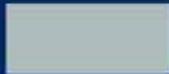




CONFIDENTIAL



International Financial Centers: The terms of competition and prospects for the Asia-Pacific region



**Pacific Economic Cooperation Council
October 15, 2007**

Dominic Barton, McKinsey & Company

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- 1. Context: Global financial system development**
- 2. Financial center strategic map**
- 3. Key criteria for success as an international financial center**
- 4. Implications for Asia-Pacific**

THE GLOBAL ECONOMY IS IN TRANSITION

- High barriers to interaction
- Fragmented, local market and industry structures
- Relatively self-contained national economies
- Relatively contained social/political tension

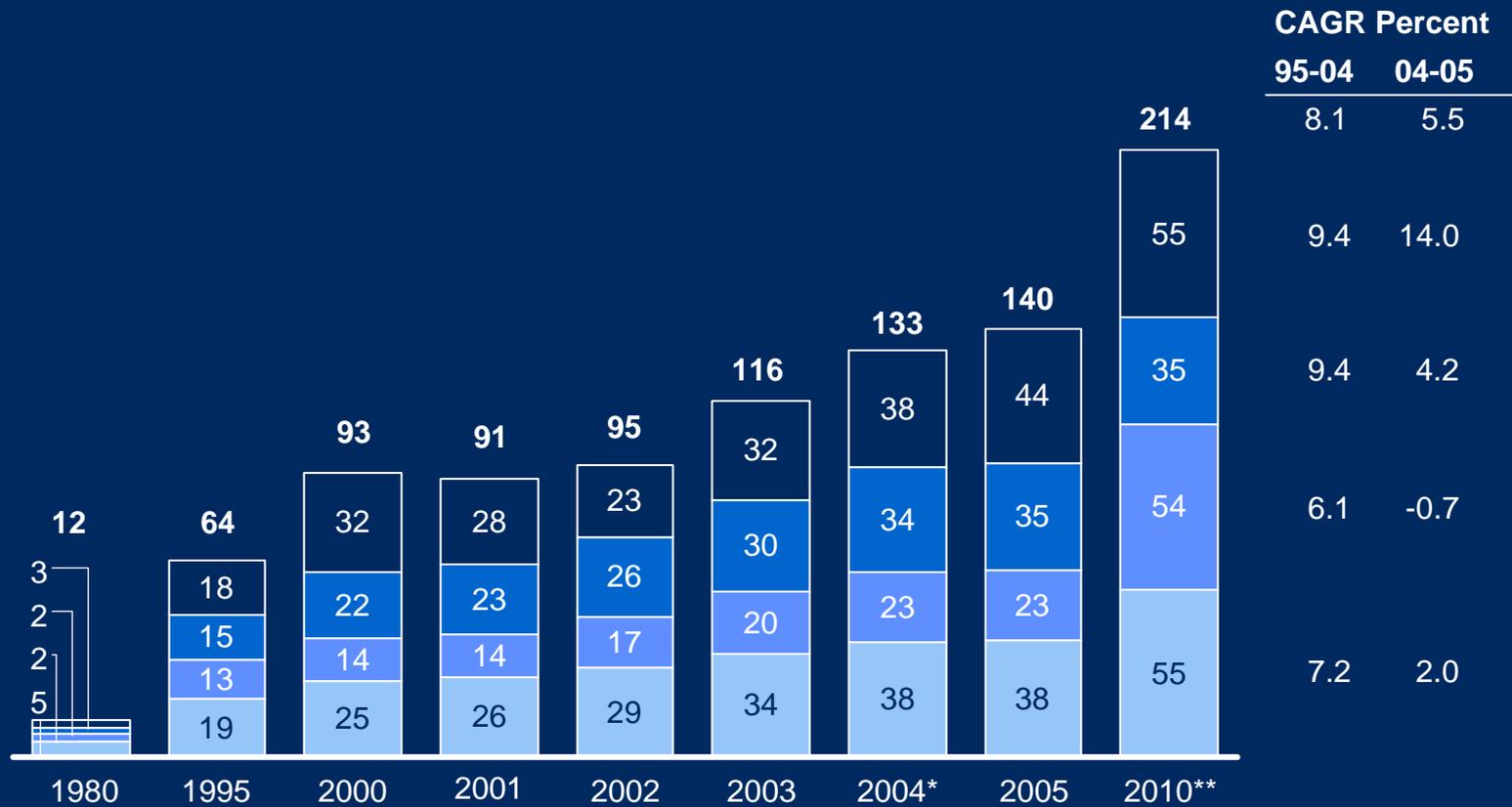


- **More decision makers** – billions of individual decisions by consumers, laborers, producers and investors
- **Faster transaction / response times** (e.g., technology, media)
- **More interconnected / linked world** (e.g., interest rates, stock indices)

GLOBAL FINANCIAL STOCK HAS GROWN TO \$140 TRILLION AND WILL REACH \$214 TRILLION BY 2010

- Equity securities
- Private debt securities
- Government debt securities
- Bank deposits

\$ Trillions



Nominal GDP \$ Trillions	10.1	29.4	31.7	31.6	32.8	36.9	41.4	44.5	63.3	4.2	7.5
Depth (FS/GDP), %	109	218	292	289	290	315	322	316	338		

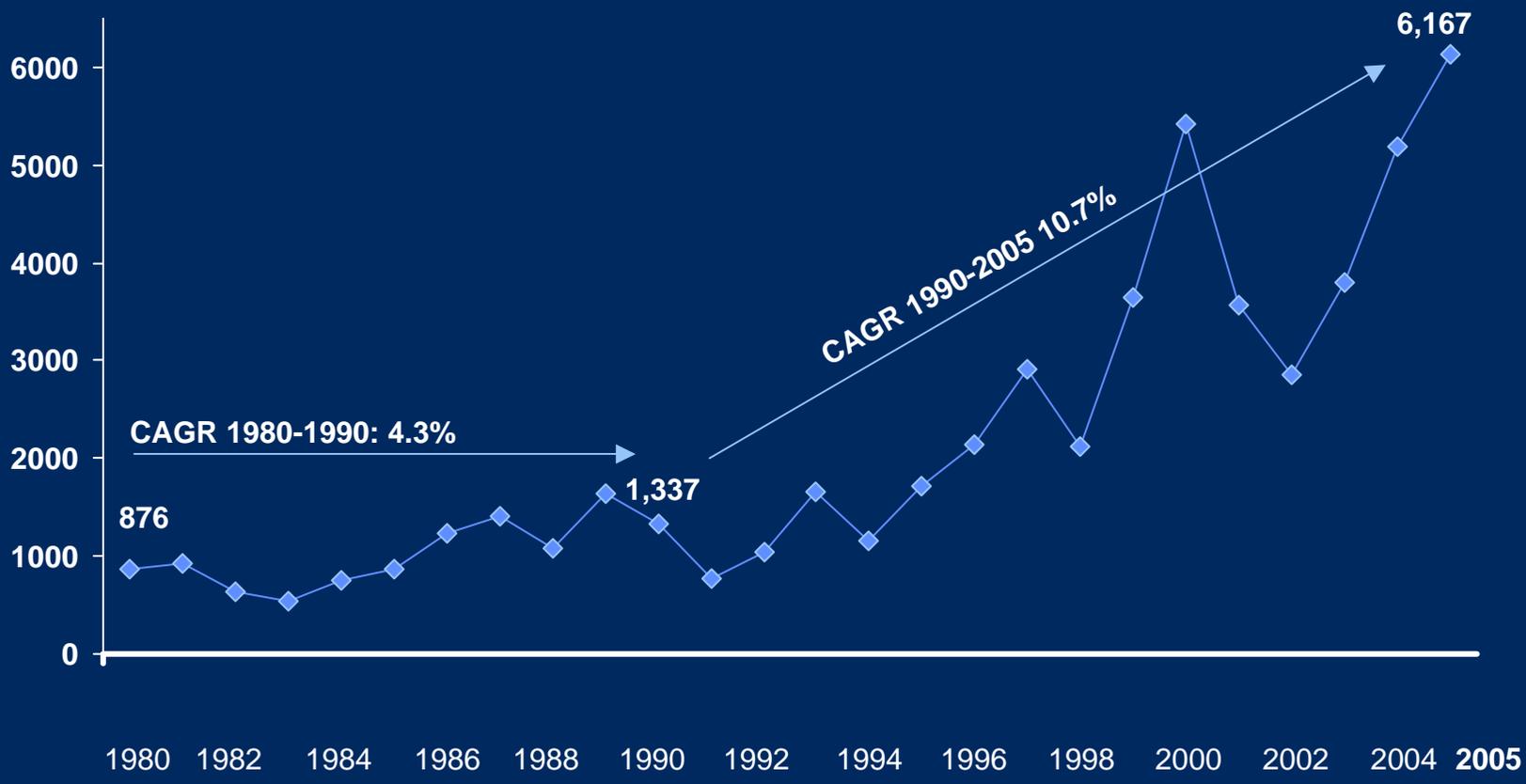
* 2004 figure dropped from \$136 trillion to \$133 trillion due to restatement of data by individual countries.

** Extrapolation off of 2005 base, with components grown at 2000-05 CAGRs

CROSS-BORDER CAPITAL FLOWS HAVE REACHED A NEW HIGH

Total cross-border capital inflows

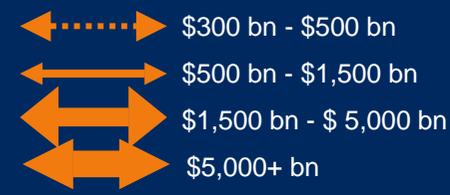
\$ Billions, 2005 constant \$ and constant foreign exchange



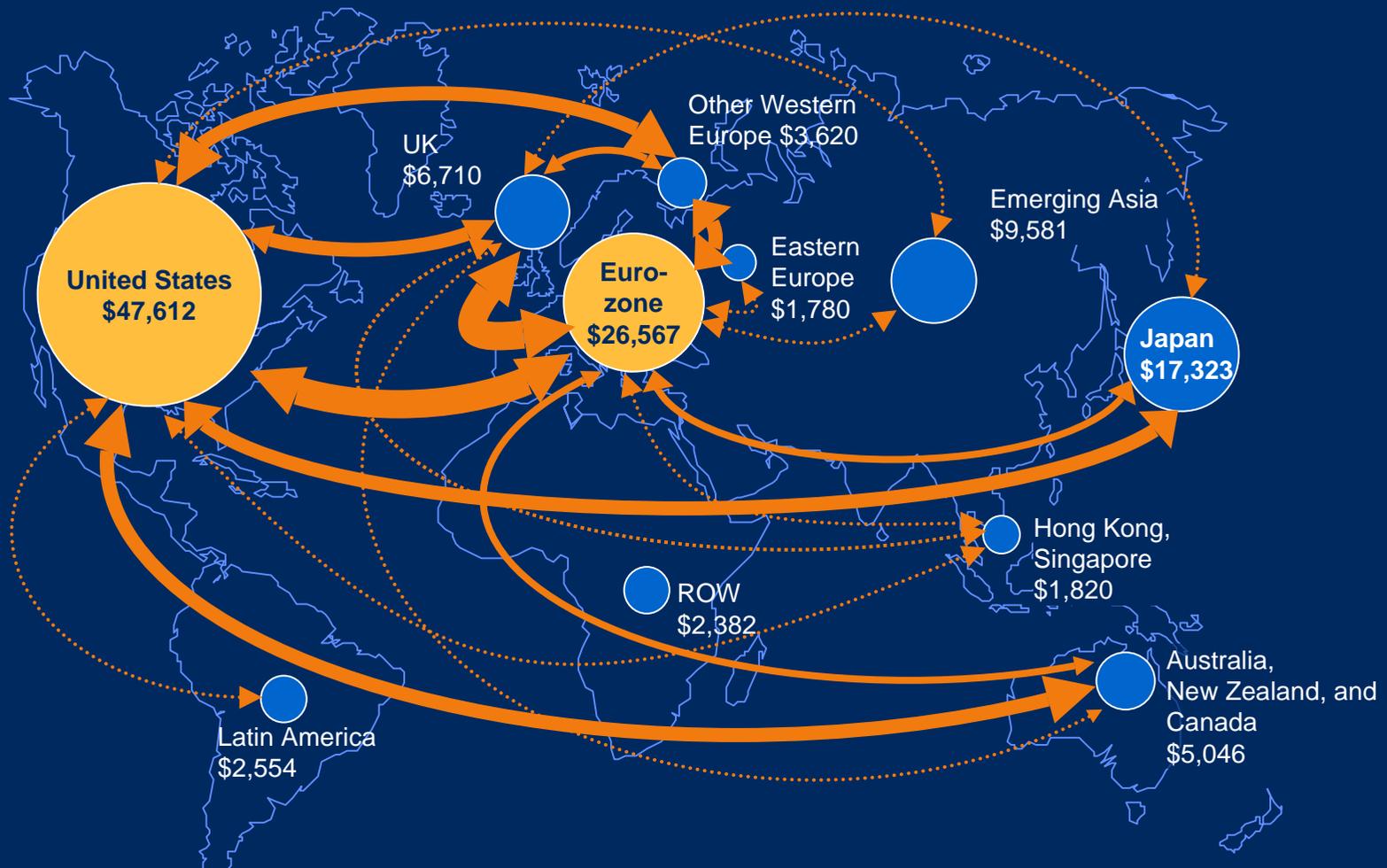
Year	1980	1982	1984	1986	1988	1990	1992	1994	1996	1998	2000	2002	2004	2005
Percent of global GDP	4.6	3.4	3.6	5.5	4.4	5.0	3.7	3.8	6.5	6.0	14.2	7.2	12.1	13.9

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ASIAN FINANCIAL MARKETS REMAIN A RELATIVELY SMALL PORTION OF GLOBAL FLOWS



Map of cross-border financial holdings, 2004*
 Figures in bubbles show size of total domestic financial assets 2005, \$ billion



* Includes cross-border equity, debt, lending and foreign direct investment.

SIX SIGNIFICANT TRENDS ARE RESHAPING ASIA'S ROLE GLOBALLY

1 Emergence of Asia as a global economic power

2 Rise of a massive new consumer class

3 Intra-Asian trade and integration

4 Re-emerging Silk Road

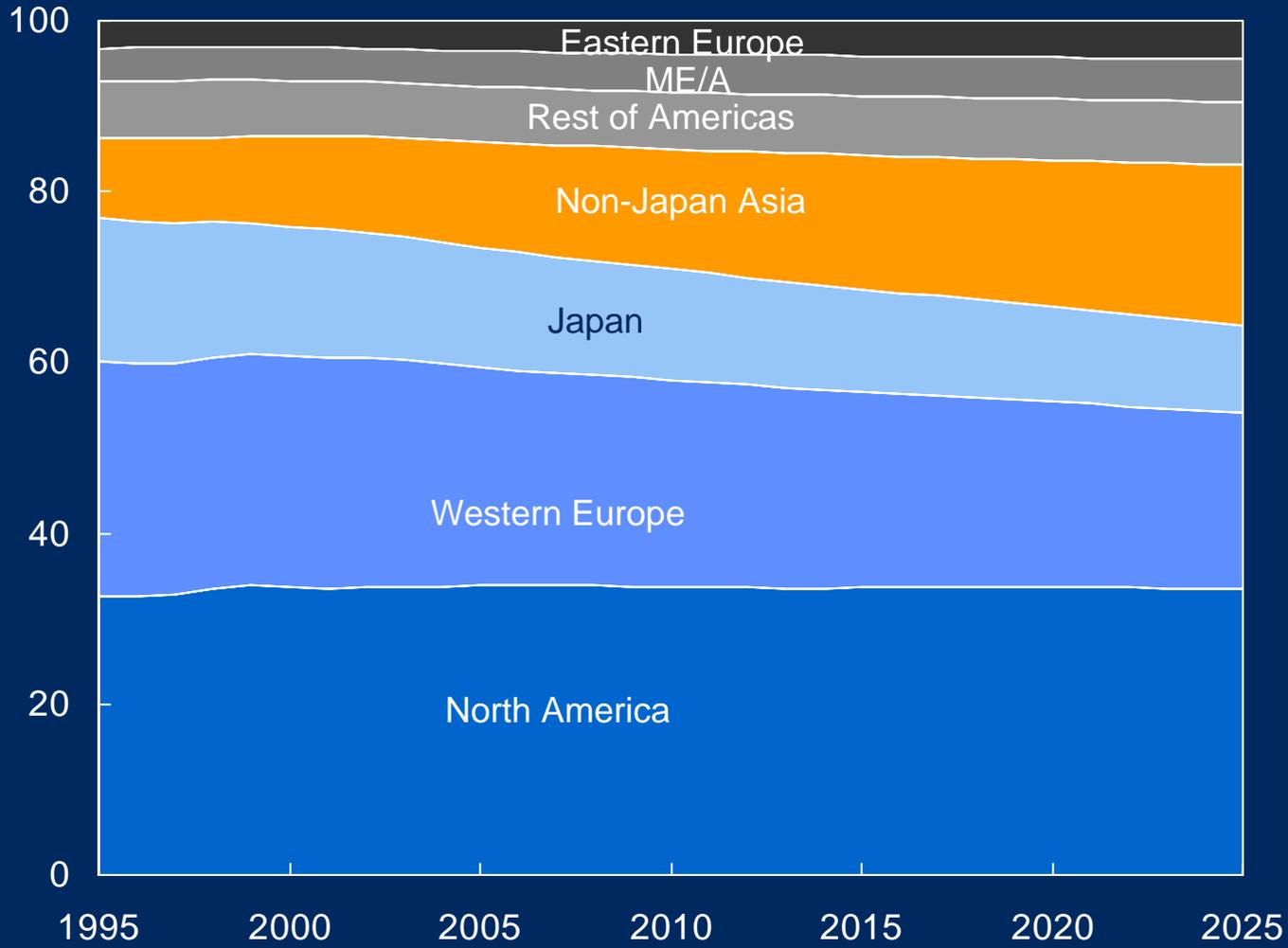
5 Evolving financing and ownership structures

6 M&A boom / industry consolidation

1 ASIA IS EMERGING AS A GROWTH ENGINE FOR THE NEXT TWENTY YEARS, GROWING FASTER THAN ANY OTHER REGION

Regional share of world GDP, Percent

CAGR
Percent



Source: Global insight

OLD SHANGHAI – PUDONG



NEW SHANGHAI – PUDONG



OLD SHENZHEN



NEW SHENZHEN



FURTHER GOVERNMENT INFRASTRUCTURE EXPENDITURE

Government spending

CHINA

Sector	Projected expenditure through 2010, USD bn	Example of Investments
Transportation	512	Road (22,000 km extension of national truck highway system) Airports (50+ new airports)
Energy	381	Electrical power generation (increase capacity by 350 GW by 2010, 160 GW already under construction or green-lighted)
Water	65	Water supply (develop 600 billion tons of new water supply per year)
International events	80	Beijing Olympics 2008 (stadiums and other facilities) Shanghai Expo 2010 (venues, city infrastructure)

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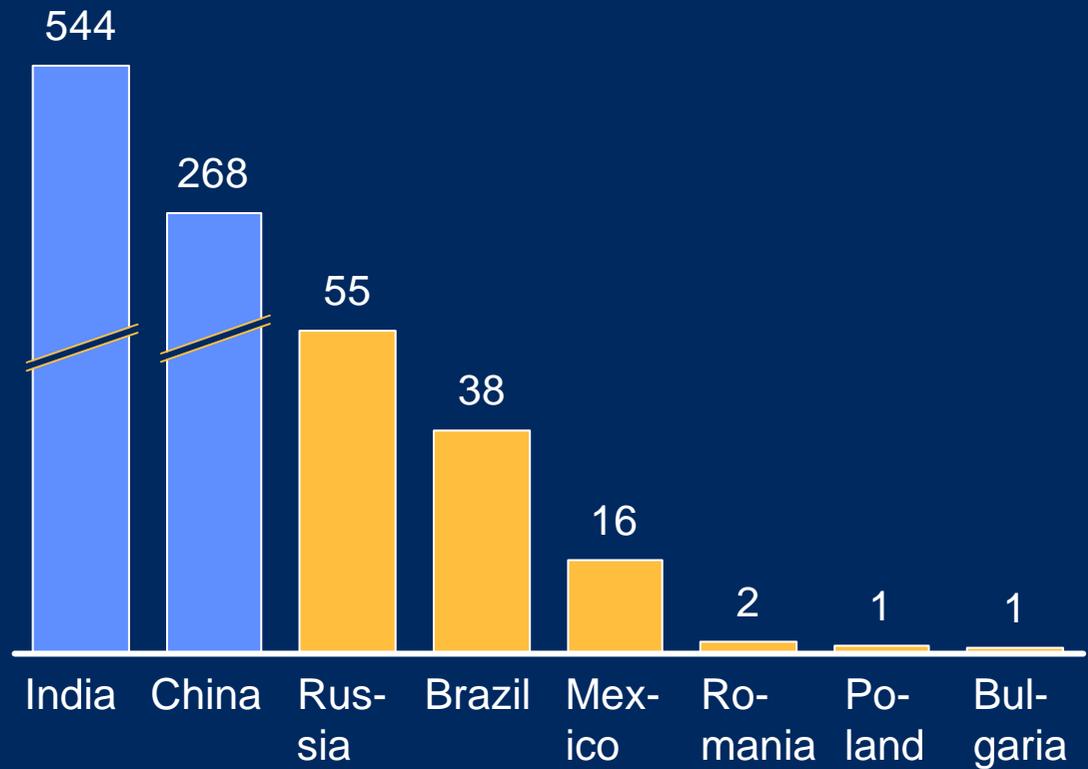
2 RAPID EMERGENCE OF A NEW CLASS OF CONSUMERS

Total population of upper mass and above

Developing countries
Million people



Change in upper mass and above
Million people, 2005-2015

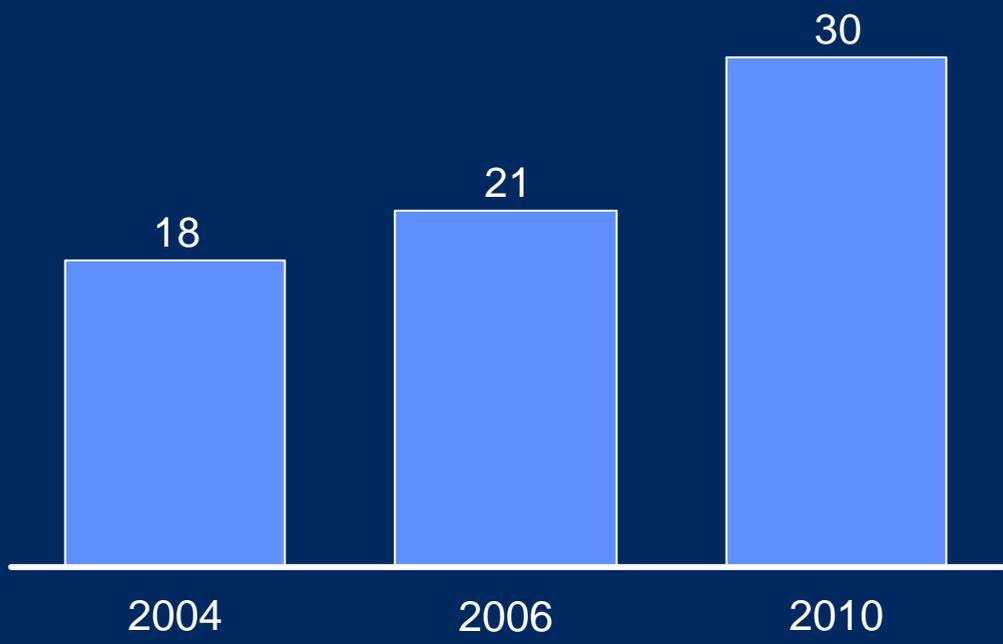


RISE OF ASIAN GLOBAL CHAMPIONS

US\$ Billions

Based in Asia

Proportion of Global 1000 Corporations in Asia Percent



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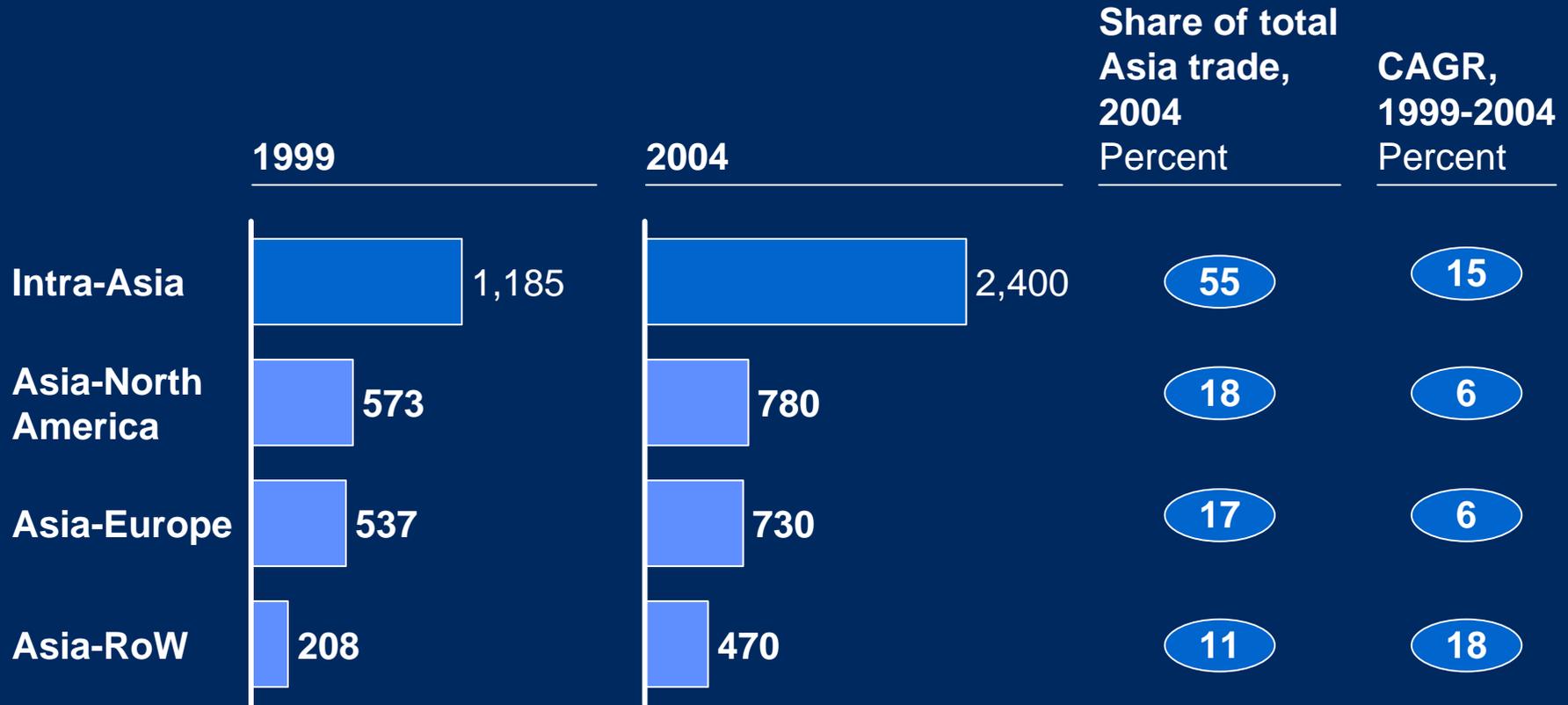


KHAZANAH
NASIONAL



3 INCREASING INTRA-ASIA TRADE

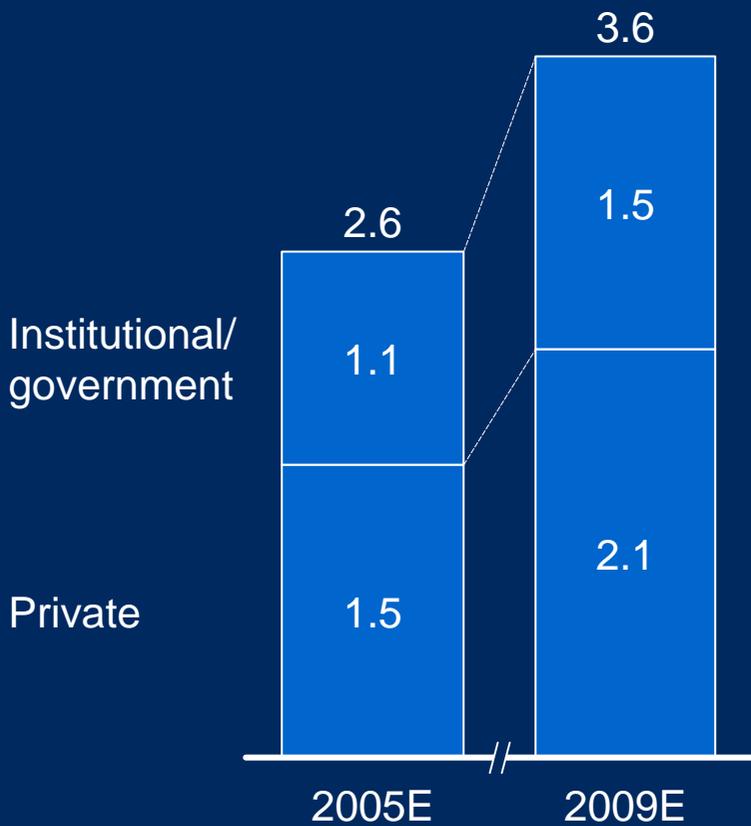
USD billions



THE NEW SILK ROAD WILL FACILITATE TRADE AND INVESTMENTS INTER-REGION

- Asia will require about **USD1 trillion of FDI** by 2010
- Investors in the Gulf States revealed that they are set to **shift their portfolio asset allocation towards Asia** by 10-30%
- Low-cost Asian companies are well positioned to help meet the Gulf's massive infrastructure needs, which will consume **more than USD500 billion** over the next few years
- There has already been an **increase in investment activities** along the Silk Road:
 - **USD2.6 billion** acquisition of Pakistan Telecom by Etisalat of UAE
 - **USD2 billion** investment by prominent Saudi investors for a stake in a major bank in China
 - **USD1 billion** potential investment by Bahrain's Gulf Finance house into Singapore's financial, health, tourism and leisure industries

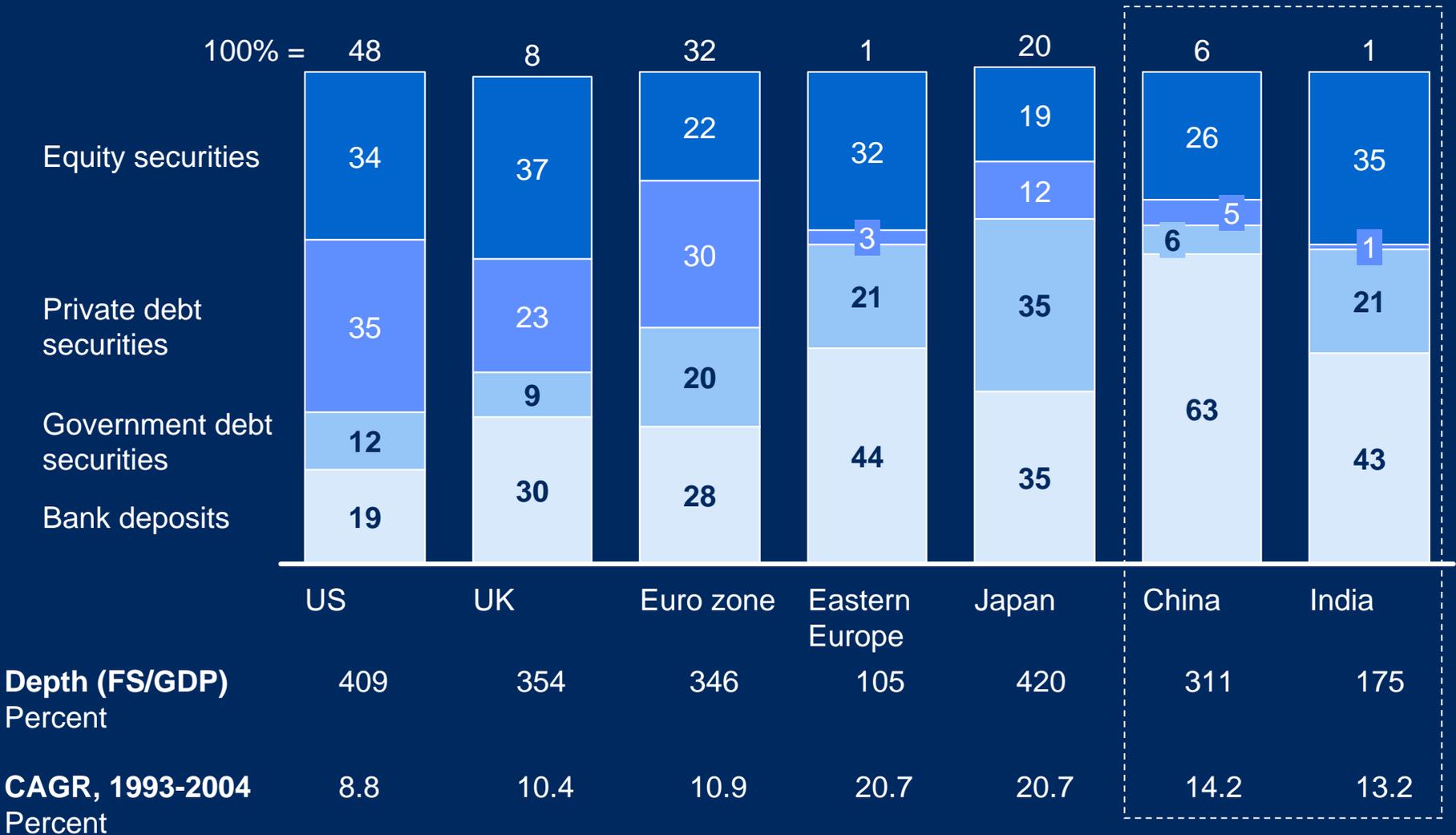
Investable Wealth of Arabian Gulf Countries
USD trillions



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5 SHIFT FROM BANK-DOMINATED TO CAPITAL MARKETS-DOMINATED FINANCIAL SYSTEM

USD trillions, percent

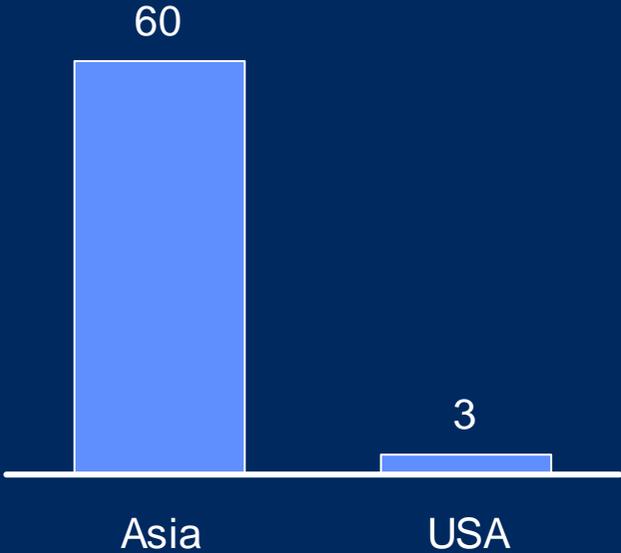


Note: Some numbers do not add to 100% due to rounding error

Source: MGI Global Financial Stock Database; Global Insight

ASIAN FAMILY-OWNED BUSINESSES WILL FACE IMPORTANT TRANSITIONS AND CHALLENGES

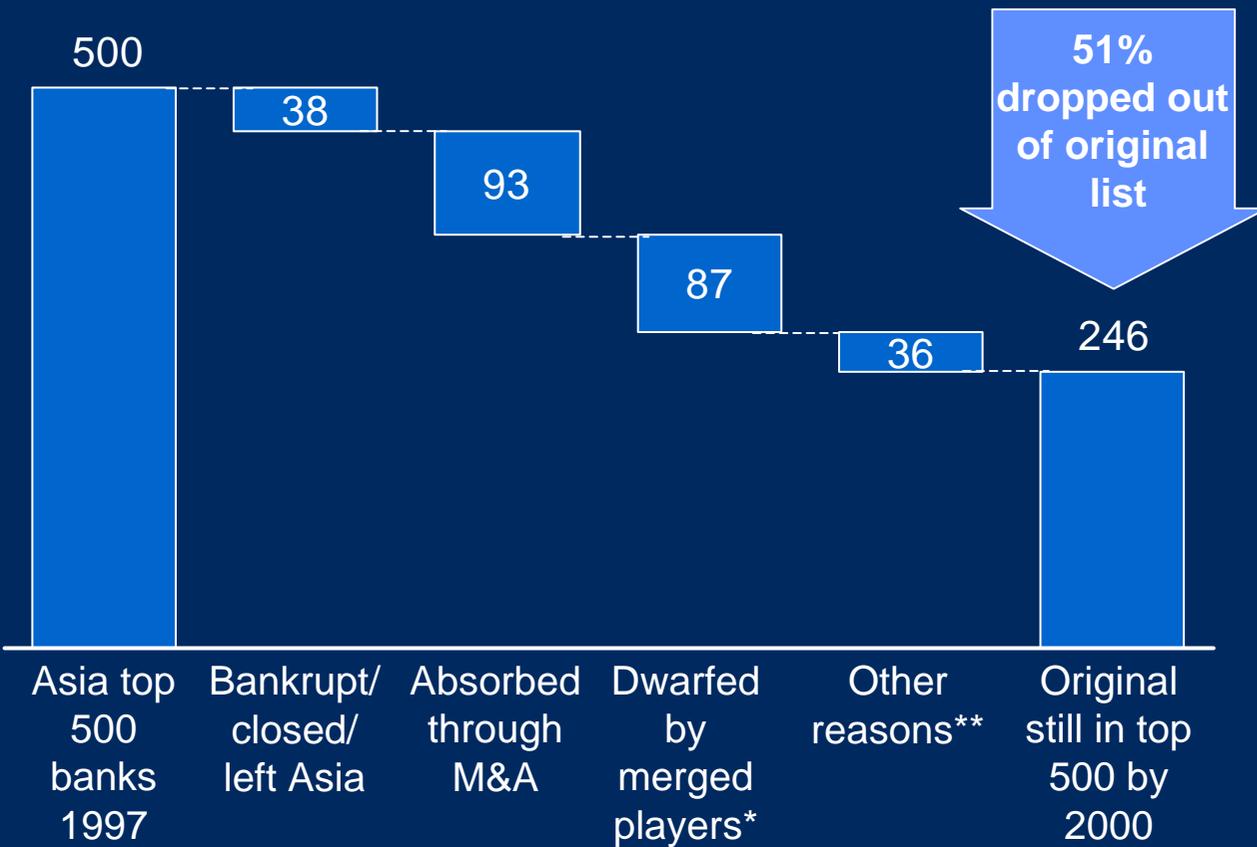
Publicly traded companies controlled by a single shareholder
Percent



- Significant number of founders will be going through transition (e.g., those aged between 65~92)
- Growth and complexity of modern businesses are forcing a re-think of traditional governance model
- There is a need to attract more talent
- There is a need for greater capital market access

6 DISCONTINUITIES FROM CONSOLIDATION ACROSS INDUSTRIES, AS WAS THE CASE IN ASIAN BANKING

Increased consolidation and market exit in Asia



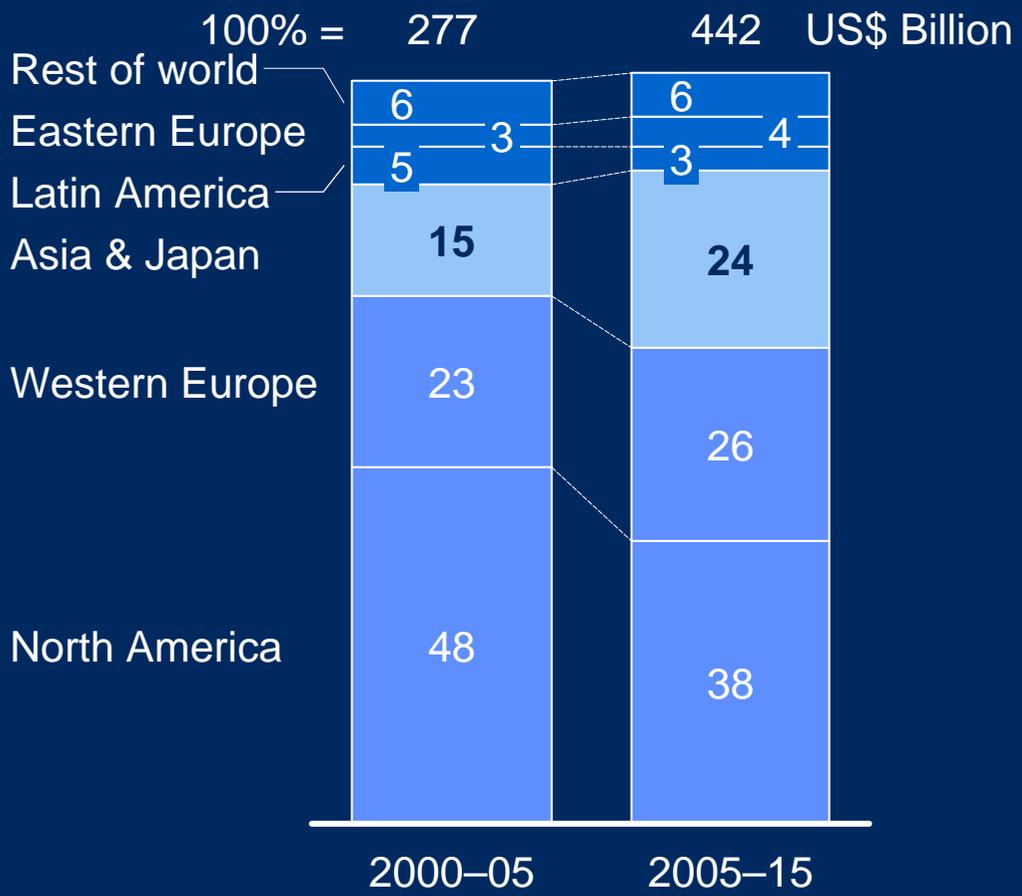
Key competitive trends

- Trends toward government bank deregulation expected to drive increased privatization and consolidation
- Foreign banks actively seeking M&A opportunities
- Privately owned market movers actively attacking assets of large state owned institutions

* Minimum asset value of USD2,235mn in 2000 compared to USD402mn in 1997
 ** Reclassification of entity by Bankscope to non-bank etc

IMPORTANCE OF ASIA IN FINANCIAL SERVICES PROFIT GROWTH WILL INCREASE DRAMATICALLY

Regional share of total banking profit growth; 2006–15; percent



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ASIAN BANKS ARE RISING AS GLOBAL PLAYERS

US\$ Billions

 Based in Asia

2004 Market value	
1. Citigroup	259
2. HSBC	163
3. Bank of America	118
4. Wells Fargo	97
5. RBS	89
6. UBS	86
7. JP Morgan Chase	85
8. Mitsubishi Tokyo	63
9. Wachovia	61
10. Bank One	60

3 rd September, 2007 Market value	
1. Ind & Com Bank of China	283
2. Citigroup	233
3. Bank of America	225
4. HSBC	213
5. China Construction Bank	186
6. Bank of China	183
7. JP Morgan Chase	151
8. Wells Fargo	122
9. Banco Santander	114
10. Royal Bank of Scotland	110

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ASIAN CENTRAL BANKS ARE AMONG THE MOST SIGNIFICANT NEW PLAYERS IN THE GLOBAL FINANCIAL SYSTEM

	International investment assets/assets under management \$ Trillions		CAGR 2000-06E Percent
	2000	2006E	
Pension funds	16.1	21.6	5
Mutual funds	11.9	19.3	8
Insurance assets	10.1	18.5	11
Petrodollar assets	1.2 – 1.4	3.4 – 3.8	19*
Asian central banks foreign reserve assets	1.1	3.1	20
Hedge funds	0.5	1.4	19
Private equity	0.3	0.7	14

* Growth rate calculated based on data reported to IMF (\$2.5 trillion in 2006E, does not include UAE, Qatar)
 Source: IMF, Ministry of Economic Affairs Taiwan, Global Insight, UBS Asian Economic Monitor, Hedge Fund Research, Venture Economics, PE Analyst, AVCJ, EMPEA, IFSL estimates based on Watson Wyatt, Bridgewater, Merrill Lynch, ICI, SwissRe, Hennessee Group data, Press, McKinsey, MGI Cross-Border Claims Database

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GLOBAL FORCES AT WORK CONSTANTLY AFFECT FINANCIAL CENTER DEVELOPMENT



FINANCIAL CENTER INITIATIVES IN LAST FIVE YEARS ARE ACTIVE AND ONGOING



- Singapore
- Kuala Lumpur

Shanghai
Seoul
Hong Kong

Sydney

Panama

New York

London

- Monaco
- Liechtenstein
- Luxembourg
- Switzerland

- Dubai
- Bahrain
- Saudi Arabia
- Qatar

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REGIONAL "SPHERES OF INFLUENCE" ALSO ARE APPARENT



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FINANCIAL CENTER POSITIONING NEEDS TO BE EVALUATED



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FINANCIAL CENTERS MUST CHOOSE HOW BEST TO POSITION THEMSELVES FOR SUCCESS

Participants	Participation of both foreign and domestic financial institutions allowed	<p>Niche/function-oriented international financial center</p> <ul style="list-style-type: none"> • Barcelona  • Montreal  • Edinburgh  • Chicago  	<p>Full-scale international financial hub</p> <ul style="list-style-type: none"> • London  • New York  <hr style="border-top: 1px dashed black;"/> <ul style="list-style-type: none"> • Hong Kong  • Singapore 
	Participation only of foreign financial institutions allowed	<p>Tax haven</p> <ul style="list-style-type: none"> • Bahamas  • Malaysia  • Bermuda  	<p>Out-regional financial center</p> <ul style="list-style-type: none"> • Dublin 
		Limited offering	Full range
		Range of sector/functions	

Source: "The Money Market and its Institutions," 1955, Marcus Nadler et al., International Journal of Bank Marketing, Vol. 9; No. 5; 1991; Michael A. Goldberg, *The Economist*, June 27, 1992, "What Makes a Successful International Financial Center; *Banking World*; Vol. 11; No. 6, June 1993; McKinsey analysis

FOUR OF THE WORLD'S TOP TEN IFCs ARE BASED IN ASIA (1/2)

 In Asia

Rank	Cities	Key features
1	London	<ul style="list-style-type: none"> Most criteria are rated excellent – London is in the top quartile in over 80% of its instrumental factors. Especially strong on people, market access, and regulation. The main negative comments concern corporate tax rates, transport infrastructure, and operational costs
2	New York	<ul style="list-style-type: none"> Most areas are very strong – New York is also in the top quartile in over 80% of its instrumental factors. People and market access are particular strengths. Respondents cited regulation (particularly Sarbanes-Oxley) as the main negative factor
3	Hong Kong	<ul style="list-style-type: none"> Hong Kong is a thriving regional center. It performs well in all of the key competitive areas, especially in regulation. Headline costs are high but this does not detract from overall competitiveness. Hong Kong is a real contender to become a genuinely global financial center
4	Singapore	<ul style="list-style-type: none"> Most areas are very good and banking regulation is often cited as being excellent. Has made major move on asset management and private banking. It performs well in 4 of the key competitive areas but falls to 9th place on general competitiveness factors alone. The 2nd Asian center just behind Hong Kong
5	Zurich	<ul style="list-style-type: none"> A very strong niche center. Private banking and asset management provide a focus. Zurich performs well in 3 of the key competitiveness areas, but loses out slightly in people factors and in general competitiveness

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FOUR OF THE WORLD'S TOP TEN IFCs ARE BASED IN ASIA (2/2)

 In Asia

Rank	Cities	Key features
6	• Frankfurt	• Despite a strong banking focus, suffers from inflexible labor laws and skilled staff shortages. Market access, infrastructure, and business environment are strong, but Frankfurt falls outside the Top 10 GFCI rankings for people and general competitiveness. Has seen gains through derivative specialization
7	• Sydney	• A strong national center with good regulation, offering a particularly good quality of life. Sydney is strong in 4 of the key competitive areas, but falls outside the Top 10 for people – many financial professionals leave for larger English-speaking centers
8	• Chicago	• Number 2 center in the U.S. Hampered by the same regulatory regime as New York. It scores highly for people, but is let down by its infrastructure and market access rankings. Unlikely to overtake New York, it remains a powerful regional and specialist center
9	• Tokyo	• Does not fare well in terms of regulation and business environment, but the size of the Japanese economy means Tokyo has good liquidity. It fares poorly on people but has good infrastructure and market access
10	• Geneva	• A strong niche center similar to Zurich. Private banking and asset management continues to thrive. Geneva is strong in business environment and general competitiveness, but is let down by infrastructure

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KEY SUCCESS FACTORS FOR FINANCIAL CENTERS

Examples

Intrinsic factors

- Geographic proximity
 - Time zone adjacency
 - Political/economic centralisation ('capital city' effect)
 - Economic history
 - Legacy as a financial centre
-

Cost/ease of doing business

- Regulation (e.g., effectiveness, efficiency)
 - Legislation (e.g., Sarbanes-Oxley, pension reform)
 - Taxation of corporations, institutions and individuals (e.g., levels and tiers, capital gains treatment, stamp taxes, extra-jurisdictional reach)
 - Accounting (e.g., treatment of income, transparency, concepts of materiality)
 - Litigation (e.g., defensibility of past common practice, consequences of wrong doing)
 - Availability of real estate (e.g., zoning restrictions, major development projects like Canary Wharf in London, DIFC)
-

Attractiveness

- Education (e.g., typical levels, specialised financial services training)
- Transportation (e.g., proximity and nature of airports)
- Housing (e.g., availability, affordability)
- Immigration (e.g., availability of work visas, permanent residency, citizenship)
- Internationalism (e.g., origins of population, diversity of language skills)
- Quality of life (e.g., arts, culture, healthcare, etc)
- Security (e.g., petty crime, white collar crime, terrorism)

EVALUATION IN FIVE AREAS HELPS DETERMINE THE APPEAL OF A FINANCIAL CENTER

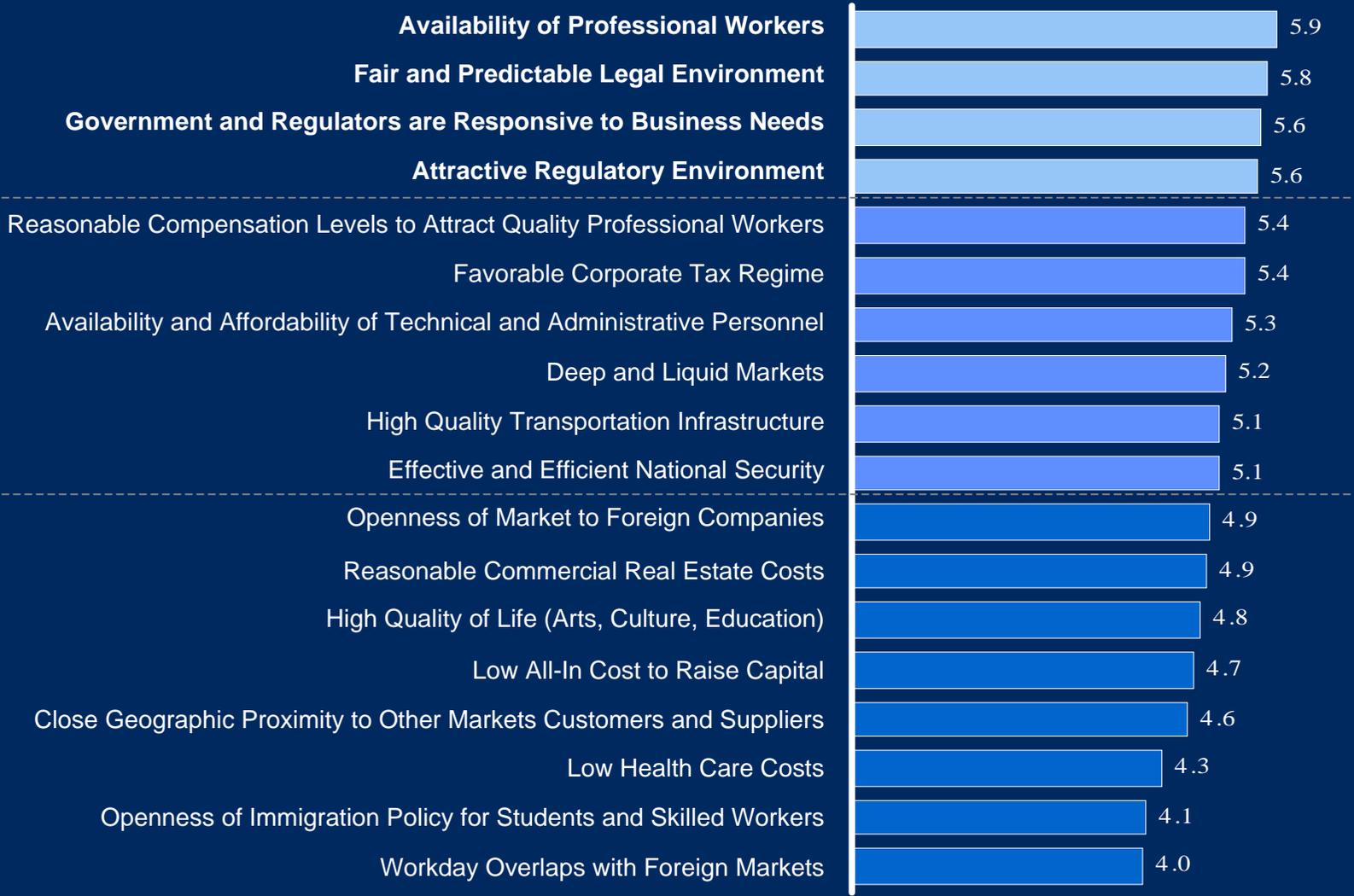
Criteria for Global Financial Center Index

People	<ul style="list-style-type: none">• Availability of good personnel• Flexibility of the labor market• Business education and the development of “human capital”
Business environment	<ul style="list-style-type: none">• Regulation, tax, and legal environment• Levels of corruption• Economic freedom and the ease of doing business
Market access	<ul style="list-style-type: none">• Levels of securitization• Volume and value of trading in equities and bonds• Clustering effect of having many firms involved in the financial services sector together in one center
Infrastructure	<ul style="list-style-type: none">• Cost and availability of building and office space• Situation and property prices• Other infrastructure related to financial services (e.g. connectivity)
Livability	<ul style="list-style-type: none">• Environment• Culture• Openness to non-residents/non-locals

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THESE FACTORS VARY IN IMPORTANCE TO SENIOR EXECUTIVES

Rating on a scale of 1 to 7



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SHANGHAI POTENTIALLY HAS THE MOST TO GAIN IN THE COMING YEARS

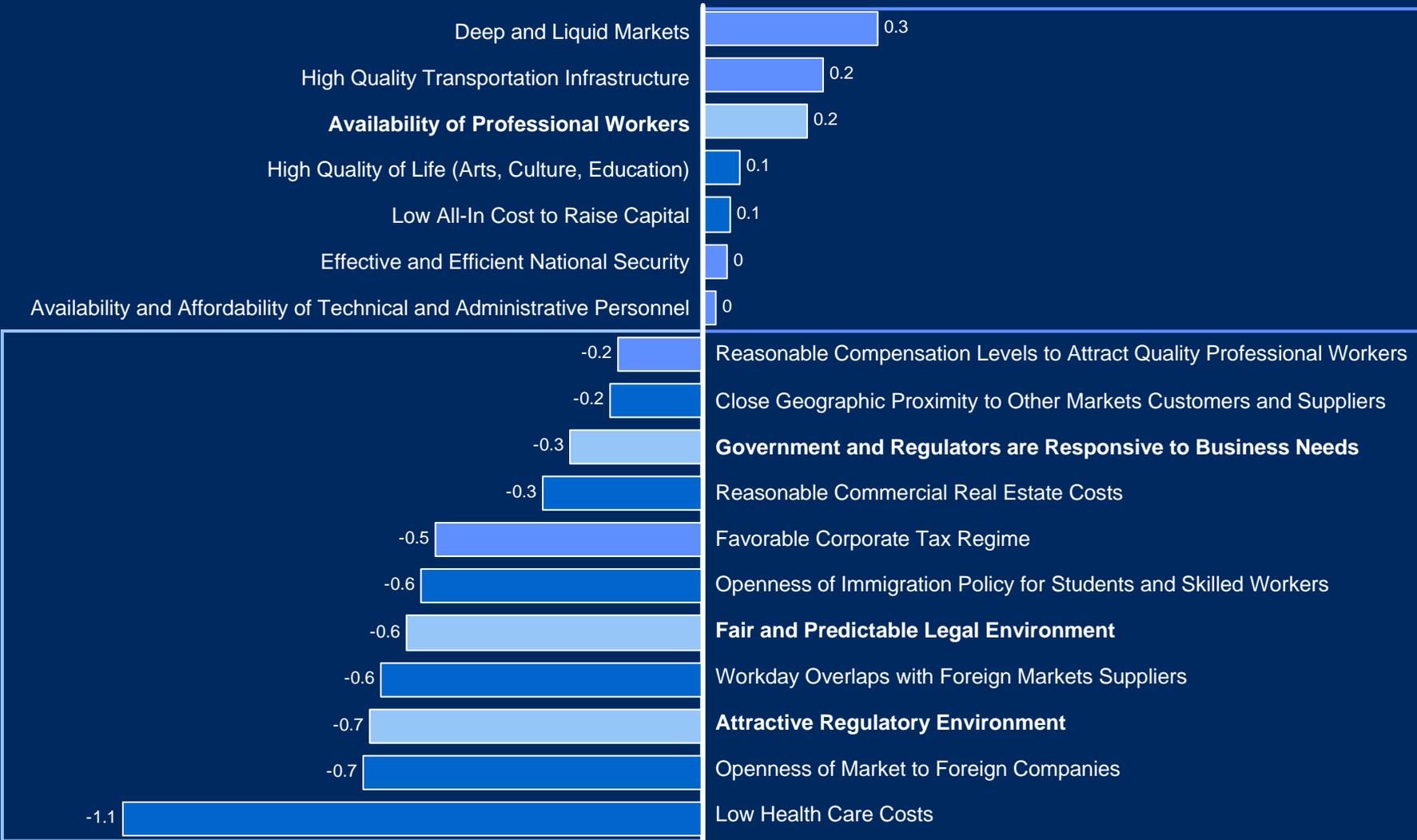
Underlying strengths of Shanghai as a financial center

- **Domestic Market.** Like New York, Shanghai has one of the largest domestic financial markets behind it; by 2014, the Chinese banking industry could become the second largest market in the world
- **Infrastructure.** Shanghai has top-level financial infrastructure (e.g., the headquarters of major foreign banks, Shanghai Composite), and is beginning to gain second-order infrastructure (e.g., law firms)
- **History and Heritage.** Historically, Shanghai been a major financial center in Asia (e.g., former “Wall Street” of Asia, two of the top 10 non-Chinese financial institutions were founded in Shanghai: HSBC, AIG)
- **Livability.** Within China, Shanghai is one of the most livable cities by a significant margin, and its large and robust community of non-local residents makes it an attractive place for foreigners as well – but still a long way behind Hong Kong

AMONG HIGH IMPORTANCE FACTORS, NEW YORK EXCELS IN TALENT BUT UNDERPERFORMS IN LEGAL AND REGULATORY



Performance gap, rating scale



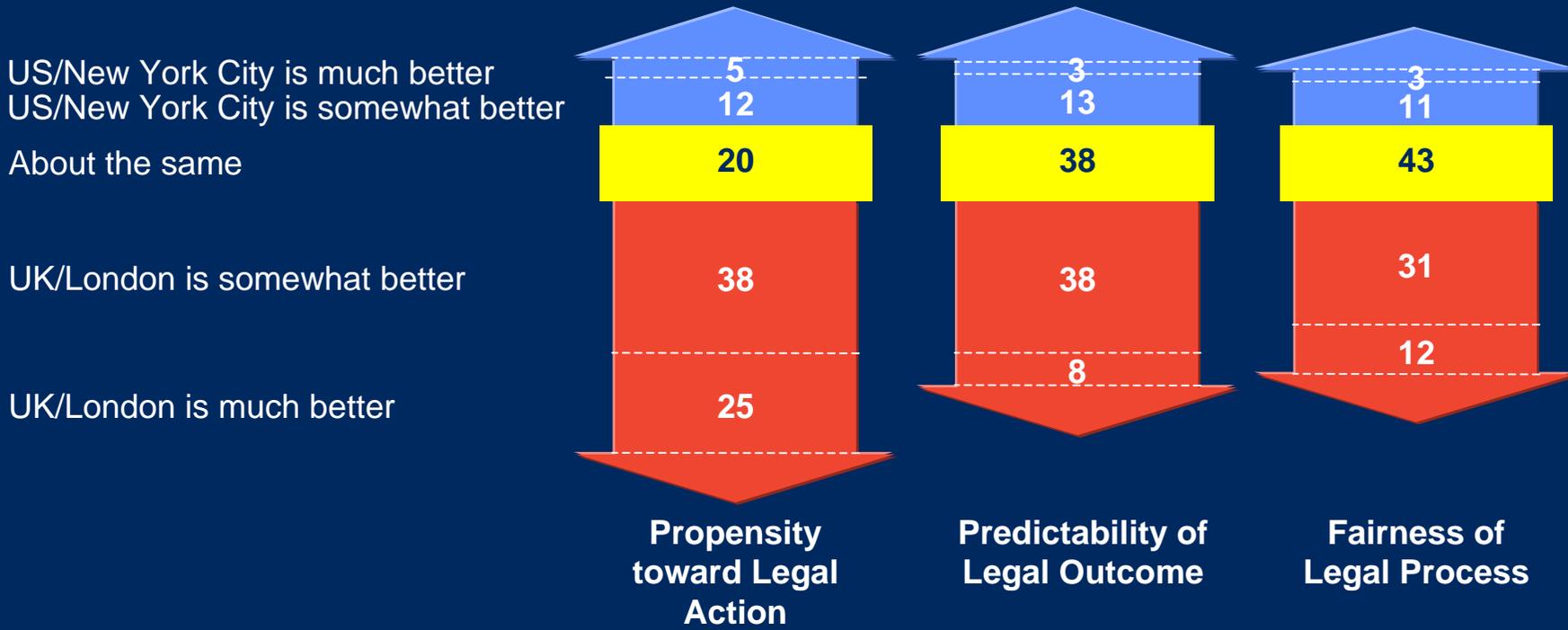
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* High importance factors were rated between 5.5-6.0 on a 7-point scale; medium between 5.0-5.4; low were less than 5.0

LONDON IS SEEN AS HAVING A MUCH BETTER LEGAL ENVIRONMENT, ESPECIALLY AS IT RELATES TO PROPENSITY TOWARD LEGAL ACTION

Ranking by response, percent

Which legal environment is more business-friendly?

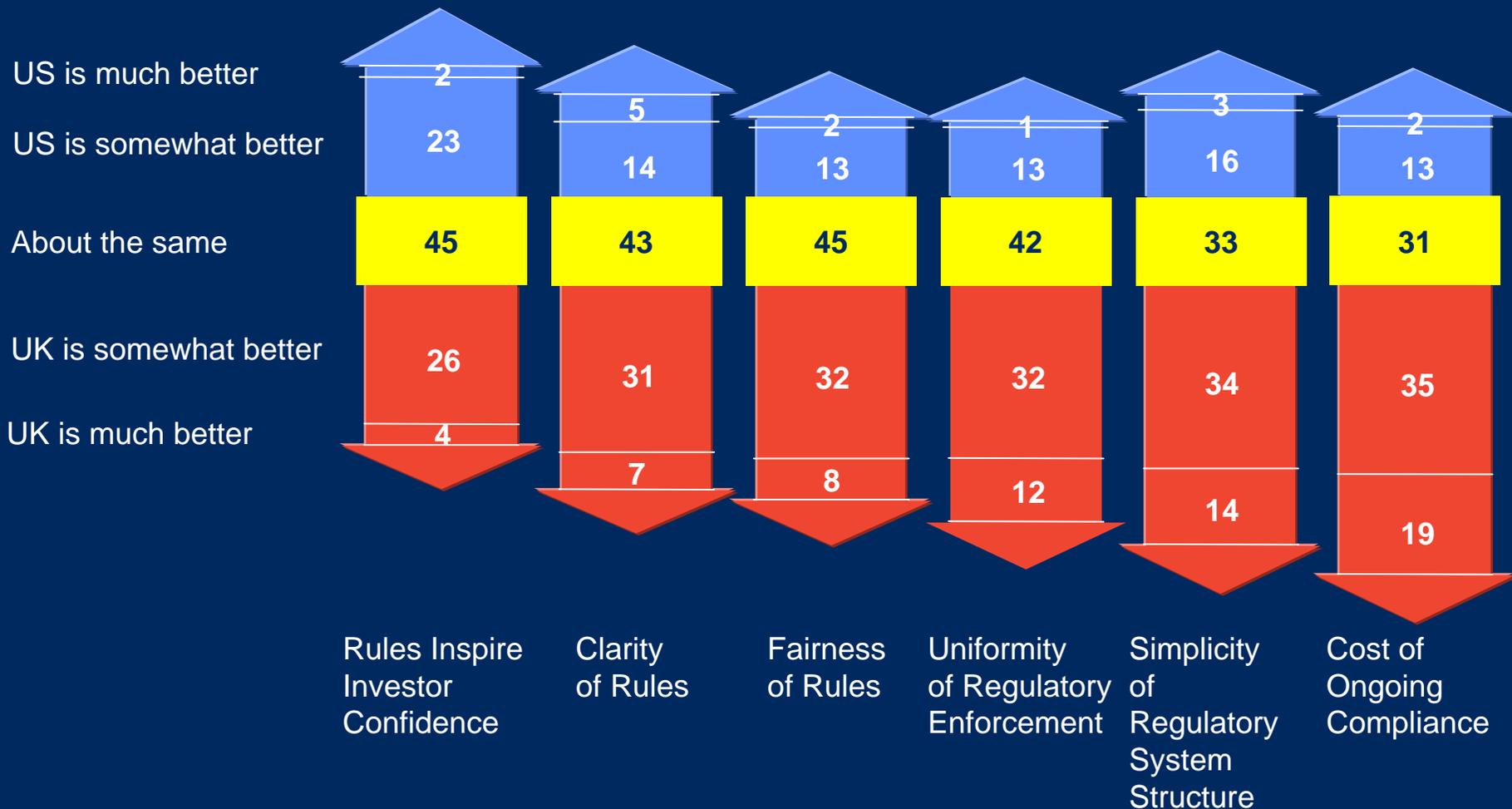


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UK IS PREFERRED ACROSS MANY REGULATORY DIMENSIONS BUT IS MOST DISTINGUISHED IN COST AND SIMPLICITY OF REGULATIONS

Ranking by response, percent

Which regulatory environment is more business-friendly?



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LONDON'S ADVANTAGES

- **Simple vision – “world’s leading financial centre”**
- **Dedicated strategy with a portfolio of initiatives**
- **Strong political support across major parties – financial markets affect UK economy**
- **Single, business friendly regulator – Financial Services Authority**
- **Principles-based approach to regulation with rules and prudential supervision**
- **More certain legal environment**
- **Easy ability to attract and retain foreign talent**
- **Attractive quality of life**

U.S. RESPONSE

- **Treasury Secretary Paulson has launched several initiatives (accounting, regulatory structure, principles-based approach to private pools of capital)**
- **Federal Reserve Chairman Bernanke supports a principles-based approach to financial regulation**
- **U.S. Chamber, Financial Services Roundtable pursuing legal, regulatory reforms for better regulation and enhanced competitiveness**
- **SEC, PCAOB improving SOX, accounting (mutual recognition of IFRS without reconciliation to US GAAP)**
- **N.Y. Governor Spitzer has launched state commission on competitiveness to follow on Bloomberg-Schumer report**

SINGAPORE EFFORTS WERE TRIGGERED BY A DIFFICULT CONTEXT AND INCREASED READINESS FOR CHANGE

Financial crisis

New DPM with a strong vision

A period of fast growth between 1985 and 1997/98

Over that period Singapore remained:

- A hub for South-East Asia businesses across industries
- One of the wealthiest nations in Asia on a per capita basis

Over that period, Singapore became:

- One of the largest global FX and Money market centers mainly at the expense of Tokyo
- A major Asian hub for futures trading thanks to agreement with the Chicago Mercantile Exchange
- A major hub for regional commercial banking with most large international commercial banks headquartered in Singapore
- A major asset management hub – slightly behind Hong Kong
- A private banking hub
- An IT hub for several large financial institutions (e.g., Citibank global credit card processing centre)

Issues that Singapore was battling with

- Very fast growth in China and market opening in other North Asian countries shifting the attention towards North Asia
- Smooth handover of Hong Kong reassuring Hong Kong based MNCs
- South East Asia absolute weight decreasing dramatically
- Singapore market saturated
- Tokyo big bang threatens to make Tokyo a more attractive hub
- Some of Singapore core businesses under threat: FX because of Euro, futures markets because of Tokyo renewal, commercial banking because of slump in syndicated lending

AFTER 1997, SINGAPORE MADE SIGNIFICANT EFFORTS ON THREE LEVELS

Rationale for Singapore's decisions

Develop and open the domestic market

- Developing domestic capital markets will have clear direct benefits to the real economy
- Growth in the domestic market will attract foreign institutions to Singapore – e.g., asset managers, corporate finance teams – and will help the development of domestic institutions

Develop national champions across industries and in FIG in particular

- Domestic champions will have a long lasting impact on employment in Singapore and will be instrumental in building domestic markets

Promote the development of Singapore's role as a hub (*initial objective of FSFG*)

- Singapore must look beyond its borders to get the required growth and talents
- Cross border and regional businesses are likely to be more value-add than domestic businesses

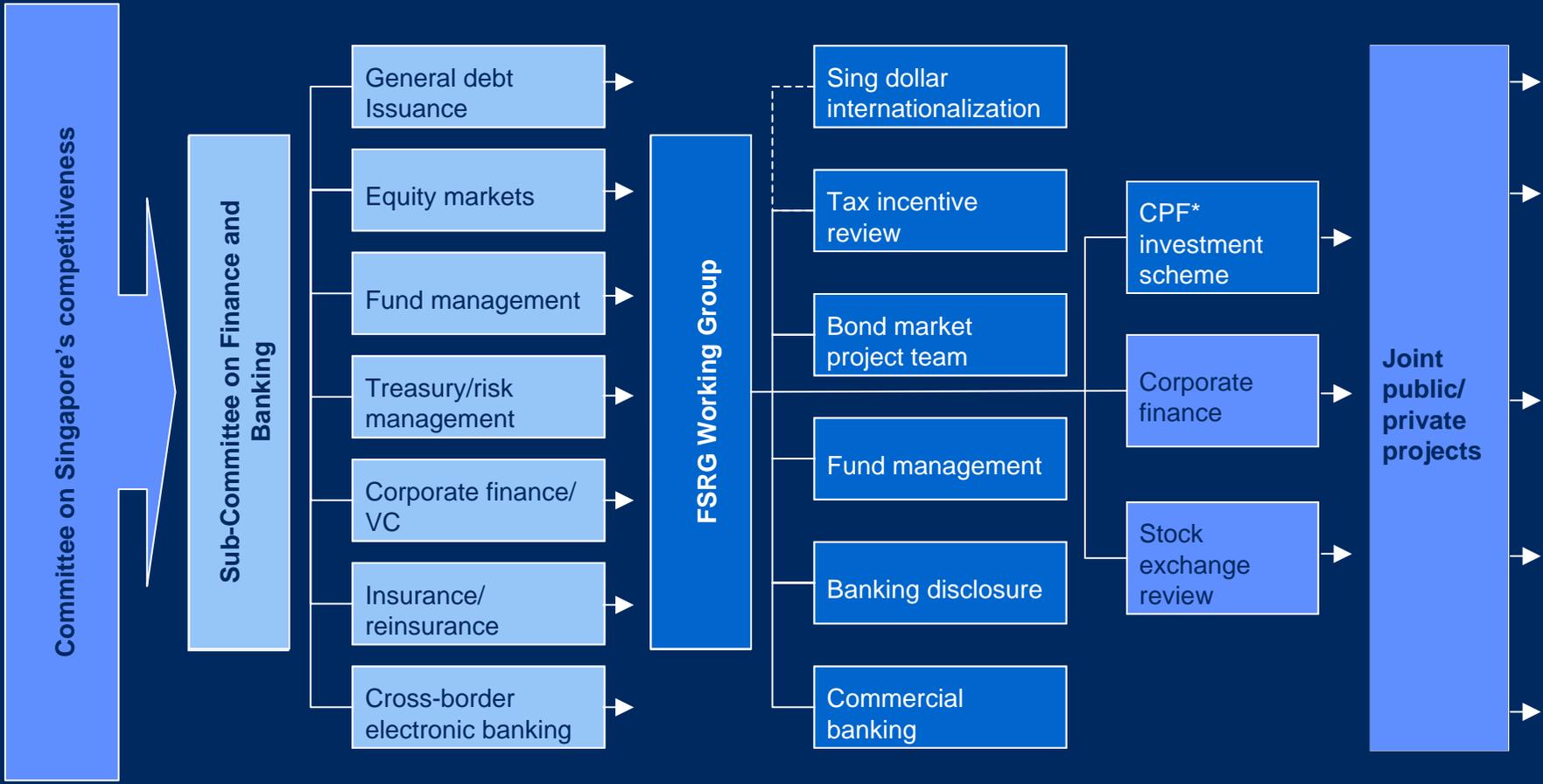
Overall objective to increase the share of financial services as a percent of GDP

FROM 1998-1999, SINGAPORE DEVELOPED ITS FINANCIAL CENTER STRATEGY THROUGH A JOINT PUBLIC-PRIVATE PARTNERSHIP

1. Recommendations from private sector (around 6 months) – form 7 working groups to recommend steps to improve financial center attractiveness and the domestic market

2. Make policy decisions (around 9 months) – form 9 working groups to recommend policy decisions to develop the domestic market as a component to the financial sector

- Private sector only
- Public and private sector
- Public sector only



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* Central Provident Fund – public, fully funded pension scheme mandatory for all Singaporeans

IMPORTANT POLICY DECISIONS WERE REQUIRED TO FULFILL ITS VISION

Key policy decision

- Build the domestic market aggressively – e.g., issue government debt on a regular basis, even through surplus years
- Develop a vibrant investor base by creating or revamping defined contribution pension schemes and promoting the development of highly active traders
- Free up competition between intermediaries and leverage foreign talent and skills to create national champions
- Set reinforcing visions for market development and international integration

Examples

- Established a calendar for regular issuance of government securities in the late 1990s (when budget was in surplus)
- Revamped the public pension system
- Introduced private pensions
- Took steps to develop a large base of institutional managers and attract active investors
- John Olds, a non-Singaporean, hired to lead the Development Bank of Singapore through an aggressive change program - he in turn hired foreign talent into senior positions where skills did not exist in Singapore
- Foreign investors limits on ownership of brokerage companies in Singapore taken from 40 to 70%
- Rapidly accelerated development of regulatory frameworks - from years to a few months - by modifying UK securitization regulation in consultation with foreign and domestic legal firms and intermediaries

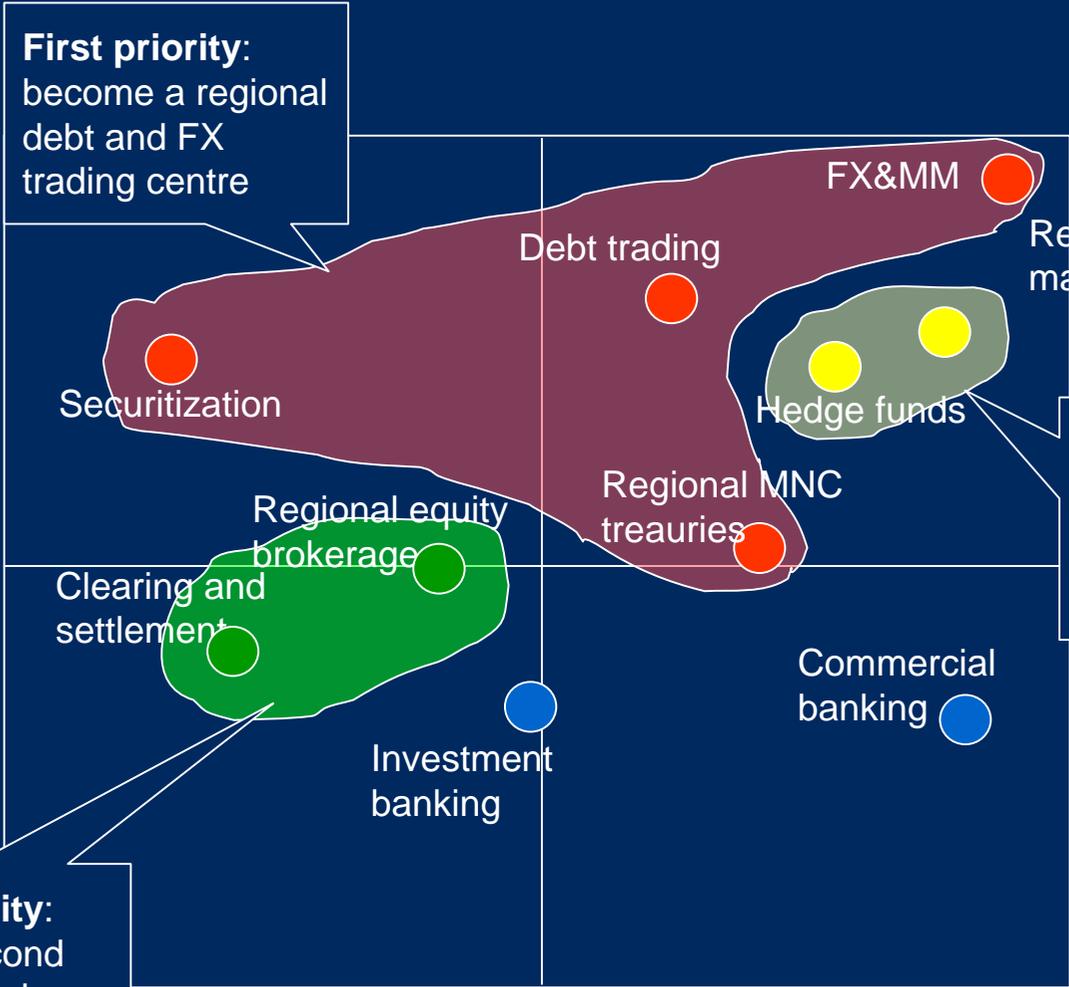
SINGAPORE RIGOROUSLY IDENTIFIED ATTRACTIVE CLUSTERS

DISGUISED

Attractiveness

- Current size
- Growth
- Employment creation
- “Stickiness”
- Ability to create hub role around business

First priority:
become a regional debt and FX trading centre



Regional asset management

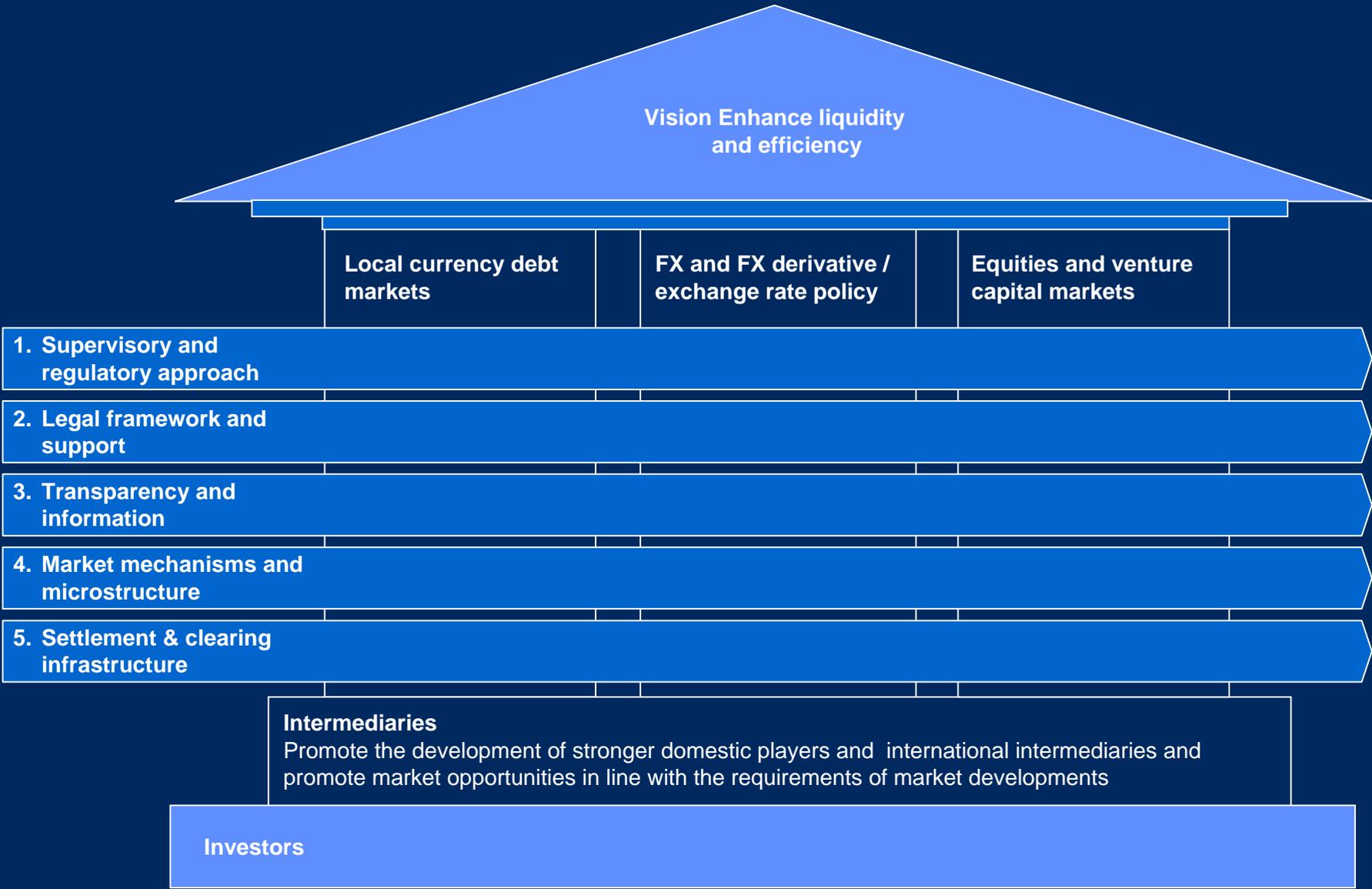
First priority:
become a dominant asset management center for Asia

Second priority:
become a second hub for regional equities

Feasibility

- Current competitive position
- Fit with Singapore’s strengths

TECHNICAL CHANGES WERE REQUIRED AS WELL AT THE ‘MICRO’ LEVEL TO ACHIEVE THE VISION



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SINGAPORE MOVED FAST TOWARDS INTERNATIONAL STANDARDS FOR OVERALL “MARKET INFRASTRUCTURE”

	From	To
1. Supervisory and regulatory approach	<ul style="list-style-type: none"> • Policy makers focused on regulation of individual components • Performance based regulation • Ad hoc national system 	<ul style="list-style-type: none"> • Policy makers focused on market supervision and development in collaboration with market players • Reliant on self-regulated organizations and other market associations • Disclosure based regulation • Global standards
2. Legal framework and support	<ul style="list-style-type: none"> • Ill-defined legal framework • Lack of lawyers 	<ul style="list-style-type: none"> • Conducive legal framework defined in close collaboration with market players and leveraging foreign country experience • Domestic and foreign law firms supporting market development
3. Transparency and information	<ul style="list-style-type: none"> • Ad hoc national accounting rules • Sketchy unreliable issuer information • Few rated issuers • Information asymmetry in the secondary market 	<ul style="list-style-type: none"> • International GAAP • Standardized issuer information in line with international accounting standards • Majority of issuers seeking rating firm internationally recognized agency • Full transparency on price and volume information
4. Market mechanisms	<ul style="list-style-type: none"> • Ad hoc country specific mechanisms 	<ul style="list-style-type: none"> • Market mechanisms in line with international practices and domestic characteristics
5. Settlement and clearing	<ul style="list-style-type: none"> • Lack of reliable electronic infrastructure 	<ul style="list-style-type: none"> • Scripless markets • Settlement and clearing in line with international standards – e.g., Group of 30

Benefits of early adoption of global standards

- Implement capital markets reforms faster
- Ensure international credibility
- Avoid trial and error that could be harmful to the real economy and the financial system

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SINGAPORE'S PUBLIC ACTIONS IN THE FIRST 18 MONTHS OF IMPLEMENTATION

Debt markets

SGS market

- Issue a 10-year instrument
- Step up issuance level
- Implement regular auction calendar
- Appoint one more primary dealer
- Appoint SGS brokers
- Open Repo market to non resident investors

Corporate debt market

- Get government-linked companies to issue for funding
- Organize seminar with large corporate CFOs

Securitization

- Review regulatory, legal and fiscal framework
- Build information infrastructure for the primary mortgage market
- Support private sector through MAS on a deal by deal basis

International S\$ market

- Open S\$ bond market to international issuers on a swap basis
- Allow Singapore issuers to tap S\$ bond market to fund projects abroad
- Supranational aggressively tapping the market

“Infrastructure”

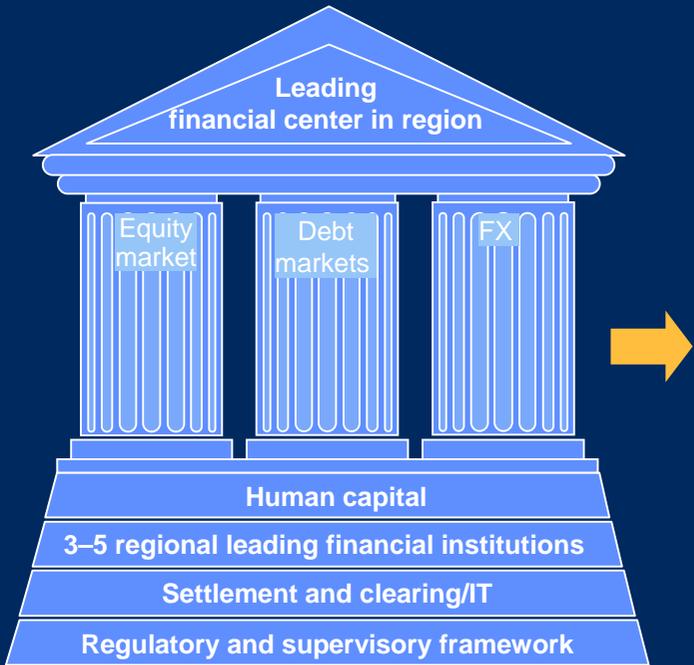
- Gradually shift to fully scripless market
- Move to international standard of disclosure

CORE BENEFITS OF A REALISTIC FINANCIAL CENTER VISION AND STRATEGY NEED TO BE UNDERSTOOD

- **Enhances GDP growth and employment benefits**
- **Increases domestic market competitiveness and efficiency**
- **Enables regional or global scale financial institutions to prosper in a conducive growth environment**
- **Becomes more resilient to potential financial crises**
- **Enhances diplomatic positioning regionally, internationally**

FINANCIAL CENTER VISION SHOULD DEFINE STRATEGIC GOALS BASED ON COMPETITIVE ANALYSIS

ASIA EXAMPLE



A portfolio of strategic initiatives

1. One of the leading debt markets in region
2. One of top 3 equity markets
3. Well-functioning FX market
4. One of top 3 asset management and private banking centers in region
5. 10 of top 15 fund managers in regionally manage funds based in regional financial center capital
6. Home base for 3 of top 10 regional financial institutions
7. An efficient – fast and low-cost – settlement and clearing system
8. Global standard regulatory and supervisory environment, primarily based on market-based supervisory measures
9. Open up legal, accounting, professional services industries to foreign competition
10. Capital becoming one of the top 3 attractive cities for foreigners to live in region

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Critical success factors

1. Political alignment within the government
2. Public-private partnership
3. A common vision and comprehensive strategy
4. Senior leadership with accountability
5. Understanding the shift to global standards
6. Ongoing monitoring, measurement, and flexibility to adapt continuously – markets are dynamic and change constantly
7. Balance between high legal and regulatory standards and responsiveness to customer/investor needs in a timely and efficient manner
8. Living environment and infrastructure – more important than you think

APPENDIX

CRITICAL FACTORS TO CONSIDER (1/3)



1. Capital. How attractive and welcoming is the capital and financial environment, including free flows, domestic and international?



2. Ease of doing business. How easy is it to conduct business (incorporation, licensing, market conduct, competitiveness, M&A)?



3. Cost efficiency. How efficient is it to conduct business and is there a cost advantage?



4. Wiring. Are we adequately wired into the global financial system (culture, trade, infrastructure, location)?



CRITICAL FACTORS TO CONSIDER (2/3)



5. Legal. How predictable balanced, and certain is the legal environment (contracts, rights, administration, adjudication)?



6. Regulation. How attractive, effective, and efficient is financial regulation (principles-based, transparent, fairness, cost)?



7. Supervision. How effective and prudential is financial supervision (constructive engagement, prompt corrective action, enforcement)?



CRITICAL FACTORS TO CONSIDER (3/3)



8. Tax. How attractive is the corporate and individual tax environment?



9. Skills. Are the necessary professional and technical skills readily available and easily acquired (education, immigration, employment laws)



10. Leadership. Is the necessary leadership available (private sector, public sector, public-private partnership)?

