



**REMARKS BY DR TONY TAN KENG YAM, DEPUTY CHAIRMAN AND EXECUTIVE DIRECTOR, GOVERNMENT OF SINGAPORE INVESTMENT CORPORATION, AT THE UK FINANCIAL SERVICE FORUM PANEL ON “THE UK’S STRATEGY OF MUTUAL COOPERATION WITH OTHER INTERNATIONAL FINANCIAL CENTRES”, 20 SEP 10, LONDON**

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1. It is a great pleasure for me to participate in this Panel discussion and share some thoughts on London’s attractiveness as a destination for inward investment as well as a location to carry out investment activities.

2. Singapore and GIC have had a long history of mutually beneficial cooperation with the City of London. As the key global financial centre, London has provided us with the avenue to invest much of our foreign reserves. The City’s expertise, depth, and diversity in financial services and products are unmatched, except perhaps in some instances by New York. Financial institutions based in the City are key counter-parties to GIC.

3. The United Kingdom is an important destination for GIC’s investments. GIC has roughly a quarter of its investments in Europe, and a significant share of that is in UK-based entities.

4. We have been attracted by London’s openness, stable social and political environment, culture, and overall quality of life. Underlying these investments is our view that London will likely remain a pre-eminent global city and financial centre for a long time to come.

5. It was therefore not a difficult decision for GIC to establish an office in London twenty years ago. The office has evolved into a focal point for our European operations. It now has a staff of over 100 and manages investments throughout UK and Europe in public markets, private equity, and real estate.

6. But what does the future hold for London given the Great Financial Crisis of 2008? What are some of the opportunities and challenges facing the City?

7. In my view, the post-Crisis environment will be more difficult for the developed economies. Growth will likely be modest for a number of years as the economies recover from the credit bubble and its bursting. Of particular relevance for the City is how the reputation of global financial institutions – many if not all are represented in the City – has suffered because of the crisis. Equally daunting will be the challenge of rebuilding a financial system that has been hobbled by the Great Crisis as well as restructuring a regulatory system that has been found wanting.

8. In contrast to the developed world, emerging economies, anchored by Brazil, Russia, India, and China or the BRICs are expected to continue their rapid growth. For investors, the rise of emerging markets will mean that a larger proportion of their investments will be in

these markets. Far from being a risky and perhaps alternative part of their portfolio, emerging markets will become a core and unavoidable asset class in global portfolios.

9. This rise will inevitably be followed by the development of financial institutions and centres in the emerging world: London will face increasing competition from rapidly rising centres like Shanghai, in addition to traditional centres like Hong Kong and Singapore which may be closer, at least geographically, to the emerging regions.

10. But the City need not lose out. London has enduring relationships across the globe, deep financial expertise and a history of openness which should enable it to tap into opportunities arising from global shifts in investments. Indeed, the City has, since its inception been an important intermediary for capital to and from the emerging world. I see no reason why this cannot continue.

11. This rich heritage – together with expertise and capital – should enable City-based institutions to build networks and partnerships with emerging market-based institutions and markets. For instance, these new institutions can benefit from the skills and expertise that the City can provide. London is uniquely placed to become a bridge between the developed and emerging worlds.

12. The Great Crisis of 2008 has triggered an ongoing reform of regulation which is likely to affect the business environment for banking and finance. The City of London has weathered many previous crises with sensible responses and a measured touch. As an investor and market participant, GIC is optimistic that the outcome this time will also be suitably calibrated. GIC hopes to continue its good and mutually beneficial relationship with the City and the United Kingdom.

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