

ABS 42th ANNUAL DINNER
30 June 2015
Outgoing Chairman's Speech by Mr Samuel Tsien
The Association of Banks in Singapore

Mr. Tharman Shanmugaratnam, Deputy Prime Minister, Minister for Finance, and Chairman of Monetary Authority of Singapore

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

Distinguished Guests

Fellow Council Members and Bankers

Ladies and Gentlemen,

Good evening and a warm welcome to everyone.

This time last year, when I stood before you on this same occasion, the mood was decidedly grim. The global banking industry was shrinking, and redundancies were the order of the day, with layoffs outpacing new hires two to one. The only thing that brought some cheer and excitement to the bankers' life then was the World Cup. I still recall how excited our council members HSBC and Barclays were at our annual dinner, though with hindsight they need not be -- as England was just participating for fun.

The picture is somewhat brighter this year. The financial services industry and particularly, we as a nation, have many reasons to celebrate.

As a nation, we celebrate our Golden Jubilee. Our national athletes presented us with a handsome anniversary gift at the just-concluded 28th South East Asian Games – by planting us firmly in the second place in the Medal Tally Table with 84 Golds, and at the top of the table with a total of 259 medals. We also broke 25 SEA Games records. Well done, Singapore.

Our MAS Board Director and Minister for Culture, Community & Youth, Mr Lawrence Wong, was definitely the most hardworking minister during that period (other than the athletes) -- cheering and busily handing out medals almost every day at our iconic Singapore Sports Hub – at the National Stadium, Indoor Stadium as well as the OCBC Aquatic Centre and the OCBC Arena. So congratulations, Minister, for a spectacular SEA Games, done in true Singapore style!

The financial services industry here, meanwhile, is celebrating the 42th anniversary of the formation of ABS. Singapore now ranks fourth in the Global Financial Centres Index, a lofty perch built on a robust supervisory framework with a pro-business attitude. In the current environment of sovereign credit stresses and rating downgrades, Singapore continues to stand out as an AAA-rated economy that remains a sound, stable and attractive location for business and investments.

For sure, as an industry, we have learned more about risks, and how to anticipate and manage them in the years after the Global Financial Crisis. We have admittedly had to contend with a raft of macro-prudential reforms and regulations, but these have helped us to be better prepared for sudden shocks.

A return to basics may be in order for everyone, now that we are more attuned to the new regulatory environment. As the outgoing Chairman of the ABS, I would like to cover 4 fundamental areas which we have worked on over the past year, and which we need to continue focus our efforts on, to ensure healthy growth of the industry:

1. People – Building the talent pool and upgrading industry competencies
2. Customers – Staying focused on meeting the evolving needs and increasing expectations of our customers, reinforced by the social media
3. Industry Collaboration – Particularly on cyber-threats and outsourcing risks
4. Opportunities – Leveraging global trends

Building the talent pool and upgrading industry competencies

Regarding our first area of focus, the industry needs to be able to recruit and retain the best and the brightest to maintain our status as a premier financial centre. The financial sector is facing new realities, including the increasing digitalisation of financial services that are shaping the way banks serve and interact with customers. In this regard, we are digesting Ravi's speech yesterday on new ideas launch and how to avoid second guessing MAS. On the other hand, the evolving operating environment makes it all the more pressing that we need to be trained and equipped with the right competencies.

In March (2015), our Guest of Honour tonight, DPM Tharman announced the launch of the SkillsFuture initiative to provide Singaporeans with a first-rate system of continuing education and learning throughout our lives. As part of this, a Financial Sector Tripartite Committee will be formed in September this year. This tripartite arrangement, with representation from the Unions, MAS and ABS, is an ideal platform for mapping out and addressing the future skills needs of the industry. Ensuring that jobseekers and industry practitioners possess the required skillsets is a critical need that we have to act on today, to prepare for a changing tomorrow.

Staying focused on customers' needs

On the second point, on Customers, it is very natural that we, as a service industry, put customers at the heart of our business.

As responsible lenders, we look after the well-being of our customers – all customers, not just the affluent ones, including those facing financial troubles. We need to help our customers to be *responsible borrowers* as well.

ABS actively supported MAS' measures to rein in excessive unsecured borrowing by consumers. In response to MAS' announcement to extend a four-year period to give our over-leveraged borrowers more time to manage and reduce their debts, ABS, in collaboration with the leading retail banks and card issuers established the Repayment Assistance Scheme (or "RAS") in April this year to help individuals with debts in excess of 12 times of their monthly income manage their debts. This centralised scheme takes into account total unsecured debt across financial institutions. It allows for repayment over 8 years, at a significantly reduced interest rate for that portion of the debt in excess of 12 times of their monthly income.

By the way, not intended to confuse you, this is the second 'RAS' that banks have developed; the first RAS was the development of Risk Appetite Statements -- also acronymed RAS.

To make banking more convenient for our customers, ABS and the industry have also worked diligently on enhancing the industry-wide banking architecture.

In this regard, the most notable was the launch of the Fast and Secure Transfers service (or “FAST”) in March last year. FAST allows customers of the 14 participating banks to electronically transfer Singapore Dollar funds from one bank to another instantly. Since the launch, over 1 million transactions have been executed via FAST each month. And, in response to calls from businesses and corporations, the transaction limit for FAST was increased from S\$10,000 to S\$50,000 on 8th May (2015).

Industry Collaboration – Cyber Threats and Outsourcing

The third area I want to touch on is the need for industry collaboration, particularly with respect to combating cyber-attacks and managing the risks associated with outsourcing arrangements.

Both risks can be potentially catastrophic, not only for the individual banks, but for the erosion of public confidence in the banking system. Therefore, we must collaborate more at the industry level to manage these risks.

The ABS Standing Committee on Cyber Security was formed to lead the industry effort to collaborate, coordinate and drive the continued enhancement of cyber security across the banking system.

ABS also led a study trip to the US last year – comprising 20 representatives from eight banks, the MAS, the Singapore Stock Exchange and the Ministry of Home Affairs – seeking insights into how to more effectively pre-empt and respond to cyber incidents. Based on the best practices learnt, an industry-level *Cyber Incident Management Framework* was introduced – along with a regular *Information Security (FS-IS) Forum* to share best practices, market events and cyber threats faced by the financial industry.

As an international financial centre, Singapore’s financial system also runs the risk of being abused by criminals to conduct cross-border money laundering, tax fraud and tax evasion. 2014 marked the 11th year that ABS has organised the ABS Financial Crime Seminar, which was attended by 480 professionals from local and regional financial institutions.

Over the years, outsourcing arrangements by banks have become more prevalent and complex. MAS’ very comprehensive *Technology Risk Management & Outsourcing Guidelines* ensure that banks do not engage in outsourcing arrangements that may compromise their risk management, controls and reputations.

ABS again took the lead to establish a set of industry guidelines that outline the minimum standards and controls required of Outsourced Service Providers. This was just released last Friday along with detailed recommended procedures including the requirement of an annual audit. ABS has also obtained the endorsement of the major vendors to agree to and accept the standards.

Leveraging global trends

For my last area – leveraging global trends – I will cover specifically the internationalisation of the RMB and the imminent formation of the ASEAN Economic Community (AEC).

What started out as a drive to use the RMB as a payment currency for trade settlement with one leg in China, has seen the currency developed to become an FDI currency and an ODI currency, a savings currency for individuals and a reserve currency for now some 40 countries. The RMB may soon become an SDR currency.

As the two leading international financial centres in the world, Singapore and the United Kingdom came together at the Singapore-London RMB Forum in January 2015. Co-hosted by ABS, the Forum offered a platform to exchange views and share ideas on how to further develop the offshore RMB market. This collaborative spirit was underlined by the attendance of senior officials from Her Majesty's Treasury, the MAS and representatives of 16 financial institutions from both countries.

Earlier this month, ABS was honoured to host the 45th ASEAN Banking Council meeting. The ASEAN Economic Community is by and large on track. But, as Mr Ravi Menon, our Guest of Honour at the Banking Council meeting, commented – the pace of financial integration across ASEAN lagged behind trade integration, and whereas there are good reasons why financial integration has been slower than trade integration, the progress could have been faster.

At the same meeting, I urged the banks and the 10 ASEAN banking associations to take a forward-looking view and a leading role in working with the public sector to progressively achieve an integrated and open One ASEAN for the financial services industry. Only then can the full potential of AEC be realized as an integrated economic block -- benefitting the ASEAN people with new employment opportunities, and the ASEAN-based banks with new businesses arising from the increased trade, capital, investment and people flows.

Appreciation

As I leave you with these 4 areas that the ABS was actively involved with over the past year, please also allow me, to express my deep gratitude for the opportunity to serve my two-year term.

It has been a rewarding and personally enriching experience. It was a great honour to represent the industry, and it was especially enlightening to engage in discussions with MAS -- tough as they might have been, I emerged that much more appreciative of the forward looking vision that MAS has demonstrated and the global considerations which they have to take into account when formulating policies. We have the highest respect and appreciation for Ravi, Chong Tee, (Jacqueline) and their team.

I also wish to thank everyone on the ABS team who has made these two years productive. Having worked so closely with ABS staff, I have a more profound understanding of how much effort goes into getting the many initiatives underway, and the 'people power' needed to drive them.

For this, I must express my deep appreciation to the tireless Ai Boon and her team. She is just amazing. She and her team selflessly put in the effort year-in and year-out to make sure that we, the ABS chairmen, look good.

To my fellow council members, I ask you to accept my sincere gratitude for your patience and wise counsel.

To the industry's many volunteers, who led our Standing Committees and Sub-committees in formulating the various recommendations for implementation, "thank you". As the Chairman bank, I know many of you are, as a result, from OCBC. There are also many from other banks, who have worked tirelessly and contributed significantly to the well being of the industry. I know you spent many hours in deep discussion, and that this is over and above your normal work at your respective banks.

I shall now hand the baton of the ABS chairmanship to Ee Cheong, Vice Chairman and CEO of UOB, our most experienced ABS Chairman.

Ladies and Gentlemen, Mr Wee Ee Cheong.

Thank you, again.