SIMEX, Barings and the Discipline of Markets: summary

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

Singapore's stock exchange grew from a brokers' association of 1930 into a market shared with Malaysia until 1973, while the Pan-Electric crisis of 1985, which closed the exchange for three days, led to the Securities Industry Act 1986 and stronger supervision by MAS. SIMEX, founded in 1984 as Asia's first financial futures exchange and linked with the Chicago Mercantile Exchange through a mutual offset system, made Singapore a centre for trading Eurodollar and Japanese risk, above all through its Nikkei 225 contract. In 1995 the unauthorised trading of Nick Leeson, who controlled both front and back office of Barings Futures Singapore, caused losses of £827 million, or £927 million with close-out costs, which destroyed Barings, while SIMEX collected every margin call and no Singapore institution suffered a loss. The inquiries in London and Singapore placed responsibility on the management and controls of Barings, whose collapse led to the Windsor Declaration of 1995, the information-sharing agreements of 1996 and Singapore's move from detailed regulation towards supervision, disclosure and market discipline. The demutualisation and merger of the two exchanges into the Singapore Exchange in 1999, its listing in 2000, the Securities and Futures Act 2001 and the equities market reforms of 2024 to 2026 completed the transformation of a brokers' club into a listed market operator whose strength today lies in offshore derivatives on Asian markets.

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