

SURVEY OF SINGAPORE TREASURY ACTIVITIES 2003

The Monetary Authority of Singapore (MAS) conducts a survey of the Singapore treasury industry as at 31 December 2003. The survey covered all banks and merchant banks carrying out treasury activities in Singapore.

OVERVIEW

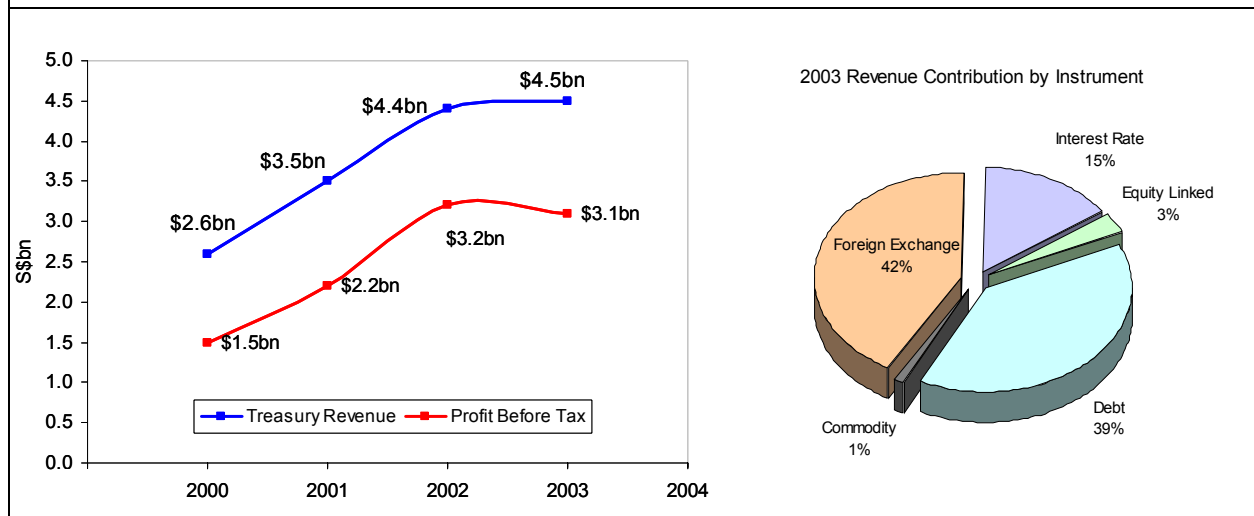
The treasury industry continued its robust performance in 2003 with revenues remaining stable in 2003 on the back of increased trading volume. Treasury revenues increased over 2% to S\$4.5 billion in 2003 while trading volumes increased almost 21% to an average daily turnover of US\$168 billion¹. Foreign exchange, interest rates and debt activities continued to be major drivers of trading volume. In response to growing market activity, financial institutions increased their manpower in 2003 and have indicated they will continue to hire through 2004.

REVENUE AND PROFITS

Treasury revenues increased over 2% to S\$4.5 billion in 2003 (refer to [Chart 1](#)). Foreign exchange generated 42% of total revenue while fixed income and interest rate activity accounted for 54% of total revenue. This is consistent with the increasingly structured nature of the credit business over the last year with greater demand for higher yield amidst a low interest rate environment.

¹ Time Deposits have been excluded from survey.

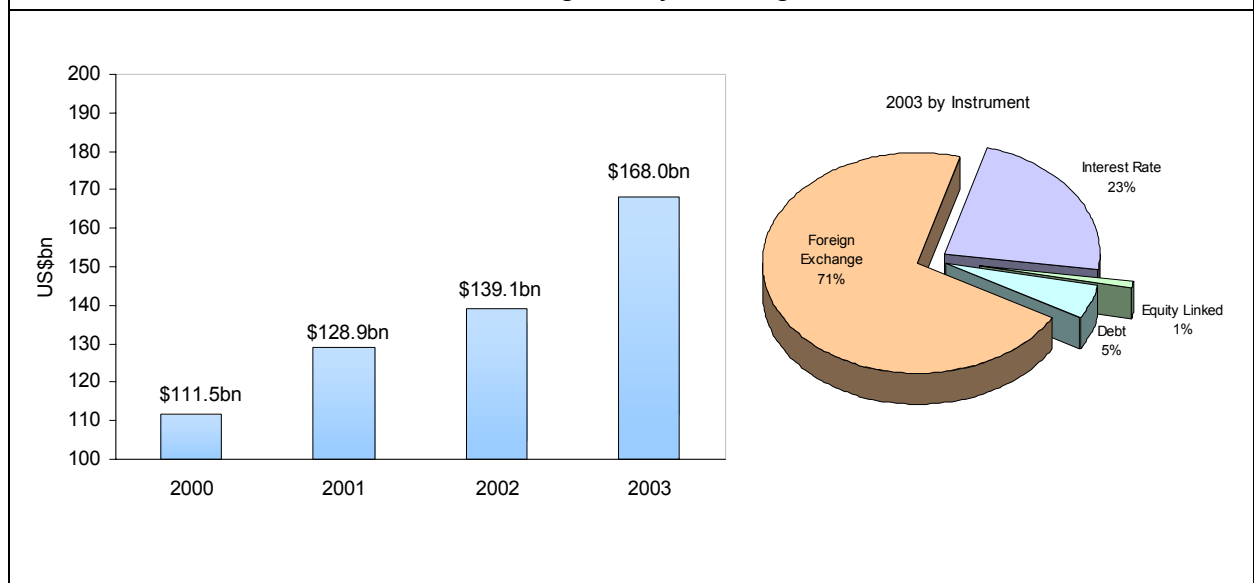
Chart 1: Total Revenue and Profit (Before Tax)



AVERAGE DAILY TRADING VOLUME

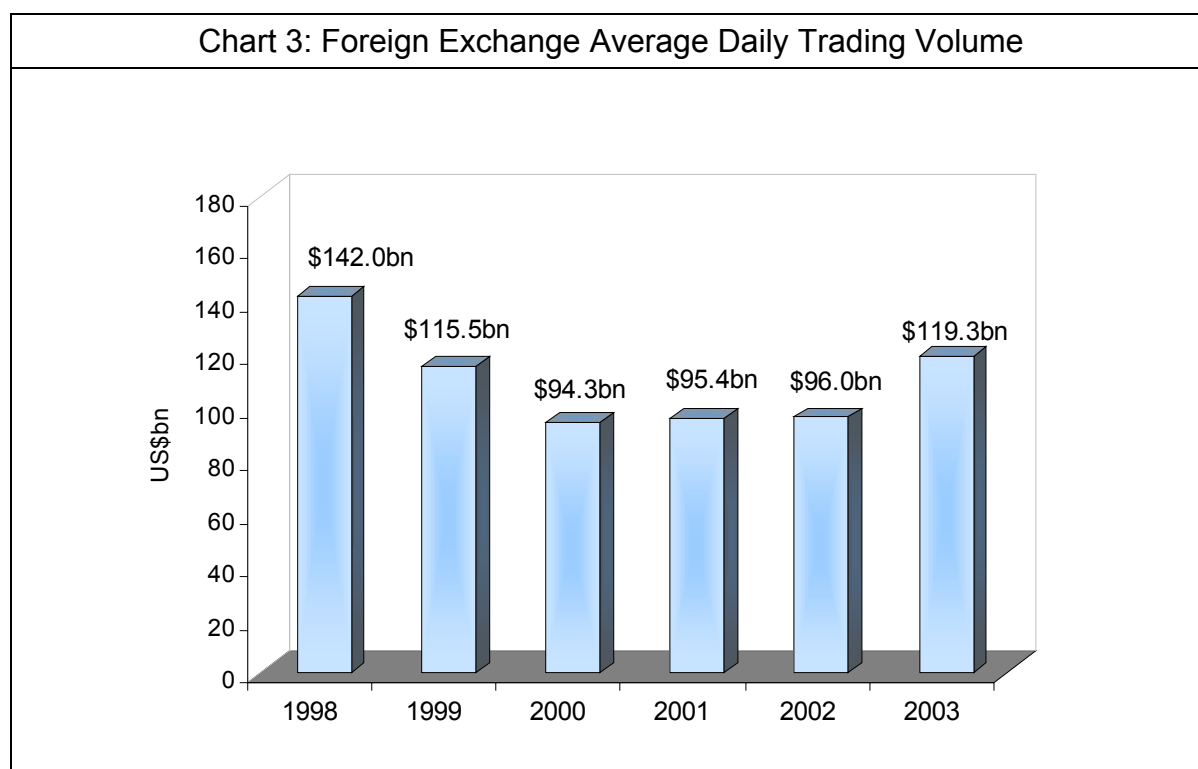
For the fourth year in a row, average daily trading volumes of treasury activities have risen. 2003 exhibited a high of US\$168 billion; a 20.8% increase over 2002 and the largest year-on-year increase over the four-year period (refer to [Chart 2](#)). In line with historical performance, foreign exchange activity continued to dominate trading activity, making up 71% of trading volume. Trading volumes in fixed income and interest rate activities also remained strong, accounting for 28% of total volume.

Chart 2: Average Daily Trading Volume



FOREIGN EXCHANGE AVERAGE DAILY TRADING VOLUME

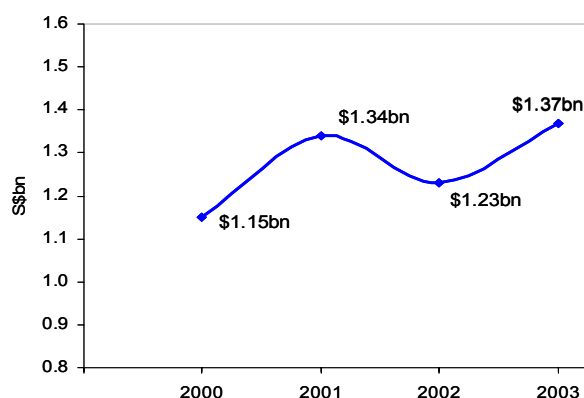
The level of foreign exchange activity rose 24% after a few years of stability, recording an average daily trading volume of US\$119.3 billion (refer to [chart 3](#)). The growth in foreign exchange transactions is in line with the global trend of investors to capture value from alternative sources. The FX market, increasingly considered to be a distinct asset class, was a major source of volume and revenues in 2003. Activity was boosted by heightened volatility in international exchange rates as a result of various factors including the downtrend in US dollars, the Iraq war, surging oil prices and the SARS outbreak.



COSTS

Costs of treasury activities grew 11% from \$1.23 billion to \$1.37 billion. (refer to [chart 4](#)).

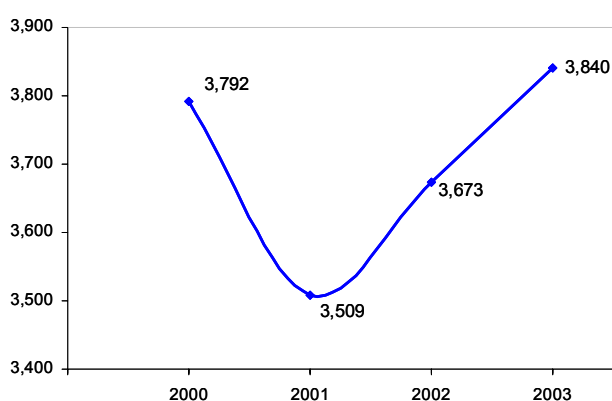
Chart 4: Total Costs of Treasury Operations



STAFFING

In line with the strong performance in the industry, the number of treasury staff continued to rise 4.5%, from 3,673 in 2002 to 3,840 in 2003 (refer to [Chart 5](#)). 83% of these staff are professionals, out of which 50% were engaged in sales and trading with the rest specializing in risk management and middle-office functions. Financial institutions have indicated that they will continue to hire through 2004. This is a reflection of the continued confidence in the market and growth of the industry.

Chart 5: Total Number of Staff Related to Treasury Activities



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