

BENEATH THE TIP OF THE ICEBERG

INDUSTRY GROWTH

Growth in Singapore's financial sector averaged over 20 per cent annually for the last five years compared with an approximate eight per cent for the economy as a whole.

This growth has resulted in strong industry demand for staff. A recent Institute of Banking and Finance survey showed an employment growth of 10 per cent per annum for the industry over the last three years versus two per cent for the rest of the economy. The survey also indicated that strong growth is expected to continue especially in the areas of Investment Management, Treasury Products, Corporate Advisory Services and International Banking.

This growth in staff demand, together with a clear trend for new product development and increasing product sophistication, is placing considerable pressure on the industry for basic training as well as skills upgrading.

SUPPORT AREAS

The need for more staff and skills upgrading is most visible in the dealing rooms and areas of marketing where the actual trading or customer contact is

made. However, there is also a huge support infrastructure behind each dealer or relationship manager to consider. This includes information services, operations processing, risk and credit management, and accounting and taxation. The staff in these areas are also striving to increase product knowledge, raise productivity and generally add value to the financial institutional business.

While much of the increased demand for these ancillary services has been satisfied by the financial institutions themselves, many vendors have also helped to ease the strain on the industry. Information vendors, accounting firms, software houses, and computer sales and manufacturing companies have all had significant influence on the industry and have, in turn, been shaped and spurred on by it.

SOFTWARE AND TECHNOLOGY

The phrases, "time is money" and, more recently, "information is money" are often heard but seldom are they more apt as in the modern dealing room. The ubiquitous micro-chip has invaded every area of the dealing room and it would be unthinkable to operate without the modern electronic systems available today.

Information vendors such as Reuters, Telerate, Quotron and Knight-Ridder have moved rapidly to meet the enormous demand for instantaneous quotes and timely news updates. They provide ever more ingenious ways to present information in windows of coloured charts and matrices, all of which are programmable by the user. The demand for charting and technical analysis has spurred much software development and real time on-line charting services like Teletrac, Bloomberg and a myriad of other software packages are now readily available.

Dealing systems are going through a revolution of their own as simultaneous, multiquote systems become more common and user-friendly. The next phase of development appears to be their linkage to electronic deal capture systems, which are now standard equipment for high volume trading rooms.

Pricing models, MIS systems and accounting systems are all software-driven and although much of the development is done in-house, a great deal of the software can be obtained pre-packaged from various vendors. In general, computer software and hardware related to the financial industry are also benefiting from the latter's healthy growth.

ACCOUNTING, FINANCIAL CONTROL, TAXATION

As new products are developed and marketed, accounting departments and various support firms are forced to keep abreast of these new developments. As financial transactions move off balance sheets, traditional accounting presentations lose their value to provide information and assessments. Also, legal boundaries become blurred or at least less distinct. Cross border flows require knowledge of multiple jurisdictions and income recognition becomes a hotly debated subject.

These developments have caused public accounting firms, as well as resident financial controllers, to return to the classrooms to keep up with developments and to help develop the new products. Therefore, a large part of their time is now devoted to training and development.

RISK MANAGEMENT

Traditionally, risk management involves three kinds of risks: credit, price or market and operations. Among these, the area of price risk has probably undergone the most change. Introduction of new products such as Options and Swaps, FRAs and

Futures, Caps and Collars have all made the measurement of price risk an increasingly complex and almost esoteric subject. Duration, volatility, Delta, Gamma, Theta are all part of the daily lexicon of the modern risk manager and his need for real time MIS systems is as voracious as the traders'.

Credit and operations risk are also being carefully scrutinized for control. Modern netting arrangements, combining legal contracts, sophisticated settlement systems and active participation, together with the support of various central banks, promise to have a significant impact by drastically reducing credit and settlement exposures between high volume forex counterparties.

TRAINING AND STAFF DEVELOPMENT

The need for investment in human resource in the financial services industry is evident and, as the pace of development appears to be increasing annually, this need can only grow. Some of the major banks in Singapore have set up their own full time training centres, as have various accounting firms and technology suppliers. Much of the industry's needs, however, are met by the Institute of Banking and Finance, which conducted 246

training programmes for 9,000 participants in 1990. The diversity of training courses and needs can be gauged by this list taken from the Institute's training schedule.

- (1) Foreign Exchange Arithmetic
- (2) Financial Futures
- (3) Foreign Exchange – Money Market Auditing
- (4) Off-Balance Sheet Auditing
- (5) Swap Financing
- (6) International Treasury Management
- (7) Technical Analysis of Options Strategies
- (8) Financial Engineering Tools and Techniques
- (9) Local and Offshore Money Markets
- (10) An Appreciation of FRAs, IRS and Options
- (11) FRAs and Short-Term Swaps
- (12) Foreign Exchange Options
- (13) Options Pricing
- (14) Treasury Settlement
- (15) Interest Rate Risk Management
- (16) Foreign Exchange: Accounting, Tax and Risk Considerations
- (17) Bond Course
- (18) Interpretation of World Economic Indicators
- (19) Understanding Treasury Products

CONCLUSION

The financial services industry that most people in the community see is somewhat akin to the tip of the iceberg. The treasury trading rooms, the relationship managers, and the branch banking tellers and managers are a very small part of the industry. By far, the bulk of the industry is hidden behind the facades of the high rise buildings in Shenton Way and Raffles Place. They, in turn, are supported by a vast network of technology suppliers, software houses, information vendors, accounting firms and law firms. In Singapore, as in other major financial centres, a critical mass of support services has developed to help feed and nurture the industry. In many ways, it is similar to "Silicon-Valley". These support services are crucial to the industry and must develop and grow alongside the core services if a particular market is to succeed as a major financial centre. The training and investment in people that the industry needs should not be overlooked in these vital support areas.