The Stock Exchange of Singapore

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From brokers' association to the Malayan Stock Exchange

Trading in shares in Singapore began informally among brokers who dealt in the securities of rubber and tin companies, banks and trading houses, whose development Part B described. The first formal body was the Singapore Stockbrokers' Association, which became an official organisation in 1930. In 1937 it was re-registered as the Stockbrokers' Association of Malaya, although it still did not conduct public trading in shares.[1] The association set rules of conduct for its members and fixed commissions. It did not yet provide a public market with a published list of prices.

Public trading began with the Malayan Stock Exchange, which opened for business on 9 May 1960. From 1961 a board system connected two trading rooms, one in Singapore and one in Kuala Lumpur, which were linked by telephone into a single market. The Malaysian Stock Exchange was formally established in 1964.[2] The exchange reflected the political project of the time. Singapore was part of Malaysia from 1963 to 1965, as Chapter II of Part C explains, so that a common stock market was a natural complement to a common currency and a common market for goods.

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The separation of 1973

Political separation in August 1965 did not end the common market in shares. The exchange continued to operate in both countries as the Stock Exchange of Malaysia and Singapore, since the currencies of the two states remained interchangeable at par. That arrangement ended in 1973. When currency interchangeability was terminated, the common exchange was divided into the Kuala Lumpur Stock Exchange and the Stock Exchange of Singapore.[3] Interchangeability ended on 8 May 1973, when Malaysia withdrew from the arrangement, a step whose monetary background Chapter V of Part C describes.[4]

The separation did not at first divide the listings. Malaysian companies remained listed in Singapore, just as Singapore companies remained listed in Kuala Lumpur, so that investors in each city continued to trade the shares of the other. The Stock Exchange of Singapore, a company owned by its member brokers, thus began its independent life as a market for a region larger than the city. That regional role is a recurring theme of this book, from the entrepôt of Part A to the regional headquarters of Part I.

SESDAQ and the Central Limit Order Book

In the late 1980s the exchange added two markets. SESDAQ, a second board for smaller companies with less demanding admission criteria, opened in 1987. On its tenth anniversary in November 1997, Deputy Prime Minister Lee Hsien Loong reported that 80 companies had listed on SESDAQ during its first decade and that 20 of them had moved on to the Main Board.[5] SESDAQ was replaced on 26 November 2007 by Catalist, a sponsor-supervised board that remains the market for smaller issuers today.[6]

The second new market arose from a dispute with Malaysia. When Malaysia delisted all Malaysian shares from the Stock Exchange of Singapore, the exchange set up in January 1990 an over-the-counter market called the Central Limit Order Book, or CLOB International, on which Malaysian shares continued to be traded in Singapore. The Kuala Lumpur Stock Exchange objected and called CLOB “an

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unrecognised market". For eight years CLOB gave Singapore investors convenient access to Malaysian companies, although its legal foundation lay outside the control of the Singapore authorities.

That weakness became apparent during the Asian financial crisis, which Chapter III of this part examines. When Malaysia imposed capital controls in 1998, the Kuala Lumpur Stock Exchange announced on 31 August 1998 new rules on the clearing and settlement of Malaysian shares. According to the answer given in Parliament, 197,000 investors held Malaysian shares on CLOB at that date, about 90 per cent of them Singaporeans. CLOB was suspended on 4 September 1998, reopened for five trading days from 9 to 15 September and then closed.[7] A Malaysian account gives a lower figure of about 172,000 investors with shares worth an estimated RM17 billion. It also records that an agreement backed by both exchanges in February 2000 allowed the frozen shares to be released in stages.[8] The difference between the two investor figures probably reflects the 24,000 investors who, according to the parliamentary answer, had already sold all their Malaysian shares. The CLOB affair taught Singapore that a market built on another state's securities is only as secure as that state's goodwill.

The Pan-Electric crisis of 1985

The most serious test of the stock exchange before Barings came in 1985. Pan-Electric Industries, a listed company with interests in refrigeration, hotels and property, had borrowed $453 million from 35 banks, $283 million of it unsecured. With its subsidiaries it had also entered into forward share contracts worth $160 million, of which $140 million involved two Malaysian companies controlled by the businessman and politician Tan Koon Swan.[9] The forward contracts obliged the parties to buy shares at fixed prices on future dates. They concealed the true financial position of the group while share prices rose, and they tied the fortunes of several brokers to a single group of companies.

On 18 November 1985 Pan-Electric missed an instalment of $7.5 million on a bank loan. It went into receivership on 30 November. The Stock Exchange of Singapore then suspended all trading from 2 to 4 December 1985, while the Kuala Lumpur

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exchange also closed. The closure was intended to prevent a disorderly collapse of prices while the brokers who had financed the forward contracts assessed their exposure. On 3 December the four large local banks, DBS, OCBC, Overseas Union Bank and UOB, made available a credit line of $180 million for affected stockbroking firms. The Minister for Finance, Richard Hu, stated that the fund was "not meant to bail out individual stockbrokers who have become insolvent through their own imprudence".[10]

The crisis had lasting consequences. About half a dozen broking firms went bankrupt, while Pan-Electric was ordered to be wound up on 9 October 1986. Tan Koon Swan was arrested on 21 January 1986 and sentenced to two years' imprisonment. Parliament enacted a new Securities Industry Act, which came into force on 18 August 1986, repealed the Act of 1973 and gave MAS greater control over the securities industry.[11] MAS later credited its Managing Director of the time, J Y Pillay, with putting the new securities laws in place.[12] The lesson of Pan-Electric, a decade before Barings, was that a market owned and run by its brokers could not be left to police the leverage of those brokers by itself.

The two crises of 1985 and 1995 have a common structure. In each case a market participant built up a concealed exposure through forward or futures contracts, and in each case the exposure became visible only when the money to finance it ran out. The difference lay in the market infrastructure. The forward contracts of Pan-Electric were bilateral agreements without daily margin, so that losses accumulated unseen until the counterparties defaulted. Leeson's futures positions were marked to market and margined every day by a clearing house, which kept the exchange whole even though the bank behind the positions failed. Between the two crises Singapore had learned to place leverage where it could be measured.

Notes

1. Wikipedia, "Bursa Malaysia" (accessed November 2026): the history goes back to 1930, "when the Singapore Stockbrokers Association became an official organisation"; in 1937 it was "re-registered as the Stockbrokers' Association of Malaya, but it still did not trade public shares". ↩

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2. Wikipedia, “Bursa Malaysia” (accessed November 2026): public trading under the Malayan Stock Exchange “started on 9 May” 1960; in 1961 “a board system was introduced in two trading places”, one in Singapore and one in Kuala Lumpur, linked by telephone into a single market; “The Malaysian Stock Exchange was formally formed in 1964.” ↩

3. Wikipedia, “Stock Exchange of Singapore” (accessed November 2026): the SES “was formed in 1973, when the termination of currency interchangeability between Malaysia and Singapore” caused the Stock Exchange of Malaysia and Singapore to separate into the SES and the Kuala Lumpur Stock Exchange Bhd; Wikipedia, “Bursa Malaysia” (accessed November 2026), on the same separation. ↩

4. Wikipedia, “Singapore dollar” (accessed November 2026): the Singapore dollar was “exchangeable at par with the Malaysian ringgit until 8 May 1973” under the Interchangeability Agreement. ↩

5. Lee Hsien Loong, “New Approach to Regulating and Developing Singapore’s Financial Sector”, speech at the 10th anniversary of SESDAQ, 4 November 1997, mas.gov.sg: 80 companies had listed on SESDAQ over the decade, 20 of which had since moved to the Main Board; total market capitalisation of nearly $5 billion. ↩

6. Wikipedia, “Singapore Exchange” (accessed November 2026): “SESDAQ was replaced on 26 November 2007 by the SGX Catalist.” ↩

7. Monetary Authority of Singapore, “DPM Lee’s Reply to Parliamentary Question on CLOB”, 12 October 1998, mas.gov.sg: the SES set up CLOB in January 1990 following Malaysia’s unilateral delisting of all Malaysian shares from the SES; the KLSE called it “an unrecognised market”; new KLSE rules of 31 August 1998; 197,000 investors held Malaysian shares on CLOB as at 31 August 1998, about 90 per cent Singaporean, of whom 24,000 had sold all their Malaysian shares; suspension on 4 September 1998 and reopening from 9 to 15 September; the CLOB discount widened from 9 per cent on 28 August to 49 per cent on 3 September. ↩

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8. *The Edge Malaysia*, "CLOB got clobbered", *The Edge Malaysia Weekly*, 7–13 March 2022: about 172,000 Singaporean investors held CLOB shares worth an estimated RM17 billion; an agreement backed by both exchanges in February 2000 gave shareholders two release options, including a transfer through Effective Capital with release over 13 months from July 2000. ↩

9. Joanna Tan, "Fridge Maker Freezes Stock Market", *BiblioAsia*, vol. 21, issue 4, January–March 2026: Pan-El had borrowed $453 million from 35 banks, $283 million unsecured; forward contracts of $160 million, $140 million of them with Supreme Corporation Berhad and Grand United Holdings Berhad, both controlled by Tan Koon Swan; a $40 million deposit was paid. ↩

10. Joanna Tan, "Fridge Maker Freezes Stock Market", *BiblioAsia*, January–March 2026: missed instalment of $7.5 million on 18 November 1985; receivership on 30 November 1985 with Price Waterhouse as receiver; SES suspension of all trading from 2 to 4 December 1985, described as "unprecedented"; the Kuala Lumpur exchange was also suspended; the $180 million fund announced on 3 December 1985 as a credit line from DBS, OCBC, Overseas Union Bank and UOB; Richard Hu's statement on the purpose of the fund. ↩

11. Joanna Tan, "Fridge Maker Freezes Stock Market", *BiblioAsia*, January–March 2026: "half a dozen stockbroking firms" were swept into bankruptcy; winding-up order of 9 October 1986; arrest of Tan Koon Swan on 21 January 1986 and two-year sentence; the Securities Industry Act took effect on 18 August 1986, repealed the Securities Industry Act 1973 and gave MAS greater control over the securities industry. ↩

12. Ravi Menon, remarks at the SIMEX Hall of Fame on the 30th anniversary of SIMEX, 4 December 2014, reproduced by Mondo Visione: J Y Pillay, MAS Managing Director 1985–1989, helped implement new securities laws after the Pan-Electric crisis. ↩

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