Scenario four: integrity crisis

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The precedents

The fourth scenario takes the threats that Part E and Part H described and asks what would happen if one of them materialised on a larger scale. Singapore has twice experienced integrity shocks in the recent past. In the 1MDB affair, examined in Chapter VI of Part E, the United States Department of Justice found that more than US$4.5 billion had been diverted from the Malaysian state fund.[1] After part of the money had passed through banks in Singapore, the Monetary Authority imposed penalties totalling S$29.1 million on eight banks.[2] In the money laundering case of August 2023, the police seized or issued prohibition of disposal orders on more than S$3 billion in assets in what the Inter-Ministerial Committee on Anti-Money Laundering described as one of the world's largest crackdowns on money laundering.[3] On 4 July 2025 the Authority imposed penalties of S$27.45 million on nine financial institutions for breaches of anti-money laundering requirements in connection with the case.[4]

The international verdict on Singapore's response was positive. The mutual evaluation report that the Financial Action Task Force published on 6 May 2026 placed Singapore on regular follow-up, the process reserved for members that have done well. It also identified areas for improvement, including awareness of

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proliferation financing risks in sectors outside the traditional scope of the standards and the mitigation of risks from foreign legal persons and arrangements.[5] Chapter III of Part H examines the report in detail.

How a crisis would unfold

The integrity crisis of the scenario is larger than its precedents and touches the core of the centre. Several triggers are plausible. A family office structure could turn out to have served as the vehicle for the proceeds of corruption in a large neighbouring state. A commodity trading house could be found to have organised the evasion of sanctions through Singapore entities on a systematic scale, as the collapses of 2020 described in Chapter II of Part H showed in the different field of trade finance fraud. A crypto-asset platform with Singapore links could fail with losses for clients across Asia. A bank could be found to have processed transactions for a sanctioned state over several years.

The consequences would follow a known pattern. Foreign authorities, above all in the United States, would open investigations and impose penalties on the institutions involved. Correspondent banks would reduce their exposure to Singapore entities in the affected sector. The international press would describe Singapore as a haven for illicit money, a narrative that the city has worked for decades to avoid. Clients who value discretion would ask whether their own affairs could be drawn into public proceedings, while clients who value reputation would ask whether their association with Singapore had become a liability. The government would respond with legislation and enforcement, which would raise the cost of doing business for every legitimate firm.

Why response capacity is not enough

Singapore's capacity to respond to such a crisis is high. Its government acts quickly, its regulators have broad powers and its courts deal with financial crime efficiently. The response to the case of 2023 showed this capacity: an inter-ministerial committee set up within three months, a report with recommendations under the headings of proactive prevention, timely detection and effective enforcement, new

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legislation on corporate service providers and on money laundering, and penalties on the institutions concerned. The chairman of the committee, Indranee Rajah, opened its report with a sentence that summarises the stakes of the fourth scenario: "Trust is the cornerstone of a sound financial centre and business hub."[6] She added that Singapore would continue to welcome legitimate investors while remaining watchful, "to avoid tarnishing our hard-earned reputation as a trusted business hub".[7]

Response capacity limits the damage once a crisis has broken. The harm to reputation persists long after the legal proceedings have ended. The history of Geneva, told in the parallel volume, shows how long a reputation for harbouring illicit wealth can follow a financial centre. Singapore's advantage lies in the fact that its reputation has been built on the opposite claim. That advantage also makes it more vulnerable, since a scandal contradicts the very proposition that the centre sells.

Conditions for avoiding the scenario

The integrity crisis is the scenario that Singapore can influence most directly. It depends on the daily conduct of banks, trust companies, corporate service providers, lawyers, accountants and family offices. The lessons of 2023 point to the critical controls: verification of the source of wealth by independent evidence, scrutiny of complex structures and of persons holding several nationalities, review of red flags by people with the authority to refuse business, and cooperation between institutions and authorities. Chapter III of Part H described the legal framework, while Chapter V of Part H dealt with enforcement and cross-border cooperation. The fourth scenario adds a point of strategy: the cost of one major crisis to the whole centre exceeds the cost of rigorous compliance in every firm combined.

Signposts

Indicators of rising integrity risk include rapid growth in a segment whose gatekeepers are lightly supervised, a concentration of new wealth from a single source country with a record of corruption or capital flight, an increase in suspicious

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transaction reports without a corresponding increase in investigations, foreign enforcement actions naming Singapore entities and critical findings in the follow-up reports of the Financial Action Task Force.

Notes

1. Wikipedia, "1Malaysia Development Berhad scandal" (accessed November 2026): the US Department of Justice found that Low and other conspirators "diverted more than US$4.5 billion from 1MDB"; Singapore authorities seized assets totalling S$240 million. ↩
2. Monetary Authority of Singapore, media release "Financial penalties imposed on Credit Suisse and UOB for 1MDB-related transactions", 30 May 2017 (mas.gov.sg, accessed November 2026): penalties of "S$29.1 million in aggregate" on eight banks (BSI Bank, Falcon Bank, DBS, UBS AG, Standard Chartered Bank, Coutts, Credit Suisse and UOB). ↩
3. Inter-Ministerial Committee on Anti-Money Laundering, *Report*, October 2024 (mas.gov.sg, accessed November 2026), Foreword: the Singapore Police Force executed "one of the world's largest crackdowns on money laundering in August 2023"; "More than $3 billion in assets were seized or issued with prohibition of disposal orders, and ten persons have been arrested and convicted"; the IMC was set up in November 2023. ↩
4. Wikipedia, "2023 Singapore money laundering case" (accessed November 2026), timeline: "4 July 2025 – The Monetary Authority of Singapore (MAS) imposes S$27.45 million in penalties on nine financial institutions for breaches of AML requirements in relation to the case", citing MAS, "MAS Takes Regulatory Actions against 9 Financial Institutions for Anti-Money Laundering Related Breaches". ↩
5. Ministry of Finance, "Singapore has a robust framework for combatting financial crime according to international body", 6 May 2026 (mof.gov.sg, accessed November 2026): the FATF published the report on that day; the report "places Singapore on Regular Follow-up, which is the process for

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FATF members that have done well"; areas for improvement in proliferation financing risk awareness and risk mitigation for foreign legal persons and legal arrangements. ↩

6. Inter-Ministerial Committee on Anti-Money Laundering, *Report*, October 2024, Foreword by the IMC Chairperson: "Trust is the cornerstone of a sound financial centre and business hub. It provides individuals and businesses with the confidence to conduct their activities. At the same time, this trust can also be undermined by criminals seeking a safe haven for their illicit assets." ↩
7. Ibid., Foreword: "We continue to welcome legitimate investors and businesses, while remaining watchful and not falling prey to the allure of dirty money, to avoid tarnishing our hard-earned reputation as a trusted business hub." ↩

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