

Ravi Menon: Monetary Authority of Singapore at forty

Welcome address by Mr Ravi Menon, Managing Director of the Monetary Authority of Singapore, at MAS 40th Anniversary Dinner, Singapore, 28 November 2011.

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Prime Minister, Lee Hsien Loong

Deputy Prime Minister and Chairman MAS, Tharman Shanmugaratnam

Distinguished guests, ladies and gentlemen,

Staff and management of MAS are delighted to welcome you to our 40th anniversary celebrations.

1. An anniversary is a good time to thank all those who made the journey a successful one.

First, we thank the past leaders and staff of MAS

2. Economic and financial stability that Singapore has enjoyed over last 40 years is result of tireless efforts of generations of MAS officers.

3. The pioneers, led by our first Chairman, Mr Hon Sui Sen, and first Managing Director, Michael Wong Pak Shong, laid the foundations for an integrated central bank and financial regulator while navigating a turbulent global environment – the collapse of Bretton Woods, global recession, and double-digit inflation.

4. With Dr Goh Keng Swee as Chairman at the start of the 1980s and Mr Lim Kim San and Mr Yong Pung How as Managing Directors, MAS adopted the exchange rate as the principal tool of monetary policy, at a time when the conventional tools were monetary aggregates and interest rates.

5. Under Dr Richard Hu as Chairman, and Mr J Y Pillay and Mr Lee Ek Tieng as Managing Directors, MAS set about establishing the high standards of financial regulation and supervision that Singapore has become known for, while dealing with crises from Pan El to Barings.

6. The arrival of then Deputy Prime Minister Mr Lee Hsien Loong as Chairman and Mr Koh Yong Guan as Managing Director in 1998 launched a wide-ranging liberalisation of the financial sector in the midst of the Asian financial crisis.

7. And MAS built on those reforms while navigating the financial sector through the 2008/2009 crisis under the leadership of Mr Goh Chok Tong as Chairman and Mr Heng Swee Keat as Managing Director.

8. We thank the past management and staff of MAS at all levels. They are the unsung heroes who made it all possible. Highly professional, and driven by a strong sense of public service, they did not hesitate to do what was right even if it was unpopular.

9. In crisis after crisis – be it the speculative attack on the Singapore Dollar in 1985 or the global financial crisis in 2008 – staff of MAS worked long and hard behind the scenes, keeping our exchange rate strong, our banks safe, and the system sound.

Next, we thank our partners in government

10. MAS could not have done it alone. If Singapore government had run persistent budget deficits instead of chronic surpluses, outcome would have been very different.

Experience from around the world shows that biggest threat to monetary and financial stability is government that spends beyond its means.

11. A fellow central bank governor told me this story. He had gone to a country in Africa to deliver a speech. This was a country ravaged by hyperinflation brought on by mounting fiscal deficits. His grateful hosts gave him a memento – a beautifully framed currency note denominated in ten million units of the local currency. Ordinarily, he would decline such a gift, to save the trouble of having to declare it back home. But on this occasion, he asked for one more of the framed currency note and paid for it. On reaching home, he sent one of the framed currency notes to his colleague at the Ministry of Finance with a short note saying, “Please put this in a prominent part of your office as I have done. Let it be a constant reminder to us both that if we do not do our jobs properly, this is what will happen to our country.”

12. We at the MAS thank our colleagues in the Ministry of Finance and the broader government. Your fiscal rectitude has allowed us to concentrate on our mission of securing price stability.

13. MAS is independent within the government, not of it. Having a Cabinet Minister as the non-executive Chairman of MAS has insulated MAS from political pressure. When MAS was set up in 1971 and the then-Minister for Finance Mr Hon Sui Sen became its first Chairman, the World Bank was horrified. They said it was like asking the cat to look after the fish! The track record shows that the cat has been exceedingly well behaved. In last 40 years, government has consistently backed MAS. Never has the government pressured MAS to: ease monetary policy; or give a license to a bank that MAS was not inclined to admit; or refrain from taking action against a financial institution that did not behave.

Next, we thank our partners in the financial industry

14. Managing risk is an exercise in partnership. MAS will never know what all the risks are and where they are, as well as the institutions themselves. That is why the boards and management of our financial institutions must be at the forefront of keeping their own institutions safe and sound. That our financial sector has remained so is testimony to our partnership with them in prudent risk management.

15. Our financial industry has been an active partner in crafting regulation. MAS places much importance on consulting the industry before setting new rules or standards. We thank the industry for giving us useful suggestions and feedback, and sensitising us to unintended consequences. And our financial institutions have been a great ally in our efforts to promote Singapore as an international financial centre.

16. The 2008 global financial crisis has given the financial industry a bad name. This need not be the case.

17. Let us in Singapore together build a financial industry:

- that is economically purposeful: generating real value-added and good jobs
- that is socially redeeming: creating opportunities for individuals and enterprises; and
- that is ethically sound: acting with integrity at all times.

Finally, we thank our international partners

18. At our genesis in 1971, we had no experience in central banking or financial supervision. We learnt much from other central banks – like the Bank of England, Bank Negara Malaysia, and the Reserve Bank of Australia.

19. The IMF seconded to MAS a generous array of advisers, from whom we learnt core skills in banking supervision and economic research. I still recall the IMF's Article IV Consultations of twenty years ago, when I was a young economist in MAS. To many of us, they were the best tutorials in macroeconomic analysis that we have ever had.

20. Being part of the community of central bankers at the BIS was another way in which we learnt from the rest of the world. We continue to benefit to this day from the collegial spirit of Basel, working together to craft international standards, and co-operating in cross border supervision.

Conclusion

21. In closing, let me re-dedicate on behalf of my colleagues at the MAS, our commitment to our mission:

- to secure for Singaporeans a low rate of inflation;
- to preserve the purchasing power of our official foreign reserves;
- to keep our financial sector safe and sound amidst crisis and change; and
- to grow Singapore as a vibrant and trusted financial centre.

In this, we look forward to your continued support. Thank you.