Trade Finance in Singapore

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A cargo of fuel oil loaded at a terminal on Jurong Island, a parcel of Indonesian thermal coal sold to a power plant in southern China, a shipment of palm oil bound for India: each of these transactions is worth tens of millions of dollars. Very few of them are paid for out of the trader's own resources. Between the purchase of the goods and the receipt of the sale price lie weeks or months in which someone must carry the cost. In Singapore that someone is usually a bank. Trade finance is therefore the hinge between the two halves of the financial centre described in this book: the commodity trading hub of Part G and the banking and regulatory system of Parts D and E.

This chapter examines the banks, instruments and structures that finance commodity flows through Singapore. It begins with transactional trade finance, the documentary credits, collections, trust receipts and guarantees that have served merchants since the agency houses of the nineteenth century. It then turns to the larger structures used by the trading houses: borrowing base facilities, inventory and repurchase financing, prepayments and syndicated revolving credits. The third section describes the local and foreign banks that provide this finance. The fourth follows the digitalisation of trade documents, from the amendment of the Electronic Transactions Act in 2021 to the Trade Finance Registry of the banking association.

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The last section analyses the retreat of lenders after the frauds of 2020 and the response of the industry and the authorities. The frauds themselves are the subject of the following chapter.

The Geneva volume devotes the first chapter of its Part H to the same subject, under the heading of financing, securing and controlling the risks of trading.[1] The two cities share the instruments, much of the case law and many of the banks. They differ in the geography of the flows they finance, in the weight of their domestic banks and in the speed with which the state has intervened to modernise the legal and technical infrastructure. Those differences are drawn together at the end of the chapter.

Essentials

Trade finance in Singapore rests on self-liquidating credit: the bank advances the purchase price of identified goods and is repaid from the proceeds of their sale. The traditional instruments are documentary credits, collections, trust receipts, guarantees and receivables finance, governed by contract and by ICC rules and interpreted by Singapore courts within the common law. Large trading houses also use borrowing base facilities, inventory and repurchase financing, prepayments and syndicated revolving credits. The three local banks, DBS, OCBC and UOB, share the market with European, Japanese, Chinese and Middle Eastern banks. Singapore adopted the UNCITRAL Model Law on Electronic Transferable Records in 2021. Two years later the banking association launched a Trade Finance Registry against duplicate financing. After the frauds of 2020, several European banks withdrew from commodity finance in Asia, while the remaining lenders adopted a Code of Best Practices drawn up by 28 banks.

Notes

1. Ressos, *Genève, place financière internationale*, partie H, chapitre I, « Le financement du négoce : instruments, banques, risques » (content file H.md, read November 2026). ↩

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