

**ABS 46<sup>th</sup> Annual Dinner**  
**28 June 2019, Friday at Raffles City Convention Centre**

Mr Tharman Shanmugaratnam, Senior Minister and Chairman of the Monetary Authority of Singapore;

Mr Ravi Menon, Managing Director, Monetary Authority of Singapore;

Fellow ABS Council Members and Bankers;

Distinguished guests; Ladies and gentlemen;

1. Good evening and a warm welcome to all of you. Thank you, Mr Tharman, we are very honoured to have you here with us tonight. Thank you, Piyush, for your kind words and for your outstanding efforts in leading ABS over the past two years.
2. The last time I gave my remarks as the incoming ABS Chairman was in 2013. I had said then that I was hoping for a kinder operating environment for banks – one with greater market certainty, higher economic growth and fewer new regulations.
3. Well, they did come true. Average GDP growth in Asia for the last 6 years was quite healthy, hovered around 5.5%. And, despite speculation of a hard landing, China continued to grow at above 6%, inviting economists to have to explain their stories under such catchy topics as “*Why China failed to fail?*” and “*How China slowed the slowdown*”.
4. And, on the regulatory front, BASEL has finalised its post-crisis reforms and there is no active talk on Basel 4.... as far as we know.
5. However, six years on, as I stand here, I have to wish for almost the same things again. The strong economic growth has lost quite of bit steam and uncertainty has returned.
6. Granted, economic cycles are now shorter, partly attributed to the speed and magnitude of global capital flows. This time around, however, it is further impacted by the rising trend of protectionism and exacerbated by man-made crisis, or, what Christine Lagarde described as “self-inflicted wounds”.
7. The banking industry will always be a key industry to drive economic growth. It facilitates the flow of funds *from people to businesses*, and *from matured industries to growth industries*. In the old days, the banking industry was correctly depicted as the “dragon head industry” (龙头行业). It evolved with the times, and it never stood still. From the days of tontine, to co-ops, to money lenders, to banks as we know it today. Every time, the change ...

or what we now call “transformation” or “disruption” ... is driven by market forces and customer demand.

### **Not the first time banking industry is disrupted**

8. It is therefore an exaggeration that the banking industry has only recently been disrupted. We have always been ‘disrupted’ and have been adjusting and responding to new demands. From branches to ATMs, where customers had had to “go” to the bank, to now banks “go” to customers with internet and mobile banking. Banking is no longer 9-to-5, 5 days a week, but 24-by-7.
9. Our industry has never stood still and cannot afford to stand still. Transformational progress will always be required, now driven by rapid technology, new business models and almost insatiable customer demands for *faster, cheaper and better* banking services. These are fair demands, and the banks have *wholeheartedly* accepted, adapted and responded.
10. Six years ago, fintech companies were considered a major threat to traditional banks. I have said then that using the word “threat” is not appropriate because it expresses an opposing connotation of “us” versus “them”.
11. We need to work with them and embrace them. We have, and, here we are, every one of us is working and partnering with them. We learn from them, and we provide them with market input and a platform to commercialise their applications. Working together, we have launched many novel experiences – from (1) superior customer experience using chatbots, to (2) disciplined investment approaches using robo-advisors, to (3) integrated tools for business processes. We co-exist - with respect to and admiration of each other.
12. Having said that, there is one phenomenon that perhaps warrants our closer attention. And, that is, the unconventional business model of new entrants which focuses on customer acquisition, and where profitability and cashflow are secondary. This model is funded by capital funds in a low interest rate environment where traditional investment yield has been so low that taking unconventional risk becomes an attractive option.
13. It is a “threatening” model as no one knows how many of these ventures will succeed or fail. For example, we have seen the dramatic rise and equally dramatic fall of P2P lending platforms in just the last few years, around the world and in China. An official from Shenzhen Internet Finance Association

estimated that in Shenzhen alone, the number of P2P platforms had fallen from the peak of 1,000 to the current 80.

14. There is quite a bit of “*try it out first and let’s work out the solution later*” in this model. It is a concern not only to existing players, but potentially a concern to the financial system. The cost of failure would have to be borne by the financial system. The cost is not only in economic terms, but could undermine the trust that is imbedded in the financial system.
15. We should not stop new business models from developing and finding their footing, as it is part of our responsibility to support and nurture business ideas and models that can transform the delivery of financial services. We will also benefit as new economic activities are created. Incumbent players have no right to stop new players with new business models from being successful. But we need to ensure that the financial system can (1) afford failure, (2) is equipped with consequence management, and (3) the public trust will not be eroded. They need to be subject to monitoring and regulatory oversight.

### **Re-establishing customers’ trust in banks**

16. Banking, and for that matter, the financial system, is all about trust. Putting the long term interest of the customers and the communities first must be at the heart of everything we do. We must protect the trust that customers have in us and in the financial system. ABS, working with MAS, will do more to ensure that the trust in Singapore banks does not erode.
17. Even though public confidence in banks and bankers in Singapore remained largely intact, enhancing this trust is crucial to our industry moving forward. MAS has conducted a stocktake of the culture and conduct across the various banks and found that the practices are not uniform across the industry. It is therefore timely, as mentioned by Piyush, that MAS and ABS have launched a *Steering Group* last month to raise conduct standards among the banks in Singapore and promote sound culture.
18. Having a good culture and conduct is the corner stone for growing our businesses sustainably. One local bank has recently set up a *Conduct and Ethics Committee* at the board level and a *Culture and Conduct Committee* at the management level to have dedicated board oversight and management ownership on the right culture and practices.
19. This is an area that all of us in this industry must do together. The raising of standards must be felt across the whole industry. And, as non-traditional players enter the broader banking market, we need to embrace them, and also engage them with the traditional values.

## **Doing good for society**

20. Another topic I want to cover tonight is Sustainability. People have been talking about it more frequently, and there are so many acronyms associated with Sustainability – ESG, SDG, RSPOs, TCFD. It has so wide a coverage that it sometimes becomes confusing as to what it means. In my internal communication, I simply say Sustainability means we must “*Do Well and Do Good*”.
21. We are good at doing well. But we don't necessarily do good consistently all the time.
22. All the three local banks recently pledged not to finance any new coal projects. ABS is working with MAS to develop a set of new guidelines on environmental risk management for the banking sector. It will be built upon existing ABS guidelines on responsible financing which were issued in 2015. We just had our first meeting a week ago and a draft of the guidelines should be ready by the end of the year for public consultation.
23. But sustainability goes far beyond climate change and being environmentally responsible. Sustainable development is about investing now for a better future for our business and our people. It is forward looking and covers the social and economic aspects which are vital for the well-being of our community and our future generation. Choose the ones that you can help make a difference.

## **Leave No One Behind**

24. The last point I would like to make is the impact of technology. Technology has been a catalyst for economic growth. It has brought about productivity gains and allowed increased access for basic services such as banking. But not all are equipped with the necessary knowledge to ride on the technology bandwagon. We must not leave anybody behind.
25. The banking industry will deploy technology not just for the purpose of enhancing customer experience only, but also to promote openness and reach out to the unbanked and the under-served communities.
26. In the area of cashless payments, we aim to do more. We currently have 19 FAST banks, but only 9 are on PayNow. ABS will work on encouraging the remaining FAST banks to join PayNow, and on extending FAST and PayNow to non-bank e-wallet operators. In addition, PayNow will soon be part of the

national SG QR scheme by the end of this year. The integration will free merchants from the need to display multiple QR codes, making it more convenient for customers.

27. Meanwhile, work will continue on the KYC Solution project. ABS will work with MAS and banks to find a solution that can help banks perform KYC efficiently and effectively.
28. To wrap up, let me end with an observation. Before social media became popular, when we say -- "*someone is following us*", our reaction was to RUN away as fast as we can! Nowadays, people and organisations like being followed – *I mean, being followed on line, and to lead.*
29. We want to continue to lead in best practices in banking not just in Singapore but also for the region which is becoming increasingly connected. We want to be the industry that leads the way for other industries to grow, and be once again the "Dragon Head Industry" to find and to fund new areas of expansion that is sustainable for our economy and for our expanded community.
30. With that, it is truly my pleasure to invite Senior Minister Tharman on stage to address us. Mr Tharman, please.