

Chia Der Jiun: Remarks on the MAS Annual Report 2025/2026

Opening address by Mr Chia Der Jiun, Managing Director of the Monetary Authority of Singapore, at the MAS Annual Report 2025/2026 Media Conference, Singapore, 28 July 2026.

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Good afternoon and thank you for joining us today for the release of the MAS Annual Report for Financial Year 2025/2026.

I will cover updates 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.

Over the past year, the macroeconomic landscape has been shaped by successive shocks. At the time of last year's Press Conference, the global outlook was clouded by concerns that rising tariffs and trade policy uncertainty would weigh materially on growth. The subsequent outbreak of the Middle East conflict in late February 2026 introduced a new shock to the global economy.

In the face of these repeated shocks, the global economy has proved more resilient than expected. The impact of higher tariffs was cushioned by supply-chain reconfiguration. Global trade and industrial production continued to expand, even as tariff rates remained elevated. The scale of energy supply disruption since March was large, but cushioned by inventories, and agile supply and demand adjustments. Energy markets rebalanced with elevated prices at the lower range of anticipated scenarios, limiting the drag on growth, but lifting the path of headline inflation. Energy prices nevertheless remain elevated with risks to the upside from the renewed conflict in the context of lower global inventories.

The growth and resilience of the global economy was boosted by strong global AI investment. A surge in investment in data centres, chips and computing infrastructure and semiconductor capacity has supported a sustained expansion in global production and trade in electronic products. This has shifted growth outturns upwards, especially for economies that are deeply embedded in global technology supply chains.

Singapore has been exposed to all these crosswinds. The Middle East conflict has had a discernible impact on some pockets of the Singapore economy. Energy-related sectors such as chemicals manufacturing recorded double-digit contractions in Q2. However, the drag from these sectors was more than offset by the surge in the technology-related sectors. The Singapore economy recorded a strong 6% year-on-year growth in H1 2026, a step-up from the 5% growth in H2 2025.

Looking ahead, growth of the Singapore economy should stay firm for the rest of the year. While the Middle East situation still poses risks to the outlook, global AI-related

demand is likely to continue to provide a meaningful boost. Most non-AI related sectors are likely to maintain a pace of growth that is close to trend.

Inflation has picked up from a low base and will step up further in the period ahead before easing in the second half of 2027. Domestic headline and core inflation was low at below 1.0% in 2025. In 1Q2026, core inflation was 1.4% and in Q2, this was 1.5%. We expect this to step up further from July and stay elevated for the next few quarters, driven by higher fuel and imported goods prices offsetting moderating domestic cost pressures and dampening effects of some government subsidies. MAS Core and CPI-All Items Inflation are projected to average 1.5-2.5% in 2026, stay elevated in the first half of 2027 and ease discernibly in the second half of 2027.

MAS' monetary policy stance was also well-positioned at the start of the year. We maintained an appreciating stance in the second half of last year and again in January this year. This has helped to moderate the pick-up in inflation this year. In April, following the onset of the Middle East conflict, we tightened monetary policy in anticipation of rising imported inflationary pressures. Since then, Singapore's import prices for a range of energy and other commodity inputs have risen sharply and have started to pass through to domestic consumer prices. This April move has therefore placed monetary policy settings in a favourable position as we head into a stronger inflationary environment.

The latest July MPS was a carefully calibrated policy adjustment that builds on April's policy decision. Inflation is forecast to step up further in July and stay elevated over the next few quarters before easing in the second half of 2027. The positive output gap is now expected to widen slightly, rather than narrow as envisaged in the April policy review. Taking the April and July decisions together, the stronger appreciation of the Singapore dollar will lean more effectively against the incoming inflationary pressures.

Amid the highly uncertain economic environment, MAS remains vigilant to risks to the outlook and is well-positioned to respond to maintain medium-term price stability and curb excess volatility in the Singapore Dollar Nominal Effective Exchange Rate (S\$NEER).

Financial markets and financial stability

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

Global financial conditions have thus far been benign and supportive of economic activity. Despite recent pullbacks, equity market valuations are high and credit spreads remain tight.

One major uncertainty to the benign picture thus far is the sustainability of the AI investment boom. Global growth, investment and financial market performance have become highly dependent on projections of large and increasing investment in data centres and semiconductor chips continuing well into the future. This is particularly so in the US and semiconductor-exporting Asian economies.

- AI-driven electronics exports account for more than 70% of Asia's export growth year-to-date, up from 46% in 2024.

- AI-connected firms now account for around 40% of S&P 500 market capitalisation and more than 30% of the MSCI EM Asia Index. They also dominate new financing raised in US capital markets, representing around half of investment-grade bond issuance, 38% of high-yield issuance, and 87% of new venture capital funding.

The sustainability of AI investments is thus highly consequential for global growth and financial stability. While near-term investments are supported by committed orders and strong hyperscaler cashflows, there is greater uncertainty around the sustainability of these investments in the medium term. In the race for model advantage and to scale adoption, projected investments by hyperscalers and model builders have expanded beyond cashflows and commercial revenues. Large equity and debt financing will be needed in the years ahead.

Markets will increasingly be looking to commercial revenue growth to justify the financing risks. Revenue growth will in turn depend on early signs of AI productivity gains at the firm level broadening across the economy and a deepening of transformative applications. The investment boom could be an extended one if supported by accelerating revenue growth and broadening productivity gains. But there are also clear risks on the path of AI investment monetisation. These include the escalating costs of energy and chips, supply bottlenecks of raw materials, regulatory uncertainty, intense competition among model providers, including from lower-cost open-weight models, as well as how widely shared the benefits of productivity gains are. If the payoff of AI investments falls short of expectations over the medium term, hyperscalers will moderate the pace of investment and markets will reassess asset valuations.

The implications are significant if either outcome comes to pass.

If we are in a long AI investment boom with significant and broad productivity gains, stronger and broader spillovers to income, demand and inflation could ensue. The impact on inflation will be complex and depends on the interplay of higher demand for energy and inputs against the pace and extent of productivity gains. These will have consequences for central banks' assessment of potential output and neutral interest rates.

If on the other hand, there is a major retrenchment in AI investment, it could sharply weaken global growth through a fall in business investment and semiconductor demand and negative wealth effects. Financial stability risks could also materialise through equity, credit and loan markets' exposures to unsustainable business models with deteriorating cashflows and weak credit terms in complex financing structures. A sharp tightening of global financial conditions could result.

A second source of risk is a prolonged re-escalation of the conflict in the Middle East. While the global oil market has responded so far with greater supply and demand agility and lower price impact than feared, a prolonged and more damaging conflict in the Middle East could reignite commodity price volatility amid lower inventories. While not our base case, we cannot discount the risk of oil prices moving sharply higher and shortages of oil and downstream products worsening.

MAS has placed emphasis on assessing domestic financial vulnerabilities given global stresses and uncertainties. We have updated our stress tests to capture key downside risks, including a resurgence of the Middle East conflict and a sharp tightening in financial conditions.

While the results affirm that the domestic financial system remains broadly resilient, there are small pockets of vulnerability among highly leveraged households and corporates.

- Risks from a tightening in financial conditions are more pronounced for firms in energy-intensive sectors and for households with thinner financial buffers relative to expenditure.
- As global uncertainty remains elevated, firms in more exposed sectors should provision for more liquidity and take steps to diversify revenue sources, while households with less stable incomes and thinner buffers should be cautious about taking on large new loan commitments.

Developments in the Financial Services Sector

I now turn to developments in the financial sector.

The financial sector saw healthy growth of 4.3% in 2025 despite a more uncertain global environment.

- The growth in 2025 broadly maintains the momentum over the 2021-2025 period, which averaged 4.6% in annual growth and added 4,200 jobs¹ annually, with the gains in employment going to locals.

Growth continues to be broad-based.

- Banking sector assets grew a steady 3.1% in 2025, easing from exceptional growth in 2024.
- Assets in the insurance industry grew 7.6% in 2025, to S\$493.5 billion, accelerating from 2024 and in line with the 7.5% CAGR from 2021 to 2025.
- Assets under management grew 10.1% to reach S\$6.7 trillion as at end-2025. The wealth management industry has also continued to grow strongly alongside the broader asset management industry.
- As Asia's leading FX hub, FX average daily traded volumes continued to expand to reach S\$1.6 trillion in 2025.
- Singapore also continues to grow as a leading regional fixed income hub. The corporate debt market saw total issuances of close to S\$340 billion in 2025, a 10% increase from the previous year.
- Sustainable finance activity also remained strong, with Singapore continuing to lead ASEAN's market for green, social, sustainability and sustainability-linked ('GSSSL') bonds and loans, accounting for more than half of regional activity. Loan origination exceeded S\$27 billion, and bond issuance remained resilient despite a modest global pullback.

The financial centre's growth is supported by an effective and risk-proportionate AML/CFT framework that protects the integrity of Singapore's financial system and economy, while remaining welcoming to legitimate business owners and investors.

- The positive outcomes achieved in Singapore's 5th round Financial Action Task Force (FATF) Mutual Evaluation validated MAS' robust and risk-focused AML/CFT supervision of the financial sector, strong industry engagements and partnerships, and good risk awareness.

MAS continues to introduce new measures to sharpen the competitiveness of our financial sector and develop new pillars.

As shared by Deputy Prime Minister Gan Kim Yong at the ABS Annual Dinner on 25 June 2026, these include:

- Deepening Singapore's growth capital ecosystem to better mobilise and intermediate capital flows to support Asia's long-term growth;
- Scaling alternative risk-transfer solutions and risk intermediation capacity through the proposed Protected Cell Company framework; and
- Strengthening Singapore's role in gold trading, clearing and storage.

On gold, DPM Gan announced at the Asia Pacific Precious Metals Conference in June that MAS would be removing the 5% cap on physical investment precious metals under the tax incentive schemes for funds.

- We would like to provide an update that this change will take effect from 1 August 2026, giving eligible funds and family offices greater flexibility to invest in physical gold in Singapore.
- MAS will publish a circular soon to set out further details.

Today, I will update on our efforts to sustain the innovation, stability, security and trust that underpin Singapore's position as a competitive and innovative financial sector. My comments will be in 2 areas:

- First, scaling up innovation in the financial sector.
- Second, strengthening resilience of our financial system to AI-enabled threats.

Scaling up innovation in the financial sector

Last month, MAS announced plans to establish the Future of Finance Institute (FFI).

Through the FFI, we will make significant investments in connections, capability, talent and infrastructure across the ecosystem to power the next phase of Singapore's financial innovation.

- FFI's Innovation Garage will bring together financial institutions (FIs), FinTechs, and technology providers to co-create and validate new use cases. For example, we are forming collaborations in agentic AI in finance and fraud detection.

- FFI will connect the financial industry with research capability in our universities and establish industry-relevant research programmes.

Financial institutions can accelerate their adoption journey by tapping on PathFin.ai to find industry-validated solutions from other FIs, technology companies and FinTechs.

- AI adoption must proceed in tandem with governance and guardrails. Existing AI risk management toolkits will be continually updated and expanded with new playbooks, reusable guardrails, control libraries, and implementation templates in specific areas of AI use and risk to support FIs in deploying AI safely.

FFI will be operational in the next few months and scale up its programmes over the next year.

Developing the FinTech ecosystem in Singapore also continues to be a priority for MAS. There are today 1,900 FinTech companies employing close to 10,000 individuals. MAS will be renewing and enhancing our support for FinTech development. Through support for capability development, growth funding and manpower access, we aim to strengthen the growth prospects of the dynamic FinTech sector. We are reviewing these strategies and consulting with the Singapore FinTech Association and the sector and will share more later this year.

Strengthening resilience of our financial system against AI-enabled threats

Let me turn now to strengthening resilience of our financial system against AI-enabled threats.

With rapid digitalisation in the financial sector, we have focused in the last few years on enhancing the resilience of our digital financial services against scams, operational disruptions and cybersecurity threats.

We have introduced significant measures and achieved meaningful progress in each of these areas.

On combatting scams, we have worked with banks to enhance their fraud surveillance capabilities and introduced calibrated frictions in digital transaction journeys to frustrate scams.

- The amount of money that is protected from digital transfers using the Money Lock function has reached about S\$47 billion as at May 2026, almost double the amount a year ago.
- In 2025, Singapore saw a decrease in both scam cases and loss amounts for the first time since 2021.

To strengthen operational resilience for the delivery of critical services and functions, we have been working with FIs to step up the effectiveness of their risk management frameworks across four key pillars: operational risk; technology and cyber risk; third-party risk; and business continuity.

- In March 2026, MAS consulted on updated Guidelines on Operational Risk Management as well as Third-Party Risk Management.
 - The new Guidelines set higher expectations for FIs to understand and manage risks in third-party arrangement.
- We are currently consulting on amendments to the MAS Notices on Technology Risk Management which uplift technology resilience in FIs.
 - The proposed Notices mandate sound practices across key areas such as IT asset management, IT capacity planning, continuous system and security monitoring, as well as data backup and recovery.

As digital payments continue to be increasingly central to daily transactions, we have also worked with the industry to enhance retail payments resilience.

- Stand-in processing for NETS debit payments at point of sales was implemented in August 2025, enabling contactless debit payments to continue up to a limit during a bank system disruption.
- We are engaging with major banks to introduce similar stand-in capabilities for their digital retail payments so that the banks can continue to provide critical banking services such as payments and fund transfers during a system disruption.

Advances in frontier AI and quantum-computing add new challenges in the fight against scams and cyber threats. I will update on how MAS is working with the industry to address each in turn.

First, AI-enabled scams.

- With AI, phishing can be made more personalised and persuasive at scale, using deep-fake impersonation, customisation of scam messages and other deception tactics.

The frictions introduced so far to digital banking transactions remain useful. These include:

- More robust authentication methods such as in-app authorisation approvals via digital tokens instead of one-time passwords; and
- Cooling periods for higher-risk transactions to give potential scam victims time to reconsider before funds are transferred.

At the same time, banks must harness AI and strengthen their controls to better defend against more sophisticated AI-enabled scam tactics.

- MAS will review banks' efforts to enhance the effectiveness of their fraud detection models, including how well they use AI.
- MAS is also currently working with GovTech, the Singapore Police Force (SPF) and five banks on a proof-of-value to test whether AI models trained on cross-bank and public-private data can improve overall detection of scam transactions.
 - Findings from the proof-of-value are expected to be ready next year.
 - The findings will guide further testing and enhancements to banks' internal fraud models, as well as help determine the case for setting up an industry-level utility to pool data and employ AI.

MAS is also continuing to work with banks to study stronger authentication methods, such as FIDO-compliant security keys and software passkeys, so that the industry is ready when these are needed.

We will press ahead with these efforts to make the system harder to exploit, while continuing to work with industry and the public to sustain vigilance against increasingly sophisticated scams.

Let me turn now to AI-enabled cyber threats.

The capabilities of frontier AI models to find and exploit system vulnerabilities pose threats to FIs' cyber defences.

- Frontier AI model capabilities have two major implications:
 - Firstly, a higher volume of vulnerability findings, including in widely used software and shared technology and infrastructure relied on by multiple FIs; and
 - Secondly, shorter discovery-to-exploit timelines, from weeks to days or even hours.
- Together, these significantly compress the timelines for patching, testing, and remediation.
- This has made it very challenging for system owners all over the world, including our FIs, to execute the volume of remediation in a timely and robust manner.

Frontier AI model capabilities necessitate an urgent step up in cyber-defence capabilities.

MAS first issued an advisory in April 2026 calling on FIs to further strengthen their cyber defences.

- Apart from shortening the time to apply security patches, FIs were asked to accelerate the adoption of AI in various cybersecurity functions such as secure coding, vulnerability detection and security testing.
- For example, FIs should widen the use of available advanced models to discover vulnerabilities.

MAS next introduced a new requirement on 1 July for key FIs to conduct AI-assisted red teaming on critical internet-facing systems.

- FIs would need to leverage advanced AI models to identify potential attack paths that could enable cyber criminals to disrupt critical services or gain access to sensitive customer data.
- The lessons learnt from these exercises will be shared with the broader industry, so that FIs can toughen their collective resilience.

MAS will step up our requirements further and will soon issue our supervisory expectations for key FIs to develop and submit comprehensive assessments and action plans to strengthen their defence against AI-enabled cyber threats. These should be underpinned by a risk assessment framework and address FIs' ability to:

- detect and patch vulnerabilities at scale;
- test system changes before implementation; and
- back up, restore and recover critical systems and services when disruptions occur.

AI and cyber developments are changing rapidly and there is a need to continually assess the threats posed and strengthen resilience measures. I would like to share that an ABS AI-Driven Cyber and Tech Risk Taskforce, or ABS-ACT, has been formed.

- The Taskforce comprises MAS and senior technology and cyber leaders from major FIs to co-create strategies and measures against AI-driven threats.
- The taskforce will focus on three key areas:
 - First, enhance FIs' expertise in the use of AI in cybersecurity through industry sharing and engagement with cybersecurity and AI experts;
 - Second, collaborate to conduct trials and validation of advanced AI-enabled tools; and
 - Third, develop industry guidance on new measures, controls and solutions to better detect, prevent and respond to sophisticated AI-enabled threats.

Quantum-computing poses significant risks to the security of data and communications used by financial institutions in the medium term and requires early preparation.

- The technology is still at a development stage. Some experts have given a 5-10 year estimated timeframe for when quantum-computing could break existing encryption techniques, although there are also some views that it could be less than 5 years.
- Transition to quantum-safe practices however will take time and it is certainly not too early to make serious preparations.

Over the past few years, MAS had begun laying the groundwork for a quantum-safe financial sector.

- We issued an advisory to FIs in 2024 highlighting quantum transition measures they should consider.
- We have also done technical work with the industry and international counterparts on quantum-resilient cryptography solutions to secure communications.

MAS will next issue a set of supervisory expectations later this year with clear expectations, milestones and timelines for FIs' migration towards quantum resilience. Progressive timelines will be set for FIs to:

- Establish an inventory of their cryptographic assets;
- Develop a prioritisation of the migration of vulnerable assets to quantum-resilient solutions; and
- Build technical capabilities and governance frameworks to support a quantum-safe migration.

Our aim is for FIs to achieve quantum resilience before the end of this decade.

MAS Financial Results for FY2025/26

I now turn to MAS' financial results.

For the financial year ended 31 March 2026, MAS recorded a net profit of S\$20.0 billion, driven by:

- investment gains of S\$39.8 billion, recorded on a lower of cost and market value basis;
- partially offset by -
 - negative currency translation effects of S\$16.4 billion from a stronger Singapore Dollar;
 - net cost from MAS' money market operations (or MMO) to manage banking system liquidity and other expenses of S\$2.4 billion; and
 - a contribution to the Government's Consolidated Fund of S\$1.0 billion.

Investment gains were strong, as the global economy remained resilient to repeated shocks and financial markets performed well. All asset classes across bonds and equities, developed and emerging markets posted good returns. While investment gains vary from year to year, this year's outturn was similar to last year's and above our 10-year historical average of S\$18.3 billion. The outlook ahead is uncertain with continued energy market disruption, rising inflation and high equity market valuations posing risks to future investment returns.

The negative currency translation effects of S\$16.4 billion were due mainly to the strengthening of the Singapore Dollar against the US Dollar and the Japanese Yen. The stronger Singapore Dollar has helped to dampen the effects of imported inflation, while resulting in negative currency translation effects. Such effects arise when MAS' Official Foreign Reserves (OFR), which are held in foreign currencies, are reported in Singapore Dollars. These effects do not affect MAS' ability to conduct monetary policy or support financial stability, which involve the use of foreign currency assets and liquidity.

Like other central banks, MAS incurs interest expense from MMO to absorb excess banking system liquidity. These costs reflect the volume of MMO and interest rate levels, both of which moderated over the year. Income from the Reserves Management Government Securities (or RMGS) partially offset this expense.

MAS will contribute S\$1.0 billion to the Consolidated Fund, and return a further S\$2.5 billion of its net profit to the Government. The amount to be paid to the Government reflects the offsetting of losses accumulated from previous years.

MAS maintains a globally diversified, liquid OFR portfolio to support our functions as a central bank. MAS' financial results reflect the performance of global asset markets after accounting for the cost of MMO and negative currency translation effects from a stronger Singapore Dollar. As these factors have different effects from year to year, there will also be variability in MAS' annual financial results.

Conclusion

With that, I conclude my remarks. Thank you for your attention.

¹ Excludes jobs in holding companies.