

**FSWG UNVEILS STRATEGIES TO POSITION SINGAPORE AS A
PRE-EMINENT FINANCIAL CENTRE IN ASIA**

Build on Singapore's strengths to create distinctive regional and global niches in financial services. This was the key message of the ERC's Financial Services Working Group (FSWG), which released its recommendations on 18 Sep 2002. As the traditional businesses that have driven Singapore's success as a financial centre mature, the FSWG said that Singapore must look for new engines of growth and develop distinctive niches in "sunrise" services.

The private sector led FSWG unveiled four strategic thrusts for positioning Singapore as a pre-eminent financial centre in Asia:

- Accelerate efforts to increase the depth and breadth of the wealth management industry in Singapore;
- Position Singapore as a global processing centre;
- Develop Singapore as the leading risk management centre in the Asia Pacific; and
- Create a world-class business environment that encourages firms in Singapore to capitalise on emerging opportunities in financial services.

Accelerate the Development of the Wealth Management Industry

The FSWG identified wealth management as a source of growth potential and competitive advantage for Singapore. To accelerate the development of the industry, the FSWG proposed a comprehensive set of initiatives to position Singapore as the Asian hub for alternative assets, encompassing private equity, hedge funds, mezzanine securities, and distressed debt and real estate investment securities, and leverage on domestic sources of assets to boost the vibrancy of the industry.

Position Singapore as a Global Processing Centre

With intensifying pressure on financial institutions to cut costs by centralising and outsourcing processing activities, the FSWG proposed new measures to establish Singapore as a global hub for high value-added, technology-intensive processing activities.

Mr Robert Stein, Chairman of the FSWG, said “the government should move quickly to facilitate the establishment of universal processing centres (UPCs), with the long-term vision for Singapore to become a one-stop intermediary for processing services through the development of a world-class cluster of UPCs, technology companies and related services”.

UPCs are outsourcing facilities that aggregate and process high volumes of commoditised activities. Under the business model proposed in the FSWG’s report, Singapore will focus on technology development, high value-added processing and middle-office activities, while outsourcing lower value-added processing to low-cost countries such as China and India.

Develop Singapore as the Asia Pacific Risk Management Centre

With the increased pooling of capital by financial institutions to underwrite sudden and unusual events following the September 11 terrorist attacks, the FSWG proposed a bold initiative to establish a risk management facility - the Asia Risk Exchange (ARX) - in Singapore. ARX will provide the physical facility and capital to facilitate the exchange of risks between financial institutions and capital markets.

Mr Stein said that the ARX would allow insurers to hedge catastrophic and sudden event risks, and banks to hedge residual portfolio and credit risks. It would fill a market gap in Asia and position Singapore as the premier risk management centre in the Asia Pacific.

Create a World-Class Business Environment

To complement the strategies for developing the three identified niches, the FSWG proposed a set of wide-ranging measures to:

- Increase the international profile of Singapore’s financial sector;
- Sharpen the focus on and give higher priority to financial education, training and research; and

- Enhance Singapore's tax competitiveness as a financial centre.

Mr Stein said "these measures, together with a sound yet pro-enterprise regulatory framework, are crucial for establishing a conducive environment where private sector innovation can thrive and market forces can bring out the niche areas in which Singapore has a competitive advantage".

Describing the broad-based participation of the industry in the FSWG's deliberations, Mr Stein said "the FSWG brought together a large and diverse group of professionals from the financial industry and related business services sectors. The financial sector is a significant part of Singapore's economy. We expect the FSWG's recommendations to boost the financial sector's share of Singapore's GDP, create new jobs for Singaporeans, and position Singapore as a pre-eminent financial centre in Asia".

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