

Monetary Authority of Singapore

ANNUAL REPORT 2004/2005

Before 1970, the various monetary functions associated with a central bank were performed by several government departments and agencies. As Singapore progressed, the demands of an increasingly complex banking and monetary environment necessitated streaming of these functions. Therefore in 1970, Parliament passed the Monetary Authority of Singapore (MAS) Act leading to the formation of MAS on 1 January 1971. The MAS Act gives MAS the authority to regulate all elements of monetary, banking and financial aspect of Singapore.

MAS was entrusted to manage Singapore's exchange rate and monetary policies, supervision of the financial sector and the development of Singapore as an international financial centre.

MAS now administers the various statutes pertaining to money, banking, insurance, securities and the financial sector in general. After merging with the Board of Commissioners of Currency, Singapore, on 1 October 2002, MAS also assumed the function of currency issuance.

 Monetary Authority of Singapore

" MAS has earned a reputation as a central bank of excellence. We are well respected as a regulator for our technical skills, credibility and integrity. We must build on this and reach for new horizons. This is the only way to ensure that Singapore stays ahead of the competition."

Goh Chok Tong
Senior Minister & Chairman of MAS

 Monetary Authority of Singapore

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Singapore's development as an international financial centre began in the late 1960s. Over the years, sound economic and financial fundamentals, conducive regulatory and business environment, strategic location, skilled and educated workforce, excellent telecommunications and infrastructure, and high living standards attracted many reputable international financial institutions to set up operations here. Today, financial services account for 11.3% of Singapore's GDP while employing only 5% of the workforce.

There is a large and diversified group of local and foreign financial institutions, numbering more than 600, located in Singapore and offering a wide range of financial products and services. These include trade financing, foreign exchange, derivatives products, capital market activities, loan syndication, underwriting, mergers and acquisitions, asset management, securities trading, financial advisory services, and specialised insurance services. The presence of these leading institutions contributes to the vibrancy and sophistication of Singapore's financial industry.

Monetary Authority of Singapore

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A low-angle, upward-looking photograph of several tall skyscrapers against a bright blue sky with wispy white clouds. The buildings are made of glass and steel, with some showing green-tinted windows. The perspective creates a sense of height and scale.

Monetary Authority of Singapore

ANNUAL REPORT 2004/2005

OUR MISSION

To promote sustained non-inflationary economic growth, as well as foster a sound and progressive financial centre.

OUR OBJECTIVES

To conduct monetary policy and issue currency, and to manage the official foreign reserves and the issuance of government securities.

To supervise the banking, insurance, securities and futures industries, and develop strategies in partnership with the private sector to promote Singapore as an international financial centre.

To build a cohesive and integrated organisation of excellence.

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Board of Directors



Goh Chok Tong, *Chairman*
Senior Minister



Tharman Shanmugaratnam,
Deputy Chairman
Minister for Education



Chan Seng Onn, *Member*
Solicitor-General
Attorney-General's Chambers



Lim Chee Onn, *Member*
Executive Chairman
Keppel Corporation Limited



Lim Siong Guan, *Member*
Permanent Secretary
Ministry of Finance



Heng Swee Keat, *Member*
Managing Director
Monetary Authority of Singapore
(with effect from 1 June 2005)



Dr. Philip N Pillai, *Member*
Senior Partner
Shook Lin and Bok



Koh Yong Guan, *Member*
Managing Director
Monetary Authority of Singapore
(21 October 2001 to 31 May 2005)

Chairman's Statement



Goh Chok Tong
Chairman

2004 was a good year for Singapore.

The external geopolitical landscape was generally benign. The situation in Iraq has improved after its elections. The integration of ten new member states into the European Union proceeded smoothly. In Asia, political transitions were relatively smooth. The cross-strait situation has stabilized. Nonetheless, the bombings in Madrid and Jakarta were a grim reminder that the war on terrorism is far from over and countries must remain vigilant.

The global economy strengthened in 2004, despite the increase in oil prices. The Singapore economy expanded by a robust 8.4%, the highest growth recorded since 2000. Although our GDP growth moderated in the first quarter of 2005, this largely reflected fluctuations in the biomedical sector. Overall, the outlook remains positive. The underlying growth support for our economy remains intact, and barring unforeseen shocks, we should see a pick up in activity in the second half of the year. The Singapore economy is forecast to grow between 2.5% and 4.5% in 2005. Given the high base in 2004, this can be considered a good performance.

Inflationary pressures remain a concern over the medium term, with the economy close to its potential output level and the upside risks to external inflation. Our present monetary policy stance remains that of a modest and gradual appreciation of the Singapore Dollar Nominal Effective Exchange Rate policy band, a stance that was first adopted in April 2004.

The financial services industry was one of the strongest performers last year, expanding by 6%, compared with 4.3% in 2003. Singapore maintained its ranking as the fourth largest forex centre in the world, according to the 2004 Bank for International Settlements Triennial Central Bank Survey of Foreign Exchange and Derivatives Activity.

The industry outlook is promising. Corporate financing activity should strengthen further as our corporate bond market grows in sophistication and as the Singapore Exchange attracts more foreign listings. We anticipate growth in wealth management to be sustained by a growing Asian investor base and renewed investor interest in the region. We also expect continued growth in alternative investments, including hedge funds.

To encourage the industry to train and channel manpower resources quickly to fast growing areas, we launched the Financial Sector Manpower Conversion Scheme with programmes in private banking and settlement operations. We are pleased with the good progress made by the Financial Industry Competency Standards Committee in establishing a competency standards and certification framework for Singapore's financial industry that is aligned with international standards.

As part of our risk focused supervision, we are responding to the convergence in financial products by harmonizing our regulatory requirements and supervisory practices where possible, across the different sectors, to minimise arbitrage. To enhance the transparency of our operations, we are also publishing information on our inspections and supervisory reviews in this annual report.

To encourage greater understanding and exchange of views on issues affecting Singapore's financial system, we published our second semi-annual Financial Stability Review in June this year. The Review assesses the stability of our financial system in the context of developments in the macroeconomic environment and financial markets.

On the consumer education front, MAS published an Investor Alert List while MoneySENSE embarked on a national financial literacy survey. To enhance the efficiency of dispute resolution mechanisms for retail consumers, we facilitated the set-up of the Financial Industry Disputes Resolution Centre (FIDReC). FIDReC brings together existing dispute resolution schemes under the banking and insurance sectors, with extended coverage to include the capital markets sector.

We were active in the international arena. For example, we worked with the Executives' Meeting of East Asia-Pacific Central Banks to successfully launch the Asian Bond Fund 2, which comprises a Singapore-domiciled Pan-Asian Bond Index Fund and eight country sub-funds. MAS also became a member of the Islamic Financial Services Board, a standard setting body for Islamic financial services.

Going forward, MAS will continue to strengthen Singapore's position as a leading financial centre in Asia. We will strive to maintain our strong economic performance, robust and vibrant financial system and high standards of regulation and supervision.

I wish to take this opportunity to express my sincere appreciation to Mr Lee Hsien Loong, Mr Lim Hng Kiang and Mr Koh Yong Guan for their many significant contributions to MAS and the financial sector. Mr Lee, who served as MAS Chairman from January 1998, and Mr Lim, who served as Deputy Chairman from January 2001, stepped down from the MAS Board on 20 August 2004. Mr Koh was MAS Managing Director from January 1998 to March 2001, and from October 2001 to May 2005. He remains a board member. I welcome Mr Heng Swee Keat to MAS.



Goh Chok Tong
Chairman

Monetary Authority of Singapore

Board Committees

The MAS Act provides that the Board of Directors shall be responsible for the policy and general administration of the affairs and business of MAS. The board is assisted by the following committees:

Chairman's Meeting

The Chairman's Meeting makes decisions on major changes to the regulatory framework and supervisory policies. The Meeting also approves major changes to policies and strategies relating to financial centre development, and international and regional relations. The Chairman's Meeting comprises Goh Chok Tong (Chairman), Tharman Shanmugaratnam, Lim Siong Guan, Koh Yong Guan¹ and Heng Swee Keat.

Monetary and Investment Policy Meeting

The Monetary and Investment Policy Meeting deliberates and decides on issues relating to the formulation and implementation of monetary policy with the objective of maintaining price stability for sustainable economic growth. The Meeting also oversees the investment of MAS' reserves.

The Monetary and Investment Policy Meeting comprises Goh Chok Tong (Chairman), Tharman Shanmugaratnam, Lim Siong Guan, Lee Ek Tieng², Koh Yong Guan¹ and Heng Swee Keat.

Audit Committee

The Audit Committee provides an independent assessment of MAS' internal controls and financial reporting process. The Committee also reviews the efforts of MAS' internal and external auditors.

The Audit Committee comprises Lim Siong Guan (Chairman), Chan Seng Onn and Dr Phillip N Pillai.

Risk Committee

The Risk Committee provides oversight and guidance on the management of risks faced by MAS. The Committee oversees the MAS-wide risk management framework, and reviews MAS' risk management policies and the processes for reporting of risks.

The Risk Committee comprises Lim Chee Onn (Chairman), Chan Seng Onn and Heng Swee Keat.

- 1 Koh Yong Guan was a member of the Chairman's Meeting and Monetary and Investment Policy Meeting until 31 May 2005.
- 2 Lee Ek Tieng is presently Group Managing Director of the Government of Singapore Investment Corporation.

Management Team

Heng Swee Keat

Managing Director

Ong Chong Tee

Deputy Managing Director

(Monetary Policy, Investment & Research/
Development & External Relations)

Teo Swee Lian

Deputy Managing Director

(Prudential Supervision/ Banking
Supervision)

Shane Francis Tregillis

Deputy Managing Director

(Market Conduct)

Foo-Yap Siew Hong

Assistant Managing Director

(Currency & Corporate Resource)

Dr Khor Hoe Ee

Assistant Managing Director

(Economics)

MONETARY POLICY, INVESTMENT & RESEARCH

Ong Chong Tee
Deputy Managing Director

Dr Khor Hoe Ee
Assistant Managing Director
(Economics)

ECONOMIC POLICY

Edward Robinson
Executive Director

MACROECONOMIC SURVEILLANCE

Wong Fot Chyi
Executive Director

RESERVE & MONETARY MANAGEMENT

Jacqueline Loh
Executive Director

DEVELOPMENT & EXTERNAL RELATIONS

Ong Chong Tee
Deputy Managing Director

EXTERNAL

Goh Chye Boon
Executive Director

FINANCIAL CENTRE DEVELOPMENT

Ng Nam Sin
Executive Director

PRUDENTIAL SUPERVISION

Teo Swee Lian
Deputy Managing Director

BANKING SUPERVISION

Teo Swee Lian
Deputy Managing Director

COMPLEX INSTITUTIONS SUPERVISION

Lee Boon Ngiam
Executive Director

INSURANCE SUPERVISION

Low Kwok Mun
Executive Director

PRUDENTIAL POLICY

Chia Der Jiun
Executive Director

SPECIALIST RISK SUPERVISION

Enoch Ch'ng
Executive Director

MARKET CONDUCT

Shane Francis Tregillis
Deputy Managing Director

MARKET & BUSINESS CONDUCT

Goh Chye Boon
Executive Director

SECURITIES & FUTURES SUPERVISION

Dr Andrew Khoo
Executive Director

CURRENCY & CORPORATE RESOURCE

Foo-Yap Siew Hong
Assistant Managing Director

CORPORATE SERVICES

Shih Siew Poh
Executive Director

CURRENCY

Ho Kwen Chan
Executive Director

FINANCE

Tai Boon Leong
Executive Director

HUMAN RESOURCE

Winnifred Chen
Executive Director

INFORMATION TECHNOLOGY

Huay Khee Chuang
Executive Director

GENERAL COUNSEL'S OFFICE

Ng Heng Fatt
General Counsel

STRATEGIC PLANNING OFFICE

Tan-Tay Hwee Ling
Executive Director

INTERNAL AUDIT

Timothy Ng
Executive Director

Organisation Chart



Monetary Policy, Investment & Research Ong Chong Tee Khor Hoe Ee* (Economics)	Development & External Relations Ong Chong Tee	Prudential Supervision Teo Swee Lian		Market Conduct Shane Tregillis	Currency & Corporate Resource Foo-Yap Siew Hong	
Macroeconomic Surveillance Wong Fot Chyi	External Goh Chye Boon	Banking Supervision Teo Swee Lian	Insurance Supervision Low Kwok Mun	Market & Business Conduct Goh Chye Boon	Corporate Services Shih Siew Poh	Human Resource Winnifred Chen
External Economies Ng Bok Eng	Communications Angelina Fernandez	Division I Aw Kian Huat	Division I Ho Hern Shin	Consumer Issues Merlyn Ee	Logistics, Administration & Event Management Maggie Tan	HR Development Han Twee Heng
Financial Surveillance Peh Kian Heng	Financial Services Cooperation Leong Sing Chiong	Division II Teo Lay Har	Division II Leow Yung Khue	Financial Advisers & Insurance Intermediaries Merlyn Ee	Property & Building Services Yap Soon Guan	HR Management Loo Pauy Lian
Information Resource Centre Susan Song-Lim	International & Regional Relations Eric Chan	Division III Lee Kee Meng	Division III Portia Ho	Market Conduct Policy Mohammad Nizam Bin Ismail	Security Lee Hoe Hin	Information Technology Huay Khee Chuang
Economic Policy Edward Robinson	Financial Centre Development Ng Nam Sin	Division IV Chua Kim Leng	Prudential Policy Chia Der Jun	Securities & Futures Supervision Andrew Khoo	Currency Ho Kwan Chan	Applications Yuen Keng Yin
Modelling & Economic Analysis Tan Min-Ching	Capital Markets Luz Foo	Complex Institutions Supervision Lee Boon Ngjap	Capital Policy Wong Nai Seng	Capital Markets Intermediaries Lam San Ling	Coins & Business Excellence Low Siang Kok	Data Centre Huay Khee Chuang
Domestic Surveillance & Forecasting Celine Sia	Investor Services Alison Lim	Division I Lim Phang Hong	Prudential Policy Loo Siew Yee	Corporate Finance Richard Teng	Notes & Services Philip Woo (Acting)	IT Infrastructure Liew Lye Ha
Reserve & Monetary Management Jacqueline Loh	Strategic Development Edgar Teo	Division II Wan Aik Chye	Specialist Risk Supervision Enoch Ch'ng	Enforcement Auril Kam	Finance Tai Boon Leong	IT Security David Ng
Monetary Management Lee Chuan Teck	Treasury Luz Foo	Division III Goh Gin Choo	Financial Risk Tham Ming Soong	Markets & Clearing Houses Neo Boon Sim	Financial & Management Accounting Linda Koh	
Global Fixed Income Cheryl Tan			Payments & Infrastructure Terry Goh		Corporate Risk Division Carolyn Tan	
External Fund Management Celestine Khoo			Technology Risk Tony Chew		Foreign Investment Accounting Christina Aw	
Foreign Exchange, Liquidity & Gold Michael Tay					Operations & Custody Administration Jean Tsen	
International Operations - New York Office Mimi Ho						
International Operations - London Office Mimi Ho (Acting)						

* Dr Khor Hoe Ee has direct oversight of the Macroeconomic Surveillance and Economic Policy departments.

Our Achievements and Work in Progress

REGULATION AND SUPERVISION

ACHIEVEMENTS

- To improve the effectiveness of supervision, we developed a framework that assesses risk in a more comprehensive and consistent manner across the classes of financial institutions supervised by MAS.
- To strengthen on-site inspections, we continued to conduct thematic inspections and reviews in several areas.
- To enhance risk management in financial institutions' outsourcing arrangements with service providers, we issued outsourcing guidelines in October 2004.
- Following revisions to regulatory returns, we have enhanced monitoring indicators used in our supervision of banks.
- MAS regulations were revised to provide supervisory guidance on provisioning by banks for loan impairment, taking into account the adoption of FRS 39 in Singapore.
- To strengthen insurers' management of participating funds, the Par Fund Review Workgroup was formed. We issued a consultation paper outlining the recommendations of the workgroup on 22 February 2005 and obtained public feedback.
- To better reflect all major financial risks of insurers and put in place a more transparent and risk-focused capital and valuation basis, we implemented the risk-based capital framework for insurers.
- We completed phase two amendments to the Securities and Futures Act (SFA) and Financial Advisers Act (FAA). In January 2005, Parliament passed the Securities and Futures (Amendment) Act and the Financial Advisers (Amendment) Act.
- To add depth and vibrancy to Singapore's capital markets, we introduced new Business Trusts Act to regulate business trusts as a new business structure.
- To ensure high standards of probity, professionalism and business conduct in the trust services industry, we established a new Trust Companies Act.
- To ensure high standards of business conduct and regulation of various new investment products, we issued Guidelines on Structured Deposits. We also conducted a public consultation and are working on a new set of regulations on Traded Endowment Policies and Traded Life Policies.

REGULATION AND SUPERVISION

- To enable investors to better protect themselves, we published an Investor Alert List of persons whom we received information on as undertaking financial services activity in Singapore without being authorised by MAS.
- To add depth and to allow for niche players in the fund management industry, we completed the review of and published the licence admission criteria for start-up Boutique Fund Managers.
- We published a monograph on MAS' Roles and Responsibilities in Relation to Securities Clearing and Settlement Systems in Singapore. The monograph provides details on what MAS is doing to achieve its supervisory objective of a safe and efficient financial infrastructure.
- We completed our first year of inspections of the Singapore Exchange (SGX) member firms since assuming primary responsibility for inspecting them.
- To ensure that our licence exemption criteria are being met, we conducted a thematic inspection of selected fund managers exempted from holding licences.

WORK IN PROGRESS

- In an ongoing effort to promote sound, effective and progressive corporate governance amongst financial institutions, we are enhancing the corporate governance requirements for locally incorporated banks and direct insurers.
- To enhance the consistency and robustness of our supervisory practices, we are strengthening the quality assurance process for bank supervision.
- To improve the customer due diligence regime for higher risk customers and politically exposed persons and incorporate an element of risk sensitivity, we will issue revised Notices on Money Laundering and Countering Financing of Terrorism to banks and other financial institutions.
- To strengthen the management of participating funds of life insurance policies, the Par Fund Review Workgroup will work with the Life Insurance Association to incorporate the necessary changes to the current industry guidelines. MAS will also issue a new notice on par fund management to set out the mandatory requirements.

REGULATION AND SUPERVISION

- To operationalise the SFA / FAA Amendment Acts, we will draft subsidiary instruments. We will continue to address implementation issues arising from the Amendment Acts.
- We continue to work with Singapore-incorporated banks to implement the New Basel Capital Framework.
- To enhance the regulatory regime for Real Estate Investment Trusts (REITs), we will be reviewing, amongst others, the corporate governance practices applicable to REITs as well as the Property Funds Guidelines.
- MAS conducted a public consultation on the draft Payment Systems (Oversight) Bill in December 2004. MAS has reviewed the feedback received and will incorporate the comments into the Bill, where appropriate.
- To develop a more robust and risk-based framework for liquidity risk management for all banks, MAS is reviewing the Liquidity Supervision Framework.

STABILITY OF THE FINANCIAL SECTOR

ACHIEVEMENTS

- To provide a comprehensive and regular assessment of Singapore's financial stability, we started issuing the Financial Stability Review (FSR) in December 2004. This is a semi-annual publication. The FSR assesses the health of Singapore's financial system, and aims to provide market participants, analysts and the public with a greater understanding of the issues affecting them.
- As part of our regular assessment of the health of the banking sector, we conducted surveys on the local banks' exposure to the property sector and negative housing equity.
- To assess the ability of our local banks to absorb potential shocks, we carried out two stress tests under the scenarios of a sustained increase in oil prices, severe downturn in the global electronics cycle, and sharp depreciation of the USD.
- In view of the importance of external developments for Singapore's financial stability and growth, we provided the semi-annual assessment of macroeconomic development and outlook for the G3 and key regional economies. Greater focus has been given to the risk assessment of the regional economies' financial systems. The analysis also served as inputs to our exchange rate policy review and formulation.

STABILITY OF THE FINANCIAL SECTOR

WORK IN PROGRESS

- To enhance our surveillance of the financial sector, we are strengthening our framework and approaches in identifying the potential risks and vulnerabilities. We are also working towards expanding the number of financial soundness indicators used and improving their quality.
- To further strengthen our stability assessment of the banking sector, we will continue to deepen our liquidity risk analysis of the banking system.
- We will continue to support international initiatives on financial stability, including the International Monetary Fund's coordinated compilation exercise of Financial Soundness Indicators.

CONSUMER ISSUES

ACHIEVEMENTS

- To enhance the efficiency of dispute resolution mechanisms for consumers, we facilitated the set-up of the Financial Industry Dispute Resolution Centre (FIDReC), which will provide consumers with an independent and affordable avenue for solving retail disputes with financial institutions in the banking, insurance and capital market sectors. FIDReC will be launched in the second half of 2005.
- We launched an Inflation Calculator on the MAS website which allows users to obtain inflation-adjusted prices of goods and services or wages.

WORK IN PROGRESS

- To measure consumers' understanding of financial matters, MoneySENSE conducted a national financial literacy survey. The findings will be released in the second half of 2005.
- To ensure that specific groups such as the elderly and low-income families receive financial education, we will work with community groups and other partners to develop customised programmes for these groups under the MoneySENSE national financial education programme.
- To enhance market conduct and discipline, we will work with the Central Provident Fund Board and industry associations to address the problem of improper switching and churning in the financial advisory industry.

ECONOMIC ANALYSIS AND MONETARY POLICY

ACHIEVEMENTS

- To strengthen the robustness of forecasting, policy analysis and decision-making capabilities, we reviewed and enhanced the MAS' Monetary Model of Singapore and developed key leading indicators for forecasting the electronics sector.
- We completed a long-term demographic model to assist us in our analysis of the long-term sustainable growth path of the economy.
- To analyse the long-term movements of the real exchange rate against the evolving fundamentals of the Singapore economy, we produced a study on The Long-Run Real Effective Exchange Rate of Singapore: A Behavioural Approach, in collaboration with Professor Ronald Macdonald from University of Strathclyde.
- We carried out a series of industry consultations prior to our twice-yearly Monetary Policy Statement to gather views on the exchange rate and the industry more generally.
- To disseminate our analysis of developments in the Singapore economy and share with the public the basis for the policy decision conveyed in the Monetary Policy Statement, we issued eight staff papers and two Macroeconomic Reviews.
- Together with the Centre for Central Banking Studies of the Bank of England, we organised a Regional Seminar on advanced and practical research on monetary analysis.
- To improve the standard of MAS' publications and benchmark them against the standards of the Inflation Report produced by other central banks worldwide, we engaged Professor Ken Wallis of the University of Warwick to provide a critique of the Macroeconomic Review.

WORK IN PROGRESS

- We are undertaking econometric work to better understand the monetary transmission mechanism in the economy.
- In order to better appreciate the inter-linkages and financial flows between sectors and economic units, we are building a flow of funds model for the Singapore economy.
- To enhance the profile of MAS' research work and capabilities, we will continue to participate in surveillance meetings at regional/international fora and conferences. We will also be presenting Singapore's experience with its unique monetary policy framework as a case study at various forums.

**CURRENCY
ISSUANCE****ACHIEVEMENTS**

- To enhance the durability, quality and security of notes in circulation, we introduced the S\$10 polymer portrait notes into circulation in May 2004. The notes were well received by the public with a 100% machine acceptance.
- To promote interest among collectors, the "Year of the Rooster Coin" was issued in December 2004. As it was the first time that a coloured Almanac Coin was issued in Singapore, it was very popular among collectors.

WORK IN PROGRESS

- With the positive response to the S\$10 polymer notes, we are evaluating the cost-benefit and feasibility of introducing more notes in polymer.
- We are studying the currency distribution arrangements in other countries to improve cost as well as process efficiency. We plan to discuss with banks and security couriers possible options going forward.

**FINANCIAL
SECTOR
DEVELOPMENT
& EXTERNAL
RELATIONS****ACHIEVEMENTS**

- To further liberalise the financial sector, Qualifying Full Banks were allowed to establish up to 25 service locations from January 2005. We are also prepared to grant a limited number of new Wholesale Bank licenses to applicants that meet our admission criteria.
- Singapore chairs the ASEAN Linkages Task Force which seeks to form an inter-linked ASEAN securities marketplace by 2010 by exploring various models of alliances and linkages. As a group, ASEAN aims to make their securities markets more accessible to global investors and attract greater liquidity and capital for domestic capital markets.
- To raise global investor interest in regional capital markets, we organised the first ASEAN Finance Ministers Investor Seminar in New York.
- To secure improved access for Singapore financial institutions, we completed the third round of financial services negotiation with our ASEAN neighbours, and free trade agreement (FTA) negotiations with Panama and South Korea.

**FINANCIAL
SECTOR
DEVELOPMENT
& EXTERNAL
RELATIONS**

- MAS hosted a Financial Action Task Force (FATF) Training workshop for FATF members in Asia Pacific countries and the secretariats of Asia/Pacific Group on Money Laundering (APG) and Gulf Cooperation Council. MAS experts participated in the FATF and APG evaluations of Norway and Brunei Darussalam's anti-money laundering/countering financing of terrorism framework respectively.
- To promote financial training in Singapore and to create a critical mass in this area, we launched the Financial Sector Manpower Scheme.
- To increase market transparency and better monitor patterns of foreign exchange (FX) and over-the-counter (OTC) derivatives activity in the global financial system, we participated in the Bank for International Settlements Triennial Central Bank Survey on FX and OTC Derivatives Market Activity 2004. Singapore was ranked the fourth largest forex centre in the world, and second in Asia after Tokyo.
- Capital markets in Singapore continue to grow in diversity. The REITs market in Singapore has grown. As at 31 March 2005, there were five listed REITs worth S\$10.6 billion.
- MAS announced an outplacement of S\$5 billion in funds to external fund managers in developmental funds. These funds will be invested in Asian equity and fixed income markets.
- An ASEAN Capital Markets Forum was formed to facilitate the discussion of issues of common concern among the capital markets regulators in the ASEAN region.
- To promote sound securities regulation across the region, we hosted the Asia Pacific Regional Committee (APRC) Meeting in November 2004. MAS was elected Chair of the APRC in 2004.

WORK IN PROGRESS

- Singapore will chair the ASEAN Linkages Task Force for another year as it continues to seek consensus on the most suitable model for inter-linking ASEAN's securities marketplace.
- MAS is participating in the World Trade Organisation Doha Development Agenda and the fourth round of financial services negotiation with ASEAN members. As a regional trading group, ASEAN is engaged in FTA negotiations with China, Japan and the Republic of Korea.

FINANCIAL
SECTOR
DEVELOPMENT
& EXTERNAL
RELATIONS

ORGANISATIONAL
EFFECTIVENESS

- MAS is participating in FTA negotiations with India and Middle East countries like Qatar and Kuwait, and also took part in the recently concluded Trans-Pacific Strategic Economic Partnership Agreement with Chile and New Zealand.

ACHIEVEMENTS

- To maximise the potential of staff, we have drawn up training roadmaps for all departments to develop staff's functional competencies.
- To improve the long-term effectiveness of MAS' operations, we conducted a Strategic Planning Exercise for our management staff in October 2004. The exercise outlined broad strategic thrusts as well as the business and organisational priorities for MAS for the next five years.

WORK IN PROGRESS

- To raise staff's functional competency levels, we will conduct competency profiling to identify areas for individual staff development. This will allow us to be more targeted in our training and learning programmes.
- To strengthen accountability and transparency of MAS, we embarked on the second phase of the MAS Act review. This includes revisions to enhance MAS' accountability and transparency as well as to enable us to better meet our operational requirements.

Singapore's financial system wins high marks in
the International Monetary Fund review

- Business Times, 27 April 2004

THE FINANCIAL SECTOR:
KEY SUPERVISORY AND
REGULATORY INITIATIVES

Key Supervisory and Regulatory Initiatives

SUPERVISION

MAS' supervisory mandate is to foster a sound and progressive financial services sector. To do this, we continually fine-tune our assessment frameworks for financial institutions, enhance our methodologies and capabilities, as well as develop win-win partnerships with industry.

Harmonizing Risk Assessment Frameworks

As part of our ongoing supervision of financial institutions, MAS employs industry specific risk assessment frameworks to periodically assess an institution's risk exposures, adequacy of risk management practices, and whether it deals with customers in a fair and transparent manner. These assessments allow MAS to identify problems or higher risk areas early. We are then able to take appropriate supervisory measures.

While these separate frameworks from banking, insurance and capital market activities have worked well, we recognised that they could be further streamlined. Despite differing industry characteristics and supervisory focus, there are important similarities in how we assess and supervise a financial institution.

During the year, we conducted a comprehensive review to harmonize the risk assessment language and methodologies, and ensure that similar risks are assessed consistently. This work has culminated in the development of a risk assessment framework that will apply to all classes of institutions supervised by MAS, including banks, insurance companies and capital market intermediaries. Box 1 provides a summary of this harmonized framework. MAS has begun implementing and using the revised methodology to assess the risk profile of financial institutions.

Going forward, we are strengthening the quality assurance process for bank supervision in order to enhance the robustness of our supervisory practices. This includes putting in place a formal process to ensure that supervisory plans, risk-focused examinations and risk rating assessments are performed more consistently.

BOX 1

HARMONIZED RISK ASSESSMENT FRAMEWORK

Under this framework, the assessment of an institution is built on a thorough understanding of the institution, its activities, risk management processes and operating environment. The key stages in the risk assessment process are:

- Determining the significant activities undertaken by an institution.
- Assessing the inherent risks and adequacy of corresponding risk management systems and internal controls for each of these activities.
- Assessing the financial strength of the institution and the adequacy of the Board and senior management oversight of its businesses.
- Determining the overall risk rating for the institution, and consequently the supervisory measures needed.

The new risk assessment framework improves the consistency and robustness of MAS' risk assessment process, and in turn leads to more effective use of our supervisory resources.

Strengthening Partnership with Industry

As part of MAS' consultative approach, we constantly seek feedback and comments from our licensees through various channels. Over the year, we conducted regular dialogues with industry associations. For example, on the securities front, we organised the annual Compliance Roundtable in 2003 and 2004 to discuss and gather feedback on industry-wide regulatory and compliance issues. These dialogues strengthened ties between MAS and the industry, and enabled MAS to implement regulations that are both relevant and practical.

In addition, MAS paid non-inspection company visits to capital markets licensees. These visits give MAS insights into their future business strategies, and help us tailor appropriate supervisory plans. We also encouraged companies to visit MAS, to be forthcoming with information and updates, and to demonstrate support and commitment to resolving regulatory concerns and compliance issues. We will continue our efforts to forge close relationships with the industry in order to achieve effective supervision of our licensees.

INSPECTIONS AND SUPERVISORY REVIEWS

To support MAS' supervisory objectives, MAS actively inspects and continuously monitors regulated entities. Under MAS' risk-focused supervisory framework, financial institutions are grouped into supervisory categories according to their risk and impact profiles. Supervision plans and inspection cycles are worked out based on these profiles. Financial institutions that pose greater risk and impact are allocated more supervisory attention.

In addition to ongoing institution-specific inspections, MAS also conducts thematic inspections to assess specific risks in the financial system. These cover a wide range of prudential, market conduct and risk management areas.

If a regulated financial institution has not met our standards, MAS will issue recommendations to address the shortfalls. In addition, we have a wide range of supervisory responses which can be adopted where necessary, depending on the nature and seriousness of the matter. These responses may include enhanced regulatory reporting, requirements to undertake special audit reviews, additional control measures, potential restrictions on new businesses, formal warnings or reprimands, formal issue of directions or imposition of a composition fine. Our approach is to reinforce the responsibility of the board and management of financial institutions to deal fairly with customers, ensure compliance with regulatory standards and maintain adequate risk oversight of its business activities.

While MAS takes disciplinary action against a handful of regulated entities each year, we are generally satisfied with the standards of compliance and risk management among regulated entities in the financial sector.

Inspections on Licensed and Exempt Financial Advisers

MAS conducted inspections on licensed and exempt financial advisers across the banking, insurance and securities sectors, including routine, thematic and surprise inspections. The inspections focused on four main areas, namely, the advisory and sales process, training and competency assessment process for representatives, compliance oversight and complaints handling process.

The inspections revealed varying standards of compliance among financial advisers. MAS noted improved compliance such as putting in place a well-structured advisory and sales process to ensure that recommendations made to clients meet their investment objectives, financial situation and particular needs. MAS also found that the financial advisers had generally improved in their supervisory review of recommendations by their representatives for the sale of unit trusts and life policies. There were also areas that needed improvement such as the lack of proper systems and controls to monitor switching of investment products among some financial advisers. Such monitoring is important to deter commission-driven representatives from engaging in improper switching of investment products, which could be detrimental to the interests of clients.

During the same period, MAS also conducted routine and thematic inspections on insurance brokers. The thematic inspections focused on the proper maintenance and use of insurance broking premium accounts in accordance with the regulations. There were no major adverse findings arising from these inspections.

Inspections on Asset-Liability Management

In view of rising interest rates and market volatility, MAS conducted thematic inspections of the asset-liability risk management processes and procedures of banks with significant balance sheets. The inspections assessed the effectiveness of the Board and senior management's oversight of balance sheet and investment activities. They also covered the adequacy of the banks' asset-liability management framework and controls. The inspections revealed that the banks generally responded well to changes in market conditions and had in place adequate risk management systems and controls relative to their sizes, complexities and risk profiles. While some weaknesses were noted in the risk capture and measurement, as well as performance evaluation processes and techniques, banks were able to promptly rectify them.

Inspections Relating to Anti-Money Laundering/Countering Financing of Terrorism

MAS has been regularly conducting inspections relating to anti-money laundering/countering financing of terrorism (AML/CFT) as part of the overall supervision of banks. In view of some significant breaches of AML/CFT regulations by banks in other financial centres in the last year, we decided to conduct another focused thematic sweep to review the adequacy of AML/CFT measures, policies and procedures adopted by banks and merchant banks in Singapore as well as their compliance with MAS regulations.

Since early 2004, over 30 banks and merchant banks have been inspected and the inspections are still ongoing. While the banks and merchant banks were generally in compliance with MAS' Notice on Prevention of Money Laundering and Anti-Terrorism (Measures) Regulations, they should continue to enhance their customer due diligence process, including systems for the ongoing monitoring of customer transactions commensurate with their institution's risk profile and business strategies. All banks should also ensure regular AML/CFT training for staff.

Thematic Review of Card and Electronic Banking Fraud Control Systems

To gain a better understanding of electronic banking and security threat issues, MAS conducted a thematic review of card and electronic banking fraud control systems. This allowed us to assess the incidence of fraud and the risk profiles of Singapore's major banks in 2004.

The thematic review confirmed that banks in Singapore had implemented a range of fraud detection controls, including the use of neural network technology, to provide early identification of suspicious transactions and fraud trends.

MAS shared the key findings from the review with the banking industry. We encouraged the banks to continue to strengthen their security controls and update customers on the security precautions to take when accessing online banking services.

Inspections on Consumer Car Loan Business

In January 2003, MAS had lifted guidelines that restricted the maximum financing quantum for the purchase of a car to 70% of the purchase price, and the maximum financing tenor to seven years. Notwithstanding the lifting of these restrictions, MAS expects financial institutions to continue to exercise prudence when extending car loans to consumers. In this context, MAS conducted thematic inspections on the credit underwriting standards, risk management practices and procedures of six financial institutions that accounted for more than three-quarters of total consumer car loans in the financial system.

Although these institutions generally had policies and procedures in place for their car loan business, MAS noted several areas of common weaknesses. Among them were the lack of documentary proof of income for some applications and omission of the hirer's other liabilities in assessing repayment ability. As the value of collateral is essential in determining the loan amount, financial institutions should also take reasonable steps to ascertain the veracity of the purchase price of both new and used cars.

MAS has issued an advisory to the banking industry to share the inspection findings and best practices that may be adopted by the industry. The advisory emphasized the need for robust procedures on assessing the credit worthiness and debt servicing ability of the hirer, and on valuation of the collateral.

Inspections on Business Continuity Management

Following the issuance of the Business Continuity Management (BCM) Guidelines, MAS conducted a series of thematic inspections to assess the preparedness of institutions and the financial sector in handling major disruptions and their alignment with the Guidelines. The review indicated that institutions are cognisant of the importance of BCM and are generally well-equipped with recovery capabilities necessary for the continuation of their critical business functions. Some of the weaknesses highlighted during the inspections relate to interdependency and concentration risks. MAS shared the key findings of these inspections, including peer comparison of the institutions' preparedness, with senior management of the institutions inspected. In response to the inspection findings, institutions are in the process of reviewing and mitigating these risks.

Inspections on Motor Insurance

Last year, MAS conducted thematic inspections on motor insurance. The scope covered the assessment of pricing, reserving, credit, underwriting and operational risks inherent in the conduct of motor insurance business. In most of the insurers, there were no major concerns regarding these risks. However, we noted operational weaknesses in the underwriting and claims reserving processes. The insurers concerned were asked to strengthen their operational systems.

Inspections on Reinsurance Management Strategy of Insurers

MAS Notice 114 outlines the guiding principles for the reinsurance management strategy (RMS) of insurers. It states that every insurer should have an RMS that is commensurate with its risk profile. We reviewed the RMS of ten insurers we inspected last year to assess the degree of alignment with MAS Notice 114. Our inspections revealed that insurers generally have adequate reinsurance coverage. However, we noted some weaknesses in the management of operational risks such as documentation and the procedures for the selection of reinsurers, as well as inadequate Board oversight.

Inspection of SGX Member Firms

2004 marked the first full year since MAS assumed primary responsibility for inspecting SGX member firms, which were previously inspected by SGX. To maintain high standards of compliance and market conduct, we inspected all SGX members at least once. Our risk-based supervisory approach involves rigorous follow-up of inspection findings, regular communication with company management, and dialogues with external auditors.

The inspections revealed that several member firms had incorrectly applied certain regulatory requirements pertaining to financial, capital or trust account requirements. Member firms with compliance and internal control weaknesses have agreed to address them, and we will be following up on the progress of each firm in addressing the various weaknesses identified. Our supervisory approach will also be tailored to allocate more resources to such member firms.

BOX 2

SGX STOPS FLOOR TRADING

SGX formally announced its removal of floor trading, with the exception of Eurodollar futures contracts, by March 2006 due to the superiority of electronic trading platforms in global trading. With this move, all SGX derivative trading (SGX-DT) member firms with floor trading operations will eventually cease their floor operations and convert fully to electronic trading. This will allow customers to key in orders directly for execution in the SGX-DT market. With the switch to full electronic trading, the member firms will need to devote more compliance resources to monitor trading irregularities arising from electronic trades. MAS will be enhancing its inspection approach and methodologies to respond to the risks posed by electronic trading.

Review of Fund Managers Exempted from Licensing

MAS conducted a review of fund managers exempted from licensing to verify that they were complying with our exemption criteria. A key observation from this review was that many of these fund managers failed to file the required regulatory submissions. We have reminded all fund managers exempted from licensing to actively monitor compliance with the criteria of their exempt status, and we will continually assess whether any fine tuning of our current exemption regime is required given market and regulatory developments.

RISK-BASED REGULATORY REGIME

Implementing a Risk-based Capital Framework for Insurers

On 23 August 2004, MAS implemented the new risk-based capital (RBC) framework for insurers in Singapore. Compliance with the framework became a mandatory requirement for all direct insurers on 1 January 2005. This milestone framework was the outcome of four years of extensive study and close consultation with the insurance industry. MAS conducted industry briefings and several tests to assess the robustness of the new framework. We also visited the companies to assess their valuation processes and the readiness of their systems to implement the framework.

The RBC framework puts in place a more transparent and risk-focused capital and valuation system that reflects all major financial risks of insurers. The new approach encourages insurance companies in Singapore to manage their financial risk more actively, thus raising overall prudential standards in the industry.

Reviewing Risk-based Liquidity Framework for Banks

In 2004, MAS continued to assess banks under the Liquidity Supervision Framework and began a review of the Framework. The objective of the review is to develop a more robust and risk-based framework for liquidity risk management for all banks.

Implementing Basel II

The Basel Committee on Banking Supervision finalised the New Basel Capital Framework (commonly known as Basel II) in June 2004. MAS believes that implementing Basel II will encourage Singapore banks to continually improve their risk management practices. This in turn will contribute to a safe and sound financial system. To that end, MAS has been working with the banks to implement the Basel II proposals for implementation in Singapore in tandem with the G10 countries.

Following public consultation, MAS issued in January 2005 a set of guidelines for banks adopting the internal ratings-based approach to credit risk. MAS will be issuing further guidance on other aspects of Basel II in the second half of 2005. To facilitate the cross-border implementation of Basel II by Singapore-incorporated banks as well as foreign banks operating in Singapore, MAS has been holding discussions with foreign banking supervisors with a view to fostering supervisory coordination and practical home-host arrangements in implementing Basel II.

Discussing Basel II & Beyond

Risk experts around the world gathered in Singapore for a Risk Conference from 12 to 13 July 2004. The theme of the conference was Basel II & Beyond. It focused on implications and challenges of the Basel II Framework in the areas of credit and operational risk management. The Risk Conference provided a platform for international risk practitioners, regulators and industry experts to discuss the evolving issues of the new Framework as well as share their perspectives and experiences.

NEW REGULATIONS

Introducing a Regulatory Framework for Business Trusts and Trust Companies

MAS introduced a framework to regulate business trusts (BTs) under the Business Trusts Act. The Act was passed in Parliament in September 2004 and came into effect in January 2005. It regulates the governance of business enterprises set up as trusts rather than corporations. The introduction of the BT structure in Singapore creates a new asset class for investors and adds more depth and sophistication to Singapore's capital markets. The Securities and Futures Act (SFA) was also amended to regulate the offer of units in a BT, similar to the regulation of offers of shares.

The Trust Companies Act was passed in Parliament in February 2005. Trust companies are service providers that administer or act as trustee of a number of trusts. They may also create trusts or arrange for another person to act as a trustee. Trust Companies are currently regulated under the Accounting & Corporate Regulatory Authority (ACRA) where registration of trust companies is voluntary. Under the new Trust Companies Act, which will be administered by MAS, licensing for service providers will be mandatory. The framework will increase legal clarity and guidance for trust companies and will ensure high standards of probity, professionalism and business conduct in the trust services industry.

Facilitating the Implementation of FRS 39

From 1 January 2005, banks in Singapore are required under the Companies Act to comply with the requirements under a new accounting standard, Financial Reporting Standard (FRS) 39, on the recognition and measurement of financial instruments. To help banks implement FRS 39 for financial reporting purposes, MAS Notice 612 was revised to provide supervisory guidance on provisioning by banks for loan impairment. MAS, in consultation with the Association of Banks in Singapore (ABS), is also taking steps to align its regulatory reporting requirements, where appropriate, with FRS 39 requirements. In addition, MAS will review MAS Notice 608 on disclosure in financial statements by banks in line with these changes in accounting standards.

Introducing the Payment Systems (Oversight) Bill

MAS released a consultation paper on the Payment Systems (Oversight) Bill in December 2004. The Bill provides for the oversight of payment systems and stored value facilities in Singapore. It focuses on payment systems that are important for the stability of the financial system and public confidence, and sets out MAS' new policy for stored value facilities. MAS has reviewed the feedback received and will incorporate relevant comments into the Bill.

BOX 3

PAR FUND REVIEW

Participating life insurance policies (par policies) are widely used to meet the investment and life protection needs of many policyholders.

Managing the par fund is intrinsically complex. There is a need to optimise returns to policyholders while not exposing the par fund to excessive risks. Insurers also have to maintain equity and fairness among different classes and generations of policyholders. This is further complicated by the increasingly volatile investment climate and increasingly complex product designs.

The Par Fund Review Workgroup was formed to recommend measures to strengthen the management of par funds, particularly the internal governance and disclosure standards of this type of business. It comprises representatives from the life insurance industry, Singapore Actuarial Society and MAS. The workgroup is finalising the details of the recommendations following feedback received from the public consultation in February/March 2005. It will work with the Life Insurance Association (LIA) to incorporate changes to the current industry guidelines. MAS will also issue a new notice on par fund management which will set out the mandatory requirements.

The key recommendations are:

- Put in place a clearly defined and well-documented internal policy on par fund management, which is approved and reviewed regularly by the Board of Directors.
- Introduce measures to improve point-of-sale and post-sale disclosure, including the provision of relevant information on investment strategy, key factors affecting future bonuses and key principles applied in bonus allocation in the product summary.
- Train financial adviser representatives selling par policies on the new measures to ensure that they are competent and able to provide well-considered advice to consumers.

ENHANCING REGULATORY FRAMEWORKS

Introducing a Deposit Insurance Scheme

In January 2005, MAS released a consultation paper on a Deposit Insurance Bill. The Bill will establish a deposit insurance scheme in Singapore. This will provide an explicit but limited guarantee to depositors for compensation up to a specified amount of their deposits in the event of bank failure.

Reviewing Motor Insurance

MAS recognises that intense competition in the motor insurance industry in recent years could lead to insurers adopting imprudent pricing strategies that could undermine their financial soundness. We have, therefore, encouraged insurers to strengthen their management of pricing risks. As a result, insurers have adopted risk factor premium rating models that enable them to set premium rates according to the risk profile of the insured.

The Motor Insurance Review Workgroup (MIRWG) was formed in 2003 to raise the professional standards of the motor insurance industry in Singapore. The workgroup comprises representatives from the industry and the Automobile Association of Singapore, with MAS participating as an observer.

MAS supported the implementation of MIRWG's recommendations, which included the issuance of two consumer guides and a new Singapore Accident Statement (SAS) in November 2004. We also supported the General Insurance Association (GIA)'s recommendations for enhancing the Independent Damage Assessment Centres (IDACs), which assess and record accident damage to motor vehicles. By offering a greater scope of ancillary services such as repair estimates, IDACs may develop into one-stop service centres for insurers to process claims.

The recommendations are meant to reduce the likelihood of inflated and fraudulent claims, and to facilitate more efficient claims processing. This will ultimately benefit insurers and consumers alike through lower claims costs and less volatile prices.

Refining Regulatory Frameworks - SFA and FAA Amendments

The second of a two-phase set of amendments to the SFA and the Financial Advisers Act (FAA) was passed by Parliament in January 2005. The amendments take into account the feedback MAS received in the course of public consultation.

The SFA amendments implement the private-sector led Company Legislation and Regulatory Framework Committee's recommendations. The Act focuses on capital raising rules and provides greater regulatory certainty to the industry on provisions relating to investment offers. It also refines the liabilities of professionals involved in capital raising and simplifies some prospectus rules. On markets and clearing facilities, the Act calibrates the level of regulation to better match the different levels of systemic risk posed by different bodies. The Act also fine-tunes the rules on the conduct of intermediaries.

The FAA amendments ensure that the regulation of financial advisers (FAs) remains business friendly, while promoting fair treatment of customers. The Act excludes the provision of generally circulated advice by financial advisers from the requirement to provide a reasonable basis for recommendations. It also extends MAS' powers to issue Prohibition Orders to a person with any convictions related to financial advisory activities in a foreign country.

Enhancing the Regulatory Regime for Real Estate Investment Trusts

MAS is evaluating measures to enhance the regulatory regime for real estate investment trusts (REITs). These measures include requiring REITs managers to be regulated by MAS, setting the requisite proportion of unit holders' votes for the removal of the managers and other measures to more closely align the interests of managers with those of unit holders.

Guidelines on IPO Due Diligence in Singapore

In August 2004, the Singapore Investment Bankers Association (SIBA), with the support of MAS and SGX, launched the Guidelines on Due Diligence in the Context of an Initial Public Offering (IPO) in Singapore. The Guidelines set out SIBA's guidance to its members on the due diligence procedures relating to IPOs in Singapore. The Guidelines will help issue managers and underwriters in an IPO to better meet their responsibilities under the SFA and the SGX Securities Trading Listing Manual.

As part of our ongoing supervision process, MAS will review the use of the Guidelines by corporate finance advisers as part of their internal due diligence framework. Following this review, MAS will work with SIBA to enhance the Guidelines as appropriate.

MARKET CONDUCT

Enhancing Corporate Governance

During the year, the Council on Corporate Disclosure and Governance (CCDG) reviewed the existing Code of Corporate Governance. The Code sets out recommended practices for listed companies on board matters, remuneration matters, accountability and audit, and communication with shareholders. The objective of the review was therefore to introduce improvements to the Code, taking into account feedback received since the inception of the Code and international developments in corporate governance. A public consultation on the proposed revisions to the Code was conducted from 1 December 2004 to 15 February 2005.

Raising Standards in the Financial Advisory Industry

In the course of its supervision of FAs, MAS observed that most FAs have taken active steps to put in place controls, processes and procedures to comply with the business conduct requirements under the FAA. However, the standard of compliance varied across FAs.

In November 2004, MAS released an Information Paper on Good Practices for Licensed and Exempt Financial Advisers to highlight the good practices it has observed. The aim of sharing this information is to assist FAs in enhancing their advisory and sales process, the competency of their representatives, and their complaints handling and compliance functions. All FAs are encouraged to review the good practices set out in the paper to assist them in designing their own internal compliance systems, controls and procedures.

BOX 4

KEEPING PACE WITH PRODUCT INNOVATION

The FAA now regulates the sales and advisory process for several new hybrid investment products. MAS felt that growing retail interest in these products required adequate safeguards to protect Singapore investors.

Structured Deposits

Structured deposits are hybrid investment products where returns are tied to the performance of a reference financial instrument. MAS introduced Guidelines on Structured Deposits to raise standards of banks in the sale and marketing of these products.

The Guidelines on Structured Deposits require banks to ensure that:

- All marketing materials on such products disclose key information in a clear and adequate manner, and do not include statements that are false or misleading.
- Bank representatives selling these products are qualified and have a reasonable basis for making recommendations.
- Steps are taken to segregate the sales process for such investment products from other deposits so that consumers will not be misled into assuming that structured deposits have similar risk-return profiles as traditional fixed deposits.

In addition, MAS issued a Consumer Guide on structured deposits to raise consumer awareness of the risks involved in investing in such products.

Traded Endowment Policies and Traded Life Policies

Traded endowment policies (TEPs) and traded life policies (TLPs) are second-hand insurance policies packaged as an investment product and sold to third party investors.

Given the incidence of fraud associated with foreign TLP product providers in other countries, MAS decided to only permit the distribution of TLPs to non-retail investors in Singapore. Distributors of TEPs will be permitted access to the retail market only with a minimum investment of S\$20,000. The TEPs also need to be manufactured in a recognised country where the life company and product provider are regulated. Singapore investors investing in foreign TEPs should also have access to an appropriate overseas compensation and dispute resolution scheme, and a Singapore-based representative office.

FAs are required under the FAA to disclose any remuneration from making recommendations on investment products, or executing a purchase or sale contract of a designated investment product on their clients' behalf. The purpose of requiring remuneration disclosure is to make consumers aware of the costs of the financial advisory services provided. This will allow them to make better-informed decisions. In May 2004, MAS issued a Practice Note on the Disclosure of Remuneration by Financial Advisers. This provided guidance to FAs on their obligations with respect to remuneration disclosure. It clarifies the types of remuneration to be disclosed, when FAs must disclose their remuneration, and how the remuneration should be disclosed.

In October 2004, MAS issued Guidelines on Switching of Designated Investment Products. The aim of these Guidelines is to provide guidance on the controls, procedures and processes that MAS expects FAs to implement in order to monitor and deter undesirable switching activities. The Guidelines address the disclosure requirements of FAs and their representatives, the types of monitoring procedures to be put in place by the FAs, and how the remuneration structure of representatives can affect their conduct. MAS will conduct a thematic inspection of selected FAs to assess the level of compliance with the Guidelines. We will also work with the CPF Board and the industry associations to address the problem of improper switching and churning in the financial advisory industry.

Civil Penalty Regime

The civil penalty regime under the SFA to deal with market misconduct contraventions became operational in January 2004. Under this regime, MAS may, with the consent of the Public Prosecutor, seek a court order requiring a person to pay a civil penalty to MAS for market misconduct breaches. The regime also provides for out-of-court agreements between MAS and the contravening person for the latter to pay civil penalties to MAS, with or without admission of liability.

Introduced to support Singapore's move towards a disclosure-based regulatory regime for our capital markets, the civil penalty regime is the first of its kind in Singapore and complements the criminal regime for market misconduct breaches under Part XII of the SFA.

MAS took its first civil penalty action against three individuals for breaches of the insider trading provisions of the SFA in October 2004. The three individuals admitted to civil penalty liability and paid civil penalties of S\$715,000 to MAS, without court action.

BOX 5

FINANCIAL INDUSTRY DISPUTES RESOLUTION CENTRE

The Financial Industry Disputes Resolution Centre (FIDReC) will be launched this year. FIDReC will provide consumers with an independent and affordable avenue for resolving their disputes across the financial sector in Singapore. FIDReC will take over from the banking industry's Consumer Mediation Unit and the insurance industry's Insurance Disputes Resolution Organisation. Capital market transactions will, for the first time, be brought under a dispute resolution scheme. Over 400 financial institutions will be subscribers of FIDReC. FIDReC will be governed by a Board of Directors responsible for overseeing its operations and preserving the independence of its dispute resolution processes.

MoneySENSE in the First Year – How Consumers Have Benefited

The government launched the MoneySENSE national financial education programme in October 2003 to enhance the basic financial literacy of consumers. In the first year, the programme focused on helping consumers build a strong foundation in basic money management and financial planning.

More than 80 talks and workshops on money management, financial planning and insurance planning were organised for different target groups including low-income families, students, housewives and working adults. Consumer guides covering topics such as health insurance, financial planning and investment products were published to help consumers make sense of these products and services. MoneySENSE also published a regular series of case studies and quick tips in the local newspapers.

In addition, MoneySENSE collaborated with the major financial industry associations to launch a MoneySENSE Family Outreach. Highlights included fun-filled activities for families, as well as the launch of The MoneySENSE Guide to Planning for your Family's Financial Future and the Are you a MoneySENSible Family? cartoon booklet.

MoneySENSE has embarked on a national financial literacy survey to benchmark the current level of financial literacy among Singaporeans. The findings from the survey will help MoneySENSE develop and deliver financial education programmes that better meet the needs of different segments of the population. The survey findings are expected to be released in the second half of 2005.

Going forward, MoneySENSE will work with community groups to develop structured and sustainable grassroots programmes for low-income families and the elderly. MoneySENSE will also reach out to a wider segment of the population through more mass media programmes.

BOX 6**EMPOWERING CONSUMERS - MAS PUBLISHES INVESTOR ALERT LIST**

In July 2004, MAS published an Investor Alert List (IAL) on its website. The IAL provides information on persons conducting regulated financial services activities in Singapore without the requisite licence or approval by MAS. Some of these unregulated persons, based either in Singapore or overseas, target consumers in Singapore. Others, known as boiler room operations, may engage a Singapore-based secretariat or corporate services to create the false impression that they are regulated in Singapore to target overseas investors.

MAS' regulatory regime safeguards the interests of consumers by ensuring that only competent persons who meet appropriate standards of business conduct can provide financial services. Consumers who choose to deal with an unregulated person will not be fully protected under laws administered by MAS. The IAL makes investors more aware of the existence of such operations. This is in line with our move to empower consumers to assess and assume for themselves the risks of their financial decisions.

Consumers who receive "cold calls" or other investment solicitations should refer to the IAL and Financial Institutions Directory on the MAS website to check that the person they are dealing with is regulated by MAS.

BOX 7

COMBATING PHISHING AND SPYWARE

While technological developments have led to greater convenience and efficiency for customers, internet security threats are also on the increase.

Phishing and spyware are among the most prevalent security threats to internet banking and other online financial services. Phishing usually makes use of unsolicited e-mails and fraudulent websites to trick bank customers into disclosing their personal details. Spyware is more subtle. Usually disguised as internet utilities, games and multi-media files, spyware is often installed unwittingly by the victims themselves.

Given the prevalence of internet security threats, MAS has issued security guidelines and advisories to financial institutions to advise them to improve their security controls on internet channels. They have also been encouraged to strengthen their online verification procedures by adopting two-factor authentication. Customers have also been advised to take extra security precautions.

PAYMENT AND SETTLEMENT SYSTEMS

Securities Clearing and Settlement Systems in Singapore

In May 2004, MAS published a monograph on MAS' role and responsibilities in relation to Securities Clearing and Settlement Systems (SCSS) in Singapore. It discusses MAS' supervisory activities that relate to the objective of ensuring a safe and efficient financial infrastructure. In particular, the monograph explains MAS' responsibilities as owner and operator of the MAS Electronic Payment System (MEPS+). It also looks at MAS' role as the regulator of clearing houses regulated under the SFA. We issued this monograph as part of our continuing effort to clarify our role and objectives in the oversight of such systems.

Payment Systems Figures

Fund transfers by Interbank GIRO (IBG) grew by 13% to S\$122 billion in 2004. Payments by cheques reversed successive years of decline with a 5% increase in the value of Singapore Dollar (SGD) cheque transactions to reach S\$387 billion in 2004.

The value of payments by NETS Electronic Funds Transfer at Point of Sale (EFTPOS) rose 15% to S\$8.1 billion and payments by multipurpose stored value facilities rose 7% to S\$1.3 billion.

As of December 2004, there were 1,609 Automated Teller Machines (ATMs). The major ATM networks are the DBS Bank Ltd network, the United Overseas Bank–Oversea-Chinese Banking Corporation Ltd network and the Hongkong and Shanghai Banking Corporation Ltd–Malayan Banking Bhd–Standard Chartered Bank network.

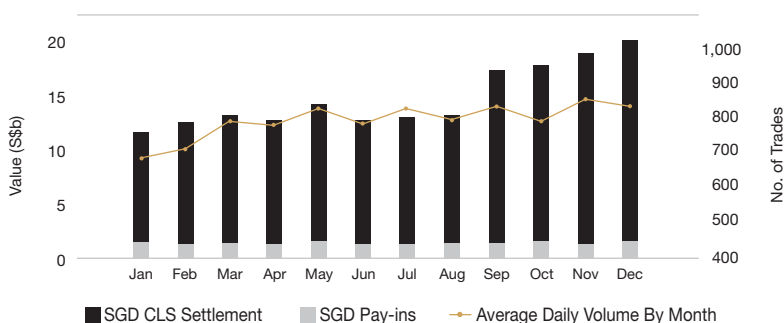
The volume of MEPS transactions grew 5% last year to 2.2 million, with the total value of these transactions remaining unchanged at S\$9.9 trillion.

Continuous Linked Settlement System

SGD was included as a settlement currency in the Continuous Linked Settlement (CLS) system in September 2003. CLS is a simultaneous global multi-currency settlement system, designed to eliminate foreign exchange (FX) settlement risk.

The values and volume of SGD FX settlement through CLS grew in 2004 (See Chart 1). CLS settled on average about 800 SGD FX trades a day with a gross value of more than S\$14.8 billion. Average daily payment was S\$1.6 billion. This represented a netting effect of about 89% from the total gross values of the SGD trades settled through CLS.

Chart 1 : CLS SGD Settlements - Average Daily Value and Volume By Month



Latest Developments in the Retail Payment Landscape

The retail payment landscape saw new channels and products. One such development is the recent setup of the NETS-China UnionPay (CUP) linkage. Chinese visitors can now use their CUP credit and debit cards in Singapore to make purchases using NETS EFTPOS terminals at selected retail outlets and withdraw cash from the United Overseas Bank Ltd-Oversea-Chinese Banking Corporation Ltd ATM network. Another development is the extension of the use of EZ-Link cards to non-transport applications such as payment at food and beverage outlets, convenience stores and self-service kiosks.

Singapore is second most competitive economy
in the world next to the U.S.

- International Institute for Management (IMD) 2004
World Competitiveness Yearbook

THE FINANCIAL SECTOR:
PERFORMANCE AND GROWTH

FINANCIAL SECTOR:

Performance and Growth

STRONGER PERFORMANCE IN 2004

The financial services industry in Singapore chalked up stronger growth in 2004, expanding by 6% for the year, compared with 4.3% in 2003. The improvement came largely on the back of stronger performances in the foreign exchange (FX) and fund management industries, while the sharp turnaround in insurance-related activities also provided support. Offshore banking activity performed well during the year, with loans in the non-bank and interbank markets expanding by 12% and 13% respectively. However, overall financial services was weighed down somewhat by weaknesses in the domestic banking and stock broking industries.

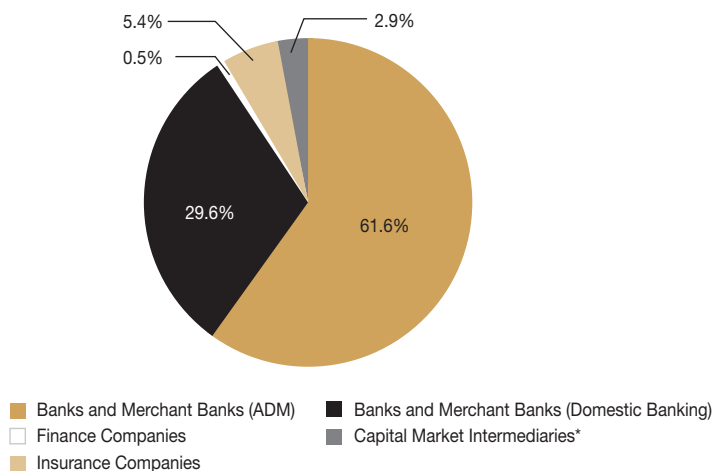
Loans to non-bank customers in the domestic banking industry expanded by a slower 4.5% in 2004, compared with 6.3% in the preceding year. Apart from stronger lending to the commerce segment and to non-bank financial institutions, loans to most other segments were generally weaker over the year. In the financial markets, the domestic stock market saw markedly slower activity, with turnover volume falling by 18% from the previous year to reach a monthly average trading volume of 14.9 billion. In comparison, FX turnover posted a robust 29.8% expansion to a daily average of US\$154.9 billion. Activity in the fund management industry was also supported by the increasing attractiveness of Asian equities, particularly to institutional investors.

Financial Institutions in Singapore

As at end March 2005, there were 110 commercial banks, 47 merchant banks and three finance companies in the financial sector.

Total assets of financial institutions amounted to S\$1.55 trillion at end 2004, of which 61.6% were Asian Dollar Market (ADM) assets, 29.6% domestic banking assets, 5.4% insurance companies' assets, 0.5% finance companies' assets and 2.9% capital market intermediaries' assets (See Chart 2).

Chart 2 : Asset Distribution of Financial Institutions, 2004



* These are Securities and Futures Companies as well as Financial Advisers

Note: 2004 figure refers to Capital Markets Services licensees, Financial Adviser licensees are not included

FINANCIAL MARKET ACTIVITY

Lending Activity in the Domestic Market

Domestic lending activity of commercial banks, particularly interbank lending, saw vigorous growth in 2004 and early 2005, buoyed by a robust Singapore economy (See Chart 3). Growth in non-bank lending was supported by lending to the household and general commerce sectors. As a result, total assets of commercial banks rose 6.8% to S\$413 billion between April 2004 and March 2005.

Total bank deposits of non-bank customers grew strongly in the first half of 2004 but slowed down in the latter half of the year. For the year to March 2005, total bank deposits grew just 3.1%, driven largely by demand deposits (See Chart 4). Deposits of residents outside Singapore rebounded significantly by 9% year-on-year to S\$12.2 billion in March 2005, after two consecutive years of decline.

Chart 3 : Domestic Bank Lending Activity

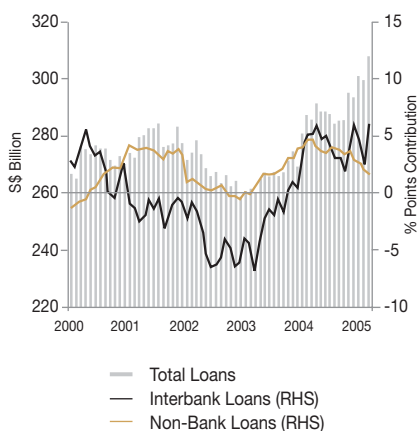
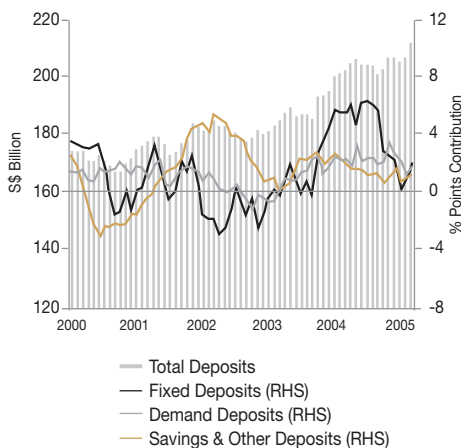


Chart 4 : Deposits of Non-Bank Customers



Vibrant Asian Dollar Market

The ADM, an offshore banking sector whose transactions are primarily USD denominated, grew strongly in 2004 as the global economic recovery gained traction but declined slightly in early 2005 in tandem with slower global growth (See Charts 5 and 6). Total assets in the ADM reached a record high of US\$582 billion in December 2004, up 13.5% for the year, before falling slightly in early 2005. The inter-bank and non-bank segments turned in growth rates of 2.6% and 8.3% for the April 2004 to March 2005 period respectively, so the growth was driven largely by the non-bank segment.

Singapore Government Securities Market - Crossing Another Milestone

The Singapore Government Securities (SGS) market crossed another milestone in January 2005 when SGS became part of the Citigroup World Government Bond Index (WGBI). The WGBI is a well established investment-grade sovereign bond index widely followed by global investors. Among the 22 countries that form the WGBI, Singapore is the only Asian country, apart from Japan, to have qualified.

Chart 5 : Total ADM Assets

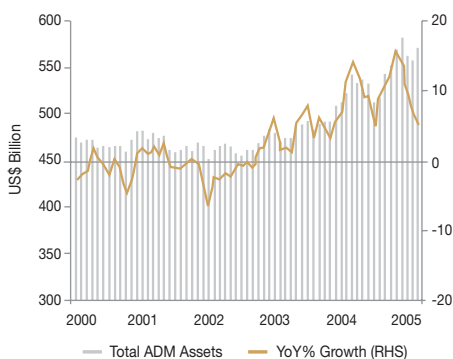
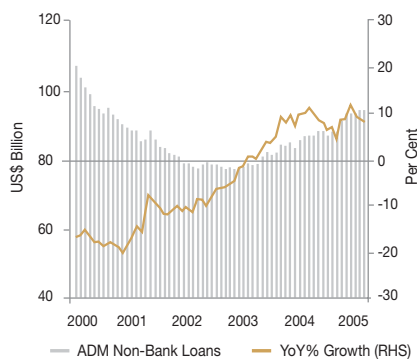


Chart 6 : ADM Non-Bank Loans



Outstanding SGS rose from S\$63.1 billion at end 2003 to S\$72.2 billion at end 2004 as new bond issuance outpaced maturities. Gross issuance of SGS bonds for 2004 totaled S\$13.9 billion, an increase of S\$4 billion from 2003. With S\$7.8 billion worth of SGS bonds maturing during the year, the net issuance of bonds was S\$6.1 billion for the year.

The average daily trading volume for SGS ranged from a high of S\$2.6 billion in 2003 to S\$1.7 billion in 2004. This largely reflected greater uncertainty in the interest rate environment in the second half of 2004 when the US Federal Reserve raised interest rates. However, trading for the SGS Repurchase Agreement (SGS repo) remained active with the average daily turnover at S\$2.2 billion (See Chart 7).

The SGS yield curve flattened in 2004 as the short end rose with firmer short rates. On the longer-end of the yield curve, end-investor demand drove yields down (See Chart 8).

In May 2004, the SGS Electronic Applications (SGS eApps) facility was enhanced to allow automation of the closing price submission process by primary dealers. This has led to greater efficiency in the collection and the processing of the prices.

Chart 7: Total Outstanding SGS and the Average Daily Turnover of SGS and Repo

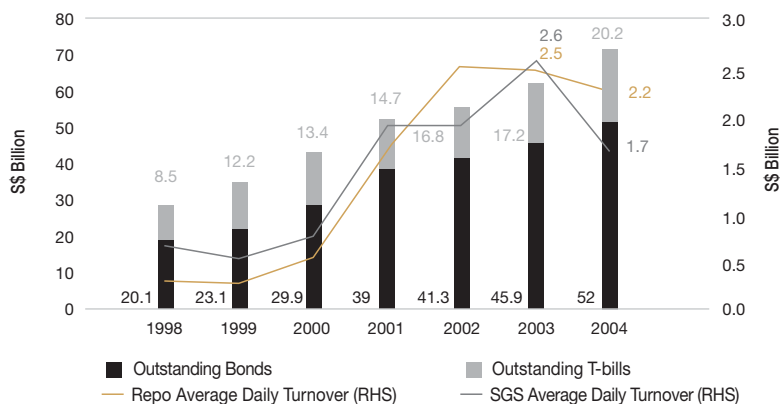
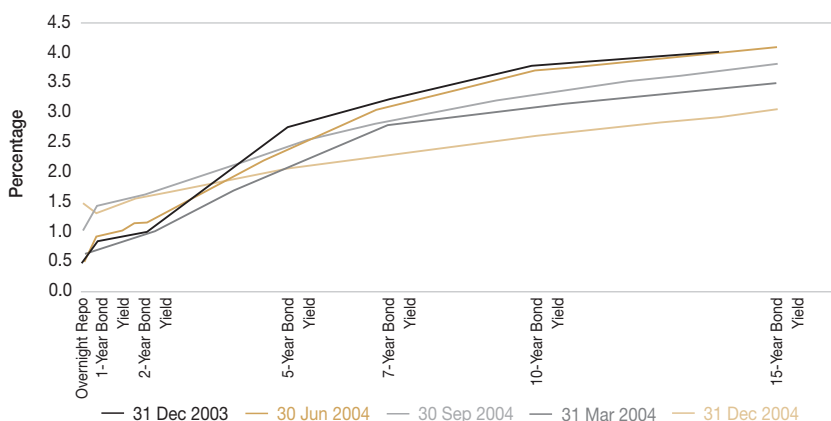


Chart 8 : SGS Yield Curve



Active Corporate Debt Market

The corporate debt market continued to grow in 2004, with total outstanding corporate debt securities rising 20% to S\$123 billion at year end, as a diversified range of borrowers tapped the Singapore market. The volume of new corporate debt issuance also grew 17% to S\$78.7 billion at end 2004 (See Chart 9).

Last year, the number of foreign entities that entered the Singapore Dollar debt market increased by 80% to 34. Among the notable foreign entities that came in were KfW, Fannie Mae and the Asian Development Bank. As a result the volume of foreign entity Singapore Dollar (SGD) corporate bond issuance doubled in value to S\$3.5 billion (See Chart 10).

Chart 9 : Corporate Bond Issuance

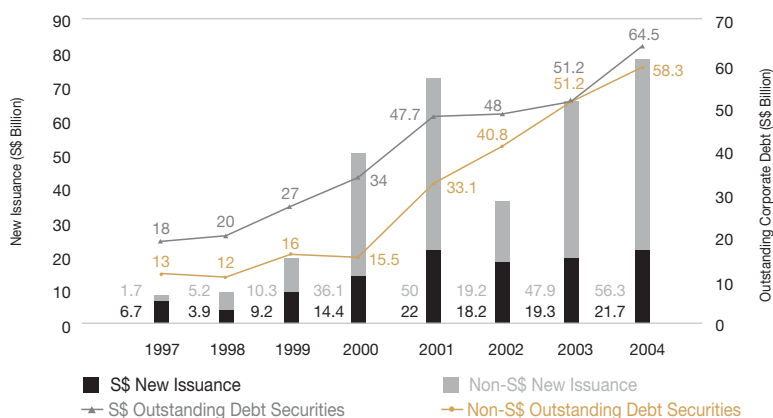
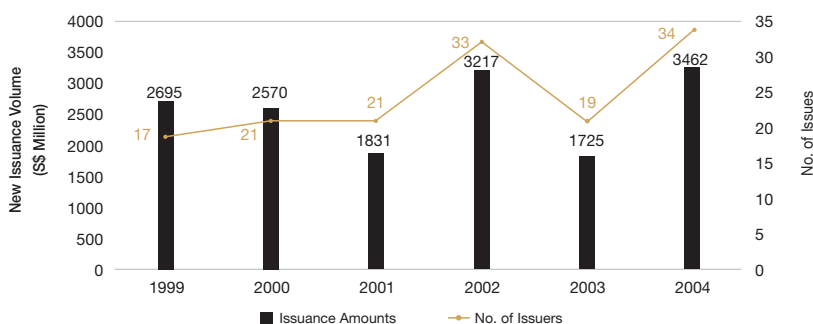


Chart 10 : Foreign Entities SGD Corporate Bond Issuance



Growth in Asset and Wealth Management

Singapore is a major regional centre for asset management in the Asia Pacific. Funds managed in Singapore totalled S\$572.6 billion as at end 2004. Singapore has become a leading asset management centre as a result of various advantages: socio-political stability, sound economic fundamentals, a robust and efficient legal and judicial framework, a well-regulated international financial sector, and the ready pool of talent and expertise.

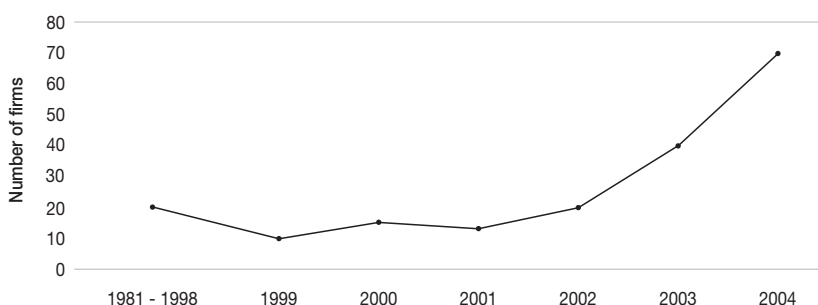
Singapore is today home to more than 30 of the top 50 US and European fund houses. Singapore's asset management industry is very international, with 70% of discretionary assets under management (AUM) sourced from outside of Singapore.

Over the past decade, Singapore's asset management industry has registered 28% average annual growth in AUM. As at end 2004, there were over 1,000 investment professionals in Singapore. Many asset management companies have expanded their services in Singapore to include more than just portfolio management. They have set up research arms, regional trading desks, and centralised their middle and back office functions here.

Emergence of Niche Fund Managers

In recent years, many new foreign fund managers have set up offices in Singapore (See Chart 11). They include hedge fund managers and other experienced fund management professionals who leave the bigger fund houses to operate in niche markets. Most of these fund managers are recent start-ups without established corporate track records and would not normally meet MAS' licensing requirements for fund management. However, they are able to offer their fund management services in Singapore and be exempted from licensing by restricting their clientele to 30 accredited investors.

Chart 11 : Number of New Fund Managers Exempted From Licensing Each Year



MAS' Boutique Fund Managers (BFM) Scheme has been in place since 1999 to grant fund management licenses to smaller fund managers with less than S\$1 billion AUM globally. It was further expanded in 2004 to accommodate new start-ups founded by seasoned fund management professionals who can add depth to the fund management industry in Singapore. A total of 7 BFMs have been admitted under this Scheme since its inception.

BOX 8

THE SINGAPORE REIT MARKET

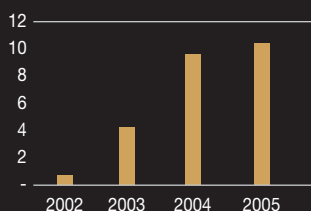
The market for real estate investment trusts (REITs) in Singapore has grown significantly. A REIT is a company that owns, and in most cases, operates income-producing real estate such as apartments, shopping centers, offices, hotels and warehouses. Some characteristics of REITs listed in Singapore include:

- The trust pays out 90 % of taxable income as dividends to unit holders.
- At least 70 % of assets are invested in real estate.
- Debt does not exceed 35 per cent of the value of the deposited property.

The first REIT was listed on the SGX in 2002. As at 31 March 2005, there were five listed REITs worth S\$10.6 billion, including Singapore's first cross-border REIT which has properties in Hong Kong.

The value of the listed REITs has also grown steadily since their initial public offerings, as a result of an improved economic outlook, a stronger stock market and an aggressive yield-accretive acquisition of properties by the REIT managers.

Market Capitalisation of Listed REITs (S\$ Billion)



Several regulatory and tax measures have been put in place to facilitate the development of the REIT market. Under the Property Fund Guidelines in the Code on Collective Investment Schemes, total borrowing limit on a REIT was raised from 25% to 35%, in 2003. Those with single "A" credit rating can now borrow beyond 35%.

Another change introduced by the Ministry of Finance in 2005 is a 3% stamp duty waiver on the transfer of properties into REITs listed on SGX. A withholding tax of 10% on REIT distributions to foreign investors was also granted.

Trading in the Equities and Futures Market

The Straits Times Index rose to 2,066 points at end 2004, generating capital gains of 17% for the year. However, trading volumes for 2004 as a whole declined. The first half of the year saw a confluence of several risk factors which resulted in weakness in both equity prices and a sharp decline in turnover volumes. These risk factors included continued weakness in US economic data, renewed concern over the Avian flu, rising oil prices, the risks of a hard landing in China, and fears of more aggressive money tightening by the Federal Reserve. The local market rallied in the latter half of 2004 as stronger corporate earnings, coupled with a more optimistic regional economic outlook, boosted market sentiment.

Turnover value on the Singapore Exchange (SGX) rose 13% to S\$183 billion in 2004. In volume terms, turnover declined 18% to 178 billion shares. The joint market capitalisation of the Mainboard and SESDAQ rose 16% to S\$452 billion in 2004 propelled by the rise in equity prices and the number of listed companies. As at end 2004, a total of 462 companies were listed on the Mainboard and 163 companies were listed on SESDAQ, up from 413 and 138 respectively in 2003.

In 2004, the number of derivative contracts traded on Singapore Exchange Derivatives Trading (SGX-DT) decreased by one-fifth to 28 million. This decline can be attributed to a fall in trading of the Eurodollar interest rate futures contract, which fell 56% to 8.2 million contracts in 2004.

There continued to be strong interest in the Nikkei 225 futures contract with trading accounting for 28% of total volume on SGX-DT. Other high volume contracts include the MSCI Taiwan index futures, Euroyen interest rate futures, and the five-year Singapore government bond futures contract, which all saw increased activity in 2004.

IPO Prospectus Registration and CIS Approval

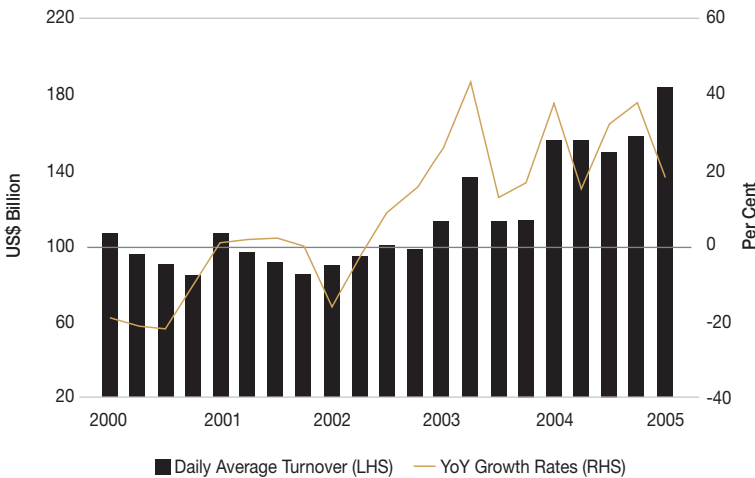
Between 1 January 2004 and 31 December 2004, MAS registered 79 prospectuses for initial public offers of shares by companies, authorised 47 collective investment schemes (CIS) constituted in Singapore, and recognised 179 CIS constituted overseas.

Strong Growth in the Treasury Market

The FX market grew strongly in the second half of 2004 with year-on-year growth rates of over 30%. The growth persisted into the first quarter of 2005. As a result, average daily turnover surged from US\$156 billion in the second quarter of 2004 to US\$184 billion in the first quarter of 2005, the highest level since 1997 (See Chart 12). The turnover increase in the first quarter of 2005 was concentrated in January and February 2005, and appears to be largely among SGD and other currency pairs.

Turnover in the SGD/British Pound (GBP) pair, for example, doubled in January from a year ago, while the turnover in the SGD/US Dollar (USD) rose by 64%. The phenomenon was likely the result of strong portfolio inflows into Singapore and other South-East Asian capital markets at the beginning of the year. The period also saw a reversal of the sharp USD depreciation in the fourth quarter of 2004, and this may also have contributed to the high turnover volumes in early 2005. Trade in the major international currencies such as USD, EUR and Japanese Yen (JPY) continued to dominate the market.

Chart 12 : FX Turnover



BOX 9

PARTICIPATION IN BIS TRIENNIAL SURVEY AND FINANCIAL STABILITY

MAS participated in the Bank for International Settlements' (BIS) Triennial Central Bank Survey of Foreign Exchange and Derivatives Activity 2004. 53 central banks and monetary authorities were involved in this globally coordinated foreign exchange survey.

Singapore maintained its ranking as the fourth largest forex centre in the world. The survey results in Singapore showed that domestic average daily foreign exchange turnover, based on a new survey methodology of using data from sales desks, was US\$125 billion for April 2004. Based on trading desk reporting, MAS estimates that the average daily forex turnover in Singapore reached US\$153 billion in April 2004, a 51% increase over 2001.

The higher turnover activity is a result of more global players centering their Asian time zone business in Singapore in recent years. The larger flows are also due to non-financial customers. In line with global trends, there was strong growth in the volume of USD and Euro contracts. Inter-bank players also benefited from increased activity with non-financial customers.

Daily average turnover for over-the-counter (OTC) derivatives in April 2004 rose almost three-fold to US\$17 billion in April 2004 from US\$6 billion in April 2001.

MAS also increased our participation in financial stability initiatives coordinated by multilateral organisations. They included:

- International Monetary Fund's (IMF) technical assistance missions, which contribute to the development of the productive resources of IMF member countries by enhancing the effectiveness of economic policy and financial policy.
- IMF's compilation exercise of Financial Soundness Indicators, which are a set of key statistics that the IMF recommends for financial system surveillance.
- BIS-Committee on the Global Financial System's survey on stress testing, which is another key tool in financial surveillance work.

Throughout 2004, MAS further contributed to global financial stability by sharing our macro-surveillance framework with other central banks, particularly those from Asia.

Further Banking Liberalisation

MAS introduced further liberalisation measures in June 2004. Qualifying Full Banks were allowed to establish up to 25 service locations from January 2005. We also announced that we were prepared to grant a limited number of new Wholesale Bank licenses to applicants that meet our admission requirements. MAS will continue to monitor the developments in the domestic banking sector before considering further liberalisation measures.

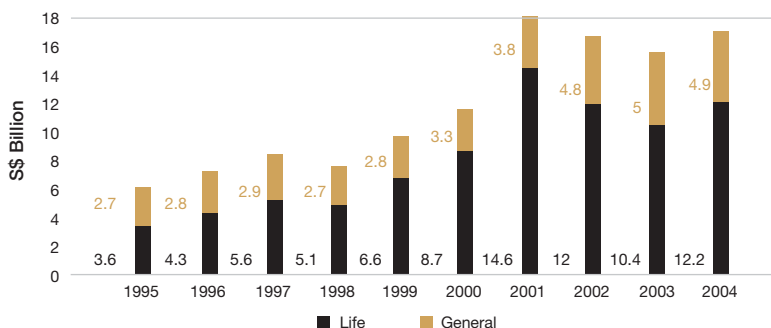
Good Performance for Insurance

The life insurance industry experienced steady growth in 2004, in tandem with the strong recovery of the Singapore economy and a more favourable investment climate (See Chart 13). Premiums grew by 17.3% from S\$10.4 billion in 2003 to S\$12.2 billion in 2004.

Gross premiums for the domestic general insurance business fell by 4.3%, from S\$2.3 billion in 2003 to S\$2.2 billion in 2004. This was largely due to insurers transferring their accident and health (A&H) business to their life insurance funds. This is in response to regulatory changes pertaining to the classification of long term and short term A&H business.

After recording losses for the past few years, the motor insurance sector returned to profitability with an underwriting profit of S\$10.8 million, mainly due to efforts by the industry to improve pricing practices and control claims cost.

Chart 13 : Insurance Premiums



BUILDING A WORLD-CLASS TALENT POOL

To support Singapore's development as an internationally competitive financial centre, MAS works in partnership with industry players and other government agencies to build a quality workforce with deep knowledge, attract global financial talent, and develop Singapore as a hub for financial knowledge, innovation and learning.

A Deep Pool of Expertise

In 2003, the Institute of Banking and Finance (IBF) established the Financial Industry Competency Standards (FICS) Committee to spearhead a new industry initiative. The FICS was tasked with establishing a competency standards and certification framework aligned with international standards for developing a world-class talent pool. The overarching framework for the competency standards, and the associated curriculum and certification programmes are expected to be completed by June 2005. IBF aims to launch the competency standards, curriculum and certification programmes for four pilot job families (namely Trading, Claims Handling – General Insurance and Life Insurance, and Relationship Management for High Net Worth Individuals) in September 2005. Those for the remaining 48 job families will be implemented over the next two years.

MAS also launched the Financial Sector Manpower Conversion Scheme (FSMCS) in June 2004 to encourage the re-channeling of manpower into new growth areas within the financial sector. Customised conversion training programmes in settlement operations and private banking were launched in September and October 2004 respectively. The programmes were well received with over 197 participants trained in Financial Year 2004/05. We plan to launch another conversion programme in middle office product control in 2005.

In the area of continuous employment training, MAS co-funds training expenses under the Financial Training Scheme from the Financial Sector Development Fund (FSDF). Our aim is to encourage financial institutions to constantly upgrade the skills and expertise of their staff. In total, 1,721 trainees benefited from such training grants in Financial Year 2004/05.

Besides concentrating on working professionals, MAS works with the industry and tertiary institutions to ensure a steady supply of graduates in new growth areas. We hold regular sessions with the financial institutions to understand their manpower or skills gaps. We then help academic institutions align their curriculum to address these gaps. In this way, undergraduates will be equipped with the relevant knowledge and skills to join the financial sector.

We also briefed career counsellors from institutes of higher learning on the types of jobs available and skills required for such openings. With a deeper understanding of the industry, these counsellors can better advise their students on future careers in the financial sector. From 2005, the IBF will continue with such pre-employment training initiatives by leveraging on the FICS study.

Global Financial Talent

MAS continued to promote Singapore's open-door immigration policy. We worked with the relevant government agencies to facilitate the entry of foreign professionals seeking employment in the financial sector, and foreign investors exploring business opportunities here. We also profiled Singapore to overseas financial institutions as the ideal destination to work, live and play. Singapore was declared the best place to live in Asia by The Economist's "World in 2005" publication and was named the most attractive Asian economy to foreign high-skilled professionals in the IMD World Competitiveness Yearbook 2004.

A Hub for Financial Knowledge, Innovation and Learning

To support our aim to grow the size and sophistication of the financial markets in Singapore, MAS actively promotes the establishment of a critical mass of regional financial training and research facilities. In 2004, two financial training providers set up or expanded operations in Singapore, offering advanced or specialised financial training to professionals in Singapore and those from the region. In the area of financial research, three financial institutions established or expanded their financial research activities here.

Singapore has AAA sovereign ratings.

- Fitch Ratings, July 2004

ECONOMIC DEVELOPMENTS AND MONETARY POLICY

Economic Developments And Monetary Policy

THE WORLD ECONOMY: STRONG PERFORMANCE IN 2004, THOUGH MOMENTUM SLOWED SOMEWHAT IN THE SECOND HALF

The global economy expanded strongly in 2004 despite the sharp rise in oil prices, though growth was perceptibly weaker in the second half of the year.

The strong U.S. economy lifted global growth, with American household and corporate spending remaining buoyant. Inflationary pressures increased as the economy gained strength and following three years of USD depreciation. In response, the Federal Reserve (Fed) raised the Federal Funds Rate from 1% in June 2004 to 2.75% in March 2005. In Japan, private investment and export of goods and services picked up strongly last year, boosting real GDP growth to its strongest level in eight years. Similarly, the European economies expanded at a faster pace in 2004. For both Japan and Europe, growth was significantly weaker in the second half of the year.

The non-Japan Asian economies performed well last year on the back of a favourable external environment. In Northeast Asia, the Chinese economy continued to grow at a robust pace. The rest of that region began the year on a firm footing, but growth slowed in the second half due partly to the downturn in the electronics industry. In Southeast Asia, strong domestic demand cushioned the impact of slower export growth in the second half of the year.

The world economy started well in 2005. The U.S. economy remained resilient in spite of high oil prices, while both the Japanese and European economies rebounded strongly in the first quarter of the year. China continued to expand at a rapid pace and led the growth in non-Japan Asia.

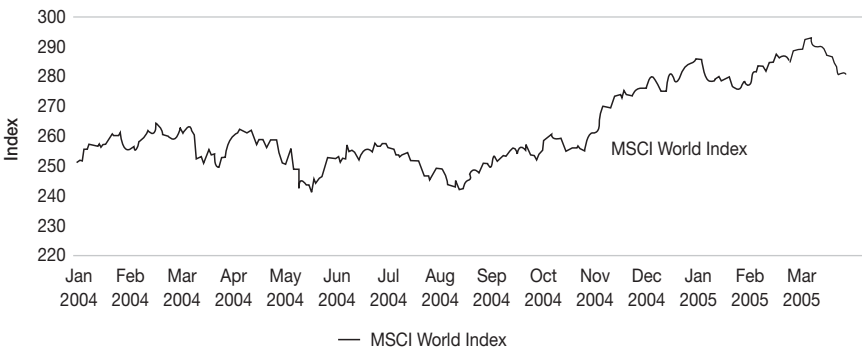
INTERNATIONAL FINANCIAL MARKETS: UNCERTAIN GLOBAL ENVIRONMENT AMID HEADWINDS

Since April 2004, international financial markets have been dominated by uncertainty about the sustainability of U.S. economic growth amidst mixed economic news, profit warnings, higher oil prices and tightening monetary policy. Tighter monetary policy in the U.S. beginning in mid 2004 moved interest rates from historically low levels.

Foreign capital flows into Asia and the belief that Fed tightening will continue to be “measured” supported Asian stock markets last year.

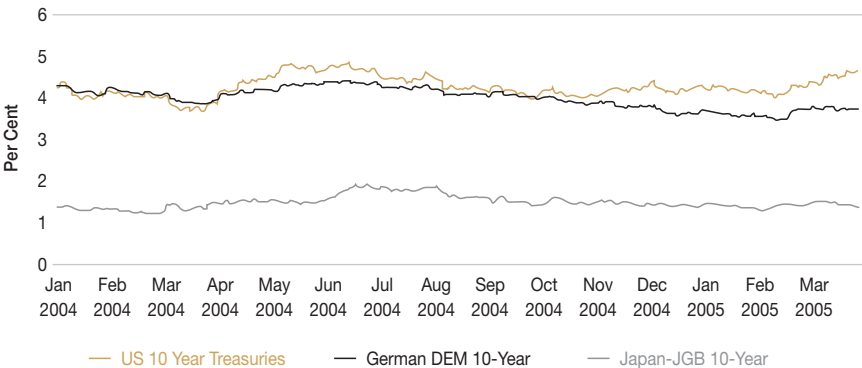
Despite impressive corporate profits, global stock markets have traded sideways since the beginning of 2005 as investors mulled the impact of higher oil prices and interest rates on economic growth and corporate earnings. There were also concerns that the global technology cycle had peaked, with technology-heavy indices underperforming the broader markets (See Chart 14).

Chart 14 : MSCI World Index



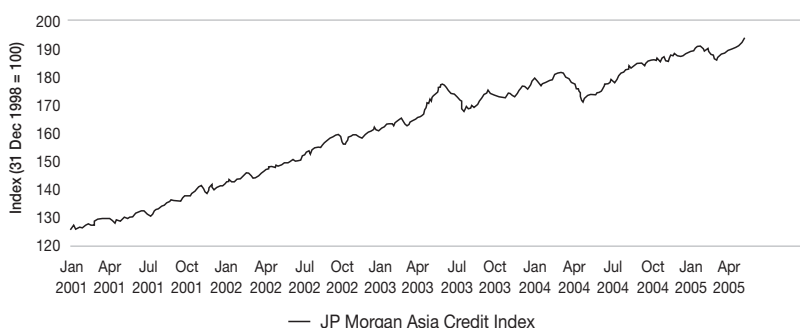
Government bond yields in developed markets rose from their year-lows in March 2004 following initial signs that Fed will start to raise interest rates although expectations of a measured pace of tightening amid benign inflationary pressures have since led to lower yields. Nevertheless, yields have backed up since early February this year amidst signs of stronger than expected growth and renewed concerns over inflation (See Chart 15).

Chart 15 : G3 Long-Term Bond Yields



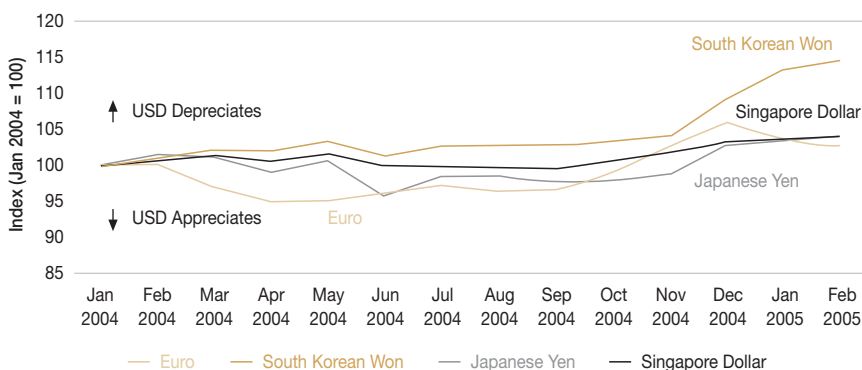
After a brief correction during April to May 2004, Asian bonds continued to rally, reflecting efforts by investors to sustain returns in a low interest rate environment. However, bond prices began to correct in February 2005 on the back of concerns over the possibility of more aggressive Fed tightening to curb a rise in inflationary pressures (See Chart 16).

Chart 16 : Asian Bond Price Index



In the foreign exchange market, the USD weakened significantly in late 2004 driven by concerns about the growing U.S. current account deficit. Excessive focus on exchange rates as corrective mechanisms for global imbalances also invited speculative capital flows into Asia that strengthened regional currencies (See Chart 17).

Chart 17 : USD against Euro and Major Asian Currencies

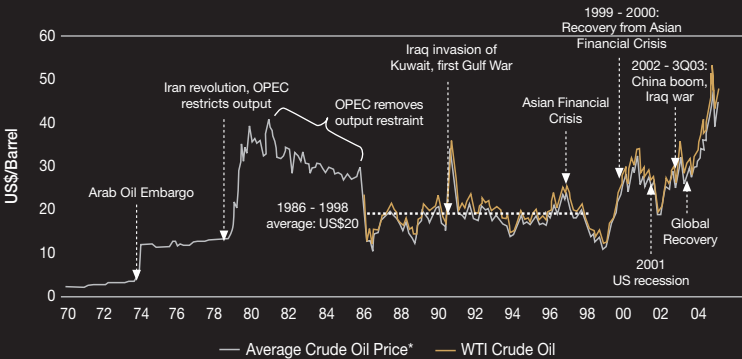


BOX 10

AN ANALYSIS OF THE GLOBAL OIL MARKET

MAS undertook a study of the global crude oil market in 2004, against a backdrop of a rapid increase in prices to record highs to above US\$50 per barrel (see Chart 18). We found that the price increase can be explained by a combination of demand and supply factors.

Chart 18 : Trends in Crude Oil Prices - A Longer Term Perspective



* Average of WTI, Brent, and Dubai

Apart from strong U.S. demand in 2004, demand from China and India has also risen dramatically (See Chart 19). While cyclical factors were partly behind strong Chinese demand, structural factors such as the shift towards energy-intensive heavy industries and a rise in car ownership have also played a part. In contrast to the early 1990s when China could meet all its oil needs from domestic production, it now relies on imports for over one-third of its requirements. On the supply side, global oil production is now at near full capacity due to a lack of investment over the past two decades, which limits the extent to which future supply could increase to meet any projected rise in demand (See Chart 20). Other longer-term supply factors driving up prices include higher production costs faced by oil producers as a result of higher taxes and tougher environmental regulations, as well as rising upstream and transport costs.

Apart from demand and supply fundamentals, fears of supply disruptions, such as those caused by saboteurs in Iraq, have also resulted in a “security risk” premium on oil prices. Speculators have also fuelled part of the run up and volatility in prices.

Chart 19 : World Oil Demand

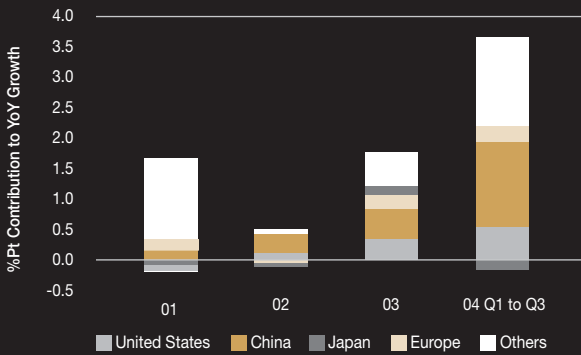
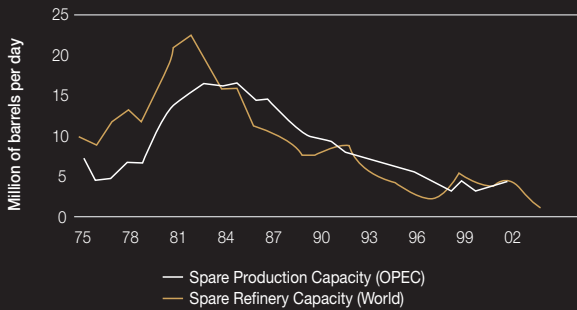


Chart 20 : Spare Capacity



Source: US Energy Information Administration

In the short-term, the oil market will remain volatile over events that could result in supply disruptions. In the longer term, high oil prices are likely to stay, albeit not at current levels. On the demand side, the secular rise of energy-intensive emerging markets, especially China, represents a permanent positive shock to global demand. On the supply side, capacity will remain tight in the next few years, as new investments will take a while to come on stream. For all these reasons, the long-term price of oil is likely to rise significantly above the US\$14 to US\$22 per barrel range seen throughout the 1990s.

BOX 11

FINANCIAL STABILITY REVIEW SHOWS HEALTHY FINANCIAL SYSTEM

In line with the practice of major central banks, MAS published the Financial Stability Review (FSR) on the MAS website for the first time in December 2004. The new semi-annual publication analyses the risks and vulnerabilities arising from developments in Singapore and the global economy. It also examines their implications for the soundness and stability of the financial system. Specifically, it assesses the health of the financial and non-financial sectors, and their ability to withstand potential macroeconomic and financial shocks. The FSR aims to give market participants, analysts and the public a greater understanding of the issues affecting Singapore's financial system.

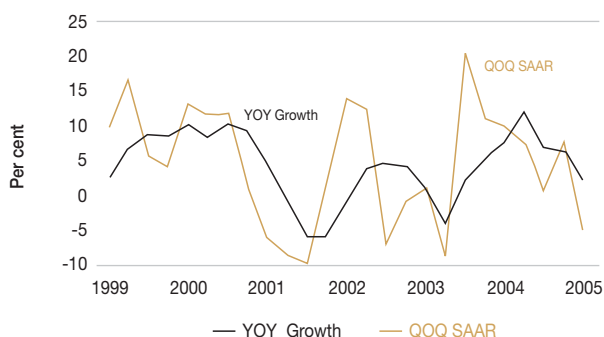
In the December 2004 FSR, we concluded that the balance sheet positions of domestic financial institutions, corporations and households were healthy, and were likely to be resilient to the expected moderation in economic growth. The main downside risks to the positive review were the possibility of a sustained increase in oil prices and a severe downturn in the global electronics industry. The results of a stress testing exercise, however, showed that the local banks were well placed to weather these potential shocks.

SINGAPORE: THE RECOVERY AND BEYOND

The Singapore economy expanded by a robust 8.4% in 2004, the highest growth rate recorded since 2000. Supported by the upturn in the global IT industry and generally buoyant conditions in the OECD and East Asian economies, the Singapore economy grew strongly in the first half of 2004, following the rebound from SARS in the second half of 2003. Activity increased across most sectors of the domestic economy.

Not surprisingly, such a rapid pace of expansion was difficult to sustain. The growth momentum slowed down in the second half of 2004, as the downturn in the global IT industry spilled over to the domestic manufacturing and trade-related services. Nevertheless, economic activity remained at a high level, and provided the basis for the strong increase in employment last year.

Chart 21 : Singapore's GDP Growth



Total job gains in 2004 came in at a strong 71,400, more than making up for the 35,900 jobs lost over the preceding three years. New job creation was fairly broad-based across the manufacturing and services sectors, as well as amongst both local and foreign workers. The significant rebound in employment brought the headline unemployment rate down to 3.7% at the end of the year, from an average of 4.7% in 2003.

Moving into 2005, the economy contracted by 5.5% on a quarter-on-quarter seasonally adjusted annualised basis in the first quarter (See Chart 21). This largely reflected the fluctuations in the output of the biomedical sector and is not expected to have significant spillover effects on the broader economy or on overall employment conditions. Excluding this sector, the economy saw continued growth. In particular, electronics output showed early signs of a turnaround after the peak in the third quarter of 2004, while growth in the services sector was supported by the financial and business segments.

Looking ahead, the pace of economic activity is set to slow in 2005. On the external front, leading indicators point towards more moderate growth of the global economy this year, compared to the exceptional performance in 2004. The global IT industry will also see modest growth in 2005. Nevertheless, this downturn is likely to be less severe and shorter in duration compared to the downswing in 2001, given the greater vigilance in inventory management. Against this backdrop, the Singapore economy is poised to descend from its cyclical high in 2004, and is expected to grow between 2.5% and 4.5% in 2005. Notwithstanding the slower pace of growth, the economy will remain close to its potential output path, which will support further, though more modest, improvement in the labour market.

Consumer price inflation picked up pace, after remaining fairly subdued over most of 2003. For 2004 as a whole, consumer price inflation averaged 1.7%, largely as a result of commodity-related shocks. In particular, higher oil prices have had a direct impact on consumer prices as producers passed on some of the price increases. This was, however, mitigated by highly competitive conditions in certain sectors such as the petrol retailing industry. Apart from oil, food-related shocks were another source of inflationary pressure, with the bird flu outbreak in the region leading to reduced supply and an upward spike in poultry product prices.

In addition, domestic factors – such as the increases in costs and charges of certain services, which had been put off due to the economic slowdown in 2001 to 2003 – also contributed to the upward pressure on consumer prices last year.

This year, inflation decelerated markedly in the first quarter, partly reflecting the effects of the latest revision to the weights and composition of the Consumer Price Index (CPI) basket. For 2005 as a whole, headline CPI inflation is now expected to come in at 0% to 1%, before rising to 1% to 2% in 2006. Inflationary pressures are expected from a variety of sources, including higher commodity prices, wage increases and hikes in some services charges. Domestic unit labour costs are also expected to turn positive after declining last year, reflecting the moderation of cyclical productivity gains and continued improvement in the labour market.

MONETARY POLICY AMID SUSTAINED GROWTH AND EMERGING INFLATIONARY PRESSURES

Against the backdrop of the robust rebound in the economy, monetary policy remained vigilant of incipient inflationary pressures. MAS shifted to a modest and gradual appreciation of the Singapore Dollar Nominal Effective Exchange Rate (S\$NEER) in April 2004, amidst signs of a sustainable recovery in the economy and risks of rising inflationary pressures.

The domestic economy continued its strong growth momentum in the first half of 2004. In spite of a more measured pace of growth in the later part of the year, domestic price pressures persisted, as the economy continued to expand and the labour market improved. There were also upside risks from stronger commodity prices, as well as the potential for a higher degree of pass-through of these cost increases as the domestic economy strengthened. Hence, MAS maintained the policy stance of a modest and gradual appreciation of the S\$NEER in October 2004.

This policy stance was reaffirmed on 12 April 2005. The underlying growth support for the Singapore economy remained intact, despite the weaker GDP growth in the first quarter of 2005. At the same time, inflationary pressures continued to be a concern over the medium term, with the economy operating at close to its potential output level and with upside risks to external inflation.

STRENGTHENING THE MONETARY POLICY FORMULATION PROCESS

The lead-up to the semi-annual Monetary Policy Statement (MPS) in April and October represents the peak of activity for monetary policy formulation in MAS. Preparation starts six weeks before the release of the MPS, with a comprehensive assessment of conditions in the external macroeconomic environment and key sectors such as IT (See Figure 1). This provides the backdrop for the baseline forecast for the Singapore economy, using both a “bottom-up” industry-based surveillance approach as well as a “top-down” macroeconomic modeling approach. These forecasts as well as the results of counterfactual scenarios on the external environment are used to identify alternative policy paths of the trade-weighted SGD exchange rate over the medium term. The macroeconomic implications of each policy option are assessed with the aid of the Monetary Model of Singapore (MMS), and a recommendation is made on the optimal policy path.

The findings and recommendation are presented to the Monetary Investment and Policy Meeting (MIPM) committee for deliberation and decision. The monetary policy stance is then finalised and announced, followed by briefings to the media and private sector analysts in conjunction with the release of the Macroeconomic Review. This document presents MAS’ analysis and assessment of macroeconomic developments in the Singapore economy, and conveys to the public the basis for the policy decision.

Figure 1 : Timeline for the Monetary Policy Review Cycle

5 Weeks Before	4 Weeks Before	3 Weeks Before	2 Weeks Before	1 Week Before		1 Week After
Industry Consultation					Release of MPS	
Assessment of economic conditions and forecasts; preparation of policy recommendation paper						
				Presentation to MIPM		
						Briefings to media and analysts
						Release of Macroeconomic Review (web version)

Over the past year, several initiatives were launched to further strengthen this policy formulation process. On the surveillance front, the Economic Policy Department (EPD) embarked on an industry consultation process to gather views from key manufacturers, industry associations and service providers on the role of exchange rates in their operations, and the prospects for their industries more generally (See Box 12).

Given that the performance of the Singapore economy is tied closely to the fortunes of the global IT industry, we are continuously strengthening our surveillance and forecasting capabilities of the global electronics industry. A significant improvement has been the construction of an Electronics Leading Indicator and an Electronics Manufacturers’ Index, which provide additional tools in forecasting the domestic electronics industry.

On the macro-modeling front, there were further improvements to the MMS, including developing a demographic module. This also allows the MMS to incorporate various demographic assumptions in estimating Singapore's long-term growth potential.

BOX 12**THE INDUSTRY CONSULTATION INITIATIVE - BUTTRESSING MONETARY POLICY FORMULATION**

MAS embarked on the industry consultation initiative in October 2003, as part of the exchange rate policy review process. The objective of this initiative was to obtain the industry's views on their business outlook going forward, including production, investment and recruitment plans. Each consultation typically involved on-site visits to 10 to 15 companies, representing important players within the manufacturing and services sectors in Singapore. The focus of the visits differed depending on areas of interest and issues at the time. For example, given that the IT sector was at a turning point, our focus was on garnering feedback from the electronics manufacturing companies during the September 2004 round of industry consultation. By consulting with different trade/industry associations, we gained a better understanding of the conditions facing the small and medium enterprises. The views collected, both qualitative and quantitative, served as useful inputs into our baseline forecasting exercise, as well as provided useful feedback from the ground on how monetary policy and exchange rates would affect different industries.

Such industry consultations are certainly not unique to Singapore. Other central banks, such as the U.S. Federal Reserve and the Reserve Bank of Australia also include industry consultation as part of their monetary policy formulation process. Going forward, MAS will continue to fine-tune the industry consultation process so as to leverage further on the views of businesses as background for policy formulation.

AT THE FRONTIER OF MONETARY POLICY RESEARCH AND ANALYSIS

MAS carried out a broad range of policy research studies over the past year to deepen our understanding of the Singapore economy. The following are some of the key studies:

- A study of the natural rate of unemployment in Singapore found that unemployment had crept up over the years, reflecting the ongoing economic restructuring.
- An examination of the long-run equilibrium real exchange rate for Singapore showed no evidence of a misalignment of the currency from its equilibrium level (See Box 13).
- An assessment of the trade dynamics in Asia, including identifying the cross-border production network that has emerged based on the complementary capabilities of the regional countries.
- A staff paper analysing Singapore's balance of payments from 1985 to 2003.

At the same time, MAS continued with our Visiting Scholar programme to enhance the rigour and depth of policy research and thinking at MAS. These visitors included Kenneth Wallis (University of Warwick), Delano Villanueva (Singapore Management University), Peter Wilson (National University of Singapore), Anthony Tay (Singapore Management University) and Andrew Feltenstein (International Monetary Fund).

During the year, MAS organised an inaugural Regional Seminar on Monetary Policy in Post-Crisis Asia with the Centre for Central Banking Studies of the Bank of England. The seminar attracted 24 participants from 12 regional central banks. This was an excellent opportunity for MAS to work together with a well-established institution to provide a forum where central bankers from across the region could exchange experiences and provide updates of new analytical techniques.

As part of our continuing Economics Education efforts, we delivered lectures and presentations to students and teachers on monetary policy issues. In addition, we launched an Inflation Calculator on the MAS website, allowing users to obtain inflation-adjusted prices of goods and services or wages (See Figure 2).

BOX 13

THE LONG-RUN REAL EFFECTIVE EXCHANGE RATE OF SINGAPORE

Given that currencies can take long “swings” away from their fundamental or fair value, EPD embarked on a study to determine the equilibrium exchange rate and to examine if there was any significant misalignment from this value.

In estimating the equilibrium exchange rate for Singapore, the behavioural equilibrium exchange rate (BEER)-based approach was adopted. This approach has become increasingly popular due to its tractability and transparency. In the study, the long-term movements of the real exchange rate against the evolving fundamentals of the Singapore economy was examined, and found to have a strong relationship with the terms of trade, property prices, net foreign assets and openness. The study also found that the exchange rate was currently close to equilibrium value, although there have been several episodes of misalignment since 1983. This study was published in staff paper number 36: The Long-Run Real Effective Exchange Rate of Singapore: A Behavioural Approach.

Figure 2 : Inflation Calculator

Goods & Services Inflation Calculator

To find out how much an item that cost \$x in one year (Year 1) would cost in another year (Year 2), please follow the procedures below:

1. Select desired category using the options menu.
2. Enter the two years over which you wish to make the comparison: Year 1 and Year 2.
3. Enter "AMOUNT" in Year 1.
4. Click compute.

The answer will appear in red on the screen.

A "basket" of goods and services that cost \$x in the selected category in Year 1 would cost \$Answer in Year 2.

Number of Years:	?
Percentage Change:	?
Compound Average Annual Rate of Inflation:	?
CPI for Year 1:	?
CPI for Year 2:	?

Please fill in the options below:

Category:

Year 1:

Year 2:

Amount: \$

Wage Inflation Calculator

To find out what wage would enable you to purchase the same basket of goods and services in one year compared to another, please follow the procedures below:

1. Enter the two years over which you wish to make the comparison: Year 1 and Year 2.
2. Enter "WAGE" in Year 1.
3. Click compute.

The answer will appear in red on the screen.

Wage levels of \$x in Year 1 would be equivalent to \$Answer in Year 2.

Number of Years:	?
Percentage Change in Wages:	?
Compound Average Annual Wage Growth:	?

Please fill in the options below:

Year 1:

Year 2:

Wage: \$

Singapore is world's most globalised nation

- 2005 Globalisation Index by A.T. Kearney
and Foreign Policy magazine

MAS in the International Arena

With strong economic growth and renewed confidence shown by the region, 2004 saw the launch of many regional cooperation initiatives. MAS participated actively. We engaged our counterparts in exchanges of views and insights and pursued mutually beneficial goals in both the capital market development and regulatory spheres.

Fostering Regional Capital Market Cooperation and Development

We continue to work closely with our regional counterparts in developing initiatives to enhance greater capital market development. MAS is an active participant in the ASEAN Linkages Task Force (LTF), comprising representatives from finance ministries, securities commissions and stock exchanges in ASEAN. The LTF, which was set up after the ASEAN Finance Ministers Meeting in Singapore in April 2004, is tasked with developing an interlinked ASEAN securities marketplace by 2010. The Task Force met in September 2004 and February 2005 to discuss various models of exchange alliances and linkages as well as their benefits and costs. It also looked at the impediments to these linkages amongst ASEAN securities markets. Singapore is currently the chair of the LTF.

BOX 14

DEVELOPING A REGIONAL BOND MARKET

MAS worked with fellow central bankers of the Executives' Meeting of East Asia - Pacific Central Banks (EMEAP) on the successful launch of Asian Bond Fund 2 (ABF2).

ABF2, comprising a Singapore-domiciled Pan-Asian Bond Index Fund (PAIF) and eight country sub-funds, marks a further chapter in the development of Asia's local currency bond markets. The PAIF will be initially listed in the Hong Kong Stock Exchange and domiciled in Singapore. This is testament to the successful growth and development of Singapore as a fund management centre in Asia.

Together with ABF1, ABF2 will draw greater investor awareness, including from outside Asia, to the investment opportunities in Asian bonds. They will also deepen the pool of Asian debt market expertise here. Such regional initiatives complement our bond market development efforts and add to the significant strides made in the growth of our domestic bond market and fixed income fund management activities.

Another regional capital market initiative which MAS participates actively in is the ASEAN 100 project, chaired by the Securities Commission of Malaysia. Also formed after the ASEAN Finance Ministers Meeting in Singapore in 2004, the project aims to form an ASEAN index featuring ASEAN's top companies. The respective ASEAN securities exchanges are active participants in the project, with regulators such as MAS facilitating and enhancing their participation by seeking to harmonize regulatory standards and practices to make such an index possible.

BOX 15

SHOWCASING THE REGION'S POTENTIAL

The ASEAN Finance Ministers Investors Seminar was held in September 2004, in New York. Organised by MAS on behalf of ASEAN Finance and Central Bank authorities, the seminar was first mooted at the ASEAN Finance Ministers Meeting in Singapore in April 2004.

About 200 participants attended, with 130 coming from the US. The seminar showcased various aspects of ASEAN's growth potential. As a combined entity, ASEAN's consumer market is already larger than the Indian market and close to the coastal markets of China.

ASEAN has a GDP of close to US\$700 billion and a population of 540 million growing at more than 2% a year. Based on current growth trends, the region will have a combined GDP exceeding US\$1 trillion by 2010.

The region offers investors an attractive combination of a high degree of market stability as well as liquidity and easy access in the capital markets.

The seminar received largely positive feedback from investors who felt that it had provided an in-depth look at ASEAN's economic prospects and investment opportunities.

Given the success of this first seminar at promoting ASEAN to international investors, the ASEAN Finance Ministers have agreed to a second seminar to be held in London in 2005.

Strengthening Regulatory Cooperation

MAS is a member of the Asia Pacific Regional Committee (APRC), a regional committee of regulators under the International Organisation of Securities Commissions (IOSCO). The APRC seeks to promote sound and consistent securities regulation across the region. Singapore has chaired the APRC since May 2004. MAS hosted the APRC Meeting in November 2004. The meeting discussed the three strategic thrusts of the APRC: Implementing IOSCO's Objectives and Principles of Securities Regulation; Information Sharing and Cooperation amongst members; and Capacity Building in the region.

MAS also participates in the ASEAN Capital Market Forum (ACMF). The ACMF was convened to provide a high-level meeting place for ASEAN capital markets regulators to discuss the harmonisation of standards that will facilitate the integration of regional capital markets. These include disclosure standards, distribution rules, accounting and auditing standards and cross-recognition of the education and experience of capital market professionals. MAS hosted and chaired the second ACMF in November 2004. The inaugural ACMF meeting was held in Bangkok in June 2004.

At the regulator-to-regulator level, MAS signed a Memorandum of Understanding (MOU) with the China Banking Regulatory Commission on 14 May 2004. The MOU aims to strengthen cooperation between the two regulatory authorities, including cooperation in training and staff exchange programmes. It also provides for the sharing of information and views on developments affecting our banking systems. This is the first banking MOU that MAS has signed with another bank regulatory authority.

Beyond our immediate region, MAS continues to play an active role in contributing to the formulation of global regulatory standards in the financial sector. This includes anti-terrorism and anti-money laundering efforts through the Financial Action Task Force (FATF). Singapore hosted a plenary meeting of the FATF in June 2005.

As a member of the Core Principles Liaison Group established by the Basel Committee on Banking Supervision, MAS is taking an active part in the Basel Committee's project to review the Core Principles for Effective Banking Supervision and accompanying Core Principles Methodology. In addition, MAS is involved in the work on the development of supervisory guidance undertaken by various Basel Committee sub-groups, including those on the implementation of Basel II and on accounting issues.

Since June 2004, MAS has also taken on Chairmanship of the EMEAP Working Group on Banking Supervision. The Working Group seeks to contribute to the development of banking supervision standards, and to facilitate the adoption of international standards for enhancing banking supervision and financial system stability in Asia. The Working Group has established study groups to look into issues relating to Basel II implementation and macro-surveillance, and is conducting annual workshops on banking supervision issues. In July 2004, MAS and the Financial Stability Institute jointly hosted a meeting on the Practical Application of Basel II. The meeting provided a platform for G10 and Asian central banks and supervisors to discuss the key features of the Basel II framework and the implementation challenges faced in their respective jurisdictions.

In April 2005 MAS also became a Full Member of the Islamic Financial Services Board (IFSB). The IFSB is a standard setting body engaged in preparing prudential, supervisory and transparency standards for the Islamic financial services industry and in promoting international best practices on their regulation and supervision. Since joining the IFSB, MAS has become a member of its Supervisory Review Process Working Group which will be setting standards on the supervisory review process for Islamic financial institutions.

Facilitating Information Exchange and Technical Assistance

MAS continues to contribute to technical assistance efforts with regional central banks and financial agencies.

We send speakers and trainers to conduct training sessions at regional central banks or in programmes organised by regional training providers such as the Southeast Asian Central Banks Centre for training, the Asian Development Bank, Asia-Pacific Economic Cooperation Financial Regulators Training Initiative and the International Monetary Fund (IMF)-Singapore Training Institute. In addition, we host study visits and attachments and provide resource persons to assessment programs like the Financial Sector Assessment Programme (FSAP).

Leveraging on our experience in developing and conducting in-house functional training for financial supervisors, and in response to increasing training requests from regional regulators, MAS launched a regional banking supervisors' training programme. This programme aims to introduce MAS' supervisory approaches and practices, to share our experience in key aspects of banking supervision with fellow regulators in the region and to provide an opportunity for exchange of views. An inaugural two-week training programme was organised in May 2005, with participants from 13 Asian countries.

Ninth EMEAP Governors' Meeting and EMEAP-Eurosystem High Level Seminar

MAS chaired and hosted the Ninth Governors meeting on 15 July 2004. EMEAP Governors' Meetings have been held annually since EMEAP's establishment in 1996. The Governors exchanged views and held discussions on recent economic and financial developments in the region.

MAS also hosted the first meeting between the EMEAP Governors, the President of the European Central Bank and Governors from the Eurosystem National Central Banks at the EMEAP-Eurosystem High Level Seminar. The seminar discussed economic issues of relevance to both regions, including the emergence of East Asia in the global economy, the role of international currencies and initiatives to enhance inter-regional cooperation.

Hosting 2006 IMF and World Bank Meetings and Singapore 2006

Together with the Ministry of Finance, MAS is preparing for the IMF/World Bank Group of Governors Annual Meetings in September 2006 in Singapore. The Annual Meetings is a major event in the calendar of the international financial community. The event is likely to bring 16,000 participants from more than 180 countries to Singapore. Among them will be Heads of Government, Finance Ministers, Central Bankers, Chief Executives of leading companies and the international media.

Complementing the Meetings will be a series of programmes including seminars, meetings, social and cultural events, and the first Singapore Biennale. Collectively known as Singapore 2006, the series of events will highlight Singapore as a global city with a world of opportunities.

Singapore is ranked up there with industrial nations in providing one of the most open business climates for investments and business decisions

- Kurtzman Group, a US-based consultancy firm,

September 2004

Organisational Initiatives

CORPORATE SERVICES DEPARTMENT

Providing a Safe Work Environment

Security was enhanced at MAS Building through upgrading of the security and closed circuit television systems and installation of additional protective features. The building facade recladding project should be completed in the third quarter of 2005.

CURRENCY DEPARTMENT

Money Matters

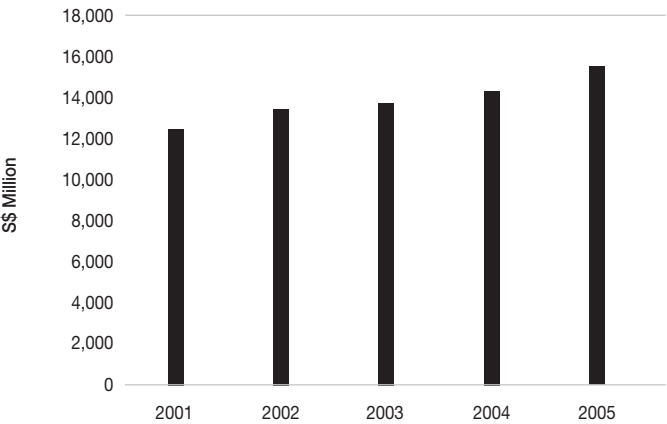
The Currency Department manages the currency stock to ensure the integrity and quality of the Singapore currency. As at 31 March 2005, the gross and active currency in circulation was S\$15.5 billion (See Chart 22) and S\$13.9 billion respectively. The gross currency in circulation increased 6.7% over the year, with S\$31.4 billion worth of notes and coins issued to banks and S\$30.2 billion returned.

The Currency Interchangeability Agreement between Singapore and Brunei continues to operate in both countries. Over the last year, the total Brunei currency repatriated to the Brunei Currency and Monetary Board was S\$670.9 million, S\$7.8 million less than in 2003. The amount of Singapore currency repatriated to Singapore increased by S\$1.2 million to S\$4.2 million in 2004.

As part of MAS' commitment to improving the durability, quality and security of currency notes, we introduced the S\$10 polymer portrait notes into circulation in May 2004 to gauge public acceptability. The notes were well received by the public with a 100% machine acceptance.

The introduction of the 2004 Singapore Identity Plan Coins in November 2004 marked the first time coloured coins were circulated in Singapore. The issue of the 'Year of the Rooster Coin' in December 2004 launched the third Chinese Almanac Series. It proved extremely popular among collectors.

Chart 22 : Gross Currency in Circulation (Notes and Coins)



Gross Circulation (S\$ Million)	2001	2002	2003	2004	2005
Notes	11,704.16	12,486.27	12,897.53	13,599.84	14,553.91
Coins	895.12	918.97	942.62	960.58	979.30
Total	12,599.28	13,405.24	13,840.15	14,560.42	15,533.21

FINANCE DEPARTMENT

Preparing for the Unexpected

In October 2004, the Risk Committee endorsed a risk management vision and roadmap to provide better risk management focus. At the same time, a set of guiding principles was adopted for the more effective management of MAS-wide risks. These principles promote an integrated risk management model, proper accountability and a balanced approach in managing risks.

In the past year, MAS implemented several initiatives to enhance its risk management process. These included regular reviews of prioritisation of key risks and risk mitigating measures, the appointment of Risk Champions in each department, and the roll-out of process risk control mapping. MAS also formalised an anti-fraud policy and procedures for reporting operational risk events. To be effective, there needs to be a strong risk culture within the organisation that supports an open environment for effective and clear transmission of risk information. We will continue to raise staff's risk awareness and integrate risk management philosophy into MAS' corporate priorities.

GENERAL COUNSEL'S OFFICE

Keeping an Eye on Legal Matters

The General Counsel's Office (GCO) oversees all legal matters in MAS and provides creative and solution-oriented legal services. Last year, GCO dealt with over 2,500 queries for legal advice. It was involved in drafting four major Bills and amendments to two Acts as well as other regulations, notices, directions and guidelines. GCO provided legal support in the negotiation of Free Trade Agreements entered into by Singapore as well as for the Memorandum of Understanding of Cooperation between Securities and Futures Regulators. It also published three issues of the in-house legal journal, the GCO Legal Bulletin.

HUMAN RESOURCE DEPARTMENT

Facilitating Individual Growth and Building Organisational Strength

Our Human Resource initiatives are aligned with MAS' strategic objectives and priorities of giving our people the necessary knowledge, expertise and attitude to meet the challenges ahead. We place great emphasis on building and nurturing an engaged and high performing workforce.

Last year, 3% of our senior officers were attached to leading financial institutions and regulators overseas. This allowed them to keep abreast of best practices, sharpen their supervisory skills and gain a better understanding of commercial issues affecting Singapore's financial sector. Senior officers were also given opportunity to actively participate and contribute in international fora and inter-agency workshops to keep up with evolving best practices in central banking and financial supervision.

MAS makes significant investments in our people in order to build expertise relevant to the organisation's current and future needs. As part of our structured training programme, we have put in place the use of competency-based functional training roadmaps for all departments. In the area of general development, we continued to develop leadership skills for all levels of staff. Employee training last year was equivalent to 4% of the annual payroll.

Looking ahead, we will continue to introduce initiatives aimed at developing our people to meet the challenges and changes in the industry and build an environment in which everyone is fully involved in MAS' mission.

BOX 16**BUILDING A SENSE OF COMMUNITY**

We continue to build a sense of affiliation among our people by creating an environment that recognises staff's contributions and their well being. MAS implemented the five-day workweek and introduced pro-family benefits such as maternity and childcare leave to further promote a healthy work-life balance. We also plan to review our benefits to increase their relevance and value to staff.

INFORMATION TECHNOLOGY DEPARTMENT**IT Systems**

Over the year, MAS continued to develop new IT applications to support our business priorities and operational needs.

A new Capital Markets Supervisory System for the risk-based supervision of capital markets intermediaries is being developed. This web-based, integrated information portal allows comprehensive access to vital financial statistics, corporate ratings, issues tracking and MAS' regulatory plans for capital market firms.

We are also implementing a new Front, Middle and Back-office System (FMBS) to enhance our reserves and monetary management functions. This integrated system will provide significant benefits such as Straight-Through-Processing capability, comprehensive data capture and improved management reporting as well as enhanced risk management and risk monitoring. The FMBS mandate was awarded in early November 2004 and will be implemented by end 2005.

Another system that is also scheduled for launch in the fourth quarter of 2005 is the MAS Electronic Payment System, a new generation real-time gross settlement system. Prior to its launch, the system will undergo independent and industry testing.

Establishing a Knowledge Sharing Enterprise

MAS believes in enhancing productivity through knowledge sharing. OfficeNet II, launched in November 2004, is an important infrastructure for sharing information across MAS.

OfficeNet II improves the quality of project discussions and encourages staff to actively participate in cross-departmental initiatives, with collaborative features such as teamrooms and online meetings. Two campaigns were also introduced to encourage staff to share their expertise and interests as well as promote information sharing. The first campaign, Update Your Profile, encouraged staff across all levels to update their personal particulars. The aim was to create a better professional and personal understanding among MAS staff and an atmosphere of open sharing within MAS. The second campaign, Share An Article, encouraged staff to contribute articles, with awards for the best articles.

e-Services

MAS provides the public with updated information about Singapore's latest financial developments through constant enhancement of our website content. We recently added the Business Trust, Basel II and Enforcement sections to the website. We are currently working on feature enhancements and revisions to the new Consumer Portal, including a new facility for electronic submission of complaints and feedback by the public.

In line with the Government's interest to promote Internet e-business usage, MAS websites have been accredited with the TrustSG seals thus ensuring protected and secure online transactions.

Maintaining a Secure IT Infrastructure

A mature IT infrastructure is integral to our operational effectiveness. Our key initiatives included:

- Upgrading operating systems software and IT systems, including those in our overseas offices in London and New York, to enhance performance and reliability.
- Deploying improved secure email and hard disk encryption software to staff.
- Prudent and proactive security reviews of all IT systems, and constantly evaluating new measures to counter potential threats to our IT environment.
- Raising staff awareness of our IT policies and standards through the IT Security Awareness Programme conducted in July 2004.

INTERNAL AUDIT DEPARTMENT

Assessing the Control Environment in MAS

The Internal Audit Department (IAD) is an independent function that reports directly to the Audit Committee (AC). With the approval of AC, IAD conducted an extensive program of risk-focused audits during the year to ascertain the adequacy of controls and procedures for managing risks across the wide spectrum of MAS' operations. These encompassed MAS' core functions and systems including reserve and monetary policy management, financial sector supervision and development, currency and corporate resource management as well as the IT infrastructure supporting these functions. In general, the system of internal controls of areas covered by IAD was assessed to be satisfactory for Financial Year 2004/05. Management also took prompt action to implement mitigating measures to address audit concerns and enhance the internal processes.

During the year, IAD had instituted an audit-rating framework which provides for assessment criteria in determining the state of the control environment of an audited activity. It also facilitated the implementation of a pilot Control Self-Assessment exercise by the Currency Department to enhance the robustness of the existing system of controls.

To benchmark against international best practices, IAD will conduct a quality review programme to determine the degree of conformity of its internal audit practices with the professional standards laid down by the Institute of Internal Auditors.

STRATEGIC PLANNING OFFICE

Enhancing Strategies and Strengthening Governance

The Strategic Planning Office (SPO) advances the collective formulation of corporate priorities, strategies and initiatives in support of MAS' core objectives.

Over the last year, SPO completed a project to clarify the terms of reference for MAS' decision-making forums. SPO is presently leading the second phase of the MAS Act Review to enhance corporate governance and allow the organisation to carry out its functions more effectively.

Key events organised by SPO that help shape and support MAS' priorities and strategies include:

- MAS International Advisory Panel meeting which brought together some of the world's leading business and financial experts to advise MAS on financial sector strategies.
- Strategic planning exercise for the Management team which developed broad strategic thrusts as well as the business and organisational priorities for MAS for the next five years.
- Annual staff seminar where the Chairman and Managing Director convey the broad business and corporate priorities for the year ahead.

SPO is conducting the second External Perception Survey to measure and track how our stakeholders view our performance and effectiveness as a central bank, regulator and financial sector developer.

SPO rolled out the Database for Innovation and Corporate Excellence in 2004. This organisational development initiative provides a one-stop platform for cross-department sharing of information on organisational excellence, innovation and PS21 initiatives.

Other ongoing organisational development and innovation activities include the Frequent Flying Minds (FFM) staff suggestion scheme, the quarterly i-News bulletin and Innovation Speaker Series, as well as the annual Innovation awards and FFM awards for outstanding staff projects. In the year ahead, SPO will focus on strengthening organisational effectiveness by refining and institutionalising MAS' Corporate Performance Indicators.

BOX 17

EXTERNAL PERCEPTION SURVEY: THE INDUSTRY'S VIEW OF MAS

MAS commissioned our second External Perception Survey (EPS) in the first quarter of 2005. The EPS aims to measure and track MAS' reputation, performance and effectiveness as a central bank, regulator and financial sector developer through external stakeholder feedback.

The EPS will involve MAS' main stakeholders including financial institutions, industry associations and economists. It will seek stakeholders' feedback on MAS' overall performance and reputation, as well as our performance when carrying out our core functions in the areas of monetary policy, prudential supervision, market conduct, consumer education, and financial sector development and promotion.

The EPS will also help MAS identify policies, processes and practices where performance could be strengthened and establish a benchmark for monitoring MAS' progress in external stakeholder perception.

SPECIALIST RISK SUPERVISION DEPARTMENT**Business Continuity Management: Enhancing MAS' Resilience**

Business Continuity Management (BCM) is an over-arching framework that includes policies, standards, and procedures. It not only addresses the restoration of information technology infrastructure but also focuses on the rapid recovery and resumption of MAS' critical functions during disruptions. One important aspect of the framework is the formulation of BCM policies and exercise strategies. During Financial Year 2004/05, MAS developed our Business Continuity and Crisis Management policies as well as an exercise strategy to help guide MAS' BCM programme.

The main objective of the policies and exercise strategy is to set out the business continuity requirements and resilience expected of departments against widespread disruptions. It details the roadmap, governance and structure for the planning and exercising of business continuity and MAS' response to operational crises.

BOX 18

PRO-ENTERPRISE SURVEY

MAS participated in an inaugural survey to gauge the pro-enterprise orientation of government regulatory agencies. The survey, conducted by the Action Community for Entrepreneurship's Rules Action Crucible, focused on the business-related regulatory roles of the agencies. It covered the five key components of compliance cost, review of rules, transparency, customer responsiveness and general pro-enterprise orientation. MAS was ranked within the top five in the Pro-Enterprise Index ranking involving 25 agencies.

FORGING ALLIANCES WITH THE INTERNATIONAL FINANCIAL COMMUNITY*International Advisory Panel*

Established in 1998, the International Advisory Panel (IAP) provides MAS with a global perspective on financial sector issues. It keeps MAS abreast of market developments and policy initiatives in major international financial centres. Comprising some of the world's leading experts in the business and financial sectors, the IAP also provides important feedback on MAS' financial sector policies.

The panel held its fifth meeting on 20 June 2005. During the meeting, the IAP discussed developments in the global financial markets and the investment and financing opportunities in Singapore and the region.

The IAP presently comprises 17 members:

Chairman:

Tharman Shanmugaratnam

Minister for Education

Deputy Chairman, Monetary Authority of Singapore

Members:

Dr Josef Ackermann

Spokesman of the Board of Managing Directors and

Chairman of the Group Executive Committee, Deutsche Bank AG

Claude Bebear

Chairman of the Supervisory Board, AXA Group

Sir Andrew Crockett

President, J P Morgan International

Michael Diekmann

Chairman of the Board of Management, Allianz AG

Thomas H. Glocer

Chief Executive Officer, Reuters Group PLC

Rijkman Groenink

Chairman, ABN AMRO Bank NV

William B. Harrison Jr.

Chairman and Chief Executive Officer, JP Morgan Chase & Co

John Mack

Director, KKR Financial Corporation

Sir Peter Middleton

President, British Bankers' Association

Chairman, U K Centre for Effective Dispute Resolution

Shigemitsu Miki

Chairman, The Bank of Tokyo-Mitsubishi, Ltd

Marcel Ospel

Chairman, UBS AG

Henry M. Paulson, Jr.

Chairman and Chief Executive Officer, Goldman Sachs & Co

Michel Pebureau

Chairman, BNP Paribas

Philip Purcell

Chairman of the Board and Chief Executive Officer, Morgan Stanley

Dr Junichi Ujiie

Chairman, Nomura Holdings, Inc

Ratan Tata

Chairman, Tata Sons Ltd

MAS FY2004/2005 Financial Statements

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MAS FY2004/2005 Financial Statement Highlights

MAS' total assets, including the Currency Fund, grew by S\$14,783 million during the year to S\$194,485 million at 31 March 2005. The Currency Fund's net external assets of S\$17,484 million at the financial year-end, exceeded the currency in circulation, providing 113% asset backing.

Total liabilities, including the currency in circulation, increased by S\$13,975 million to S\$176,584 million, principally from the larger deposits of the Singapore Government with the MAS.

Compared to last year, the Authority posted a lower net profit of S\$3,850 million for the year due to less buoyant financial markets. Total expenditure rose S\$177 million to S\$558 million, mostly due to higher investment and interest expenses.

In accordance with Section 3 of the Statutory Corporations (Contributions to Consolidated Fund) Act (Chapter 319A, 2004 Revised Edition), 20% of the net profit or S\$770 million, will be paid into the Singapore Government's Consolidated Fund. The MAS Board has approved a return of S\$2,272 million to the Government under Section 6(3) of the MAS Act (Chapter 186, 1999 Revised Edition).

The remaining net profit has been credited to the General Reserve Fund (S\$327 million) and the Currency Fund Reserves (S\$481 million).

Report on the Audit of the Financial Statements of the Monetary Authority of Singapore

For the year ended 31 March 2005

The financial statements of the Monetary Authority of Singapore (MAS) and Currency Fund, set out on pages 102 to 120, have been audited under my direction and in accordance with the provisions of the MAS Act (Chapter 186, 1999 Revised Edition). These financial statements are the responsibility of the Authority's management. My responsibility is to express an opinion on these financial statements based on the audit.

The audit was conducted in accordance with the MAS Act, Currency Act (Chapter 69, 2002 Revised Edition) and Singapore Standards on Auditing. Those Standards require that the audit be planned and performed in order to obtain reasonable assurance about whether the financial statements are free of material misstatements. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing, within the context of applicable laws, the accounting principles used and significant estimates made by the Authority's management, as well as evaluating the overall financial statement presentation. I believe that the audit provides a reasonable basis for my opinion.

The financial statements disclose less information than would be required under the Singapore Financial Reporting Standards. As disclosed in Note 3.1(a) to the financial statements, the Authority, in preparing its financial statements, is allowed under section 34(3) of the MAS Act and section 21(10) of the Currency Act to comply with accounting standards to the extent that it is, in the opinion of the Authority, appropriate to do so, having regard to its objects and functions. As also disclosed in Note 3.1(a), the Authority has considered its responsibilities for managing the Singapore dollar exchange rate and the Official Foreign Reserves and is of the view that, for effective management of Singapore's monetary policy, it would be appropriate not to meet, in some respects, the accounting standards.

Having regard to the power given to the Authority under section 34(3) of the MAS Act and section 21(10) of the Currency Act, in my opinion, the financial statements present fairly, based on the framework of accounting standards adopted by the Authority, the state of affairs of the Authority as at 31 March 2005 and the financial transactions of the Authority for the year ended on that date.

CHUANG KWONG YONG
AUDITOR-GENERAL
SINGAPORE
21 June 2005

Income and Expenditure Statement

For the year ended 31 March	Note	General Reserve Fund		Currency Fund		Total	
		2005 \$'000	2004 \$'000	2005 \$'000	2004 \$'000	2005 \$'000	2004 \$'000
Income from Foreign Operations (after transfers to/ from provisions)	4	3,602,204	4,616,435	553,114	524,495	4,155,318	5,140,930
Income from Domestic and Other Operations	5	240,918	217,981	5,170	1,145	246,088	219,126
Non-operating Income	6	5,029	5,807	1,226	-	6,255	5,807
Total Income (after transfers to/ from provisions)		3,848,151	4,840,223	559,510	525,640	4,407,661	5,365,863
Less:							
Investment, Interest and Other Expenses	7	315,897	195,072	78,361	30,145	394,258	225,217
Personnel Expenditure	8	115,053	100,995	-	-	115,053	100,995
General and Administrative Expenditure	9	33,136	37,774	-	-	33,136	37,774
Depreciation/ Amortisation		15,269	16,683	-	-	15,269	16,683
		479,355	350,524	78,361	30,145	557,716	380,669
Profit for the Year (after transfers to/ from provisions)		3,368,796	4,489,699	481,149	495,495	3,849,945	4,985,194
Less:							
Contribution to Consolidated Fund	19	769,989	1,096,743	-	-	769,989	1,096,743
Net Profit for the Year (after transfers to/ from provisions)		2,598,807	3,392,956	481,149	495,495	3,079,956	3,888,451

The accompanying notes form part of the accounts.

Balance Sheet

As at 31 March	Note	2005 \$'000	2004 \$'000
CAPITAL AND RESERVES			
Authorised Capital		100,000	100,000
Issued and Paid-up Capital	10	100,000	100,000
General Reserve Fund	11	15,850,593	15,498,800
Currency Fund Reserves	12	1,950,387	1,494,524
		17,900,980	17,093,324
FINANCIAL SECTOR DEVELOPMENT FUND	13	644,139	612,149
		18,545,119	17,705,473

Represented by:

ASSETS

Cash and Bank Balances		238,513	225,256
Singapore Government Treasury Bills		692,476	694,514
Singapore Government Bonds		6,143,935	5,797,199
Gold and Foreign Assets	14	186,553,178	172,234,716
Other Assets	16	631,989	537,965
Fixed Assets	17	225,333	212,645
		194,485,424	179,702,295

Less:

LIABILITIES

Currency in Circulation		15,533,213	14,560,426
Deposits of Financial Institutions	18	7,516,546	6,757,495
Amounts Due to Singapore Government	19	3,042,289	3,292,443
Provisions and Other Liabilities	20	49,213,677	51,902,820
Deposits of Singapore Government		101,278,719	86,095,787
		176,584,444	162,608,971

NET ASSETS OF THE AUTHORITY		17,900,980	17,093,324
NET ASSETS OF FINANCIAL SECTOR DEVELOPMENT FUND	13	644,139	612,149
		18,545,119	17,705,473

The accompanying notes form part of the accounts.

GOH CHOK TONG

Chairman
Monetary Authority of Singapore
21 June 2005

HENG SWEE KEAT

Managing Director
Monetary Authority of Singapore
21 June 2005

Statement of Changes in Equity

	Issued and Paid-up Capital \$'000	General Reserve Fund \$'000	Currency Fund Reserves \$'000	Total \$'000
Balance as at 1 April 2003	100,000	13,595,458	1,705,115	15,400,573
Net Profit for the Year (after transfers to/from provisions)	-	3,392,956	495,495	3,888,451
Transfer of Reserves from Currency Fund	-	706,086	(706,086)	-
Return of Profit to Singapore Government	-	(2,195,700)	-	(2,195,700)
Balance as at 31 March 2004	100,000	15,498,800	1,494,524	17,093,324
Net Profit for the Year (after transfers to/from provisions)	-	2,598,807	481,149	3,079,956
Transfer of Reserves from Currency Fund	-	25,286	(25,286)	-
Return of Profit to Singapore Government	-	(2,272,300)	-	(2,272,300)
Balance as at 31 March 2005	100,000	15,850,593	1,950,387	17,900,980

The accompanying notes form part of the accounts.

Cash Flow Statement

For the year ended 31 March	Note	2005 \$'000	2004 \$'000
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit for the Year (after transfers to/from provisions)		3,849,945	4,985,194
Adjustments for:			
Depreciation/Amortisation of			
Fixed Assets	17	15,249	16,657
Other Assets		20	24
Provision for Non-recoverable GST		1,700	2,000
Assets Transferred from BCCS Capitalised		-	(703)
Net (Gain)/Loss from Disposals of Fixed Assets and Other Assets		(12)	42
Profit before Working Capital Changes		3,866,902	5,003,214
(Increase)/Decrease in			
Singapore Government Treasury Bills		2,038	(357,429)
Singapore Government Bonds		(346,736)	(458,984)
Gold and Foreign Assets		(14,318,462)	(24,588,113)
Other Assets		(95,812)	(339,547)
Increase/(Decrease) in			
Deposits of Financial Institutions	18	759,051	42,974
Provisions and Other Liabilities		(2,694,216)	27,201,738
Deposits of Singapore Government		15,182,932	(6,392,371)
NET CASH FROM OPERATING ACTIVITIES		2,355,697	111,482
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchase of Fixed Assets		(22,883)	(7,207)
Proceeds from Sale of Fixed Assets and Other Assets		99	55
NET CASH USED IN INVESTING ACTIVITIES		(22,784)	(7,152)
CASH FLOWS FROM FINANCING ACTIVITIES			
Increase in Currency in Circulation		972,787	720,270
Amounts Due to Singapore Government		(3,292,443)	(724,161)
NET CASH USED IN FINANCING ACTIVITIES		(2,319,656)	(3,891)
NET INCREASE IN CASH AND BANK BALANCES		13,257	100,439
CASH AND BANK BALANCES AS AT BEGINNING OF THE YEAR		225,256	124,817
CASH AND BANK BALANCES AS AT END OF THE YEAR		238,513	225,256

The accompanying notes form part of the accounts.

Statement of Backing of Currency in Circulation

The Currency Fund is established under Section 21 of the Currency Act (Chapter 69, 2002 Revised Edition). Section 22 of the Act states that the external assets of the Currency Fund shall not be less than 100% of the face value of the Currency in Circulation.

As at 31 March, the value of external assets and the Currency in Circulation are:

	Note	2005 \$'000	2004 \$'000
CURRENCY IN CIRCULATION	12.2	15,533,213	14,560,426
EXTERNAL ASSETS	12.2	17,738,619	16,135,643
LESS: PROVISIONS AND OTHER LIABILITIES	12.2	(255,019)	(80,693)
NET ASSETS		17,483,600	16,054,950

The accompanying notes form part of the accounts.

Notes to the Accounts

For the Year Ended 31 March 2005

These notes form an integral part of and should be read in conjunction with the accompanying accounts.

1 GENERAL

The Authority is established under the Monetary Authority of Singapore Act (Chapter 186, 1999 Revised Edition) and is located at 10 Shenton Way, MAS Building, Singapore 079117.

2 PRINCIPAL ACTIVITIES

The principal activities of the Authority are:

- a) the conduct of monetary policy, issuance of currency, management of the official foreign reserves and acting as the banker to and financial agent of the Government; and
- b) the supervision of the banking, insurance, securities and futures industries, and development of strategies in partnership with the private sector to promote Singapore as an international financial centre.

3 SIGNIFICANT ACCOUNTING POLICIES

3.1 Compliance with the Monetary Authority of Singapore Act, Currency Act and Singapore Financial Reporting Standards

- a) The financial statements of the Authority, expressed in Singapore dollars, are prepared in accordance with the Monetary Authority of Singapore Act (Chapter 186, 1999 Revised Edition), Currency Act (Chapter 69, 2002 Revised Edition) and applicable Singapore Financial Reporting Standards (FRS). The financial statements disclose less information than would be required under the accounting standards. Section 34(3) of the Monetary Authority of Singapore Act and Section 21(10) of the Currency Act provide that the Authority, in preparing its financial statements, may comply with accounting standards to the extent that it is, in the opinion of the Authority, appropriate to do so, having regard to the objects and functions of the Authority. The Authority, having considered its responsibilities for managing the Singapore dollar exchange rate and the Official Foreign Reserves, is of the opinion that, for effective management of Singapore's monetary policy, it is appropriate not to meet, in some respects, the accounting standards.
- b) In addition, due to information system constraints, the Authority recognises interest income on a straight-line basis instead of on an effective yield basis as required by FRS 18. Premiums and discounts are also amortised on a straight-line basis over the remaining life of the securities, except for discounts on zero-coupon bonds and negotiable certificates of deposit that are amortised on an effective interest rate basis as required by this standard. Based on the Authority's estimation, the financial impact of the departure from FRS 18 is immaterial.

3.2 **Basis of Accounting**

The accounts are prepared in accordance with the historical cost convention and on an accrual basis. Purchases and sales of investments are recognised on a settlement date basis.

3.3 **Foreign Currency Translation**

Assets and liabilities in foreign currencies have been translated into Singapore dollars at the rates of exchange ruling on the balance sheet date, except for shareholdings in Bank for International Settlements (BIS) and Society for Worldwide Interbank Financial Telecommunication (SWIFT) which are translated into Singapore dollars at the rates of exchange prevailing on the acquisition dates. Transactions in foreign currencies during the year have been translated into Singapore dollars at the rates of exchange prevailing on the transaction dates. Exchange differences are taken to the income and expenditure statement.

3.4 **Income Recognition**

- a) Interest income, licence fees and rental income are recognised on an accrual basis.
- b) Dividends from equities are recognised in the financial year in which they are declared payable.
- c) Premiums and discounts are amortised on a straight-line basis over the remaining life of the securities, except for discounts on zero-coupon bonds and negotiable certificates of deposit that are amortised on an effective interest rate basis.
- d) Profits and losses on disposal of investments are taken to the income and expenditure statement.

3.5 **Singapore Government Treasury Bills and Bonds**

Singapore Government Treasury bills and bonds are stated at cost. Provision has been made for diminution in value, if any, based on the lower of cost and market value on an individual investment basis.

3.6 **Gold and Foreign Assets**

Gold and foreign assets are stated at cost. Provision has been made for diminution in value, if any, based on the lower of cost and market value on an individual investment basis. Foreign assets represent the Authority's investments in a global diversified portfolio.

3.7 **Repurchase and Reverse Repurchase Agreements ("Repos" and "Reverse Repos")**

Reverse Repos are treated as collateralised borrowing and the amounts borrowed are included in "Provisions and Other Liabilities". The securities sold under reverse repos are treated as pledged assets and remain on the balance sheet as assets. Repos are treated as collateralised lending and the amounts lent are included in "Other Assets". The difference between the amount received and the amount paid under repos and reverse repos is recognised as interest income and interest expense respectively on a straight-line basis.

3.8 **Derivative Instruments**

Off-balance sheet financial derivatives include forwards, swaps, futures and options. Provision has been made for diminution in value, if any, based on the lower of cost and market value on an individual investment basis, except for forwards and currency swaps which are valued on a portfolio basis.

3.9 **Operating Lease**

- a) Leases where substantially all the rewards and risks of ownership remain with the lessors are accounted for as operating leases. Rental receipts or payments under operating leases are accounted for in the income and expenditure statement based on an accrual basis according to the receipts or payments due.
- b) When an operating lease is terminated before the lease period has expired, any payment required to be made to the lessor by way of penalty is recognised as an income or expense in the period in which termination takes place.

3.10 **Employees' Benefits**

Employees' benefits including leave entitlement are recognised on an accrual basis.

3.11 **Fixed Assets and Depreciation**

- a) Fixed assets are stated at cost less accumulated depreciation. Depreciation is calculated on a straight-line basis to write off the cost of the fixed assets over their estimated useful lives as follows:

Leasehold Land	Period of lease
Buildings	50 years or period of lease whichever is lower
Building Improvements and Renovation	10 years
Mechanical and Electrical Installations	10 years
Computer Equipment and Software	3 to 5 years
Furniture, Fixtures, Motor Vehicles and Other Equipment	3 to 5 years

- b) Computer software costs of less than \$100,000 and other assets costing \$1,000 and below are expensed off in the year of purchase.
- c) When the carrying amount of an asset exceeds its recoverable amount, an impairment loss is recognised in the income and expenditure statement for the period.

4 INCOME FROM FOREIGN OPERATIONS

Income from foreign operations includes interest, dividends, realised capital gains/losses, exchange gains/losses and writeback of/additional provision for diminution in value of investment, based on the lower of cost and market value.

5 INCOME FROM DOMESTIC AND OTHER OPERATIONS

Income from domestic and other operations includes mainly interest and writeback of/additional provision for diminution in value of Singapore Government Treasury bills and bonds, licence and inspection fees, revenue from currency-related operations, custody fee and revenue from services rendered to banks and financial institutions on MAS Network and MAS Electronic Payment System which provides real-time gross settlement of payments.

6 NON-OPERATING INCOME

Non-operating income includes rental and carpark income, liquidated damages and management service fees.

7 INVESTMENT, INTEREST AND OTHER EXPENSES

Foreign investment expenses include management fees, futures/options commissions and bank, custody and other charges. Interest and other expenses comprise mainly interest paid on borrowings and reverse repurchase agreements, printing of currency notes expenses and the cost of coin operations.

8 PERSONNEL EXPENDITURE

8.1 This includes the following:

	2005 \$'000	2004 \$'000
Salaries	93,998	80,412
Employer's Contribution to the Central Provident Fund	8,852	9,124
Training and Personnel Development	6,351	5,806
Staff Benefits	2,730	2,917
Directors' Fee	46	31

8.2 The number of directors whose remuneration package falls within the following bands is:

	2005	2004
Below \$750,000	-	-
\$750,000 - \$1,000,000	-	1
\$1,000,001 - \$1,250,000	1	-
Above \$1,250,000	-	-

8.3 As at 31 March 2005, the Authority has 1,007 (31 March 2004 : 979) employees.

9 GENERAL AND ADMINSTRATIVE EXPENDITURE

This includes the following:

	2005 \$'000	2004 \$'000
Information Technology Expenses	8,416	8,293
Information Services	2,845	3,104
Building and Mechanical and Electrical Maintenance	2,790	2,898
Official Trips and Conferences	1,994	1,864
Property Tax	1,676	1,060
Audit Fee	550	550
Consultant and Other Advisers' Fees	461	1,007
IT Operating Lease Charges	329	660
Courtesy and Entertainment	77	85

10 ISSUED AND PAID-UP CAPITAL

The issued and paid-up capital of \$100 million is wholly owned by the Government of the Republic of Singapore.

11 GENERAL RESERVE FUND

The General Reserve Fund is established under Section 6(1) of the Monetary Authority of Singapore Act (Chapter 186, 1999 Revised Edition).

12 CURRENCY FUND RESERVES

12.1 The Currency Fund, established under Section 21 of the Currency Act (Chapter 69, 2002 Revised Edition), is maintained and managed by the Authority in the manner prescribed by the Act.

12.2 The assets and liabilities of the Currency Fund as at 31 March 2005 are as follows:

	Note	2005 \$'000	2004 \$'000
External Assets			
Gold	14.1	272,595	277,049
Foreign Assets	14.1	17,466,024	15,858,594
		17,738,619	16,135,643
Less:			
Liabilities			
Active Currency in Circulation		15,336,282	14,382,185
Currency Held by the Authority		196,931	178,241
Currency in Circulation		15,533,213	14,560,426
Provisions and Other Liabilities		255,019	80,693
		15,788,232	14,641,119
Currency Fund Reserves		1,950,387	1,494,524

13 FINANCIAL SECTOR DEVELOPMENT FUND

13.1 The Financial Sector Development Fund (hereinafter called the Fund) is established under Section 30A of the Monetary Authority of Singapore Act (Chapter 186, 1999 Revised Edition). It is controlled and administered by the Authority. The Fund shall be used for the objects and purposes set out in Section 30B of the Act.

13.2 The assets and liabilities of the Fund as at 31 March 2005 are as follows:

	Note	2005 \$'000	2004 \$'000
Accumulated Fund			
Capital Account	13.5	471,635	471,635
Accumulated Surplus		172,504	140,514
		644,139	612,149
Represented by:			
Assets			
Bank Balances and Deposits		240,368	216,900
Treasury Bills, at cost		995	1,800
Fixed Income Securities, at cost		308,028	268,960
Less: Provision for Diminution in Value		(2,143)	(446)
(Market Value – 2005: \$309,685)		305,885	268,514
(– 2004: \$274,714)			
Equities, at cost		99,565	99,217
Less: Provision for Diminution in Value		(1,145)	(2,377)
(Market Value – 2005: \$114,717)		98,420	96,840
(– 2004: \$113,013)			
Financial Derivatives, at cost: Asset Position		178	-
(Market Value – 2005: \$228)			
(– 2004: \$977)			
Financial Derivatives, at cost: Liability Position		-	-
Less: Provision for Diminution in Value		(1,952)	(194)
(Market Value – 2005: -\$1,914)		(1,952)	(194)
(– 2004: -\$112)			
Prepayment and Other Receivables		12,580	33,262
Receivable from SEL Holdings Pte Ltd		2,500	2,500
		658,974	619,622
Less:			
Liabilities			
Accruals and Other Liabilities		14,835	7,473
Net Assets		644,139	612,149

13.3 The financial results of the Fund are as follows:

	2005 \$'000	2004 \$'000
Interest Income	9,601	8,143
Dividend Income	2,032	1,419
Realised Capital Gain	4,880	4,012
Realised Exchange Loss	(1,016)	(1,011)
Investment Expenses	(2,054)	(1,992)
Net Realised Portfolio Investment Income	13,443	10,571
Foreign Currency Translation Gain	3,458	2,124
(Additional)/Writeback of Provision for Diminution in Value	(2,224)	15,146
Net Investment Income	14,677	27,841
Dividend on SGX Shares	35,186	100,818
Donations Received	712	-
Interest Income from Bank Deposits	1,339	341
	51,914	129,000
Less:		
Grants	19,924	8,321
Net Surplus for the year	31,990	120,679
Accumulated Surplus as at beginning of the year	140,514	19,835
Accumulated Surplus as at end of the year	172,504	140,514

13.4 Significant Accounting Policies

- a) The accounts are prepared in accordance with the historical cost convention. The Fund's investment assets are stated at the lower of cost and market value. Provision has been made for diminution in value, if any, on an individual investment basis, except for forwards which are valued on a portfolio basis.
- b) Quoted bid, mid or last transacted prices are used as a measure of market values on a consistent basis across asset classes. Where unavailable, indicative quotes from independent brokers are used.

13.5 The Capital Account is funded from the net sale proceeds of the Singapore Exchange Limited's (SGX) shares.

13.6 As at 31 March 2005, SEL Holdings Pte Ltd (SEL) holds 249,991,184 SGX shares for the benefit of the Fund as stipulated under Section 11(2) of the Exchanges (Demutualisation and Merger) Act (Chapter 99B, 2000 Revised Edition). These SGX shares held have a total market valuation of \$525 million as at 31 March 2005 (31 March 2004: \$415 million). The net sale proceeds of these shares (after deducting expenses allowed under Section 10(1) and the par value of those shares) shall be paid by SEL into the Fund under Section 10(2) of the Act.

13.7 The Fund has outstanding commitments, amounting to \$39.2 million in respect of grants approved but not accrued as at 31 March 2005 (31 March 2004: \$40.2 million).

14 GOLD AND FOREIGN ASSETS

14.1 These comprise the following:

	General Reserve Fund		Currency Fund		Total	
	2005	2004	2005	2004	2005	2004
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Gold	76,547	77,798	272,595	277,049	349,142	354,847
Foreign Investments						
Securities (including Treasury bills, bonds and equities)	151,491,068	135,433,636	15,605,378	16,365,101	167,096,446	151,798,737
Bank Balances, Deposits and Negotiable Certificates of Deposit	14,121,369	16,714,495	1,600,353	124,902	15,721,722	16,839,397
Other Foreign Investments	1,489,230	2,296,648	265,931	107,089	1,755,161	2,403,737
Foreign Currency Liabilities	(41,665)	(70,161)	(5,638)	(738,498)	(47,303)	(808,659)
	167,136,549	154,452,416	17,738,619	16,135,643	184,875,168	170,588,059
International Monetary Fund Assets (see note 14.2)						
Reserve Tranche	1,097,325	1,091,479	-	-	1,097,325	1,091,479
Special Drawing Rights (SDRs)	476,734	452,868	-	-	476,734	452,868
Poverty Reduction and Growth Facility - Heavily Indebted Poor Countries (PRGF-HIPC)	109,786	109,488	-	-	109,786	109,488
Accrued Income	5,141	4,065	-	-	5,141	4,065
Currency Adjustment	(10,976)	(11,243)	-	-	(10,976)	(11,243)
	1,678,010	1,646,657	-	-	1,678,010	1,646,657
Total Gold and Foreign Assets	168,814,559	156,099,073	17,738,619	16,135,643	186,553,178	172,234,716

14.2 International Monetary Fund (IMF) Assets

- a) The Reserve Tranche represents the amount of the paid-up portion of the Singapore quota. Special Drawing Rights are interest-yielding balances with IMF that can be exchanged for convertible currencies. Singapore participated in the IMF's PRGF (previously known as Enhanced Structural Adjustment Facility) with an initial loan of SDR40 million disbursed over four years from 1988 and another SDR40 million in 1994. The period of the loan is ten years from the date of disbursement. The first SDR40 million has been rolled over for another ten years upon maturity under the Poverty Reduction and Growth Facility-Heavily Indebted Poor Countries (PRGF-HIPC). The second SDR40 million was repaid by IMF on 1 March 2004. The Authority's balance of SDR4,045,647 in the Post-Special Contingent Account-2 with IMF was transferred to the PRGF-HIPC on 24 April 2001 as an interest-free deposit maturing at the end of 2018.
- b) The Authority's allocations of Special Drawing Rights in IMF amounting to \$41 million as at 31 March 2005 (31 March 2004: \$41 million) is included in "Provisions and Other Liabilities".

15 FINANCIAL RISK MANAGEMENT

- 15.1 To assist the Board of Directors in its risk management responsibilities, a Risk Committee, chaired by an independent Board member, has been set up to provide oversight and guidance over the management of risks assumed by the Authority. This encompasses the management of financial risks inherent in the Authority's investment portfolios, amongst other organisational risks faced by the Authority.
- 15.2 An independent risk management unit provides senior management and the Risk Committee with regular reports of the risk profiles of the Authority's investments. These reports cover risk measurement and analysis of the Authority's investment portfolios. The unit also formulates risk policies and controls, and performs independent compliance monitoring of the portfolios in accordance with the stipulated investment guidelines.
- 15.3 **Market Risk**
Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices and includes currency risk, interest rate risk and price risk. Currently, such risks are managed through regular monitoring of the market risk exposure of the Authority's investments and the establishment of investment risk tolerance and controls at both the aggregate and individual market/portfolio levels.
- 15.4 **Credit Risk**
a) Credit risk is the risk of loss arising from a party's failure to discharge an obligation under a financial contract and includes counterparty credit risk and issuer credit risk.

- b) The Authority's exposure to counterparty credit risk arises mainly from its business relationships with counterparties and custodians. These risks are managed by dealing only with well-rated entities and assigning limits to each of them. Credit risks are also mitigated by diversifying credit exposures across entities.
- c) The Authority manages issuer credit risk by imposing minimum credit rating requirements on its investments. In addition, single issuer limits are in place to mitigate the extent of loss resulting from default.

15.5 Liquidity Risk

Liquidity risk is the risk that the Authority will encounter difficulty in raising funds at short notice to meet commitments associated with financial instruments. Liquidity risk may result from an inability to sell a financial asset quickly at close to its fair value. The Authority manages liquidity risk by investing mostly in liquid markets and imposing minimum outstanding issue size and single issue limits on its investments.

16 OTHER ASSETS

16.1 These comprise the following:

	Note	2005 \$'000	2004 \$'000
Loans, Deposits and Other Receivables		576,318	481,625
Shareholding in Bank for International Settlements (BIS)	16.2	54,670	54,670
Shareholding in Society for Worldwide Interbank Financial Telecommunication (SWIFT)		2	2
		630,990	536,297
Corporate Club Memberships, at cost		561	653
Less: Amount amortised		(192)	(196)
		369	457
Staff Loans			
Amount repayable within 12 months	16.3	144	218
Amount repayable after 12 months	16.3	486	993
		630	1,211
		631,989	537,965

- 16.2 The Authority's shareholding in the BIS comprises the 25% paid-up value of 3,000 shares with a nominal value of SDR5,000 each.
- 16.3 Staff loans include housing, conveyance, renovation and personal computer loans. The period ranges from three years for personal computer loans to 30 years for housing loans. The interest rates vary, ranging from 0% for personal computer loans to 1% below DBS Bank's prevailing housing loan rate (subject to a floor of 5% per annum) for the portion of housing loans exceeding \$750,000.
- 16.4 The shareholdings in BIS and SWIFT were previously classified under "Gold and Foreign Assets".

17 FIXED ASSETS

	Leasehold Land \$'000	Buildings \$'000	Building Improvements and Renovation \$'000	Mechanical and Electrical Installations \$'000	Computer Equipment and Software \$'000	Furniture, Fixtures, Motor Vehicles and Other Equipment \$'000	Work-in- Progress \$'000	Total \$'000
COST								
As at								
1.4.2004	48,070	170,901	30,854	41,481	24,571	16,256	6,688	338,821
Additions	-	-	100	-	1,827	160	25,869	27,956
Disposals	-	-	-	-	(1,015)	(56)	-	(1,071)
As at								
31.3.2005	48,070	170,901	30,954	41,481	25,383	16,360	32,557	365,706
ACCUMULATED DEPRECIATION								
As at								
1.4.2004	6,686	44,407	8,978	36,894	17,873	11,338	-	126,176
Additions	1,092	4,348	3,812	645	3,106	2,246	-	15,249
Disposals	-	-	-	-	(996)	(56)	-	(1,052)
As at								
31.3.2005	7,778	48,755	12,790	37,539	19,983	13,528	-	140,373
Depreciation for FY2003/ 2004	1,092	4,349	3,802	645	3,528	3,241	-	16,657
NET BOOK VALUE								
As at								
31.3.2005	40,292	122,146	18,164	3,942	5,400	2,832	32,557	225,333
As at								
31.3.2004	41,384	126,494	21,876	4,587	6,698	4,918	6,688	212,645

18 DEPOSITS OF FINANCIAL INSTITUTIONS

	2005 \$'000	2004 \$'000
Banks	6,922,376	6,284,565
Finance Companies	163,524	157,240
Securities Companies	4,200	4,500
	7,090,100	6,446,305
International Financial Institutions	426,120	310,805
Foreign Central Banks	326	385
	7,516,546	6,757,495

18 DEPOSITS OF FINANCIAL INSTITUTIONS (CONT'D)

Deposits from banks and finance companies in Singapore represent the minimum cash balances maintained by banks and finance companies with the Authority as required under the Banking Act (Chapter 19, 2003 Revised Edition) and the Finance Companies Act (Chapter 108, 2000 Revised Edition) respectively. Deposits from securities companies represent statutory deposits from holders of capital market services licences required under the Securities and Futures Act (Chapter 289, 2002 Revised Edition).

19 AMOUNTS DUE TO SINGAPORE GOVERNMENT

	2005 \$'000	2004 \$'000
Contribution to Consolidated Fund	769,989	1,096,743
Return of Profit to Singapore Government	2,272,300	2,195,700
	3,042,289	3,292,443

The contribution to be made to the Consolidated Fund is in accordance with the Statutory Corporations (Contributions to Consolidated Fund) Act (Chapter 319A, 2004 Revised Edition). The contribution is based on 20% (2004: 22%) of the profit for the year.

20 PROVISIONS AND OTHER LIABILITIES

Provisions have been made for contingencies under Section 6(2) of the Monetary Authority of Singapore Act (Chapter 186, 1999 Revised Edition). Other liabilities include borrowings from banks, borrowings under reverse repurchase agreements, the Authority's allocations of Special Drawing Rights in IMF, creditors, accounts payable and accruals.

21 STATUTORY DEPOSITS OF INSURANCE COMPANIES, REMITTANCE LICENSEES AND CAPITAL MARKET SERVICES LICENSEES

The following statutory deposits of insurance companies held by the Authority under the Insurance Act (Chapter 142, 2002 Revised Edition), the remittance licensees under the Money-Changing and Remittance Businesses Act (Chapter 187, 1996 Revised Edition) and the capital market services licensees under the Securities and Futures Act (Chapter 289, 2002 Revised Edition) are not included in the balance sheet:

21 STATUTORY DEPOSITS OF INSURANCE COMPANIES, REMITTANCE LICENSEES AND CAPITAL MARKET SERVICES LICENSEES (CONT'D)

	2005 \$'000	2004 \$'000
Insurance Companies		
Fixed Deposits	129,276	78,720
Banker's Guarantees	25,000	24,500
Singapore Government Bonds	6,930	7,450
	161,206	110,670
Remittance Licensees		
Banker's Guarantees	17,600	16,800
Capital Market Services Licensees		
Banker's Guarantees	30,400	200

22 COMMITMENTS

22.1 International Monetary Fund (IMF)

- a) The Authority has an obligation to pay \$1,053 million (31 March 2004: \$1,053 million) which represents the unpaid portion of the Singapore quota due to IMF under Section 4 of Article III of the Articles of Agreement.
- b) As a participant in the IMF's 'New Arrangements to Borrow' (NAB), the Authority undertakes to provide a credit line of up to SDR340 million [\$848 million] (31 March 2004: \$845 million) in the event of a financial emergency as specified by the NAB. During the year, the Authority did not grant any loan under the NAB.

22.2 Bank for International Settlements (BIS)

- a) The Authority has a commitment, amounting to SDR11.3 million (\$28.0 million) as at 31 March 2005 (31 March 2004: \$28.0 million), in respect of the uncalled portion of its shareholding in the BIS.
- b) In January 2005, the Authority applied for and was allocated 1,285 BIS shares. The payment of \$41.5 million for these shares was settled on 31 May 2005.

22.3 Repurchase Agreements with Other Central Banks

The Authority has entered into bilateral repurchase agreements with various Asian central banks to provide liquidity assistance in times of emergency. For the financial year ended 31 March 2005, there was no request for liquidity assistance from any counterpart.

22.4 ASEAN Swap Arrangement (ASA)

The Authority has participated in the multilateral swap arrangement together with other ASEAN central banks and monetary authorities to provide short-term foreign exchange liquidity support for member countries that experience balance of payments difficulties. For the financial year ended 31 March 2005, there was no request for liquidity support from any member country. The ASA was renewed for two years on 17 November 2004. The Authority has been appointed as Agent Bank for this period.

22.5 Bilateral Swap Agreement

The Authority entered into a bilateral swap agreement (BSA) with the Bank of Japan, an agent for Japan's Minister of Finance, in November 2003. The Japan-Singapore BSA is a one-way US dollar swap amounting to US\$1,000 million [\$1,649 million] (31 March 2004: \$1,676 million) under which Japan will provide the swap facility to Singapore. The terms are consistent with the framework agreed to by the ASEAN+3 member countries under the Chiang Mai Initiative. For the financial year ended 31 March 2005, there was no request to activate the facility.

22.6 Capital Commitments

Capital expenditure not provided for in the accounts is as follows:

	2005 \$'000	2004 \$'000
Amount contracted for	13,388	23,966

22.7 Leases

a) Future minimum lease payments under non-cancellable operating leases are as follows:

	2005 \$'000	2004 \$'000
Less than 1 year	205	313
1 to 5 years	161	381
	366	694

b) Future minimum lease rental receipts under non-cancellable operating leases are as follows:

	2005 \$'000	2004 \$'000
Less than 1 year	1,601	2,226
1 to 5 years	2,685	469
	4,286	2,695

23 COMPARATIVE FIGURES

Comparative figures have been reclassified to conform with the presentation in the current year.

24 AUTHORISATION OF FINANCIAL STATEMENTS

The financial statements for the year ended 31 March 2005 were authorised by the Board of Directors for issuance and signed by Chairman and Managing Director on 21 June 2005.

Calendar of Monetary and Financial Events

APRIL 2004 - MARCH 2005

01.04.2004

The Monetary Authority of Singapore (MAS) releases a set of rules relating to the disclosure and conduct for insurance companies and other intermediaries selling Accident & Health products.

12.04.2004

MAS issues a Monetary Policy Statement (MPS) announcing a shift from a zero percent appreciation path of the Singapore Dollar Nominal Effective Exchange Rate (\$\$NEER) to a policy of modest and gradual appreciation.

15.04.2004

MAS allows card issuers to issue a credit or charge card to any individual, as long as he has deposits of at least S\$10,000 and the credit limit is fully secured by his deposits.

The Executives' Meeting of East Asia-Pacific Central Banks (EMEAP) launches the Asian Bond Fund 2 initiative, which will invest in local currency-denominated Asian Bonds.

19.04.2004

MAS spells out its supervisory approach in a new monograph.

20.04.2004

MAS releases the Macroeconomic Review (MR), April 2004.

22.04.2004

MAS releases the second consultation paper on the draft Amendment Bills to the Securities and Futures Act (SFA) and the Financial Advisers Act (FAA).

23.04.2004

MAS releases the second consultation paper on the establishment of a deposit insurance scheme in Singapore. The scheme provides an explicit but limited guarantee to depositors that they will be compensated up to a specified amount of their deposits should the bank they placed their deposits with fail.

03.05.2004

MAS and the Centre for Central Banking Studies of the Bank of England organise an inaugural Regional Seminar on "Monetary Policy in Post-Crisis Asia".

07.05.2004

MAS (Anti-Terrorism Measures) (Amendment) Regulations 2004 takes effect.

MAS issues a monograph on its roles and responsibilities in relation to Securities Clearing and Settlement Systems in Singapore.

17.05.2004

The Singapore Exchange (SGX) announces new Initial Public Offering (IPO) requirements for companies seeking listing on the Exchange to state prominently the name of their IPO manager.

MAS and the Association of Banks in Singapore (ABS) together with the World Bank convene the Asia Pacific Regional Conference on Electronic Safety and Soundness for Financial Services from 17 to 18 May 2004.

MAS releases a staff paper identifying leading indicators for the Singapore electronics industry.

27.05.2004

MAS announces further relaxation of the Singapore dollar restrictions. Only non-resident financial institutions that issue bonds and equities will be required to swap or convert their SGD proceeds into foreign currencies before remitting the funds abroad.

07.06.2004

MAS hosts the World Bank Government Borrowers Forum from 7 to 9 June 2004. Senior officials representing sovereign issuers, treasurers and directors of funding departments of the multilateral development banks discuss debt management strategies and experiences.

15.06.2004

MAS announces a new start-up boutique fund managers scheme.

17.06.2004

MAS allows qualifying full banks (QFBs) to negotiate with the local banks on a commercial basis to let their credit card holders obtain cash advances through the local banks' ATM networks. MAS also announces that QFBs may have up to 25 customer service locations from 1 Jan 2005, and that it is prepared to grant a limited number of new wholesale bank licences to applicants that meet its admission requirements.

22.06.2004

MAS announces the Financial Sector Manpower Conversion Scheme.

30.06.2004

MAS lowers the Tier 1 capital adequacy ratio (CAR) requirement for Singapore-incorporated banks from 8% to 7% and the total CAR requirement from 12% to 10%.

01.07.2004

MAS agrees with proposals to apply separate rules to the distribution of traded endowment policies and traded life policies.

05.07.2004

MAS, in its capacity as Chair of the EMEAP Working Group on Banking Supervision, and the Financial Stability Institute jointly host a meeting on the Practical Application of Basel II.

12.07.2004

MAS and ABS jointly organise a Risk Conference from 12 to 13 July 2004, with the theme "Basel II & Beyond".

15.07.2004

MAS chairs the Ninth EMEAP Governors Meeting.

19.07.2004

MAS releases a consultation paper on establishing a new regulatory framework for trust companies.

26.07.2004

MAS announces the publication of an Investor Alert List on its website.

29.07.2004

MAS announces that it will gradually introduce new portrait notes (with MAS symbols in place of those of the Board of Commissioners of Currency, Singapore) into circulation from early August 2004.

02.08.2004

The Wealth Management Institute and ACI Singapore (The Financial Markets Association) announce details of the training programmes they will conduct under the Financial Sector Manpower Conversion Scheme.

16.08.2004

SGX launches a new derivatives trading system called SGX Quotation and Execution System (SGX Quest).

17.08.2004

MAS (Freezing of Assets of Former President of Liberia and Connected Persons) (Amendment) Regulations 2004 takes effect.

18.08.2004

SGX issues a practice note to guide offerors and companies on complying with disclosure obligations in mergers and acquisitions situations.

19.08.2004

MAS releases a staff paper analysing Singapore's balance of payments developments between 1965 and 2003.

25.08.2004

MAS announces the new risk-based capital framework for insurers in Singapore.

30.08.2004

The Singapore Investment Banker's Association, with the support of MAS and SGX, launches the Guidelines on Due Diligence in the Context of an IPO in Singapore.

01.09.2004

Parliament passes The Business Trusts Act.

09.09.2004

MAS issues four pieces of 12-troy ounce legal tender gold coins with face value of S\$10,000 each. These coins, which are the largest in size and highest in face value MAS has ever issued, are gifts from the Singapore Government for the royal wedding of Brunei Crown Prince Billah.

28.09.2004

The Bank for International Settlements releases the 2004 Triennial Survey of Forex and Derivatives Market Activity showing that Singapore remains the fourth largest foreign exchange centre in the world, and the second largest centre in Asia after Tokyo.

29.09.2004

The ASEAN Finance Ministers hold their first Investors Seminar in the United States to update international investors on ASEAN's transformation and to promote ASEAN as a region.

07.10.2004

MAS issues a package of measures to raise market conduct standards in the sales and advisory process for structured deposits.

11.10.2004

MAS issues a MPS, maintaining its policy of a modest and gradual appreciation of the S\$NEER, with no change in the slope or the width of the policy band.

15.10.2004

MAS issues outsourcing guidelines to financial institutions.

19.10.2004

MAS releases the MR, October 2004.

MAS launches an Inflation Calculator on the MAS website allowing users to calculate inflation-adjusted prices of goods and services or wages.

26.10.2004

MAS issues guidelines on switching of designated investment products.

MAS hosts the 2004 International Monetary Fund Article IV Consultation on Singapore's economic developments and policies.

28.10.2004

MAS releases a consultation paper on the proposal to set up the Financial Industry Disputes Resolution Centre.

01.11.2004

SGX launches the Nikkei 225 futures and options contracts on its new electronic system, SGX Quest.

09.11.2004

MAS announces that it will publish details of market conduct regulatory actions where it is in the public interest to do so.

13.11.2004

MAS announces that it will issue a series of coins from 2004 to 2008 to commemorate the Urban Development Authority's (URA) Identity Plan, with the launching of the first series in conjunction with URA's Old World Charm Heritage Trail.

MAS announces the launch of the first MoneySENSE Family Outreach organised by the Financial Education Steering Committee for families in Singapore.

17.11.04

MAS issues an Information Paper on good practices for Financial Advisers.

26.11.2004

MAS hosts the International Organisation of Securities Commissions (IOSCO) Asia Pacific Regional Committee Meetings in Singapore.

02.12.2004

MAS launches the 2005 Year of the Rooster Almanac coin. The Year of the Rooster coin is the first in the new third series of Chinese Almanac Coins and it is also the first coloured Almanac coin launched by MAS.

06.12.2004

MAS releases a staff paper investigating the behaviour of the long-run real effective exchange rate of Singapore.

10.12.2004

The MAS (Anti-Terrorism Measures) (Amendment No. 2) Regulations 2004 takes effect.

15.12.2004

MAS releases a staff paper on Singapore's experience with managed floating and intermediate exchange rate systems.

23.12.2004

MAS releases a consultation paper on the Payment Systems (Oversight) Bill.

01.01.2005

The Council on Corporate Disclosure and Governance adopts the International Accounting Standards Board rule on stock option expensing without any changes.

The government exempts tax resident individuals from taxes for interest earned on standard savings, current or fixed deposit bank accounts in approved banks and licensed financial companies from 1 Jan 2005 or Year of Assessment 2006.

03.01.2005

MAS releases a consultation paper on the proposed revision to the Notice on Prevention of Money Laundering and Countering the Financing of Terrorism.

04.01.2005

MAS publishes the first Financial Stability Review, which analyses the financial risks and vulnerabilities arising from developments in Singapore and the global economy on a semi-annual basis.

06.01.2005

MAS provides additional guidance to Singapore-incorporated banks on the adoption of the internal ratings-based approach for credit risk under Basel II.

24.01.2005

SGX and the Jakarta Stock Exchange sign a Memorandum of Understanding to form an alliance that will provide the platform for information-sharing links.

25.01.2005

Parliament passes the Securities and Futures (Amendment) Act and Financial Advisers (Amendment) Act.

26.01.2005

MAS releases a consultation paper on draft regulations and guidelines pursuant to the SFA and FAA.

18.02.2005

The government announces the 2005 Budget. The Budget includes tax incentives for financial sector activities.

Parliament passes the Trust Companies Act.

22.02.2005

MAS issues a consultation paper on the review of par fund business.

28.02.2005

MAS hosts and co-chairs with the China Securities Regulatory Commission the inaugural meeting of the IOSCO Asia-Pacific Regional Committee's Work Group on Risk-Based Inspection Methodologies.

18.03.2005

MAS announces that the Financial Education Steering Committee is conducting a national financial literacy survey to benchmark the current level of financial literacy among Singaporeans.

Key Economic and Financial Statistics

	2000	2001	2002	2003	2004
National Income Aggregates					
Gross Domestic Product					
At Current Market Prices (\$m)	159,595.9	153,771.4	158,387.7	160,923.6	180,554.4
Growth Rate (% change)	14.1	-3.6	3.0	1.6	12.2
At 1995 Market Prices (\$m)	162,379.0	159,212.3	164,255.2	166,491.8	180,496.0
Growth Rate (% change)	9.6	-2.0	3.2	1.4	8.4
Gross National Income					
At Current Market Prices (\$m)	158,316.4	153,798.3	154,609.8	158,423.2	176,026.2
Growth Rate (% change)	10.8	-2.9	0.5	2.5	11.1
Labour Force					
Unemployment Rate (%)	3.1	3.3	4.4	4.7	4.0
Productivity Growth (% change)	5.4	-5.3	4.6	2.6	6.7
Changes in Employment ('000)	108.5	-0.1	-22.9	-12.9	71.4
Average Monthly Earnings (% change)	8.9	2.3	0.8	1.7	3.6
Unit Labour Cost (% change)	1.7	4.6	-1.1	-0.7	-4.0
Savings and Investment					
Gross National Savings (\$m)	72,355.5	65,819.3	64,134.6	70,843.8	80,160.1
As % of GNI	45.7	42.8	41.5	44.7	45.5
Gross Domestic Capital Formation (\$m)	51,798.8	40,016.1	36,035.0	23,887.9	33,037.6
As % of GNI	32.7	26.0	23.3	15.1	18.8
Balance of Payments (\$m)					
Goods Balance	21,947.8	28,169.9	31,388.7	48,999.1	52,754.3
Exports of Goods	257,472.3	239,511.1	246,368.5	275,952.9	333,421.7
Growth Rate (% change)	22.1	-7.0	2.9	12.0	20.8
Imports of Goods	235,524.5	211,341.2	214,979.8	226,953.8	280,667.4
Growth Rate (% change)	24.1	-10.3	1.7	5.6	23.7
Services and Other Balances	-1,391.1	-2,366.7	-3,289.1	-2,043.2	-5,631.8
Current Account Balance	20,556.7	25,803.2	28,099.6	46,955.9	47,122.5
As % of GNI	13.0	16.8	18.2	29.6	26.8
Capital and Financial					
Account Balance	-9,816.8	-33,264.1	-18,507.8	-34,519.4	-22,133.5
Balancing Item	1,095.5	5,859.0	-7,305.3	-662.0	-4,556.0
Overall Balance	11,835.4	-1,601.9	2,286.5	11,774.5	20,433.0
Official Foreign Reserves	139,260.0	139,942.1	142,721.3	163,189.5	183,844.0
Inflation (% change)					
Consumer Price Index	1.3	1.0	-0.4	0.5	1.7
GDP Deflator	4.1	-1.7	-0.2	0.2	3.5
Monetary Aggregates (% change)					
M1	6.9	8.5	-0.7	8.1	14.0
M2	-2.0	5.9	-0.3	8.1	6.2
M3	-1.8	4.0	-0.8	5.9	6.1

	2000	2001	2002	2003	2004
Interest Rates					
(period average, % per annum)					
Prime Lending Rate	5.83	5.67	5.34	5.31	5.30
Banks' 3-month Fixed Deposit Rate	1.71	1.52	0.87	0.50	0.40
Banks' 3-month Domestic Interbank Rate	2.57	2.00	0.95	0.73	1.02
3-month US\$ SIBOR	6.53	3.78	1.80	1.22	1.62
Exchange Rates					
(period average, S\$ per)					
US Dollar	1.7239	1.7917	1.7906	1.7422	1.6903
Pound Sterling	2.6134	2.5809	2.6885	2.8467	3.0963
Euro	1.5930	1.6050	1.6909	1.9703	2.1008
100 Japanese Yen	1.6001	1.4751	1.4309	1.5044	1.5634
Malaysian Ringgit	0.4537	0.4715	0.4712	0.4585	0.4448
Banking and Finance					
Commercial Banks' Assets/ Liabilities (S\$m)	335,816.0	373,747.9	353,115.0	362,528.4	398,236.7
Growth Rate (% change)	4.6	11.3	-5.5	2.7	9.8
Finance Companies' Assets/ Liabilities (S\$m)	19,801.1	14,961.1	13,722.3	7,902.7	8,308.5
Growth Rate (% change)	-4.5	-24.4	-8.3	-42.4	5.1
Merchant Banks' Assets/ Liabilities (S\$m)	59,871.2	56,398.4	52,564.3	58,203.4	59,245.4
Growth Rate (% change)	5.0	-5.8	-6.8	10.7	1.8
Asian Currency Units' Assets/ Liabilities (US\$m)	481,693.0	465,472.8	482,612.3	509,145.9	581,562.9
Growth Rate (% change)	0.9	-3.4	3.7	5.5	14.2
Insurance					
Life Insurers' Assets/Liabilities (S\$m)	35,397.9	48,714.2	54,658.7	63,865.6	72,479.9
Growth Rate (% change)	21.5	37.6	12.2	16.8	13.5
General Insurers' Assets/ Liabilities (S\$m)	10,011.9	10,982.5	12,130.3	13,540.9	14,073.0
Growth Rate (% change)	3.0	9.7	10.5	11.6	3.9
CPF					
Excess of Contributions Over Withdrawals (S\$m)	-478.4	-566.5	1,304.1	4,001.7	4,959.0
Domestic Capital Market					
Net Funds Raised in Domestic Capital Market (S\$m)	28,919.7	36,408.5	29,014.3	35,036.9	42,652.1

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A.1 MONETARY STATISTICS:

Money Supply

End of Period	1996	1997	1998	1999	2000	2001	2002	2003	2004	\$S Million March 2005
Money Supply (M1)	27,040.0	27,510.9	27,239.1	31,109.1	33,261.9	36,082.9	35,828.2	38,722.6	44,162.2	45,021.1
Currency in active circulation ¹	10,293.1	10,703.8	10,146.2	11,315.4	11,289.2	11,867.8	12,360.3	12,838.4	13,693.9	13,923.4
Demand deposits	16,746.9	16,807.1	17,092.9	19,793.7	21,972.7	24,215.1	23,467.9	25,884.2	30,468.3	31,097.7
Quasi-money	84,910.8	95,932.5	133,544.8	143,365.3	137,635.9	144,825.6	144,479.9	156,105.9	162,815.6	165,401.5
Fixed deposits	59,987.0	72,704.6	81,294.6	85,988.3	83,043.8	83,308.2	81,597.5	89,706.3	93,360.2	95,967.7
Savings and other deposits	24,079.3	22,594.4	51,673.7	56,828.0	54,276.8	61,313.5	62,656.8	66,111.3	68,940.4	68,983.6
S\$NCDs	844.5	633.5	576.5	549.0	315.3	203.9	225.6	288.3	515.0	450.2
Money Supply (M2)	111,950.8	123,443.4	160,783.9	174,474.4	170,897.8	180,908.5	180,308.1	194,828.5	206,977.8	210,422.6
Net deposits with non-bank financial institutions	36,543.9	37,322.6	12,797.1 ²	11,709.3	12,014.9	9,408.4	8,507.3	5,215.8	5,204.8	5,301.0
Finance companies	13,192.0	13,969.3	12,797.1	11,709.3	12,014.9	9,408.4	8,507.3	5,215.8	5,204.8	5,301.0
POSBank	23,351.9	23,353.3	-	-	-	-	-	-	-	-
Money Supply (M3)	148,494.7	160,766.0	173,581.0	186,183.7	182,912.7	190,316.9	188,815.4	200,044.3	212,182.6	215,723.6

1 Figures exclude commemorative, numismatic and bullion coins issued by the Monetary Authority of Singapore and cash held by commercial banks and other financial institutions. The Board of Commissioners of Currency, Singapore, merged with the Monetary Authority of Singapore in October 2002.

2 From November 1998, with the acquisition of POSBank by the DBS Bank Ltd, POSBank's data has been incorporated as part of the banking system in M1 and M2, and not as a non-bank financial institution in M3.

A.2 MONETARY STATISTICS:

Official Foreign Reserves¹

End of Period	1996	1997	1998	1999	2000	2001	2002	2003	2004	\$S Million March 2005
Total Foreign Reserves	107,750.8	119,616.8	124,584.4	128,457.0	139,260.0	139,942.1	142,721.3	163,189.5	183,844.0	186,771.5
Gold & Foreign Exchange	107,072.5	118,764.7	123,570.3	127,161.0	137,974.9	138,548.7	141,292.9	161,533.3	182,166.1	185,098.9
Reserve Position in the IMF	428.8	564.3	614.5	908.5	868.0	919.8	925.2	1,092.1	1,092.4	1,086.2
Special Drawing Rights (SDRs)	249.5	287.8	399.6	387.5	417.1	473.6	503.2	564.1	585.5	586.4
Total Foreign Reserves (US\$ Million)	76,975.9	71,391.7	75,028.2	77,176.0	80,361.9	75,800.1	82,276.4	96,324.0	112,807.5	113,010.2

¹ Prior to May 1999, Singapore's official foreign reserves (OFR) were valued at book cost. With effect from May 1999, the book value of foreign reserve assets are translated at market exchange rates prevailing at the end of each reporting month.

A.3 MONETARY STATISTICS:

Exchange Rates

Period Average	S\$ Per Foreign Currency									
	1996	1997	1998	1999	2000	2001	2002	2003	2004	2005
US Dollar	1.4101	1.4848	1.6736	1.6949	1.7239	1.7917	1.7906	1.7422	1.6903	1.6356
100 Japanese Yen	1.2971	1.2277	1.2823	1.4944	1.6001	1.4751	1.4309	1.5044	1.5634	1.5662
Euro	-	-	-	1.8093	1.5930	1.6050	1.6909	1.9703	2.1008	2.1468
Pound Sterling	2.2017	2.4334	2.7722	2.7427	2.6134	2.5809	2.6885	2.8467	3.0963	3.0943
Swiss Franc	1.1425	1.0245	1.1563	1.1306	1.0223	1.0630	1.1528	1.2957	1.3609	1.3862
Australian Dollar	1.1040	1.1024	1.0518	1.0933	1.0031	0.9274	0.9737	1.1355	1.2443	1.2716
100 Korean Won	0.1754	0.1587	0.1204	0.1426	0.1526	0.1389	0.1435	0.1463	0.1477	0.1600
100 New Taiwan Dollar	5.1354	5.1752	5.0004	5.2544	5.5231	5.3031	5.1801	5.0639	5.0584	5.1896
Hong Kong Dollar	0.1823	0.1918	0.2160	0.2184	0.2212	0.2297	0.2296	0.2237	0.2170	0.2098
Malaysian Ringgit	0.5605	0.5353	0.4271	0.4460	0.4537	0.4715	0.4712	0.4585	0.4448	0.4304
Thai Baht	0.0556	0.0488	0.0409	0.0448	0.0430	0.0403	0.0416	0.0420	0.0420	0.0424
100 Indonesian Rupiah	0.0606	0.0536	0.0173	0.0218	0.0207	0.0176	0.0193	0.0203	0.0189	0.0176

Note: Currencies quoted are those frequently requested from the Authority.

A.4 MONETARY STATISTICS:

Domestic Interest Rates

									Per Cent Per Annum 1st Quarter	
Period Average	1996	1997	1998	1999	2000	2001	2002	2003	2004	2005
Banks ¹										
Prime Lending Rate	6.26	6.30	7.49	5.80	5.83	5.67	5.34	5.31	5.30	5.30
Fixed Deposit Rate										
3-month	3.41	3.47	4.60	1.68	1.71	1.52	0.87	0.50	0.40	0.41
6-month	3.67	3.72	4.66	2.04	2.06	1.85	1.14	0.67	0.51	0.52
12-month	4.01	4.02	4.82	2.46	2.45	2.14	1.39	0.88	0.71	0.72
Savings Deposit Rate	2.72	2.75	3.11	1.36	1.30	1.13	0.56	0.28	0.23	0.23
Finance Companies ²										
Fixed Deposit Rate										
3-month	3.14	3.32	4.61	1.77	1.85	1.54	0.98	0.52	0.48	0.66
6-month	3.48	3.62	4.73	2.23	2.31	1.78	1.19	0.75	0.69	0.83
12-month	3.93	4.03	4.94	2.73	2.82	2.14	1.42	0.99	0.99	1.16
Savings Deposit Rate	2.50	2.55	3.04	1.30	1.31	1.14	0.69	0.36	0.31	0.31
Interbank Rate ³										
1-month	2.88	4.10	5.02	1.80	2.45	1.93	0.87	0.68	0.94	1.79
3-month	2.92	4.09	5.20	2.12	2.57	2.00	0.95	0.73	1.02	1.85
US\$ SIBOR										
1-month	5.45	5.64	5.57	5.26	6.41	3.88	1.77	1.21	1.50	2.64
3-month	5.52	5.74	5.56	5.41	6.53	3.78	1.80	1.22	1.62	2.84
6-month	5.58	5.83	5.54	5.52	6.65	3.74	1.89	1.23	1.79	3.07

1 Average of 10 leading banks.

2 Average of 10 leading finance companies.

3 Closing offer rates quoted by money brokers.

Note: Interest rates for banks (except for Prime Lending Rate) and finance companies refer to average of end of month rates.

B.1 FINANCIAL STRUCTURE:

Number of Financial Institutions in Singapore

End-March	1998	1999	2000	2001	2002	2003	2004	2005
Banks	154	142	140	133	120	117	115	111
Local ¹	12	9	8	8	6	5	5	5
Foreign	142	133	132	125	114	112	110	106
Full banks	22	22	23	23	22	22	23	24
Wholesale banks ²	13	13	16	20	33	31	37	35
Offshore banks	107	98	93	82	59	59	50	47
(Banking offices including head offices and main offices)	(474)	(561)	(538)	(485)	(444)	(404)	(398)	(396)
Asian Currency Units	226	205	195	184	169	164	160	153
Banks	146	135	133	127	115	112	110	106
Merchant banks	80	70	62	57	54	52	50	47
Finance Companies	19	15	14	11	7	5	3	3
(Finance companies' offices including head offices)	(119)	(109)	(101)	(79)	(65)	(59)	(39)	(39)
Merchant Banks	80	70	63	58	55	53	51	48
Insurance Companies	164	159	153	151	144	143 ³	141	140
Direct insurers	61	59	55	54	57	57	55	55
Professional reinsurers	51	49	47	46	36	36	29	28
Captive insurers	52	51	51	51	51	50	57	57
Insurance Brokers	-	-	-	88	90	57 ⁴	60	61

End-March	1998	1999	2000	2001	2002	2003	2004	2005
Representative Offices	70	69	66	62	55	51	49	45
Banks	68	69	66	62	55	51	49	45
Merchant banks	2	-	-	-	-	-	-	-
International Money Brokers	9	9	9	8	8	8	8	10
Licensed Financial Advisers⁵	-	-	-	-	-	49	52	56
Capital Markets Services Licensees⁶								
Dealing in Securities, of which:	89	78	77	81	79	59	60	65
Clearing Member Companies of SGX-ST	32	30	31	35	27	26	22	22
Non-Clearing Member Companies of SGX-ST	-	-	-	-	-	1	1	1
Non-Member Companies of SGX-ST	57	48	46	46	52	32	37	42
Trading in Futures Contracts, of which:	46	49	45	50	39	36	31	34
Clearing Member Companies of SGX-DT	35	32	30	31	27	25	21	22
Non-Clearing Member Companies of SGX-DT	11	13	11	10	6	6	6	6
Non-Member Companies of SGX-DT	-	-	-	-	-	-	-	2
Commercial Associate Member Companies of SGX-DT	-	4	4	9	6	5	4	4
Advising on Corporate Finance						22	26	30
Fund Management	156	148	154	167	167 ⁷	90	94	91
Leveraged Foreign Exchange Trading						11	10	11
Securities Financing						13	13	15
Providing Custodial Services for Securities						26	26	27

1 All local banks are full banks.

2 Previously known as restricted banks.

3 Figure includes 20 companies on run-off.

4 Figure excludes 26 direct life brokers. With effect from 1 October 2002, the regulation of direct brokers was transferred to the Financial Advisers Act (FAA).

5 Financial Adviser's Licence is issued under the FAA which came into force on 1 October 2002.

6 In view of the single licensing framework under Securities and Futures Act (SFA) which was implemented from 1 October 2002, the data before and after 2 October 2002 are not directly compatible. The new licensing regime allows companies to engage in seven regulated activities. Before implementation of the SFA, the old regime was governed under the repealed Securities Industry Act and the Futures Trading Act which provided for five different licences to perform the full range of capital market activities. The five licences are: dealer's licences, investment adviser's licence, futures broker's licence, futures trading adviser's licence, and futures pool operator's licence.

7 This shows the number of the investment advisers operating pursuant to the Securities Industry Act and one futures pool operator operating pursuant to the Futures Trading Act.

Assets and Liabilities

End of Period	1996	1997	1998	1999	2000	2001	2002	2003	2004	\$S Million March 2005
Assets										
Cash in hand	811.2	802.2	998.2	2,556.7	1,488.9	1,234.3	1,176.1	1,210.2	1,400.7	1,202.1
Balances with MAS	7,095.4	7,702.2	5,430.8	7,524.3	5,690.9	6,970.8	6,462.8	6,592.0	6,775.0	6,895.4
S\$NCDs held	198.5	212.5	175.0	162.5	149.7	167.3	34.1	163.7	300.5	335.5
Amounts due from banks	86,112.6	99,935.3	105,151.1	109,650.2	116,475.7	114,250.7	96,807.5	97,549.3	113,856.1	129,573.9
In Singapore	33,555.1	30,220.6	38,215.6	29,458.6	42,535.9	27,069.9	17,434.6	21,357.0	32,615.8	37,512.5
ACUs	24,851.9	34,517.1	27,994.4	34,760.9	26,614.2	39,024.1	41,871.2	39,856.0	42,998.9	51,245.5
Outside Singapore	27,705.6	35,197.5	38,941.1	45,430.7	47,325.6	48,156.7	37,501.7	36,336.3	38,241.4	40,815.9
Investments	24,633.3	26,405.9	35,238.1	40,260.7	45,463.5	70,847.4	61,537.8	64,133.2	68,217.7	70,011.9
In Singapore	23,339.4	25,078.3	33,857.5	37,595.1	42,072.6	66,988.8	55,918.2	58,248.5	60,176.9	62,283.5
Government securities	17,537.9	18,883.4	26,477.3	30,948.5	33,718.9	40,511.7	42,621.2	45,555.8	45,057.5	46,465.6
Others	5,801.4	6,194.9	7,380.3	6,646.6	8,353.8	26,477.1	13,297.0	12,692.7	15,119.3	15,817.8
Outside Singapore	1,293.9	1,327.5	1,380.5	2,665.6	3,390.8	3,858.5	5,619.7	5,884.7	8,040.8	7,728.4
Loans and advances to										
non-bank customers	126,987.7	143,243.8	151,640.9	147,185.5	154,042.1	162,920.8	161,283.4	171,443.5	179,088.6	177,643.3
of which bills financing	8,693.4	9,363.5	4,924.5	5,118.1	3,584.3	3,636.6	3,047.7	3,889.2	5,544.8	5,220.6
Fixed and other assets	6,884.7	11,270.6	10,146.6	13,705.5	12,505.3	17,356.6	25,813.3	21,436.6	28,598.1	27,181.0
Liabilities										
Paid-up capital and reserves	20,977.3	23,709.6	23,323.8	25,318.6	24,492.1	36,855.7	30,560.9	32,724.5	35,933.0	40,447.8
Deposits of non-bank										
customers	118,201.5	124,143.0	162,310.3	174,454.1	171,316.4	182,551.4	180,138.4	194,231.5	206,176.3	210,761.5
S\$NCDs issued	1,043.0	846.0	751.5	711.5	465.0	371.3	259.8	452.1	815.5	785.7
Amounts due to banks	101,576.8	125,856.1	104,107.8	98,182.8	118,034.2	118,349.8	106,060.1	103,559.0	114,953.7	120,982.8
In Singapore	34,328.6	31,134.2	29,769.5	23,124.0	34,334.2	28,544.0	18,218.6	15,201.7	18,815.1	22,481.5
ACUs	31,293.4	50,049.6	43,034.2	44,623.1	53,662.4	61,177.4	61,777.0	63,191.4	71,774.1	71,558.3
Outside Singapore	35,954.8	44,672.3	31,304.0	30,435.7	30,037.5	28,628.3	26,064.5	25,165.9	24,364.5	26,942.9
Bills payable	589.2	552.5	478.8	754.1	598.4	516.7	606.1	578.2	521.1	742.8
Other liabilities	10,335.6	14,465.2	17,808.4	21,624.3	20,909.9	35,103.1	35,489.8	30,983.2	39,837.2	39,122.4
Total Assets/Liabilities	252,723.4	289,572.3	308,780.6	321,045.4	335,816.0	373,747.9	353,115.0	362,528.4	398,236.7	412,842.9

C.2 COMMERCIAL BANKS:

Loans and Advances by Industrial Classification

End of Period	1996	1997	1998	1999	2000	2001	2002	2003	2004	\$S Million March 2005
Agriculture, mining and quarrying	132.8	187.6	223.6	191.4	178.7	113.0	162.1	305.5	212.5	201.3
Manufacturing	12,248.2	12,472.0	12,249.2	11,574.7	11,620.7	11,964.7	10,819.2	10,595.5	9,796.9	10,000.8
Building and construction	21,401.2	26,234.8	25,580.0	23,444.0	25,644.7	26,578.4	23,863.0	24,029.5	23,375.8	22,588.6
Housing loans	20,402.3	22,934.8	31,788.5	35,154.1	38,562.5	41,733.2	44,623.6	52,155.4	58,857.7	60,156.0
General commerce	23,931.8	26,349.5	21,549.1	19,949.3	18,967.5	17,693.0	16,887.2	16,857.3	18,893.8	18,625.2
Transport, storage and communication	2,618.7	3,575.7	4,459.7	3,743.3	4,124.2	6,148.9	4,554.7	4,133.8	3,956.8	3,764.4
Non-bank financial institutions	19,448.3	20,997.4	22,724.1	21,062.8	20,864.7	21,569.2	22,926.8	21,633.8	22,284.4	21,812.4
Professional and private individuals	20,256.1	22,775.4	21,766.1	21,594.2	24,722.1	27,740.9	27,729.5	32,783.9	32,601.3	32,288.2
Others	6,548.3	7,716.5	11,300.6	10,471.7	9,356.9	9,379.4	9,717.3	8,948.8	9,109.4	8,206.5
Total	126,987.7	143,243.8	151,640.9	147,185.5	154,042.1	162,920.8	161,283.4	171,443.5	179,088.6	177,643.3

C.3 COMMERCIAL BANKS:

Types of Loans and Advances to Non-bank Customers

End of Period	1996	1997	1998	1999	2000	2001	2002	2003	2004	\$S Million March 2005
Overdrafts	30,306.9	36,063.2	32,680.6	28,302.8	27,020.7	23,880.4	20,001.1	16,829.1	13,562.9	13,052.1
Bills discounting	8,693.4	9,363.5	4,924.5	5,118.1	3,584.3	3,636.6	3,047.7	3,889.2	5,544.8	5,220.6
Trust receipts	6,468.9	7,011.8	5,026.7	4,589.3	4,857.2	4,435.4	4,179.1	3,995.2	4,649.5	4,579.8
Term loans and others	81,518.5	90,805.3	109,009.0	109,175.1	118,580.0	130,968.3	134,055.6	146,730.0	155,331.4	154,790.7
Total	126,987.7	143,243.8	151,640.9	147,185.5	154,042.1	162,920.8	161,283.4	171,443.5	179,088.6	177,643.3

C.4 COMMERCIAL BANKS:

Types of Deposits Including S\$NCDs

End of Period	S\$ Million									
	1996	1997	1998	1999	2000	2001	2002	2003	2004	March 2005
Demand	18,862.7	18,297.4	18,427.1	21,676.0	23,650.0	25,966.6	25,178.1	27,902.2	32,775.4	34,046.2
Fixed	71,802.7	80,089.1	88,658.1	92,118.7	89,774.6	90,845.1	87,879.2	95,729.2	99,829.5	103,077.8
Savings	27,168.2	25,439.4	54,862.4	60,271.8	57,477.4	65,331.1	66,690.8	69,861.3	72,938.3	72,928.3
S\$NCDs (net)	844.5	633.5	576.5	549.0	315.3	203.9	225.6	288.3	515.0	450.2
Others	368.0	317.2	362.7	387.6	414.4	408.7	390.4	738.8	633.0	709.2
Total	119,046.0	124,776.5	162,886.8	175,003.1	171,631.7	182,755.3	180,364.0	194,519.8	206,691.2	211,211.7

C.5 COMMERCIAL BANKS:

Liquidity Position

	S\$ Million									
Period Average	1996	1997	1998	1999	2000	2001	2002	2003	2004	1st Qtr 2005
Liabilities Base	114,828.5	122,777.4	134,282.4	162,193.4	168,185.3	177,264.5	185,568.9	193,451.6	202,741.5	210,820.0
Liquid Assets										
(a) Minimum Requirement	27,558.9	29,466.6	30,125.4	34,060.6	35,318.9	37,225.5	38,969.5	36,481.4	36,091.2	37,217.3
(b) Total Actual Liquid Assets	28,632.1	30,556.7	31,968.6	37,419.2	39,518.6	44,342.4	46,845.5	50,325.8	52,340.0	52,300.3
(c) Free Liquid Assets (b) - (a)	1,073.3	1,090.2	1,843.2	3,358.6	4,199.7	7,116.8	7,876.0	13,844.4	16,248.8	15,083.0
Liquidity Ratios	24.9	24.9	23.9	23.1	23.5	25.0	25.2	26.0	25.8	24.8

D.1 FINANCE COMPANIES:

Assets and Liabilities

End of Period	1996	1997	1998	1999	2000	2001	2002	2003	2004	\$S Million March 2005
Assets										
Reserves with MAS	812.7	871.8	401.7	357.5	368.5	286.1	252.8	155.3	160.5	163.5
Deposits with banks and other financial institutions	2,165.9	1,904.2	2,721.8	2,729.7	1,664.5	1,241.9	1,345.7	312.3	460.7	596.1
Banks	1,734.1	1,628.1	2,408.1	2,654.4	1,635.2	1,218.0	1,345.7	312.3	453.3	596.1
Other institutions	431.8	276.1	313.7	75.4	29.4	23.9	0.0	0.0	7.4	0.0
Loans and advances	16,762.7	17,900.2	16,779.4	15,636.4	15,790.9	11,983.0	10,815.9	6,657.2	6,878.9	6,969.0
Housing loans	3,221.1	3,721.7	3,821.2	3,500.1	2,768.0	1,884.7	1,547.9	756.3	952.4	1,000.2
Hire purchase	4,982.4	4,958.8	4,331.6	4,413.3	5,700.1	4,394.8	4,034.4	2,459.0	2,364.8	2,429.2
Lease finance	8.7	6.1	2.4	1.4	1.1	0.8	0.3	0.0	0.0	0.0
Others	8,550.5	9,213.7	8,624.2	7,721.6	7,321.8	5,702.7	5,233.3	3,441.9	3,561.7	3,539.6
Securities and equities	1,139.4	1,201.6	1,705.2	1,691.5	1,680.4	1,257.0	1,115.8	687.4	709.4	756.4
Other assets	308.8	332.8	333.8	327.3	296.7	193.1	192.0	90.6	98.9	94.4
Liabilities										
Capital and reserves	3,014.7	3,268.5	3,371.2	3,408.1	3,164.9	2,425.5	2,111.2	1,406.3	1,442.8	1,643.4
Deposits	15,071.6	15,611.8	15,344.6	14,321.9	13,645.9	10,641.4	9,855.7	5,530.2	5,667.6	5,901.3
Fixed	13,311.8	15,124.9	14,882.9	13,875.5	13,425.4	10,431.4	9,612.0	5,373.4	5,514.1	5,757.7
Savings	371.6	392.7	341.7	344.3	194.6	202.4	222.6	149.7	145.8	140.9
Others	1,388.2	94.2	120.0	102.1	26.0	7.6	21.1	7.1	7.7	2.7
Borrowings	1,381.9	1,398.0	1,180.4	899.2	998.5	254.3	254.9	119.9	321.3	326.6
Other liabilities	1,721.2	1,932.2	2,045.6	2,113.2	1,991.8	1,639.9	1,500.5	846.4	876.8	708.2
Total Assets/Liabilities	21,189.4	22,210.6	21,941.9	20,742.4	19,801.1	14,961.1	13,722.3	7,902.7	8,308.5	8,579.5

E.1 MERCHANT BANKS:

Consolidated Assets and Liabilities¹

End of Period	1996	1997	1998	1999	2000	2001	2002	2003	2004	\$S Million March 2005
Assets										
Amounts due from banks	21,796.7	28,222.0	27,632.0	27,337.8	30,386.1	25,703.8	22,156.6	22,291.5	25,719.0	28,047.7
In Singapore	771.9	1,221.3	1,771.2	1,704.7	1,554.7	1,427.1	891.2	1,481.6	1,394.9	1,409.7
Outside Singapore ²	21,024.8	27,000.7	25,860.8	25,633.1	28,831.4	24,276.7	21,265.4	20,809.9	24,324.2	26,637.9
Loans and advances to non-bank customers	17,348.9	21,777.5	19,321.2	20,846.5	21,833.8	20,309.8	19,674.8	24,229.0	18,693.3	20,126.6
Securities and equities	11,678.3	14,339.0	9,662.9	6,934.8	6,263.4	9,354.9	9,511.3	10,109.9	11,991.1	12,173.5
Other assets	2,756.7	2,322.8	3,929.2	1,880.5	1,387.9	1,029.9	1,221.6	1,573.0	2,842.0	3,320.1
Liabilities										
Capital and reserves	6,646.0	8,193.7	7,597.8	8,008.6	8,296.2	8,094.0	7,742.7	8,232.6	7,636.0	7,899.0
Amounts due to banks	34,571.8	41,111.3	30,363.7	26,501.8	26,943.4	27,617.9	24,858.7	29,304.7	27,320.4	30,152.0
In Singapore	481.5	974.2	1,083.2	649.0	671.8	895.1	501.3	724.3	1,225.9	754.4
Outside Singapore ²	34,090.3	40,137.1	29,280.5	25,852.8	26,271.6	26,722.8	24,357.4	28,580.4	26,094.5	29,397.5
Borrowings from non-bank customers	9,030.0	13,814.9	17,751.6	18,914.6	21,587.0	17,861.3	17,729.8	18,207.0	20,406.7	21,172.8
Other liabilities	3,332.9	3,541.2	4,832.3	3,574.6	3,044.7	2,825.2	2,233.1	2,459.1	3,882.4	4,444.0
Total Assets/Liabilities	53,580.6	66,661.2	60,545.4	56,999.6	59,871.2	56,398.4	52,564.3	58,203.4	59,245.4	63,667.8

1 Data is derived from the consolidation of merchant banks' domestic and Asian dollar operations.

2 Including Asian Currency Units.

E.2 MERCHANT BANKS:

Assets and Liabilities of Domestic Unit Operations¹

End of Period	1996	1997	1998	1999	2000	2001	2002	2003	2004	S\$ Million March 2005
Assets										
Amounts due from banks	5,339.3	6,553.5	6,753.9	6,454.7	5,958.0	5,743.8	5,264.3	5,985.7	4,970.6	5,226.8
In Singapore	761.7	1,215.8	1,769.2	1,702.7	1,545.1	1,425.5	881.9	1,479.4	1,393.0	1,407.8
Outside Singapore ²	4,577.6	5,337.7	4,984.7	4,752.0	4,412.9	4,318.3	4,382.4	4,506.3	3,577.6	3,819.0
Loans and advances to non-bank customers	1,246.6	1,089.8	834.2	675.8	791.8	801.1	809.0	768.2	688.4	655.5
Securities and equities	494.2	513.2	430.0	449.8	485.1	609.2	477.3	350.7	745.1	667.8
Other assets	416.4	555.8	574.5	319.8	303.8	249.5	219.0	273.0	326.9	276.2
Liabilities										
Capital and reserves	4,104.7	4,889.6	5,254.6	4,874.0	4,802.7	4,734.5	4,517.2	4,700.9	3,529.3	3,679.6
Amounts due to banks	1,720.2	2,046.5	1,855.6	2,053.7	1,677.3	1,659.3	1,529.8	1,771.5	2,301.8	2,450.7
In Singapore	297.7	284.6	183.3	411.3	395.5	658.3	501.1	724.0	831.0	754.4
Outside Singapore ²	1,422.5	1,761.9	1,672.3	1,642.4	1,281.8	1,001.0	1,028.7	1,047.5	1,470.8	1,696.3
Borrowings from non-bank customers	1,194.3	1,082.0	786.0	516.3	565.5	562.7	336.5	446.0	435.8	297.4
Other liabilities	477.3	694.2	696.5	456.1	493.1	447.1	386.3	459.0	464.0	398.7
Total Assets/Liabilities	7,496.5	8,712.3	8,592.6	7,900.1	7,538.6	7,403.6	6,769.7	7,377.5	6,731.0	6,826.4

¹ Corporate financial advisory services, underwriting activities and operations in the gold market are not reflected in the data.

² Including Asian Currency Units.

F.1 INSURANCE INDUSTRY: Assets & Premiums

	1996	1997	1998	1999	2000	2001	2002	2003	2004	S\$ Million April 2005
Total Assets of Insurance Industry (End Period)	24,622.6	28,165.9	31,378.1	38,858.7	45,409.8	59,696.7	66,789.0	77,406.4	86,552.9	N.A
Direct Insurers	21,516.2	24,628.1	27,823.4	34,918.8	41,058.8	54,710.3	61,537.0	71,323.8	79,822.9	N.A
Professional										
Reinsurers	2,222.0	2,581.0	2,710.7	3,081.2	3,504.3	4,208.7	4,361.4	4,697.4	5,202.7	N.A
Captive Insurers	884.4	956.8	844.0	858.7	846.7	777.7	890.5	1,385.2	1,527.3	N.A
General Business: Gross Premiums										
Total General Business	2,793.8	2,914.9	2,670.9	2,752.6	3,269.6	3,821.2	4,756.4	4,996.2	4,902.6	1,348.8
Domestic Business	1,616.4	1,645.4	1,527.9	1,479.2	1,622.2	1,800.5	2,230.9	2,344.2	2,151.3	679.8
Offshore Business	1,177.4	1,269.5	1,143.0	1,273.4	1,647.4	2,020.7	2,525.5	2,652.0	2,751.3	669.1
Life Business: Premiums										
Premiums in Force (End Period)	3,538.0	4,202.5	4,468.6	4,680.5	5,071.6	5,221.9	5,417.9	5,547.9	5,869.6	5,914.6
New Business Premiums										
Annual Premium Policies	656.7	837.1	540.5	552.6	705.6	455.1	686.7	499.8	549.8	159.1
Single Premium Policies										
Life Insurance	699.5	1,288.1	529.3	1,785.1	3,337.7	8,961.6	5,948.3	4,613.4	6,077.0	887.9
Annuity	104.2	120.8	103.7	174.3	266.2	450.2	602.6	231.6	237.7	65.1

G.1 NON-BANK FINANCIAL INSTITUTIONS: Central Provident Fund Board

	1996	1997	1998	1999	2000	2001	2002	2003	2004	\$S Million 1st Qtr 2005**
Excess Of Contributions Over Withdrawals (During Period)	4,078.3	4,398.3	2,370.5	14.7	-478.4	-566.5	1,304.1	4,001.7	4,959.0	2,110.5
Members' Contributions	14,623.0	15,873.8	15,999.8	12,826.6	14,092.8	18,322.3	16,165.7	15,870.0	15,320.1	4,524.6
Withdrawals *	10,544.7	11,475.5	13,629.3	12,811.9	14,571.2	18,888.8	14,861.6	11,868.3	10,361.1	2,414.1
Approved Housing Schemes ¹	5,058.4	5,786.7	7,834.7	9,528.4	8,655.1	8,262.5	8,208.1	6,909.8	6,517.0	1,767.2
Under Section 15 ²	1,633.0	1,548.2	1,847.0	1,671.1	1,679.9	2,226.1	2,026.8	2,384.8	2,272.6	637.6
Medical Schemes ³	389.5	420.8	441.0	445.0	518.1	531.6	763.2	722.0	779.7	141.9
Others	3,463.8	3,719.8	3,506.6	1,167.4	3,718.1	7,868.6	3,863.5	1,851.7	791.8	-132.6
Interest Credited to Members' Balances (During Period)	2,452.8	2,692.6	3,248.9	3,105.3	2,379.8	2,489.5	2,897.3	3,115.3	3,375.3	902.4
Advanced Deposits with MAS (During Period)⁴	8,075.9	6,337.8	5,967.5	3,576.7	577.7	1,648.9	3,820.2	7,130.1	11,624.5	3,087.5
Interest Earnings from Investments (During Period)	2,596.6	2,853.0	3,479.6	3,309.8	2,537.8	2,662.4	3,054.9	3,260.5	3,523.5	928.9
Holdings of Government Securities (End Period)⁵	51,620.0	57,120.0	59,620.0	62,620.0	60,620.0	89,410.3	94,444.1	100,750.4	108,462.4	111,616.5
Members' Balances (End Period)	72,566.6	79,657.4	85,276.8	88,396.9	90,298.3	92,221.2	96,422.6	103,539.6	111,873.8	114,886.7

Source: Central Provident Fund Board

* Includes refunds and transfers to Reserve Account.

1 Housing schemes include Public Housing and Residential Properties Schemes.

2 Section 15 of the CPF Act allows withdrawals to be made on any of the following grounds: a) member having reached the age 55 years; b) leaving Singapore and West Malaysia; c) physical incapacity; d) unsound mind; e) death; and f) Malaysian citizen (leaving Singapore).

3 Medical Schemes include Medisave, MediShield Schemes, Private Medical Insurance and Elder Shield Schemes.

4 Deposits placed with MAS during the year excluding: a) interest on bonds & interest on Advance Deposits retained as deposits by MAS; and b) conversion and redemption of Government Bonds

5 Excludes advance deposits with MAS.

** Provisional

H.1 DOMESTIC CAPITAL MARKET:

Net Funds Raised in the Domestic Capital Market

	1996	1997	1998	1999	2000	2001	2002	2003	2004	S\$ Million 1st Qtr 2005
A Net funds raised by Government	10,096.6	6,626.4	11,491.6	8,973.9	8,873.2	12,883.1	7,014.9	11,741.2	14,965.8	2,305.0
1) Gross issue of Government securities ¹	12,150.0	10,460.0	12,800.0	12,430.0	12,100.0	44,990.3	22,433.8	24,906.3	31,102.2	8,454.2
Less:										
Redemption of Government securities	3,998.0	5,008.2	5,438.3	6,549.2	7,636.9	7,080.0	15,136.8	14,524.4	17,240.0	6,100.0
Government holdings of Government securities	-2.8	-15.2	-0.1	-0.1	0.1	-	-	-	-	-
Conversion from accumulated advance deposits	8,000.0	7,000.0	5,000.0	5,000.0	-	30,790.3	14,033.8	6,306.3	7,712.2	3,154.2
2) New advance deposits	9,941.8	8,159.4	8,829.8	6,093.0	2,910.2	4,238.1	13,216.7	7,165.6	8,315.8	3,105.0
3) Net issues of statutory boards' securities	-	-	300.0	2,000.0	1,500.0	1,525.0	535.0	500.0	500.0	-
B New capital raised by the private sector	3,150.6	3,928.0	1,606.1	6,144.7	5,514.8	3,118.2	3,838.0	4,014.6	5,987.2	1,539.2
1) Public issues of shares	906.2	1,379.3	411.2	2,019.6	3,393.9	485.7	1,685.4	2,046.4	3,942.7	1,350.5
2) Rights issues	1,154.8	1,769.6	822.2	1,325.7	341.2	192.5	1,427.8	345.3	1,110.6	17.2
3) Private placements of listed shares	1,089.6	779.1	372.7	2,799.4	1,779.7	2,440.0	724.8	1,622.9	933.9	171.5
C Issues of debt securities	2,309.5	6,680.0	3,897.0	9,265.0	14,531.7	20,407.2	18,161.4	19,281.1	21,699.1	3,782.4
1) Listed bonds, debentures and loan stocks ²	589.5	1,168.1	721.4	6,067.1	8,727.4	11,814.2	7,737.9	8,139.9	6,399.5	575.0
2) Unlisted bonds	1,620.0	5,511.9	3,013.6	2,955.4	5,754.3	8,443.0	10,296.7	10,809.9	14,837.6	3,207.4
3) Revolving underwriting facilities	-	-	-	92.5	-	-	-	-	-	-
Note issuance facilities	-	-	-	-	-	-	-	-	-	-
4) Negotiable certificates of deposits ³	100.0	-	162.0	150.0	50.0	150.0	126.8	331.3	462.0	-
Total net funds raised (A+B+C)	15,556.7	17,234.4	16,994.7	24,383.6	28,919.7	36,408.5	29,014.3	35,036.9	42,652.1	7,626.6

1 Government securities, excluding treasury bills.

2 Singapore dollar-denominated bonds listed on the Singapore Exchange (SGX).

3 Refers only to S\$ reserve-free NCDs issued during the year.

* This includes bonds that are not listed on the SGX but listed on other exchanges.

I.1 ASIAN DOLLAR MARKET:

Assets and Liabilities

										US\$ Million
End of Period	1996	1997	1998	1999	2000	2001	2002	2003	2004	March 2005
Assets										
Loans to non-bank customers	180,505.5	173,286.3	131,712.7	110,593.9	89,446.0	79,324.2	77,906.3	83,602.8	93,494.4	93,687.7
Interbank funds	278,743.1	330,685.5	329,464.5	315,618.9	333,728.5	323,902.2	335,973.7	341,917.7	385,302.4	368,174.1
In Singapore	22,357.2	29,846.3	25,930.5	26,781.7	31,221.6	33,054.5	35,599.0	37,151.2	43,932.1	43,369.6
Inter-ACU	40,236.8	48,882.9	40,696.6	34,698.2	31,512.8	30,916.8	31,415.4	29,360.2	31,428.3	32,056.7
Outside Singapore	216,149.1	251,956.3	262,837.4	254,139.0	270,994.1	259,930.9	268,959.3	275,406.3	309,942.0	292,747.8
NCDs held	7,952.7	5,837.0	3,378.7	3,777.6	3,226.6	3,012.2	3,059.6	2,167.2	3,187.4	4,615.0
Other Assets	39,668.8	47,384.7	38,325.2	47,251.3	55,291.9	59,234.1	65,672.8	81,458.1	99,578.7	102,869.4
Liabilities										
Deposits of non-bank customers	95,373.8	113,683.4	113,077.0	121,319.5	124,651.5	122,472.3	126,151.6	137,116.0	150,354.5	155,271.9
Interbank funds	389,469.6	414,526.2	364,750.5	323,384.9	316,890.4	310,151.7	320,896.7	330,911.0	379,900.0	360,788.5
In Singapore	25,257.4	32,271.9	20,006.3	25,040.5	23,213.6	25,746.8	28,369.1	34,243.1	34,771.1	36,419.2
Inter-ACU	40,243.3	48,905.3	40,694.4	34,701.6	31,517.0	30,926.4	31,394.8	29,401.4	31,457.9	32,035.6
Outside Singapore	323,968.9	333,349.0	304,049.8	263,642.8	262,159.8	253,478.5	261,132.8	267,266.5	313,671.1	292,333.7
NCDs issued	2,229.5	2,198.1	1,571.6	1,148.1	594.1	636.6	1,500.9	1,690.3	2,679.4	4,863.9
Other Liabilities	19,797.3	26,785.9	23,481.7	31,389.3	39,556.9	32,212.3	34,063.1	39,428.6	48,628.9	48,422.0
Total Assets/Liabilities	506,870.2	557,193.5	502,881.1	477,241.7	481,693.0	465,472.8	482,612.3	509,145.9	581,562.9	569,346.2

Maturity Transformation by Asian Currency Units

End of Period	1996	1997	1998	1999	2000	2001	2002	2003	2004	US\$ Billion March 2005
Net Position¹										
Up to 6 months	-101.2	-93.5	-78.5	-74.7	-67.3	-81.4	-84.6	-80.3	-74.1	-85.8
Over 6 months to 1 year	31.5	20.0	16.7	19.5	15.6	15.8	16.1	18.4	20.1	25.3
Over 1 to 3 years	36.6	35.0	27.1	23.8	20.3	25.3	26.7	24.9	27.2	30.5
Over 3 years	33.2	38.5	34.7	31.4	31.4	40.3	41.8	37.0	28.8	32.8
Claims¹										
Up to 6 months	371.3	428.0	393.8	370.0	374.1	345.8	355.4	375.1	415.5	389.8
Over 6 months to 1 year	47.5	38.0	29.3	31.1	32.3	33.6	35.0	39.2	43.5	50.0
Over 1 to 3 years	42.7	40.4	33.3	30.9	29.7	32.7	32.6	35.0	40.6	42.8
Over 3 years	45.4	50.8	46.5	45.3	45.6	53.4	59.6	59.9	48.7	52.4
Liabilities¹										
Up to 6 months	472.5	521.5	472.3	444.7	441.4	427.2	440.0	455.4	489.6	475.7
Over 6 months to 1 year	16.0	18.0	12.6	11.6	16.7	17.8	18.9	20.8	23.4	24.7
Over 1 to 3 years	6.1	5.4	6.2	7.1	9.4	7.4	5.9	10.1	13.4	12.3
Over 3 years	12.2	12.3	11.8	13.9	14.2	13.1	17.8	22.9	19.9	19.6

1 From 2004 onwards, data exclude those claims or liabilities with unallocated maturity periods. Therefore the sum of all the maturity categories for claims may not be equal to the sum of all the maturity categories for liabilities.

Glossary

A&H	Accident and Health
ABF	Asian Bond Fund
AC	Audit Committee
ACMF	ASEAN Capital Market Forum
ACRA	Accounting & Corporate Regulatory Authority
ADM	Asian Dollar Market
AML	Anti-Money Laundering
APEC	Asia-Pacific Economic Cooperation
APRC	Asia Pacific Regional Committee
ASEAN	Association of South-east Asian Nations
ATM	Automated Teller Machine
AUM	Assets Under Management
Basel II	New Basel Capital Framework
BCM	Business Continuity Management
BEER	Behavioural Equilibrium Exchange Rate
BFM	Boutique Fund Manager
BIS	Bank for International Settlements
BT	Business Trust
CCBS	Centre for Central Banking Studies
CCDG	Council on Corporate Disclosure and Governance
CCTV	Closed Circuit Television
CFT	Countering Financing of Terrorism
CIS	Collective Investment Scheme
CLS	Continuous Linked Settlement
CPI	Consumer Price Index
CUP	NETS-China UnionPay
DI	Deposit Insurance
DICE	Database for Innovation and Corporate Excellence
ECB	European Central Bank
EFTPOS	Electronic Funds Transfer at Point of Sale
EMEAP	Executives' Meeting of East Asia-Pacific Central Banks
EPS	External Perception Survey
FA	Financial Advisers
FAA	Financial Advisers Act
FATF	Financial Action Task Force
FFM	Frequent Flying Minds
FICS	Financial Industry Competency Standards
FIDReC	Financial Industry Disputes Resolution Centre
FMBS	Front, Middle and Back-office System
FRS	Financial Reporting Standard
FSR	Financial Stability Review
FX	Foreign Exchange

GDP	Gross Domestic Product
GIA	General Insurance Association
IAL	Investor Alert List
IAP	International Advisory Panel
IBF	Institute of Banking and Finance
IBG	Interbank GIRO
IDAC	Independent Damage Assessment Centre
IMF	International Monetary Fund
IOSCO	International Organisation of Securities Commissions
IPO	Initial Public Offer
LIA	Life Insurance Association
LTF	Linkages Task Force
MEPS+	MAS Electronic Payment System
MIPM	Monetary Investment and Policy Meeting
MIRWG	Motor Insurance Review Workgroup
MMS	Monetary Model of Singapore
MOU	Memorandum of Understanding
MPS	Monetary Policy Statement
NCD	Negotiable Certificate of Deposit
NIE	Newly Industrialised Economies
OTC	Over-the-Counter
PAIF	Pan-Asian Bond Index Fund
SAAR	Seasonally Adjusted Annualised Rate
RBC	Risk-based Capital
REIT	Real Estate Investment Trust
RMS	Reinsurance Management Strategy
S\$NEER	Singapore Dollar Nominal Effective Exchange Rate
SAS	Singapore Accident Statement
SCCS	Securities Clearing and Settlement Systems
SESDAQ	SGX's second board which provides an alternative avenue for small and medium-sized companies to raise funds for their business expansion
SFA	Securities and Futures Act
SGS	Singapore Government Securities
SGS eApps	SGS Electronic Applications
SGS repo	SGS Repurchase Agreement
SGX	Singapore Exchange
SGX-DT	SGX Derivatives Trading
SIBA	Singapore Investment Bankers Association
SME	Small and Medium Enterprise
TEP	Traded Endowment Policy
TLP	Trade Life Policy
WGBI	Citigroup World Government Bond Index