Chia Der Jiun: Remarks on the MAS Annual Report 2024/2025

Opening address by Mr Chia Der Jiun, Managing Director of the Monetary Authority of Singapore, at the MAS Annual Report 2024/2025 Media Conference, Singapore, 15 July 2025.

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Good afternoon and thank you for joining us today for the release of the MAS Annual Report for Financial Year 2024/2025.

I will be sharing on key areas across central banking, financial sector development and regulation, as well as key highlights of our financial performance.

Recent Economic Developments

Let me begin by touching on recent economic developments and monetary policy.

The global economy was on an even keel at the turn of the year, with inflation moderating and growth near potential. In our region, inflation was well-anchored in key ASEAN economies, well within the respective central bank targets.

The tariff announcements in April this year have induced complex dynamics to global inflation and growth.

a. On the demand side, the direct effects of tariffs on trade, and the uncertainty of tariff policy will have a restrictive impact on global demand and will likely be dis-inflationary outside the US.

b. On the supply side, tariffs and escalatory countermeasures, to the extent that they materialise, have the potential to cause supply chain inefficiencies, bottlenecks and disruptions, and pose an inflationary risk over time.

At this juncture, the impact of tariffs and uncertainty have yet to assert in a major way. Tariff deadlines have been rolled back, while businesses have front-loaded orders ahead of threatened tariff increases. For now, economic activity and output have been resilient, but front-loading will not continue indefinitely and will have to be paid back. Consumption and investment will likely soften in the months ahead. Consistent with this, forward looking survey-based indicators of consumer and business confidence are slipping.

Considerable uncertainty remains, and the outlook ahead is subject to a wider than usual range of outcomes. There is a range of possibilities around the extent and scope of tariffs, whether trade agreements are concluded and prove to be durable, and whether escalating trade conflicts recur.

We take a cautious view of the outlook, and our base case is that global economic activity will slow in H2 2025, with inflation dampened for the year.

I will turn now to the Singapore economy. **Singapore's GDP growth has held up better than expected in H1, but is likely to slow in H2 2025, in line with our expectation for slowing global economic activity and external demand.** Let me elaborate.

a. Singapore's aggregate economic activity held up well in H1, with inflation at a subdued level.

b. Notably, the *Advance Estimates* (released yesterday) show that GDP growth of 4.3% year-on-year in Q2 was somewhat stronger than expected. This was supported by the trade-related sector, with exports benefiting from the deferral of tariff implementation and frontloading activity.

c. In H2 2025, we expect tariffs to hit production and exports with a lag, especially when the boost from frontloading dissipates. Forward-looking surveys of businesses indicate cautious business sentiments and are consistent with this softening outlook.

d. Overall, Singapore's GDP growth is expected to be subdued over the rest of the year.

In January this year, MAS began to unwind the restrictive monetary policy settings that had been in place between 2021 and 2024 to dampen the pass-through of high global inflation to Singapore and moderate overall price pressures in the economy.

a. Singapore's Core Inflation eased to around 2% year-on-year in Q4 2024, and further to 0.6% year-on-year in the first 5 months of this year.

In H2 2025, our expectation is that inflation remains subdued.

a. The negative global demand drags as well as the diversion of excess global goods production would weigh on Singapore's imported prices.

b. Domestic cost pressures would also moderate alongside slowing economic activity and the possible emergence of some slack in the domestic economy.

c. On the other hand, the lagged pass-through of previous administrative cost increases could firm inflation slightly.

Overall, core inflation should remain subdued with a resurgence of underlying price pressures unlikely. We are alert to risks on both sides. Disinflationary impulses could be stronger if the impact of tariffs on economic activity is more severe; while inflationary pressures could re-surface if geopolitical conflict or supply chain dislocations or disruptions escalate.

Amidst elevated uncertainty in the global environment, MAS will be continuously updating our assessment of economic conditions and the likely outlook for growth and inflation.

At the same time, fundamental shifts and changes to the global economy will begin to take shape in the months and years ahead. Tariffs and other trade restrictive practices and geopolitical fragmentation will bring about deeper changes to trade, investment flows and supply chains. Our economy and businesses will need to navigate these changes by strengthening connectivity and linkages, diversifying revenue streams and building more resilient business models.

MAS' mandate to secure medium-term price stability will provide an anchor of stability for the Singapore economy in these times of uncertainty and fundamental change.

Developments in Singapore's Financial Sector

Financial markets and financial stability

I will turn now to developments in the financial markets and financial stability.

While policy and macroeconomic uncertainty is high globally, financial markets for now appear to be pricing in a relatively benign outcome. Equity markets have recovered from the turbulence in April and rallied to new highs. Credit spreads are tight. Volatility indices are at low levels. Asian currencies have strengthened in spite of tariff threats.

The disjoint between risks to the global economy and benign market pricing means that financial markets are vulnerable to sharp pullbacks and bouts of volatility if risk scenarios crystallise. The triggers could include an escalation of trade conflict, geopolitical conflict and heightened concerns by investors over unsustainable policies.

MAS is vigilant to risks and developments in global markets transmitting to Singapore.

a. The trade-weighted Singapore Dollar has appreciated within the policy band in recent months against a context of broad-based US Dollar depreciation.

   i. The Singapore Dollar's appreciation against the US Dollar has been in line with that of major international and regional currencies.

   ii. The appreciation of the Singapore Dollar against the US Dollar has been accommodated within the policy band, while the extent of the Singapore Dollar Nominal Effective Exchange Rate (S$NEER) appreciation has been tempered by the trade-weighted basket of currencies.

b. Meanwhile, domestic interest rates have been falling across the yield curve broadly in tandem with trends in the region, reflecting capital inflows.

c. Overall, domestic markets have continued to function normally. MAS will continue to be vigilant to, and act to curb any excessive volatility in the trade-weighted currency and domestic money markets.

MAS is also placing more emphasis on stress testing to assess domestic financial system stability. This year, MAS has applied a more severe scenario, which adds a sharp tightening in global financial conditions, alongside heightened financial market volatility, a trade shock and persistent elevated levels of policy uncertainty. Our key findings are:

a. Singapore banks have strong capital buffers and healthy liquidity profiles, and should weather a global recession and tightened financial conditions, for an extended period.

b. Corporates and households are generally resilient as debt servicing capacities are healthy, and they have good financial buffers.

c. Nonetheless, there are segments of businesses and households that are more vulnerable and should exercise vigilance.

i. In particular, smaller firms in the externally-oriented sector could face risks to revenue and liquidity from reduced orders, and should take steps early to provision for liquidity buffers and diversify their revenue sources, including by tapping on the new Business Adaptation Grant.

ii. Similarly, households with less stable incomes should plan their finances prudently and avoid taking on large new loan commitments during this period of uncertainty.

Financial Services growth outlook

I now turn to developments in the financial sector.

In 2024, the financial services sector grew by 6.8%, more than double the 3.1% growth in the preceding year.

a. The sector's average growth rate for 2021-2024 is 4.7%, keeping us on track to meet the Industry Transformation Map (or ITM) 2025 target of 4% to 5% per annum over 2021-2025.

b. We are also on track to meet the ITM 2025 target of 3,000-4,000 net jobs created per annum. The average annual net jobs created for 2021-2024 was 4,400[1], with more than 90% of these going to locals.

Growth was broad-based.

a. Banking sector growth remained resilient, with total assets growing at 6.8% Compound Annual Growth Rate (CAGR) over 2021-2024.

b. The insurance industry also expanded, with total assets increasing by 3.6% in 2024 over 2023, to S$456.4 billion.

c. Singapore continues to grow as a leading FX hub in Asia, with the FX average daily traded volumes surpassing S$1.5 trillion in 2024.

d. The corporate debt market registered strong growth in 2024, with total issuance increasing more than 30% from the previous year to exceed S$300 billion.

e. Assets under management (AUM) in Singapore grew 12.2% year-on-year to exceed S$6 trillion, driven by both Traditional and Alternative sectors.[2] It marks the first time that Singapore's AUM exceeded S$6 trillion.

f. Alongside the broader asset management industry, the wealth management sector also experienced strong growth.

g. **Singapore continues to be a trusted and attractive wealth management centre underpinned by high standards of regulation.** The recently announced regulatory actions against 9 financial institutions (FIs) for anti-money laundering breaches reflect our expectation that FIs uphold sound and risk-proportionate AML /CFT practices.

h. **Singapore continues to welcome legitimate wealth.** We are working with FIs in Singapore to improve their practices so that they are sound, effective and efficient. Our financial eco-system will be tough on suspicious and illegitimate monies, but welcoming and efficient to legitimate wealth. This will provide a strong and sustainable basis for the continued growth of the wealth management sector.

Looking ahead, we do not expect financial sector growth to continue at the pace of the last few years.

Amidst prevailing global uncertainties, MAS will continue to strengthen the competitiveness and capabilities of our financial sector as well as the resilience and security of digital financial services. Let me provide an update on our efforts in 3 areas:

a. First, fostering responsible AI adoption in the financial sector.

b. Second, supporting Asia's transition to a low-carbon economy.

c. Third, enhancing the resilience and security of digital financial services.

Fostering responsible AI adoption in the financial sector

AI adoption in the financial services industry globally is expanding rapidly. AI has been applied as internal productivity tools, to automate back-office processes and software development, augment customer relationship management and advisory services, and assist in risk management and screening of suspicious transactions. AI will increasingly be a competitive differentiator between FIs and financial centres.

Our aim is for our FIs and workforce to be positioned well to adopt and use AI, so that they are competitive, here and internationally. MAS is working on multiple fronts to strengthen the AI capabilities of Singapore's financial sector and our workforce.

First, we are anchoring AI competencies of FIs in Singapore.

a. More than 30 FIs have established AI functions in Singapore to work on AI-related projects. Among them, several serve as Global AI Competency Centres. Beyond building specific use-cases to drive value creation, a number of these FIs are incubating and implementing AI solutions in Singapore before scaling deployment to other markets.

b. We welcome more FIs to build AI capabilities in Singapore and join the growing community of AI practitioners within our financial sector.

Second, we are supporting FIs which are earlier in their AI adoption journey with resources to start and scale. On this front, MAS has established the Pathfinder programme, or PathFin.ai.

a. This programme is a collaborative initiative with the industry, where FIs share with one another their knowledge and experiences in successfully implementing AI use-cases.

b. By curating a library of use-cases, industry-validated solutions and best practices among these FIs, the programme seeks to reduce the time and effort to search, select and effectively implement AI solutions.

c. The programme also partners with established training providers to provide skills training that is aligned with the AI solutions chosen by FIs.

d. Today, 20 FIs covering banking, insurance, capital markets and payments have been onboarded to the Pathfinder programme. We welcome more FIs to join the programme.

Third, as FIs increase the scale and scope of AI adoption, they also need to step up governance and risk management practices for the responsible use of AI. **MAS is developing supervisory guidance to FIs, focusing on key risks associated with AI use.**

a. There are key risks around model, data, technology, and third-party risks. Poor management of these risks can result in wrong or even harmful information used in internal decision-making or advice given to customers and investors.

b. Last year, MAS conducted a thematic review of AI use in key banks and found varying levels of maturity in AI risk management. We published an information paper sharing our observations from the review and good practices on AI model risk management.

c. To clarify our supervisory expectations and foster robust practices in the industry, we are developing a set of supervisory guidelines on AI risk management. This is intended to address the governance and controls around the development and deployment of AI in FIs, covering pertinent issues such as evaluation, testing and explainability.

i. For example, in our thematic review, we observed a range of practices on AI risk materiality assessment and how to evaluate and test AI during development.

ii. Our supervisory guidelines will highlight key risk dimensions that should be covered during AI risk materiality assessments, and key areas to evaluate and test during AI development.

d. In parallel, we are working through the MindForge consortium on an AI governance handbook that will serve as a companion and good practice guide for FIs implementing the upcoming supervisory guidelines.[3]

i. For example, it would discuss approaches for managing third-party AI risks that are highlighted in MAS' guidelines.

e. The consultation on MAS' supervisory guidelines and the MindForge handbook will be published towards the end of this year.

Fourth, we will upskill the financial sector workforce so that they can do more with AI assistance.

a. This year, MAS and the Institute of Banking and Finance Singapore (IBF) are stepping up efforts to identify and prepare relevant courses to uplift the GenAI proficiencies of financial sector professionals.

b. As shared by DPM Gan Kim Yong at the ABS Annual Dinner on 25 June 2025, IBF is collaborating with 9 FIs to pilot how AI can augment and transform 8 existing job roles. Insights from this pilot will help guide both the industry and IBF in planning for workforce transformation in the years ahead and to meet the upskilling and reskilling needs of the financial sector workforce.

Through these 4 initiatives, we will support FIs and the workforce in the AI adoption journey so that AI solutions are developed and deployed safely and responsibly, and the workforce is provided with the skills to perform job roles transformed by AI.

Supporting Asia's transition to a low-carbon economy

I will now provide updates on our efforts in sustainable finance.

Singapore, and MAS, take a long term view of staying the course on sustainability, despite the current uncertainties and headwinds internationally in climate action.

We remain committed to support the region's transition to a low-carbon economy, and are well-placed to do so. The momentum for sustainable finance in Southeast Asia remains positive, with sustainable finance activity continuing to strengthen. Singapore is

ASEAN's largest market for green, social, sustainable, and sustainability-linked (or GSSSL) bonds and loans, with such loans originated from Singapore in 2024 reaching a new high, at over S$48 billion.

We continue to make good progress in the implementation of initiatives to support the financing of Asia's transition.

a. First, through the Singapore-Asia Taxonomy (or SAT), MAS is encouraging the use of clear and credible definitions for green and transition finance.

i. In the past twelve months, we have enhanced the interoperability of the SAT with the EU and China taxonomies through the Multi-Jurisdiction Common Ground Taxonomy, and published an information note on its adoption among local and foreign FIs and corporates.

ii. The Singapore Sustainable Finance Association also provided guidance to FIs on structuring credible green and transition financing instruments aligned with the SAT.

iii. I am glad that our three local banks have integrated the SAT in their sustainable financing frameworks, and major regional and global banks are also using the SAT as a key reference document to engage their clients in the region.

b. Second, MAS is bringing together partners through the Financing Asia's Transition Partnership (or FAST-P) platform to de-risk investments and catalyse the flow of private capital for green and transition projects.

i. The FAST-P office has been set-up with a dedicated management team. This will facilitate the deployment of up to US$500 million of concessional capital from the Singapore Government into the three FAST-P partnerships, alongside capital from other partners. A partnership with British International Investment was just announced.

ii. The office will continue to work closely with asset managers, banks, and commercial and concessional investors, to promote innovative blended finance solutions for sustainable infrastructure in the region.

c. Third, MAS is working with industry partners through the Transition Credits Coalition (or TRACTION) to develop high integrity transition credits that can accelerate early retirement of coal and its replacement with clean energy.

i. Building on its interim report which identified key attributes needed to support credible transition, TRACTION will publish its final report at COP30, covering other critical enablers to scale and build confidence in transition credits.

ii. We welcome feedback from industry as we develop this work further.

Enhancing resilience and security of digital financial services

As digital financial services are now pervasive and essential for consumers in daily transactions, ensuring the operational resilience of digital financial services is mission critical for FIs. Any prolonged disruption not only brings significant inconvenience to customers but also risks undermining public trust and confidence in FIs.

MAS expects FIs to uphold high levels of resilience and availability for the key services they provide, and be able to safely and swiftly recover services when a disruption occurs. To do this well, an FI has to apply the standards for disruption and recovery to services and not just systems. This will require the FI to plan for resilience and recovery across multiple systems to ensure service continuity.

MAS is giving particular focus this year to the resilience of retail payments services.

a. MAS has been in discussion with NETS Group and the banks over the past year and **they will soon launch stand-in capabilities for NETS electronic point-of-sales systems.** This allows customers to continue to make contactless payments at merchant point-of-sale terminals, subject to a transaction limit, when a participating bank's system is disrupted.

b. We will next work with FIs to develop similar solutions for QR code payments which have been gaining traction as a mode of payment.

The financial sector must also start taking steps to build resilience against future threats. The cyber risks arising from quantum computing is one such area. While quantum computing is currently not at a mature stage, the technology is developing rapidly and could eventually render current encryption techniques obsolete, putting at risk sensitive customer data and financial transactions.

It is not too early to act now. In anticipation of the future threat posed by quantum-powered decryption, MAS has conducted trials to study the viability of quantum-safe solutions for adoption in financial services.

a. In November 2024, MAS and Banque de France announced the completion of a milestone experiment using Post-Quantum Cryptography to secure international electronic communications.

b. **Today, I am pleased to announce the successful completion of our Quantum Key Distribution (or QKD) sandbox,** conducted in collaboration with a number of banks and technology partners.

i. This sandbox trialled QKD for securing sensitive financial communications. We will soon be publishing a technical report detailing the results and takeaways. The report will also highlight challenges for future work. We are confident that further work by the industry can address these challenges and enable wider adoption of QKD in time to come.

MAS will continue to engage FIs to prepare for a quantum-safe transition.

a. MAS published an advisory in February 2024 highlighting measures FIs should consider in their quantum transition efforts.

b. MAS will start to engage FIs to prepare a roadmap towards quantum-safe transition, as a full transition is complex and will take time. We will review how FIs manage their cryptographic inventory and identify critical assets to be prioritised for quantum-safe migration.

Let me now touch on scams.

MAS continues to work with banks and payment service providers to further strengthen our defences against scams.

a. Over the past year, banks have phased out SMS one-time passwords for digital token user account logins and authentication of card transactions. This makes it harder for scammers to fraudulently access customer accounts or validate unauthorised transactions.

b. Some major retail banks have also implemented pre-transaction warnings for large value transfers made via digital banking. This offers a cognitive break for individuals who may be victims of a scam, before they proceed with the transfer. MAS continues to work with the remaining banks to implement this.

We have also seen growing take-up of measures such as Money Lock to safeguard bank customers' monies.

a. By preventing digital transfers of locked funds, Money Lock limits the potential losses should a customer's digital banking access be compromised.

b. As of 31 May 2025, at least 350,000 customers have signed up to use Money Lock and set aside close to S$28 billion of savings, more than triple the numbers reported in our last annual report.

c. This is encouraging and we hope more customers will take advantage of this service.

Despite the progress that we have made, scams remain a concern.

a. Today, scams involving self-effected transfers account for the largest proportion of scam losses.

b. Many such cases are investment scams or government official impersonation scams, where victims are deceived into thinking they are transferring money for legitimate investment opportunities or following the instructions of government officials.

c. Worryingly, these scams continue to proliferate and increase in sophistication.

To combat evolving scam typologies, we need to do better collectively as a society to combat all types of scams.

Vigilance by each of us as consumers remains an important first line of defence. We should be sceptical of requests to transfer money, take time to verify their legitimacy, and promptly report suspected scams to our banks and the authorities.

Banks will play their part and implement stronger safeguards to disrupt scam transactions.

The first set of safeguards relates to transaction surveillance and cooling-off periods.

a. Under the Shared Responsibility Framework, banks have implemented real-time fraud surveillance to detect rapid drainage of material sums from customer accounts. This came into effect on 16 June 2025.

b. Customers can expect some delays in their payment transactions as banks may perform additional checks.

c. Banks will also progressively introduce cooling-off periods for high-risk activities, such as increasing transaction limits or changing contact details. This gives individuals who may be victims of scams an opportunity to re-assess their actions and mitigate financial losses.

We are also looking to further strengthen the user authentication toolkit to defend against phishing.

a. MAS is working with banks to enable the use of a FIDO-compliant hardware token (or FHT) for higher risk internet banking payments and transfers.

b. A FHT needs to be plugged in to the device that an individual uses to approve a transaction. Doing so makes it difficult for scammers to remotely make unauthorised transactions.

c. Consumer engagements are being conducted to identify customer pain-points in the adoption journey and how the transition can be made smoother. More details will be announced when ready.

Each of these measures by MAS and the banking industry to fight scams will introduce more frictions and delays for users of financial services. While the industry will do its best to minimise the inconvenience and give time for customers to get used to the new measures, **as a society we will have to make the choice for more security and less convenience.**

MAS Financial Results for FY2024/25

I now turn to MAS' financial results.

For the financial year ended 31 March 2025, MAS recorded a net profit of S$19.7 billion. This comprised:

a. investment gains of S$31.4 billion,

b. partially offset by a negative currency translation effect of S$3.4 billion, and

c. net cost from MAS' money market operations to manage banking system liquidity and other expenses of S$8.3 billion.

Global markets performed well during the financial year. All asset classes across bonds and equities, developed and emerging markets posted healthy returns. There is year to year volatility in investment gains and over the past 10 financial years, it was, on average, S$14.8 billion.

The negative currency translation effects of S$3.4 billion were due mainly to the strengthening of the Singapore Dollar against the US Dollar. Currency translation effects arise when MAS' Official Foreign Reserves (or OFR), held in foreign currencies, are reported in Singapore Dollars. Such effects do not affect MAS' ability to conduct monetary policy or support financial stability. The OFR are meant to be used in foreign currency, to support the Singapore Dollar in times of currency weakness, or to provide US Dollar funding to the banking system during times of financial stress.

Like many central banks, MAS incurs interest expense from money market operations (or MMO) to mop up excess liquidity in the banking system. The cost of MMO is a product of the volume of MMO and the interest rate which eased slightly over the year. Income from the Reserves Management Government Securities (or RMGS) held by MAS partially offset some of these interest expense.

While MAS maintains a globally diversified OFR portfolio, given ongoing uncertainties and risks in the global economy and financial markets, our investment performance and net profit may be impacted in the coming years.

Conclusion

That concludes my remarks and I thank you for your attention.

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[1] Excludes jobs in holding companies.

[2] Alternative managers include private equity, venture capital, hedge fund, real estate and REIT managers.

[3] The Project MindForge consortium comprises over 30 financial industry participants including banks, insurers, asset managers and technology partners coming together to identify the opportunities and risks of Gen AI in the financial sector.