

**The Association of Banks in Singapore
35th Annual Dinner
Address by Mr David Conner, Chairman ABS
Friday, 27 June 2008**

Mr Tharman Shanmugaratnam, Minister for Finance, MAS Officials, Distinguished Guests, colleagues, competitors, ladies and gentlemen, good evening and a very warm welcome to one and all.

The Association of Banks in Singapore (ABS) is indeed honoured to have your presence here tonight as it turns 35.

At last year's Annual Dinner, when I took over the ABS Chairman role from Ee Cheong, I recounted how different the economic environment was compared to my stint as Chairman in 2002 and 2003. While the conditions in 2002/3 were difficult as we negotiated through the fall-out from 9/11, the bursting of the internet bubble and the SARS outbreak, the outlook in the middle of last year was much rosier – stock and property markets were booming, we were enjoying full employment and sentiments going into 2008 were strong, buoyed by the anticipation of the opening of the two Integrated Resorts in 2009/10 and the staging of the first F1 event in 2008.

Given those circumstances, I initially thought my current Chairmanship was going to be much easier, underpinned by a thriving economic backdrop. I obviously spoke too soon, as now, a year later, a contrasting picture has emerged. Over the last 12 months:

- Sub-prime woes have resulted in cumulative write-downs of more than US\$398bn to-date by various financial institutions
- Numerous CEO's from the world's top banks, investment banks and insurance companies have been ousted, and more than 80,000 financial services job cuts have been announced
- Scores of financial institutions have seen their share prices come down by more than 50%, with many of them scrambling to raise new capital to shore up their damaged balance sheets and
- The Dow Jones Industrials and Straits Times indices have fallen by 14% and 13%, respectively, with even more dramatic falls in China and Vietnam, to name a few.

Moreover, as predicted by many market watchers at the onset of the sub-prime crisis, the financial sector's woes are now spilling over to the real economy. US economic growth slowed to 0.9% (Q-o-Q) in the first quarter this year, versus 2.5% for the whole of 2007. Measures of consumer confidence have fallen sharply, and surveys show that banks in

the US and Europe are tightening their lending standards, with growth in new loans slowing dramatically.

And, as if central banks and the governments did not already have their hands full, commodities markets are threatening to rekindle inflation, whether driven by demand or speculation, or both. The price of crude oil yesterday touched US\$140 per barrel (more than double the US\$68 per barrel this time last year), while the price of rice has more than doubled in the last year and most other commodities have also rocketed upward. Singapore's own inflation rate hit 7.5% (year-on-year) in May 2008, up from 1.3% in June 2007. Unable to sustain the food and fuel subsidies any longer, many governments of emerging economies have begun passing on the price increases and are now managing the backlash from consumers.

While we continue to see growth in financial services here in Singapore and the region, no doubt you will all agree that we are steering our respective organizations through increasingly treacherous waters. Nevertheless, it strikes me that we should pause and reflect on why, so far at least, we are relatively unscathed. First, I would submit that we, as an industry, have largely avoided the excesses of our peers in North America and Europe. Second, we are fortunate to have solid economic growth, driven by vibrant East Asian economies, including our commodity producing neighbors. And last, but certainly not least, we should be grateful to our regulators and the government of Singapore for maintaining a healthy system and sound fiscal policies. Having built up significant resources, a full cupboard, if you will, Singapore is now well prepared to deal with possibly leaner times, as and when necessary. Yes, as banks, we should be grateful for the fact that confidence is high, not the least because of the sound financial management and extensive resources maintained by the Singapore government.

Now, lest I hazard a revolt on my hands from the audience, I want to emphasize that this is not a paid announcement. And for sure, I too bear my share of scars and bruises from dealing with the MAS over the years. Still, we should not hesitate to give credit where credit is due – and if there is a pun in there it is fully intended!

At this point, it is appropriate for me to extend my congratulations to all financial sector participants and the MAS for the excellent ratings Singapore received from the recent mutual evaluation by the Financial Action Task Force (FATF). Out of the 49 recommendations on Money Laundering and Terrorist Financing, Singapore obtained a score of 43 “Compliant” and “Largely Compliant” ratings, which put us on par with the US. And Singapore is the only country to rank equal to the US, the next highest being Belgium

with a score of 41, and the next highest being the UK with a score of 36. This is indeed a remarkable achievement for Singapore. No doubt, as public awareness of FATF ratings increases with time, our excellent ranking should translate into more banking business, particularly regional wealth management and private banking business for all industry participants.

The ABS is mindful of other important areas that are vital towards safeguarding Singapore's role and reputation as a financial hub. In this regard, I would like to highlight two ABS-organized events that are coming up:

The first is the ABS Financial Crime Seminar to be held on 31 July. This Seminar is a continuation of the "Countering Financing of Terrorism Seminar" which we organised earlier this year, at which the President of the Financial Action Task Force, Sir James Sassoon, delivered the keynote address. I would like to encourage as many member banks as possible to attend next month's Financial Crime Seminar, as the seminar will no doubt be useful in keeping the industry up-to-date on developments in this area of growing importance.

The second event is the forthcoming industry-wide exercise, code-named "Exercise Raffles II", that will be held from 28 August to 11 September 2008. Singapore is the only financial centre (other than London and New York) to conduct a large-scale financial sector flu pandemic response exercise. Exercise Raffles II will test the financial sector's response to a possible flu pandemic hitting Singapore. Aiming to enhance Singapore's overall influenza pandemic readiness by integrating the financial sector's business continuity and crisis response plans with those of Singapore's government agencies, the Exercise will involve the participation of no fewer than 137 financial institutions, including banks, finance companies, insurance companies, securities and broking houses, the Singapore Exchange, the MAS as well as infrastructure providers such as NETS, Clearing and Payment Services and the Singapore Automated Clearing House.

At this juncture, I would like to thank members of the various work groups for their time, commitment and dedication that have made Exercise Raffles II possible. Note that there will be a Cocktail Reception at the close of the exercise for all participating financial institutions, and we look forward to many of you joining this social gathering and informal post-mortem of the exercise.

Now I'd like to quickly recap some of the other initiatives implemented by the ABS last year in continued support of the industry:

- For several years now, ABS has been publishing consumer guides to improve the public's understanding of retail banking services. Last year was no different, as the ABS worked with MoneySENSE to produce a consumer guide on home loans.
- Contributing to national efforts to improve service standards, the Association also accepted the permanent assignment to handle nominations from the banking sector for the annual Excellent Service Award. This award, handed out under the auspices of SPRING Singapore, entails national recognition of individuals who have provided outstanding service in various industries. Last year, the ABS received more than 600 nominations for the awards, and a total of 576 banking-sector nominees were successful awardees. This year, we received 1,655 nominations, an increase of 2.5 times the number we received last year. The number of participating banks also increased to 10 banks, 2 more than last year's.
- The Association, together with the Singapore Tourism Board and the MAS, has also invited SWIFT to hold SIBOS 2012 in Singapore. SIBOS last came to Singapore in 2003, drawing some 4,000 participants. Current attendance at SIBOS has increased to 7,000 and we expect the crowd to be even larger going forward.
- On the foreign front, the ABS received 10 foreign delegations last year (twice the number in 2006). An MOU was also signed with the Uzbekistan Banking Association (UBA) in May last year, providing for co-operation and mutual exchange of information between the ABS and the UBA, as well as between member banks from both sides.

For complete details on the ABS achievements last year, do refer to the annual report that has just been distributed.

In Conclusion

May I remind you that the Association is committed to engaging members throughout the industry, to strengthen co-operation and unity so that together we can continuously improve Singapore as a financial center. Of course, this cannot happen without the active participation of as many member banks as possible.

With this in mind, I want to extend my sincere thanks to fellow Council Members and all the Association's Standing Committees and Task Forces, for your continuing support and sound advice throughout the year. It is your generous commitment of time and effort that

enabled the projects undertaken by the Association to progress smoothly and on a timely basis.

I also want to place on record my appreciation for the hard work done by all the dedicated staff of the ABS secretariat, led by our ever energetic Director, Mrs Ong Ai Boon. Thank you.

And now, it is with much pleasure that I ask you to join me in welcoming Minister Shanmugaratnam to give his address.
