

## **Tharman Shanmugaratnam: Banking – serving people and growing with your clients**

Remarks by Mr Tharman Shanmugaratnam, Chairman of the Monetary Authority of Singapore, at Citibank's 200th Anniversary Cocktail Reception, Singapore, 21 August 2012.

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Mr Vikram Pandit and friends,

Thank you for inviting me to this celebration of Citigroup's 200th anniversary.

When we think about the history of economies, it's sometimes best told through the history of individual firms and institutions. When we think of the history of the global economy too, the tumultuous changes that we've been through in the post-war era as well as the last hundred years, let alone 200, it's again very interestingly told through the story of individual institutions – although few have survived that length of time. I think the history of Citi, in its own way, tells a fascinating story of what happened in the United States and what happened in the global economy.

But the exhibits that I was looking at as I walked in say something that is worth reminding ourselves of – that despite all the transformations, all the new technologies that have been brought to bear, the new management methods and regulations, the innovations in finance, banking has still at its core to be about the basics – it still has to be about providing security to ordinary people, providing new standards for global trade, about growing economies. It's about serving and growing with your clients.

And I find it encouraging that Citi has been at the fore of this refocus on the basics of banking and finance. You've gone through a process of introspection in the last few years, because of the crisis and through the crisis, and you've come out stronger. Not just because of better capital and liquidity – although that's obviously a pre-requisite for strength in the post-crisis era. But more fundamentally because you're asking yourselves important questions about culture – questions about responsibility, and about the source of your profitability as an enterprise that intends to be around for a long time to come.

So the story of Citi, and like the story of several other global institutions, is also about the recurring importance of certain basics. And the most important basics in banking have to be about serving your clients and growing with your clients, and about managing risks well.

There's a risk that we're placing a too much importance in recent policy debates on the structure of banking. You read the headlines, you'll find a continuing debate about how large banks should be, whether we should have narrow banks or universal banks, about the role of national banks and global banks, about the role of commercial banks versus investment banks and the rest of the shadow banking system. These are important questions of structure, but I think we risk an overemphasis on structure and an inadequate focus on the culture of banking and finance, and an inadequate emphasis on the need for active supervision. Those are absolute prerequisites for stability in banking. Active, and sometimes intrusive, supervision of banks, and particularly of global banks, has to be at the foundation for stable banking and finance.

I don't think any reconfiguration of the structure of banking and finance is going to get us to an intrinsically safer system, taken as a whole. And we have to remember that this last global crisis, which is still with us in many ways, started not with large universal banks or large global banks, but with narrow or specialised players. Countrywide (the mortgage provider) in the US, Northern Rock in the UK, investment banks like Bear Stearns and Lehman Brothers. It was accentuated through AIG's Financial Products division, which played a prominent role on the derivative markets. But it was not global banks that sparked off the crisis, although they helped propagate it globally. It bears reminding ourselves of that.

No matter how we restructure the system, no matter how we cut down or dice the pieces, banking will involve risk. And without the right culture – whether it's about an investment bank or commercial bank or a mono-line player – and without the active and intelligent supervision, we'd have the same problems over and over again. The problems that underpinned this global crisis were old-fashioned problems – property booms that were misjudged by banks, regulators and borrowers; and the problem of banks relying too heavily on borrowing short term to invest long-term. Old fashioned problems that recur with each crisis.

So we have to refocus on the basics of financial stability – active, and sometimes intrusive, supervision, which is a responsibility of the regulator; and a refocus on a culture of responsibility within banks themselves. A culture where the board and the management keep asking questions, never get too mesmerised by the optimisation of statistical risks, and focus on the risks that can't be quantified, the uncertainties that can't be anticipated well in advance. Asking ourselves that question on a regular basis, that's the responsibility of boards and management, and I'm glad to see how leading global banks are taking this very seriously, and drawing lessons from this crisis.

I wanted too to thank Citigroup for doing what you've done together with us in Singapore. You've grown – almost ten thousand people now. In fact, just in the last three years, you've grown your employees by 30% in Singapore, with the bulk of that growth being jobs for locals, good jobs for locals. You're taking advantage of Asia's continuing growth and emergence, and in doing so, you're also fortifying Singapore's role as a regional and global financial centre. I think we'll do well with our partnership for the future, and we'll all do well if we stay focused on that culture of responsibility. As someone put it in the video just now, it's all about wanting to do something meaningful in our lives.