

## **Tharman Shanmugaratnam: Institute of Banking and Finance (IBF) – celebrating 40 years of excellence**

Speech by Mr Tharman Shanmugaratnam, Chairman of the Monetary Authority of Singapore, at the Institute of Banking and Finance 40th Anniversary Dinner, Singapore, 10 June 2014.

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Mr Ravi Menon, Managing Director of MAS and Chairman of IBF,

Former Chairmen of the IBF,

Distinguished Guests,

Ladies and Gentlemen,

I am sure I speak for everyone in saying what a pleasure it is for us to be here as IBF celebrates its 40 years – 40 years of building skills and capabilities for what has become a leading international financial centre, and financial activities that support consumers and businesses with a broad range of their needs. I congratulate IBF for its achievements. Credit must go to IBF's pioneers for your leadership and foresight, and the many individuals and financial institutions who have brought us to where we are today.

### **Singapore's development as a financial centre**

Major anniversaries are a good occasion for reflection. Singapore did not start out as a financial centre. In the early years of the nation's development, the finance industry mainly comprised a group of foreign bank branches and small local banks. They serviced the foreign merchant houses and local merchants involved in trade across the Causeway, and provided working capital to various domestic businesses. However, the corporate sector relied largely on internal finance. There was also very little consumer finance. Skills in finance did not need to be more than basic.

The key centre for international finance in Asia was Hong Kong. It was the Asian outpost of the City of London, and the gathering point for bankers. Further north, Tokyo was growing in pace with the Japanese economy, which was leading Asia.

There was no reason why a financial centre had to be located in Singapore in those days. Mr Lee Kuan Yew once called it a most "improbable start". Our development as a financial centre was always an act of volition – we made it happen.

We created a space for ourselves in international finance, starting with the Asian Dollar Market (ADM) in late 60s, followed in the early 80s by the Singapore International Monetary Exchange, or SIMEX. They were building blocks for what is today the third largest foreign exchange centre in the world, and a leading Asian player in global derivatives markets. We developed a strong core of local institutions even as we opened up to greater competition from foreign institutions in the domestic market, especially in the last 15 years. Our local institutions have held their own, not only in the domestic market but in regional finance. And underpinning all of this, we developed the skills and capabilities that have made us a credible player internationally.

The development of skills was progressive. We lacked banking expertise when our development kicked off. The MAS, itself a fledgling institution, together with the Association of Banks in Singapore (ABS), formed a Training Committee in 1972 to organise formal programmes to develop skills. This led to the creation of IBF in 1974, as a dedicated institute for financial sector training. More initiatives were introduced to deepen skills, such as the launch of the Chartered Financial Analyst (CFA) examinations locally in 1982 and the establishment of the Wealth Management Institute (WMI) in 2003. As the training landscape

developed over the years, we subsequently evolved IBF into a standards-setter for financial sector competency.

Today, Singapore's financial sector comprises almost 12% of Singapore's GDP, with more than 1,000 financial institutions performing roles in Singapore, the region and globally. It employs almost 190,000 people, of which about 70% are Singaporeans. The jobs are now diverse and increasingly complex. Beyond traditional corporate lenders and retail bank tellers, many more jobs have been created in portfolio management and investment analysis, product structuring, risk management and technology.

Our financial sector has significant opportunities ahead of it. However, growth will demand deeper skills and expertise, rather than a large expansion of jobs. The deceleration in job growth in Singapore's financial sector in the last few years<sup>1</sup> is not a temporary happening. It reflects the slowdown in our local labour force growth, as well as major forces that are reshaping global finance. I will say a little more about these global forces, before going on to talk about what we have to focus on to remain a competitive and dynamic financial centre in the years to come.

### **The evolving global financial landscape**

Globally, we are seeing countervailing forces. First, there is overall shrinkage in the global financial sector. Weak economic growth and higher capital requirements in the wake of the global financial crisis are forcing financial institutions to review their business models and restructure. Redundancies have been outpacing new hires by roughly two-to-one. Financial institutions have been particularly pressured to consolidate activities in trading and securitisation, which have higher capital charges.

Asian finance continues to grow. This is a solid story for another two decades at least, with increasing trade flows, rapid urbanisation and infrastructure development, as well as rising middle-class affluence and wealth creation in the region.

Thirdly, however, against this global and regional backdrop, there is a driving force that is transforming activity across all financial markets, and that is technological change. As early as the 1990s, technology has been transforming the way financial institutions competed and did business. But a bigger wave is coming.

The relentless advance of computing power and internet speed has meant that many more financial transactions can now be done at lower cost, faster and to an increasing degree, automatically. In wholesale markets, electronic platforms are now dominant. This is most clearly seen in the FX industry, where 74% of global FX trading volume is executed electronically today, up from single digits in the early 2000s. The exponential growth in use of mobile devices is leading to profound changes in how financial institutions interact with their customers. Meanwhile, the potential for data analytics is leading to increasing sophistication in financial research and risk management. Algorithms are being developed to assess the impact of market-moving information on traded securities, replacing the role of junior analysts.

These changes will change the profile of jobs in finance, globally, in the coming decade and beyond. We saw an earlier wave of this during the IT revolution of the 1990s, when many typing and clerical jobs, and those in switchboard operations and routine production lines were lost. In the next wave, experts now foresee many more white-collar jobs at risk globally.

There are indications that this is already happening in the financial sector. Following the 37,000 jobs lost in the US financial sector as a result of the crisis, Wall Street announced

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<sup>1</sup> About 5,000 new jobs were created in the sector each year in 2012 and 2013, compared to about 10,000 a year in 2010 and 2011.

further planned layoffs amounting to another 14,000 jobs in the first two months of 2014 alone. Analysts believe that a large proportion of these job cuts reflect the ongoing shift from branch to mobile banking, and replacement of voice trading jobs by electronic platforms. Some estimate that about 30 to 40% of spot traders are at risk of being replaced by this electrification of trading.

These are trends we have to respond to, and indeed take advantage of. We can do well in this new financial landscape, and ensure that Singaporeans have quality jobs that complement and take advantage of new technologies. Asia will grow, and the demand for quality in finance will grow. As global financial institutions restructure, and as technology transforms jobs in the next decade and beyond, we must ensure we are well prepared with the skills, depth of expertise and innovative capabilities to stay relevant and competitive. We have to continue to build globally competitive teams in Singapore, by proactively developing our Singaporean core while remaining open to foreign professionals with needed specialised experience and skill-sets.

### **Skills that make the financial sector of tomorrow**

In short, we can excel in finance and build rewarding careers for Singaporeans. We move ahead from a solid base: a well-reputed financial centre with extensive links to the world, and a competent and skilled workforce. As we look to the future, we must develop capabilities in five areas, which I will touch on briefly in turn:

- (I) Deep Functional Expertise;
- (II) Cross-Functional Capability;
- (III) Regional Knowledge and Experience;
- (IV) Technological Skills and Adaptability; and
- (V) Leadership

#### ***(I) Deep functional expertise***

First, we need to deepen functional expertise, across all areas of finance – in banking, capital markets and insurance. We are seeing a greater demand for specialised skills, for example in structured trade finance, reinsurance and specialty insurance. Financial institutions need strong expertise in risk management and compliance. In wealth management, there is demand for more sophisticated investment strategies that better hedge risks, and for being able to execute these strategies efficiently. These are all areas in which Singaporeans can excel.

#### ***(II) Cross-functional capability***

Second, we are seeing greater demand for finance professionals with cross-functional abilities, besides a core competence in a particular business area. This is obviously helpful in small institutions, but is also in demand in large institutions as different financial services are being integrated and packaged together for the customer. Cross-functional knowledge and competence also enables financial professionals to take on larger responsibilities, and to achieve greater resilience in their careers in a fast-changing financial sector landscape.

#### ***(III) Regional knowledge and experience***

Third, regional knowledge and experience. It is now an essential for a good career in finance, not just nice to have. We must give it far greater emphasis, and encourage and support Singaporeans in building up this capacity. Cross-border solutions and transactions are increasingly the norm in the business. Strong regional knowledge is also necessary in meeting clients' needs, whether in relationship management, transaction banking, specialised finance or product structuring. It also enables financial institutions to manage

their risks well, and operate effectively in Asia's still diverse regulatory frameworks and market environments.

#### **(IV) Technological skills and adaptability**

Fourth, technological adaptability. I spoke earlier about how technology is changing the business, and changing jobs. It is not a matter of defending ourselves against the onslaught of technology, but taking advantage of it. Financial institutions are increasingly using technology to gain an edge over their competitors, or to achieve cost efficiencies and free up resources for new growth areas. In consumer banking, we are now seeing new mobile payment products that enable on-the-go transactions. In private banking, banks are putting more investment tools at the disposal of their clients. For corporates, banks are using technology to facilitate end-to-end supply chain financing. And needless to say, cyber security is now a key risk, everywhere in the world. Across the business, from management to individual business units, technology skills and adaptability must be a strategic imperative.

##### *Initiatives to facilitate the building of competencies*

IBF has a key role in ensuring that finance professionals are able to keep pace with these challenges of the future.

IBF has been undertaking the strategic role of a standard-setting body for financial sector competencies since 2001. When we went on to launch the Financial Industry Competency Standards or FICS in 2005, IBF took on the role as the national accreditation and certification agency for the FICS framework.

The FICS cannot be a static set of competency standards. It must evolve, to cater to new business opportunities and new regulations, and to encourage individuals to build up expertise continually.

We are thus unveiling today the "IBF Standards", which provide practice-oriented development roadmaps for all our financial sector practitioners. The IBF standards which will merge IBF's current offering of industry examinations and industry standards offered under FICS, into an integrated and seamless set of competency standards. They will provide clear pathways on how a practitioner can undergo accredited programmes to progress him or her from the first licensing examination through to foundational skills and subsequently, advanced-level specialist training.

IBF consulted the industry actively in the last year to ensure that the IBF Standards meet the demands of finance professionals of tomorrow. For instance, in risk management, the Standards will now encourage individuals to acquire deeper knowledge of the underlying businesses and their risk triggers. In compliance, individuals will learn to take on advocacy roles, so as to inculcate a stronger compliance culture within the organisation. In Technology and Operations, practitioners will be given core skills in project management and change-management to better facilitate process re-engineering within their organisations.

Following last year's launch of foundation programmes for Compliance, Corporate Banking and Wealth Management, IBF will be adding two new foundation programmes this year, in IT & Operations as well as Risk Management. This will enhance the opportunities for graduates or individuals with no prior experience in these areas to be able to land in and excel in such roles.

In addition, IBF will launch a new integrated e-learning system over the coming year, which will help individuals use the revised Standards to undertake self-directed training and map out their professional development milestones.

#### **(V) Leadership**

Let me go on to the fifth capability that I mentioned earlier, which is leadership in finance.

We want to develop Singaporeans for positions of leadership in tomorrow's financial world. It requires both depth and breadth, and will increasingly require both local and global experience and know-how.

MAS already has several initiatives in place to further this objective, including the Finance Scholarship Programme and the Finance Associate Management Scheme (FAMS) for Singaporeans early in their finance careers<sup>2</sup>, as well as the International Posting Programme (iPOST)<sup>3</sup>.

To equip local practitioners with Asia-relevant leadership capabilities, MAS will be launching a new Asian Financial Leaders Programme (AFLP) later this year for Singaporeans who aspire to take on regional or global leadership positions. Through the AFLP, participants will be able to learn from regional policy-makers, as well as interact with fellow financial sector leaders from other countries.

IBF will complement these initiatives by introducing a new IBF Fellows Scheme. Financial industry veterans will be recognised as thought leaders and serve as trainers, speakers and panel discussants, or as mentors. Many of our industry pioneers and senior professionals have a wealth of experience to share, having been through the ups and downs of the industry and various market cycles. This scheme will provide a structured way for us to transfer knowledge from past to future leaders in the industry, complementing what is done within individual financial institutions.

Financial sector skills and leadership development is a key priority for the industry, and MAS takes this very seriously. It will define our continued success as a financial centre. MAS will continue to invest in developing Singaporeans who are committed to a career in the financial sector. We already fund up to 70% of course fees for training programmes. MAS funding support for manpower and leadership development has increased steadily over the last three years, with about S\$60 million set aside for 2014 alone. I would like to urge the industry to tap on these programmes actively.

## **Conclusion**

To conclude, I would like to commend the IBF Council and staff, past and present, for your commitment over this past 4 decades. Going forward, the responsibility on IBF will be greater, as it delivers the IBF Standards and the various initiatives that will help our practitioners develop the capabilities of tomorrow.

I look forward to an even stronger collaboration between IBF and the industry. Let us work together to ensure that the financial sector is one that continues to enable meaningful and rewarding careers for Singaporeans.

I wish you all a happy 40th Anniversary and a great evening ahead.

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<sup>2</sup> The Finance Scholarship Programme (FSP) builds expertise in specialist finance areas such as financial economics and actuarial science while the Finance Associate Management Scheme (FAMS) provides young talent with exposure to other business lines and overseas operations, through a structured fast-track programme. MAS aims to groom at least 200 young Singaporeans every year under FAMS to take on leadership positions in the future.

<sup>3</sup> The International Posting Programme (iPOST) supports the posting of high potential Singaporeans for overseas secondments, through which we hope that they return with managerial skills, a deep understanding of global best practices and strong business networks.