



**Singapore**

# SINGAPORE

*Singapore is separated from Peninsular Malaysia by the Straits of Johor, and from the Indonesian islands by the Straits of Singapore. The total land area of Singapore is 704 square kilometres. Singapore comprises one main island (604.2 square kilometres) and a number of islets scattered off its north-east and south. With a diverse population comprising of Chinese, Malays, Indians and other minority ethnic groups, Singapore has four official languages - Malay, Chinese (Mandarin), Tamil and English. Singapore's unit of currency is the Singapore dollar, which on average was exchanged at SGD 1.3828 to a US dollar in November 2009 (source: MAS Website).*

## MONETARY AUTHORITY OF SINGAPORE (MAS)

The Monetary Authority of Singapore (MAS) is Singapore's central bank and financial regulator. It conducts monetary policy and manages Singapore's official foreign reserves, and is responsible for the integrated supervision of financial institutions and markets in Singapore. The MAS seeks to promote sustained non-inflationary economic growth, and a sound and vibrant financial centre. The MAS was established under the Monetary Authority of Singapore Act 1970, and commenced operations on January 1, 1971.

### **Policy-Making Body**

The MAS Act provides for a Board of Directors, whose members, including the Chairman and Managing Director, are appointed by the President of Singapore. The Managing Director is the chief executive entrusted with the day-to-day administration in accordance with Board policies. He is assisted by a management team comprising three Deputy Managing Directors, two Assistant Managing Directors and twenty one heads of departments.

### **Frequency of Board Meetings**

The Chairman of the Board can summon meetings as often as may be required, but not less than once in three months. At every meeting of the Board, a quorum consists of four (4) Directors or a simple majority of the Directors, whichever is the larger. Decisions can be adopted by a simple majority of votes of the Directors present and voting. However, where there is an equality of votes, the Chairman shall have a casting vote.

**Degree of Independence** The Monetary Authority of Singapore (MAS) enjoys considerable operational autonomy. The Board of Directors is responsible for the policy and general administration of the affairs and business of MAS, while the Managing Director is vested with the authority for day-to-day administration. MAS formulates and implements Singapore's monetary policies and is the regulatory agency of financial institutions. The MAS now administers various statutes pertaining to money, banking, insurance, securities and the financial sector in general.

**Policy Information Released** Information on the monetary policy and policies relating to the financial sector can be found in the MAS Annual Report and MAS website at [www.mas.gov.sg](http://www.mas.gov.sg). MAS also issues circulars, notices and consultation papers to financial institutions and media releases, where necessary.

## **MONETARY POLICY IMPLEMENTATION**

**Primary Policy Tools** Since 1981, monetary policy in Singapore has been centred on the management of the exchange rate. There is no independent target for money supply growth or interest rates. The Singapore dollar is managed against a trade-weighted basket of currencies of Singapore's major trading partners and competitors. MAS operates a managed float regime for the Singapore dollar. The trade-weighted exchange rate is allowed to fluctuate within a policy band, the level and slope of which are announced semi-annually to the market. The band provides a mechanism to accommodate short-term fluctuations in the foreign exchange markets and flexibility in managing the exchange rate.

**Other Monetary Policy Tools** MAS implements its exchange rate policy through spot or forward FX transactions against the US\$.

To complement its foreign exchange intervention operations, MAS conducts money market operations to even out short-term fluctuations in bank liquidity. The money market tools available are foreign exchange swaps and reverse swaps, direct lending to or borrowing from banks, and repurchases or reverse repurchases of government securities.

**Policy Signals** The primary objective of monetary policy has been to promote price stability as a sound basis for sustainable economic growth.

**Exchange Rate Policy in 2009** In April 2009, MAS re-centred the exchange rate policy band downwards to the prevailing level of the S\$NEER, while maintaining the zero percent appreciation path which was adopted in October 2008. This decision was made against the backdrop of dissipating inflationary pressures and weak growth prospects for the Singapore economy in the midst of the global financial crisis.

Since the last policy review, the S\$NEER has fluctuated in the upper half of the policy band. This reflected the broad-based weakness in the US\$ since the end of the first quarter, as well as strong capital inflows to the region. The domestic three-month interbank rate has remained at 0.69% over the past six months, amidst low global interest rates.

Against continuing weakness and uncertainties in the external economic environment, the strength of the recovery in the Singapore economy is expected to be moderate beyond the initial uplift. While there could be some upward pressures on consumer prices emanating from higher global oil and food prices, underlying domestic cost pressures will be contained.

MAS will therefore maintain the current policy stance of a zero percent appreciation of the S\$NEER policy path. There will be no change to the width of the policy band and the level at which it is centred. MAS will continue to be vigilant over developments in the external environment including the medium-term risk of stronger global inflationary pressures.

*(Source: MAS Website)*

## **FINANCIAL STABILITY**

### **Authorities Responsible for Financial Stability and Supervision of the Financial Sector**

The MAS is responsible for financial stability and supervision of the financial sector. The MAS is the integrated supervisor of banks, insurers and capital market licensees.

MAS' risk-based supervision aims to foster the safety and soundness of financial institutions, and to promote transparency and fair dealing with their customers and counterparties by financial institutions, thereby contributing towards MAS' overarching objective of a stable financial system. In seeking to meet financial stability, MAS does not aim to prevent the failure of any financial institution. A "zero failure" regime would place excessive regulatory burden on financial institutions and could impair the efficiency of the financial system. Instead, MAS aims to reduce the risk of failure of institutions or of inappropriate behavior through increased supervision where it is both appropriate and likely to be effective. In MAS, the supervision departments work closely with the macroeconomic surveillance department to ensure that both macro and micro-prudential perspectives are being addressed on financial stability issues.

### **Strategy for Supervision and Monitoring of Financial Stability**

The impact and risk model is at the heart of MAS' supervisory framework. Each institution will be assessed and assigned two ratings. The impact rating rates the relative importance of an institution within the relevant financial services sector by assessing the potential impact of an institution, if it fails, on Singapore's financial system and economy, and on Singapore's reputation. Using a risk assessment system, the Common Risk Assessment Framework and Techniques (CRAFT), the risk rating rates the overall riskiness of an institution by assessing the inherent risks of the institution's business activities, its ability to manage and control these risks, effectiveness of its oversight and governance structure, and adequacy of its financial resources to absorb losses so that it remains solvent. Based on these two ratings, the model distinguishes institutions based on their potential to affect the achievement of MAS' supervisory objectives and determines the appropriate supervisory strategies and level of supervisory intensity for the institutions accordingly.

On the macro-prudential front, MAS monitors the developments in the real economy and financial system of both Singapore and economies with which Singapore has close trade and financial linkages, and assesses the implications of these for the economy's financial stability. The central bank's financial surveillance work focuses on identification of risks and vulnerabilities, and assessment of the domestic financial system's ability to withstand potential shocks. MAS compiles the IMF-recommended Financial Soundness Indicators, identifies common financial exposures and interlinkages, and conducts regular stress testing of key financial institutions. The central bank also leverages on the expertise and experiences of market participants, analysts, leading academics in financial sector research and international agencies such as the FSF, CGFS, IMF, ADB, etc. MAS' assessment of the Singapore financial system can be found in the Financial Stability Review (FSR) publication.

**Plan and  
Progress for the  
Implementation of  
Basel II**

MAS' rules on Basel II came into effect on Jan 1, 2008. All the approaches under Basel II have been made available to Singapore-incorporated banks. MAS expects banks to adopt the approaches that are appropriate for the complexity of their businesses. Banks are encouraged to progress to the more sophisticated approaches at a pace that is commensurate with the development of their risk management systems.

**CURRENT CHIEF  
MONETARY  
OFFICIALS**

*(as of 31 December  
2009)*

*(Source: MAS Website)*

**Board of Directors**

**Chairman** Senior Minister Goh Chok Tong

**Deputy Chairman** Mr. Lim Hng Kiang  
Minister for Trade and Industry

**Managing Director** Mr. Heng Swee Keat

**Board Members** Mr. Tharman Shanmugaratnam  
Minister for Finance  
Mr. Lim Chee Onn  
Senior Advisor, Keppel Corporation & Chairman, Singbridge  
International Singapore Ltd  
Mr. Peter Ong Boon Kwee  
Permanent Secretary, Ministry of Finance

**Board Members** Mr. Koh Yong Guan  
Chairman, Central Provident Fund Board  
Mr. Teo Ming Kian,  
Advisor (Special Projects), Ministry of Finance & Permanent Secretary  
(National Research and Development), Prime Minister's Office  
Mr. Lucien Wong Yuen Kuai  
Managing Partner, Allen & Gledhill  
Professor Walter Woon  
Attorney-General, Attorney-General's Chambers

**Management  
Team of MAS**

**Managing Director** Mr. Heng Swee Keat

**Deputy Managing  
Directors** Mr. Ong Chong Tee  
Monetary Policy, Investment & Research/Development & External Relations  
Ms Teo Swee Lian  
Prudential Supervision  
Mr. Shane Francis Tregillis  
Market Conduct

**Assistant  
Managing Director** Mrs. Foo-Yap Siew Hong  
Currency & Corporate Resource

**Executive  
Directors** Ms Winnifred Chen  
HR Projects  
Mr. Chia Der Jiun  
Prudential Policy & Macroeconomic Surveillance  
Mr. Chua Kim Leng  
Specialist Risk Supervision  
Ms Ho Hern Shin  
Human Resource  
Mr. Ho Kwen Chan  
Currency  
Mrs. Huay Khee Chuang  
Information Technology  
Dr. Andrew Khoo  
Capital Markets/MAS Academy  
Dr. Lam San Ling  
Capital Markets Intermediaries

**Executive Directors** Mr. Lee Boon Ngiap  
Complex Institutions Supervision

Mr. Lee Chuan Teck  
Reserve and Monetary Management

Mr. Leo Mun Wai  
Banking Supervision

Mr. Leong Sing Chiong  
External

Ms Jacqueline Loh  
Finance

Mr. Low Kwok Mun  
Insurance Supervision

Mr. Kola Luu  
Financial Markets Strategy

Mr. Ng Nam Sin  
Financial Centre Development

Mr. Timothy Ng  
Internal Audit

Mr. Edward Robinson  
Economic Policy

Mr. Tai Boon Leong  
Special Projects

Mr. Wong Fot Chyi  
Risk and Technology

**General Counsel** Mr. Ng Heng Fatt

**Directors** Mr. Bernard Yeo  
Corporate Services

## **MINISTRY OF FINANCE**

**Minister for Finance** Mr. Tharman Shanmugaratnam

**Senior Minister for Finance** Mrs. Lim Hwee Hua

**Address:** Monetary Authority of Singapore, MAS Building, 10 Shenton Way, SINGAPORE 079117  
**Telephone:** (65) 225-5577 ; **Facsimile:** (65) 229-9491 ; **Website:** <http://www.mas.gov.sg>