



MEDIA RELEASE

SINGAPORE TO ENHANCE FINANCIAL BENCHMARKS

Will shift the way majority of benchmarks are calculated to “traded” methodology, among the first countries in the world to do so

Singapore, 14 June 2013 – The Association of Banks in Singapore (ABS) and the Singapore Foreign Exchange Markets Committee (SFEMC) have led an initiative to enhance the robustness, transparency and efficiency of the benchmark contribution process in Singapore.

With this initiative, Singapore will be one of the first countries in the world to implement changes to the way benchmarks are calculated. It will also be aligned to the latest international standards set forth in consultation papers issued by the International Organisation of Securities Commissions (IOSCO).

In particular, Singapore will be one of the first to shift the way in which the majority of benchmarks are calculated from the current “surveyed”¹ methodology to a “traded” methodology. With a “traded” methodology, benchmarks are calculated from market trading activity instead of from surveyed submissions.

¹ A “surveyed” methodology contemplates asking banks to submit benchmark rates to a person (a calculation agent) who applies a formula in order to derive the benchmark. Contrast this with a “traded” methodology that applies the formula directly to trading information on electronic platforms.



Based on the analysis of historical data tested, this initiative will not result in increased borrowing costs for retail² or wholesale banking customers.

The ABS and SFEMC recognise that benchmarks are important as reference rates for many essential financial services. The two organisations worked on this initiative with various stakeholders such as member banks in Singapore and non-banking organisations including the International Swaps and Derivatives Association, Inc., the Association of Corporate Treasurers (Singapore), the Investment Management Association of Singapore and the Life Insurance Association, Singapore.

In line with Singapore’s status as a leading financial centre, the key guiding principles for the changes are:

- 1) To calculate benchmarks based on a “traded” methodology – that is, by using market trading data, as far as possible. This is a shift from the current practice where benchmarks are calculated based on surveyed submissions.
- 2) To enhance the administration and governance process for benchmarks with appropriate controls and supervision aligned to evolving global standards.
- 3) To discontinue benchmarks that do not have meaningful market demand.

² “Retail” refers generally to individual customers and small corporates, while “wholesale” refers generally to large corporate and institutional customers including professional participants in the financial markets.



Shift of majority of benchmarks to “traded” methodology; SGD SIBOR an exception

Presently, there are 11 benchmarks quoted in Singapore. Of these, four will be discontinued and two will be replaced with benchmarks in other jurisdictions.

Of the five remaining benchmarks, going forward, four will be calculated using market transactions instead of by surveys. They are: SGD Spot FX, THB Spot FX, IDR Spot FX, and SGD SOR (overnight, 1-month, 3-month and 6-month).

The use of a “traded” approach will ensure a direct and automated link between market trading activity and benchmark computation.

Only SGD SIBOR, which the majority of mortgages in Singapore are pegged to, will continue to be calculated by reference to surveys from banks. This is because unlike the FX markets, SGD SIBOR benchmarks are a reflection of inter-bank borrowing costs and these costs differ across banks. Although SGD SIBOR remains a surveyed benchmark, going forward, it will be subject to enhancement and regular reviews. As far as possible, banks will be required to prioritise actual transactions as the basis for their submissions.

The shift to a “traded” approach for the various spot FX rates and SGD SOR is not expected to result in increased costs for users of these benchmarks, who are primarily professionals and corporates. The SFEMC has conducted a “parallel” test of the



methodology based on traded data and results showed very small variances from previous published FX benchmarks.

Customers will be advised by their respective banks if they need to take any action.

A summary of the changes is attached as Annex 1.

Enhancing the governance and administration structure for benchmarks

Apart from the shift to a “traded” methodology, the ABS and SFEMC are also implementing a number of initiatives to further enhance the governance and administration structure for benchmarks:

- Setting out enhanced governance standards applicable to the market in a new chapter of the Singapore Guide to Conduct & Market Practices for Treasury Activities (also known as the “Blue Book”). The Blue Book is an industry best practices document which deals with detailed ethical and operating principles encountered by the financial services industry in Singapore, and which all market participants are expected to adhere to. It is routinely updated to reflect latest market developments.
- Refreshing the panel of contributors to the SGD SIBOR benchmark based on various factors reflecting their presence in the Singapore market. Going forward, there will be 20 banks on the panel.



- Establishing a new entity, ABS Benchmarks Administration Co. Pte Ltd, to carry out benchmark administration, consistent with developments internationally.
- Forming an Oversight Group to supervise benchmark administration and ensure independence, with representation from the ABS Chairman, the industry co-Chair of the SFEMC, the director of ABS, and including independent professionals appointed by ABS:
 - Thean Lip Ping - Chairman (Former Judge of Appeal)
 - Fang Ai Lian (Chairman, Great Eastern Holdings Limited)
 - Mak Yuen Teen (Associate Professor, NUS Business School)
 - Seah Seng Choon (Executive Director, Consumer Association Singapore)

Piyush Gupta, Chairman of ABS said: “The industry recognises the importance of benchmarks in the financial system as a reference rate for many financial products available in Singapore. We believe the move to a “traded” methodology whereby benchmarks are calculated using market transactions, and the enhanced governance structure, will provide customers with added assurance and further strengthen Singapore’s position as a leading financial centre.”



Discontinuation of selected benchmark rates

A number of benchmark rates will be discontinued due to low usage and market demand for these benchmarks. These, together with the last dates of publication are:

Benchmark	Last date of publication
SGD SOR rate (1 week, 2 months, 9 months and 12 months)	30 September 2013
SGD SIBOR rate (2 months and 9 months)	30 September 2013
VND spot FX rate	12 July 2013
SGD IRS rate	12 July 2013
THB SOR rate	12 July 2013
IDR SOR rate	12 July 2013

The discontinuation of these benchmarks will have limited impact on market participants, given the current low volumes.

Two other benchmarks will be replaced with benchmarks in other jurisdictions:

Benchmark	Last date of publication
MYR spot FX rate	5 August 2013
USD SIBOR rate	31 December 2013

MYR Spot FX will be replaced with the onshore MYR spot FX rate.

USD SIBOR will be replaced with USD LIBOR, the reference rate published in the UK. This is the most widely used USD interest rate benchmark globally, and its administration is regulated by the Financial Conduct Authority in the UK. Bank customers using USD SIBOR products will require a transition period and ABS member



banks will ensure adequate time for this to take place. The ABS and SFEMC recognise that the LIBOR methodology and supervision may change and will review the use of LIBOR accordingly.

From 17 June 2013, the ABS and SFEMC will also implement reference checks for all dealing staff seeking employment with banks in Singapore, to ensure professional standards are upheld at all times. Reference checks are currently required for licensed financial advisers. Subsequently, this will be implemented across the financial industry.

The ABS and SFEMC will continue to work together to enhance the financial benchmarks as international consensus evolves. The ABS and SFEMC will also review and provide feedback on MAS' policy consultation paper dated 14 June 2013.

Customers who have queries on the new measures can refer to ABS' website at: http://www.abs.org.sg/financial_faq_benchmarks.php or call the helpline at +65 6224 4300 during working hours (Monday to Friday, excluding public holidays, between 9:30 am - 5 pm).

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Note to Editors:

Association of Banks (ABS)

ABS is a non-profit organisation that represents the interests of the commercial and investment banking community. Its membership comprises 142 local and foreign financial institutions operating in Singapore. The Chairmanship of ABS rotates among the three Singapore banks.

The ABS' primary role includes:

- Representing the Commercial and Investment Banking Industry
- Uphold the integrity of member banks by working with member to develop and implement industry code of conduct and guidelines that are in line with international best practices.
- Build relationships within the Industry by building consensus among members with differing opinions and coordinate as well as gather support for projects of mutual benefit.
- Collaborating with regional and international organisations: We partner with these organisations to strengthen members' interests.

The ABS' mission is to:

- Promote Singapore's reputation as an international financial centre.
- Be a focal point and sounding board for consultation on relevant legislation/regulatory matters.
- Facilitate timely gathering and sharing of information among members.

Singapore Foreign Exchange Markets Committee(SFEMC)

The SFEMC, Co Chaired by the Industry and MAS, aims to foster the growth of Singapore as a leading international financial centre for transactions in foreign exchange, money market, fixed income and derivatives instruments.

Its specific objectives are:

- To foster the growth and development of the treasury market in Singapore;
- To enhance the stature and reputation of the Singapore markets by promoting high standards of professional conduct and competencies;
- To discuss technical issues and recommend appropriate standards and codes for use in the market. In this capacity, the Committee is responsible for the Singapore Guide to Conduct and Market Practices for Treasury Activities ("Blue Book");



- To serve as a channel of communication amongst market participants and the Monetary Authority of Singapore (MAS); and
- To mediate disputes among market participants where the parties involved agree to such mediation.

The Committee also works closely with the Association of Banks in Singapore, the Singapore Investment Banking Association, the Singapore Money Brokers Association, ACI Singapore – The Financial Markets Association and Committees of similar nature, locally and globally, involved in the financial markets.

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ANNEX 1 - SUMMARY OF CHANGES, RESULTS OF TESTING AND EXPECTED IMPACT ON CUSTOMER SEGMENTS

Note: Prior to the date of this announcement, all benchmarks are “Surveyed”

	Benchmark	Outcome	<u>Expected Impact - Retail</u>	<u>Expected Impact - Wholesale</u>
1.	THB SOR	Discontinue	NA – not used by retail segment	Very few transactions in market. Consumers and banks may liquidate positions with their counterparties
2.	IDR SOR	Discontinue	NA – not used by retail segment	Very few transactions in market. Consumers and banks may liquidate positions with their counterparties
3.	SGD IRS	Discontinue: all maturities	NA – not used by retail segment	Very few transactions in market. Consumers and banks may liquidate positions with their counterparties
4.	VND Spot FX	Discontinue	NA – not used by retail segment	Very few transactions in market. Consumers and banks may liquidate positions with their counterparties
5.	SGD Spot FX	Transit to Traded Benchmark	NA – not used by retail segment	Testing shows minimal change to benchmark, little impact on transactions. Participants should sign up to multipartite or bipartite amendment agreements – follow processes advised by trade associations ¹
6.	THB Spot FX	Transit to Traded Benchmark	NA – not used by retail segment	Testing shows minimal change to benchmark, little impact on transactions. Participants should sign up to multipartite or bipartite amendment agreements – follow processes advised by trade associations
7.	IDR Spot FX	Transit to Traded Benchmark	NA – not used by retail segment	Testing shows minimal change to benchmark, little impact on transactions. Participants should sign up to multipartite or bipartite amendment agreements – follow processes advised by trade associations
9.	MYR Spot FX	Transit to Alternative : onshore	NA – not used by retail segment	Testing shows minimal change to benchmark, little impact on transactions. Participants should sign up to multipartite or bipartite amendment agreements – follow processes advised by trade associations
9.	USD SIBOR	Transit to Alternative : USD LIBOR	Testing shows minimal change to benchmark, little impact anticipated on loans. Customers will be advised by banks on any actions.	Testing shows minimal change to benchmark, little impact anticipated on loans. Customers will be advised by banks on any actions.

¹ The International Swaps and Derivatives Association, Inc., the SFEMC, the Emerging Markets Trade Association and the New York Foreign Exchange Committee

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10.	SGD SOR	Discontinue: 1w,2m,9m,12m	Customers will be advised by banks on any actions.	Customers will be advised by banks on any actions.
		Transit to Traded Benchmark: O/N,1m,3m,6m	Testing shows minimal change to benchmark, little impact anticipated on loans. Customers will be advised by banks on any actions.	Testing shows minimal change to benchmark, little impact anticipated on loans. Customers will be advised by banks on any actions.
11.	SGD SIBOR	Discontinue: 2m,9m	Customers will be advised by banks on any actions.	Customers will be advised by banks on any actions.
		Continue as Surveyed Benchmark but with Improved Governance: 1m,3m,6m,12m	None	None