Speech by Puan Nora Abd Manaf, Group Chief Human Capital Officer of Maybank and President of MCBA at MCBA 54th Annual General Meeting on 24 August 2016 (Wednesday) at 9.30 a.m. at Inter-Continental Hotel

Mr. YY Lam
Executive Director of MCBA

Senior Management of member banks

Members of the MCBA Executive Committee

Colleagues, Ladies and Gentlemen,

Assalamualaikum warahmatullahi wabarakatuh, Salam Sejahtera, and good morning.

On behalf of the Executive Committee of the Malayan Commercial Bank's Association (MCBA), welcome to the 54th Annual General Meeting of the MCBA.

Let me first welcome our new members who have come on board in recent months. They are Ms. Florence Foo Wen Shin of Standard Chartered Bank, Ms. Kok Lai Ching of OCBC Bank, Ms. Marcela Mihanovich of Citibank, and Puan Azliza Abdul Rahman of Bank Muamalat. Their presence, as well as each and every one of you here, reaffirms our strong commitment to work together, to strengthen MCBA in its pivotal role to the Banking Industry as well as in the wider nation-building.

Over the years, it is the unity and collective efforts of all members that have enabled MCBA to play our role effectively, to contribute to the growth of the financial services sector. The finance sector plays a strategic role as an engine of growth for our economy. It is critical that we work together to bring our industry to the next level of growth.

Ladies and Gentlemen

Before I touch on some of the key economic developments and MCBA's achievements last year, let us take this opportunity to record our appreciation to the former Governor of Bank Negara Tan Sri Dato' Sri Dr Zeti Akhtar Aziz who retired in April this year. During her illustrious 35 years in service at Bank Negara, of which 16 years she served as the Governor, she has contributed enormously to providing stability in the banking industry. We'd also like to express support and confidence for the new Governor, Datuk Muhammad Ibrahim, and wish him every success.

How time flies! It's only another four months until 2016 ends. 2016 is a leap year, a summer Olympics year, a US presidential election year, HRH Queen Elizabeth turned 90, there was Brexit, Datuk LCW's Olympic medal pursuit that united Malaysians, the new MACC chief's swift actions almost immediately after being sworn in, and…. And then there is the Mike Duffy trial – a drama of charges of fraud, breach of trust and bribery. It has been an eventful year thus far to say the least, on the global, regional and domestic front that continue to impact, influence and shape our industry today and in the future.

For MCBA since our last AGM, it had been a demanding yet meaningful year on the industrial relations front. I say this because for during the period under review, we negotiated successfully and concluded amicably all the four collective agreements respectively with ABOM, SBEU Sarawak, NUBE and SBEU Sabah.

I wish to acknowledge that the settlement of these four CAs was also achieved within record time. For example, in the case of NUBE, we only had five rounds of negotiation. We were able to come to an amicable compromise and resolve all differences, within a period of just two months – never before.

The early settlement of CA renewals, has contributed positively in creating a conducive and harmonious industrial relations environment in the banking industry that is certainly not spared the economic headwinds. Thank you once again to all parties for displaying professionalism, maturity and foresight in the CA.

On the concluded CAs, I have on other past occasions already highlighted the gist of the revisions made to the various collective agreements. These revisions have already been fully implemented for several months now. The early settlement of the CAs and in general a minimum pay adjustment and revision of at least 10%, amongst others are by any measure, not a small feat.

For these achievements, I wish to take this opportunity to thank the following individuals who had led the various CA negotiations to fruition.

These individuals are, in alphabetical order, Encik Abdulalim Zakaria of Affin Bank Berhad, Mr. Chua Kim Lin of CIMB Bank Berhad, Mr. Daniel Cheah Cheng Hai of Hong Leong Bank Berhad, Mr. YY Lam of MCBA, Mr. Looi Heong Meng of Maybank, En. Muhammad Rawi Abdullah of Standard Chartered Bank Malaysia Berhad, Mr. Sathiabalan Selvaraju of Alliance Bank Berhad and, En. Sa'aidun Sa'aid of RHB Bank Berhad. En. Sa'aidun had since retired from service and we wish him all the best.

I'd like to thank the Council of The Association of Banks in Malaysia (ABM) for approving the renewal of these collective agreements. The Council Members of ABM have always been supportive and encouraging at all times

The early settlement timeframe is a welcome trend that augurs well for all parties. Let us continue to ensure that all stakeholders work within a set of agreed rules and with a set of common purposes and objectives to maintain industrial peace and harmony as well as achieve mutually beneficial outcomes for all. We hope to see this as a norm moving forward so that every stakeholder can quickly shift gear and focus their efforts to deliver on their respective organisation's objectives. After all, if we return commendable performance, we will reap the rewards.

Ladies and Gentlemen

We must be cognisant that the challenges ahead for us continue to be very much influenced by our environment and external factors. The foreseeable industrial relations landscape in the years to come may in all likelihood be influenced by external factors.

Top on the list is the increasingly challenging economic and business environment.

At the macro level, the outlook for the global economy remains volatile. Growth is expected to stay below par, dogged by uncertainty. According to the World Bank's latest update of its Global Economic Prospects report in June, it has downgraded its 2016 global growth forecast to 2.4% from the 2.9% pace projected in January.
This downgrade was due to a sluggish growth in advanced economies, stubbornly low commodity prices, weak global trade, and diminishing capital flows.

The low energy and commodity prices will impact oil and commodity exporting economies, Malaysia included. Commodity-importing markets and developing economies that are more resilient than exporters will see a modest growth and re-forecast to expand at a 5.8% rate in 2016, a small drop from the 5.9% pace estimated for 2015.

In the Eurozone, the results of the recent Brexit referendum on June 23 is still being worked out. Market analysts warned that the Brexit fallout has yet to fully unfold and the months ahead will continue to be uncertain. What does seem to be certain is the anticipated adjustments to labour and immigration.

The IMF and World Bank share similar sentiments of the type of risks in the current environment of weak growth. The World Bank's June report said that in an environment of anaemic growth, the global economy faces pronounced risks. The risks, I quote, "include a further slowdown in major emerging markets, sharp changes in financial market sentiment, stagnation in advanced economies, a longer-than-expected period of low commodity prices, geopolitical risks in different parts of the world, and concerns about the effectiveness of monetary policy in spurring stronger growth."

Malaysia being a highly open economy, cannot shield itself from these external headwinds. When the external economic environment deteriorates, particularly when it affects our major trading partners, it will ultimately assert downward pressure on Malaysia's growth prospect.

The regional outlook where many of our members have a footprint will also be subdued. Growth in the East Asia and Pacific region is projected to slow to an unrevised rate of 6.3% in 2016. The region excluding China is projected to growth at 4.8% in 2016, unchanged from 2015. China's GDP is forecasted to lower to 6.7% this year, as compared to 6.90% last year. Domestic investment will continue to support growth in the ASEAN region, while low commodity prices will benefit the economies of Thailand, the Philippines and Vietnam.

The Asean Economic Ministers meeting in Laos this early August issued a statement that economic growth in the ASEAN region is expected to dip from 4.7% last year to 4.5% this year. The region remains exposed to continued moderation of growth in China, as well as uncertainties of Brexit.

At home, the Malaysian economy continues to be affected by external factors. Last week's Bank Negara Malaysia's reported that despite the increasingly challenging outlook ahead, growth this year will achieve within the target of 4%-4.5%, in 2015, our GDP was 5.0%. It reported that in line with market expectations, Malaysia's economic growth had I quote, "slowed to its slowest in seven years at 4% during the April-June quarter of 2016 from 4.2% in the preceding quarter. On a cumulative basis, Malaysia's GDP grew 4.1% in the first six months of 2016, compared with 5.3% in the corresponding period last year. Stronger expansion in domestic consumption and domestic investment are factors that were the saving grace for the country's economy."

If uncertainties continue, some analysts, as reported in the Edge, even positioned that Malaysia may be heading towards a 3.7% economy – that is 3.7% GDP growth, 3.7% inflation and 3.7% fiscal deficit.

Ladies and Gentlemen

As the performance of banks are closely linked with the economic growth of the country, our industry will be impacted. According to banking analysts, margin compression, slower loan growth, upturn in credit costs and lacklustre capital market activities would continue to be a *drag on the sector's performance. This is evident from the decreased growth of profits and diminishing ROE, which averaged about 11% industry wide, as compared to 15% in 2010.*

Cost-to-income ratio remains a concern and is creeping up with most banks exceeding 50%. Lending wise, moderation in loan growth is seen from mid to single-digit growth (around 6%) versus the historical high single-digit to low double-digit levels. And, similar trends are seen for deposits. The recent BNM reduction of 25 basis point revision of the Overnight Policy Rate will likely result in further margin compression for the banks.

Given the unpredictable financial market upheavals, volatility will persist. Therefore, what does the immediate future hold for us? The consensus view is that things will get worse before they get better. So we need to brace ourselves and take positive steps to ensure sustainability of our business.

Ladies and Gentlemen

Besides challenges on the economic and business front, there are of course disruptors brought on by digitization.

It is the evolving present landscape brought about by advances in technology that are changing the world and shaping our future. These and globalisation are here to stay, impacting beyond than just business. We are also talking about an increase in movements of people, ideas, information as well as influencing livelihoods, lifestyle and cultures.

At the same time, statistics also tell us that the Millennial population is the majority in this part of the world. It is estimated that by 2025, the Millennial will comprise 75% of the global workforce. In ASEAN alone, a staggering 60% are Millennials. Their dominance will affect the way of work and the workplace in the future.

The successes of new business like Amazon, Uber and Airbnb, give us a glimpse of the future of businesses, and the workplace of the future. Mahatma Gandhi said wisely, "The future depends on what you do today."

Already the workplace are seeing rules, methods and approaches corresponding and responding to the new normal expectations. A hybrid between the traditional and a flat project-based approach has emerged. Staff's expertise is not tied to one job, but can be assigned to different projects with different timeframes and reporting to different managers in a normal 12 month period. That will be the new normal, whether or not we like it.

Pay for performance will take a new form as the rigid 12 months performance goal setting time-horizon shifts. Appraisal is being replaced by more dynamic methods of performance influencing. This enables the changing structure of work as teams and projects work based on different goal timeframes that can range from a few days, weeks to a few months. Since 2015, global organisations such as Accenture, Deloitte, Microsoft and General Electric have adopted the different approaches to performance appraisal.

The digital bank is here to stay as digitisation is becoming a part of the DNA in our workplace and lives. The latest game craze Pokermon GO is a reminder of how the trends and shifts we encounter have an immediate impact on all of us, as individuals or at the organisational level. We need to constantly be prepared to change, or be at the risk of becoming irrelevant. The lessons of collapsed renowned brands are stark reminders of the consequences of failure to change quickly and adapt to the environment.

There is an urgency for an even more rapid, accelerated need for individuals and businesses to plan and execute well to stay ahead of the curve. And, I have not even started on the subject of the future workforce and workplace with artificial intelligence.

Ladies and Gentlemen

We need to work together to find breakthroughs that make us relevant and successful in the future. More importantly, to be a change capable organisation that is truly agile, resilient, solution oriented, nimble and adaptive to the fast changing environment. This applies to businesses and their co-partners such as the unions. And, the players in the banking industry are already undertaking their respective change and transformative initiatives programmes, to reengineer their business model, improve productivity and operational efficiency to meet the needs of their stakeholders. Improvements in productivity and operational efficiency through Fintech and job redesigning to optimise output across the board will be the new normal for the banking sector.

It is therefore more critical than ever to upskill the workforce to prepare them to be future ready. Learning and development programmes nurture staff to take on stretch or new roles as well as beyond business needs to larger skill sets that offer mobility and multiple pathways in their careers.

I am pleased that the unions are working with the banks to together take a leap of faith to invest in the future of Banks and the workforce. This includes adopting a variable pay for performance bonus to enhance productivity of staff and allowing their members to take on new roles such as sales.

MCBA looks forward to continued strong partnership with the unions as we navigate through unchartered territories into the future and take the necessary actions to sustain livelihood. And as John Scully, former CEO of Pepsi and Apple once said "The future belongs to those who see possibilities before they become obvious."

Ladies and Gentlemen

Without being an alarmist, I think it is very necessary for me to alert member banks of the next big thing to come that will change the landscape of industrial relations in the banking industry and the country.

This is the imminent implementation of the changes as required in the Labour Chapter under the Trans-Pacific Partnership Agreement (TPPA). Malaysia signed it on 4 February 2016. Under the TPPA, Malaysia is given up to two years to amend, introduce and realign its relevant laws and practices to be in line with the terms of the TPPA.

As details on this matter have been mentioned in the EXCO's Annual Report, I would not want to repeat them again, but I would like to highlight just two important possibilities.

One, under the TPPA, the Labour Chapter which stipulates freedom of association in line with the ILO convention, will allow the formation of "general unions". This means in broad term, any worker may join any trade union or unions regardless of his trade, occupation, industry and "capacity". This also may mean a manager and a non-executive employee may therefore be members of the same union.

Two, the current restrictions imposed on the union for initiating and conducting a strike may be wholly removed, thus making it easier for unions to go on strike as a means to back their demands.

We are given to understand that the Ministry of Human Resource is consciously working to amend at least 8 different labour-related Acts to comply with the requirements of the Labour Chapter and the TPPA. These changes will be referred to Parliament to be enacted as federal laws before February 2018.

The implications of these changes are extensive and serious. The rules of the game will change drastically. Traditional mind-sets have to change.

As we get more information regarding the potential changes in the months to come, we will need to identity their implications and map out appropriate responses and strategies in consultation with member banks so that every one of us will be better prepared to deal with the associated risks and opportunities.

Ladies and Gentlemen

We are due for another election of EXCO this year and the elected EXCO member banks will hold office to serve you for a two-year term from 2016/2017 to 2017/2018. To the present set of EXCO, I wish to record our heartfelt gratitude and appreciation for your dedication and contribution.

I am happy that all of the existing EXCO member banks have offered to be re-elected. This is a remarkable showcase of true leadership among our members that we are all proud of. Let us give them a hand of applause.

I am delighted that we have 7 member banks wanting to vie for the 6 EXCO positions. Thank you to all, for willing to take up the challenge to lead the Association. Regardless of the outcome of the election, do bear that in mind, even if you are not elected this time around, there is always the second and subsequent times for you to re-enter the fray. As an inclusive Association, we have ample opportunities for every one of the member banks to contribute and play an active part, even if they are not in the elected EXCO.

With all sincerity, I wish to thank Affin Bank, CIMB Bank, Hong Leong Bank, Maybank, RHB Bank and Standard Chartered Bank which made up the EXCO for their excellent contribution to the Association for the last term, and we look forward to their continued support to lift MCBA to the next level of excellence.

I am happy to mention that, as part of their professional development and as a token of the Association's appreciation for their contribution over the years, we have sponsored all of them, either partly or fully, to attend the International Labour Conference in Geneva. The recent conference was held in May/June 2016 where 4 EXCO members attended as representatives of the employers' delegates. To reciprocate for their commitment, we will continue to ensure that they will be recognised and rewarded in one way or another.

Ladies and Gentlemen

Last but not least, I wish to thank all member banks of the Association for your strong support and cooperation which they have never failed to provide. I am also grateful to all secretariat staff who have been faithfully and conscientiously taking care of the day-to-day operations of the Association.

The high level of support given by the member banks, the secretariat staff and EXCO members was so evident in the recently held charity initiative, in the form of a seminar, entitled "I choose to be different". This CSR initiative generated a sum of RM10, 000, which the Association had donated just before Raya to very poor needy families through a charity organisation called the Community at Heart.

We are encouraged by the responses of member banks in this event and are confident that you will continue to demonstrate the same if not higher level of support to the Association in guarding the interest of member banks.

On this note, thank you again for your presence. We will now continue with the next item set out in the Agenda.