The merger into the Singapore Exchange

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The case for demutualisation and merger

By the late 1990s both exchanges faced a changed environment. Electronic trading allowed orders to cross borders instantly, while new trading systems competed with the traditional exchanges. In November 1998, at the dinner for the 25th anniversary of the Stock Exchange of Singapore, Lee Hsien Loong announced that the stock exchange and SIMEX would be demutualised and merged. He reported that over 370 companies were listed on the Main Board and SESDAQ, with a market capitalisation of S$300 billion, about 190 per cent of GDP. The stock exchange had 33 members, while SIMEX was owned by 35 clearing members and had 472 non-clearing seats.

The arguments were partly commercial and partly regulatory. Combining the cash and derivatives exchanges would align their strategies, strengthen their bargaining position with foreign partners and allow them to share the cost of technology and risk management. Demutualisation would separate the ownership of the exchange from the right to trade on it, reducing conflicts of interest and opening access to any institution that met standard requirements. Commissions were to be fully liberalised by January 2002, a timetable that was later shortened, as Chapter IV of this part

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explains. The members were compensated with shares. Each of the 33 stock exchange members was to receive shares worth S$6 million, while a SIMEX seat was valued at S$170,000. Brokers' combined holdings were to lie between one third and three quarters of the new company. Any single holding above 5 per cent required the approval of MAS.[1]

Parliament passed the Exchanges (Demutualisation and Merger) Act on 4 August 1999. The new integrated exchange, named the Singapore Exchange, started business on 1 December 1999. On that date the shares of the stock exchange, SIMEX and Securities Clearing and Computer Services were cancelled, while their former shareholders received shares in the new holding company. On 23 November 2000 the Singapore Exchange listed its own shares, the third exchange in the Asia-Pacific region to do so.[2] J Y Pillay, who had steered the reforms after Pan-Electric, became the first chairman of SGX and served until 2010.[3]

The Securities and Futures Act 2001

The merger of the exchanges was followed by a merger of the statutes. The Securities and Futures Act 2001 consolidated the law of securities and derivatives markets in a single statute and introduced a single licence for capital markets intermediaries. When its remaining provisions took effect on 1 October 2002, the Securities Industry Act and the Futures Trading Act were repealed.[4] The Act remains the principal statute for the capital markets. Its structure, the powers it confers on MAS and its relationship with the Financial Advisers Act and the Financial Services and Markets Act are examined in Chapter I of Part E.

The merger also changed the position of the exchange in the regulatory system. A demutualised and listed exchange that also regulates its own listed companies faces a conflict between its commercial interest in attracting listings and its duty to enforce the rules. Singapore addressed that conflict by transferring the front-line regulatory functions of SGX to a separate subsidiary, Singapore Exchange Regulation, with a board of its own. SGX RegCo began operations on 15 September 2017.[5]

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The exchange in an Asian contest

The listed exchange has pursued international expansion with mixed results. In 2010 it agreed to merge with the Australian Securities Exchange, a combination that would have created an exchange with a market value of about US$14 billion. After the Australian Treasurer blocked the transaction on 8 April 2011, SGX withdrew its offer.[6] SGX has since grown mainly through its derivatives business. Here it has built on the legacy of SIMEX by offering offshore access to Asian markets that restrict foreign participation at home.

The figures for the financial year to June 2026 show the weight of that business. SGX reported net revenue of S$1,478.3 million and an adjusted net profit of S$759.5 million, an increase of 24.6 per cent. Equity derivatives volume rose by 6.4 per cent to 187.0 million contracts, with growth in FTSE China A50, GIFT Nifty 50 and FTSE Taiwan futures, while volume in Nikkei 225 futures declined. Currency derivatives reached 96.4 million contracts and commodity derivatives 78.8 million.[7] The contract that made SIMEX famous has thus become a smaller part of a larger business, whose growth now comes from China, India and Taiwan. Chapters II and III of Part I examine those markets.

The cash equities market has been less successful. By June 2026 SGX listed 601 companies with a total market capitalisation of S$1.129 trillion, well below the more than 770 companies of 2010.[8] In August 2024 MAS set up an Equities Market Review Group, which published its final report on 19 November 2025. An Equity Market Development Programme of S$5 billion was launched to place funds with managers investing in Singapore equities, and MAS announced in February 2026 that it would grow to S$6.5 billion.[9] The Review Group also recommended a dual listing bridge with Nasdaq for companies with a market capitalisation of S$2 billion and more. The legal framework for this Global Listing Board, contained in the Securities and Futures (Amendment) Act 2026 and the Global Listing Board Rules, came into force on 29 June 2026. MAS and SGX RegCo have also consulted on a move towards a more disclosure-based regime for listings, which takes up the philosophy that Lee Hsien Loong had set out in 1997.[10]

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Comparison with Geneva, Zurich and Hong Kong

The exchanges of Switzerland followed a path similar in outline. Geneva led the way, with a society of exchange agents founded in 1850 and a trading floor opened in 1855. The Geneva, Basel and Zurich exchanges merged in 1993 into the Swiss Exchange, which took over trading in 1995 and became one of the first fully automated exchanges. In derivatives, the Swiss options and futures exchange SOFFEX combined with the German Deutsche Terminbörse in 1998 to form Eurex, from which the Swiss shareholder withdrew in 2012.[11] Geneva thus lost its own exchange to a national electronic market based in Zurich, while Switzerland's derivatives market moved into a German-led venture. Singapore kept both its stock and derivatives markets in a single national institution under the close supervision of the central bank.

The difference reflects the size and structure of the two financial centres. Geneva specialises in private wealth management, for which a local exchange is not essential, since its banks invest client assets on markets around the world. Singapore built its derivatives market as an instrument of state policy to attract international banks and to offer access to Asian markets. Hong Kong offers the closer parallel. Its stock exchange, futures exchange and clearing house were merged into Hong Kong Exchanges and Clearing in March 2000, a few months after the creation of SGX. In 2012 the Hong Kong exchange acquired the London Metal Exchange for £1.388 billion.[12] The two Asian exchanges compete for listings, for offshore Chinese derivatives and for the trading of Asian risk, a contest that Chapter III of Part K examines.

On Barings itself, the comparison with Geneva is instructive. The Geneva volume uses the collapse to show that the unlimited liability of the private bankers is no substitute for internal controls. Singapore drew the complementary lesson for the market: a well-run clearing house protects the market from the failure of a member, while the protection of each member depends on its own management. Both lessons point to the same conclusion. A financial centre is only as sound as the controls of the firms within it, and its institutions must be built so that the failure of one firm remains that firm's failure.

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In figures

Singapore Stockbrokers' Association: 1930. Start of public trading on the Malayan Stock Exchange: 9 May 1960. Separation of the Stock Exchange of Singapore: 1973. Pan-Electric: borrowings of $453 million from 35 banks, SES closed from 2 to 4 December 1985, lifeboat fund of $180 million. Securities Industry Act in force: 18 August 1986. SIMEX founded: 1984. CLOB International: January 1990 to September 1998, with 197,000 investors on 31 August 1998. Barings losses: £827 million by 27 February 1995 and £927 million with close-out costs. Funding of the Singapore subsidiary before the collapse: twice group capital. Barings insolvent: 26 February 1995. Leeson's sentence: six and a half years. Windsor Declaration: 17 May 1995, 16 jurisdictions. Boca Raton declaration: 15 March 1996, 14 founding regulators including MAS. Exchanges (Demutualisation and Merger) Act passed: 4 August 1999. SGX started business: 1 December 1999. SGX listed: 23 November 2000. Securities and Futures Act fully in force: 1 October 2002. SGX RegCo operational: 15 September 2017. SGX in the 2026 financial year: net revenue S$1,478.3 million, equity derivatives 187.0 million contracts. Listed companies in June 2026: 601, market capitalisation S$1.129 trillion. Global Listing Board framework in force: 29 June 2026.

Notes

1. Lee Hsien Loong, "Building a Premier Exchange", speech at the SES 25th Anniversary Celebration Dinner, 4 November 1998, mas.gov.sg: over 370 companies listed on the Main Board and SESDAQ; market capitalisation of S$300 billion, about 190 per cent of GDP; 33 SES members; SIMEX owned by 35 clearing members with 472 non-clearing seats; "Combining the cash and derivatives exchanges will yield significant advantages"; the proposal to "separate ownership rights from trading access rights"; full liberalisation of commissions expected by January 2002; each SES member to receive S$6 million in shares; SIMEX seats valued at S$170,000 and shares at S$115,000; brokers' combined stake capped at 75 per cent and floored at 33⅓ per cent; single holdings above 5 per cent subject to MAS approval. ↩

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2. Lee Hsien Loong, “Challenges for Exchanges”, speech at the SIMEX 15th Anniversary Celebration Dinner, 18 September 1999, mas.gov.sg: “The Exchanges (Demutualisation and Merger) Act was passed by Parliament on 4 August 1999”; “the new integrated exchange will start business on 1 December 1999”, to be called the “Singapore Exchange”; Wikipedia, “Singapore Exchange” (accessed November 2026): “SGX was formed on 1 December 1999 as a holding company”; shares in SES, SIMEX and SCCS were cancelled and former shareholders received new SGX shares; “On 23 November 2000, SGX became the third exchange in Asia-Pacific to be listed.” ↩

3. Ravi Menon, remarks at the SIMEX Hall of Fame, 4 December 2014, reproduced by Mondo Visione: J Y Pillay, SGX’s first Chairman 1999–2010, oversaw SGX’s public listing in 2000. ↩

4. Monetary Authority of Singapore, media release on the implementation of the Securities and Futures Act and the Financial Advisers Act, 2002, mas.gov.sg: the new regime “will take effect on 1 October 2002”; “The Securities Industry Act and the Futures Trading Act will consequently be repealed”; Part 4 introduces a single, modular Capital Markets Services Licence framework. ↩

5. Mondo Visione, “SGX RegCo announces board members, operational start on 15 September”, 11 September 2017: “The company will begin operations on 15 September 2017”; appointment of independent and non-independent directors. ↩

6. Wikipedia, “Singapore Exchange” (accessed November 2026): merger talks with ASX “would have created a bourse with a market value of US$14 billion”; on 8 April 2011 Australia’s Treasurer blocked the merger and SGX withdrew its bid. ↩

7. Mondo Visione, “SGX Group reports FY2026 net profit of S$759 million”, 6 August 2026: net revenue “S$1,478.3 million, up 13.9%”; reported net profit S$698.4 million; adjusted net profit “S$759.5 million, up 24.6%”; equity derivatives volume up 6.4 per cent to 187.0 million contracts, with higher FTSE China A50, GIFT Nifty 50 and FTSE Taiwan volumes and lower

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Nikkei 225 volume; currency derivatives 96.4 million contracts; commodity derivatives 78.8 million contracts; securities daily average value S$1.8 billion, up 34.9 per cent; 21 new equity listings raising S$4.1 billion. ↩

8. Wikipedia, "Singapore Exchange" (accessed November 2026): 601 listed companies in June 2026 with a total market capitalisation of SGD 1.129 trillion; 774 listed companies with a combined market capitalisation of S$650 billion on 31 January 2010. ↩

9. Monetary Authority of Singapore, *Annual Report 2025/2026*, "Equity Market", mas.gov.sg: the Review Group was set up in August 2024 and released its final report on 19 November 2025; first EQDP batch of S$1.1 billion across three managers (21 July 2025) and second batch of S$2.85 billion across six managers; on 12 February 2026 MAS announced the "expansion of the EQDP from S$5 billion to S$6.5 billion". ↩

10. Mondo Visione, release on the completion of the equities market review, 19 November 2025: dual listing bridge for companies with a "market capitalisation of S$2 billion and above", envisaged to go live around mid-2026; MAS and SGX RegCo consulted publicly on changes to move Singapore toward "a more disclosure-based regime"; Allen & Gledhill, "New legislative framework facilitating dual listings on SGX and Nasdaq through Global Listing Board in effect", 9 July 2026: the Securities and Futures (Amendment) Act 2026 and the Global Listing Board Rules took effect on 29 June 2026; new Part 13A of the SFA; minimum market capitalisation of S$2 billion. ↩

11. Wikipedia, "SIX Swiss Exchange" (accessed November 2026): "Geneva paved the way in the year 1850" with the Société des agents de change réunis; the trading floor "was opened in 1855 and approved by the Grand Council of Geneva in 1856"; founded "in 1993 by merging" the Geneva, Basel and Zürich exchanges, with trading taken over in 1995; the first stock exchange to fully automate trading, clearing and settlement; Wikipedia, "Eurex Exchange" (accessed November 2026): the cooperation between DTB and SOFFEX "led in 1998 to the creation of Eurex"; in January 2012 Deutsche Börse acquired the remaining shares in Eurex Zurich AG from SIX Group. ↩

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12. Wikipedia, "Hong Kong Exchanges and Clearing" (accessed November 2026): founded 6 March 2000, with the merger with HKFE completed in March 2000; cash offer for the London Metal Exchange of GBP 1.388 billion announced in June 2012 and completed in December 2012. ↩

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