

**Speech by Mr Heng Swee Keat, Managing Director, Monetary
Authority of Singapore
At the Association of Banks in Singapore Dinner 2006**

Mr Wee Ee Cheong, Chairman of ABS,
Council Members of ABS,
Colleagues from our financial community,
Ladies and gentlemen

1. I am delighted to be here this evening. It is a meaningful tradition for the ABS to bring together the financial community every year. It is a time to celebrate, to look ahead, and to renew our partnerships.

The Singapore Economy and Financial Services Sector

2. We have much to celebrate this year. Both our economy and our financial services sector showed impressive growth. Following the robust growth of 6.4% in 2005, the Singapore economy grew 10.6% on a year-on-year basis in the first quarter this year, the strongest in six quarters. In our immediate region, growth is strong in most economies, while the G3 economies remain healthy.

3. Riding on this growth dynamics, our financial services sector continues its commendable expansion. Commercial banks' credit operations grew very strongly last year, driven by robust demand in the Asian Dollar Market. Our corporate debt market grew strongly, with total outstanding volume of corporate debt increasing by 11% to S\$137 billion. Our asset management sector, which has recorded double-digit annual growth over the past 5 years, had another impressive year. Overall, in 2005, some 7700 jobs were created in the financial services sector.

4. In Standard & Poor's report on the banking industry across Asia released this week, S&P noted that our banking industry is "one of the lowest-risk systems in Asia. The sector has sound liquidity, reasonable loan growth, and stable earnings record, all underpinned by better economic conditions & ... The industry continues to evolve in terms of sophistication and competition".

5. Our links with all the major markets are deepening - to the US, Europe and Japan, as well as Asia and the Middle East. Our status as a financial centre is growing from strength to strength, thanks to your excellent

work. MAS will be releasing more details on the performance of the financial services sector next month.

6. Of some concern is the recent volatility in equity and commodities markets worldwide. This volatility reflects some nervousness in financial markets over possible upside risk for global inflation, which could trigger stronger monetary tightening in the major economies which could then slow the growth momentum. Going into the 2nd half of this year, we will continue to monitor closely the external economic and financial developments. However, at this stage, the underlying conditions supporting macroeconomic growth and stability for the Singapore economy remain largely intact. So barring any shocks, the Singapore economy is on track to achieve between 5 and 7% of GDP growth this year. We also expect the financial services sector, which grew 8.3% in Q1 and generated another 2100 jobs, to continue its steady growth for the year as a whole.

Partnership in Maintaining High Standards

7. One of the hallmarks of our financial services sector is how MAS and the industry work in close partnership to maintain high regulatory standards, while facilitating development and innovation. I am very happy that this partnership is growing stronger.

8. On our part, MAS will continue to keep our supervisory regime robust and responsive, and seek continual improvement in the way we work with you. We will enhance transparency and consistency, and keep the cost of compliance manageable. To maximize the value of being an integrated supervisor, we will be building on our CRAFT framework - (the Common Risk Assessment Framework & Techniques) to improve the consistency and robustness of risk ratings across entities we supervise in the banking, insurance and capital markets sectors. To enhance transparency, we plan to publish more information about MAS' risk-based supervisory approach. We are now working on a quality assurance (QA) framework for risk-based supervision of financial institutions, so as to further improve the quality and consistency in the implementation of risk-based supervision within and across different sectors.

9. In recent years, the industry and MAS have worked closely on regulatory and supervisory issues. We consult the industry, and the public, on every major policy initiative. We are mindful that the rules we put in place take into account the nature of commercial transactions. We appreciate the very useful feedback that many of you have provided. And we would like to take

our partnership with the industry a step further. Wherever possible, we will ask the industry itself to propose the rules. So with regard to Pillar 3 of Basel II on disclosures, instead of MAS proposing the requirements and then consulting the industry on these, we now have a working group comprising representatives from the locally incorporated banks to collectively propose to MAS a common disclosure approach that meets the requirements in Pillar 3. I hope we can find many more areas where we can take this approach, and I hope you will play an active role in this.

10. Another facet of our partnership is industry-led initiatives. For instance, the Singapore Foreign Exchange Market Committee (SFEMC) has put together several major initiatives. These include the formulation of the Singapore Guide to Conduct and Market Practices for Treasury Activities or the Blue Book. The SFEMC has also worked with key counterparties overseas to standardise the documentation for Asian Currency NDF contracts and to provide, among others, a fall-back procedure in the event of a significant market disruption.

11. More recently, many of you here participated very actively in the Industry-Wide Exercise 2006, to test the communications and decision-making process in your own firm, as well as our industry-wide coordination, in response to major disruptions caused by a possible terrorist attack. Over 100 financial institutions participated in this, and almost everyone found the exercise to be highly useful. Singapore is the only financial centre apart from London to have conducted an exercise of such complexity. This exercise was initiated by the leadership of the ABS, and may I thank the ABS and all participating institutions for this excellent initiative.

Partnership in Building Talent

12. The other area of partnership with the industry that I'd like to touch on this evening is on talent development. I know in the area of human resources, many of you are feeling young again, like adolescents coping with the pains of growing, with several pockets of shortages.

13. Some of you have characterised this as a musical chairs problem, for which the solution lies in us working collectively to have more chairs. We need both short-range and long-range solutions.

14. Many of you made the observation that Singapore takes talent development very seriously. Indeed. We have no oil that we can draw from the ground, but we can develop a deep reservoir of talent. We have no mountains to boast of alpine scenery, but we can achieve peaks of

human excellence. Not only can we do so, but we must do so, if we are to stay ahead.

15. To meet immediate needs, MAS launched the Finance Preparatory Programme earlier this month. Under this Scheme, financial institutions can sponsor their new officers to undergo a specialised training programme, even before they graduate or join the company. Based on industry feedback, IBF will roll out 3 programmes this year which will focus on settlement operations, middle office operations and risk management.

16. Last year, we also embarked on a major initiative - the Financial Industry Competency Standards, to provide a systematic framework for continual upgrading of our professional workforce. We have made good progress, with more than 30 key financial institutions and training providers signing on to implement the framework.

17. To ensure that our graduates are equipped with a firm grounding in the fundamental concepts, as well as a sound understanding of the latest developments in the financial markets, we have recently set up a Financial Talent Taskforce involving the industry, institutions of higher learning and government agencies, to develop new strategies and to enhance the alignment of the curriculum in our institutions of higher learning to the demands of the industry.

18. Looking further ahead, the greater sophistication of our financial services will place greater demands on specialist skills. We should aim to nurture a critical mass of specialists who can meet these demands and drive our next phase of growth.

19. The universities and polytechnics in Singapore can play a key role in developing specialist skills among our professionals here. Last year, I spoke about the critical role of risk management in maintaining the safety and soundness of banks, and how it can be a strategic enabler to help institutions develop innovative financial products and tap new markets. MAS then established a "Programme on Risk Management and Financial Innovation" to co-fund the set-up of new risk management programmes, research and development of product structuring expertise. I am pleased to report tonight that the National University of Singapore (NUS) is partnering with the University of California, Berkeley to jointly establish a Berkeley-NUS Risk Management Institute (RMI) in NUS. This institute will generate and disseminate leading edge knowledge on risk management through financial research, executive education and certification programmes. In fact, the RMI is targeting to offer a joint Berkeley-NUS Certificate in Financial Engineering programme by Jan 2007. This programme will help investment professionals

acquire the latest skills relating to corporate strategy, risk management, securities valuation, asset management and securities trading.

20. Apart from this, I am also pleased to announce this evening that MAS, together with the industry and our universities, will launch a Finance Scholarship Programme (FSP). The FSP will provide postgraduate scholarships for outstanding individuals to undertake Masters programmes in the best universities in specialist fields such as risk management, quantitative finance, financial engineering and actuarial science. Thirty million dollars will be set aside, under the Financial Sector Development Fund (FSDF), to provide co-funding with the industry. Like earlier initiatives, this will be a tripartite partnership among our universities, the industry and MAS. We will work together to identify promising executives and top students in our universities for this FSP. The scholarships will be tenable for specialised Masters degrees in top universities like UC Berkeley, Carnegie Mellon, Columbia and Chicago in the US, EDHEC Business School in France, and London Business School and London School of Economics in the UK. Our local universities will also participate in this initiative by building on the strong collaboration they already have with some of these universities.

21. My colleagues and I at MAS are pleased that many financial institutions have shown their commitment to this scheme, and to the longer-term development of talent for Singapore's financial sector. As of today, 13 financial institutions have committed to this scheme. We look forward to more participation from the industry.

22. Many of you have been active participants in the various manpower development initiatives under FSDF, as well as the FICS effort, in addition to your own training and development programmes. We appreciate your commitment to developing talent and raising the level of professionalism here.

S2006 and Conclusion

23. Let me conclude by sharing with you some updates on the Singapore 2006 IMF-World Bank Annual Meetings (S2006), the single largest international event that Singapore has ever hosted. With 16,000 delegates from more than 180 countries, including Heads of governments, Finance Ministers, Central Bankers, key decision-makers from the financial services sector and the international media, S2006 will serve as a timely opportunity to profile the dynamism of this region. The tagline of Singapore 2006 is "Global City, World of Opportunities". I hope that financial institutions can

leverage on this event to showcase their capabilities and regional presence.

24. Some of the highlight events of S2006 include the Raffles Forum and the Programme of Seminars. These high profile forums, with a strong focus on Asia, will be anchored by distinguished speakers, including MM Lee Kuan Yew and Paul Volcker. These forums provide an excellent platform for closer dialogue and discussions between governments and business leaders on developments and opportunities in the region.

25. We are pleased to note that many banks will be holding their own seminars, conferences, meetings, client-servicing events and even art exhibitions that will add to the buzz surrounding S2006, and top level delegations from the global financial institutions are expected to be in town to participate in these meetings and events. This is indeed a rare opportunity for the financial institutions to come together to deepen existing relationships and cultivate new ones. The financial institutions will find this a good occasion to meet with Heads of governments, clients and potential business partners. With your support and partnership in this significant national event, I am confident that S2006 will be a success and will create a truly memorable experience for the global financial community. On that note, let me wish everyone of you another successful year ahead. Thank you.