

Our Achievements and Work in Progress

REGULATION AND SUPERVISION

ACHIEVEMENTS

- To improve the effectiveness of supervision, we developed a framework that assesses risk in a more comprehensive and consistent manner across the classes of financial institutions supervised by MAS.
- To strengthen on-site inspections, we continued to conduct thematic inspections and reviews in several areas.
- To enhance risk management in financial institutions' outsourcing arrangements with service providers, we issued outsourcing guidelines in October 2004.
- Following revisions to regulatory returns, we have enhanced monitoring indicators used in our supervision of banks.
- MAS regulations were revised to provide supervisory guidance on provisioning by banks for loan impairment, taking into account the adoption of FRS 39 in Singapore.
- To strengthen insurers' management of participating funds, the Par Fund Review Workgroup was formed. We issued a consultation paper outlining the recommendations of the workgroup on 22 February 2005 and obtained public feedback.
- To better reflect all major financial risks of insurers and put in place a more transparent and risk-focused capital and valuation basis, we implemented the risk-based capital framework for insurers.
- We completed phase two amendments to the Securities and Futures Act (SFA) and Financial Advisers Act (FAA). In January 2005, Parliament passed the Securities and Futures (Amendment) Act and the Financial Advisers (Amendment) Act.
- To add depth and vibrancy to Singapore's capital markets, we introduced new Business Trusts Act to regulate business trusts as a new business structure.
- To ensure high standards of probity, professionalism and business conduct in the trust services industry, we established a new Trust Companies Act.
- To ensure high standards of business conduct and regulation of various new investment products, we issued Guidelines on Structured Deposits. We also conducted a public consultation and are working on a new set of regulations on Traded Endowment Policies and Traded Life Policies.

**REGULATION
AND
SUPERVISION**

- To enable investors to better protect themselves, we published an Investor Alert List of persons whom we received information on as undertaking financial services activity in Singapore without being authorised by MAS.
- To add depth and to allow for niche players in the fund management industry, we completed the review of and published the licence admission criteria for start-up Boutique Fund Managers.
- We published a monograph on MAS' Roles and Responsibilities in Relation to Securities Clearing and Settlement Systems in Singapore. The monograph provides details on what MAS is doing to achieve its supervisory objective of a safe and efficient financial infrastructure.
- We completed our first year of inspections of the Singapore Exchange (SGX) member firms since assuming primary responsibility for inspecting them.
- To ensure that our licence exemption criteria are being met, we conducted a thematic inspection of selected fund managers exempted from holding licences.

WORK IN PROGRESS

- In an ongoing effort to promote sound, effective and progressive corporate governance amongst financial institutions, we are enhancing the corporate governance requirements for locally incorporated banks and direct insurers.
- To enhance the consistency and robustness of our supervisory practices, we are strengthening the quality assurance process for bank supervision.
- To improve the customer due diligence regime for higher risk customers and politically exposed persons and incorporate an element of risk sensitivity, we will issue revised Notices on Money Laundering and Countering Financing of Terrorism to banks and other financial institutions.
- To strengthen the management of participating funds of life insurance policies, the Par Fund Review Workgroup will work with the Life Insurance Association to incorporate the necessary changes to the current industry guidelines. MAS will also issue a new notice on par fund management to set out the mandatory requirements.

REGULATION AND SUPERVISION

- To operationalise the SFA / FAA Amendment Acts, we will draft subsidiary instruments. We will continue to address implementation issues arising from the Amendment Acts.
- We continue to work with Singapore-incorporated banks to implement the New Basel Capital Framework.
- To enhance the regulatory regime for Real Estate Investment Trusts (REITs), we will be reviewing, amongst others, the corporate governance practices applicable to REITs as well as the Property Funds Guidelines.
- MAS conducted a public consultation on the draft Payment Systems (Oversight) Bill in December 2004. MAS has reviewed the feedback received and will incorporate the comments into the Bill, where appropriate.
- To develop a more robust and risk-based framework for liquidity risk management for all banks, MAS is reviewing the Liquidity Supervision Framework.

STABILITY OF THE FINANCIAL SECTOR

ACHIEVEMENTS

- To provide a comprehensive and regular assessment of Singapore's financial stability, we started issuing the Financial Stability Review (FSR) in December 2004. This is a semi-annual publication. The FSR assesses the health of Singapore's financial system, and aims to provide market participants, analysts and the public with a greater understanding of the issues affecting them.
- As part of our regular assessment of the health of the banking sector, we conducted surveys on the local banks' exposure to the property sector and negative housing equity.
- To assess the ability of our local banks to absorb potential shocks, we carried out two stress tests under the scenarios of a sustained increase in oil prices, severe downturn in the global electronics cycle, and sharp depreciation of the USD.
- In view of the importance of external developments for Singapore's financial stability and growth, we provided the semi-annual assessment of macroeconomic development and outlook for the G3 and key regional economies. Greater focus has been given to the risk assessment of the regional economies' financial systems. The analysis also served as inputs to our exchange rate policy review and formulation.

STABILITY OF THE FINANCIAL SECTOR

WORK IN PROGRESS

- To enhance our surveillance of the financial sector, we are strengthening our framework and approaches in identifying the potential risks and vulnerabilities. We are also working towards expanding the number of financial soundness indicators used and improving their quality.
- To further strengthen our stability assessment of the banking sector, we will continue to deepen our liquidity risk analysis of the banking system.
- We will continue to support international initiatives on financial stability, including the International Monetary Fund's coordinated compilation exercise of Financial Soundness Indicators.

CONSUMER ISSUES

ACHIEVEMENTS

- To enhance the efficiency of dispute resolution mechanisms for consumers, we facilitated the set-up of the Financial Industry Dispute Resolution Centre (FIDReC), which will provide consumers with an independent and affordable avenue for solving retail disputes with financial institutions in the banking, insurance and capital market sectors. FIDReC will be launched in the second half of 2005.
- We launched an Inflation Calculator on the MAS website which allows users to obtain inflation-adjusted prices of goods and services or wages.

WORK IN PROGRESS

- To measure consumers' understanding of financial matters, MoneySENSE conducted a national financial literacy survey. The findings will be released in the second half of 2005.
- To ensure that specific groups such as the elderly and low-income families receive financial education, we will work with community groups and other partners to develop customised programmes for these groups under the MoneySENSE national financial education programme.
- To enhance market conduct and discipline, we will work with the Central Provident Fund Board and industry associations to address the problem of improper switching and churning in the financial advisory industry.

ECONOMIC
ANALYSIS AND
MONETARY
POLICY

ACHIEVEMENTS

- To strengthen the robustness of forecasting, policy analysis and decision-making capabilities, we reviewed and enhanced the MAS' Monetary Model of Singapore and developed key leading indicators for forecasting the electronics sector.
- We completed a long-term demographic model to assist us in our analysis of the long-term sustainable growth path of the economy.
- To analyse the long-term movements of the real exchange rate against the evolving fundamentals of the Singapore economy, we produced a study on The Long-Run Real Effective Exchange Rate of Singapore: A Behavioural Approach, in collaboration with Professor Ronald Macdonald from University of Strathclyde.
- We carried out a series of industry consultations prior to our twice-yearly Monetary Policy Statement to gather views on the exchange rate and the industry more generally.
- To disseminate our analysis of developments in the Singapore economy and share with the public the basis for the policy decision conveyed in the Monetary Policy Statement, we issued eight staff papers and two Macroeconomic Reviews.
- Together with the Centre for Central Banking Studies of the Bank of England, we organised a Regional Seminar on advanced and practical research on monetary analysis.
- To improve the standard of MAS' publications and benchmark them against the standards of the Inflation Report produced by other central banks worldwide, we engaged Professor Ken Wallis of the University of Warwick to provide a critique of the Macroeconomic Review.

WORK IN PROGRESS

- We are undertaking econometric work to better understand the monetary transmission mechanism in the economy.
- In order to better appreciate the inter-linkages and financial flows between sectors and economic units, we are building a flow of funds model for the Singapore economy.
- To enhance the profile of MAS' research work and capabilities, we will continue to participate in surveillance meetings at regional/international fora and conferences. We will also be presenting Singapore's experience with its unique monetary policy framework as a case study at various forums.

CURRENCY ISSUANCE

ACHIEVEMENTS

- To enhance the durability, quality and security of notes in circulation, we introduced the S\$10 polymer portrait notes into circulation in May 2004. The notes were well received by the public with a 100% machine acceptance.
- To promote interest among collectors, the “Year of the Rooster Coin” was issued in December 2004. As it was the first time that a coloured Almanac Coin was issued in Singapore, it was very popular among collectors.

WORK IN PROGRESS

- With the positive response to the S\$10 polymer notes, we are evaluating the cost-benefit and feasibility of introducing more notes in polymer.
- We are studying the currency distribution arrangements in other countries to improve cost as well as process efficiency. We plan to discuss with banks and security couriers possible options going forward.

FINANCIAL SECTOR DEVELOPMENT & EXTERNAL RELATIONS

ACHIEVEMENTS

- To further liberalise the financial sector, Qualifying Full Banks were allowed to establish up to 25 service locations from January 2005. We are also prepared to grant a limited number of new Wholesale Bank licenses to applicants that meet our admission criteria.
- Singapore chairs the ASEAN Linkages Task Force which seeks to form an inter-linked ASEAN securities marketplace by 2010 by exploring various models of alliances and linkages. As a group, ASEAN aims to make their securities markets more accessible to global investors and attract greater liquidity and capital for domestic capital markets.
- To raise global investor interest in regional capital markets, we organised the first ASEAN Finance Ministers Investor Seminar in New York.
- To secure improved access for Singapore financial institutions, we completed the third round of financial services negotiation with our ASEAN neighbours, and free trade agreement (FTA) negotiations with Panama and South Korea.

FINANCIAL SECTOR DEVELOPMENT & EXTERNAL RELATIONS

- MAS hosted a Financial Action Task Force (FATF) Training workshop for FATF members in Asia Pacific countries and the secretariats of Asia/Pacific Group on Money Laundering (APG) and Gulf Cooperation Council. MAS experts participated in the FATF and APG evaluations of Norway and Brunei Darussalam's anti-money laundering/countering financing of terrorism framework respectively.
- To promote financial training in Singapore and to create a critical mass in this area, we launched the Financial Sector Manpower Scheme.
- To increase market transparency and better monitor patterns of foreign exchange (FX) and over-the-counter (OTC) derivatives activity in the global financial system, we participated in the Bank for International Settlements Triennial Central Bank Survey on FX and OTC Derivatives Market Activity 2004. Singapore was ranked the fourth largest forex centre in the world, and second in Asia after Tokyo.
- Capital markets in Singapore continue to grow in diversity. The REITs market in Singapore has grown. As at 31 March 2005, there were five listed REITs worth S\$10.6 billion.
- MAS announced an outplacement of S\$5 billion in funds to external fund managers in developmental funds. These funds will be invested in Asian equity and fixed income markets.
- An ASEAN Capital Markets Forum was formed to facilitate the discussion of issues of common concern among the capital markets regulators in the ASEAN region.
- To promote sound securities regulation across the region, we hosted the Asia Pacific Regional Committee (APRC) Meeting in November 2004. MAS was elected Chair of the APRC in 2004.

WORK IN PROGRESS

- Singapore will chair the ASEAN Linkages Task Force for another year as it continues to seek consensus on the most suitable model for inter-linking ASEAN's securities marketplace.
- MAS is participating in the World Trade Organisation Doha Development Agenda and the fourth round of financial services negotiation with ASEAN members. As a regional trading group, ASEAN is engaged in FTA negotiations with China, Japan and the Republic of Korea.

FINANCIAL
SECTOR
DEVELOPMENT
& EXTERNAL
RELATIONS

- MAS is participating in FTA negotiations with India and Middle East countries like Qatar and Kuwait, and also took part in the recently concluded Trans-Pacific Strategic Economic Partnership Agreement with Chile and New Zealand.

ORGANISATIONAL
EFFECTIVENESS

ACHIEVEMENTS

- To maximise the potential of staff, we have drawn up training roadmaps for all departments to develop staff's functional competencies.
- To improve the long-term effectiveness of MAS' operations, we conducted a Strategic Planning Exercise for our management staff in October 2004. The exercise outlined broad strategic thrusts as well as the business and organisational priorities for MAS for the next five years.

WORK IN PROGRESS

- To raise staff's functional competency levels, we will conduct competency profiling to identify areas for individual staff development. This will allow us to be more targeted in our training and learning programmes.
- To strengthen accountability and transparency of MAS, we embarked on the second phase of the MAS Act review. This includes revisions to enhance MAS' accountability and transparency as well as to enable us to better meet our operational requirements.