

**The Association of Banks in Singapore 38<sup>th</sup> Annual Dinner**  
**Speech by Mr. Piyush Gupta, Incoming ABS Chairman**  
**Wednesday, 28 June 2011**

Mr. Lim Hng Kiang, Minister of Trade and Industry and Deputy Chairman,  
Monetary Authority of Singapore

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

Distinguished guests

Fellow Council Members

Ladies and Gentlemen

Good evening and a warm welcome to everyone. Thank you, Minister Lim, for gracing this event. It is an honour having you with us tonight.

As an industry, we've weathered a lot in recent years. After a sharp downturn, in the second half of 2009, Asian economies rebounded strongly from the global financial crisis.

But just as we thought we could breathe easy, in recent months, clouds have gathered on the horizon once again. The global macroeconomic environment is fraught with uncertainty.

In the US, economic recovery remains tentative, with recent data on unemployment, housing and retail sales all showing signs of weakness. This has raised the spectre of a possible US double-dip recession.

Even more worrying is the unfolding Eurozone debt crisis, and the possibility that problems plaguing Greece may spark a wider contagion across continental Europe.

In Asia, buoyant growth has resulted in widespread inflationary pressures which need to be delicately tackled. Putting the brakes on an economy without overdoing it requires an adroit balancing act. This, in particular, will have an impact on whether China has a soft or hard landing, with potentially widespread repercussions on the rest of Asia.

My own personal bias is that while the Western economies will remain in a soft patch for some time, they will be able to avoid any big blow-ups. The Chinese government has also demonstrated consistent ability to manage the economy. Even so, with the increase in macroeconomic risks over the recent months, we need to remain vigilant to a possible deterioration in the outlook.

In spite of the near-term uncertainties, I am optimistic about the future. Asia, today, is a key growth engine. Structural shifts are also taking place in Asia, allowing this part of the world to grow increasingly under its own steam. These mega trends present huge opportunities for Singapore and the financial sector.

As I take on the ABS Chairmanship, one of my priorities will be to foster closer collaboration within the industry. Although we are competitors, I believe all of us can have a shared collective agenda, which is to make Singapore an even more important financial hub to capture the Asian opportunities before us.

What are these opportunities? They include:

- A growing middle class and rising consumerism. Gone are the days where goods produced in Asia are naturally shipped to the West. Asia today is generating more of its own demand, and this will only increase.

Increasing consumerism will create large opportunities for consumer finance. Growth in this area is reliant on appropriate policy frameworks for consumer protection and robust infrastructure for credit underwriting,

credit bureaus in particular. As an industry, we have made good progress in this area.

- Second, rising affluence. Asia today is creating wealth faster than anywhere else in the world.

This, coupled with the increasing funds flows from Europe and the Middle East, provide an obvious opportunity. Singapore has done well to position itself as a wealth management hub, based on a track record for safety, soundness and clockwork efficiency. Going forward, we need to continue to build the community of asset managers, private banks and wealth advisors here.

- Third, greater cross border flows, as companies, both big and small, begin to extend outside of their home markets. The age of the Asian MNC is here, and the proportion of Asian SMEs which become MNCs will only grow.

Increased regionalisation is beneficial to Singapore as we are a hub for many Asian corporates in this part of the world. Singapore is also growing in stature as a major hub for a wide range of soft and hard commodities. We should continue to strengthen the banking industry's competencies so as to offer specialised financial services.

- Fourth, infrastructure build-up. Between 2010-2020, average overall infrastructure investment in Asia is expected to top USD 750 billion a year.

There is a huge thirst for infrastructure investment, and discussions have begun for a specialist institution to plug gaps in project financing. This is a positive development for the Singapore market. However, the massive demand for capital cannot be satiated by bank loans alone. The creation

of deep and integrated capital markets is key. Strong capital markets can help to facilitate the deployment of the region's massive savings for investment within Asia.

On this note, I am pleased to welcome the Singapore Investment Banking Association into the ABS family. As we continue to deepen Singapore's capital markets, I am sure that all members will benefit from being part of this enlarged industry grouping.

- The digital evolution is yet another opportunity. Rapid technological advances, and the readiness in which Asia has embraced this, are changing the way customers bank.

We should work together to enhance the industry's architecture and systems infrastructure, including for payments and settlements, so as to position Singapore at the forefront of international best practices. We also need to continue to promote innovation in financial technology.

What makes me think that Singapore is uniquely placed to cement our position as a leading financial hub?

First, banking is ultimately a people-driven business, and we have the talent. However, while a lot has already been done to groom people in the industry, we need to continually raise the bar in training and development, such as through the Financial Industry Competency Standards programmes.

In addition, while we are now facing a more complex regulatory environment, with new rules such as Basel III, Dodd Frank and FATCA coming down the pike, I personally think the impact on the Singapore banks will not be material.

Although the new rules will re-shape the global banking industry, altering existing business models and risk-return dynamics, banks here are generally well-placed to face the changing regulatory landscape head-on. This is because the Monetary Authority of Singapore has always adopted a prudent and disciplined approach in supervising financial institutions, while preserving the industry's high level of competitiveness. Banks in Singapore have also been proactive in strengthening their operating models.

Consequently, we have a competitive advantage over our peers in the West, who have to do more to catch up with the new normal. The shifts we have to make to comply with the new rules are relatively smaller than those required of our counterparts. This gives us a window of opportunity which we should seize to further grow our business.

Looking outside Singapore, we need to ensure that we continue to be well-plugged into a larger marketplace. We will continue to work closely with our counterparts in Asean, as well as international industry bodies such as SWIFT, to share industry best practices and collectively raise banking standards.

As incoming Chairman, I wish to express my appreciation to Ee Cheong for his leadership of ABS over the past two years. All of us at DBS are grateful that, in 2009, at a particularly difficult time for the bank with the passing of Richard Stanley, UOB at our request took on the ABS Chairmanship. To me, this is a clear demonstration of the solidarity and camaraderie within the banking fraternity, which will be invaluable as we forge ahead together to strengthen Singapore's position as a pre-eminent financial centre.

Thank you. With that, I would like to invite Minister Lim to address us. Minister Lim, please.