Insolvency, criminal proceedings and bank losses

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Judicial management as the instrument of first resort

In all three cases the courts used judicial management, the Singapore procedure in which an independent insolvency practitioner takes over the management of a company to preserve its business or achieve a better realisation than a winding up. The procedure suited cases of suspected fraud because it removed the existing management at once. It gave the judicial managers powers to investigate, to secure documents and to identify assets while the moratorium protected the estate. In Agritrade the banks used the fraud allegations to defeat the debtor's own moratorium application and to obtain judicial management under independent control. In ZenRock a creditor bank applied directly. In Hin Leong the company itself applied for protection, although control passed promptly to PwC.

The Insolvency, Restructuring and Dissolution Act 2018 came into force on 30 July 2020, after the three appointments had been made. It consolidated the provisions on judicial management, schemes of arrangement and winding up that had until then been contained in the Companies Act.[1] The appointments of 2020 therefore fell under the earlier provisions, while the later stages of the cases, including the

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liquidations, proceeded under the new Act. For the purposes of this chapter it suffices that the framework gave creditors quick access to independent control in the crisis of 2020.

Losses and the retreat of the banks

The losses of the banks appeared in their quarterly results almost at once. HSBC reported expected credit losses of US$3 billion for the first quarter of 2020 and attributed part of the increase to a significant charge on a corporate exposure in Singapore. ABN Amro cited a potential fraud case in Singapore as one of two exceptional files that accounted for impairments of €460 million. ABN Amro later withdrew entirely from trade and commodity finance. Société Générale, BNP Paribas and other lenders consolidated or reduced their activity in the sector.[2]

The Monetary Authority of Singapore saw the danger of an indiscriminate retreat. In a statement of 21 April 2020 it urged the banks not to de-risk indiscriminately and to apply judicious credit assessments to individual borrowers. The warning could not prevent a contraction of credit for smaller traders. Traders in Hong Kong reported that banks had tightened credit to energy businesses overnight after the Singapore cases and that they had to lower their trading targets. The large trading houses, by contrast, benefited from a flight to quality, since banks concentrated their lines on the strongest names.[3]

Two years later the authorities described the market as stable. In May 2022 the Senior Minister in charge of MAS told Parliament that Singapore banks' exposure to commodity finance had stood at S$109 billion at the end of 2021, about 9 % of their total credit exposure, and that financing conditions for traders remained stable.[4] Industry sources at the time reported a divided market, in which large traders enjoyed record earnings and easy access to finance while small and medium-sized firms struggled.

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The other cases of 2020

The three cases discussed in this chapter were the largest of a series. In July 2020 CIMB applied for judicial management of Hontop Energy, alleging that the company had "concocted and masterminded complex synthetic transactions" to obtain trade finance. CIMB sought to recover just under US$105 million, while Hontop owed over US$468 million to other banks. Allegations of duplicate financing or fabricated trades were also made in connection with Sugih Energy and other traders. Outside Singapore, fraud allegations followed the collapses of GP Global and of Phoenix Commodities in the United Arab Emirates. The cumulative effect was a crisis of confidence in the documentary basis of commodity finance, which extended well beyond any single borrower.[5]

Banks against counterparties

Where the borrower was insolvent, banks sought recovery from others in the chain of transactions. The Hin Leong estate produced a series of such cases. UniCredit had issued a letter of credit for Hin Leong's purchase of fuel oil from Glencore in November 2019, in a sale and buy-back that served as working capital finance. Hin Leong then concealed the resale from the bank. In 2022 the High Court rejected all of UniCredit's claims against Glencore. On 27 November 2023 the Court of Appeal dismissed the appeal on the remaining claim in deceit, finding no false representation by Glencore and no causation. The bank could have required delivery of the bills of lading and had accepted the risk when it did not.[6]

Banks that had refused to pay were more successful. Winson Oil sued Standard Chartered and OCBC for more than US$60 million under two letters of credit for gasoil cargoes sold to Hin Leong in March 2020. The banks had refused payment. In August 2023 the High Court found that the documents were forged, that the cargoes had already been sold to others and that the circular trade, which ran from Hin Leong through Trafigura and Winson back to Hin Leong, had been pre-structured from the start. The Court of Appeal dismissed Winson's appeal in August 2024. It held that reckless indifference to the genuineness of the documents amounted to

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fraud for the purpose of the fraud exception, which it considered no broadening of that exception. Winson's failure to ask Hin Leong or Ocean Tankers for evidence of loading showed "abject indifference".[7]

Banks against shipowners

A second line of recovery led to the shipowners that had delivered cargo without production of the original bills of lading, usually against a letter of indemnity. In 2022 the High Court sent a claim by Standard Chartered against Maersk over a cargo worth about US$6.1 million financed for Hin Leong to trial. It also refused OCBC summary judgment against the owners of the tanker *STI Orchard*. UOB succeeded. Maersk Tankers had discharged gasoil that Hin Leong had bought from Winson in early 2020 against a letter of indemnity, without production of the original bills of lading. In November 2024 the High Court ordered Maersk to pay UOB US$39 million. On 5 September 2025 the Court of Appeal dismissed Maersk's appeal and held that a bank that holds the original bills of lading acquires the rights they confer by operation of law, whatever its motives in taking them.[8]

The auditor

The liquidators of Hin Leong also sued Deloitte, the company's auditor from 2003 to 2020. On 16 July 2026 the Court of Appeal struck out the largest claim, for US$2.6 billion of trading losses incurred between 2015 and 2020. It held that the losses were too remote from the work of a statutory auditor. The credit that the clean audit opinions had helped to obtain caused no loss in itself, because each new liability was matched by the funds the company received. Nor could the auditor have known how those funds would be used. Claims for about US$90 million of dividends allegedly declared wrongfully in 2017 and 2018 and for audit fees of about US$612,000 continue.[9] The court left open whether an auditor owes a duty to creditors. For lenders the decision confirms that an audit opinion does not shift the credit risk from the bank to the auditor.

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The penal response

The criminal courts treated the frauds as offences against the financial centre itself. The sentence of twenty years for Agritrade's chief financial officer and that of seventeen and a half years for the founder of Hin Leong reflect that view. The prosecution in the Hin Leong case argued that the offences had affected Singapore's financial services and potentially undermined confidence in its oil industry. It noted that the sum involved was second only to the Agritrade case, in which the chief financial officer had not been the mastermind.[10] The reasoning is distinctive. The sentencing court weighed the harm to the individual bank and also the harm to the reputation of the market, which in a financial centre is a public good. The appeal set limits to that approach. In March 2026 the High Court held that the district judge had given too much weight to the argument about public confidence in the oil trading sector and reduced the sentence accordingly.[11]

Common misconception

The collapses of 2020 are often attributed to the oil price crash and the pandemic. The crash exposed frauds that were already years old. Agritrade's falsified accounts went back to 2017. The Commercial Affairs Department had raided its office in January 2020, before the price collapse. Hin Leong's judicial managers described years in which new borrowing financed old losses. A market shock shortens the life of a fraud that depends on rising prices and continuous new credit. The underlying failure lay in documents that no one verified against independent data.

Notes

1. Insolvency, Restructuring and Dissolution Act 2018 (Act 40 of 2018), in force 30 July 2020. ↩
2. GTR, 20 May 2020 (above): HSBC expected credit losses of US$3 billion in the first quarter of 2020, including "a significant charge related to a corporate exposure in Singapore"; ABN Amro cited "a potential fraud case in Singapore" as one of two exceptional files accounting for €460 million in impairments –

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GTR, 14 October 2020 (above): Société Générale, BNP Paribas and ABN Amro consolidating, limiting or withdrawing from commodity finance; GTR, "Swiss banks take on fraud with tough commodity finance standards", 3 November 2021: ABN Amro and BNP Paribas exited trade and commodity finance entirely. ↩

3. GTR, 20 May 2020 (above): MAS statement of 21 April 2020 urging banks "not to de-risk indiscriminately"; "banks are expected to apply judicious credit assessments on individual borrowers" – GTR, "Hong Kong oil traders unable to obtain finance after Singapore fraud scandal", 21 October 2020: NewOcean Energy and Strong Petrochemical cited the Singapore fraud cases as hurting access to bank credit; NewOcean said banks tightened credit to energy businesses overnight; Strong Petrochemical reduced its annual trade target; Glencore executives described the banks' de-risking as "a flight to quality". ↩
4. GTR, "Singapore authorities say commodity finance 'stable' amid growing market concerns", 11 May 2022: Singapore banks' commodity finance exposure of S$109 billion (US$79 billion) at end-2021, about 9 % of overall credit exposure; Enterprise Singapore's contacts suggest conditions "remain stable"; MAS sees no need to provide liquidity to commodity firms. ↩
5. GTR, "Singapore oil trader Hontop faces fraud claims: what went wrong?", 22 July 2020: CIMB sought judicial management of Hontop at the start of July 2020; allegation that Hontop "concocted and masterminded complex synthetic transactions"; CIMB sought just under US$105 million; Hontop owed over US$468 million to other banks – GTR, 21 October 2020 (above): ZenRock, Sugih Energy, Hontop and others faced accusations of duplicate financing or fake trades – GTR, 3 November 2021 (above): fraud allegations also followed the downfalls of Phoenix Commodities (UAE) and GP Global. ↩
6. GTR, "Court rejects UniCredit's second try at fraud win against Glencore", 29 November 2023: Court of Appeal decision of 27 November 2023 (Sundaresh Menon CJ); UniCredit sought US$37.2 million; Hin Leong applied for the letter of credit in November 2019 for 150,000 tonnes of fuel oil from Glencore in a sale and buy-back; all six claims rejected at first instance in 2022; no representation, no causation, no fraudulent intent. ↩

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7. GTR, “Singapore trader presented fraudulent documents to Standard Chartered, OCBC, court finds”, 21 August 2023: Winson claimed over US$60 million for two gasoil cargoes sold to Hin Leong in March 2020; copies of bills of lading appeared to be forged and signed by Hin Leong employees; the circular trade Hin Leong–Trafigura–Winson–Hin Leong was “pre-structured… from the start” – GTR, “Commodity trader loses appeal in Singapore LC fraud case”, 21 August 2024: the Court of Appeal dismissed Winson’s appeal; recklessness recognised without broadening the fraud exception; red flags included new invoices and indemnities, requests for payment without loading or inspection documents and refusal to repurchase; failure to ask Hin Leong or Ocean Tankers for loading evidence showed “abject indifference”. ↩

8. GTR, “Analysis: Banks face trickier fights against shipowners to recover commodities losses”, 1 November 2022: Standard Chartered v Maersk (High Court, 2022), summary judgment set aside over alleged misdelivery of US$6.1 million of oil financed for Hin Leong; OCBC refused summary judgment against Scorpio Tankers, owners of the *STI Orchard* – GTR, “Maersk loses appeal in US$39mn Hin Leong misdelivery case”, 8 September 2025: High Court judgment for UOB in November 2024; Court of Appeal dismissed the appeal on 5 September 2025; Maersk to pay US$39 million; UOB’s intention in acquiring the bills does not change the rights acquired by operation of law; a deduction for recoveries from Hin Leong’s liquidators was rejected. ↩

9. GTR, “Deloitte not liable for US$2.6bn in Hin Leong trading losses, court rules”, 17 July 2026: Court of Appeal (five judges, judgment by Ang Cheng Hock JCA) struck out on 16 July 2026 the claim for US$2.6 billion of trading losses from 2015 to 2020 as “too remote”; claims for US$90 million of dividends declared in 2017 and 2018 and US$612,000 of audit fees remain; extending credit alone caused no loss because the added liabilities were matched by added assets, and Deloitte could not have known how the borrowed funds were used; Deloitte audited Hin Leong from 2003 to 2020; the question whether an auditor owes duties to creditors was left open. ↩

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10. GTR, 18 November 2024 (above): prosecutors argued the amounts were "quite unprecedented" in Singapore's criminal history and that the offences affected Singapore's financial services and potentially undermined confidence in its oil industry; the sum was second only to Lulu Lim's Agritrade case, although she was not deemed the scheme's "mastermind". ↩
11. *The Star*, 31 March 2026 (above): the High Court found that the district judge had given too much weight to the prosecution's argument that the offences undermined public confidence in the oil trading sector. ↩

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