

ABS Lunar New Year Lunch
Wednesday, 13 February 2019 | Marina Bay Sands

Ravi Menon, Managing Director of the Monetary Authority of Singapore (MAS),
Ladies and Gentlemen, XIN NIAN KUAI LE (Happy New Year) and WAN SHI RU YI (May all things go your way).

This is the Year of the Earth Pig and its trotting in fast and furious. I know you are expecting pig related jokes/puns, but I don't think I should "hog" too much of your time.

In many cultures, pigs are a symbol of wealth and good luck. Pigs are also known to attract success in all spheres of life. As a testament to that, congratulations and a round of applause to MAS for winning the central bank of the year – a tribute to their agility and innovative mindset.

Last year was the Year of the Dog – and though it started off well, the dog began to go ruff ruff in the second half. This is likely to continue into this year, which will make it a challenging one.

- 1 Firstly, there has been synchronous global slowdown – USA is slower but still strong, Europe forecast down from 1.9% to 1.3%, China's slowdown is palpable, showing up in trade data and sub 50 PMI's around the region.
- 2 Second, the geo-political situation continues to remain uncertain. While there may be some resolution to the US-China trade dispute, the bigger challenge of the Thucydides Trap will stay with us longer. In addition, issues like Brexit and domestic US politics will continue to create volatility in the markets.
- 3 Singapore is also slowing, and both loan and deposit growth is weak, partly reflecting cooling measures and some crowding out by the government.

That said, there are some mitigants:

1. The global supply chains will take time to shift away from China, and even this relocation is likely to be mostly within Asia. With rising wealth in the region, we can expect Asia to continue to be both a market and factory to global players.
2. Domestic consumption while slow will be reasonable.
3. Central Banks are rethinking their monetary policy. Powell and Carney in the West have made dovish pronouncements. Australia's central bank governor has said that the next rate move could be downwards; RBI cut rates 25 bp, just recently.
4. And election year stimulus in several countries may create some impetus.

How do we deal with all this uncertainty?

In light of the celebrations ongoing for the Year of the Pig, I thought it would be apt to relate to the tale of "The Three Little Pigs" which we are all familiar with. The first pig quickly builds the home out of straw and spends the rest of his time playing and relaxing. A second pig builds a home out of sticks, which takes slightly longer, but he too values relaxation time. The third pig however chooses to build a home out of bricks, which requires a great deal of time and effort. When the Big Bad Wolf comes to the homes, only the third pig's house of bricks stands up to the "huffing and puffing" pressure applied by the wolf. The primary moral lesson learned from that is - hard work and dedication will pay off and building on solid foundations matter. But that was back in the 1840s and arguably outdated. What I would argue is that in today's age, we need a mix of houses 2 and 3 – strong foundations but flexibility to change and pivot rapidly.

Likewise, for Singapore, the idea that taking the time to focus on fundamentals is important but again by itself, it is not sufficient. Adaptability matters a whole lot more. And this means seizing the economic opportunities in the dynamic and fast-growing region that we live in.

We need to be innovative – perhaps like the Earth Pig?! The last time we had an 'Earth Pig' year was 1959 and it was under the Earth Pig's tenure when the microchip was invented, which sparked the beginnings of the Digital Age in which we now live.

I am pleased that our industry, along with MAS, has continued to drive this spirit of innovation. Last year, we made important steps in continuing to reimagine Payments.

- The e-payments guidelines issued by MAS will protect users from fraud and errors.
- The new Payments Services bill brings clarity, will raise standards and boost consumer confidence in adopting and using ePayments services.
- Last year, we launched PayNow corporate and to further enhance the customer experience a QR code option is available to give businesses more channels to receive payments. Both the retail and corporate fronts have had good momentum. As at 31 December 2018, there were more than 2.4 million PayNow registrations, who made more than 25 million transactions worth S\$3 billion (of which PayNow corporate: ~80k registrations, 111k transactions worth S\$91 million).
- Going forward, the opening up access of FAST to non-banks will create new possibilities.

The Singapore FinTech Festival held in November attracted a record 45,000 participants from 130 countries. It continues to be the biggest FinTech event in the world. Kudos to us all! And I am sure that such synergy between partners and the wider FinTech community will continue to improve our market.

It was not all smooth sailing, though. Together with the MAS, ABS worked with the three local banks and three international banks to explore a shared services utility for conducting corporate KYC. The final proposed solution had some gaps; nevertheless, we gained a lot (aligned standards) and are now pivoting to look for a better outcome.

In addition to innovation, our efforts to step up on sustainability are also noteworthy. ABS released the Responsible Finance Guidelines to enable banks to integrate Environmental, Social and Governance (ESG) practices into the banks' policies and procedures.

All in all, solid progress -- despite the external uncertainties, I believe that 2019 will allow us to continue to build on this work. As I mentioned in my speech at the annual dinner last year, after all, Singapore is 'goldilocks' sized: big enough to matter, and small and agile enough for all stakeholders to meet the challenges together - across the banking industry. And you can take that to the "PIGGY bank"!

Ok, I won't "boar" you guys anymore and let you all have the sumptuous lunch. Go ahead and 'PIG' out. Let me end by once again wishing everyone a very happy new year ahead. Thank you & HUAT AH!