The role of the local and foreign banks

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The three local banks

The three Singapore banking groups, DBS, OCBC and UOB, have deep roots in trade finance. OCBC descends from the Chinese banks of the early twentieth century, whose history Chapter B.III traces. UOB grew from the United Chinese Bank founded in 1935. DBS began as the Development Bank of Singapore, established by the state on 16 July 1968 and discussed in Chapter C.III.[1] All three finance regional trade through their networks in Malaysia, Indonesia, Thailand, Greater China and India while serving the trading houses based in Singapore.

Their prominence appears in the institutions of the market. DBS, OCBC and UOB were project leads of the Trade Finance Registry launched in 2023, with UOB as chairman bank.[2] All three are founding members of SGTraDex, the data exchange discussed below. Their exposure to the frauds of 2020 was correspondingly significant. Reported claims on Hin Leong amounted to 290 million dollars for DBS, 200 million dollars for OCBC and 100 million dollars for UOB.[3]

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The local banks did not withdraw after 2020. They tightened their controls and remained in the market at a time when several European competitors left it. This continuity matters for the financial centre. A commodity hub whose finance depends only on foreign branches is exposed to decisions taken in Paris, Amsterdam or London, which may reduce Asian commodity business for reasons unrelated to Singapore. The three domestic groups give the hub a core of lenders whose strategic commitment lies in Singapore.

The European commodity banks

For several decades the specialised commodity finance desks of European banks dominated the financing of trading houses in Asia. French banks, above all BNP Paribas, Société Générale, Crédit Agricole and Natixis, and Dutch banks such as ABN AMRO, ING and Rabobank built Asian commodity teams in Singapore over several decades. They brought methods developed in Geneva, Rotterdam and Paris: transactional structures, collateral management, borrowing base facilities and pre-export finance. British banks with Asian franchises, HSBC and Standard Chartered, combined these methods with large regional networks.

The list of participants in the Trade Finance Registry shows that most of these banks remain present. It includes BNP Paribas, Crédit Agricole, Natixis, ING, Commerzbank, Deutsche Bank, DZ Bank, Intesa Sanpaolo, Santander and BBVA, alongside HSBC and Standard Chartered.[4] The European presence is narrower than before 2020, however. The last section of this chapter describes the banks that left or reduced their Asian commodity business.

Japanese, Chinese, Indian and Middle Eastern banks

The space vacated by European lenders has been filled partly by banks from Asia and the Gulf. The Japanese megabanks, MUFG, Sumitomo Mitsui and Mizuho, have large balance sheets and long experience of financing the Japanese trading companies. Chinese banks follow the flows of commodities into China. The Registry list includes Bank of China, Industrial and Commercial Bank of China, China Merchants Bank, China CITIC Bank International and Shanghai Pudong

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Development Bank, together with Indian banks such as State Bank of India, Bank of Baroda and ICICI Bank and Gulf banks such as Emirates NBD and Qatar National Bank.[5]

The shift has consequences for the conduct of business. Chinese banks offer pricing and renminbi liquidity that European banks find difficult to match, as the offshore renminbi tranche of the Trafigura facility of 2026 shows. Their appetite depends on the policy of their head offices and on the state of Sino-American relations. Geopolitical risks of this kind, examined in Chapter K.V, now reach into the composition of the lending syndicates that finance Singapore's commodity trade.

Credit insurers, funds and other non-bank lenders

Banks rarely hold the whole risk of their trade finance books. Private credit insurers and political risk insurers, many of them operating from Singapore as part of the Asian insurance hub, cover a share of the default risk on buyers and countries. Insurance allows banks to extend larger lines and, where the regulator recognises the cover, to reduce the capital they hold against the exposure. Banks also distribute risk to each other through participation agreements in the secondary market.

After 2020 non-bank lenders gained ground. Trade finance funds, financed by institutional investors and family offices, lend to mid-sized traders at higher cost and with more flexible terms. Large trading houses also act as financiers of their suppliers and customers. The Geneva volume describes the same trend, which reflects the reluctance of banks to finance traders below the first tier.[6] Non-bank lending fills a gap, although it brings risks of its own, since such lenders are not subject to the Code of 2020, which applies only to financial institutions regulated by MAS.[7]

The statistical picture

Singapore publishes no single figure for the volume of trade finance booked by its banks. MAS reports loans by sector and the share of trade financing in non-bank loans. Since 1 July 2021, when MAS removed the separation between the Domestic

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Banking Unit and the Asian Currency Unit, these statistics cover all bank books together. The new reporting returns also sharpened the definition of trade financing, which now expressly includes factoring loans, trust receipts, buyers' credit, forfaiting and invoice financing.[8]

On this basis trade financing represents a modest share of the non-bank loans of the banking system, a share that MAS found had ticked up during the commodity boom of 2021.[9] The figure understates the importance of the business for the financial centre. Much commodity finance is booked as general working capital or syndicated lending. Part of it sits in the head offices of foreign banks. The general commerce sector, which covers wholesale trade and the commodity traders, is one of the largest sectors of bank lending in Singapore.

Notes

1. Wikipedia, "United Overseas Bank" (accessed November 2026): founded in 1935 as United Chinese Bank, renamed United Overseas Bank in 1965; Wikipedia, "DBS Bank" (accessed November 2026): "established on 16 July 1968 by the Singapore government" as The Development Bank of Singapore Limited. ↩
2. Association of Banks in Singapore, "ABS launches Trade Finance Registry to counter trade finance fraud", media release, 23 June 2023: project leads United Overseas Bank (Chairman Bank), Standard Chartered Bank (Singapore), DBS Bank, Citibank N.A., OCBC Bank and BNP Paribas. ↩
3. Wikipedia, "Hin Leong" (accessed November 2026): exposures of Singapore's major banks UOB US$100 million, OCBC US$200 million and DBS US$290 million; HSBC the largest creditor at US$600 million. ↩
4. Association of Banks in Singapore, media release, 23 June 2023, list of TFR participating banks, including BNP Paribas, Crédit Agricole Corporate and Investment Bank, Natixis Singapore Branch, ING Bank N.V. Singapore Branch, Commerzbank AG, Deutsche Bank AG, DZ Bank AG, Intesa

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Sanpaolo, Banco Santander, BBVA, Hongkong and Shanghai Banking Corporation and Standard Chartered Bank (Singapore). ↩

5. Association of Banks in Singapore, media release, 23 June 2023, list of TFR participating banks, including Bank of China, ICBC, China Merchants Bank, China CITIC Bank International, Shanghai Pudong Development Bank, MUFG Bank, Sumitomo Mitsui Banking Corporation, Mizuho Bank, State Bank of India, Bank of Baroda, ICICI Bank, Emirates NBD and Qatar National Bank. ↩
6. Ressos, *Genève, place financière internationale*, partie H, chapitre I, section « L'évolution du secteur depuis 2020 », on the growth of non-bank financing through specialised funds, the quasi-banking role of large traders and the rising share of credit insurance. ↩
7. Association of Banks in Singapore, *Code of Best Practices – Commodity Financing*, November 2020, "Application": the Code applies to "any financial institution ('Lender'), which is regulated by MAS". ↩
8. Monetary Authority of Singapore, *Financial Stability Review*, December 2021, Annex, p. 117, on the refinement of trade financing data under the new MAS 610/1003, and Annex, p. 116: "On 1 July 2021, MAS implemented two major changes", namely the revised MAS 610/1003 and "the removal of the Domestic Banking Unit – Asian Currency Unit (DBU-ACU) divide". ↩
9. Monetary Authority of Singapore, *Financial Stability Review*, December 2021, Chart Panel 4A, Chart 4A4 "Share of Trade Financing in Non-bank Loans": "the share of trade financing in non-bank loans has ticked up over the past year". ↩

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