Liberalisation after 1998: Banks, Markets and the Opening of the Sector: summary

Dr Alexander Ressos, TEP
Attorney-at-Law (Switzerland and Germany),
Solicitor (England & Wales and Hong Kong)
Of Counsel, KGP Legal LLC
alexander.ressos@kgplegal.com.sg
www.ressos.com.sg

The Financial Sector Review Group, chaired by Lee Hsien Loong from 1997, worked through private sector committees and changed the philosophy of MAS from detailed regulation to supervision, disclosure and the active promotion of the financial sector. The banking liberalisation announced on 17 May 1999 opened the domestic market in calibrated steps through Qualifying Full Bank and Wholesale Bank licences, lifted the 40 per cent limit on foreign ownership of local banks and kept the local banks' share of resident deposits well above the policy floor of 50 per cent. Under the pressure of this opening, the seven local banking groups consolidated into DBS, OCBC and UOB between 1998 and 2001, while new rules on nominating committees, control thresholds and the separation of non-financial business reformed their governance and ownership. The demutualisation of SES and SIMEX into the Singapore Exchange, the abolition of fixed brokerage commissions, the Securities and Futures Act and the gradual liberalisation of the Singapore dollar turned a protected stock market into a disclosure-based capital market open to foreign participants. MAS completed the reform with a risk-based supervisory

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framework that calibrates supervision to the impact and risk of each institution and relies on boards and on market discipline supported by deposit insurance, while expressly accepting that not every failure can be prevented.

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Author contact: Dr Alexander Ressos, TEP · contact@ressos.com