



SPEECH

IE Singapore: Precious metals trading makes good progress in Singapore

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Mr Sunil Kashyap, Chairman of Singapore Bullion Market Association,

Distinguished guests,

Ladies and gentlemen,

Introduction

1. A very good morning. I am delighted to join you for this inaugural Asia Pacific Precious Metals Conference, organised by the Singapore Bullion Market Association. It gives me great pleasure to see many important players from the precious metals sector with us this morning, including a strong representation from Southeast Asia and of distant Russia, Ghana and the US.
2. Singapore's precious metals sector has grown significantly since the Goods and Services Tax was lifted on investment-grade precious metals in October 2012. In 2015, more than 2,642 tonnes of gold were traded in Singapore, capping off a CAGR of 188% since 2012. This translates to over US\$100 billion of trade value, significant considering the plunge of gold prices by over 30% in the very same period.

Value of a Hub for the Precious Metals Industry

3. The trading of precious metals involves building relationships with clients and understanding their unique needs. It is also important to gather intelligence on flows

and to understand market demand and supply in order to structure deals according to the needs of clients. The movement of precious metals needs to be managed to ensure timely deliver. More importantly, the necessary legal documentations need to be arranged and a close eye kept on all these activities to ensure that risk levels do not exceed limits. These activities are interlinked and need to be located together to ensure the swift processing of time-sensitive transactions of the precious metals. It is hence essential for the precious metals industry players to be present in a centralised hub.

4. Singapore exemplifies itself as a prime candidate for the said centralised hub. Strategically located in the heart of the Asia growth region, Singapore boasts an established participant network, an international, multi-lingual talent pool, a strong financial and trading infrastructure, in addition to robust legal and tax frameworks, a well-developed physical infrastructure, and a conducive general business environment.

Singapore's value as a Precious Metals Trading Hub

5. Currently, it is estimated that 66% of global gold demand originates from Asia. The combined share in particular, of global gold demand from India and China in 2016 exceeded 50%, outstripping the 25% share characteristic of the early 1990s, according the World Gold Council. Other markets such as Thailand, Vietnam and South Korea have also witnessed growth in their domestic markets. These key demand centres all situate within a 7-hour flight radius from Singapore, according industry players anchored in Singapore ease of tapping the enormous potential markets in Asia Pacific.

6. Singapore boasts a participant network featuring several internationally established industry players, amongst them INTL FC Stone, Tianxinyang, YLG, MTS Gold and local companies such as SK Bullion and Gold Silver Central. Access to the network allows precious metals players opportunities to conduct international business with unparalleled effectiveness and convenience, a catalyst to growth and outreach to Asia and international market. To illustrate,

- a. INTL FCStone, one of the world's most recognised non-bank global bullion trader and services provider has long chosen Singapore to serve as its hub and gateway to the Asia Pacific markets, while connecting Asia to its global network. Currently, 60% of INTL's bullion turnover, translating to about 60 million ounces of gold, originates from its Singapore office. In 2017, it has

also launched the first global premium based physical platform designed and tailored specifically to the Asian physical markets.

- b. YLG, one of Thailand's most established bullion trader, has also set up a presence in Singapore to tap on its international participate network. Since commencing operations in 2013, the Singapore office has seen its trading volume increase at 30% per annum.
 - c. Similarly, our home grown Singapore company SK Bullion and Silver Bullion have also benefited greatly. SK Bullion's customer base has grown by 20% since August 2016, while Silver Bullion saw a year-on-year increase in sales of more than 60% in 2016. Access to the extensive participant network is one of the pivotal enablers for our home grown companies to grow.
7. Our highly qualified workforce, a policy of openness to top global talent, as well as solid cultural and linguistic connections across Asia, buttress Singapore's ability to provide specific support to industry players wishing to access the Asia and international market through Singapore. On a broad assessment, nearly a full half of the total Singaporean workforce possess higher educational qualifications and more than 70% are effectively bilingual.
 8. Singapore also presents a triple 'A' financial centre rating backed by strong inherent financial and trading infrastructure. The Republic at present, is within the top three largest offshore RMB clearing centres, offering precious metals players greater access to RMB liquidity through links to Chinese financial markets. Singapore is also the third largest global foreign exchange market and amongst the top four derivative trading centres in the world. This strong financial infrastructure will enable low-cost financing of high trade volumes.
 9. On the legal front, Singapore consistently ranks as a leading centre for contract arbitration and offers effective avenues for alternative dispute resolution. Its neutrality and established jurisprudence also makes it an ideal location for the settlement of international disputes. Regarding taxation, both: (i) the GST exemption of investment-grade precious metals; and (ii) the Approved Refinery and Consolidator Scheme (ARCS), act to ease cash flow for traders and encourage greater transaction volumes.

10. Singapore already has in place developed physical infrastructure specific to the precious metals sector. Metalor Technologies Singapore commenced operations in June 2014, and its production volume has since quadrupled. On the secured logistics front, providers such as Brinks, Certis Cisco, Malca Amit, G4S and Loomis provide competitive and high quality support services.
11. The advantages of doing business in Singapore are plentiful and considerable. I invite you to share in them and to gain from these opportunities through greater engagement and collaboration.

The Importance of SBMA

12. Five years have passed since Singapore first embarked on the journey to revitalise the precious metals sector. We have made good progress. However, this is a journey of decades, not years. This is where an industry-led association like SBMA can play a leading role, propelling initiatives in concert with industry players and government agencies.
13. I would like to first congratulate SBMA on its achievements in these short two years since its inception. Its membership count has grown to 36 since 2015. Its members include some of the world's well-established and recognised international organisations such as the World Gold Council, London Metals Exchange, JP Morgan, ICBC Standard and INTL Asia.
14. SBMA has also organised several regional outreach trips aimed at exposing its members to emerging markets. Notably, SBMA has organised three trips to Myanmar in the last year, and the discussions have produced concrete results. SBMA will be signing a Memorandum of Understanding with the Myanmar Gold Development Public Co, a prelude to deeper collaboration forthcoming. Additionally, SBMA's engagement with international precious metals organisations such as the London Bullion Market Association and the World Gold Council has accentuated the visibility of the Singapore precious metals industry on the world stage. I am delighted to see SBMA creating value for its members and the industry.
15. Looking ahead, SBMA will continue to be the industry's consolidated voice. Recognising the need for more detailed statistics to map ASEAN market growth and increase transparency, SBMA will spearhead the gathering and analysis of such data and its eventual dispensing to members. SBMA will also be working with tertiary

education institutes in Singapore to set up the SBMA Academy, a talent development initiative aimed at nurturing the next generation of trading professionals for the precious metals industry.

16. I have every confidence in SBMA's continued relevance and success, and I thank them for their distinguished service thus far.

Conclusion

17. The precious metals sector remains an area brimming with potential. With a growing number of enterprises, strong supporting infrastructure, SBMA at the helm and continued support from IE Singapore, I have every confidence that the precious metals sector will continue to flourish. I therefore encourage you to adopt Singapore as your own launch-pad to Southeast Asia, the broader Asia Pacific region, and beyond.

18. I wish everyone a fruitful conference ahead.

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Through our network of over 35 overseas centres and comprehensive assistance programmes, we partner Singapore companies to strengthen their global competitiveness.

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