

ABS 39th Annual Dinner 2012
ABS' Chairman, Piyush Gupta's Speech

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

Ms Teo Swee Lian, Deputy Managing Director, Monetary Authority of Singapore,

Distinguished Guests,

Fellow Council Members,

Ladies and Gentlemen,

Good evening and a warm welcome to everyone. Thank you, DPM Tharman, for gracing this occasion. It is an honour having you with us this evening.

Last year, when I took on the ABS Chairmanship, I said that the global macroeconomic environment was fraught with uncertainties. Now, a year later, concerns over the state of the global macro economy remain. Fears of contagion from a deepening crisis in Europe, lacklustre growth in the US and a possible hard landing in China continue to threaten the global economy and financial markets. Clearly, issues in Europe are the most worrying, where the possibility of a banking crisis, compounded by a sovereign crisis, cannot be discounted. The Euro project sought to create a monetary union, but recent events are making evident that in the absence of a fiscal and political union of some fashion, a monetary union is not tenable. Uncertainty around the European situation is casting a pall of gloom around the globe. China's exports to the West have slowed down this year. More importantly, domestic Chinese demand has also come off in the past couple of months, and that has sobering implications for the rest of Asia as well.

While the situation looks somewhat bleak, and there will clearly be headwinds in the second half of the year, I am comforted by the fact that Asian authorities still have a reasonable degree of fiscal and monetary policy flexibility. The recent collapse in commodity prices and the related decline in core inflation may give them the ability to exercise this flexibility in the interests of economic growth. The Chinese have already embarked on this path, with a reduction in reserve requirements followed by a swift cut in rates in recent weeks.

I can only thank God that “Asia is still Asia, and Singapore is still Singapore”. While we can expect growth to come off a tad, Asia will still be stronger than other parts of the world. Structural shifts in Asia’s economies over the past 24 months such as growing domestic consumption will help soften the impact of significantly lower demand from the West. As such, Asia will still be a magnet for companies seeking growth markets and funds looking for investment opportunities.

Singapore is well-placed to capture these Asian growth opportunities. The industry is continually working together to enhance banking standards and our financial architecture and systems infrastructure to cement Singapore’s position as a global financial centre. To this end, I am pleased to announce that the banking industry will be launching some new initiatives.

Technological advances and Asia’s rapid adoption of new tech offerings are propelling new innovations daily. The technology proliferation, and increased adoption of Internet and mobile banking, means the way in which customers bank in Asia is changing. We live in an Internet age and increasingly, customers expect to be able to execute their payments and funds transfers at a pace that is in keeping with their lifestyle. To meet this need, the industry is currently embarking on a strategic initiative to develop a new generation payment system to further enhance Singapore’s payment infrastructure. When implemented in the next 12-18 months, this will offer significant benefits to customers. Here are some of the key features and benefits:

- Individuals and companies will be able to transfer funds electronically to any bank in Singapore on a real-time basis, 24 by 7, akin to the UK Faster Payment Service. It

takes two to three business days currently. Corporates and financial institutions will have an alternative to MEPS, which they commonly use now.

- New Giro arrangements can be set up electronically within 5 business days, significantly faster from the average of 12-15 days currently, reducing the amount of paper work and turnaround time, benefiting both the Billing Organizations and retail customers. Retail customers can also amend or terminate their Giro arrangements online, at their convenience.
- Companies and Billing Organizations can also leverage on the straight through processing capabilities of the system to improve their efficiency in managing payments and collections as well as to better manage payment risks.
- In addition, the system will have a more flexible GIRO bulk transfer file format which allows for more information to be provided, allowing easier reconciliation of transfers made to bank statements by consumers and companies as well as the billing organizations. This provides for greater transparency and clarity of the payments, for example, from a B2C or C2C perspective. This will benefit both the Billing Organizations and retail customers.
- Looking into the future, this new enhanced platform also opens up opportunities for the creation of more innovative and sophisticated payments offerings such as cross-border payments.
- More details on this new initiative will be provided closer to the launch date.

Second, as we move to a more electronic world, it is critical that consumer protection and information security stay topmost on our agenda . Since 2010, ABS and the banking industry have rolled out various measures to enhance banking security so as to give customers peace of mind. With effect from 1 July, the industry will roll out measures on the payment cards and e-banking transactions front. These include:

- the cessation of domestic magnetic stripe transactions for credit and debit cards
- the requirement for all new, renewal and replacement credit cards, debit cards and ATM cards to go through positive activation by customers.

All banks will also send out alerts via SMS for:

- successful GIRO set-ups
- cheque payments, and
- electronic funds transfer at point of sale transactions using the ATM NETs network above a certain threshold.

SMS alerts will also be sent out for ATM cash withdrawals locally and overseas above a certain threshold to counter unauthorised ATM cash withdrawals. For added security, all banks have deactivated the overseas ATM cash withdrawal function to minimise the possibility of unauthorised transactions being undertaken by unauthorised parties. To activate this function, customers will need to contact their banks. Some customers, for example, those who have recently withdrawn cash overseas, may be exempted from this measure.

I am also pleased to report that the industry is targeting to implement transaction signing for online banking from 1 January 2013 and adopt the EMV Chip technology in ATM cards and ATM-linked debit cards for implementation by 2014.

Third, we know that as economies move up the stages of economic development, the role of SMEs become increasingly important. However, SMEs face some challenges. A 2010 SME development survey highlighted that financial management is one of the key concerns of local SMEs. To help enhance SMEs' financial management skills, ABS has collaborated with SPRING Singapore to develop a web-based interactive financial management toolkit. The toolkit provides SMEs with information, templates and tools to help them better understand the financial aspects of running a businesses. It also

enables SMEs to compute the working capital requirements for business growth and ascertain the financial health of their company. This toolkit will be officially launched in August.

Fourth, banking is ultimately a people-driven business. To this end, the banking industry has been continually raising the bar in terms of training and developing our people, such as through the Financial Industry Competency Standards programmes. The Singapore Foreign Exchange Market Committee (or SFEMC) will soon be launching a Financial Markets Regulatory and Practices Certification programme. This programme is targeted at dealers and brokers engaged in wholesale dealing of OTC foreign exchange, money market instruments and derivative products in Singapore. It not only enhances the competency of these markets professionals, it also holds them to high standards of professionalism. ABS and the banking industry is fully supportive of this.

While I've outlined some important initiatives for the coming year, it is appropriate to also look back and reference a few important initiatives that ABS participated in over the last year.

We continued to raise resiliency standards to further strengthen the foundation of the banking industry. To that end, in September last year, in partnership with MAS, ABS launched Raffles III, an industry-wide exercise testing the industry's readiness in responding to systemic operational disruptions arising from physical and cyber attacks. The exercise, involving MAS, SGX and 139 financial institutions with over 2,800 participants, was a success.

We proactively lent support to global advocacy efforts on the slew of new regulations such as FATCA and Volcker Rule that are being introduced. We also collaborated with our ASEAN neighbours to present a united voice in our response. For example, earlier this year, ABS led a number of ASEAN countries to submit a joint response to the latest

proposed FATCA regulations. ABS, together with the Singapore banks, also made a joint submission to the US authorities on the proposed Volcker Rule.

In recognition of the strength of a coordinated ASEAN voice on the global stage, we initiated and are leading the review of the role and mandate of the ASEAN Bankers' Association. This is to ensure its continued relevance to member banks in the ASEAN countries.

Over the past year, the industry has done much to raise banking standards. I am sure this positions us well in times of uncertainty and to capture growth in the coming years.

I would like to thank council members, member banks, the various committees and taskforces and all our partners for your contributions. I would also like to express my appreciation to Ai Boon and her team for their continued support. It is important for all of us to continue to stay steadfast in our determination to succeed in the face of headwinds, and in the process, cement Singapore's position as a leading global financial centre.

Thank you.