Sanctions risk

Dr Alexander Ressos, TEP
Of Counsel, KGP Legal LLC
Attorney-at-Law (Switzerland and Germany), Solicitor (England & Wales and Hong Kong)

Three layers of sanctions law

Sanctions reach Singapore at three levels. The first consists of measures adopted by the United Nations Security Council, which Singapore implements as a matter of international obligation. For financial institutions the Monetary Authority of Singapore gives effect to them through regulations made under section 192 of the Financial Services and Markets Act 2022.[1] The second consists of Singapore's own measures, which are rare. The third consists of the unilateral sanctions of other states, above all the United States, the European Union and the United Kingdom, which are not part of Singapore law but reach Singapore businesses through their connections with those jurisdictions.

The second layer deserves attention because it is so thin: apart from the measures against Russia, the only financial measures that the Monetary Authority lists outside the United Nations framework concern violent Israeli settlers. Singapore's doctrine, set out in Chapter H.IV, holds that a small state should act through the United Nations. It departs from that doctrine only where an action strikes at the principles on which its own survival depends.

The Russian test of 2022

The invasion of Ukraine was such a case. On 28 February 2022 Singapore announced banking measures against Russia, the first Southeast Asian country to impose sanctions of its own.[2] The Ministry of Foreign Affairs explained the measures on 5 March 2022. It noted that a resolution of the Security Council had failed because of Russia's veto and that sovereignty and territorial integrity were vital to a small state.[3] The package prohibited dealings with four Russian banks and froze their assets, banned fundraising for the Russian government and central bank, and restricted exports of military and certain dual-use electronic goods. It also prohibited the use of crypto-assets to circumvent the measures.[4]

The measures were narrow by European standards. They did not freeze the assets of Russian individuals generally or ban trade in Russian oil. Their significance lay in the principle. Singapore showed that its refusal to adopt unilateral sanctions has a limit and that the limit is defined by the rules of international law that protect small states. For the financial centre the decision had a reputational value that outweighed its commercial cost. Western banks and regulators could see Singapore as a partner in the defence of the international order, while other governments could see that Singapore had acted on its own stated principle.

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Secondary sanctions and the dollar

American sanctions extend further than the measures Singapore adopts. Primary sanctions bind American persons and transactions with an American nexus, including payments in dollars. Secondary sanctions threaten foreign persons who deal with designated targets. On 22 December 2023 the United States amended its Russia sanctions programme by an executive order that "authorizes the imposition of U.S. sanctions on foreign financial institutions" which facilitate significant transactions involving Russia's military-industrial base.[5] A Singapore bank that complies with every Singapore rule can therefore lose its access to dollar clearing if it processes payments that Washington regards as support for Russia's war.

The practical consequence is that Singapore's financial institutions treat American designations as binding constraints on their business. They screen against the lists of the Office of Foreign Assets Control and decline business that their correspondent banks would refuse. Chapter H.IV describes the designations that have touched Singapore companies and the maritime risks of ship-to-ship transfers. At the level of the financial centre, the dependence on the dollar is the decisive fact. As long as international trade, commodity pricing and much of Asian wealth are denominated in dollars, American policy will reach Singapore's banks whatever the content of Singapore law.

Conflicting obligations

The rivalry with China adds a further complication. American measures against Chinese companies, from Entity List designations to sanctions on officials, may conflict with Chinese law, which penalises compliance with foreign sanctions in certain circumstances. A Singapore bank with branches in both countries, or a family office whose principal is a Chinese national with assets in the United States, may find itself caught between two legal orders that make opposite demands. Singapore law does not resolve that conflict. The institution must decide which risk it can bear, a decision that is commercial and reputational as much as legal.

The conflict is so far largely potential. China has used its Anti-Foreign Sanctions Law sparingly and mostly against American defence companies and individuals. Chinese banks have themselves tended to comply with American sanctions in their international business, because they too depend on dollar clearing. The risk lies in escalation. A crisis over Taiwan or in the South China Sea could lead to sanctions and counter-sanctions far broader than anything seen so far, as the scenarios below consider.

Common misconception

Because Singapore does not adopt unilateral sanctions, it is sometimes assumed that sanctioned persons can bank there freely. In practice, Singapore's banks screen against American, European and British lists because they depend on correspondent banking in those currencies. Singapore also adopted its own measures against Russia in 2022 and prohibited the use of crypto-assets to circumvent them. A Singapore account offers no shelter from Western sanctions. Any attempt to use it for that purpose exposes both client and bank to serious consequences.

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Notes

1. Monetary Authority of Singapore, "Targeted Financial Sanctions" (mas.gov.sg, accessed November 2026): the Financial Services and Markets Regulations give effect to UN Security Council sanctions for financial institutions, made under section 192, read with sections 15(1)(b) and 219(d), of the Financial Services and Markets Act 2022; financial measures in relation to Russia (Notice SNR-N01); financial measures in relation to Violent Israeli Settlers (Notice SNR-N03).
2. Wikipedia, "International sanctions during the Russian invasion of Ukraine" (accessed November 2026): on 28 February 2022 Singapore announced banking sanctions against Russia, the "first Southeast Asian country to impose sanctions on Russia".
3. Ministry of Foreign Affairs of Singapore, press statement on sanctions and export controls against Russia, 5 March 2022 (mfa.gov.sg): "Russia's invasion of Ukraine contravenes the UN Charter"; a Security Council resolution failed because of Russia's veto; Singapore would act with like-minded countries.
4. Ministry of Foreign Affairs of Singapore, press statement of 5 March 2022: financial institutions prohibited from transacting with VTB Bank, Vnesheconombank, Promsvyazbank and Bank Rossiya, whose assets were to be frozen; prohibition on new securities dealings, loans and fundraising for the Russian government, central bank and controlled entities; export controls on military goods and dual-use items in the electronics, computers and telecommunications categories under the Strategic Goods (Control) Order 2021; prohibition on "entering into or facilitating any transactions involving cryptocurrencies" to circumvent the measures.
5. US Department of the Treasury, "Statement from Secretary Yellen on President Biden's Executive Order Taking Additional Steps With Respect to Russia's Harmful Activities", press release JY2011, 22 December 2023: "The new amendment to E.O. 14024 authorizes the imposition of U.S. sanctions on foreign financial institutions".

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