

Jacqueline Loh: Broadening and deepening Shanghai-Singapore cooperation

Keynote address by Ms Jacqueline Loh, Deputy Managing Director of the Monetary Authority of Singapore, at the 4th Shanghai-Singapore Financial Forum, Singapore, 27 November 2018.

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Shanghai Municipal Financial Regulatory Bureau, Director General Dr Zheng Yang

Distinguished speakers and guests

Ladies and gentlemen, good afternoon.

Introduction

1 First, let me thank the Shanghai Municipal Financial Regulatory Bureau (“SFRB”) for hosting the 4th Shanghai-Singapore Financial Forum. It is a great pleasure to see our good friends from Shanghai and Singapore at the forum today.

Bilateral cooperation between Singapore and China

2 **Over the last five years of China-Singapore financial cooperation, our central banks, regulators, and financial institutions have achieved significant milestones. In particular, bilateral ties in financial services between Singapore and China strengthened significantly this year on the back of recent high-level visits between both countries.**

a. **In September 2018, Chinese Vice Premier Han Zheng visited Singapore for the 14th Joint Council for Bilateral Cooperation (“JCBC”).** The JCBC meeting saw financial agencies from both sides affirm the strong foundations laid through our collaboration in RMB internationalisation. We also agreed to strengthen supervisory cooperation, enhance financial markets connectivity and expand cooperation in the new area of FinTech.

b. **In October this year, the third China Securities Regulatory Commission (“CSRC”)-MAS Supervisory Roundtable was held here in Shanghai, chaired by CSRC Vice Chairman Fang Xinghai and MAS Deputy Managing Director Ong Chong Tee.** Our regulators agreed to enhance information sharing and cross-border supervision of futures exchanges and intermediaries, as well as the substantive areas for cooperation in supervising exchange-trade derivatives. A MOU on staff exchange was also signed.

c. **Just two weeks ago, Chinese Premier Li Keqiang visited Singapore for the 33rd ASEAN Summit and related meetings.** A key outcome of the visit was the signing of the Protocol to Upgrade the China-Singapore Free Trade Agreement (“CSFTA”). As part of the visit, MAS signed a FinTech Cooperation Agreement with the People’s Bank of China (“PBC”), and a MOU for the Cooperation and Exchange of Information on Regulation of Derivative Activities with CSRC.

3 **To celebrate the success of China-Singapore financial cooperation over the last five years and to tie-in with the commemoration of China’s 40 years of reform and opening up, we will be releasing an infographic during my visit here in Shanghai.** This is a reflection of the close bonds with our partners in China, which MAS greatly values. In the next five years, we look forward to broader and deeper financial cooperation with China, reaching more milestones in a range of areas including **Belt and Road collaboration, capital markets connectivity, RMB internationalisation, and FinTech cooperation.**

Singapore – Shanghai Economic Relations

4 Against this backdrop, we expect Shanghai-Singapore cooperation to grow from strength to strength, building on the strong economic and financial relations between both cities.

a. **In 2017, Shanghai-Singapore trade amounted to US\$ 17.5 billion¹, an increase of 33.8% from 2016.** On the investment front, Singapore has been China's largest foreign investor for five consecutive years. Shanghai was Singapore's second largest investment destination in China while Singapore was also Shanghai's second largest foreign investor in 2017. With growing affluence of Shanghai's resident population, Shanghai continues to be an attractive investment destination for Singapore companies.

b. **Similarly, Shanghai companies view Singapore as an important Asian commercial and financial hub as they expand internationally.** As of end 2017, there were close to 110 Shanghai companies in Singapore, with more than US\$ 6 billion in investments².

c. **Notably, Singapore Minister for Trade and Industry Chan Chun Sing visited Shanghai from 4 to 6 November 2018 for the inaugural China International Import Expo (“CIIE”),** which allowed Singapore companies to take part in business matching sessions and explore collaborations with Chinese partners to enter and expand into China.

d. **During Premier Li's recent visit to Singapore, both sides welcomed the discussion between Singapore and Shanghai to establish a comprehensive mechanism for cooperation.** The new platform will focus on Belt and Road Initiative (“BRI”), modern and financial services, urbanisation and sustainable development, technology and innovation, and people-to-people exchange. This new strategic, progressive and comprehensive platform will expand and deepen China-Singapore engagements.

5 As economic and financial relations between Shanghai and Singapore expand, there is scope to foster even closer collaboration between both financial centres, and reinforce key areas of cooperation undertaken at the Government to Government (“G2G”) level. Let me outline five key areas, which I hope would lead to further discussion during the forum today.

Belt and Road Collaboration between Shanghai and Singapore

6 First, Shanghai – bridgehead of the BRI – and Singapore can foster the development of a comprehensive financial ecosystem to support the wide range of financial needs related to the Belt and Road initiative.

a. As an international financial centre in the heart of Asia and one of the largest offshore RMB centres in the world, Singapore can play a key role in financing and advancing Belt and Road projects, particularly in Southeast Asia.

- ♦ **Singapore signed the Guiding Principles on Financing the Development of the Belt and Road** during Premier Li's recent visit to Singapore. These principles advocate for inclusive participation, mutual benefits and risk-sharing as participating countries work together to build a long-term, stable, sustainable financing system that is well-placed to manage risks.
- ♦ **Singapore set up Infrastructure Asia this year to catalyse stronger partnerships for infrastructure development across the region.** Infrastructure Asia harnesses the networks and collective capabilities of public sector agencies and private sector firms across the region to meet Asia's infrastructure needs by (i) connecting partners in the

ecosystem; (ii) building capacity in demand markets; and (iii) providing top-level project advisory to improve bankability. Infrastructure Asia provides an open platform for Chinese (including Shanghai-based) infrastructure developers and financial institutions to partner players in Singapore in regional infrastructure projects.

b. Furthermore, as infrastructure demand and foreign investments along the Belt and Road region increase, we expect a boost in demand for commodities and growth in commodity trade. Singapore's strategic location in the crossroads of key trade flows has enabled commodity traders in Singapore to capture such opportunities.

- ♦ **Shanghai Pudong Development Bank (“SPDB”) opened its first overseas commodity centre in Singapore in October this year**, providing global commodity businesses with commodity-related financial services and solutions.

c. **Singapore banks are also embarking on BRI collaborations with Shanghai banks.**

- ♦ **UOB signed a MOU with SPDB in September this year to serve companies hoping to tap on BRI opportunities**, providing financial solutions covering investment advisory, cross-border RMB transactions, syndicated loans, project and trade finance, and cash settlement.
- ♦ **OCBC Bank signed its second MOU with Bank of Shanghai in April this year, leveraging each other's strengths, networks and platforms to support customers in their BRI expansion plans**, including access to OCBC's funding and risk management solutions for Bank of Shanghai's corporate clients. This builds on existing cooperation areas under the first OCBC-Bank of Shanghai MOU such as cross-border trade finance, investment banking and treasury solutions.

Capital Market Connectivity and RMB Internationalisation

7 Second, expanding the suite of offshore RMB financial products and facilitating more investments into China's capital markets through collaboration between Shanghai and Singapore financial institutions. This would be aligned with China's goals to open up its capital markets and promote RMB internationalisation.

a. **China Foreign Exchange Trade System (“CFETS”), Bank of China (“BOC”), and Singapore Exchange (“SGX”) signed a strategic cooperation agreement in November this year to jointly promote the CFETS-BOC Traded Bond Index and its sub-indices to international investors³.** SGX will be the first exchange to distribute the CFETS-BOC Traded Bond Indices outside of China. The launch of the Bond Indices will catalyse the development of tradable China bond products and facilitate greater investments into China's bond market by international investors. This will enhance the development of China's bond market, as well as strengthen Singapore's role as a Global-Asia gateway for asset managers and investors.

Mutual Establishment of Financial Institutions from Shanghai and Singapore

8 Third, we welcome more progress in mutual establishment of financial institutions from both cities. Shanghai and Singapore financial institutions are ramping up their presence in Singapore and Shanghai respectively, reflecting strong confidence from the financial industry and the growing business opportunities available in both cities.

a. **Shanghai Futures Exchange (“SHFE”), one of China's largest commodity futures exchanges, established a representative office in Singapore in June this year.** Shanghai International Energy Exchange (“INE”), an international futures exchange set up in the Shanghai Free Trade Zone, has been authorised by MAS as a Recognised Market Operator in November

this year. SHFE and INE chose Singapore to be their first overseas outpost, given Singapore's position as a key global commodities trading and financial hub, and an important link in the BRI.

b. **Fullerton Fund Management and APS Asset Management received their private fund management approvals in June 2017 and July 2018 respectively**, allowing these asset managers to offer onshore investment products to institutional and high net worth investors in China.

c. **UOB has reinforced its commitment to China by opening a new headquarters building in Shanghai in November this year.** UOB Plaza is the first Grade-A office building owned by a foreign bank in the Lujiazui Financial District.

FinTech Collaboration between Shanghai and Singapore

9 **Fourth, nurturing a conducive ecosystem for FinTech companies and start-ups. Together, Shanghai and Singapore can increase the potential for technology and innovative solutions that** increase efficiency, improve risk management, create new opportunities, and improve people's lives. We are pleased that FinTech companies and payment service providers from Shanghai and Singapore are entering into commercial arrangements, bolstering FinTech linkages between both cities.

a. **Union Pay International ("UPI"), headquartered here in Shanghai, signed a MOU with NETS, a leading payment services group in Singapore, in November this year to support cross-border connection of their mobile wallets.** As UPI's first cross-border tie-up with another nation's mobile wallet – NETS' NETSPay platform – this will allow Chinese customers to pay at NETS merchants in Singapore while Singapore's NETSPay users can make mobile payments at over 8 million merchants in China. The MOU will also support collaboration on technology know-how between UnionPay and NETS, and facilitate the joint setting up of a research and development centre in Singapore, initially focusing on mobile services technology.

2nd MAS – SFRB Training and Exchange Programme

10 **Lastly, deepening information and knowledge exchange between Shanghai and Singapore industry participants and officials.**

a . **The 2nd MAS-Shanghai Municipal Financial Regulatory Bureau Training and Exchange Programme will be held from 28 to 30 November 2018.** Such training programmes will encourage mutual exchange and deepen ties between financial regulators, promote better understanding of each other's markets and enhance their knowledge in specialised topics.

Conclusion

11 **Asia remains strongly committed to maintain an open global trading system and to preserve multilateralism. There is therefore great potential for Asian countries to ride on each other's growth, and for cities like Shanghai and Singapore to strengthen our bonds.**

12 **As key financial centres globally, each with their respective strengths, there are tremendous opportunities for Shanghai and Singapore to complement each other, including in the BRI, capital market connectivity, RMB internationalisation, and FinTech innovation.** This would pave the way for broader and deeper collaboration, progressing Shanghai-Singapore financial cooperation to greater heights. Expressing this aspiration in mandarin: 让上海与新加坡的金融合作蓬勃发展,再创新高峰!

13 These are some ideas for everyone to consider. I am sure our strong panel of speakers will provide even greater insights during the discussions later. I wish you a fruitful day ahead at the forum. Thank you.

¹ Source: Shanghai Municipal Commission of Commerce (SMCC)

² Source: Shanghai Municipal Commission of Commerce (SMCC)

³ The Bond Indices, designed by CFETS and BOC, track the movements of the Chinese bond market and can be used by investors to benchmark their Chinese bond portfolio performance.