

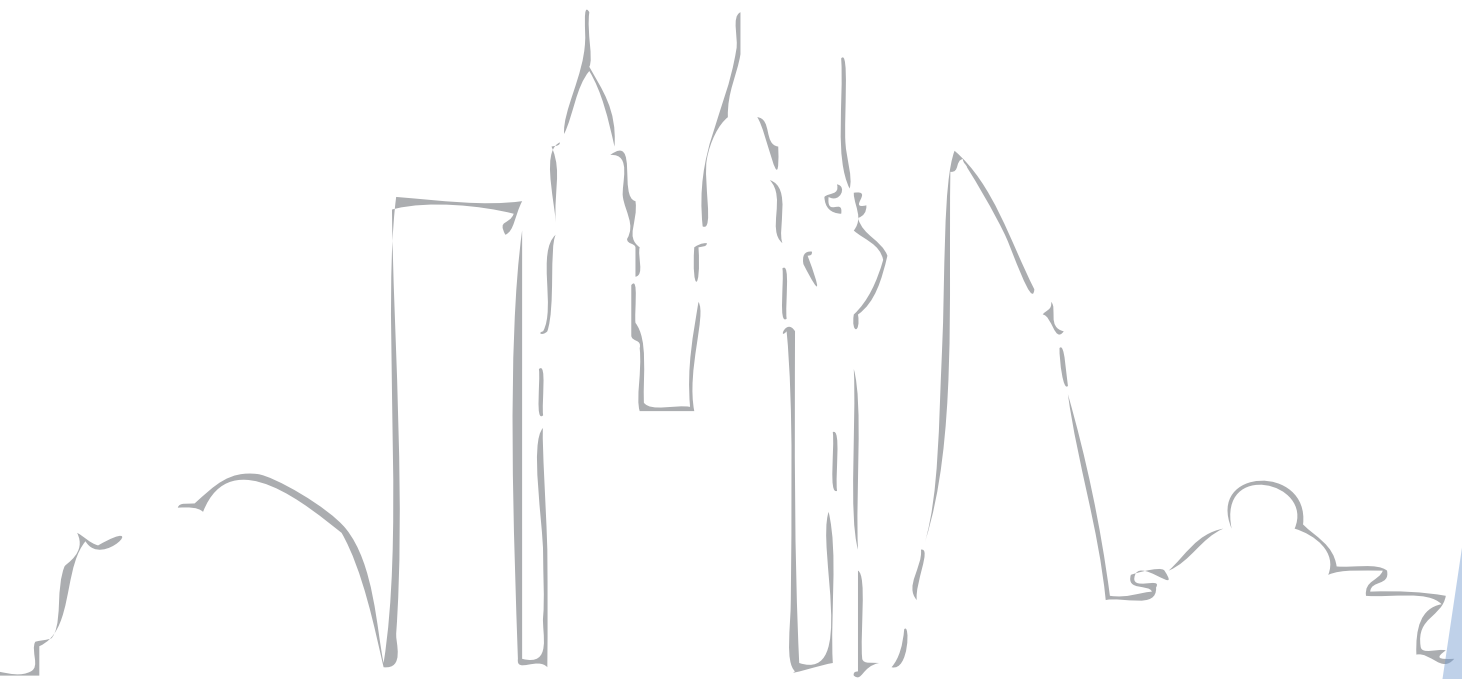


Your Bank of Choice



Bank Rakyat Integrity Forum 2020

# Institutionalisation of Reforms in the New Malaysia



Key Highlights of Discussions –  
Bank Rakyat Integrity Forum

Kuala Lumpur, Malaysia

14<sup>th</sup> January 2020

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## Introduction



In August 2019 Bank Rakyat unveiled its new strategy to transform itself into a sustainable bank, the first in Malaysia through its Bank Rakyat Strategy 2025 (BR25). The systems and processes of the bank are being realigned currently to meet the objectives of BR25. On the 6<sup>th</sup> January 2020, Bank Rakyat started this transformation by unveiling its brand facelift. As the largest Islamic cooperative bank in Malaysia, Bank Rakyat is the third-largest Islamic institution, sixth by revenue, profit and asset size globally and the eighth and fastest growing Islamic finance institution in Far East Asia.

Through initiatives assigned under BR25 Bank Rakyat is also incorporating the UN's Sustainable Development Goals (SDGs) throughout the value chain of the bank.

**One of the first initiatives to encapsulate the essence of BR25 is the launch of the Integrity Forum as it marks the first step in the bank's transformation into a sustainable bank under BR25. The theme of the forum, 'Institutionalisation of reforms in the New Malaysia', signals the commitment of the board and the management to imbuing serious and lasting**

**governance culture within the bank** and its people and to align such reforms with the aspirations and vision of the government of Malaysia and global best practices of governance.

**The forum is also intended to be Bank Rakyat's marked contribution as a commercial entity in thought leadership to the government of Malaysia.**

Insights and thoughts gathered from the forum will not only be used to further strengthen Bank Rakyat, but will also be shared with the government for them to utilise in their other entities where relevant as the bank intends to play an active role as a thought leader in the market through the establishment of its Centre of Excellence.

The Bank Rakyat Integrity Forum 2020: Institutionalisation of Reforms in the New Malaysia (BRIF2020) was organised by Bank Rakyat Malaysia in close collaboration with the Ministry of Entrepreneur Development and Cooperatives (MEDAC). BRIF2020 converged prominent thinkers, academics, senior government officials and industry leaders.

## Welcome speech by Mohd Redzuan Yusof, the minister of MEDAC

Honorable Mohd Redzuan Yusof, the minister of MEDAC, welcomed the participants and reiterated the government's commitment to rectify and promote transparency, integrity and corporate governance best practices in New Malaysia. Mohd Redzuan emphasised that the presence of policymakers, experts and representatives from leading organisations demonstrated the strength of our shared commitment to fight corruption and promote a new culture of integrity. **The minister reaffirmed Bank Rakyat's serious commitment to cultivate a culture of good governance and mentioned that Bank Rakyat is the first bank in Malaysia to establish a Corporate Integrity Department with the assignment of a special officer from the MACC.**

The minister said the theme of the forum, 'Institutionalisation of reforms in New Malaysia', fits well with the government's commitment to usher in a new era of strong governance and integrity in Malaysia's ecosystem and to get rid of corrupt practices and abuses of power.

NACP was developed to strengthen national governance and to spur economic growth by protecting the rights of the people and to stop leakages of public funds. MEDAC has been entrusted with the responsibility as the lead agency to enhance integrity and anti-corruption elements in the National Entrepreneurship Programme particularly through its agencies: Bahagian

Pembangunan Kontraktor dan Usahawan, Institut Keusahawanan Negara, Institut Kemahiran MARA, and Tabung Ekonomi Kumpulan Usaha Niaga. The ministry has included integrity modules in all of its entrepreneurship training programmes which will be made compulsory in the long run across all agencies and ministries in Malaysia.

**The recent corruption scandals in the public and private sectors have contributed strongly to the erosion of public trust in businesses, the government, public institutions, and the media. If this is left unchecked and uncorrected, populism, protectionism and exclusive nationalism can grow to the detriment of the country.** These trends need to be reversed and public trust in the government, democracy, global integration and openness to improve lives for the better, need to be restored. Joint efforts in effectively combatting corruption by adopting good corporate governance and best practices have the twin effects of improving both short-term and long-term corporate performance.

Mohd Redzuan highlighted that the government has listed integrity and governance as one of its 15 guiding principles to serve as a strong foundation for Malaysia to achieve SPV2030, by combating corruption and optimising government resources towards making Malaysia a united, prosperous and dignified nation with a decent standard of living by 2030.





## Outcomes and results

This forum was the first of its kind led by a financial institution and at a national level with a core focus on discussing and deliberating ways to further strengthen and emphasise the importance of institutional reforms as intended in the National Anti-Corruption Plan (NACP) launched by the government of Malaysia in 2019 post the 14<sup>th</sup> General Elections (GE14). The NACP is led under the auspices of the National Centre of Governance, Anti-Corruption and Integrity (GIACC) in the Prime Minister's Department.

The key purpose and design of BRIF2020 stemmed from an intent for the bank to gather and share experiences, insights and challenges faced by Malaysia in its journey to building a New Malaysia. One key aspect of this journey is the government's commitment to institutionalising reforms for statutory bodies housed in government-linked companies (GLCs) and government-linked investment companies (GLICs) as is stated in the NACP.

Key focus areas of discourse covered included defining what a sovereign wealth fund is, its relevance, and its models; the shared prosperity model for business in Malaysia from a governance and sustainability perspective; understanding areas where good governance was compromised in public administration and the reforms needed; and finally a deliberation on key corporate governance issues in the Malaysian private sector.

The main outcome of the forum covers the deliberations and recommendations emerging from the

discussions and presentations. This outcome reinforces a clear call for separation of powers to be instituted between the public and private sectors, the government and businesses, between executives and corporates as well as between the branches of government i.e. the executive, judiciary and legislative. Other key takeaways include transparency, accountability and responsibility structures in government and regulatory models as well as a deeper understanding required of the NACP by all stakeholders beyond just the operator of GIACC. Also debated are the role of boards, independence of independent directors, selection processes and the quality of corporate leaders advising the government. The relevance of onboarding trainings and whether they are aptly preparing boards and senior management for challenges. The role played by regulators and their models too were debated including if their models need a rethinking in this new landscape.

Prime Minister Dr Mahathir Mohamad, in his hour-long discourse with the chairman of Bank Rakyat, Noripah Kamso, provided invaluable messages and insights into what New Malaysia should look like going forward. It is a Malaysia where no one is above the law, not even the highest echelon of leadership in any institution.

The full programme and flow of the forum, as well as photographs are included in the report. This documentation covers highlights of deliberations, speeches made and discourse, and is not verbatim. They have captured the essence of discussions and deliberations of each session.

## Forum format

BRIF2020 was designed to set a new image for the bank. Each discourse session was opened with a short video presentation which captured the problem statement of the session. These videos were wholly designed by Bank Rakyat. The videos can be viewed

on Bank Rakyat's Facebook page. A total of six videos were designed and shown on the day. The entire forum was designed to align with the aspirations of the government under its NACP. Therein the panel discussions and topics were designed to suit the same.

## PANEL 1

## Setting the Stage - Malaysian in 2030: Vision, Governance, Ethics and Sustainability model of Government-Linked Businesses

The forum unconventionally started with a panel discussion, setting the stage for the day's discourse. The first panel session discussed the landscape of institutional reforms for GLCs and GLICs covering areas such as the issues faced by GLICs and GLCs, the demarcation of decision-making and appointments between the government and boards, the relevance of the statutory body models and if these need a rethinking from the corporate governance perspective, and the agility and relevance of regulatory models and oversight bodies in providing the right checks and balances required for markets facing multiple as well as moving challenges not just locally but also regionally and globally. The relevance of onboarding course syllabuses offered in the market and political interference were also on the panel discourse agenda.

The panellists of this session comprised of Alizakri Alias, CEO of Employee Provident Fund; Shahril Ridza Ridzuan, the managing director of Khazanah Nasional; Professor Jomo Kwame Sundaram, a member of the Economic Action Council; and Dr Hasnita Hashim, the chairperson of Majlis Amanah Rakyat (MARA). The panel was moderated by Firoz Abdul Hamid, the advisor of Organisational Transformation of Bank Rakyat.

Some of the key points discussed in this panel included the positive impact delivered by the establishment of government-linked businesses in the early years from the perspectives of improving the performance of Malaysia's economic and social development and how the rapid growth of GLCs might have in some instances affected the inculcation of good corporate governance in these institutions. Further, the rapid expansion of statutory bodies has led to them being involved in areas that they are not familiar with, causing a loss in oversight and control, for instance on the operations of subsidiaries.

The panel also stressed that perception management is key in how GLCs and GLICs are managed and this needs to be further enhanced. The government plays an important role in regulating the market thus a clear demarcation between the roles of the government and the private sector should be distinctly defined.

**The erosion of confidence in GLCs is a result of the direct involvement of the government in businesses which in some instances have contributed towards conflict of interests and consequently compromising good governance.** The panel discussed the role of golden share held by the government in statutory



bodies especially in GLCs and GLICs, and how it is crucial that this be recalibrated from the perspective of corporate governance. The golden share, once seen relevant for the government to provide oversight on how businesses it has a stake in operate, may today be replaced by the many regulatory frameworks, laws and oversight bodies, and hence its relevance needs to be reviewed.

The appointment of senior management and boards in GLCs and the process were also discussed by the panel. **The role and authority of nomination and remuneration committees versus political interference was a point deliberated by the panel. The NACP dictates a transparent appointment process for board members and senior management under Strategic Thrust 6 of Corporate Governance, which is one of the 115 initiatives the government will be working on.**

**The panellists also emphasised that the involvement of the government in business may need to be clearly defined so as to allow the government to play its role to govern and regulate rather than running businesses.**

On the subject of what is the best model for GLCs and how much government and how much business, the panel cautioned against a 'one size fits all' approach as each GLC, GLIC and statutory body has its own purpose when established and thus each needs to be reviewed uniquely. There should be a focus on value creations instead of value extractions from government-linked businesses. Rich public discussion towards setting up higher standards and the development of best practice

governance standards to establish better public trust in government-owned businesses should be encouraged. The panel said some of the points raised have yet to be discussed at the Economic Action Committee.

The panel deliberated the need for regulations covering statutory bodies to be reviewed and re-enacted where required and this is timely given the government's commitment to real institutional reform. In such a review, the role of regulators also needs to be assessed and we need greater improvement in corporate governance and transparency.

The panellists also commented that regulators need to understand their role and functions in the context of the business environment and industry needs. The panel briefly touched on the independence of directors and how this should be ascertained, and if onboarding courses available today are designed to equip leaders with soft skills or are they too technical.

The panel discussed the role of advisory that needs to happen between leaders and politicians and that leaders selected to head organisations must be equipped to properly advise legislators to avoid the continued perception of political interference when it may be a case of corporate leaders not able and/or not equipped with the experience and skills to properly advise the government on the right course of action to take.

The panel closed by stating that institutionalisation needs to be led by strong regulations, separation of powers and a clear rule of law, failing which it could be compromised.







## BANK RAKYAT CONVERSATION #1

### Legacies in Transition: Reinvent or Retain

*Dr Mahathir Mohamad in conversation with Noripah Kamso*

This is the conversation session between the chairman of Bank Rakyat, Noripah Kamso, and the Malaysian prime minister, Dr Mahathir Mohamad. The conversation focused on legacies that were built for Malaysia to enhance its prosperity in respect to GLCs, governance, shared prosperity, the New Economic Policy (NEP), and how these could be at risk given issues we faced pre-GE14.

The session started with Noripah giving a four-minute opening on the rationale of the forum and laid out the precepts of the conversation with Dr Mahathir. Noripah questioned the applicability and relevance of our business models in today's Malaysia. Should we continue adopting and aligning with this legacy and/or perhaps try other models of mixed, variant or hybrid public and private sectors? In today's climate of social media, 24-7 netizen and news reporting, can this model be retained, or must it be reinvented?

When asked about the challenges faced today as compared to his tenure in the 1980s, Dr Mahathir said

that his tenure as the prime minister then was much easier as he took over from when the previous premier left off. This time round, Dr Mahathir said, it has been more challenging as the government was faced with literally rebuilding the economy of the country which fell into a deficit caused by the previous administration's bad management and corrupt practices. Restructuring and repaying the nation's huge debts have become the government's top priority, which has resulted in less funds for public development and administrative usage, the prime minister said. This is confounded by the extremely high public expectation to resolve issues fast. **The biggest challenge has been discovering that the systems and processes as well as the culture of the administrative machinery no longer functioned smoothly, and that corruption was endemic in parts of the government.**

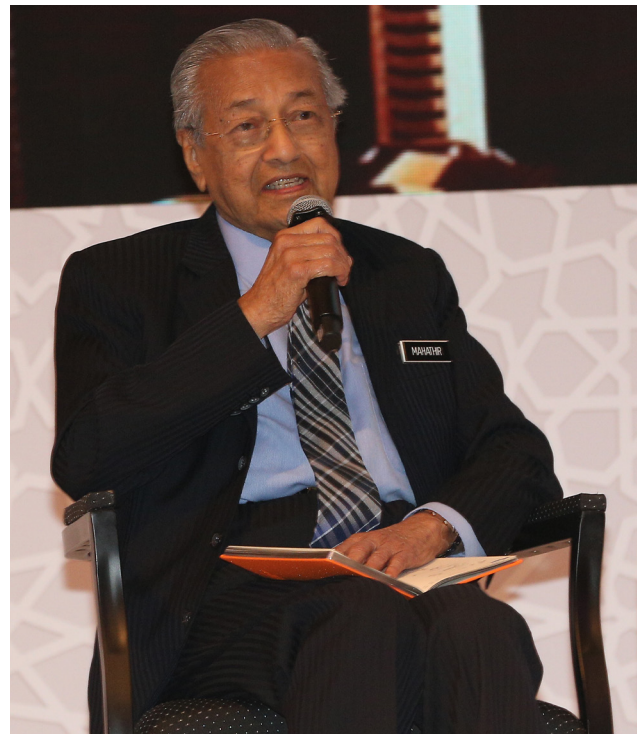
Another challenge that the government currently faces is the expectation from people who had become used to getting "free money" from the previous



administration, a practice the current government is unable to continue. **According to Dr Mahathir, Malaysia today is a much bigger country in terms of the economy and priorities than it was in 1981, and with that, came bigger responsibilities and more issues to address.** The Malaysian environment has also changed tremendously. **In today's environment Dr Mahathir said, no one is above the law.** He also emphasised that Malaysia is well governed today and that his Cabinet is not corrupt. His biggest challenge though is that he has inexperienced and first-time ministers and their learning curve is very steep, given the issues faced by the country and public expectations.

Dr Mahathir added that in the past, the country's aspiration was to evolve from an agriculture-based economy to an industrial-based economy. The tsunami of new technology and fourth industrial technological disruption entering the market today have and will continue to impact the way we do things. He urged Malaysians to learn and apply this new technology in order to stay ahead, be progressive and remain competitive in the changing world. An entirely new challenge for the government today is to create a New Malaysia that is based on intelligence, based on the resources available. As the current society is well connected and with the abundance of data to understand our surroundings, we need to plan how to make good use of data to improve lives and promote modernisation.

**On a question about GLICs and GLCs, Dr Mahathir said the government should not be in business (government has no business to be in business) and should continue to focus primarily on nation-building, providing regulatory oversight, developing solid laws and focusing on developing the society.** That said, Dr Mahathir added that there are however times when it is necessary for the government to get involved in business, stating Khazanah Nasional as an example. There is a need to ensure that the marginalised are not left behind and inequity does not grip the country. Khazanah Nasional's objective is to protect the share of wealth of the Bumiputera (Malaysians of indigenous and/or Malay origins). However, the sovereign wealth fund has grown tremendously big and diverse over the years and



instead of serving its purpose, it now competes with the Bumiputera and has turned into a business entity.

This is the challenge faced when the government goes into business and makes use of its power for a successful business activity, resulting in displacing the private sector to compete in a healthy competitive environment, Dr Mahathir said. He acknowledged that the private sector is more efficient and able to thrive on the profits they make in comparison to government agencies which require to be financed by government funds annually. **Dr Mahathir also added that government involvement in businesses may be necessary to reduce income disparity, avoid social discontent and promote stability in line with the Shared Prosperity Vision 2030 (SPV2030).**

**The New Malaysia should also promote transparency and eradicate corruption through a good value system. According to Dr Mahathir, Malaysia is still very much a feudalistic nation where we follow our leaders without questioning or highlighting errors as they occur.** This should change and public service must remain apolitical and separation of powers is crucial. Malaysians need to transform to be able to stand up, highlight and correct any wrongdoings, he added.

## Launch of Bank Rakyat Integrity Forum and Anti-Corruption Pledge



About 80 management executives of Bank Rakyat comprising the management committee and regional leaders took the Malaysian Anti-Corruption Commission (MACC) Anti-Corruption Pledge led by the Acting Managing Director Rosman Mohamed, witnessed by the deputy chief commissioner of MACC, Commander Shamsun Baharin Mohd Jamil. This was done in the

presence of the prime minister of Malaysia, the minister of the Ministry of Entrepreneur Development and Cooperatives (MEDAC), the secretary-general of MEDAC and the chairman of Bank Rakyat.

The reading of the pledge marked the launch of BRIF2020 and Bank Rakyat also pledged a no-gift policy.

### MACC Anti-Corruption Pledge

We, the management of Bank Rakyat, hereby solemnly and sincerely pledge the following throughout our service with Bank Rakyat:

- We shall fully abide by the nation's law, rules, procedures and policies on corruption prevention and abuse of power;
- We shall abhor and reject all forms of corruption and abuse of power, and shall give our full cooperation to the Malaysian Anti-Corruption Commission in preventing corruption and abuse of power;
- We shall not indulge in any form of corruption and abuse of power either directly or indirectly, with any party dealing with Bank Rakyat;
- We shall ensure that my superior and subordinates shall not indulge in any act of corruption and abuse of power in any dealings concerning Rakyat;
- We shall instantly report any form of corruption and abuse of power either involving us, our peers or subordinates, to the Malaysian Anti-Corruption Commission.



## PANEL 2

## The Governance and Sustainability of Shared Prosperity

This panel discussed from the perspective of governance and sustainability the issues and challenges surrounding the new shared prosperity model for businesses in Malaysia. What and how must businesses in the public and private sectors, listed or otherwise, change their vision and work processes, as well as talent management processes in responding to this new economic model of shared prosperity.

The panel was represented by Associate Professor Mak Yuen Tee, an associate professor of accounting at NUS Business School of National University of Singapore; Rajni Bajpai, the lead public sector specialist of the World Bank; Professor Dr Aishah Hj Bidin, a professor of corporate and insolvency law with Universiti Kebangsaan Malaysia; Vaseehar Hassan, the regional representative of Malaysia and Southeast Asia at Dallah Albaraka Holding Co; and Wan Suraya Wan Mohd Radzi, the secretary-general of the MEDAC and a board director of Bank Rakyat, moderated the session.

**Inequality is a global issue and the focus is governance; the panel said Malaysia is currently on the right track and is moving towards shared**

**prosperity which is essential as Malaysia moves towards becoming a high income country.** The panel deliberated on issues such as what are the objectives and features of SPV2030 and what can we learn from other nations in terms of challenges faced when addressing issues such as inequality?

**The panel discussed new government policies which bring new challenges and how the private sector needs to adjust, and how the public sector needs to ensure enforceability and oversight.** On these matters, the panel agreed that they will take time. The panel also conceded that we needed to view sustainability as an enabler and that empowering the protection of environment should be positioned as a highly positive force.

Education was one of the key elements discussed during the session as being imperative for the growth and development of Malaysia. The panel further touched on the important role played by the GLC sector, and highlighted that now may be the right time to redefine and perhaps separate the economic and social objectives of the GLC sector. Whether GLCs are still a beacon of excellence and the relevance of their







structure and leadership formats were debated. The panel also deliberated if the GLC sector should be further privatised and what other transformation needs to take place within GLCs.

The panel touched on how we can address inequality and income disparity through mechanisms such as remuneration and compensation schemes and what needs to be done to ensure broader employee ownership in the private sector as well as how effective pay reporting should be undertaken in order to address pay inequality. Improved transparency and accountability, particularly concerning company boards, were also deliberated by the panel. Engaging and incentivising marginalised groups within organisations was touched on as well as better gender empowerment and mainstreaming within Malaysian organisations. The development of reform agendas aimed at poverty eradication needs to be done and there needs to be a clear vision in important sectors including housing and education.

The panel then addressed what needs to take place in order to achieve SPV2030 and to cultivate an enlightened society. **Greed and corruption have had negative effects on the development of an enlightened society. A culture of fairness, representation and equality needs to be fostered at all levels of society.** Looking at Malaysia's closest neighbour, Singapore, the Singaporean government is more involved in business today. However, an impact

assessment may be required to assess on how much government involvement is needed in business.

**The panel echoed the need for a value system to create inclusivity and that Malaysia has all the laws in place, thus it is not necessary to reinvent the wheel.** Effective enforcement needs to be at par to ensure shared prosperity is fair. **GLCs should in essence be the standard-setters and the leading examples of business and human rights by referring to the UN Guiding Principles on state-owned enterprises in exuding high integrity, governance structures and transparency.**

This is also in line with the World Bank's agenda on GLCs to look at governance and its impact on social development. GLCs were established as a temporary measure to overcome the weaknesses in the economic system in the past assisting Bumiputera to compete in business. **Therefore GLCs should be treated as a platform or medium of transition and GLCs should be privatised once social stability has been achieved.**

SPV2030, the panel emphasised, is an improvement of the NEP as it includes a national focus on sustainable growth. Vocational and technical groups of society need to be a part of the enabler and provide the same opportunities to be part of the growth. There was a suggestion that the establishment of a representative society allowing citizens to voice out their views and feedback to the government, might be timely.

## BANK RAKYAT TALKS

## Governance Gone Wrong: Reform Required

This session was designed to allow speakers to present in their respective area of expertise on how governance has gone wrong and what reforms are needed. The 15-minute talks, four in total, were followed by a 15-minute moderated session.

The key speakers for this session were Emeritus Professor Dr Shad Saleem Faruqi, a professor of law at Universiti Malaya; Dr Anis Yusaf Yusoff, the deputy director-general of GIACC; Latheefa Beebi Koya, the chief commissioner of MACC; and Premesh Chandran, the co-founder and CEO of Malaysiakini. Rosman Mohamed, the managing director of Bank Rakyat, moderated the session.

As Malaysia continues to shift towards strengthening its political stability and enhancing the nation's prosperity as well as ensuring Malaysian unity whilst celebrating ethnic and cultural diversity as the foundation of the New Malaysia, reforms are needed to fix the issues of poor governance. In order to do so, we need to understand where the issues are coming from, what causes them, how we deal with such issues and how to prevent them from happening again in the future.

Some of the findings from the Institutional Reform Committee (IRC) formed post-GE14 were shared and these demonstrated that the journey to reforming national governance is a lot of hard work. **There was an emphasis to ensure that the reports do not become just another report without any execution.**

Recommendations to address the effectiveness of parliamentary function in the law-making process, keeping the executive accountable and answerable, and scrutinising national finance were shared. Other key recommendations included:

1. Policy papers on legislative proposals must be issued for public feedback,

2. Lifting the veil of secrecy surrounding legislative bills,
3. Legislative bodies can do more in the second reading of legislations to understand issues that may have risen during advocacy,
4. Making wide-ranging changes to the process of re-delineation of boundaries,
5. A Royal Commission of Inquiry must be appointed to look into the 'first past the post' electoral system,
6. A comprehensive clean-up of the electoral roll and improvements to rules about absentee voting are needed,
7. Impartial conduct of elections must be ensured,
8. Regulating political financing, and
9. Strengthening local democracy by re-introducing local government elections.

GIACC presented the achievements of New Malaysia. Eradicating corruption is impossible until we understand what motivates people and get them to instinctively behave with integrity. Societies are complex and there are conflicting interests, so to assert otherwise is to deny the distinction of class. **Ultimately, Malaysia must have a clear vision on what kind of society we want to develop and heavily invest in our education system that is guided by this vision. We might have better laws in place; however, it may**

**not guarantee that issues of integrity may be dealt with correctly.** The effort to promote integrity must continue and to date, GIACC has helped to develop a module for kindergartens to promote the integrity culture at an early age.

**The issue of corruption is not new. It has been around since 2,400 years ago,**





**and according to the Corruption Perception Index published by Transparency International, two-thirds of the world are classified as corrupt, a sign that corruption is not a simple matter to deal with, as in the case of Malaysia, with its multiple backgrounds, diversities and histories.** Assuming that we have a one-policy-fits-all approach to tackle corruption, it may not be effective as each part of Malaysia, which comprises the Peninsular, Sabah and Sarawak, may have different approaches and perspectives.

GIACC shared a perception study conducted among university students in four public universities in Malaysia which showed an alarming state of integrity. Almost 35% of youths believed taking bribes is not wrong. According to data gathered through MACC, from the approximately 20,000 corruption cases, 63% of them involved public officials. From the same data, 42% of the segments that are vulnerable to corruption is public procurement mainly caused by issues of enforcement and administration. Malaysia has come a long way in combatting corruption, including the introduction of public policies and the launch of the NACP which is now monitored by the Special Cabinet Committee for Anti-Corruption chaired by the prime minister himself, with senior ministers and public officials giving this plan the authority it requires.

The formulation of the NACP is based on analysing data and the active involvement with a target group to understand the root cause of the issues in order to solve corruption issues as effectively as possible. This would include strategies in education and continuous professional development. GIACC aims to achieve three main objectives mainly on culture development across all levels in the society to:

1. Uphold the rule of law,
2. Improve government efficiency and transparency based on good governance, and
3. Create a clean business environment.

The six priority areas in the NACP which are crucial towards changing the culture of the society, are as follows:

1. Strengthening political governance which includes dealing with political financing such as the establishment of a political financial Act,
2. Public sector administration,
3. Public procurement,
4. Legal and judiciary,
5. Law enforcement, and
6. Corporate governance.

MACC shared its journey of evolution over the last 50 years and the important role it plays in preventing corruption. The evolution of MACC is a significant achievement of the nation's effort to combat corruption. In 2008, MACC reformed and enhanced the power of the anti-corruption agency and this was driven by three main sources of public frustration with corruption:

1. People felt that the institutional and legal framework for anti-corruption remains structurally weak therefore prone to abuses,
2. There was a need for a clear separation of power between the institutions of government as well as a high degree of transparency and public accountability from enforcement agencies,
3. Public perception that anti-corruption agencies are slow and inconsistent.





The ongoing efforts to enhance and reform the anti-corruption initiatives have shown positive results, placing Malaysia on the right track.

**The impact of the 1Malaysia Development (1MDB) scandals in 2015 tested the independence of every institution involved including the MACC, Bank Negara Malaysia (BNM), Polis Diraja Malaysia (the Royal Malaysia Police), the judiciary and the Attorney General's Chambers.** The 1MDB debacle showed that these institutions were compromised in many ways, leading to public frustration which eventually brought the downfall of the old government.

**Post-GE14, and under the new government, MACC saw a huge opportunity to improve the situation and to start off with a clean slate. MACC has become the key agency to ensure and oversee reforms to prevent and stop corruption.** It now reports to the Parliament and not the prime minister for independence. MACC plays a significant role to oversee the implementation of NACP's 115 initiatives which include the drafting of a new set of laws, and strengthening processes and procedures. MACC has implemented strategies to increase and enhance prevention and deterrence especially among government agencies and GLCs. The strategies include:

1. Enhancing the monitoring and placement of integrity officers, and
2. Forming an integrity and governance unit.

**From the media perspective, the practitioner highlighted the progress of media freedom and how the public can use technology to facilitate input as well as participate directly in monitoring the country's development.** The media also needs to play an integral and active role to drive changes by highlighting key issues to improve public progress. The media now has a great place in the New Malaysia and the responsibility of the media is enhanced as one of the key oversight bodies of the country.

**Malaysia is ranked first in Southeast Asia in terms of freedom of the press (2019 World Press Freedom Index) and the importance of managing the communication between the press and the public remains crucial.**

Understanding this requirement, the government is forming a National Media Council. The role of the media council is to allow the media to self-regulate to ensure that media independence and accountability can be upheld through a proper governance process.

**The role of media reporting alone is not enough to cut down corruption since very often the media does not have access to the information that the government has.** This has led to the request of introducing the Freedom of Information Act and abolishing the Official Secrets Act so that the media would be able to relay accurate news to the public. Citizens and netizens too have very important roles in whistleblowing and holding the government accountable.

## BANK RAKYAT CONVERSATION #2

## In Conversation with the Minister of MEDAC on Corporate Governance in Malaysia

This session was a conversation between the minister of MEDAC and business captains on the state of corporate governance in Malaysia – who should set the standards of best practice: government-led businesses or the private sector?

The panel was led by Muhamad Umar Swift, CEO of Bursa Malaysia, who was joined by Mark Rozario, CEO of General Electric Malaysia, and Arsalan Ahmed, CEO of HSBC Amanah Malaysia, in conversation with Mohd Redzuan Yusof, Malaysia's minister of MEDAC.

The panel discussed areas that need strengthening in the public and private sectors. The capacity building required in leaders leading organisations was highlighted whilst the minister highlighted that the government is aware of the many weaknesses in the system and a lot of work is being done by the present administration to ensure governance is strengthened. This can be seen by the acknowledgement of global rating agencies in the improvement of governance rankings of Malaysia since GE14. **Also discussed is the appointment of boards and senior management and the role of the government, and how these processes need to be transparent. The new government has made a commitment of no political appointees.** However, there are people with professional qualifications in politics. How does the country address this? We cannot assume that all professionals who are members of a party cannot deliver their jobs with the highest integrity. How do we address these issues? These were some areas that the panel deliberated on.

The panel also touched on the governance of government-led businesses, which need to lead the way in governance as they are the standard-setters. The panel also deliberated on why sometimes the Cabinet is not as fast in making decisions because people presenting the proposals are not presenting a whole case, and/or do not understand the subject matter. Thus, the Cabinet in their due diligence asks



the parties involved to present more details. **In some instances, the people presenting, and many in a leadership capacity, are unable to defend a case so much so that the Cabinet gets worried and starts micro managing. This is not the role of the Cabinet, because its role is to make policies.** This is where the issues of political interference arise – not because politicians want to get involved, but rather leaders are not well equipped. In cases where there are genuine political interferences, there are clear processes now **post-GE14 to circumvent that from the perspective of no support letters by politicians and ministers.** Micro management should be done by capable people by the rule of law while public servants are tasked to implement policies.

We have standard operating procedures (SOPs) established for various GLCs and have representatives on boards of directors. People who hold top political positions should not hold positions in GLCs and GLICs.

At the end of the day, it is a team that is managed by a leader and the leader may come from the government or the private sector. What is important is that the team is led by institutionalised systems and processes and must deliver what the shareholders want. In Bank Rakyat there are no political appointees and there are people of different backgrounds represented on the board.

**BNM, the central bank of Malaysia, insists that banks have a majority of independent directors on sitting on boards. The central banks of Malaysia and Australia are the two that insist on this composition.** The voting powers of the committees and board have to sit with the majority of independent directors. **The process of removing someone from a senior position or boards must be based on the merits of them doing their jobs, the same in their appointment processes. This system and structure could also be emulated in GLCs and GLICs.**

The panel also discussed the balancing of rankings and the loss of culture. Often when governance is discussed, it is discussed from the perspective of developing and non-developed countries. Yet developed countries are facing the issue of loss of purpose and meaning at the expense of high rankings. **The topic of overcooked governance was deeply discussed** including how this needs to be balanced between not impeding business and realities on the ground, applying the rules without compromising governance and the need for investors to be informed, especially minority shareholders, and those if not informed have no means of knowing the state of the companies they have invested in. There is a need for

regulators to facilitate and a need for rules of engagement where investors know their roles and responsibilities.

**Inculcating governance should not be used to slow things down.** There perhaps needs to be a clear definition in the public and private sectors on what is governance, what is bureaucracy, what are processes and what is SOP, and which one should take precedence within the boundaries of laws and regulations. **The panel also discussed value system, and that no matter the regulations and laws, ultimately people with evil intent will find ways to circumvent for their self-interest and benefit.**

**The independence of independent directors was also discussed. Often companies bring in people they know and there is a need to have a register and assess independence.** Soft skills of directors with regards to values to society and the environment often are not skills asked of senior management and directors.

Finally, the panel submitted that Malaysia needs leaders who have commitment, consciousness, care and concern in both its private and public sectors. Governance needs substance over form!

## Forum Resolutions

**The chairman said the forum was organised in nine full days with only six working days and shared that in that time they had to resolve logistics, content development and the various offline and online productions.** She thanked the core team that worked on the forum. She also thanked the support of Prime Minister Dr Mahathir, Minister Mohd Redzuan, ambassadors, high commissioners, ministers, government agencies, chief executives and heads of organisations, all the speakers, panel members and delegates.

She emphasised the importance of the views expressed and committed to disseminate them to a wider readership and audience. Bank Rakyat will also share the insights of all the discussions and resolutions made both online and offline and we will also present



them to the government. Noripah also thanked her management team and the board for their support.



## Closing remarks by the minister of MEDAC

In his closing speech, Minister Mohd Redzuan Yusof congratulated Bank Rakyat and its stakeholders. He emphasised that there is a lot of work to be done. A culture takes generations to change, institutionalisation takes commitment and political will to do. The government has the political will.

Of importance here, he emphasised it is not all government. As a nation made of stakeholders, the executive government branch is one of the many branches of the society that makes the nation. Everyone must play and execute their roles. It is often easy to sit back and be an armchair critique of the government. He stressed the need for top-notch corporate leaders to properly advise the government on the pros and cons of a decision.

There needs to be deeper transparency in these processes, and this is a key initiative that is being undertaken by GIACC, under the Strategic Thrust 6 of the NACP.

**The minister also reminded everyone, legislators and the executive branch of the government, they are here to serve the people of Malaysia but cannot do that effectively, if the regulators, oversight structures, the media and the corporate sector do not reform themselves in tandem.** All are cogs in a wheel as they say, and the pieces of the puzzle must fit well for the nation to be administered well as aptly said by Prime Minister Dr Mahathir this morning.

The government as Dr Mahathir said should not be in businesses they do not understand, but in the event it does for social development purposes, what is crucial is we have the right people chosen through a transparent process to advise us. **Inequality is a real issue. Please do not underestimate the phenomenon of inequality, and its repercussions.** It can cause social disorder, again a point well covered by the prime minister. This inequality will result in the breakdown of societies and social disorder if we do not have programmes to help the marginalised and those in the periphery.

That is exactly what this government is set to do through its commitments in SPV2030. To address



multi-faceted and multi-dimensional poverty in this country and to put in place programmes that will help people get the basic standards of living and education back. In essence, we are putting programmes to help those who may have been marginalised to regain their dignity.

But to do this there needs to be strong public and private sectors with a strong governance structure, and solid leadership to support the ecosystem. We require more companies listed on our stock exchange that will increase investor profile into Malaysia.

We must spur innovation in markets and drive entrepreneurship to boost those with great ideas of development. MEDAC was set up under the New Malaysia precisely to spur an untapped market and we intend to do that under our National Entrepreneurship Policy 2030.

**This country is moving into an era where our strongest regulators and oversight bodies are the people of Malaysia. Do not underestimate the power of the people, coupled with the strength of a vibrant social media environment in Malaysia.** They keep tabs on us, and ensure that we deliver. This is what democracy is all about as the prime minister so eloquently said this morning.



Your Bank of Choice

**Bank Rakyat Integrity Forum 2020***Institutionalisation of Reforms in the New Malaysia*

Officiated by YAB Tun Dr. Mahathir Mohamad – Prime Minister of Malaysia

14<sup>th</sup> January 2020

7.30 am	Registration
8.45 am	Start of Event with National Anthem and Maju Bersama Bank Rakyat
	Doa Recital
9.00 am	Welcome speech by Mohd Redzuan Yusof, the minister of MEDAC
9.15 am	<p><b>Panel Session 1 : Setting the Stage - Malaysia in 2030 – Vision, Governance, Ethics, and Sustainability Model of Government Linked Businesses</b></p> <p>This panel will discuss the landscape of institutional reforms for GLCs and GLICs under, where it is today, the vision for 2030. The Panel will also discuss the issues, opportunities and risks of government being in business and how this model needs rethinking and remodeling across the whole gamut of economy. It will also discuss the definition of sovereign wealth funds and how we compare with other models and their relevance.</p> <p>Panel 1: Alizakri Alias – Chief EPF Officer  Panel 2: Datuk Shahril Ridza Ridzuan – Managing Director of Khazanah Nasional Berhad  Panel 3: Professor Jomo Kwame Sundaram Member of Economic Action Council (EAC)  Panel 4: Dr. Hasnita Hashim – Chairwoman of Majlis Amanah Rakyat (MARA)  Moderator: Ms Firoz Abdul Hamid – Advisor, Organisational Transformation of Bank Rakyat</p>
9.50 am	Arrival of the Prime Minister of Malaysia – YAB Tun Dr. Mahathir Mohamad
10.05 am	<p><b>Bank Rakyat Conversation Session 1: Legacies In Transition - Reinvent Or Retain</b></p> <p>This will be a conversation between Chairman of Bank Rakyat and the Prime Minister of Malaysia. The Session will focus on legacies that was built for Malaysia to enhance its prosperity in respect of GLCs, Governance, Shared Prosperity, New Economic Policy (NEP) and how this could be at risk given issues we faced pre General Election (GE) 14 and what must the new Government do to ensure these legacies are not destroyed and/or placed at risk.</p> <p><i>YAB Tun Dr. Mahathir Mohamad in conversation with Datuk Noripah Kamso, Chairman of Bank Rakyat</i></p>
	<i>Commitment of Integrity Pledge by Bank Rakyat Management Team witnessed by Malaysian Anti-Corruption Commission (MACC)</i>
11.15 am	Juice Break

11.30 am	<p><b>Panel Session 2 : The Governance and Sustainability of Shared Prosperity</b></p> <p>This panel will discuss from the perspective of governance and sustainability the issues and challenges surrounding the new Shared Prosperity Model for Businesses in Malaysia. What and how must businesses in public and private sectors, listed and otherwise change their vision and work processes, as well as talent management in responding to this new economic model of Shared Prosperity.</p> <p>Panel 1: Associate Professor Mak Yuen Teen – Associate Professor of Accounting of NUS Business School, National University of Singapore</p> <p>Panel 2: Ms Rajni Bajpai – Lead Public Sector Specialist of World Bank</p> <p>Panel 3: Professor Dato' Dr. Aishah Hj. Bidin FASc – Professor of Corporate and Insolvency Law, Universiti Kebangsaan Malaysia (UKM)</p> <p>Panel 4: Dato Dr. Vaseehar Hassan – Regional Representative of Malaysia &amp; South-east Asia, Dallah Albaraka Holding Co.</p> <p>Moderator: Datuk Wan Suraya Wan Mohd Radzi – Secretary General of Ministry of Entrepreneur Development and Cooperatives and Board of Directors of Bank Rakyat</p>
12.45 pm	Lunch
1.45 pm	<p><b>Bank Rakyat Talks : Governance Gone Wrong, Reforms Required</b></p> <p>This Session is designed to allow Speakers to present in areas of their expertise on how Governance Has Gone Wrong and what reforms are needed respectively. It will be a 15-minute talk each followed by a 15-minute moderated session at the end of all 4 talks.</p> <p>Speaker 1: Datuk Emeritus Professor Dr. Shad Saleem Faruqi – Professor of Law, Universiti Malaya (UM) – <i>from legal and regulatory perspective</i></p> <p>Speaker 2: Datuk Dr. Anis Yusaf Yusoff – Deputy Director General of National Centre for Governance, Integrity and Anti-Corruption (GIACC) – <i>from national policy perspective</i></p> <p>Speaker 3: Ms Latheefa Beebi Koya – Chief Commissioner of the Malaysian Anti-Corruption Commission (MACC) – <i>from oversight and regulatory body perspective</i></p> <p>Speaker 4: Mr Premesh Chandran – Co-founder and CEO of Malaysiakini – <i>from media perspective</i></p> <p>Moderator: Dato' Rosman Mohamed – <i>Acting MD of Bank Rakyat</i></p>
3.00 pm	<p><b>Bank Rakyat Conversation Session 2 : In Conversation with the Minister on Corporate Governance in Malaysia</b></p> <p>This will be a conversation between Minister of Entrepreneur Development and Cooperatives with business captains on the state of corporate governance in Malaysia. Who should set the standards of best practice: government-led businesses or the private sector?</p> <p>YB Datuk Seri Mohd Redzuan Yusof – Minister of Entrepreneur Development</p> <p>Datuk Muhammad Umar Swift – Chief Executive Officer (CEO) of Bursa Malaysia</p> <p>Mr. Arsalaan Ahmed – Chief Executive Officer (CEO) of HSBC Amanah Malaysia</p> <p>Datuk Mark Rozario – Chief Executive Officer (CEO) of General Electric (GE) Malaysia</p>
4.00 pm	<p><b>Forum Resolutions by Chairman of Bank Rakyat</b></p> <p>Datuk Noripah Kamso</p>
4.15 pm	End of event