

ABS 51st Annual Dinner

Speech by Mr Piyush Gupta, ABS Chairman

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Guest of honour, DPM Heng Swee Keat, past ABS Chairman, fellow Council members, special and distinguished guests, ladies and gentlemen, good evening and a very warm welcome to all of you.

You know, at the beginning of the year, there was much talk about half of the world's population heading to the polls. Now many of these have come to pass, the polls have happened. And while it would appear that there's an element of sameness in some situations, some of the results have been surprising, and in many cases have presaged an underlying disquiet. So if you look at close to home, the election results in Indonesia, Taiwan, even India, were largely within expectations. The key parties came into power as anticipated. But in some cases, the margin of victory was slimmer than expected. And certainly, in India, the BJP, while it remains in power, does not have an outright majority on its own. So, it needed to put together a coalition, as you know.

But in other places, results were less expected. So, look at Mexico and Europe. The strength of voter preferences took pollsters by surprise. In Mexico, while the left-wing ruling party, Moreno's victory, was not unexpected, the extent of the win came as a huge surprise, with the share of the popular vote being off the charts. It not only ushered in Mexico's first female president, also won a lower house super-majority and two-thirds of the Senate. Now, this is extreme left, hard left. But look at what happened in the EU. The EU elections also reflected an unprecedented further shift to the right, with really marked shifts seen in France and Germany. And as you look through the balance of the year, the prospects for the forthcoming UK election is quite clear, that the Labour Party looks like it is in a dominant position, so left-wing. But if you look at the US situation, and especially after watching the Trump-Biden debate this morning, it would seem to me that unless the Democrats change the candidate or the nominee, it does look like Trump is in pole position. Now, that's not left, that's right.

So as you look through the spectrum of possibilities, it is quite clear that the middle is not holding. And the middle not holding, that seems to suggest that there is disquiet and tension in the system. People are either looking at socialistic upshots, or they're looking at what I call "circling the wagons," which is what the extreme right response is, typically around migration, immigration, and so on. We're halfway through the year, and if I had to characterize what we have seen with the phrase, I would say it sort of looks like continuity in some sense, but actually it masks underlying change. There's a very good article in the FT last week, which said in the UK in particular, it's not this election which is that important, it is the '29 election, and it suggested that between now and the rest of this decade, you're going to see a lot more

concern and a lot more challenge ebbing from civil society. And that's my view. If you go back to my comments early in the year, I do think that as we go through this decade, we are going to see a lot more of that. Some of the challenges we are facing are going to come increasingly to the fore, and what we are seeing today are early indications of that. Electoral shifts have revealed underlying voter concerns over income inequality, or unemployment, or climate change, immigration, and I think you'll start seeing policy changes coming into place to address some of these concerns.

Now, in other countries, policies might not change very significantly despite political change. Here in Singapore, for example, we recently welcomed a new prime minister, and hopefully we will see elections sometime in the next few months. It'll be interesting to see whether those elections themselves indicate a need for policy rebalancing in Singapore as well. My own sense, though, is that for many countries like ours, our policy stance and what we're trying to achieve is quite stable, so while we will have to keep calibrating from time to time, I don't anticipate any significant tsunamis of change, but you can't say that for every other country in the region.

Elections aside, I think what's important is all of these messages, again, things I said in the beginning of the year around three important things, so last year. One, technological advances, and the kind of continuity/change you're seeing with technology. The issues of climate and sustainability. Again, there's been continuity, but there's been change. And finally, stuff I talked about again, which is the big question of trust.

So technological advancements first. Artificial intelligence and Generative AI have advanced rapidly over the past year and are now being deployed across swaths of industries and rapidly being integrated into our everyday lives. What's been remarkable, though, is the pace of this change. Since OpenAI unveiled its ChatGPT model in November 2022, LLMs have undergone significant improvements. So in December '23, that's what, five, six months ago, Google launched Gemini Ultra, the first model to reach human expert performance on the multi-task language understanding, the MMLU. In February this year, they further announced that the context window capacity of Gemini 1.5 Pro had increased from Gemini 1's original 32,000 tokens or building blocks used to process information, to 1 million tokens. Think about it, 32,000 to 1 million, like this. This means that Gemini 1.5 Pro is able to process vast amounts of information in one go, including an hour of video, 11 hours of audio, code bases with 30,000 lines of code, 700,000 words instantly. And these changes are happening month by month. In the beginning of the year, I asked our AI folk whether we were ready for avatars, so natural language conversational AI. And they told me you could, but there is latency of two or three seconds, and so it's not natural. Two months later, they came and told me latency was down to 300 milliseconds, so it's now become natural. So the pace of this change has actually been so dramatic and so rapid that if you start projecting it out, and you start thinking about how long does it take to get to some versions of artificial general intelligence, my current view is that it might be much quicker than all the current baseline projections seem to suggest.

Now, this has got good news and bad news. In the banking sector, there are boundless opportunities to harness the potential of AI. In fact, a report by Accenture highlights that banks are likely to benefit most from Generative AI more than any other industry. There are also opportunities to unlock new value. McKinsey estimated that new value at \$200 or \$350 billion in the banking sector from GenAI. And we, like I'm sure many of you, are already beginning to find use cases and put them into place. But at the same time, this is the schizophrenic side of me. Gen AI also brings with it a lot of risks. The risks of bias, risk of hallucination, inaccuracy, cybersecurity, and so on. It brings not only risks, which are risks of economics, i.e. what do they do for jobs, does it create jobs? Does it create productivity? But also risks of morality and ethics. How do you make out the difference between a human being and a computer? And when do you get to the stage where you say, "Hey, maybe this is not quite right." To guard against such threats, the industry, in collaboration with the MAS, is working on Project MindForge, which aims to develop a GenAI risk framework in the financial sector and explore developing industry use cases that leverage GenAI and other AI technologies. I'm pleased with this approach. We've managed to retain a cutting-edge position as an industry and a sector by being forward-looking. MAS has been a great partner to drive that agenda.

But at the same time, by working together, we've continued to make sure that we have the safety brakes, the guardrails in place. So it's not just GenAI. Blockchain technology also presents opportunities to disrupt and transform the industry. While it's true that blockchain went out of fashion for a couple of years during the crypto winter, we are starting to see renewed interest in the technology with the approval of Bitcoins, ETFs by the US SEC, as well as the rise of central bank digital currencies. In Singapore, the MAS and the industry have continually worked together to harness the potential of blockchain technology to transform cross border and domestic payments, as well as asset tokenization through industry-wide initiatives, such as Project Ubin, Project Orchid, and Project Guardian.

It's a fact, over the course of history, technology has been a double-edged sword. It brings with it both opportunities and challenges. Today, that hasn't changed. What has changed, however, is the pace at which this is happening. The accelerating pace at which new technologies are coming to bear means our capacity to be able to think through and make sure that we've got the balance right is indeed a lot more challenged than it used to be. Given this, what remains constant is the need for the resolve and the collaborative spirit of all of us in this room, of the industry and the regulators, to come together to harness the benefits of the technology, but at the same time, keep a close eye and guard against emerging risks.

Sustainability. You know, that's the other thing where there's been continuity and there's been change. Over the past few months, we've seen an anti-ESG backlash, especially in the West. I've never seen something so dramatic. It took six weeks for ESG to become a bad word, with segments of the anti-woke movement claiming that companies are imposing unwanted environmental and social initiatives on society. While some large companies have indeed dialed back from the ESG commitments, a lot of them are sectoral. Some of them are in the

energy complex, energy sector. But if you look below the surface, the direction of travel hasn't changed that much. So in that, there is still continuity. Regulators and businesses as a whole have continued to advance the climate agenda. 118 governments have committed to tripling renewables by 2030. And the number of companies setting targets as per the science-based targets initiative has grown almost 80% both globally and in Asia.

There is also a little bit of optimism. You know, one of the best books – I've read two books in the last few months. One's quite dystopian, and that's by Kim Stanley Robinson, which is called *The Ministry of the Future*. The premise of the book is they create an agency like the United Nations to help shepherd the world. It's called *Ministry for the Future* because this agency is supposed to represent future generations on earth, the generations yet to come. But that book, for the most part, is actually quite dark. It is dystopian, the heat wave, the water crisis, and spoiler alert, this agency decides to take a subvert, covert role to be able to try and drive the world on track.

But at the same time, I read a book more recently, just last week actually, and that book has a sense of possibility that we can solve the climate issue, that there are opportunities. It's called *Not the End of the World*, and it's written by a UK-based author called Hannah Ritchie. And she basically posits that we have the opportunity to be the first generation that leaves the environment in a better state than we found it, and the first generation in human history to achieve sustainability. So that book actually goes chapter by chapter on what is possible and what we're already being able to achieve.

Now doing so requires not only the efforts of individual players, but also an entire ecosystem of partners across the financial and the real economy sectors. In recognition of this, the Singapore Sustainable Finance Association, the SSFA, was launched in January this year as the first cross-sectoral industry body to support the development of Singapore as a global sustainable finance hub. As a member of SSFA, ABS will continue to support key initiatives to catalyze the growth of the sector. In addition, as part of the Green Finance Industry Task Force Taxonomy Works Team, Singapore launched the Singapore Asia Taxonomy last December, making it the world's first to pioneer the concept of a transition category in recognition of Asia's unique needs.

Now while the road to achieving a more sustainable planet has been paved by several bumps, the direction of travel in the climate fight is clear. And what has persisted is the ingenuity and innovativeness of players across industries and governments in identifying and implementing solutions to solve the climate issue, including working both within borders and across borders.

Finally, the third thing I talked about last year, trust and social responsibility. Beyond issues of technology and planet, we as a society also face the naughty problem of trust. Trust is the cornerstone of the banking industry and we are fortunate that in Singapore, banks are highly trusted entities by the public. However, the proliferation of scams has increased the risk of trust

erosion among consumers. As an industry, we have launched measures to guard against the scourge of scams. However, the biggest change that will move the needle is greater education and awareness among consumers. We are thus embarking on large-scale anti-scams education campaigns in collaboration with the authorities. To this end, we've launched the anti-scams mascot design competition, where the chosen mascot will be used by ABS and member banks in various anti-scams programs. I look forward to the unveiling of the contest winner later tonight. Anti-scams roadshows will also be held at public places and skits featuring the anti-scams mascot will also be brought to over 100 schools to raise awareness among children and youth.

While scam typologies and threats will continue to evolve, our commitment to protecting our customers remains steadfast as we work together to keep abreast of emerging threats, implement and enhance relevant anti-scams measures in a timely manner and raise public awareness. As banks, our *raison d'être* has remained unchanged over time. We manage and protect the money of our customers, which requires trust in us by our customers and the broader society. In addition to protecting our customers, the banking sector does also have a deep responsibility to the broader community and society. In recognition of this, we launched the ABS Community Giveback Program, which brings together ABS's member banks and their staff collectively to give back and contribute to the community across a range of initiatives over two years. Now more than 50 member banks together with ABS have committed \$4 million for the program, along with at least 6,000 staff volunteers to benefit the community across two key pillars. First, social and environmental initiatives, including helping the less privileged and contributing to environmental sustainability. And second, safeguarding consumers against scams, as I mentioned earlier. The first event involving the distribution of household necessities via community marketplaces was held earlier this month as part of the Give As One Singapore campaign. And I'm glad to have seen the active participation of fellow ABS members. It's actually quite a sight, and I actually have a one-minute video clip to give you a sense for how energising that event was. Can I have the video, please?

[Video played]

So banks in Singapore did come together, and so thank you all. Thank you to the leadership. Thank you for all of you for participating.

As banks, we receive two licenses to operate, one from the regulator and one from the public. And the license from the public will be withdrawn if they do not think we are relevant to them. The trust that the public has in banks does have to be earned, and comes with tremendous social responsibility, which I hope we will continue to strive to fulfill.

Then, the rest of the year ahead, we'll continue to see significant transformation and change, as well as an external environment buffeted by challenges on several fronts. But what will enable us to weather any storms ahead and ride the waves of change is the enduring strength

of the human spirit in forging ahead and finding innovative solutions to problems and with strong partnerships and collaboration among the industry and with other partners. Last year, I spoke of my hope of the industry becoming heroes with an "H" and not zeros with a "Z." This year, in the spirit of the upcoming Olympics, it is my hope that we as an industry will be "Citius, Altius, Fortius – Communiter!" – Or faster, higher, stronger – together!

Thank you all.