Supervisory philosophy: prudence and reputation

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

Strict admission and the refusal of BCCI

The supervisory approach of the young Authority was shaped by its lack of a track record. Lee Hsien Loong later summarised it as "centred on a strict admission policy, high prudential requirements, and rigorous enforcement". The Authority sought to maintain systemic stability, to protect individual institutions from failing and to protect the public and investors from losses. This approach was considered necessary to establish credibility with international financial institutions and their home regulators.[1]

The most cited example is the Bank of Credit and Commerce International. The Authority refused BCCI entry to Singapore despite persistent lobbying. When the bank later collapsed amid fraud on a global scale, Singapore was spared the fallout. The episode raised the reputation of the Authority as a thorough and uncompromising regulator.[2] The episode established a pattern that recurs throughout the history of the financial centre. The Authority treated the quality of the institutions it admitted as a matter of national reputation and was prepared to forgo business to protect it.

© 2026 Dr Alexander Ressos. General information only, not legal, tax or investment advice. No client relationship is created. All Singapore law advice is provided by a duly licensed and regulated firm of Singapore advocates and solicitors only on the basis of an express written letter of engagement. More information at SingaporeIQ.com and ressos.com.sg.

The Pan-Electric crisis of 1985

Even the strict approach could not prevent every failure. On 30 November 1985 Pan-Electric Industries, a holding company with interests in hotels, property and marine operations, collapsed and was placed in receivership. It owed $453 million to 35 banks and had $160 million in unfulfilled forward contracts with stockbrokers. The stock exchange closed from 2 to 4 December 1985. In the meantime the Authority organised a lifeboat in the form of a $180 million line of credit, underwritten by the four large local banks, together with a three-month moratorium on the recall of loans to stockbrokers.[3]

Lee Hsien Loong called it the Authority's “one major failure”. In response the Authority revamped the Securities Industry Act and tightened its supervision of the stock exchange and the securities industry. The tighter approach spread to other parts of the financial sector and continued until 1997.[4] Chapter II of Part D returns to the regulation of the exchanges and to the collapse of Barings in 1995, which tested the Authority's crisis management once more.

The shift after 1997

From 1997 the Authority reviewed its whole policy framework, a review that led to a fundamental change of emphasis in supervision. The Authority moved from “one-size-fits-all” regulation of institutions to risk-focused supervision, and from merit-based regulation of products to a disclosure-based regime. At the same time it liberalised access to the financial industry to stimulate competition, a process that Chapter IV of Part D describes. The chairman explained the change with a nautical image: a captain whose sole objective was to protect his ship would never leave port.[5]

The reform kept the commitment to prudence while renewing the methods by which the Authority pursued it. The Authority announced a framework built on risk-focused consolidated supervision, harmonised regulation, sound corporate governance and effective market discipline. It also set out to replace a patchwork of

© 2026 Dr Alexander Ressos. General information only, not legal, tax or investment advice. No client relationship is created. All Singapore law advice is provided by a duly licensed and regulated firm of Singapore advocates and solicitors only on the basis of an express written letter of engagement. More information at SingaporeIQ.com and ressos.com.sg.

licensing regimes with a single modular regime for capital markets intermediaries under the new Securities and Futures Act and a single regime for financial advisers.[6] Chapter I of Part E examines these statutes.

Reducing the risk of failure

The Authority set out its supervisory philosophy in a monograph, *Objectives and Principles of Financial Supervision in Singapore*, released on 19 April 2004. It stated that, in seeking financial stability, it did not aim to prevent the failure of every financial institution. It also stated that consumers bear principal responsibility for their own financial decisions, describing its own approach as "proactive and risk focused".[7]

The framework for impact and risk assessment, first published in April 2007 and revised in March 2024, develops the point. A "zero failure" regime, it explains, would place an excessive regulatory burden on financial institutions and could impair the efficiency of the financial system. The Authority aims to reduce the risk and impact of failure through more intensive supervision where it is appropriate and likely to be effective. The intensity of supervision depends on the impact an institution would have if it failed and on its assessed risk. The Authority evaluates that risk through its Comprehensive Risk Assessment Framework and Techniques, known as CRAFT.

The same document places the primary responsibility for risk oversight with the board and senior management of each institution. They are responsible for the processes and controls that manage the institution's risks, for regulatory compliance and for fair dealing with customers.[8] The emphasis on individual responsibility of senior managers anticipates the guidelines on individual accountability and conduct discussed in Chapter I of Part E.

Reputation as a statutory priority

The current text of the Act states the balance between the Authority's roles explicitly. Section 4(1) lists four principal objects: price stability, a sound financial centre and financial stability, the prudent management of the official foreign

© 2026 Dr Alexander Ressos. General information only, not legal, tax or investment advice. No client relationship is created. All Singapore law advice is provided by a duly licensed and regulated firm of Singapore advocates and solicitors only on the basis of an express written letter of engagement. More information at SingaporeIQ.com and ressos.com.sg.

reserves and the growth of Singapore as an internationally competitive financial centre. Section 4(1A) provides that the object of a sound financial centre and financial stability prevails over the object of growing Singapore as a competitive financial centre.[9]

The priority rule translates into law a principle that the Authority had practised since the refusal of BCCI. A regulator that is also charged with promoting its financial centre faces an obvious conflict of interest, which Singapore resolved by subordinating promotion to soundness. The integrity shocks examined in Chapter VI of Part E, from 1MDB to the money laundering case of 2023, show how seriously the Authority treats damage to the reputation of the centre. They also show that the conflict never disappears entirely.

Notes

1. Lee Hsien Loong, address at the MAS 30th Anniversary Conference, 20 July 2001, *BIS Review* 67/2001, p. 2: MAS' approach "was centred on a strict admission policy, high prudential requirements, and rigorous enforcement"; it sought to protect individual institutions from failing and the public and investors from losses; this approach was "necessary to establish credibility with international financial institutions and their home regulators". ↩
2. Lee Hsien Loong, address at the MAS 30th Anniversary Conference, 20 July 2001, *BIS Review* 67/2001, p. 2: Singapore "had been spared the fallout from the collapse of BCCI because MAS had steadfastly refused BCCI entry despite persistent lobbying", which raised MAS' reputation "as a thorough and uncompromising regulator". ↩
3. Lee Hsien Loong, address at the MAS 30th Anniversary Conference, 20 July 2001, *BIS Review* 67/2001, p. 2: Pan-El "was a holding company with interests in hotels, property and marine operations"; "MAS closed the stock exchange for 3 days while a lifeboat fund was organised". Barbara Quek, "The Making of the Monetary Authority of Singapore", *BiblioAsia*, October–December 2022: Pan-Electric collapsed on 30 November 1985 and was placed under receivership; debts of $453 million to 35 banks and $160 million in unfulfilled

© 2026 Dr Alexander Ressos. General information only, not legal, tax or investment advice. No client relationship is created. All Singapore law advice is provided by a duly licensed and regulated firm of Singapore advocates and solicitors only on the basis of an express written letter of engagement. More information at SingaporeIQ.com and ressos.com.sg.

forward contracts; exchange closed from 2 to 4 December 1985; $180 million lifeboat fund underwritten by the Big Four local banks; three-month moratorium on loan recalls to stockbrokers. ↩

4. Lee Hsien Loong, address at the MAS 30th Anniversary Conference, 20 July 2001, *BIS Review* 67/2001, p. 2: "we did have one major failure – the Pan-El crisis in 1985"; MAS revamped the Securities Industry Act and tightened supervision; the tighter approach "permeated beyond the securities industry to other parts of the financial sector, and continued right up to 1997, when we shifted course". ↩

5. Lee Hsien Loong, address at the MAS 30th Anniversary Conference, 20 July 2001, *BIS Review* 67/2001, p. 5: "if the sole objective of a captain is to protect his ship, then his vessel would never leave port"; p. 3: "In 1997, we began a comprehensive review of MAS' policy framework and approach, which has led to fundamental changes"; p. 4: since 1998 a "fundamental shift in emphasis away from 'one-size-fits-all' regulation of institutions to risk-focused supervision, and from merit-based regulation of products to a disclosure-based regime"; a programme to liberalise access to the financial industry. ↩

6. Lee Hsien Loong, address at the MAS 30th Anniversary Conference, 20 July 2001, *BIS Review* 67/2001, p. 5: elements of "risk-focussed, consolidated supervision; harmonised regulation; sound corporate governance; and effective market discipline"; the new Securities and Futures Act with "a single, modular licensing regime"; the Financial Advisers Act with a single licensing regime. ↩

7. Monetary Authority of Singapore, "MAS spells out its supervisory approach", media release, 19 April 2004, announcing the monograph *Objectives and Principles of Financial Supervision in Singapore*: "In seeking financial stability, MAS does not aim to totally prevent failure of any financial institution"; "Consumers bear principal responsibility for their financial decisions"; "MAS' approach is proactive and risk focused". ↩

8. Monetary Authority of Singapore, *MAS' Framework for Impact and Risk Assessment of Financial Institutions*, April 2007 (revised March 2024), paras. 1.2,

© 2026 Dr Alexander Ressos. General information only, not legal, tax or investment advice. No client relationship is created. All Singapore law advice is provided by a duly licensed and regulated firm of Singapore advocates and solicitors only on the basis of an express written letter of engagement. More information at SingaporeIQ.com and ressos.com.sg.

2.4 and 2.7: use of the Comprehensive Risk Assessment Framework and Techniques (CRAFT) to evaluate the risk of an institution; the board and senior management "play the central role in maintaining adequate risk oversight", being responsible for processes and controls, regulatory compliance and dealing with customers "in a transparent and fair manner". See also Monetary Authority of Singapore, *MAS' Framework for Impact and Risk Assessment of Financial Institutions*, April 2007 (revised March 2024), para. 2.3: "MAS does not aim to prevent all failures. A 'zero failure' regime would place an excessive regulatory burden on financial institutions and could impair the efficiency of the financial system"; MAS aims "to reduce the risk and impact of failure of institutions or of inappropriate behaviour through increased supervision where it is both appropriate and likely to be effective". ↩

9. Monetary Authority of Singapore Act 1970 (current revised text as reproduced by LawPlayer, accessed November 2026), s. 4(1) (four principal objects) and s. 4(1A) (the object in s. 4(1)(b) prevails over the object in s. 4(1)(d)); s. 4(2)(b): to "conduct integrated supervision of the financial services sector and financial stability surveillance". ↩

Disclaimer

This article is provided for general information only. It is based on publicly available sources as at its date of publication. These sources have not been independently verified against licences, regulatory registers or the records of the entities concerned. It is not legal, tax, financial or investment advice. Nor is it a recommendation to invest in, transact with or use the services of any entity mentioned. Law and regulation change frequently, so the content may be incomplete or outdated. To the fullest extent permitted by law, Dr Alexander Ressos and the publisher of SingaporeIQ exclude all liability for loss or damage arising from the use of or reliance on this article. Readers should obtain advice on their specific circumstances before acting or refraining from action.

© 2026 Dr Alexander Ressos. General information only, not legal, tax or investment advice. No client relationship is created. All Singapore law advice is provided by a duly licensed and regulated firm of Singapore advocates and solicitors only on the basis of an express written letter of engagement. More information at SingaporeIQ.com and ressos.com.sg.

Names and trademarks of the entities discussed belong to their owners and are used for identification only. Their mention implies no endorsement, affiliation or allegation of wrongdoing. All Singapore law advice is provided by a duly licensed and regulated firm of Singapore advocates and solicitors only on the basis of an express written letter of engagement. Corrections and updates: contact@ressos.com.

© 2026 Dr Alexander Ressos. This article may be quoted with attribution to SingaporeIQ (SingaporeIQ.com). Reproduction in full and any commercial use require prior written consent. The Legal Terms at https://singaporeiq.com/legal-terms apply.

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

© 2026 Dr Alexander Ressos. General information only, not legal, tax or investment advice. No client relationship is created. All Singapore law advice is provided by a duly licensed and regulated firm of Singapore advocates and solicitors only on the basis of an express written letter of engagement. More information at SingaporeIQ.com and ressos.com.sg.