment of different risks and risk characteristics of its underlying assets, talent requires comprehensive knowledge of risk management principles.

It is therefore imperative that Islamic banks create a risk management environment by clearly identifying the risk strategies of the bank and establishing a system that can identify, measure and monitor various risk exposures.

Training focusing on risk management specific to Islamic finance is gaining popularity as a result of the shortage of risk management talent in the banking sector. Some of the risk-related training courses in focus are stress testing, credit scoring, risk analytics, enterprise risk, credit risk and operation risk, *Shariah* non-compliance risk, rate of return risk, equity investment risk etc.

*“Islamic talent needs understanding of the existing laws including Shariah laws, while performing their operations.”*

*- Interview findings*

# Development banks

## Knowledge of credit and financial analysis

- Credit knowledge –**  
Development banks typically face challenged in managing borrowers with poor credit rating which in turn impact their own credit scores.  
  
Talent in Development banks has to build their capabilities to manage such customers by assessing their creditworthiness and avoid credit risk inherent in portfolios as well as individual transactions. This calls for talent with a strong foundation of credit knowledge and the ability to make judgements.  
  
Also, as Development banks strive to be more competitive, it is essential for talent to gain strong industry specific credit knowledge through specialised credit training.
- Financial analysis and accounting –** To ensure all the decisions undertaken in Development banks are backed by robust financial analysis talent should be trained to utilise financial analysis skill set for credit assessment.

Figure 6: Technical training rated as most important – Development banks

Credit knowledge	83%
Financial analysis and accounting	77%
Industry and product knowledge	77%
Introduction to Islamic banking products	54%
Relevant risk management guidelines, laws and AML principles	54%

This calls for talent to possess strong analytical skills and robust understanding of financial modelling.

Thus, talent in Development banks is encouraged to acquire professional accounting and financial certifications (e.g. ACCA, CIMA, CFA, CPA, ICAEW etc.)<sup>19</sup>.

*“We are looking to develop ‘hybrid bankers’ with both competencies of credit and technical knowledge, specific to Development banks as well as advisory skills.”*

*- Interview findings*

19. Refer to Appendix 2 for full name of accreditations



## Development banks (cont'd)

### Knowledge of industry, products and risk guidelines

- **Industry and product knowledge** – Development banks with their specific mandates usually focus on specific sectors. With that, it is necessary that talent within the bank obtains a deeper understanding of the banks' mandate and the specific industry or sector it focuses on. This allows talent to structure the right banking products addressing the industry requirements in which it operates while meeting customer expectations.

Besides, there is a growing need to cross-sell in order to compete with Retail/Commercial banks. As a result, talent is encouraged to have strong product knowledge as well as the ability to articulate and advise customers on the various products available to increase revenue earned per customer.

- **Introduction to Islamic banking products** – Throughout the banking sector, there has been a growth in demand for Islamic banking products which influenced how products are developed and sold in other bank types. Development banks started to venture into Islamic banking to attract a larger market share of customers who perceive Islamic banking products to be more ethical in nature.

Due to this changing nature of Development banks, training on products offerings (e.g. business financing-i, *Sukuk* etc.) that have a *Shariah* element to it is in demand. Talent that deals with customers everyday should be well-equipped with knowledge of Islamic banking products and the ability to present a comparative analysis to their customers. For these reasons training on basic Islamic banking products is deemed important in Development banks.

- **Knowledge of relevant risk management guidelines, laws and AML principles** – With regulatory changes, all employees are responsible to safeguard their banks against potential risks and to comply with financial regulations. This drives demand to equip talent with technical training in the relevant Risk Management guidelines, laws and AML principles (e.g. AMLATFA, DFIA, FATCA, FSA etc.)<sup>20</sup> and BNM guidelines specific for Development banks (e.g. guidelines on best practices for the management of Credit Risk for Development Financial Institutions).

20. Refer to Appendix 2 for full name of accreditations

# Strategic supporting services – Compliance

## Latest regulatory knowledge, banking laws and anti-money laundering principles

- **Regulatory knowledge** – Banking operations as a whole are impacted as a result of the stringent increase in regulatory requirements. To stay ahead of the curve, it is a necessity for banks to focus and equip talent with training on regulatory knowledge to remain relevant and up-to-date on the regulatory requirements.
- **Banking related laws** – It is important for talent to remain current on the new laws as the requirement from talent is to go beyond just being legally binding and encompasses broader standards of integrity and ethical conduct.  
  
Also with the introduction of banking related laws (e.g. AMLATFA, DFIA, FATCA, FSA, IFSA, PDPA etc.) talent is expected to be abreast with all the laws to ensure the bank complies with the regulatory requirements.

Figure 7: Technical training rated as most important – Compliance



- **Anti-money laundering principles** – With globalisation, banks are dealing with customers whose business spread across international borders resulting in a lack of transparency in the actual source of funding. This resulted in stringent anti-money laundering principles to avoid banks’ exposure to money laundering activities.  
  
To avoid financial crimes and identify the source of customers’ income it was suggested that Compliance function requires training on anti-money laundering principles (e.g. anti-fraud legislation, anti-bribery and corruptions, customer disclosure rules, market integrity rules, Know Your Customer (KYC) guidelines etc.) and supplementary risk management training.

*“Regulatory changes have forced banks to pay greater importance to risk management and compliance competencies and hence, more training courses are required in these areas.”*

*- Interview findings*

# Strategic supporting services – Group Finance

## Emphasis on financial analysis to generate comprehensive insights

- **Financial analysis** – The Finance function within a bank is key in helping banks achieve financial stability and constantly finding ways to balance between generating profit and saving cost. As a result, respondents highlighted that talent in the Finance function be trained in financial analysis.

In view of the increasing business demands, the Finance function is now expected to deliver more granular information and provide business insights apart from just book-keeping. Equipping talent with technical financial knowledge along with advisory capabilities is also of significance. One of the ways banks are building competencies in this area is by encouraging talent to hold professional credentials (e.g. ACCA, CIMA, CFA, CPA, ICAEW etc.).

Figure 8: Technical training rated as most important – Group Finance

Financial analysis	83%
Banking and accounting standards	83%

- **Banking and accounting standards** – As part of the business planning, banks are expected to integrate good practices of risk management with finance planning processes (e.g. budgeting, revenue and cost impact analysis etc.). Hence, banks have to ensure finance talent is well-versed in various banking and accounting standards (e.g. IFRS 9 etc.) and kept abreast with the latest risk management and regulatory updates.

*“Analytical skills is key and is needed by talent in Finance function to support its changing role of a business analyst.”*

- Interview findings

*“In addition to their traditional accounting and reporting duties, today’s modern finance groups must generate insights and assume a more central role in corporate business strategy.”*

- PwC findings<sup>21</sup>

21. PwC - Unlocking potential: Finance effectiveness benchmark study (2013)

# Strategic supporting services – Human Resources (HR)

## Understanding of HR effectiveness, talent development programmes and technology

- **HR effectiveness** – It is important for banks to employ sufficient talent and develop the right capabilities to support growth, enhance productivity and drive performance. Hence, it is even more important that bank employees are managed effectively through constant support from the HR function of the bank.

Historically, talent in HR was regarded to play a more administrative role rather than a strategic player. However, talent in HR is now expected to act as business partner by understanding the business requirements and also the career aspirations of different employees. HR is now required to develop various talent management strategies to attract, retain and develop talent.

Figure 9: Technical training rated as most important – Human Resource



In order to accommodate this shift in focus, HR has to rapidly align its priorities and resources to provide the wider range of expertise necessary.

Organisations are increasingly looking to harness the power of workforce data – metrics, surveys and predictive analytics to provide the needed clarity on HR cost drivers and more effectively manage the organisation’s most critical asset.

Talent in HR function should be trained on human capital metrics, benchmarking and analytics, engagement surveys, predictive analytics, talent management and workforce planning.

- **Talent development programmes** – As opposed to only managing payrolls and other HR administrative matters, there is also a shift for the HR function to focus more on talent development. Majority of respondents highlighted the requirement to train HR practitioners to develop effective talent development programmes for banks. With the constant shortage of skilled/experienced talent, it is crucial for banks to develop the right talent pipeline through customised programmes, catering to different job levels and different generational aspirations.

## Strategic supporting services – Human Resources (HR) (cont'd)

### Understanding and implementing technology to manage talent

It is also crucial for HR to understand the emerging business requirements and how the sector is emerging to predict the talent development requirements.

The talent development training for HR could include areas like succession planning, career management frameworks, mobility within the organisation and across the bank. Talent in HR will not only require training on the above frameworks and methodologies but also has to be trained on effective composition and change management to ensure successful implementation.

- **Technology in HR** – With the prevalence of technology, training HR on various usage of technology has become essential. Various HR applications are utilised throughout the employee life cycle. Starting with recruitment, HR talent is expected to understand the usage of social media platforms (e.g. LinkedIn, twitter etc.) for employer branding and also to attract talent.

Various applications, HR database and self-help employee systems help to ensure transactional activities are conducted online. However, talent in HR has to be trained as a business partner so that they can liaise between business and the application providers.

Lastly, as banks are leveraging more on HR analytics to derive talent-related insights, HR practitioners are expected to be trained on utilising and applying data analytics effectively. This enables them to identify skill set gaps and areas of development for talent, which will in turn help in developing the right HR strategy to improve the banks' overall talent management practices.

*“Professional certification is an important aspect of talent development. It is an external validation and independent validation of our peoples’ skills.”*

*- Interview findings*



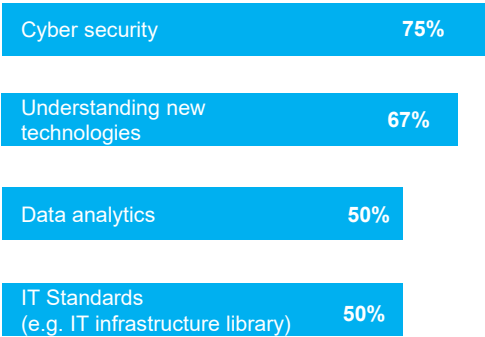
# Strategic supporting services – Information Technology

## IT skills to support and implement new technologies while protecting customers and the bank against cyber threats

- **Cyber security** – With the advancement of technology, there is also an increase in cyber crimes, resulting in a need for banks to protect consumers’ data and against cyber-threats. This led to a high demand for talent with cyber security capabilities. The cyber security training generally comprises network security, cyber crimes, cryptography, risk and security management etc.

In addition, banks are looking to develop talent through IT certifications such as Certified Information Systems Auditor (CISA) and Certified Information Security Manager (CISM) to enhance technical knowledge relating to IT security management.

Figure 10: Technical training rated as most important – Information Technology



- **Understanding of new technologies** – With the shift in technology as one of the key drivers for a banks' business, talent within the bank is expected to have skills and the ability to leverage on technology to reach out to customers. Talent should understand and implement digital medium for marketing and distribution by using online platforms, social media and mobile channels to improve customer experience.

In line with this, the IT function plays an important role in supporting the usage of these new technologies as they expand from a supporting function to more of an advisory role for technological solutions.

Training on understanding of new technologies ensures that the IT function is ahead of the curve in terms of technological development and allows them to provide the latest and most relevant advice to the banks on the usage of technology for business expansion.

## Strategic supporting services – Information Technology (cont'd)

### Data analytics for better decision making and IT standards for ensuring compliance

- **Data analytics** – Data analytics is increasingly used by banks to formulate strategy, devise customised products and develop talent practices. As a result, the IT function within banks are required to be able to support this requirement to improve the competitiveness of a bank by providing data backed insights.

Training for the IT function in areas such as data mining, predictive analytics, data modelling, analytics software etc. is crucial in order to support the core functional areas of a bank in their usage of data analytics. This ensures that the required platforms to organise, extract and interpret large volumes of data are suitable and able to meet the analytics requirements of the bank.

- **IT standards** – With increasing usage of technology in all aspects of banking operations, talent has to be trained on various IT standards (e.g. COBIT, ITIL, CMMI etc.)<sup>22</sup> to ensure efficient operations, IT governance and also for safeguarding banks' interest from any potential cyber risks and issues.

There is a need for constant training in IT standards as banks have to be updated with the latest IT developments to combat the ever evolving cyber risks and issues. Furthermore, a strong understanding of IT standards serves as the base to develop IT strategies that are aligned with business objectives, risk management protocols and regulatory requirements.

*“The world is becoming increasingly digital – internet banking, mobile banking etc. We cannot, not be part of the digital world. This has also added a new dimension to security-cyber security.”*

*- Interview findings*

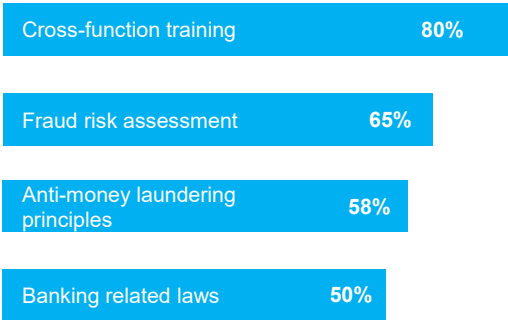
22. Refer to Appendix 2 for full name of accreditations

# Strategic supporting services – Internal Audit

## Internal auditors are now required to be well-versed in risk, fraud detection and compliance activities

- **Cross-function training** – With the increasing focus on risk and regulatory requirements, the demand for internal auditors with capabilities to understand risk and compliance findings along with insights from Internal Audit to form business decisions is on the rise. 80% of respondents stressed the requirement to provide cross-function training, comprising risk and compliance principles to talent within the Internal Audit function. This is essential, especially for internal auditors who are required to coordinate banks' audit, risk and compliance findings. Cross-function training will equip talent with diverse knowledge, thus enabling talent to move away from being viewed as just an assurance provider to problem solvers, insight generators and trusted advisors.

Figure 11: Technical training rated as most important – Internal Audit



- **Fraud risk assessment** – It is important for internal auditors to be able to identify the right risks and issues sooner before they are escalated through fraud risk assessment. Hence, talent training on topics like controls monitoring, fraud investigation techniques and development and deployment of fraud response plan helps to equip internal auditors with the capabilities to manage the risks more effectively.

## Strategic supporting services – Internal Audit

### Understanding of Anti-money laundering principles and banking related laws

- **Anti-money laundering principles** – With rising regulatory expectations, the understanding and application of anti-money laundering (AML) principles is key for the Internal Audit function to provide a comprehensive and robust audit assessment. This is growing in importance as banks are dealing with globalised customers whose transactions spread across borders thereby reducing transparency and increasing monitoring complexity.

To avoid banks' exposure to money laundering activities, training on AML principles (e.g. anti-fraud, anti-bribery etc.) is needed to ensure talent is equipped to assess and identify suspicious money laundering activities.

- **Banking related laws** – Apart from providing assurance and satisfying regulatory compliance requirements, internal auditors are expected to provide insights on anticipated regulatory changes, impact of these changes on banking operations, and their level of preparedness.

As such, a strong understanding of banking related laws (e.g. AMLATFA, FATCA, FSA, IFSA, PDPA etc.) serves as a strong foundation for internal auditors to provide views and insights on regulations impacting the position of the bank.

*“Cross-division/function training is very useful and for a faster progression, one would benefit from knowledge of the different functions and operations.”*

*- Interview findings*

# Strategic supporting services – Risk Management

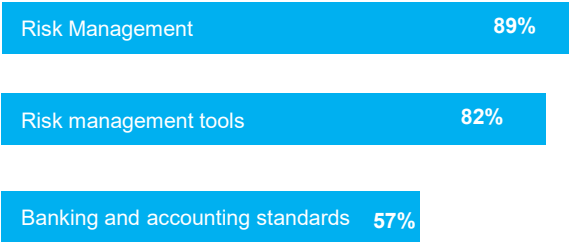
## Knowledge in risk management and associated tools

- **Risk management** – Risk management procedures are essential to ensure that all risks can be addressed in accordance with the evolving standards. Therefore, focus on the methods for the identification, monitoring and communication of various risks is on the rise.

The areas to focus include capital management, risk control, credit risk, liquidity risk, operational risk, fraud risk, social media risk and integrated risk management etc.

Embedding Business Continuity Management (BCM) in risk management training is also perceived to be important as it equips talent with the necessary knowledge to manage a disruptive/threatening situation (e.g. natural disasters, cyber-attack, data breaches etc.).

Figure 12: Technical training rated as most important – Risk Management



- **Risk management tools** – With growing regulatory requirements, banks are needed to approach risk in a more systematic manner while following certain frameworks. Thus, across banks, usage of structured risk management frameworks and tools to measure and monitor risks are highly important.

It is crucial to equip talent with the necessary training on utilising risk management tools (e.g. stress testing, application score cards, risk mapping tool etc.).

This training is key to support talent and assist them to identify potential risks and develop and implement risk mitigation strategies more effectively.



## Strategic supporting services – Risk Management (cont'd)

### Knowledge of banking and accounting standards

- **Banking and accounting standards** – Changing regulations and standards are impacting the continuous measurement of risks that affect the banking sector. The changes include market risk, credit risk, liquidity risk and operational risk etc.

As a result, having a strong understanding of local and global banking and accounting standards (e.g. Basel III, IFRS 9 etc.) is essential to ensure adherence to the regulatory requirements for local and international markets. This allows talent to adjust risk management scenario planning and stress testing accordingly while complying with the changing standards.

With sound knowledge on the new standards, risk management talent will be able to identify and detect risks early to highlight discrepancies and avoid any financial instability for the bank. This eases the implementation of global banking standards that have to be fulfilled by Malaysian banks.

- **Banking related laws** – Risk management talent is required to develop, maintain and improve on risk management frameworks, policies and guidelines which take into consideration banking related laws and regulations. A strong understanding in this subject ensures that talent has a strong foundation in developing and improving on risk management measures that is aligned to the strategic need of the bank.

In line with this, it is important for talent within the Risk Management function to receive training in banking related laws (e.g. AMLATFA, DFIA, FATCA, FSA, IFSA, PDPA etc.) to equip them with the necessary knowledge to fully excel in their function.

*“We are always looking out for specialists in credit scoring and stress-testing.”*

*- Interview findings*

## Strategic supporting services – Strategy and Transformation

### Project and change management capabilities to execute initiatives along with understanding of product and ability to conduct data analytics

- **Project management and change management** – As a result of the changing nature of the banking sector, banks have to implement various transformational initiatives on a regular basis. These initiatives require banks to ensure dedicated training on project management focusing on tools and methodologies to achieve project deliverables, ability to monitor project activities and identify potential risk and issues etc. This also raises demand for talent with certifications in project management (e.g. Project Management Professional, PRINCE 2 etc.).

In addition, to ensure that the change initiatives adopted by the bank meet the desired outcomes, talent is recommended to be trained on the various change management processes (e.g. stakeholder management, dependencies etc.) and tools utilised to achieve the project's outcome (e.g. effective communications, workshops, resistance management training etc.).

**Figure 13: Technical training rated as most important – Strategy and Transformation**



- **Data analytics** – To develop meaningful insights of the large volumes of data on banks customers' behaviour and usage patterns, banks train employees on data analytics (e.g. data mining, predictive analytics, modelling etc.). This is especially important as talent in this functional area is expected to formulate strategic business plans arising from the data analysed.
- **Introduction to banks' products and markets** – As talent within the strategy and transformation function is tasked to have an oversight of banking operations, it is important that they understand the banks' products and markets to develop related business plans.

These strategic business plans should capitalise on the banks' products and be geared towards servicing the banks' markets more effectively.

## 2 Non-technical training programmes

### Non-technical training equally essential

While banks place high importance on technical training, they are not discounting non-technical skills training to develop talent holistically. Some of the top training of non-technical skills include:

**Critical thinking skills** – In the banking sector, critical thinking is about the ability to analyse and evaluate complex information to take rational decisions. However, it was suggested that critical thinking is still lacking in the current talent, especially at the Entry level. Hence, training on critical thinking skills is recommended as one of the key training requirements.

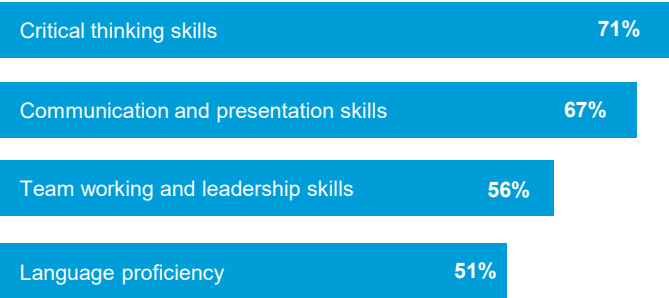
**Communication and presentation skills** – Banks are moving from a transactional role to an advisory role, thus most of the banks are focusing on training their talent on communication and presentation skills. Talent across the banking sector is now expected to interact with various internal and external stakeholders, i.e. clients, lawyers, industry players etc. hence, the ability to articulate ones thought (i.e. interpersonal skills) and presenting it to a larger audience is key.

**Team working and leadership skills** – Majority of employees tend to work in teams towards achieving a common objective, it is crucial that talent works with each other efficiently. Hence various training and activities or role plays are considered important to build this skill set.

As talent moves up the in the bank, they are expected to lead and manage teams where leadership skills are essential. As good leaders are also an important part of banks' EVP, many banks are consciously developing their leaders by sending them to various training, such as Iclif's Leading Leaders Programme.

**Language proficiency** – Another key area which requires attention in developing talent is that of language proficiency. It is deemed as utmost important in dealing with clients and customers both locally and internationally. While being able to articulate in English is a fundamental requirement, knowledge of a second or third language will be an added advantage to reach a larger audience.

Figure 14: Non-technical skills training rated as most important



Some of the unique non-technical training required by the specific bank types include:

**Retail/Commercial banks** – As banks are becoming more advanced in their service offerings, importance of negotiation and selling skills also increases. This includes knowing how to negotiate and sell the right product based on customers' needs.

Cross-selling for Retail/Commercial banks become a strategic priority in recent years. As incremental cost of selling to current customers is generally much lower than to new customers, banks are investing in training talent on advisory skills to cross-sell to increase revenue and meet customers' needs.

**Investment banks** – With the increase in cross-selling of Investment banking products, there is a need for banks to develop advisory skills to better equip talent for cross-selling to more sophisticated clients.

**Islamic banks** – As Islamic banks are trying to compete with Retail/Commercial banks in terms of their product and service offerings, it is important that talent becomes equipped with customer centric and in relationship building skills to engage with clients. Hence, talent in Islamic banks should be trained in these skills in addition to advisory skills. Talent in Islamic banks is also required to have strong business acumen skills to understand market demands to customise products to suit the customers' demands.

**Development banks** – In order to be at par with Retail/Commercial banks in terms of their services, Development banks are focusing on their sales targets and increasing customer base through negotiation, selling techniques and relationship building skills. Networking skills are also key in Development banks and training should be given equal attention.

### 3 Graduate training programmes

#### Developing talent from the beginning

##### On-the-job rotations to provide real exposure

Graduate training programmes aim to develop talent from the beginning to ensure talent is well-equipped to enter the specific banking functions. 57% of respondents rated on-the-job rotations as the most important component of a graduate training programme. On-the-job rotations give trainees real life exposure to different banking areas within the bank.

##### Mentoring programmes to nurture and develop the right talent

Mentoring programme is also rated as a top component of the graduate training programme according to 47% of the respondents. While a mentor at a graduate trainee level is important, it was also cited to be equally important for all levels of talent to have a mentor to guide them on their transitions throughout their career in the banks. Mentoring programmes help talent to progress in their career.

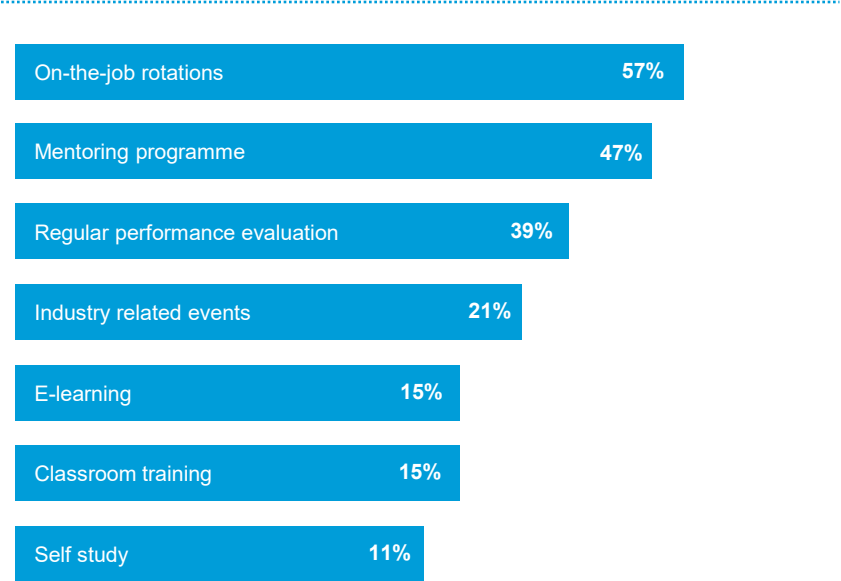
#### Continuous performance evaluation for continuous development

Regular performance evaluation is also regarded as one of the key components of graduate training programmes as it allows talent to understand their progress and developmental areas to constantly improve on it. However, performance evaluation should be continuous rather than driven by the process.

##### Standardised e-learning platform

While e-learning has not been highly rated as important in a graduate training programme, it was suggested to be extremely beneficial. The provision of training materials via online channels especially for regional banks facilitates better access to training. It was also further suggested a centralised platform be created to develop these online materials which strives to establish uniform training standards across banks.

Figure 15: Important graduate training programme components





Graduates also are required to be trained on specific technical and non-technical training throughout the programme.

52% of respondents across the banks highlighted business communication and language proficiency as the top skill-based course in the programme.

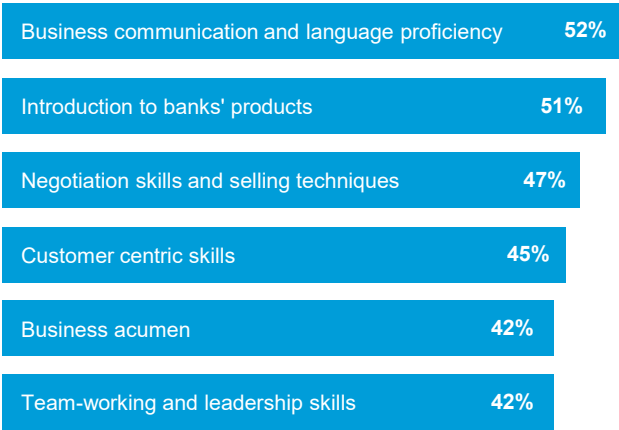
Beside that, 51% of respondents cited introduction to the banks' offerings and product as an important element. As each bank has its specific products to market, trainees require adequate exposure on the types of offerings.

Other non-technical skills which require attention amongst graduates include negotiation skills and selling techniques, customer centric skills, team working and leadership skills. Graduates also lacked language proficiency, communications skills and professionalism. Therefore, banks are trying to include relevant courses in the graduate training programmes to address these issues. Graduate trainees are also taught how to effectively present themselves in a business context and articulate themselves better.

*“Entry level talent has to work on language skills and the ability to articulate problem statements and their solutions.”*

*- Interview findings*

**Figure 16: Technical and non-technical training are equally important for graduate trainees**





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# Talent practices across developed countries

*This section highlights the key talent practices in these three developed countries:*

- Hong Kong
- Singapore
- United Kingdom



## Hong Kong (HK) a hub for asset management, equity capital raising and offshore Renminbi (RMB) business

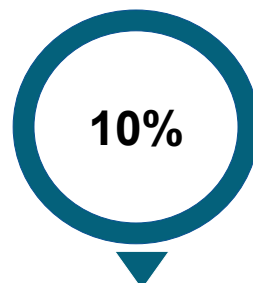
### Hong Kong – A hub for international operations

Hong Kong has one of the highest concentration of banking institutions in the world and has built its banking sector on high standards of market transparency and a highly supervised financial sector. In 2012, Hong Kong's banking sector contributed about 10% to its GDP. The banking sector also employed approximately 97,800 people which was about 3% of their total labour force<sup>23</sup>.

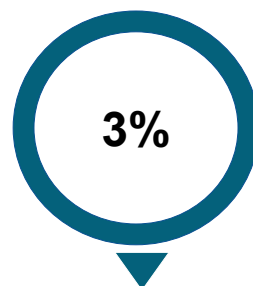
In 2013, there were approximately 263 authorised banks in Hong Kong comprising local and international banks<sup>24</sup>.

### Leading in asset management, equity capital raising and offshore RMB business

- Asset management – Hong Kong is the largest asset management centre in Asia. In 2012, asset management business was worth USD1,064 billion. Hong Kong attracted the largest amount of hedge fund managers and private equity funds in Asia to manage the assets of investors around the world<sup>25</sup>.
- Offshore RMB business – Hong Kong was the first market to conduct offshore RMB businesses and in 2007, it was the first place outside mainland China to develop an RMB bond market<sup>25</sup>.
- Equity capital raising – Between 2008 to 2012, USD143 billion was raised through Initial Public Offerings (IPO)<sup>26</sup>.



10%  
of Hong Kong's  
GDP is  
contributed by  
the banking  
sector



3%  
% of total labour  
force in the  
banking sector

23. HKTDC Research - Banking industry in Hong Kong

24. Hong Kong Monthly Digest of Statistics - The Financial Services Sector in Hong Kong

25. HKFSDC - Strengthening Hong Kong as a Leading Global International Financial Centre

26. HKFSDC - Hong Kong: China's Financial Centre



## Employing highly skilled and experienced banking workforce

Hong Kong's financial services sector workers are deemed to be highly skilled and qualified. Skilled industry labour of Hong Kong's financial services, consists of 38.2% managers and professionals in the financial services sector, which is more than double the figure of 18.4% for the economy as a whole<sup>27</sup>.

This suggests that there is a focus on developing Middle and Specialist level talent in Hong Kong. This provides a strong foundation to the banking sector as Middle and Specialist talent are instrumental in developing niche areas and also developing talent.

## Close partnership between banks and universities

Some large international banks in Hong Kong have also developed close partnerships with leading universities to develop specific banking courses designed to provide students with an understanding of practical banking operations.

Courses include comprehensive series of structured classroom lectures and interactive discussions with bankers. These courses offer an opportunity for students to gain insights and essential skill set required in today's real banking world, which are also important for the future career development of students. Other elements of the course include visits to banks' branch, mid-term tests and final presentation<sup>28</sup>.

## Developing talent through public private partnership

Hong Kong's Financial Services Development Council (FSDC) is an industry led body, which was set up in 2013 to oversee the development of the financial services sector including the talent development aspects.

FSDC aims to develop a sustainable talent model by establishing a public private partnership between industry and tertiary education sector to develop the right curriculum. This ensures graduates and industry practitioners are equipped to meet the continuous demand of the market<sup>29</sup>.

## Hong Kong Institute of Bankers (HKIB) providing continuous training

The Hong Kong Institute of Bankers (HKIB) works together with the FSDC with an aim to develop the talent in the banking sector.

The HKIB also focuses on continuous professional development programme which comprises professional examinations and training programmes. The professional examinations and training programmes drive talent with the essential skills and knowledge to enable them to 'fast-track' their management career<sup>29</sup>.

27. HKFSDC - Strengthening Hong Kong as a Leading Global International Financial Centre

28. Citibank - News release: Citibank launches Citibank University Banking Course with the University of Hong Kong

29. The Hong Kong Institute of Bankers




## Singapore is becoming a hub for wealth management products and services

### International banks play a bigger role in developing the economy and talent

In 2013, Singapore's financial services industry contributed to about 12% of Singapore's GDP. It also employed 5.5%<sup>30</sup> of the total workforce. Its supportive business environment attracted many multi-national banking and investment firms<sup>31</sup>. These international banks and investment firms apart from developing the economy, have strengthened the knowledge and skill set of the local market through building local capabilities.

### Singapore as a wealth management hub

The areas of global wealth management and fund management grew significantly in Singapore. Singapore's wealth management industry rose 22% in 2012 to SGD1.63 trillion and its share of global offshore wealth is expected to overtake Switzerland by 2020. A key reason for the growth of the wealth management sector in Singapore is funds flowing from its neighbouring countries such as Indonesia, the Philippines and Thailand which generate high levels of wealth<sup>32</sup>. As a result, there is a significant impact on the demand for talent with specific skill set related to wealth management to cater to the growing demand in this area.



12%

of Singapore's GDP is contributed by financial services



5.5%

of Singapore's total workforce is employed in the financial services

30. Contact Singapore - Careers@Singapore Financial Services

31. Janus Corporate Solutions - Singapore Economy: A brief introduction

32. International Business Times - Singapore, Now World's Fastest Growing Wealth Management Hub, Not Free From Tax Evasion And Other Crimes

Some of the key steps undertaken to develop talent in financial sector are as follows:

### **Financial support and knowledge transfer to develop capabilities**

The Monetary Authority of Singapore (MAS) established the Financial Sector Development Fund (FSDF) to promote Singapore as a financial hub and to develop skills and knowledge required by the financial services sector.

One of the grant schemes available under the FSDF is the Financial Training Scheme (FTS). It is a training incentive provided only to financial institutions, designed to encourage the growth of financial sector expertise. The objectives of FTS are twofold:

- It encourages the development of skills and capabilities of Singapore's financial sector workforce by providing financial support to Singapore based financial institutions
- It encourages transfer of knowledge into new banks with the aim to develop more sophisticated or specialist skill set<sup>33</sup>

### **Structured competency framework and accredited programmes**

The Financial Industry Competency Standards Training Scheme (FICS-TS) is another grant scheme under FSDF. The FICS-TS provides financial support for individuals or Singapore based financial institutions who are conducting training based on the Financial Industry Competency Standards (FICS) training and assessment programmes. The FICS provides a standard competency framework and ensures benchmarking of professional achievement to raise the standards of professionals in Singapore. Training and assessment programmes under the FICS framework are accredited by the Institute of Banking and Finance (IBF)<sup>34</sup>. With the implementation of the FICS accreditation and certification system, IBF's role involves ensuring a comprehensive quality assurance framework for financial sector professionals and training providers<sup>34</sup>.

### **Public private partnerships enhance skill development**

Banks in Singapore are taking conscious effort to work closely with public universities as part of a public private partnership. This is to better align the course syllabus taught at university level with the changing requirements of the banking sector.

For example, one partnership between a local bank and local university aims to raise the standards, knowledge and professionalism of private bankers. Through the FICS accredited programme, the local bank collaborated with the university to develop an advanced diploma qualification in private banking. Besides classroom training, the course also includes mentoring and tutoring by senior employees from the private banks<sup>35</sup>.

33. Monetary Authority of Singapore - Singapore Financial Centre: Skilled workforce

34. The Institute of Banking and Finance

35. United Overseas Bank partners Singapore Management University to elevate the professionalism of Private Bankers

# United Kingdom (UK) regaining momentum and focusing on talent

## An industry bouncing back from the financial crisis

The United Kingdom has been regarded as one of the world's top financial hubs where it is currently home to approximately 300 local and international banks which employ approximately 420,000 employees. According to IBISWorld (2013), the UK banking sector was worth GBP136 billion and experienced a Compound Annual Growth Rate (CAGR) of 6.3% from 2009 to 2013<sup>36</sup>.

## UK retail banks developing talent with advisory skills

To maximise the productivity levels Retail/Commercial banks in UK are focusing on developing the skill set of the existing talent. For example, UK Retail/Commercial banks are encouraged to train employees in the consumer division to explain their products and the associated risks. This includes training on advisory skills catering to specific customer segmented needs through cross-selling. With better trained employees, banks are avoiding defaults on their products and thus saving cost<sup>37</sup>.



CAGR of the UK banking sector



worth of the UK banking sector



Number of people employed in the UK banking sector

36. IBISWorld - Banks in the UK: Market research report 2013  
37. Bloomberg - U.K. Banks Cut 189,000 With Employment at Nine-Year Low

### **Focus on mobility to develop talent**

UK's matured banking sector is home to various headquarters of global banks. These global banks have undertaken various initiatives to attract global talent. These banks recruit the best employees who are well-versed in knowledge of local economies and global markets.

These banks also rotate their employees across various regional markets. This not only expands the horizon of the international employees but also assists in knowledge transfer between international and local talent.

### **Assimilating diverse talent into one culture**

Banks who hire global talent also promote a culture which is open, mobile and diverse. Defining and enforcing the right behaviours across the organisation helps banks to enforce the right behaviours that banks strive to achieve.

In addition to fitting into the global culture, these global banks also ensure their employees fit into the local culture in which the banks operate and serve the local community.

### **Re-designing rewards to drive the right behaviours**

Banks in the UK, after the financial crisis, were under heavy scrutiny with respect to their reward structure. Since then, new regulations have impacted the design of the reward structures in UK. These regulations brought about a lot of transparency on how the reward structures are designed and executed. Also in order to ensure that employees are cognisant of the various risk parameters and are ethical in their judgements, risk has become one of the key performance indicators.

## Key learnings from developed countries with regards to graduate training programmes



### Common practices across developed countries and Malaysia

Apart from the talent development initiatives, banks are also investing in graduate training programmes to nurture and develop the right talent. The following points highlight the similarities between Malaysian banks' graduate training programmes in comparison to practices in Hong Kong, Singapore and United Kingdom.

- **Regular job rotations** – On-the-job rotations are a norm with each graduate trainee having at least two rotations depending on the duration of the programme. This allows the trainees to have a more holistic view of the banks' different functional areas.
- **Regular evaluations** – The three developed countries and Malaysia put in place various performance evaluations methods (e.g. online tests, performance feedback, classroom examinations etc.) for their trainees to ensure constant monitoring and structured talent development.
- **Mentoring** – Majority of the banks graduate training programme incorporated some form of mentorship programme. However, actual practices of mentorship programmes may vary across banks.
- **Special assignments or case studies** – Special assignments and case studies enable trainees to experience the actual day-to-day work that employees undertake. This prepares the talent with the real life experiences before they commence their actual roles.
- **Training to develop technical and non-technical skills** – Banks in the three developed countries and Malaysia have also in place specific training to cater to the development of their trainees. Technical training includes introduction to the banks' products while non-technical training includes leadership and communication skills.

## Key learnings from developed countries with regards to graduate training programmes (cont'd)



### Learning from the developed countries

While Malaysia is generally on par with the three countries with regards to the components of graduate training programmes, some large and more established banks have unique components in their graduate training programme:

- **A stint of senior management shadowing** to allow graduates to learn the ropes from senior management. As a result, graduate trainees are able to learn from senior management on how to deal with day-to-day issues and business operations.
- **Multiple graduate training programmes** that cater to the specific functional areas (e.g. Risk Management, Compliance, Human Resources). Talent who undergoes this type of trainee programmes is given a head start to specialise in their chosen field. With the specialised training, talent is able to learn all facets of their expected roles and how this impacts their bank. In addition, they are also able to identify their strengths and weakness and ensure alignment of their interests to their chosen functional area. Although, some banks in Malaysia have some form of specialised graduate training programmes, this has yet to be a common practice.
- **Compulsory overseas rotations** to different operating countries within the banks' network. With this, talent is able to understand how banks operate in different markets. This serves as a learning opportunity for talent as they experience the different work environments and unique cultures via on-the-job training.

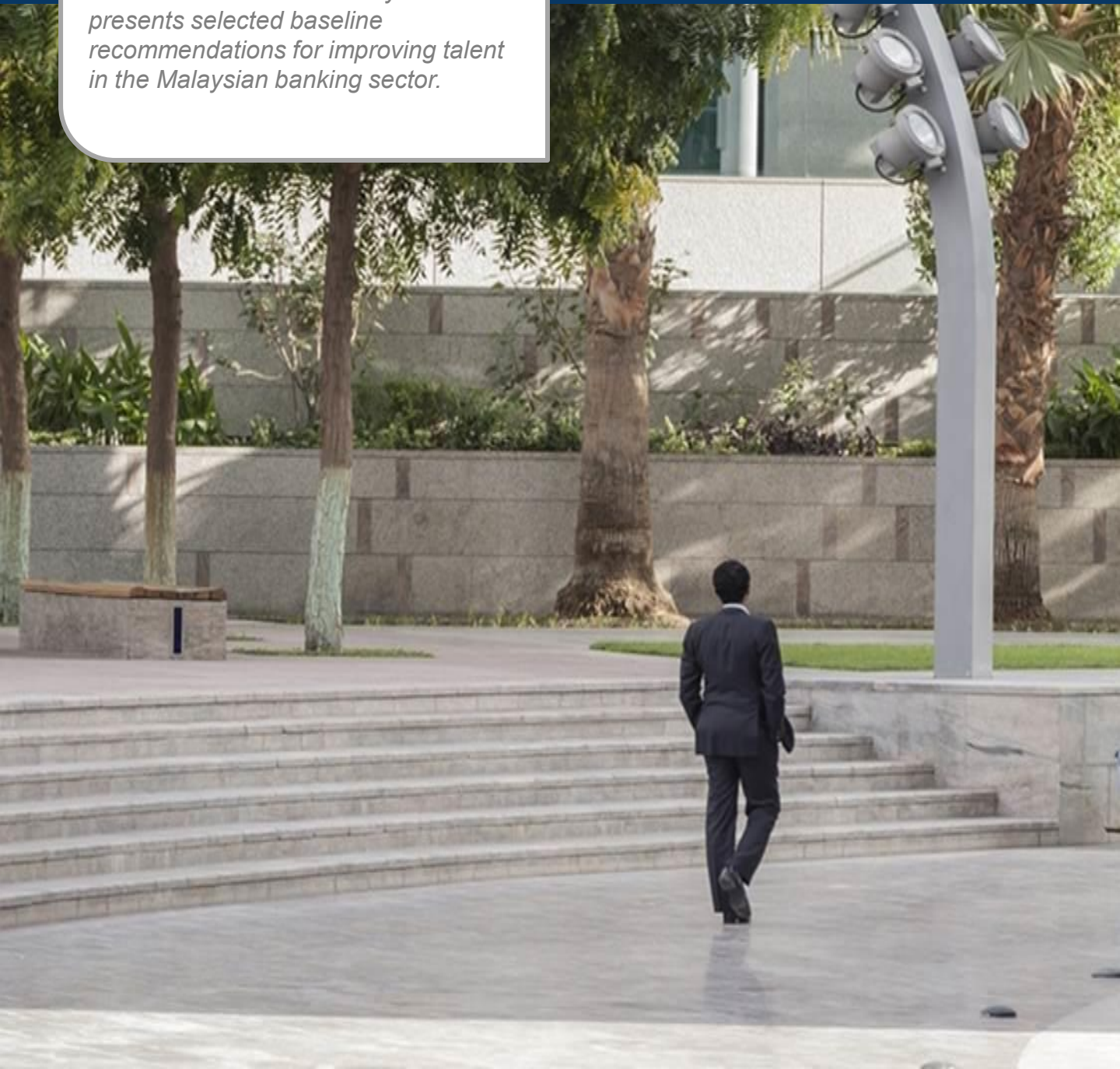






# Moving forward

*This section highlights the key observations from the Study and presents selected baseline recommendations for improving talent in the Malaysian banking sector.*



## What have we observed so far?

Malaysia has responded well to the changing banking sector, especially in the areas of risk, technology and changing demographics. However, to continuously succeed in the banking sector, the right set of talent which will assist in Malaysia's transition towards a high value and high income nation by 2020 is required.

Currently, banks are actively pursuing strategies to attract (e.g. good branding and remuneration etc.), retain (e.g. leadership and career development opportunities etc.) and develop (e.g. technical and non-technical training) the right talent to meet the growing demands of talent with the right capabilities and skill set.

While banks adopted varied strategies to stay ahead of the curve, Malaysian banks are faced with several key challenges as follows:

- **Talent is expected to manage risk more proactively** – The banking sector requires talent who can embrace the regulatory intent and take ethical and unbiased decisions, where regulatory compliance and conduct are embedded in everyday operations.
- **Technology changes will demand a new type of talent** – With technology constantly changing, it has become the potential enabler of increased service levels and reduced costs. Going forward, banks require talent who can quickly adopt to the technological requirements from strategy to execution.
- **Need for experienced talent and specialised skill set** – Greater demand for talent at the Middle and Specialist level who have significant experience in their respective functional areas. This is needed for the success of the banks as well as for developing banks' capability in niche segments.
- **Focus on structured technical and non-technical training** – To address the evolving requirements of the banking sector, talent needs to be trained on specialised technical skills. Simultaneously, they also require non-technical skills for the purpose of advising clients on the various products and services.
- **Demographic changes call for talent with ability to innovate** – With constant demographic changes, talent in the banking sector is expected to innovate and customise products and services to cater to the diverse requirements of their customers.

To address the above challenges, the banking sector collaboratively can undertake the following initiatives:

1. **Advancing talent management practices** – The shortage of skilled and experienced talent, coupled with diverse expectations of a multi-generational workforce put pressure on banks to invest in their talent management practices. There is also a need to develop talent continuously through a structured approach which focus on the needs of the bank.
2. **A shared responsibility** – To meet the shortage of specialised talent, banks are encouraged to collaborate with tertiary education institutions to ensure that the curriculum meets the practical skill set requirements. Additionally, banks should reach out within their banking groups and non-banking sectors to attract the right set of talent.
3. **IBBM, the driving force** – To meet the current and future skill set gaps, industry recognised training is required on both technical and non-technical skills. Furthermore, the introduction of recognised certifications ensure that qualified talent uphold the ethical standards, professionalism and credibility expected of a high performing talent.

## What can be done?



### 1 Advancing talent management practices

#### *Managing the multi-generational workforce*

#### **Banks to enhance their talent management by developing strategies to attract and retain talent.**

##### **Key action steps:**

- Individual bank to align their EVP with the bank's brand and talent management strategies. They have to ensure their strategies cater to the different employee segments based on demography (i.e. baby boomers, Gen-Y, Gen-X) or job levels.
- EVP has to be holistic and based on commonly followed good practices:
  - Career development opportunities – Transparent and structured career paths, complemented with customised training and developmental opportunities.
  - Branding – Strong and positive branding which is developed by long term investment in rightful practices for customers and talent.
  - Management culture – Strong leadership culture to lead the bank and its employees forward.
  - Monetary rewards – Fixed and performance-based monetary reward structure which is transparent and comparable to market practices.
  - Non-monetary benefits – Market competitive non-monetary benefits which are transparent and clearly communicated.
- Utilise technology to improve talent management strategies. For example usage of workforce analytics to develop effective talent management programmes and digital channels to enhance positive branding and presence of the bank.
- Evaluate the performance of the talent management strategies on a regular interval and update them as per the changing requirements of the bank and also employee segments.

##### **Key outcome:**

Enabling the banks to attract, retain and develop the right set of talent required to respond to the changing banking requirements and talent scarcity through strong talent management.

## What can be done? (cont'd)



### **1** Advancing talent management practices

*Focusing on depth, not breadth*

#### **Banks to develop talent in relevant functional areas through specialised training.**

##### **Key action steps:**

- Identify specialised functional areas which are currently facing or expect to face talent shortages in the future.
- Identify key areas of talent development for the specialised functional areas (e.g. Basel III or understanding of audit for talent in Risk Management, data analytics for talent in Strategy and Transformation etc.).
- Conduct training programmes either in-house or externally to develop talent with the specialised skill set.
- In-house
  - If training is required across the entire bank (e.g. business communication, risk in using social media etc.), it could be made compulsory as part of on-boarding programmes.
  - Develop specialised talent through graduate training programmes or apprenticeships. Banks to offer high potential graduates professional, on-the-job training in specialised functional areas to guide them towards achieving professional qualifications.
- Externally
  - Banks could also collaborate with specialised sectors (e.g. audit firms, law firms etc.) to establish temporary talent exchange programme to develop talent through on-the-job experience.
- Since the specialised training involves additional costs, banks should retain the trained employees through an employment bond for a certain duration to reap the adequate benefits.
- To leverage on economies of scale, training could be imparted through online channels (wherever possible). This allows training to be done remotely and at the preferred schedule of participants.
- Implement regular monitoring and feedback measures to ensure the effectiveness of the training programmes and to address any potential issues.
- Link the training programmes with individual performance metrics to motivate talent to attend these programmes.

##### **Key outcome:**

Addressing the issue of specialised talent shortage and enabling talent to work efficiently and contribute to the changing demands of the banking sector.

## What can be done? (cont'd)



### **1** Advancing talent management practices

*Progressing on the right track*

#### **Develop talent continuously through Continuous Professional Development (CPD).**

##### **Key action steps:**

- Individual banks in Malaysia to identify the areas that require CPD programmes for talent development.
- Banks to select relevant training/certifications within the identified areas, based on job functions and levels. Training programmes could be in the following forms:
  - Specialised training programmes – Talent to undergo specialised technical or non-technical training, which are customised to the specific business requirements of the bank or (e.g. financial analysis for regulatory capital, leadership for management etc.).
  - Certification programmes – Talent to attend accredited certification programmes which are relevant, credible and recognised (e.g. CB, PCC, PKMC etc.)<sup>38</sup>.
- Ensure the effectiveness of CPD programmes through regular monitoring and feedback measures.
- Banks to develop policies to support and encourage attendance at CPD programmes (e.g. programme sponsorships, flexible work arrangements for training, recognition and reward for attendance etc.).
- Link CPD programmes with individual performance metrics to motivate talent to attend these programmes.

##### **Key outcome:**

Strengthening the focus on CPD programmes will keep the talent up-to-date with the required knowledge and skills which are aligned to the banking needs. This also prepares talent for changing roles and responsibilities as well as develops competence in specific areas.

38. Refer to Appendix 2 for full form of accreditations



## What can be done? (cont'd)



### 2 A shared responsibility

*Starting with the end in mind*

#### **Banks to enhance collaboration with universities in curriculum development.**

##### **Key action steps:**

- Key players of the banking sector to enhance collaboration amongst themselves to identify gaps in skill set amongst the existing pool of fresh graduates.
- Banks to continue working with various academic advisory councils to jointly identify gaps in current curriculum both in terms of technical and non-technical courses.
- Jointly redesign the curriculum to continue to address the skill set requirements with a focus on areas driven by market demand. Curriculum may include structured classroom trainings that include modules such as consumer banking, investment and corporate banking, technology in banking, risk management etc.
- Revisit the curriculum at regular intervals to ensure alignment to the changing requirements of the banking sector.

##### **Key outcome:**

Developing the right curriculum will assist in bridging the gap between university courses and what is required by the banks.

#### **Banks to enhance current structured internship programmes with universities.**

##### **Key action steps:**

- Universities to continue embedding structured internship programme into their existing curriculum.
- Banks and universities to increase collaboration in selecting students for internship programmes.
- Assessment of selecting students may include written assessment, individual interview, group interview etc.
- Length of internship to range from 10 to 12 weeks and could include on-the-job rotation, formal classroom training, training on technical and non-technical skills etc.
- Banks to ensure mechanisms to monitor that the internship is fruitful to both students and banks.
- Students' performance to be closely monitored by banks (through formal evaluation) and universities.
- Successful interns could be offered a job in the banks or recruited for their graduate training programmes.

##### **Key outcome:**

Providing students with real life exposure via internship programmes to various functional areas in banks and type of work done will mitigate mismatch in expectations of talent and also assisting banks in choosing the right set of talent.

## What can be done? (cont'd)



### 2 A shared responsibility

*Reaching out for the best*

**Large banking groups to implement employee exchange programmes within their own banks.**

**Key action steps:**

- Develop policies to exchange employees across bank types, functional areas and regional operations within the banking group.
- Identify talent who are high-potential and are willing to be developed professionally through exchange programmes.
- Implement employee exchange programmes to ensure business requirements are met and develop talent.

**Key outcome:**

Enabling high performing talent to progress on their learning curve by being exposed to other functional areas or regional operations. This also improves employee engagement as the exposure received helps in their career development.

**Banks can attract specialised talent from other sectors to manage the talent demand.**

**Key action steps:**

- Identify the functional areas (e.g. Risk, Legal, IT, HR, Marketing etc.) or specific specialist roles (e.g. Basel III specialists, specific industry lawyers, data miners, HR data analysts, brand managers etc.) that can be sourced from other sectors.
- Identify industry sectors (e.g. regulators, technology, professional services etc.) where banks could hire talent from.
- Design customised talent attraction and retention programmes to increase the attractiveness of the sector amongst this category of talent. These talent programmes could include special joining bonus or tenure-linked rewards. These programmes will ensure retention of the specialised talent who can then impart knowledge and develop talent segments.
- Train talent from other sectors through upskilling or reskilling them. The training could focus on informing the talent on various bank products and services and also how their specialised skills could be utilised in the bank (e.g. Data miners need to be informed or trained on various regulations which impact their work in banks etc.).

**Key outcome:**

Addressing the growing demand of specialised talent as this enables recruiting well rounded talent from other sectors which brings fresh perspective.

## What can be done? (cont'd)



### 3 IBBM, the driving force

***Spearheading talent development***

### **Establishing a dedicated banking institute as a platform to develop talent across the sector.**

#### **Key action steps:**

- Develop the vision, mission and strategy of the dedicated banking institute and its governance mechanism, highlighting the key roles and responsibilities.
- The dedicated banking institute to conduct the following activities:
  - Training
    - Conduct technical and non-technical training to keep the talent up-to-date with the various requirements of the banking sector.
    - Utilise multiple channels (e.g. technological platforms, class room training, workshops, industry seminars etc.) to impart training.
    - Ensure training curriculum is in line with core industry competencies and requirements. The training could be to address each individual bank's unique requirements or to the overall banking sector's requirements. Some of the multi-disciplinary topics important for the banking sector to deliver a comprehensive learning experience include banking and strategy, project management, finance and accounting, sales force effectiveness and IT management.
    - Training curriculum to be regularly reviewed and enhanced to ensure relevance.
    - Wherever possible ensure that the training programmes are aligned to professional standards.
  - Research
    - Research on key trends impacting the banking sector globally and how they may impact the Malaysian banking sector (e.g. Implementation of Basel III and preparedness of Malaysia for the same) and develop thought leadership or organise industry seminars to present the research findings.
    - Establish partnership with universities, industry networks and regional partners to collaborate on research and share technical expertise.

#### **Key outcome:**

Allowing training to be provided and research to be conducted on relevant and latest areas through a dedicated banking institute to address talent development requirements of the banking sector. The existence of this setup will also provide an avenue for banks to send their employees for training and to fulfil the sector's talent needs.

## What can be done? (cont'd)



### 3 IBBM, the driving force

***Taking  
professionalism to  
the next level***

**Develop talent through certifications through an independent certification body.**

**Key action steps:**

- Banks in Malaysia along with an accredited certification body to identify the areas (e.g. Finance, Risk, Internal Audit, Credit etc.) which require certifications for developing talent. The certifications could cover various CPD programmes.
- IBBM to identify the minimum requirements (e.g. number of training hours, years of experience, courses for training etc.) for granting certifications.
- These minimum requirements to be communicated to professional institutes to develop relevant training programmes that meet the certifications criteria.
- The professional institutes to ensure that the training programmes meet accredited certification body's requirements, regionally recognised and meet the banking sector's current and future requirements.
- Banks to motivate employees to get accredited by linking their performance to the outcome of the certification programmes.

**Key outcome:**

Establishing an independent accreditation body will elevate the quality of talent and build accountability which will bring a positive contribution to the banking sector.



# Appendices

- *About the Study*
- *Glossary*
- *Definition of job levels*
- *Study coverage*
- *List of participating banks*
- *Survey outcomes*





# Appendix 1: About the Study

The following presents the background, objectives and approach of this engagement:

## Key highlights of the Study

The Study aims to draw insights on emerging trends impacting talent needs and key skill requirements of local talent. The Study also examines talent shortage issues, attraction and retention practices and provides effective recommendations in addressing the talent challenges and issues.

The Study's findings were based on the following four-step approach:

- **Desktop research** – Gained understanding of the global and domestic trends relating to industry and talent. Conducted research of the selected countries for comparison on the overview of various graduate training programmes.
- **Surveys** – Collected data on emerging trends and its implications on talent, talent landscape, attraction and retention factors, insights on training programmes and recruitment and attrition trends.
- **Interviews** – Obtained greater depth and insights to understand emerging industry trends experienced by individual banks as well as talent shortage issues and reasons
- **Workshops** – Presented findings from survey and interviews and jointly develop recommendations for the identified talent issues with industry players

These findings were consolidated to form this report.



56% survey  
response rate

### Surveys

*Who were the survey participants?*

*Business heads, representing each functional area<sup>39</sup> across the 4 bank types and Strategic supporting services were key participants for the survey. A total of 590 surveys were sent and the survey achieved a 56% response rate.*

*What was the survey?*

*5 unique surveys catering to Retail/Commercial, Investment, Islamic and Development banks and Strategic supporting services via online distribution.*



16 interviews

### Interviews

*Who were the interviewees?*

*13 C-suites representing each bank type were interviewed. In addition, interviews with 3 Heads of HR were included as part of the interview process to obtain more insights.*



34 workshop  
participants

### Workshops

*Who were the workshop participants?*

*Head of HR were the majority of the participants for 2 half day session workshops.*

39. Kindly refer to Appendix 4 for the details of the Study's coverage

## Appendix 2: Glossary

The following table presents the abbreviations used throughout the report:

Abbreviation	Full term
ACCA	Association of Chartered Certified Accountants
AMLATFA	Anti-Money Laundering and Anti-Terrorism Financing Act (2001 )
BCM	Business Continuity Management
BNM	Bank Negara Malaysia
CAGR	Compound Annual Growth Rate
CB	Chartered Banker qualification
CEO	Chief Executive Officer
CFA	Chartered Financial Analyst
CIMA	Chartered Institute of Management Accountants
CISA	Certified Information Systems Auditor
CISM	Certified Information Security Manager
CMMI	Capability Maturity Model Integration
COBIT	Control Objectives for Information and related Technology
CPA	Chartered Professional Accountant
CPD	Continuous Professional Development
CR	Corporate Responsibility
DFIA	Development Financial Institutions Act (2002)
EVP	Employee Value Proposition
FATCA	Foreign Account Tax Compliance Act
FCIBT	Fundamental Certificate in Islamic Banking and Takaful
FICS	Financial Industry Competency Standards
FICS-TS	Financial Industry Competency Standards Training Scheme
FMCG	Fast Moving Consumer Goods
FSA	Financial Services Act (2013)

## Appendix 2: Glossary (cont'd)

The following table presents the abbreviations used throughout the report:

Abbreviation	Full term
FSB	Financial Sector Blueprint
FSDC	Financial Services Development Council
FSDF	Financial Sector Development Fund
FTS	Financial Training Scheme
GBP	Great Britain Pound
GDP	Gross Domestic Product
Gen-X	Generation X
Gen-Y	Generation Y
Government	Government of Malaysia
GST	Goods and Services Tax
HKFSDC	Hong Kong Financial Services Development Council
HKIB	Hong Kong Institute of Bankers
HKTDC	Hong Kong Trade Development Council
HR	Human Resources
IBBM	Institute of Bankers Malaysia
IBF	Institute of Banking and Finance
ICAEW	Institute of Chartered Accountant in England and Wales
Iclif	The Iclif Leadership and Governance Centre
IFP	Islamic Financial Planner
IFRS 9	International Financial Reporting Standard 9
IFSA	Islamic Financial Services Act (2013)
IPO	Initial Public Offering
IT	Information Technology
ITIL	Information Technology Infrastructure Library
KYC	Know Your Customer

## Appendix 2: Glossary (cont'd)

The following table presents the abbreviations used throughout the report:

Abbreviation	Full term
MAS	Monetary Authority of Singapore
P2P	Person-to-Person
PCC	Professional Credit Certification
PDPA	Personal Data Protection Act (2010)
PKMC	Pasaran Kewangan Malaysia Certificate
PMP	Project Management Professional
PRINCE2	Projects in Controlled Environment
RM	Risk Management
RMB	Renminbi
SGD	Singapore Dollar
UK	United Kingdom
USD	United States Dollar

# Appendix 3: Definition of job levels

The following table provides the definition of Entry, Middle, Senior and Specialist level, used throughout the report:

Bank type	Functional area
Entry level	<b>Entry level</b> employees are defined as those who report directly to Middle management. Key responsibilities include executing of key directives provided by the Middle management as well as providing support for implementation of strategic objectives. Positions include executives to assistant managers.
Middle level	<b>Middle level</b> employees are defined as those who report directly to Senior management. Key responsibilities include implementing of strategic objectives and managing day-to-day operations.
Senior level	<b>Senior level</b> employees are defined as those who report directly to C-suites. Key responsibilities include developing and leading the overall strategy and ensuring its implementation.
Specialist	<b>Specialist</b> are defined as those who are responsible for advising in niche areas or have specific technical knowledge which caters to the bank's requirement.

# Appendix 4: Survey coverage

The following table presents the bank type, along with their respective functional areas:

Bank type	Functional area
Retail/ Commercial banks	<div>1. Corporate Banking</div> <div>2. High-Net-Worth (HNW) and Affluent Banking</div> <div>3. Retail/Consumer Finance</div> <div>4. Treasury<ul style="list-style-type: none"><li>• Debt Capital Markets</li><li>• Foreign Exchange (FX) sales and trading</li><li>• Equity Derivatives</li><li>• Commodities</li></ul></div>
Investment banks	<div>1. Corporate Banking</div> <div>2. Corporate Finance</div> <div>3. Stock Broking</div> <div>4. Transaction Banking<ul style="list-style-type: none"><li>• Trade Finance</li></ul></div> <div>5. Treasury</div>
Islamic banks	<div>1. Islamic Product Development</div> <div>2. Islamic Retail</div> <div>3. Islamic Treasury</div> <div>4. <i>Shariah</i> Management</div>
Development banks	<div>1. Business Banking</div> <div>2. Corporate Banking<ul style="list-style-type: none"><li>• Project Financing</li></ul></div>
Strategic supporting services	<div>1. Compliance</div> <div>2. Group Finance</div> <div>3. Human Resource</div> <div>4. Information Technology</div> <div>5. Internal Audit</div> <div>6. Risk Management</div> <div>7. Strategy and Transformation</div>



Appendix 5:  
List of participating  
banks

The following table presents the list of banks who participated in the Study:

List of participating banks	
1	Affin Bank Berhad
2	Affin Investment Bank Berhad
3	Affin Islamic Bank Berhad
4	Al Rajhi Banking & Investment Corporation (Malaysia) Berhad
5	Alliance Bank Malaysia Berhad
6	Alliance Investment Bank Berhad
7	Alliance Islamic Bank Berhad
8	AmBank (M) Berhad
9	AmInvestment Bank Berhad
10	Asian Finance Bank Berhad
11	Bangkok Bank Berhad
12	Bank Islam Malaysia Berhad
13	Bank Kerjasama Rakyat Malaysia Berhad
14	Bank Muamalat Malaysia Berhad
15	Bank of America Malaysia Berhad
16	Bank of China (Malaysia) Berhad
17	Bank of Tokyo-Mitsubishi UFJ (Malaysia) Berhad
18	Bank Pembangunan Malaysia Berhad
19	Bank Pertanian Malaysia Berhad (Agrobank)
20	Bank Simpanan Nasional

Appendix 5:  
List of participating  
banks (cont'd)

The following table presents the list of banks who participated in the Study:

List of participating banks	
21	BNP Paribas Malaysia Berhad
22	CIMB Bank Berhad
23	CIMB Investment Bank
24	CIMB Islamic Bank Berhad
25	Citibank Berhad
26	Deutsche Bank (Malaysia) Berhad
27	Export-Import Bank of Malaysia Berhad (EXIM Bank)
28	Hong Leong Bank Berhad
29	Hong Leong Investment Bank Berhad
30	Hong Leong Islamic
31	HSBC Bank Malaysia Berhad
32	HwangDBS Investment Bank Berhad
33	India International Bank (Malaysia) Berhad
34	Industrial and Commercial Bank of China (Malaysia) Berhad
35	J.P. Morgan Chase Bank Berhad
36	Kenanga Investment Bank Berhad
37	Kuwait Finance House (Malaysia) Berhad
38	Malayan Banking Berhad
39	Maybank Investment Bank Berhad
40	Maybank Islamic Berhad

Appendix 5:  
List of participating  
banks (cont'd)

The following table presents the list of banks who participated in the Study:

List of participating banks	
41	MIDF Amanah Investment Bank Berhad
42	National Bank of Abu Dhabi Malaysia Berhad
43	OCBC Al-Amin Bank Berhad
44	OCBC Bank (Malaysia) Berhad
45	Public Bank Berhad
46	Public Investment Bank Berhad
47	RHB Bank Berhad
48	RHB Investment Bank Berhad
49	RHB Islamic Bank Berhad
50	Small Medium Enterprise Development Bank Malaysia Berhad (SME Bank)
51	Standard Chartered Bank Malaysia Berhad
52	Standard Chartered Saadiq Berhad
53	Sumitomo Mitsui Banking Corporation Malaysia Berhad
54	The Bank of Nova Scotia Berhad
55	The Royal Bank of Scotland Berhad
56	United Overseas Bank (Malaysia) Berhad





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