



COLOMBO AS A FINANCIAL HUB: THE CHALLENGES AHEAD

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The development of the city of Colombo as a hub providing financial services has been mooted once again. This is not the first time such a move has been initiated in Sri Lanka. In the early 1980s when the country established a truncated off – shore banking system in the style of Foreign Currency Banking Units (FCBUs), the declared objective was for the FCBU system to act as a forerunner of converting Colombo to a financial hub later. Then the matter remained shelved for sometime and was retrieved once again in early 2002 when the government thought it useful to reconsider the idea of establishing a financial hub in Colombo. Accordingly, the Financial Sector Reform Committee which met under the chairmanship of the Governor of the Central Bank had as its mandate, inter alia, making proposals for the establishment of a financial hub in Sri Lanka. Though the Committee made deliberations and even came up with a tentative blueprint of establishing a financial hub, it could not be continued in view of the change in government in April, 2004. Then, for sometime the matter remained unexplored and after the Presidential elections in 2010, it has come to the limelight of policy making once again. In terms of this, a renewed interest has now been shown by all concerned parties for establishing a financial hub in the country. This recent interest has in fact arisen as a derivative from the wider objective declared by the government for the establishment of a commercial hub in the country. Accordingly, in the Mahinda Chinthana, Vision for the Future document outlining the policies of the incumbent President, it has been proposed **‘to establish Sri Lanka as one of Asia’s foremost commercial centers in the fields of commercial services, international banking and international investments’**¹ Within this proposal, ‘international banking and international investments’ constitutes a segment of the wider financial services industry and hence, has been viewed as a signal given by the government for establishing a financial hub too in Sri Lanka. This wishful thinking has now been carried forward in the form of a proposal to convert Colombo into a financial hub as a top priority.

This paper will examine the challenges which Sri Lanka has to face when moving towards the establishment of a financial hub. These challenges take the form of issues involving the provision of logistics, infrastructure, human resources and information and communication technology (ICT). As a prelude to an examination of these issues, Part I of the paper will critically evaluate the often referred to comparative advantages which Sri Lanka is deemed to possess in opening a financial hub in the country. Part II will examine the challenges and Part III will be devoted to presenting a summary and main conclusions.

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¹ Mahinda Chinthana, Vision for the Future, (2010), p 15



PART I

FINANCIAL HUB: HAS COLOMBO GOT THE COMPARATIVE ADVANTAGE?

A financial hub is the expansion of the catchment area of the financial services industry of a country beyond its borders to enlist a wider clientele. It will help a country to utilise to the maximum the installed capacity of an industry: networks, human resources, infrastructure, information and communication technology (ICT) platforms and service reputation. By selling this extra capacity to a larger clientele, the industry is capable of enhancing its revenue and thereby adding to the country's wealth creation initiatives. The established financial hubs in the world, namely, London, Paris, Frankfurt and New York to the west of Sri Lanka and Tokyo and Sydney to the east have been operating as leading hubs for decades and thereby adding to the respective country's wealth immensely.

In this sense, Sri Lanka does not have a financial services industry worth of mention. Its financial services industry is rudimentary, inward looking, narrow in scope, deficient of skills and talents and poor at regulatory and disaster recovery applications. These deficiencies observable in the country's financial services industry have to be overcome by taking deliberate action to develop a financial hub by implementing a master plan for same. All other countries which are fast racing to become financial hubs of worth have implemented such plans over a long period of time.

Hence, the initiative to develop Colombo as a financial hub requires Sri Lanka to start working on the project from scrap.

Time Zone Location Advantage

An often quoted advantage for Colombo to be a financial hub has been its location in a strategically appropriate time zone. Colombo is located in the midway through the two major financial markets, London and Frankfurt to the west and Tokyo and Sydney to the east. Hence, it could serve as a subsidiary market to both these giants. It was, therefore, argued in 1980s that when Sydney and Tokyo close for the day, Colombo opens and therefore, it could handle overnight financial transactions. As a result, it was argued that Colombo could conveniently insert itself into a time slot in the round the clock operation of global financial markets. Once, Colombo closes, it could hand the baton to London and so forth. Even at that time, there were other emerging markets like Hong Kong, Singapore and Dubai and it was argued that Colombo with its low costs could outbeat these markets as a financial centre.

The time zone location was an advantage for a financial market at a time when the correspondence among market participants was done mainly through letter correspondence and telex messages. Since transactions were effected and recoded subject to a time lag, if a particular market was open at a particular time, it was certainly beneficial for market activities since it reduced transaction costs and permitted the markets to operate on a 24 hour basis. This was specifically so in the case of transactions involving foreign exchange trading. If any market participant



needed foreign exchange urgently and if the main markets have already been closed at that time, the opening of a subsidiary market for trading would permit the transacting agents to acquire the needed currency immediately without waiting for the opening of the next major market for business. An analogy that can be cited here is the case of a customer who wants to buy some pain killers in the middle of the night, but has to wait till the opening of the main market the following day. If a sideway boutique is open for trading round the clock, he could buy his requirements from that boutique even though it may not be a very sophisticated shop as the main market shop. Similarly, it was argued that Colombo could cater to these marginal customers and earn a sufficient income as a participant in the global financial system.

Smart Computers in Producing Financial Services

But today, markets operate on a real time basis taking advantage of the advancements in the information and communication technology (ICT). Transactions are conducted not by human beings who have to remain awake throughout the night but by smart computers which have been programmed to do business just like human beings. These automated markets work round the clock and therefore, there is no closing of a market anywhere in the globe in a real sense. To maintain credibility, reputation and confidence, necessary safeguards have been introduced in the form of firewalls, password based operations and foolproof confirmation procedures. Thus, no market participant has to wait now till a particular market is open in the daylight to effect a market transaction. Consequently, the advantage which Sri Lanka claimed to have possessed on account of its strategic location has now been completely lost.

Critical Prerequisites for a Successful Financial Market

In view of the above, the real advantage which a country gets in connection with credible financial transactions lies in other factors which are relevant for developing a vibrant financial market system. These factors are:

1. Physical infrastructure suitable for an active market system: This includes buildings, road networks, airport facilities, local transportation, power, utility services and telecommunication facilities.
2. Digital infrastructure which can handle ever rising volumes of market transactions efficiently and speedily: This includes broadband high speed internet facilities, safeguards against hacking and cracking, adequate computer and server capacity, reliable and efficient real time payments systems, e-recording of transactions and data storage and reliable disaster recovery facilities.
3. Human capital infrastructure capable of attending to complex financial transactions: Markets need expertise and expertise is provided by workers with the required talents, skills and competencies. It is, therefore, necessary to develop a pool of skilled workers in financial services to cater to the requirements of financial markets.



4. Regulatory and legal infrastructure conducive for smooth market operations: This includes the systems and rules that prevent frauds, irregularities and misconducts which are the main contributors of the financial system failures. In addition, the legal system should be capable of handling any dispute among market participants speedily and justly.

It is apparent that Colombo lacks any of these relevant factors in both the required quality and the required quantity.

Poor Infrastructural Facilities

Colombo's present physical infrastructure is much to be desired. Buildings are dilapidated, roads are narrow, congested and unworthy for motoring, airport is small and incapable of extending passenger friendly services², local transportation facilities are poor and unreliable, power is costly and subject to frequent interruptions and telecommunication facilities are not up to the required standards.

The digital infrastructure installed in Sri Lanka is a little better than what one finds in Nepal or Bangladesh, but substantially below the facilities available in other developed financial hubs in the region such as Singapore or Hong Kong. Though the young generation is capable of using IT applications for studies, electronic communication and day to day work, the same cannot be said about adults who hold professional positions. The internet penetration in the country is low; to make it a double jeopardy, its internet download speed too is low. According to the data maintained by Speedtest.net, Sri Lanka's present internet download speed stands at 1.18 mega bytes per second (mb/s), whereas the speed in South Korea stands at 31.68 mb/s³. In comparison, the developed financial markets have the following speeds: Japan (17.41 mb/s); USA (9.92 mb/s); UK (7.89 mb/s); Australia (7.54 mb/s); Singapore (5.83 mb/s). Accordingly, Sri Lanka has to go a long way to be on an equal footing with the developed financial hubs as far as the installed digital infrastructure is concerned.

Sri Lanka also lacks talents and skills needed by an effective and efficient financial hub. There are no degree courses covering banking and finance in local universities. The only professional body on banking, Institute of Bankers of Sri Lanka (IBSL), offers an internationally recognised diploma in banking and finance together with the prestigious Institute of Financial Services (ifs) of

² The writer recalls an interesting and eye opening incident relating to provision of passenger friendly services by an airport. In 1976, when he traveled to London, at the Colombo Airport, as an outgoing passenger, he was subject to very strict and time taking customs examination because the Sri Lanka's Customs at that time was preoccupied with preventing outgoing passengers from smuggling out the country's valuables. But at Heathrow, there was no Custom's check even for incoming passengers and they were permitted to declare voluntarily any valuables they would be bringing simply by walking through 'Goods to Declare Red Line' or 'Nothing to Declare Green Line'. When Professor Alan Williams of the University of York was questioned later on London's apparent endorsement of 'smuggling activities' in that manner, the explanation given was that London had remained the world's number one financial centre by having such simple procedures to handle swiftly thousands of passengers going through the airport.

³ <http://www.speedtest.net/global.php>



the United Kingdom⁴. The market is yet to develop a pool of workers qualified in dealing, management of derivatives, fund management and analysis and treasury operations.

Since Sri Lanka's financial market is narrow and rudimentary, its market regulatory system too is insufficient to effectively supervise and regulate a sophisticated financial market. The current regulatory mechanism is applicable only to banking and financial institutions and the equity market. When it comes to regulating sophisticated and complex instruments like derivatives, the track record of Sri Lanka's regulators has not been very impressive. The regulators in the past have been reactive rather than proactive. When the markets have beaten the derivative users causing substantial losses for the participants from Sri Lanka, both the regulatory and legal systems have taken an offensive stand, thereby driving the aggrieved parties to seek redress through the international arbitration mechanism. The absence of a suitable dispute settlement system within Sri Lanka raises not only the costs of the participants, but also causes prospective international financial services providers to shun the local market⁵.

In view of the above it is apparent that Sri Lanka does not have comparative advantage over financial services compared with other major players. Its only favourable point, the location of the country on an appropriate time zone, is no longer valid and relevant in a world ruled by advanced ICT. The other factors, namely, physical infrastructure, digital infrastructure, human talents and skills and appropriate regulatory and legal mechanism, that would make Sri Lanka an efficient financial hub too are not in favour of the country. Hence, Sri Lanka has to make its initiatives to make Colombo a financial hub right from the beginning from a scrap level.

PART II

CHALLENGES OF DEVELOPING COLOMBO AS A FINANCIAL HUB

The establishment of a financial hub in a country requires careful planning and considerable implementation time. This is because all prerequisites for a financial hub have to be put in place before it starts operations. The participants in the financial services market should feel that the systems prevailing in the market are all tested and found to be working properly. The regulators should have understood the objective of setting up of a financial hub and be prepared to provide a market friendly facilitating role. It requires regulators from the boardroom to the mailroom to enroll themselves in a continuous delearning and relearning programme, because the orthodox

⁴ However, it has been reported that ifs has withdrawn the accreditation of IBSL's qualifications as from January 2010.

⁵ This was very much evident in the now infamous Oil Hedging deal which the Ceylon Petroleum Corporation (CPC) had entered with some international banks when oil prices were rising to historically record levels in 2007. The critics have pointed out that when the market trends were favourable to CPC, it simply pocketed out the benefits; but, when it was unfavourable, it did not honour its obligations and both the regulators and the court system had tried to place the blame on international bankers for failing to observe professional ethics in handling such deals. The matter was then referred to international arbitration and the case is still pending. A good summary of the case heard by the Supreme Court of Sri Lanka is found in Wickrema Weerasooriya, 'The 'Petroleum Hedge' that was Cut Down by our Supreme Court' *Bankers Journal*, Jan-March, 2009. pp 6 - 8. The professional obligations falling on the sellers of a derivative product is discussed by Thilini Sumudu Kumari in "From Orange County to Caveat Vendor: The Shift of Responsibility in Derivatives from Buyers to Sellers" *Bankers Journal*, Jan-March 2009, pp 9-11.



methods to which they are usually accustomed do not have room for being flexible and proactive in their approaches to problems. The legal system too should be fully aware of the new role it has to play in adjudicating cases and settling disputes. For this purpose, the judges and lawyers too should be continuously trained in the art of handling cases relating to complex and sophisticated market instruments like derivate products. In this learning programme, the media have a special role to play in educating all the stakeholders: regulators, legislators, judicial officers, and the public.

Singaporean Experience

How Singapore developed a vibrant financial hub in that city state within a space of some two decades is guiding to any new comer to the industry. According to Lee Kuan Yew, it had a most improbable start in 1968, three years after Singapore separated from Malaysia, when Dr Albert Winsemius, the Dutch Advisor to the Singapore Government, was shown by the then Vice President of the Bank of America Branch in Singapore that Singapore can have a slot in the global financial services market between Zurich and San Francisco⁶. Unlike Hong Kong, according to Lee, Singapore did not have the backing of the Bank of England and had to work all alone. To retain the value of the Singapore Dollar against the stronger currencies of the world through the maintenance of the stability in domestic inflation, the country decided to continue with the currency board system which had a built in control mechanism to check unwarranted increases in money supply. The Monetary Authority of Singapore (MAS) on its part kept on reviewing and revising the rules and laws to keep pace with the developments in the global financial systems. **'We had to fight every inch of the way to establish confidence in our integrity, competence and judgement'** says Lee⁷. Accordingly, planned action was taken to build up credibility by ensuring integrity in all matters and equip the officers with knowledge and skills to do a better job in supervision and regulation. The purpose of this was to keep the risk of systemic failure at a minimum.

The story that unfolded thereafter is that of dedication, careful planning, facilitating deregulation, affiliation with credible institutions and trouble shooting at the appropriate time. With the careful and planned capacity enhancement at MAS, the regulatory mechanism was uplifted to take care of emerging systemic issues, shocks that were delivered to the Singapore market from outside and deliberate fraudulent activities carried out by some dishonest market participants. For instance, when a decision had to be made in the early stages as to whether Singapore should leave the Sterling area, for the future development of the market, the authorities decided to do so, despite the historical link with which the country had been operating with Sterling pound as the reserve currency. When a bank of a suspicious track record, Bank of Credit and Commerce International or BCCI applied for opening a branch in Singapore, MAS is said to have firmly rejected the application resisting the pressure exerted on it through various reputed intermediaries⁸. In this manner, gradually and steadily, Singapore had moved forward in its quest

⁶ The following section is based on Lee Kuan Yew, (2008), *From Third World to First*, MC editions, pp 89 - 101

⁷ *Ibid*, p 91.

⁸ *Ibid*, p 93.

for developing a viable financial hub in the country. This was culminated with the addition of sophisticated derivative products to the range of services offered in the market with a suitable regulatory mechanism in place. The market access was expanded by the establishment of the Singapore International Monetary Exchange or SIMEX and the expansion of the activities of the Singapore Gold Exchange or SGE, both in the style of the similar exchanges found in other developed countries⁹. Even as late as 2001, the market development activities were continued with MAS taking action to implement two programmes for the sustainability of the financial hub. According to these programmes, a financial network for excellence in trading, dubbed F – NEXT, was set up to ensure excellence in all market activities. As a further step, MAS took action to set up a S\$500 million fund for the development of the financial sector (FSDF). In the first programme, networks were developed with reputed institutions of learning on finance and banking to upgrade the skill base of those who operate in the market on a continuous basis. In the second programme, funds were utilised to upgrade the skills of top executives and improve the financial sector training infrastructure of the country¹⁰.

Thus, the development of an active financial hub from the scrap level is not a target that can be achieved by a new comer within a short space of time. As Singapore has demonstrated, it takes decades of good and honest work to develop the reputation and earn confidence and trust of the participants.

Sri Lanka's Challenge

Sri Lanka's plan to set up a commercial hub and within it, a hub providing financial services as well, should be a medium to long term target given the country's present state of development. As other countries have done, it needs careful planning and requires sufficient time for implementation. To add to Sri Lanka's woes, there are other countries which have now entered the fray of establishing financial hubs in the short to medium run.

New Comers to Financial Services Industry

As reported by Wall Street Journal of June 17, 2010, Russia is planning to set up a financial hub in Moscow with the ambitious objective of handling the financial services needs of the former Soviet Republics and taking over the market activities presently handled for these countries by Dubai and Frankfurt¹¹. Similarly, Australian Business reported on January 16, 2010 the Federal Government's plan to further improve Australia's financial services activities on the basis of the recommendations in a report submitted by Australian Financial Centre Forum¹². Not to be outdone,

⁹ *Ibid*, p 95.

¹⁰ *Financial Hub Singapore*, April 2001. Visit:<http://unpan1.un.org/intradoc/groups/public/documents/APCITY/UNPAN005225.pdf>

¹¹ http://online.wsj.com/article/NA_WSJ_PUB:SB10001424052748704198004575310473852418454.html

¹² <http://www.theaustralian.com.au/business/industry-welcomes-plan-to-become-financial-centre/story-e6frg8zx-1225820164788>



New Zealand too has announced its intention to upgrade its financial services industry to the status of a global financial hub, as announced by NZ Herald on August 6, 2010¹³. Hence, the entire globe is racing towards the establishment of financial hubs in their respective countries. The competition for Sri Lanka is tough and all these countries will start the race from relatively better starting points than Sri Lanka.

The Need for Maintaining Policy Consistency

The viability and sustainability of any financial hub will depend on how far the hub and the country concerned could earn confidence and trust of international investors and market participants. This could be built only with a genuine effort made by the country by adopting right type of policies and sticking to such policies under both favourable and unfavourable circumstances. After announcing a certain policy for the promotion of the financial hub, if the authorities backtrack from it later, the message given to market participants is clear and loud: that is, the word of the authorities should not be taken seriously.

Sri Lanka's past track record in this respect has not been very encouraging. There have been instances where the authorities announcing that the private sector was the engine of the growth and the government would do its utmost to encourage foreign participation in trade, commerce and industry. To show the government's good intentions, some of the public sector enterprises had also been handed to foreign investors. Later, the very same government had followed policies contradictory to the original intention by imposing prohibitive stamp duties on foreigners' owning land and declaring that it is the policy of the government not to privatise public enterprises. This type of policy inconsistencies would definitely scare away the genuine foreign investors, however much the government might try to do some damage control work later¹⁴.

What Singapore did in this respect was to declare a policy package conducive for the successful operation of a financial hub and then stick to that policy throughout, thereby winning the confidence and trust of the investors in the market.

The Law and Order Issues and the Need for Observing the Rule of Law

A plus point which both Singapore and Hong Kong have enjoyed as financial hubs is the strict maintenance of law and order and the observation of the rule of law. A financial hub essentially involves private contractual arrangements and for private parties to take part in such arrangements, property rights have to be strictly protected by the country's legal and judicial

¹³ http://www.nzherald.co.nz/nz/news/article.cfm?c_id=1&objectid=10626240

¹⁴ At a recent seminar which was addressed by the author, several foreign investors were highly critical of the prohibitive stamp duty on foreigners' owning land in Sri Lanka and desired its prompt abolition to encourage foreign participation in agricultural and commercial enterprises.

systems. Lee Kuan Yew had gone an extra mile to preserve this and put in place an effective anti corruption mechanism¹⁵. As identified by Younei Soe, being the least corrupted country in Asia and the world – renowned transparency in all matters have immensely contributed to Singapore’s emergence as a leading financial centre in the world¹⁶. Hong Kong, while following the English law has a legal system independent from mainland China. It strictly observes the rule of law and uses a bilingual language policy using both Mandarin and English to adjudicate cases in view of its functioning as a world’s leading financial centre¹⁷.

If Sri Lanka wishes to be a financial hub of worth, it is of utmost importance to maintain law and order and treat everyone, whether he is a politician or an ordinary member of public, equally before law. It should be seen by investors that the law enforcement machinery in the country works independently of the executive and the ruling party. If one law is applicable to ruling party members and another to opposition members, then, the message given to investors is extremely damaging: there is no guarantee of the protection of property rights, both physical and human property. This is an essential requirement which Sri Lanka has to sort out and put in place before even thinking of setting up a financial hub. The doubt which investors have about the ability of the country’s judicial system to handle disputes independently and impartially has led to the insertion of a clause in every international agreement that the law applicable to dispute resolution is the British law, making dispute resolutions extremely costly for local participants.

Upgrading the Digital Infrastructure and Enhancing Digital Literacy

Modern financial markets are all ICT driven and, therefore, ICT infrastructure and ICT literacy of the work force are critical contributors to their development and sustainability¹⁸. The round the clock market transactions and record keeping are all done by high speed data transmission systems with adequate capacity for handling a large volume of transactions swiftly. In addition, adequate and on line off-site back up facilities, foolproof disaster recovery systems and safeguards against hacking and illegal and unauthorised penetration of the systems should also be put in place. This requires continuous investment in ICT infrastructure.

Sri Lanka’s ICT infrastructure and ICT literacy of the work force are much to be desired. As mentioned above in Part I, its internet download speed is one of the slowest in the world. According to a study conducted by the think tank, Lirneasia, in March 2007, the download speeds of the two broadband operators are about 20 percent of the 2 mb/s marketed by them¹⁹. The data on computer literacy of households in Sri Lanka as published by the country’s official statistical

¹⁵ See *op cit*, Chapter 12.

¹⁶ Younei Soe, (2003), “Communication Infrastructure and Economic Development: Comparative Analysis of Singapore and Venice” *Global Media Journal*, Spring 2003.

¹⁷ Department of Justice, Hong Kong SAR, visit: <http://www.doj.gov.hk/eng/legal/index.htm>

¹⁸ See for a detailed treatment of the subject, W.A Wijewardena, (2010), “The Future of Banking: Challenges to Bankers” *Bankers Journal*, Jan – Apr 2010, pp 1 – 5.

¹⁹ Visit: <http://voicendata.ciol.com/content/news/110080501.asp>



agency, Department of Census and Statistics, present a woefully gloomy picture. According to a survey conducted by the Department in 2004, the household population with computer literacy has been less than 10 percent, percentage of households with computers less than 4 percent and the population using internet just 3 percent. The same survey has revealed that about 97 percent of the population has been internet illiterate²⁰. These numbers have improved marginally by 2009 and according to the Department's Computer Literacy Survey 2009, the households owning a computer have stood at 11 percent, internet users at 13 percent and computer literacy at 20 percent²¹.

If Sri Lanka is to develop Colombo as a global financial hub, it is important that substantial investments have to be made both in ICT infrastructure and ICT use by the population.

Trained Skills and Talents

Though computers help organisations to handle their work swiftly and efficiently, it is the men and women with the required skills and talents that would actually run an enterprise. This is specifically true in the case of the financial services industry in which human interaction at every point of providing a financial service is an important segment of the service supplied. This human touch and intervention can be provided only by professionals who have acquired special skills and talents.

To run a financial hub efficiently, Sri Lanka has to upgrade its existing talent pool to match the changing global trends and develop a new pool of talents to take over from those who leave the industry. The required skills are high computer literacy, knowledge of the global financial markets, sophisticated and complex market products and risk analysis on products produced and supplied. The available training institutions can provide short term non – formal training to workers, but it is necessary for them to acquire various professional qualifications offered by professional bodies of repute. The advantage of getting attached to a professional body is that it provides continuous professional development or CPD facilities to members. It may, therefore, be necessary to promote professional education in banking and finance with affiliation to such international professional organisations.

PART III SUMMARY AND CONCLUSIONS

It is apparent that, though Sri Lanka is very much desirous of setting up a financial hub in Colombo, its available facilities for such a hub of worth are all far from adequate. Hence, before setting up a financial hub, there is much work to be done to create an environment conducive for such an enterprise to thrive, prosper and sustain. In this venture, Sri Lanka has to compete with other hubs already developed in the region and the new comers who aspire to become worthwhile financial services providers. Hence, the challenge before Sri Lanka is not something which can be

²⁰ Visit: <http://www.statistics.gov.lk/CLS/index.htm>

²¹ Visit: http://www.statistics.gov.lk/CLS/BuletinComputerLiteracy_2009.pdf



overcome easily. The country has to move forward cautiously by careful planning the entire operation having taken into account all the critical factors that contribute to the success of a financial hub.

The biggest challenge for Sri Lanka is to find resources to develop its physical and digital infrastructure to suit the functioning of a modern financial hub. Since the competitors are planning to become reputed financial services providers within the next four to five year period, Sri Lanka has to make this investment fairly quickly to avoid being thrown out of the race. An ICT driven financial hub of the future cannot depend on the primitive and rudimentary manual work and therefore, while providing the suitable infrastructural facilities, ICT literacy of the population too has to be improved significantly.

The success of a global financial market largely depends on its ability to earn confidence and trust of the market participants. Like love which is subject to fast erosion when not re-energised continuously, confidence and trust too are attributes which have to be nurtured continuously. It could be done by continuously maintaining law and order, observing rule of law and sticking to a consistent and market facilitating policy package. Any wrong signal which the authorities might give in this respect such as the disregard of rule of law and the violation of property rights will be disastrous for the operation of a successful financial market.

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