

## **SURVEY OF SINGAPORE TREASURY ACTIVITIES IN 2000**

*The Monetary Authority of Singapore conducts a survey of the Singapore treasury industry annually to monitor the developments of the markets. The survey of treasury activities in 2000 was sent to all banks, merchant banks and securities houses.*

### **OVERVIEW OF TREASURY MARKETS**

The treasury industry continues to witness further consolidation globally. This has resulted in liquidity being concentrated among a few big players. Banking mergers and reduced risk appetites of larger financial institutions have led to a decline in inter-dealer activity in the second half of the year. In addition, the increased importance of merger and acquisition-related foreign exchange flows has led to trading in the US Dollar and Euro gravitating towards the London and New York time zones. Major players in the treasury markets have also been reducing their activity, in view of the diminished arbitrage opportunities in the Asian time zone.

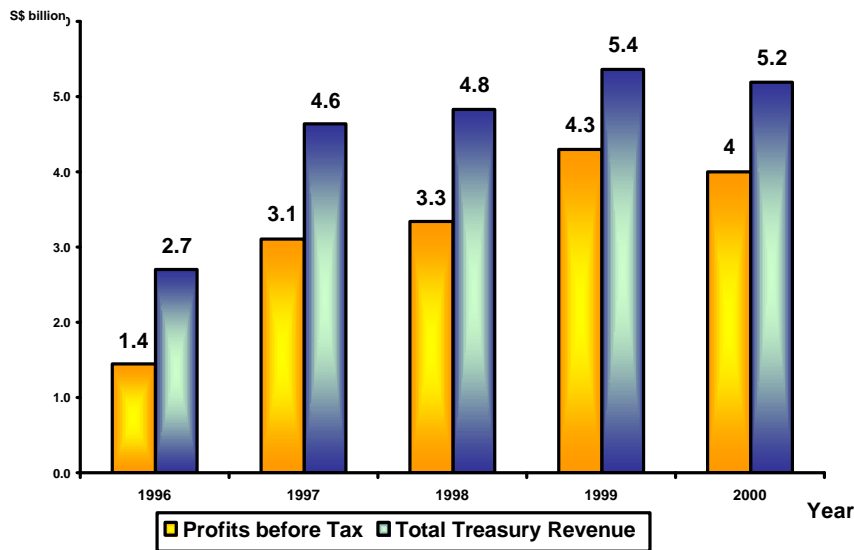
The advent of electronic trading has further lowered costs and increased the level of competition in the foreign exchange market. This exerted greater pressure on margins and provided a stronger impetus towards consolidation worldwide. Institutions are starting to move up the value chain of activities and now offer a vast array of structured and exotic products for higher margins.

### **REVENUES AND PROFITS**

#### **Total Treasury Revenue and Profit**

Total treasury revenue declined by 4% from S\$5.4 billion to S\$5.2 billion in 2000. Profit before tax declined by 7%, from S\$4.3 billion in 1999 to S\$4.0 billion in 2000. [Refer to Chart 1] The decline was due to reduced trading activity, as well as consolidation in the financial industry.

Chart 1 : Treasury Revenue and Profits (before Tax)

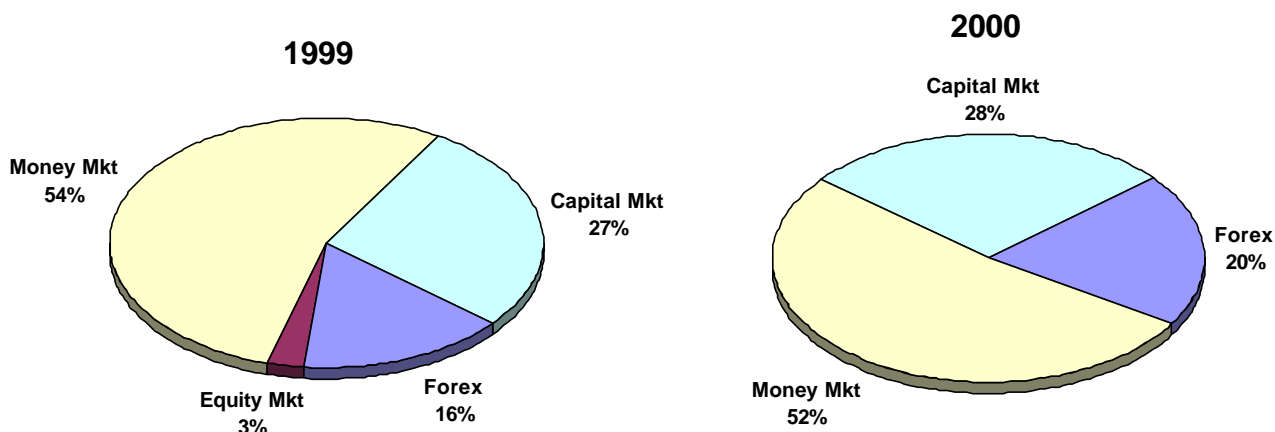


## Breakdown of Treasury Revenue

The contribution to treasury revenue by money and capital markets was similar with the previous year's findings. Money market activity generated the largest revenue for treasury operations in Singapore in 2000, contributing more than half (52%) of the total industry revenue. This was followed by capital market activity, which contributed 28% of total revenue, an increase from the 1999 contribution.

As a result of the increased volume of debt capital market origination and trading activities in Singapore in 2000, combined money market and capital market activities generated 80% of total treasury revenue. [Refer Chart 2]

Chart 2 : Breakdown of Treasury Revenue Contribution by Instruments



Inter-bank deposits continued to be the main revenue generator in the money markets, contributing about 46% of total money market revenue. In the capital markets, in line with Government initiatives to promote Singapore as an international debt hub, debt securities trading was the main contributor to capital market revenue, followed closely by the trading of interest rate derivatives.

Globally as well as locally, foreign exchange activity continued to slow down in 2000. Increased consolidation among industry players has led to a decline in the number of foreign exchange participants worldwide. The effects of the introduction of the Euro a year ago continued to be felt in the industry as the loss of intra-European currency trading opportunities further contributed to the decline in the volume of foreign exchange trading activities globally and in Singapore.

## Average Revenue Per Dealer

Average revenue per dealer rose 3% to S\$2.6 million in 2000 compared to 1999, continuing an upward trend. [Refer Chart 3]

Chart 3 : Growth of Average Revenue Per Dealer

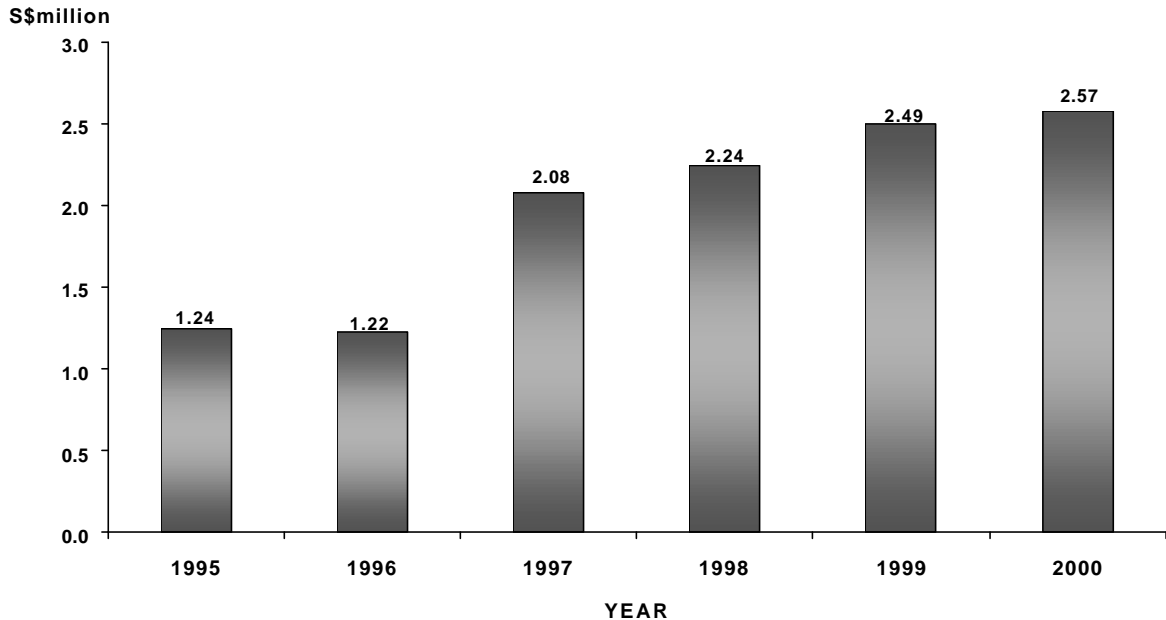
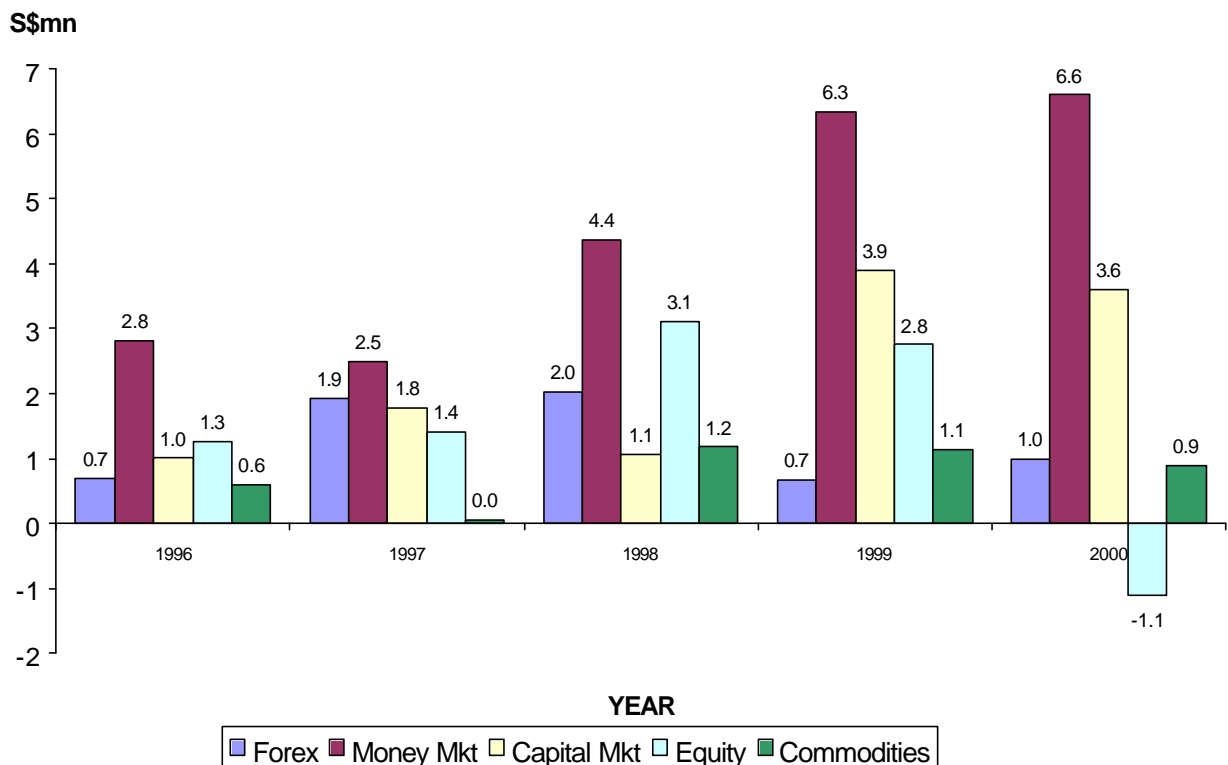
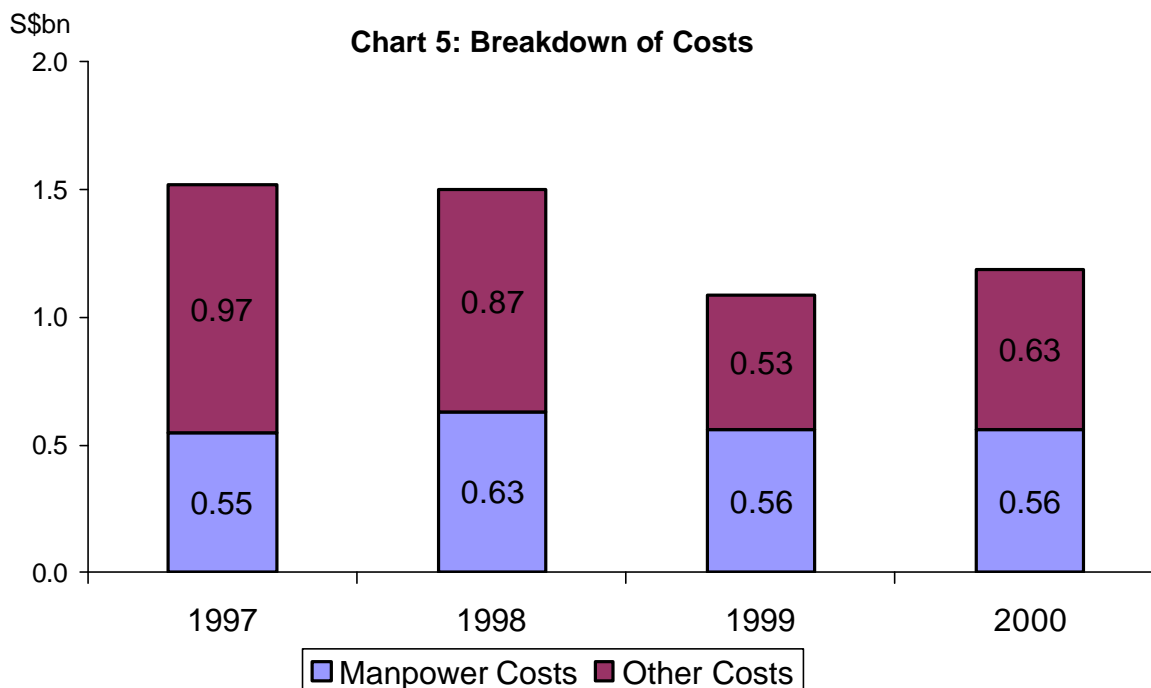


Chart 4 : Breakdown of Revenue Per Dealer by Instruments



## Costs

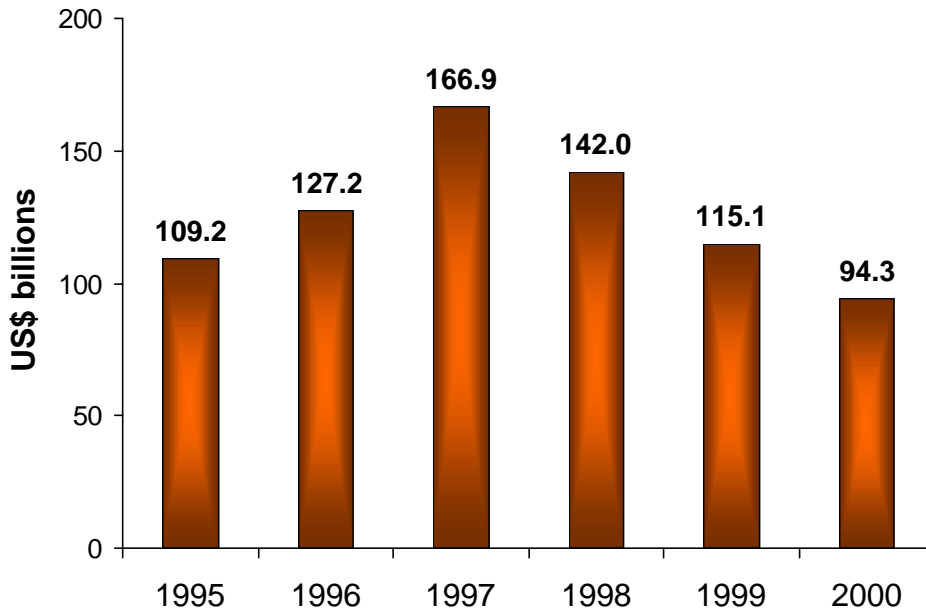
Total costs increased marginally from S\$1.1 billion in 1999 to S\$1.2 billion in 2000 due largely to the increase in non-manpower-related costs (including costs of premises and technology expenditures). Manpower costs remained unchanged whilst other costs increased by 19% in 2000. [See Chart 5]



## AVERAGE DAILY FOREX TRADING VOLUME

The global foreign exchange market has been experiencing a levelling off in growth volume. In 2000, the Singapore foreign exchange market recorded an average daily turnover of US\$94.3 billion. [See Chart 6] The decline of 18% compared to the previous year was due to the lower exchange rate volatility in Asian currencies, particularly the Yen. In addition, the increased importance of merger and acquisition-related foreign exchange flows, has led to the trading of the US Dollar and Euro gravitating towards the London and New York time-zones.

**Chart 6 : Singapore Average Daily Forex Trading Volume**



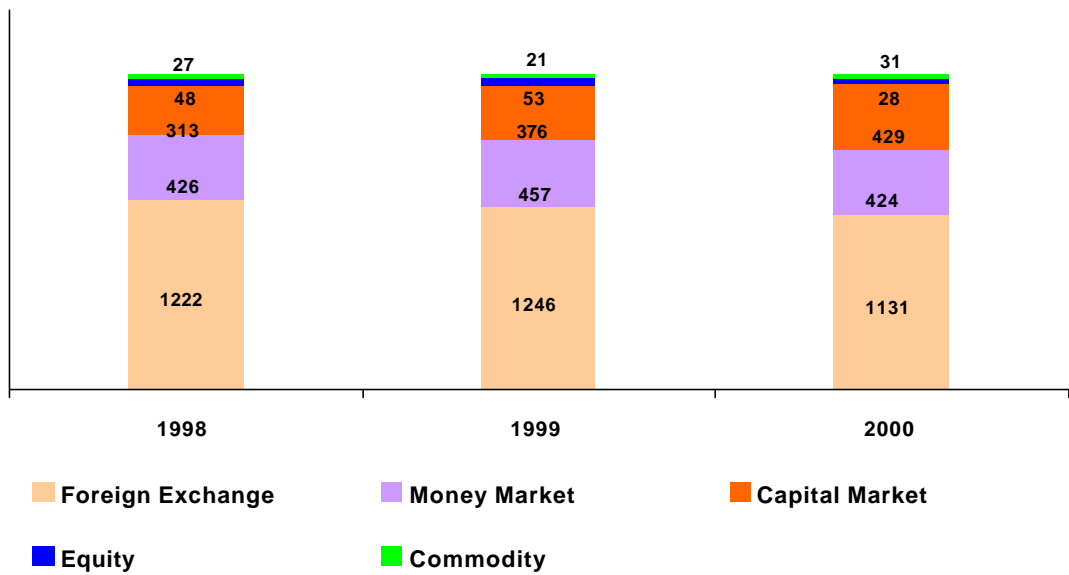
## **STAFFING**

The Singapore treasury industry saw a 5.1% decline in the number of professionals employed, from 2,153 in 1999 to 2,044 in 2000. This is due to attrition in the treasury industry amidst less positive market conditions.

In line with the trend seen in previous years, the number of treasury professionals dealing in capital markets activities continued to increase, showing a rise of 14% to 429, as capital market activity continued to grow. The number of professionals in money markets declined by 8% in 2000 to 424. The number of equity dealers decreased by 37% in 2000 to 28. Foreign exchange dealers decreased by 9% to 1,131. Commodity dealers increased by 47% to 31.

As with previous years, the foreign exchange sector continued to hire the most number of treasury dealers followed by the money markets and capital markets segment. [See Chart 7]

**Chart 7 : Number of Treasury Dealers by Markets**



## LOOKING AHEAD : NEW BUSINESS AREAS

Financial institutions in Singapore reacted to the global slowdown in foreign exchange activity and consolidation in the industry by moving up the value chain of products. About a quarter of the financial institutions surveyed indicated that they now have structured products capability/operations in Singapore compared to one fifth of all financial institutions surveyed last year. These operations offer a range of structured products, including credit derivatives, asset-backed securities, equity derivatives and other asset-liability management instruments. This was attributed to greater awareness of better risk management techniques, increase in the level of M&A activity; as well as active restructuring of corporate debt in Asia after the Asian financial crisis.

Prepared by: Monetary Authority of Singapore  
August 2001