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Singapore returns \$8bn to banks involved in rate probe

Jeremy Grant in Singapore Author alerts



Singapore has returned about S\$10bn (\$7.7bn) that it forced 19 banks to hand over last year as punishment in a sweeping global investigation into alleged manipulation of financial benchmarks and foreign exchange.

The Monetary Authority of Singapore said the 19, which include [UBS](#), [Bank of America Merrill Lynch](#), [Royal Bank of Scotland](#) and [Deutsche Bank](#) – as well as [Commerzbank](#), which was not required to hand over money – had done enough to help prevent a repeat of past failings.

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“These banks have completed the remedial actions to strengthen the governance, internal controls and surveillance systems for their benchmark submissions and trading operations,” the MAS said.

The move gives banks’ operations in Singapore a clean bill of health and ends a two-year saga that played out as Singapore joined an ever-expanding global investigation into the rigging of benchmarks, focused on the London interbank offered rate (Libor).

Singapore started looking at Sibor, its Libor equivalent, as well as a smaller benchmark known as the swap offered rate, after US and UK authorities in 2012 fined Barclays more than \$450m for attempting to manipulate Libor.

It later expanded its inquiry to all financial benchmarks, including forex spot benchmarks used to settle non-deliverable forwards – a kind of derivative – from 2007 to 2011.

The MAS in July last year punished 20 banks after it found “deficiencies in the governance, risk management, internal controls and surveillance systems” relating to banks’ benchmark submissions.

It also revealed that 133 traders tried to rig three interest rate and forex benchmarks. But there was no conclusive finding that any attempted manipulations were successful.

The regulator, which lacks legal powers to fine institutions involved in alleged rate-rigging, instead forced 19 of the banks to lodge about S\$10bn in “statutory reserves” with the MAS, with the money kept on deposit at zero interest for 12 months.

The effect has been to deprive the banks of money that they could have lent out at a time of increased regulatory pressure to bolster banks’ capital.

In response to a Financial Times inquiry on whether the banks had received their money back now that the 12-month period had passed, the MAS said: “The MAS has returned the additional statutory reserves to the 19 banks.”

UBS, RBS and ING were required to post \$1bn-\$1.2bn each to the MAS, while Bank of America Merrill Lynch, BNP Paribas and Oversea-Chinese Banking Corporation, Singapore’s second-biggest bank by assets, were required to lodge \$700m-\$800m each.

[Barclays](#), [Crédit Agricole](#), [Credit Suisse](#), [Deutsche](#), [Standard Chartered](#) and Singaporean banks [DBS](#) and [United Overseas Bank](#) posted \$400m-\$600m each.

A further six banks – ANZ, Citibank, JPMorgan, Macquarie, Bank of Tokyo-Mitsubishi and HSBC – each had to lodge with the MAS \$100m-\$200m.

All banks had to put staff through extra training and strengthen compliance.

In depth

Libor scandal



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While Singapore’s banking industry already last year implemented a new system for setting benchmarks, the MAS also proposed a regulatory framework for financial benchmarks.

It also plans to introduce specific criminal and civil sanctions under the country’s securities and futures act for manipulation of any financial benchmark.

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