

SURVEY OF SINGAPORE TREASURY ACTIVITIES 2001

The Monetary Authority of Singapore (MAS) conducts a survey of the Singapore treasury industry annually, to monitor the developments of the markets. The Survey of Treasury Activities 2001 was sent to all banks and merchant banks carrying out treasury activities in Singapore.

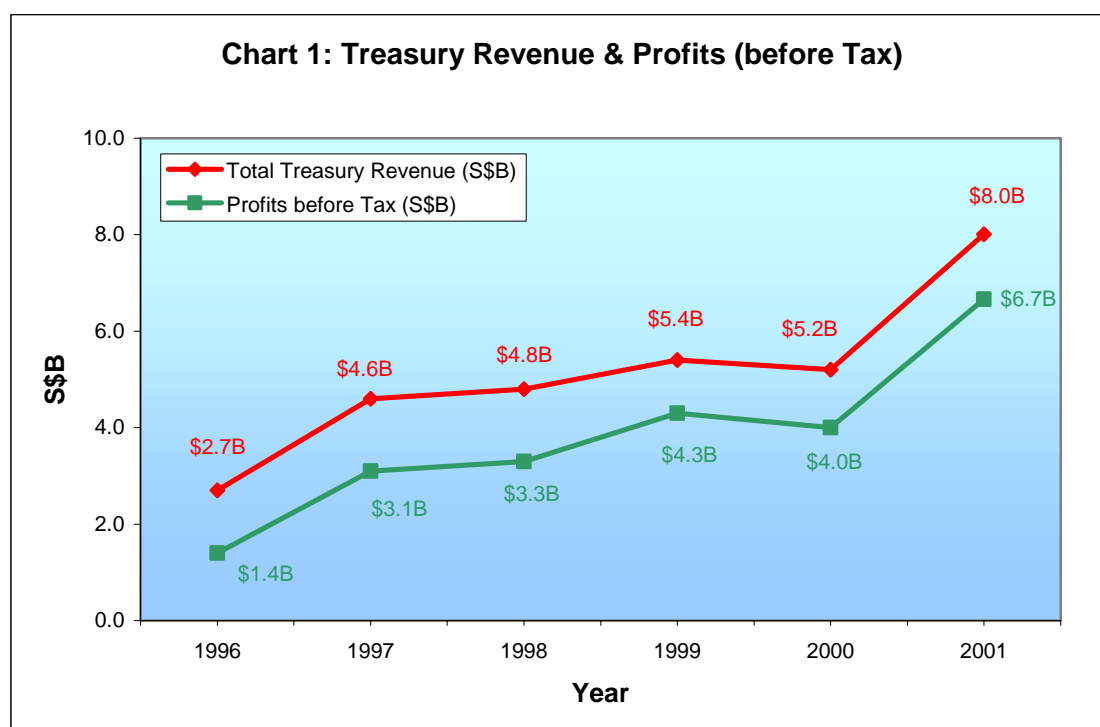
OVERVIEW OF SINGAPORE TREASURY MARKET IN 2001

The Singapore treasury markets continued to see growth of its treasury revenue and pre-tax profits in 2001. Despite the global decline of foreign exchange activity, average daily foreign exchange volumes remained relatively stable in Singapore in 2001. As in the previous year, the industry witnessed a decline in the number of professionals employed in 2001 as consolidation and rationalisation of treasury operations continued to take place.

REVENUES AND PROFITS

Total Treasury Revenue and Profit

Total treasury revenue increased by 54%, from S\$5.2 billion in 2000 to S\$8.0 billion in 2001¹. Profit before tax rose 68%, from S\$4.0 billion in 2000 to S\$6.7 billion in 2001 (refer to [Chart 1](#)). In spite of a marginal 10% increase in costs, this was offset by the more conducive trading conditions in 2001, resulting in a net rise in pre-tax profits.

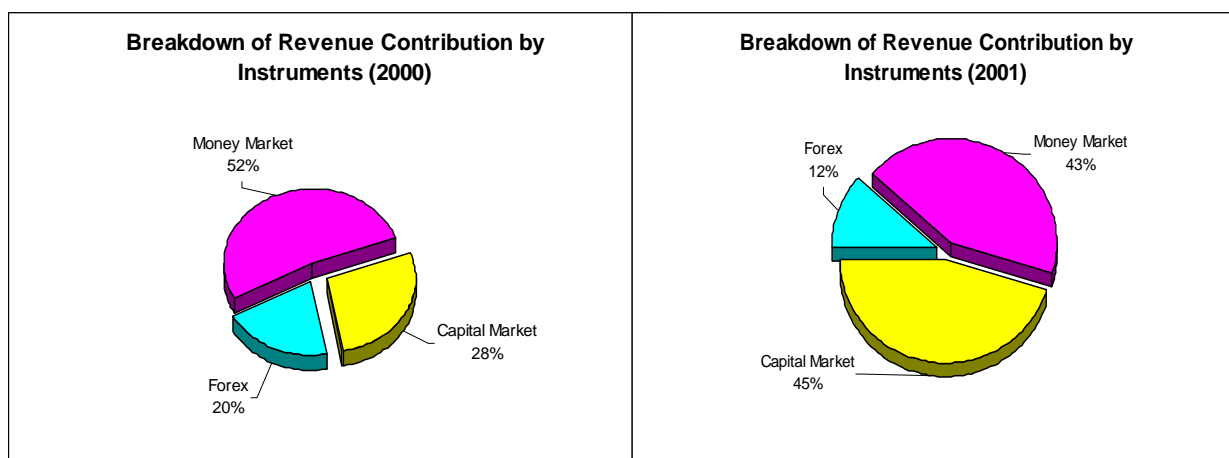


¹ A significant proportion of the revenue increase resulted from a change in accounting treatment following the adoption of FAS 133. FAS 133 requires all open derivative positions to be marked-to-market leading to some institutions with significant in-the-money open derivative positions revaluing their positions at fair market value. As more and more financial institutions adopt the marked-to-market approach for all hedging positions, the treasury revenues reported in future surveys are expected to exhibit greater volatility from year to year.

Breakdown of Treasury Revenue

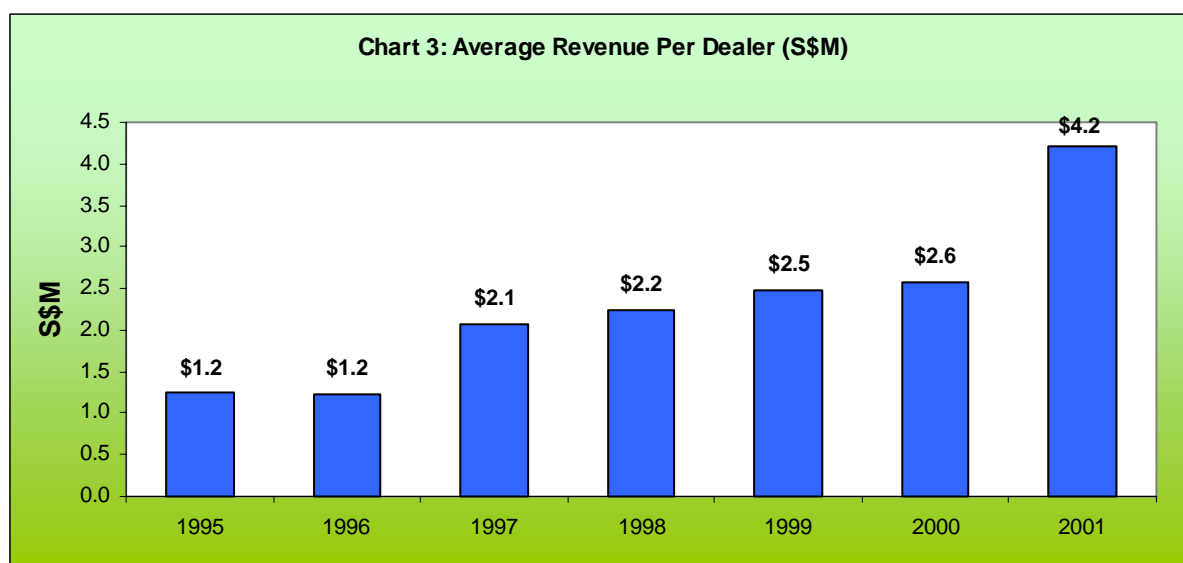
Capital market activities generated the largest revenue contribution for treasury operations in 2001, amounting to 45% of total revenue. This is a significant increase from the contribution of 28% the year before. This is followed closely by money market activities, which contributed 43% of total treasury revenue. As a result of the increased volume of debt capital market transactions and trading activities in Singapore in 2001, money market and capital market activities collectively generated 88% of total treasury revenue (refer to [Chart 2](#)).

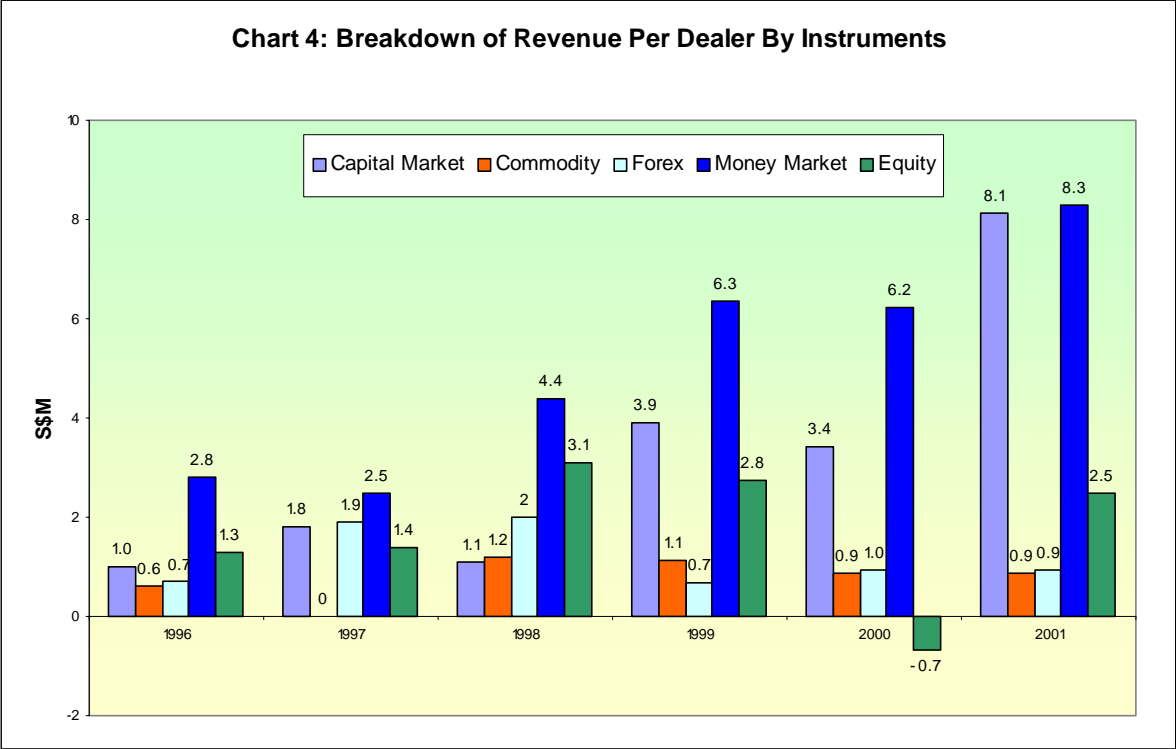
Chart 2 : Breakdown of Revenue Contribution by Instruments



Average Revenue Per Dealer

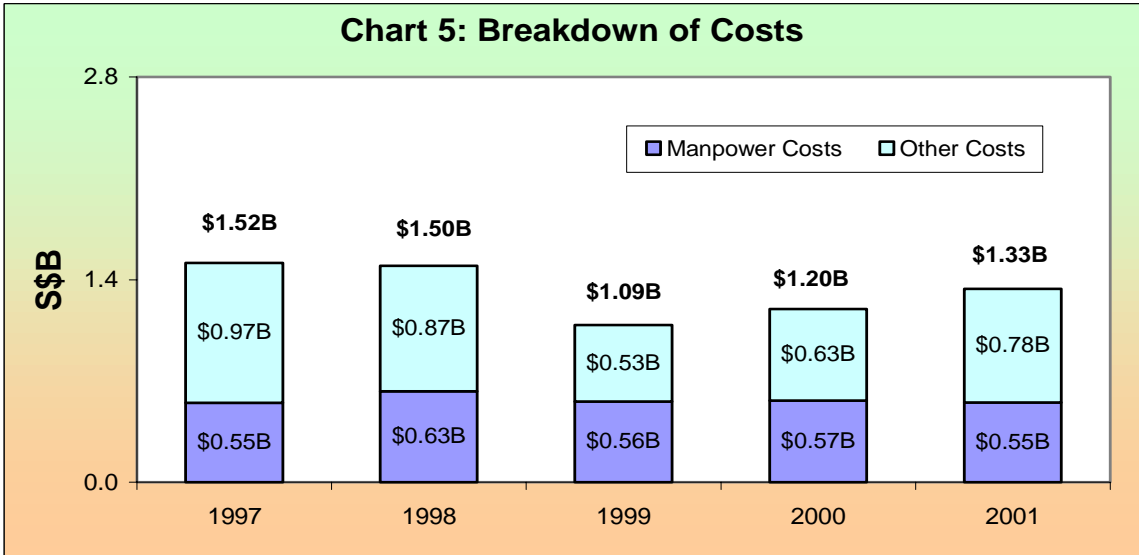
Average revenue per dealer rose 62% to S\$4.2 million in 2001 compared to 2000, continuing an upward trend (refer to [Chart 3](#)).





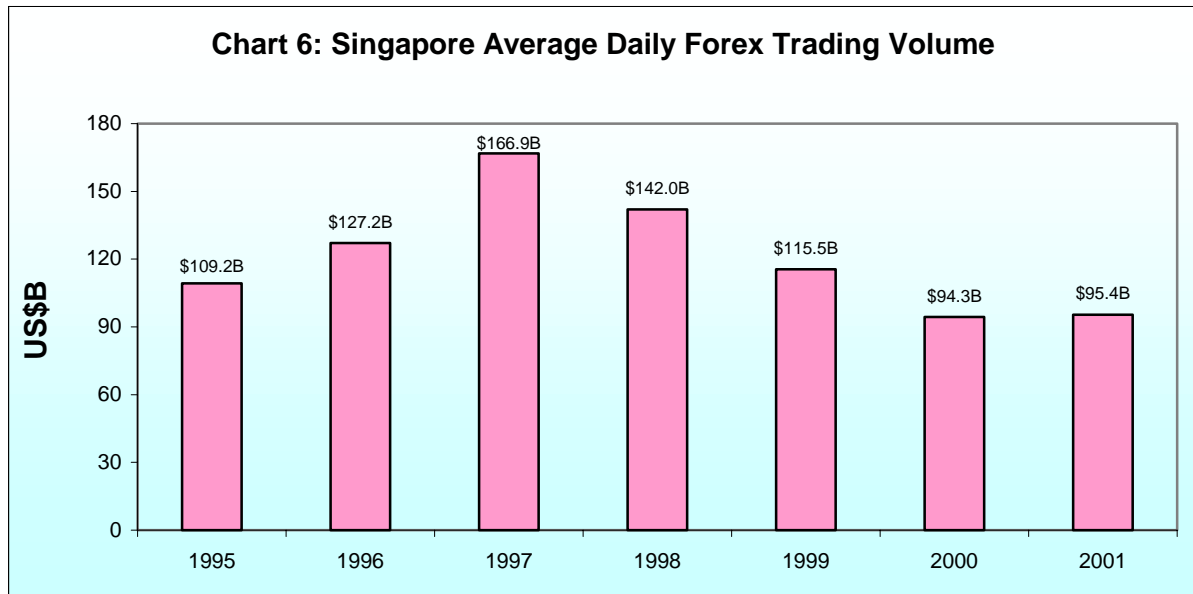
Costs

Total costs increased marginally from S\$1.2 billion in 2000 to S\$1.3 billion in 2001, due mainly to an increase in non-manpower costs (refer to Chart 5).



AVERAGE DAILY FOREX TRADING VOLUME

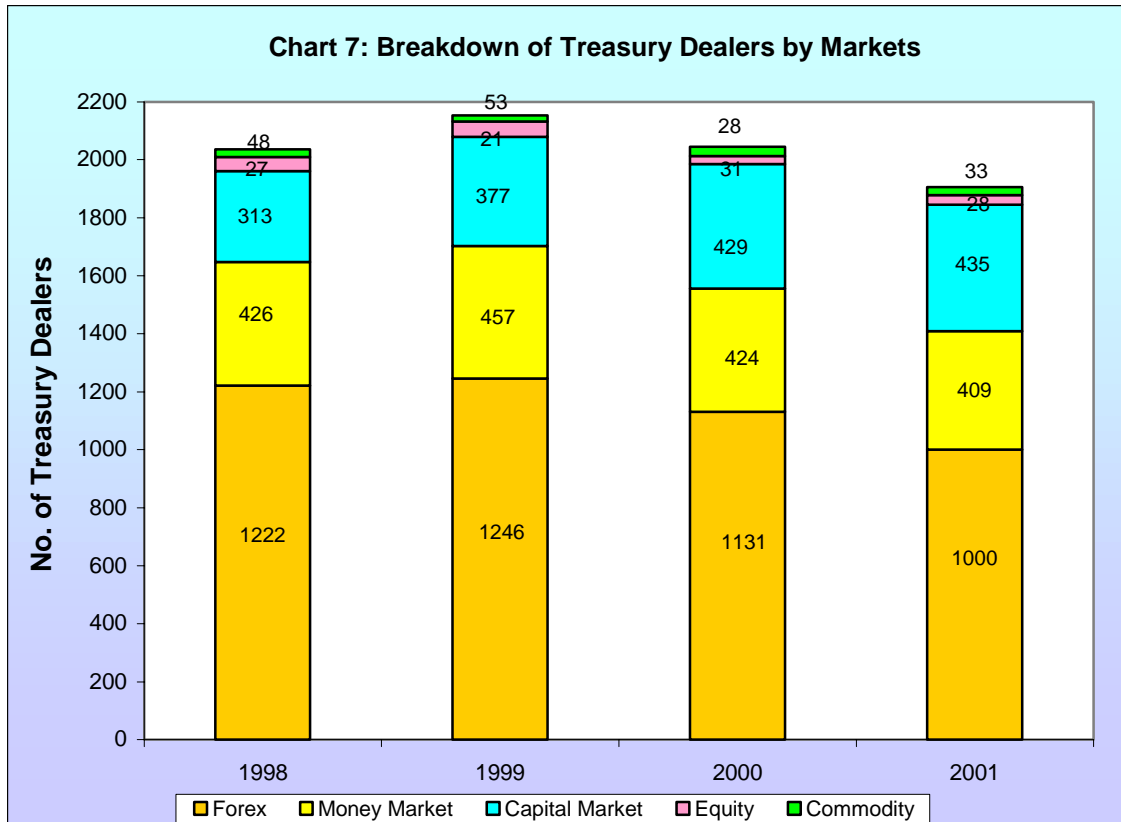
The level of forex trading activity remained relatively stable in 2001, recording an average daily trading volume of US\$95.4 billion (refer to [Chart 6](#)).



STAFFING

The Singapore treasury industry saw a 6.8% decline in the number of professionals employed, from 2,044 in 2000 to 1,905 in 2001. This is due primarily to a reduction of staff strength as a result of the continued rationalisation of treasury operations globally.

Capital market and equity market saw slight increases in the number of professionals employed, whilst areas such as commodity, foreign exchange and money markets registered declines in staff strength. As with previous years, the foreign exchange sector continued to hire the most number of treasury dealers, followed by the capital market and money market segment (refer to [Chart 7](#)).



LOOKING AHEAD: NEW BUSINESS AREAS

Continuing with the trend witnessed in the previous year, financial institutions in Singapore are moving up the value chain of activities, and are offering products which command higher margins than traditional instruments. About a quarter of the financial institutions surveyed indicated that they have set up structured products operations and capabilities in Singapore. These teams offer a range of products, such as structured derivatives, credit derivatives, equity derivatives and other risk management instruments.

Prepared by :

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 Monetary Authority of Singapore
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