

**ABS 41<sup>st</sup> ANNUAL DINNER**

**24 June 2014**

**Speech by ABS Chairman Samuel Tsien**

Mr Lim Hng Kiang, Minister for Trade & Industry; and Deputy Chairman, MAS

Mr Ravi Menon, Managing Director, MAS

Distinguished guests

Fellow Council Members and Bankers

Ladies and Gentlemen

Good evening and a warm welcome to everyone.

Time flies, and it has been a year since I took over as Chairman of The Association of Banks in Singapore when the ABS celebrated its 40<sup>th</sup> anniversary. I had said then that life begins at 40.

Well, I was not exactly right.

I have now learnt that when you are the chairman of the ABS, and, at the same time, you are trying to buy a bank in Hong Kong (for the avoidance of doubt, for my own bank and not for the ABS), and also deal with a whole host of new regulations, you don't really have a life!

But tonight, we're here not to talk about my life, but ours collectively. I know for some of you, your routine banker's life has come to a halt because the World Cup has started. I'm just grateful that because of the time difference, I'm not standing between you and your favourite match yet.

If the timing had clashed, I am not sure where would you choose to be, despite the presence of Minister Lim and Managing Director Ravi, perhaps particularly so for our Council member banks Barclays, HSBC, and BTMU, whose national teams are playing tonight and early tomorrow morning. Given that your opponents, Costa Rica and Colombia do not have a banking presence yet here in Singapore, I will cheer for your national teams – though, I believe England is playing just for the fun of it.

Many of you will find the World Cup a relief from the dismal developments in the global financial sector in recent years. As you've heard from DPM and Finance Minister Tharman Shanmugaratnam two weeks ago at IBF's 40<sup>th</sup> anniversary event, the global financial sector is shrinking and redundancies are outpacing new hires by roughly two to one.

Yes, we live in changing times. We need to rethink the way we live and operate, and get used to new norms.

We expect changes to continue to sweep through the banking industry. As an international financial centre, we need to uphold the highest international standards and be subject to a whole host of globally-coordinated reforms and regulations -- in capital, liquidity, trading practices, leverage, compensation and consumer protection. These were designed to give better assurance to the public that our global financial system is better prepared for future volatilities, and pre-empt the repeat of the financial market excesses we had seen in the past.

While all individually necessary in the context of what had happened, these measures are costly and will change our business strategies, operating models and returns on capital. The political will to implement the changes is undoubted, but, I must say, the full consequences of the global banking reform will only be seen and understood overtime.

Last year, I identified four key industry challenges post global financial crisis;

1. Increasingly complex regulations and the increasing cost of compliance
2. The necessity to improve and preserve the reputation of banks in general
3. Building a talent pool and upgrading industry competencies, and
4. The importance of collaboration in cyber security.

These four issues continue to be valid, but I am pleased to report that good progress has been achieved on each of them.

### **Compliance to Complex Regulations**

On the first challenge regarding increasingly complex rules and regulations – in addition to the new requirements under Basel 3, the industry also had to grapple with the implementation of FATCA and PDPA during the course of the year. Just to give you a sense of the magnitude of the cost and complexity involved, an informal poll of just six of the larger retail banks in Singapore revealed that the total cost of putting in systems to meet the requirements of FATCA alone, came close to \$30 million.

Some of these costs, FATCA for example, are neither revenue generating, nor customer experience oriented, but they are necessary to allow us to continue to operate in the global financial system. Coupled with the other costs and capital pressures that banks are facing today, it is imperative that we must work closely with each other as an industry, and together with the regulators, to meet the intent of these regulations, but also to manage the cost of implementing them. I am glad to report that the Association did just that over the past year.

For FATCA, the Association actively engaged the US IRS and US Treasury on the implementation practicalities. Based on the industry's recommendation, the Singapore Government announced the adoption of Model 1 under the Inter-Government Agreement with the US Treasury on 6 May this year. The agreement goes a long way towards easing the FATCA compliance burden of financial institutions on an individual basis, and allows us to report the required information without breaching local laws.

For PDPA, or the Personal Data Protection Act, the Association continues to engage the PDPC, the Commission, in highlighting the unintended implications of the regulations for the banking industry. The Association is also working on a set of guidelines to provide member banks with more guidance on the implementation details. On this note, I would like to thank the MAS for being sympathetic and understanding, and promoting additional guidelines to clarify the type of information that can be excluded from the PDPA.

### **Preserving the reputation of banks**

On the second challenge, I mentioned last year that in the aftermath of the global financial crisis, the industry would need to move urgently to improve the reputation of and the public trust in financial service providers by stepping up our efforts in customer protection.

The Association implemented several measures on the consumer protection front last year. To further protect cardholders from frauds, the magnetic stripe on credit and debit cards was deactivated for overseas use (unless pre-arrangements have been made). The Association also worked closely with the Life Insurance Association and the Association of Financial Advisers to issue balanced scorecard guidelines, following the announcement of the FAIR initiatives in September 2013. We also continued with the "My Money" Seminars and various talks to educate consumers about financial products and promote prudent financial habits.

In September last year, the Monetary Authority of Singapore announced a set of new regulations to promote prudent lending by banks, and prevent excessive borrowings by customers. . Being mindful of the possible financial and social implications, the ABS is leading an industry effort to assist potentially over-stretched borrowers who could be impacted by the regulations to manage down their outstanding credit in an orderly manner.

Lastly, the Association strengthened the governance and process for ABS rates setting, including the setting up of a new subsidiary company to administer the process, subscribing to global best practices, and discontinuing those benchmarks that do not have sufficient market activity to avoid potential abuse.

## **Building a talent pool and upgrading of industry competencies**

Moving to the third challenge of building a talent pool and upgrading industry competencies, last year saw the implementation of the Fair Consideration Framework to ensure that fair opportunity was given to Singapore citizens.

We would also like to thank the MAS for sponsoring a number of Executive Development Programs, particularly the Financial Associate Management Scheme, Internal Posting Program and the Financial Scholarship Program. The development programs will certainly help build a more sustainable pool of local talents for the financial industry in the medium and long term.

## **Promotion of collaboration in cyber security**

On the fourth challenge regarding collaboration in cyber security,

The ABS established the Standing Committee on Cyber Security last year and worked in conjunction with the relevant government agencies to develop industry-wide responses to counter cyber threats and attacks. In March this year, a delegation consisting representatives from eight member banks, as well as MAS, SGX and MHA, made a study trip to the US to learn first-hand and share information on how to effectively pre-empt and respond to cyber incidents.

Amongst the many useful observations, one important sharing was that there is no competitive dis-advantage for banks to collaborate on mitigating cyber threats. Financial Institutions need to proactively collaborate and share intelligence on cyber threats and incidents. In line with the learning, ABS is now exploring the establishment of a real time cyber threat information exchange platform, working in conjunction with the MAS, other government authorities as well as relevant international agencies.

The Association had also initiated a task force to identify concentration risks among banks on functions outsourced to third party vendors, and to recommend enhanced standards and controls so as to strengthen the oversight of these vendors.

Our upcoming industry-wide exercise, Raffles IV, will be also developed around a cyber-attack scenario which will provide us with more insights on areas that we can work together as an industry.

## **FASTer take-up on new fund transfer**

Last, but not least, we successfully launched FAST (the acronym for “Fast and Secure Transfer”) on 17 March this year, which greatly increased the speed and convenience of inter-bank transfers for smaller value items. FAST allows customers of the 14 participating banks to transfer Singapore Dollar funds of up to \$10,000 per transaction from one bank to another locally on a nearly real-time basis.

Riding on FAST, banks will also be able to develop their own innovative payment services for their customers. For example, some banks recently introduced new payment services that allow customers to instantly send money via Facebook, phone or email through participating banks. The volume and value of FAST transactions since the launch have significantly exceeded initial estimates, and I am pleased to report that the public feedback on FAST has been very positive. On this note, I would like to specially thank the FAST Project Team for their efforts and contributions. Your dedication has made this project possible.

## **Looking Ahead**

Looking ahead, we must continue to work together as an industry to comply with new regulations in the most efficient and effective way by leveraging on each other’s resources, sharing information and streamlining activities wherever feasible, so that we can continue to deliver convenient services to our customers, while also delivering decent returns to our shareholders.

Next year, we look forward to the launch of the Asean Economic Community (AEC) that will further integrate ASEAN’s economies with free, or at least freer, flow of goods, services, investment, capital and skilled labour. The promotion of a common or close to common market comprising 600 million people with a combined GDP of nearly US\$2 trillion will generate fresh demand, increase trade and investment flows, and a higher level of economic activities.

In this regard, we must particularly appreciate the efforts of our Guest of Honour, Minister Lim Hng Kiang, for his drive and leadership over the years in forging the AEC.

Minister Lim, before you step on stage, I was briefed by the ABS Secretariat that at the ABS Annual Dinner twelve years ago, on 25 June 2002, when you were also our Guest-of-Honour, you had decided to fast forward your speech because Germany was then playing South Korea in the semi finals of the 2002 World Cup. However, we are happy to let you know that tonight there is no such pressure, as the next game only starts at 12:00 midnight. We all look forward to your full address tonight.

But before I invite Minister Lim on stage, allow me to again express our appreciation to Mr Ravi Menon and his entire team at the MAS for guiding the ABS and our member banks in helping us develop effective and pragmatic solutions to complex and evolving issues which confront our industry.

I look forward to the continued open and collaborative relationship between the banking industry and the MAS, and I am confident that through our partnership, we will be able to take our financial sector to continued sound and sustainable growth. The financial services industry is a key pillar for our Country and our economy for the past 50 years, and together, we will bring it to greater heights in the next 50.

It is now my pleasure to invite Minister Lim to address us.

Thank you.

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