

## **ABS 50th Annual Dinner**

### **Speech by Mr Piyush Gupta, Incoming ABS Chairman**

**23 June 2023 at Shangri-La Singapore**

Guest of honour, Mr Tharman Shanmugaratnam, Senior Minister, and Chairman of MAS. The senior leaders from MAS, Council members, all of my colleagues in the industry, a really warm welcome.

You know, 50 years, that's a big deal, and 50 years of ABS, 50th anniversary, it's a special evening and I'm so glad that all of you have been able to join us for what, hopefully, will be fun and rewarding evening together. Ee Cheong, I've got to say thank you. Thank you for your leadership in the last couple of years. I noticed Ee Cheong said he's done this five times. Ee Cheong, my recollection is, for those of you who are football fans, when the Jules Rimet Trophy was won by Brazil three times, they retired the trophy. I've always recommended, that into five terms, Ee Cheong, you should become Chairman for life.

Looking back, this is my third term as ABS Chairman. In 2011, I had indicated that I thought it was going to be a lot of transformation in years to come. I looked back at my 2017 notes, and I had suggested that the coming years would see three or four things. I didn't get too many right. I said the future for Asia looked rosy, but I hadn't seen COVID, and well, even though we're doing better than the rest of the world, it has been somewhat choppy. I thought the topline for banks is likely to be challenging, and we would have to be very ingenious and thoughtful about new ways of generating revenues. Again, I did not anticipate that the Federal Reserve would do the most unprecedented rate hike in history, and therefore, net interest margins would all be benefitted by a tailwind. I had said that there's likely to be systemic risk in the non-bank sector, especially, a risk of being squeezed out of the regulated industry through a set of post-GFC reform. Well, again, I didn't get that right. There was systemic risk, but it turned out it was in the banking sector. The only thing I got right is the notion that data would prove to continue to be challenging, and by data, I referred to as AI, and of course, you know, we've seen a lot of advances in AI since then.

So, I was wondering what to talk about today, and Ee Cheong, your comments were quite comprehensive, but I really thought about the world in the couple of years to come in my chairmanship, but more importantly, the rest of this decade, and I'm struck by the fact that I think we, as humanity, the world, Singapore are in for some fairly uncertain and challenging times. I think we are at the confluence of some major fault lines, and the four which are worth calling out, quite clearly, first of all, is the fault lines around our planet. As many of you know, the Stockholm Resilience Centre has defined nine planetary boundaries. Some of them are atmospheric ozone, aerosol content, phosphorus and magnesium in soil and so on. At last count, the belief is we've already surpassed five of those boundaries. Carbon is obviously one. We are at some 440 parts per million. The boundary is about 350 parts per million. At this stage, biodiversity is the other. We are losing diversity and species at ten times the rate that

the earth can actually withstand. This is already being called the sixth mass extinction in the history of our planet. So, the planetary challenges are very real. Why I call it a fault line is that, at this current trajectory and current path, it does look like we might have hit the point of no return. Now, there's a lot of things that we, collectively, as human beings and mankind need to do, but the chances of hitting 1.5 degrees on temperature look bleak. I think, right now, we're probably fighting to hold the two-degree line. So, this is not going to be easy. Second fault line, the fault line on people. It's quite clear social inequity continues to be a big challenge, and COVID, and more recently, inflation is exacerbating the nature of the problem.

Unfortunately, sometimes the conflicts and trade-offs between the problems of planet and the problems of people, it's quite instructive that of the 17 SDGs, about half of them focus on planet, half of them focus on people, and everybody seems to think that we can get everything done in an aligned way, at a consistent pace. However, the truth is, sometimes there are trade-offs. Frankly, even within the planet issues, the environmental SDGs, the trade-offs are between biodiversity and climate change, and certainly, when you extend beyond planet to people, they're oftentimes trade-off between poverty, social development, education, hunger, versus keeping the planet green. Now, I'm not saying they necessarily have to be trade-offs, but that's the reality of life, and so, the fault line around people is also going to be very challenging, and the challenge is going to be exacerbated by the fact that, sometimes, it'll conflict with the fault lines around the planet.

The third fault line, which is obvious to all of us, is the geopolitical fault line. In some ways, people were talking about a unipolar world, then they were talking about a bipolar world. It seems quite clear that we are destined, at this point, for a multipolar world, and that sort of looks increasingly familiar to Europe of the 19th century, with the shifting alliances. I sometimes joke, my biggest challenge with studying European history was that I never remembered who was in whose camp. You know, sometimes it was the French and the English fighting against the Prussians, and then it was the Prussians and the Italians fighting against the English. I am worried that we are destined for a world where all of these alliances will be shifting. They will be thoughtful, they'll be pragmatic, but it's a very difficult world in which to negotiate and navigate your way, and finally, the fault lines around technology.

Technology is generally a force for good, but technology, at critical paths, leads to discontinuity, and I believe that we are at the cusp of some significant discontinuities, and what we are seeing with generative AI is an example, but generative AI is the tip of the iceberg, and, you know, somebody, I read the other day that generative AI, in fact, is a misnomer. Right now, we are still in the days of computational statistics. All AI does today is statistical probabilities of what is going to come next. However, we're not far from the day where you start putting some sentience into AI as well, and certainly, in the course of the next decade, 10-15 years, it does look to be the case that artificial generative intelligence is within reach, and this doesn't even talk about technology in the realms of genetics and bioengineering and so on and so forth. So, again, a fault line, if you will.

I'm sort of schizophrenic. There's a part of me which is optimistic. I'm generally an optimistic person, and sort of looks back and says this is not new in the history of our civilisation, of

mankind. We've seen these challenges before, and we have the resiliency, the resolve, and the capacity as people to wrestle our way through them. Technology is a great example. When the plough got invented, everybody thought farmers would die. When the car got invented, people thought there was doom and gloom for stagecoaches and so on and so forth, the printing press, but every time we found within ourselves the creativity and resiliency to find a new way forward and a new future. So, the optimistic part of me says we'll figure a way out of it, maybe stub our toes here and there, but we will figure. Unfortunately, there is a more dystopian view, and sometimes, I do despair. Like I said, I do think in some ways, we might have crossed the line, the tipping point on some of our challenges, and whether there are challenges around people or challenges around the use of artificial intelligence. It's encouraging to me that more and more people are beginning to think hard about how do you put some OB markers, how do you put some boundary lines, how do you do some thought around where are we going, and how do we make sure that we don't fall off a precipice, but it's quite clear that, we could go one way, or we could go the other.

Now, irrespective of the way the world goes, the truth is that our industry, we as banks, are going to be deeply embedded and going to have to play a very critical role. We are a crucial industry. We're a critical industry. We are substantial parts of the GDP in most countries. In our own country, we're almost 15% of the GDP, but I would submit that we have within us, in our DNA, the seeds that allow us to go down two paths as well. I talked about optimism and dystopia, but we have the seeds to go down two paths as well. We have in us the seeds of being heroes, but we also have the seeds of being zeroes. The seeds of being heroes and what Ee Cheong referred to, and I've often thought that banking is a good industry. We are a noble profession. The world that we know would not exist in the shape it does if it weren't for finance. We help people save. We help people invest. We help people buy homes. We help educate people, we help small companies become big companies, finance greases the wheels of the global economy and that's a good thing. But at the same time, as we have shown through our actions in the past that we can also be egregious in our behaviour. We can be short termist and we can wind up in a situation that we're seen as villains and not heroes. We go through cycles and unfortunately we are in a cycle where the banks are collectively, as an industry making a lot of money because of the interest rate cycle. Now anybody who has been in this industry long enough recognises that cycles come and go and we've been through a down cycle and so there will be an upcycle. But the fact is that in environments of this nature, where bankers are looked at askance and people expect even more from us than we normally want to give as part of our normal profession. Therefore, my view is that in the decade to come and certainly in the couple of years in my chairmanship, we are going to have to comport ourselves very, very thoughtfully. We're going to have to think hard about making sure that we are seen to be a force for good. Some of the things that we have on the anvil actually speak to this.

So over the short term, we're going to revise and review the ABS Code of Conduct. As you know, we have this Code of Conduct since 2016. It's important for all of us collectively to continue to commit to a Code of Conduct which allows for responsible and thoughtful kind of banking. We are going to try and launch an industry volunteer day, where all of us together,

from all of our various institutions get together on one day to be able to give back and contribute to the community. Now, it might appear that this is no big shakes, it's one day and we can go and paint houses. But in reality, I'm hoping that it kindles in us a recognition and a belief that we are here for real people, to do real things for real people and outreach. And touching real people is so important. To allow us to continue to be grounded in the reality of our environment and our society.

Ee Cheong talked about sustainability. We will continue to dial it up with the Green Finance Industry Taskforce<sup>1</sup> and see how we can extend our thinking to multiple sectors, the transition taxonomy, increased sustainable finance, because clearly, how we allocate capital, how we actually do inclusive financing is going to be very crucial. We have a critical role to play in that regard. AI, Gen AI, artificial intelligence is also important and so we are launching Artificial Intelligence and Data Analytics (AIDA) development programme to train all of our people. But as we train our people, we will try and train people not just in the use of the tool, but in the thinking about what is right. You know, how do you think about what is appropriate, what is right, what is not right. All of these actions are all parts of things that we need to do to make sure that our role in society, our role in the community, our positioning as an industry stands the test of time. People look back and say, these people did the right thing, they mattered, and they put their shoulders to the wheel in the right form. A lot of challenges, but as always, I think there are also a lot of opportunities.

Asia still grows at four to five percent, it's much faster than other parts of the world. The fundamentals of Asia continue to be quite sound, increasing middle class consumption, urbanisation, investment, infrastructure build, a coalescing Asia, increased investment, we have the capacity to continue to build a bigger and better world right around us. So, with a little bit of luck, we will wind up at the end of this period being heroes with a 'H' and not zeros with a 'Z'.

Thank you all. I hope you have a wonderful evening, and at this stage, I'm going to invite Vikram Khanna to usher in our guest of honour, the Senior Minister, so that they can have a fireside chat. Knowing the breadth and lucidity of the Senior Minister, he will be able to talk a lot more about the fault lines that I referred to. But perhaps, sir, maybe you can give us a lot more guidance on where you think, as an industry, we can really play a more constructive role.

Thank you all, cheers!

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<sup>1</sup> The Singapore Sustainable Finance Association was established to build on the successful work of the Green Finance Taskforce whose term ended in April 2023.