



Monetary Authority of Singapore

Annual Report 2007/2008



Monetary Authority
of Singapore

Contents

Chairman's Message	04
Board of Directors	06
Board Committees	08
Management Team	09

OUR WORK

Managing Risks, Sustaining Growth

A MORE CHALLENGING POLICY ENVIRONMENT	12
Slowing in the G3 Economies	12
Asia Remains Resilient	13
Inflation Is On The Rise Globally	13
Singapore Is Not Immune To	
Global Growth and Inflation Risks	14

MONETARY POLICY – PROVIDING AN ANCHOR FOR PRICE STABILITY OVER THE MEDIUM-TERM

Enhancing Monetary Policy Research	16
Box Story 1 – Asia Decoupling?	18

MANAGING THE CHALLENGES OF INCREASED GLOBAL FINANCIAL UNCERTAINTY

International Financial Markets: Subprime Crisis	20
Asia: Resilient So Far But There Are Risks	23
Enhanced Surveillance and Supervision	24
Money Markets: Staying Vigilant	24
Business Continuity and Crisis Management	25
FATF Mutual Evaluation Exercise 2007/2008	26
AML/CFT Notice to SVF Holders	26
External Validation Performed Between Other	
Ministries' Internal Audit Departments and MAS	26
Box Story 2 – Audit Committee Guidance Committee	27
Risk Management Guidelines for Insurance Companies	28
Consumer Protection (Fair Trading) Act	
– Inclusion of Financial Products and Services	28
Corporate Governance of Listed Companies	28

A SOUND AND PROGRESSIVE FINANCIAL CENTRE	28
Banking	28

Lower Paid-up Capital for	
Incorporated Wholesale Banks	28
Changes to Minimum Liquid Assets	
and Minimum Cash Balance Requirements	
(Amendments to MAS Notice 613)	29
Developments in Islamic Finance	29
Box Story 3 – Basel II Implementation in Singapore	30

Insurance

Enhanced Governance and Disclosure Framework for	
Participating Insurance Business (MAS 320)	30
Revision to Rules for	
Investment-Linked Products (MAS 307)	31
Follow Up on Framework for Insurance-Linked Securities	31

Capital Markets

A More Globalised and Sophisticated Equity Market	31
Size of Debt Market	32
Assets Under Management	32
Strong Treasury Market	33
Proposed Legislative Amendments to Securities	
and Futures Act and Financial Advisers Act	33
Amendments to the Singapore Code	
on Take-overs and Mergers	34
Box Story 4 – Guidelines on Fair Dealing –	
Board and Senior Management Responsibility for	
Delivering Fair Dealing Outcomes to Consumers	35
Thematic Approach to Market Conduct Supervision	35
Enhancing Market Discipline	36
Box Story 5 – Singapore: The Premier	
International Real Estate Financing Centre	36

REITS

Revised Property Fund Guidelines	37
Licensing Framework for REIT Managers	37
Extension of the Singapore	
Code on Take-overs and Mergers to REITs	37

Regulatory Oversight of Commodity Futures

CURRENCY	38
Managing Dollars and Cents	38

OUR PARTNERS

Building Linkages, Leveraging Partnerships

WORKING WITH CENTRAL BANKS

AND FELLOW REGULATORS

Executives' Meeting of East Asia-Pacific Central Banks (EMEAP)	42
Third Asian Forum of Insurance Regulators (AFIR)	42
Central Bank Information Technology Exchange (CBITX)	42
Exchange of Letters with CRBC Pertaining To QDII Business	42
Mutual Recognition of Market Professional Examinations with Thailand	42
Memorandums of Understanding (MOU) On Supervisory Cooperation	43
Box Story 6 – MAS Lecture by Toshihiko Fukui, Governor, Bank of Japan	43
Box Story 7 – Economic Society of Singapore (ESS) Annual Dinner	44

Participation in International Forums and Initiatives	44
Bank for International Settlements	44
Continuous Linked Settlement	45
International Organisation of Securities Commissions	45
International Association of Insurance Supervisors	45
Islamic Financial Services Board	45
Information Technology Supervisors Group	46

Regional Initiatives	46
Capital Market Development and Chiang Mai Initiative	46
Anti-Money Laundering/ Counter-Terrorism Financing (AML/CFT)	46
MAS Regional Banking Supervisors Training Programme	46
Regional Leadership Programme for Securities Regulators	46

WORKING WITH INDUSTRY

Box Story 8 – Seventh International Advisory Panel Meeting	47
Opening of Singapore Exchange Beijing Representative Office	48
ABS BCM Standing Committee	49

Building a World Class Talent Pool for Singapore's Financial Sector	50
Attracting Financial Talent	50
Box Story 9 – Finance Scholarship Programme and Doctorate Scholarship Programme	51
Educating Consumers to Beware of Bogus Investment Opportunities and Scams	52
Box Story 10 – Skit– Money Got Enough!	53
FIDReC-NIMA Scheme	53
Box Story 11 – Marina Bay Business and Financial Centre	54
Financial Conferences And Events	55

OUR PEOPLE

Grooming Leaders, Growing Expertise

ENHANCING CAPABILITIES	58
MAS Academy	58
Coaching Framework	58
Competency Framework	58

ENGAGING STAFF	59
Work-Life Effectiveness Initiatives	59
Employee Engagement Survey	59

ENHANCING KNOWLEDGE	59
Knowledge Sharing and Innovation	59
MAS Leadership Community Retreat	60

RECOGNISING OUR PEOPLE	60
Service Appreciation Award	60
National Day Award	60
Excellent Service Award	60

FOSTERING CLOSER TIES	61
Inter-Central Bank Games 2007	61
Family Day 2008	61
Inter-Group Games 2008	61

REACHING OUT TO THE COMMUNITY	62
Charity Drives – MAS with a Heart	62

FINANCIAL STATEMENTS	66
----------------------	----

GLOSSARY	120
----------	-----

Who We Are

MAS is the central bank of Singapore. Our mission is to promote sustained non-inflationary economic growth, and a sound and progressive financial centre.

MAS' functions

- To act as the central bank of Singapore, including the conduct of monetary policy, the issuance of currency, the oversight of payment systems and serving as banker to and financial agent of the Government;
- To conduct integrated supervision of financial services and financial stability surveillance;
- To manage the official foreign reserves of Singapore; and
- To develop Singapore as an international financial centre.

Chairman's Message

The world economy took a downward turn towards the end of 2007, following several years of robust growth. The US subprime mortgage crisis precipitated a credit squeeze and widespread financial turmoil, and the slower growth in industrialised countries will have spillover effects on other regions. At the same time, the world is facing rising inflation caused primarily by high oil, food and other commodity prices. Navigating these challenging conditions has been a priority for central banks everywhere, including the MAS.

Being an open economy, Singapore is buffeted by these external headwinds. Despite them, the Singapore economy grew by 7.7 percent in 2007, its fourth consecutive year of strong expansion. At the start of 2008, growth continued to be firm, underpinned by the wholesale and retail trade, transport and storage, and financial services sectors. However, Consumer Price Index (CPI) inflation has risen, reaching 6.6 percent in the first quarter of 2008. CPI inflation was 2.1 percent last year and 1 percent in 2006.

Singapore's economic growth is likely to ease in the next few quarters in view of slowing demand from developed economies. However, the economic prospects for Asia continue to be relatively sanguine in the near term and Singapore will benefit from the region's growth, especially China's and India's. Overall, this year, Singapore's GDP growth should come in at its medium term potential of around 4 to 6 percent. The bugbear is CPI inflation. It has picked up this year, mainly because of higher global food and oil prices. Against a backdrop of heightened global growth and inflation risks, MAS has to strike the right balance in setting monetary policy. Taking into account both growth and inflation prospects, MAS shifted to a policy of a slightly steeper rate of appreciation of the Singapore dollar nominal effective exchange rate (S\$NEER) at the October 2007 policy review. This was followed by the decision to re-centre the exchange rate at the prevailing level of the S\$NEER at the subsequent policy meeting in April 2008. In our assessment this monetary policy stance is appropriate to moderate inflation while providing support for sustainable growth over the medium-term.

As the US subprime mortgage market problems snowballed into a wider global financial crisis, MAS intensified financial system surveillance and supervision of financial institutions in Singapore. We worked closely with financial institutions to review their internal stress test results and parameters. We also exchanged information regularly with other regulators and worked with the Singapore Exchange (SGX) to monitor brokers' exposure, capital adequacy and their ability to meet their payment obligations. MAS continues to emphasise the need for financial institutions to maintain prudent risk management and to provide feedback on potential stresses.

Basel II took effect in Singapore on 1 January 2008, marking a milestone in MAS' efforts to implement a more risk-sensitive capital framework for banks incorporated in Singapore. To ensure that banks are better able to manage liquidity stress situations in a timely manner, we have streamlined the process for drawing down of regulatory reserves.

In the insurance sector, MAS introduced mandatory requirements to strengthen life insurers' internal governance practices on the management of their participating funds and worked very closely with the industry to enhance disclosure standards to participating policyholders. MAS also revised rules for Investment-Linked Insurance Products (ILPs) to facilitate the availability, in Singapore, of cost effective ILPs that would meet both policyholders' needs for broader investment choice as well as adequate post-sale disclosures.

In the area of corporate governance, MAS and SGX took over the oversight of corporate governance of listed companies in September 2007. We have embarked on practical initiatives to enhance standards to ensure that they are in line with global best practices.

We continue to engage key stakeholders and industry players to tap their expertise and views on a range of issues. For example, the industry-led Audit Committee Guidance Committee (ACGC) was established by MAS, Accounting and Corporate Regulatory Authority (ACRA) and SGX in early 2008 to develop practical guidance for audit committees of listed companies to enhance their effectiveness. We also received useful feedback from our International Advisory Panel which held its seventh meeting in Singapore in May 2008.

Singapore's financial services sector recorded strong growth in 2007, driven in part by robust expansion in both the domestic and offshore banking segments. The Asian Dollar Market also strengthened, as lending to East Asia and the Americas gathered pace. The asset management industry continued its strong growth, reaching S\$1.2 trillion at the end of 2007, a 32% increase from 2006. We also witnessed record high trading in the equities and derivatives markets. The real estate equity financing market continues its strong growth and saw four new REITs and our first real estate business trust listed on SGX.

These are good achievements. However, the ongoing volatility in global financial markets and the threat of higher inflation mean that we have to remain vigilant. MAS will continue to facilitate the development of Singapore as an international financial centre with high standards of regulation and supervision. We will continue to strengthen our staff's skills. To this end, we have launched the MAS Academy to hone leadership skills and professional competencies in MAS.

Mr Chao Hick Tin stepped down from the MAS Board on 11 April 2008, following his reappointment as a Judge of Appeal of the Supreme Court. He had served on the Board since 22 May 2006. I thank him for his contributions to MAS. Mr Chao is replaced by Professor Walter Woon, the new Attorney-General. I welcome him to the MAS Board.



Goh Chok Tong
Chairman

Board of Directors



Goh Chok Tong
Chairman
Senior Minister



Lim Hng Kiang
Deputy Chairman
Minister for Trade & Industry



Tharman Shanmugaratnam
Minister for Finance



Heng Swee Keat
Managing Director
Monetary Authority of Singapore



Professor Walter Woon Cheong Ming*
Attorney-General



Lim Chee Onn
Executive Chairman
Keppel Corporation Limited



Teo Ming Kian
Permanent Secretary
Ministry of Finance



Koh Yong Guan
Chairman
Central Provident Fund Board



Lucien Wong Yuen Kuai
Managing Partner
Allen & Gledhill

* Professor Woon was appointed to the Board on 20 May 2008. Mr Chao Hick Tin served as a member of the Board from 22 May 2006 - 10 April 2008.

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 approves major changes to MAS' supervisory policies and regulatory framework. It 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), Lim Hng Kiang, Tharman Shanmugaratnam, Teo Ming Kian 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), Lim Hng Kiang, Tharman Shanmugaratnam, Teo Ming Kian 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 Teo Ming Kian (Chairman), Chao Hick Tin¹ and Lucien Wong.

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), Chao Hick Tin² and Heng Swee Keat.

¹ Chao Hick Tin was a member of the Audit Committee until 10 Apr 2008.

² Chao Hick Tin was a member of the Risk Committee until 10 Apr 2008.

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)

Shane 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

Khor Hoe Ee
Assistant Managing Director
(Economics)

ECONOMIC POLICY
Edward Robinson
Executive Director

MACROECONOMIC SURVEILLANCE
Chia Der Jiun
Executive Director

RESERVE & MONETARY MANAGEMENT
Lee Chuan Teck
Executive Director

DEVELOPMENT & EXTERNAL RELATIONS
Ong Chong Tee
Deputy Managing Director

EXTERNAL
Leong Sing Chiong
Executive Director

FINANCIAL CENTRE DEVELOPMENT
Ng Nam Sin
Executive Director

FINANCIAL MARKETS STRATEGY
Kola Luu
Executive Director

Mimi Ho
Executive Director

PRUDENTIAL SUPERVISION

Teo Swee Lian
Deputy Managing Director

BANKING SUPERVISION
Leo Mun Wai
Executive Director

COMPLEX INSTITUTIONS SUPERVISION
Lee Boon Ngiap
Executive Director

INSURANCE SUPERVISION
Low Kwok Mun
Executive Director

PRUDENTIAL POLICY
Chia Der Jiun
Executive Director

SPECIALIST RISK SUPERVISION
Chua Kim Leng
Executive Director

MARKET CONDUCT
Shane Tregillis
Deputy Managing Director

CAPITAL MARKETS
Andrew Khoo
Executive Director

CAPITAL MARKETS INTERMEDIARIES
Lam San Ling
Executive Director

CURRENCY & CORPORATE RESOURCE

Foo-Yap Siew Hong
Assistant Managing Director

CORPORATE SERVICES
Bernard Yeo
Director

CURRENCY
Ho Kwen Chan
Executive Director

HUMAN RESOURCE
Winnifred Chen
Executive Director

INFORMATION TECHNOLOGY
Huay Khee Chuang
Executive Director

MANAGING DIRECTOR'S OFFICE
FINANCE
Jacqueline Loh
Executive Director

GENERAL COUNSEL'S OFFICE
Ng Heng Fatt
General Counsel

MAS ACADEMY
Andrew Khoo
Executive Director

RISK & TECHNOLOGY
Wong Fot Chyi
Executive Director

SPECIAL PROJECTS
Tai Boon Leong
Executive Director

INTERNAL AUDIT
Timothy Ng
Executive Director

Our Work

Managing Risks, Sustaining Growth





Our Work

Managing Risks, Sustaining Growth

A MORE CHALLENGING POLICY ENVIRONMENT

Global Gross Domestic Product (GDP) growth has slowed over the past few quarters, led by the downturn in the US. At the same time, inflationary pressures in many countries have picked up, driven by the acceleration in global energy and food prices. Against this backdrop, MAS shifted to a policy of a slightly steeper rate of appreciation of the Singapore dollar nominal effective exchange rate (S\$NEER) at the October 2007 policy review. This was followed by the decision to re-centre the exchange rate at the prevailing level of the S\$NEER at the subsequent policy meeting in April 2008. These policy decisions are intended to be supportive of sustained non-inflationary growth over the medium-term.

Slowing In The G3 Economies

Following several years of robust performance, economic growth is expected to weaken in the G3 economies in 2008, amidst falling asset prices and tighter credit conditions. In the US, the fall in house prices, rise in loan delinquencies and substantial subprime- and credit-related losses incurred by major financial institutions have heightened risk aversion in financial markets since August 2007. The resultant tightening of credit conditions has had some impact on the real economy. In the latest two quarters from Q4 2007 to Q1 2008, the US economy slowed

significantly to an average sequential annualised rate of 0.8%, compared to an average of 4.4% in the preceding six months. Going forward, household spending will remain weak, and the unwinding of housing and credit market excesses will continue to restrain US economic growth. Latest consensus forecasts point to US GDP growth decelerating to 1.5% this year before recovering slightly to 1.7% in 2009.¹

In the Eurozone, GDP growth moderated in 2007, after reaching a six year high the year before. Financial institutions and markets in a number of the Eurozone economies were impacted by the US subprime crisis, while softer foreign demand and a stronger euro contributed to a deceleration in export growth. Investment and consumption growth moderated as business and consumer sentiment eased.

GDP growth in Japan continued to pick up into the first quarter of this year. Personal consumption was the main driver of growth in Q1 2008, as household income continued to rise modestly. Exports, buoyed by demand outside of North America, have also supported growth, offsetting weakness in capital expenditure amidst declining profits. Looking ahead, however, the growth momentum of the Japanese economy is likely to moderate. Rising food and fuel prices will weigh on consumer spending, while weaker global growth will dampen exports and investment.

¹ Consensus Forecasts Inc, June 2008.

Asia Remains Resilient

Despite the less favourable global environment, growth in the rest of Asia has remained relatively firm thus far, supported by continued expansion in domestic demand and generally healthy financial institutions, which have not been significantly affected by problems arising from the US subprime mortgage sector.

Although there are concerns that export-oriented Asian economies will be badly hit if US growth slows sharply, recent data has so far supported the hypothesis of “weak synchronisation”, whereby strong domestic demand in rapidly-expanding regional markets such as China and India, have partially offset slowing US demand for East Asia’s exports. Boosted by strong intra-regional trade flows, East Asia’s exports have continued to rise at a respectable pace, notwithstanding the slowdown in exports to the US over the past few quarters. In 2007, intra-regional exports contributed some 6 percentage points to East Asia’s export growth of 17%, compared with 1 percentage point contributed by the US market. This should lend some support to GDP growth in Asia, provided the US economy does not go into a deep recession (See Box Story 1).

Inflation Is On The Rise Globally

After a period of generally benign price pressures from 2001 to 2006, global inflation has since risen sharply. The ongoing escalation in

commodity prices has been an important contributing factor. The price of crude oil, for instance, reached an unprecedented US\$140 per barrel in June 2008, approximately double that of a year ago. More worrying, the rise in commodity prices appears to have spread from oil and metals to soft commodities such as wheat, corn and rice in recent quarters.

Thus, headline inflation in a number of developed economies has picked up despite the slowdown in growth. CPI inflation in the US, for example, rose to 4.1% in the first quarter of this year, the highest in nearly 17 years. Headline inflation in the Eurozone, averaging 3.4% in the first five months of this year, has exceeded the European Central Bank’s (ECB) implicit target. While Japan experienced slight deflation in the first three quarters of 2007, inflation accelerated in the last two quarters to reach 1% in Q1 2008, the highest in ten years.

Inflation has also emerged as a key concern in other Asian economies. Domestically, years of rapid growth have led to overheating in a number of fast-growing countries, such as Vietnam and China, as cost pressures accumulate. Headline inflation in China, for example, has picked up sharply to 8% in Q1 2008, up from 2.7% a year ago. In Vietnam, it rose to 16.4% in Q1 2008, from 6.6% a year ago. Inflation also increased to 8.9% in India in May 2008 as a result of rising food and energy prices.²

² Based on the Wholesale Price Index, a widely-followed inflation gauge in India.

Singapore Is Not Immune To Global Growth And Inflation Risks

Notwithstanding Asia's resilience, world GDP growth is expected to slow from the 5% pace recorded in 2007, led by the downturn in the US. At the same time, headline inflation in the industrial and developing economies is poised to climb further.

Being highly open, the Singapore economy will be impacted by these global trends. Indeed, Singapore's GDP growth slowed to an average of 4.9% quarter-on-quarter seasonally adjusted annualised rate (q-o-q saar) over the period Q4 2007 to Q1 2008, down from 9.3% over the preceding two quarters. This was largely due to a softening in asset market-related activities, after a sharp run-up in the earlier part of 2007. Some signs of slower growth have also become evident in the broader economy, although continued strong investment spending and a buoyant labour market have helped to shore up domestic fixed capital formation and consumption expenditure, respectively.

CPI inflation rose to 2.1% in 2007 compared to 1% in 2006 before reaching 6.6% in Q1 2008. Nearly half of the increase in consumer prices in Q1 2008 can be attributed to the escalation in global oil and food prices. Domestically, business costs have risen on account of higher wages and rentals following tighter conditions in the labour and commercial property markets. Higher accommodation costs, largely due to the revision in the Annual Values of HDB flats, and the 2 percentage point hike in the Goods and Services Tax in July 2007, also contributed to the jump in CPI inflation in Q1 2008.

Looking ahead, the Singapore economy will continue to moderate while inflationary pressures remain. Nevertheless, GDP growth is forecast to come in at the medium term potential of around 4% to 6% in 2008. While there remain considerable downside risks to external demand, the economy is likely to be supported in the near term by continued growth in a number of industries that are relatively resilient to a global slowdown. These include construction, financial intermediation and marine and offshore engineering, which are largely driven by industry-specific factors and are, therefore, insulated to some degree from external conditions over the short-term.

Other industries, which are more dependent on regional and domestic fundamentals, will still be at risk from a protracted US downturn with concomitant spillover effects on the Asian region. These include transport-hub and tourism-related services. The most vulnerable industries include sentiment-sensitive segments in financial services, such as equities and wealth management, and IT-related industries which are more dependent on exports to the major markets.

While the moderation in GDP growth may be expected to take the edge off some inflationary pressures (for instance, wage and rental increases), overall inflation risks are likely to remain on the upside. On the home front, labour market conditions will continue to be tight. Global oil and food prices are projected to remain elevated and these external sources are expected to be the most important contributor to headline CPI inflation in Singapore in the second half of this year.

MONETARY POLICY – PROVIDING AN ANCHOR FOR PRICE STABILITY OVER THE MEDIUM-TERM

Against the continuing uncertainty in the external economic environment, it is important for monetary policy to stay focused on its core objective of price stability in the medium-term. A low and stable inflation environment continues to provide the best foundation for sustainable growth.

MAS' monetary policy responses to the shifts in global and domestic growth and inflation dynamics over the last few years are illustrated in Chart 1. The policy of targeting a modest and gradual appreciation of the S\$NEER has been in place since April 2004. This served to cap incipient inflationary pressures as the output gap narrowed and then turned positive in 2006, following the recovery from a series of negative external shocks between 2001 and 2003.

With the acceleration in global inflation and domestic cost pressures in second half of 2007, MAS shifted to a policy of a slightly steeper rate of appreciation of the S\$NEER at the October 2007 policy review despite emerging evidence of weakening external demand. Subsequently in April 2008, MAS re-centred the exchange rate at the prevailing level of the S\$NEER to moderate inflation against the backdrop of continuing external and domestic price pressures and to provide support for sustainable growth over the medium term.

The cumulative appreciation of the S\$NEER to date has been quite significant. Between April 2004 and April 2008, the S\$NEER appreciated by 11.4%. This has directly dampened external price pressures. For instance, over the period from 2004 to Q1 2008, the 12% increase in

food prices in Singapore was estimated to be about half the rate experienced by our principal trading partners. Similarly, the prices of domestic energy-related items would have risen by a larger extent if not for the strengthening S\$NEER. At the same time, the stronger S\$NEER has an indirect effect in easing domestic cost pressures by closing the output gap, which is estimated to narrow to 0.8% of potential GDP in 2009, compared to 2.3% in 2007. Given the inherent lags in the price transmission process, the effects of the appreciation in the S\$NEER will continue to moderate cost and price pressures in the periods ahead.

Meanwhile, the Singapore Government has introduced measures on the supply side to meet the short-term needs of industries. To address immediate space constraints and high rentals, the government has released some interim office space supply and HDB flats for rent. The Ministry of National Development has also been releasing land, which will result in more than 42,000 private residential units and 640,000 square metres of office space coming onstream by 2010. On the manpower front, the government is looking into more ways to help older Singaporean workers and women take advantage of the strong employment market and rejoin the workforce, while gaps in the workforce will continue to be filled by foreign workers. This multifaceted, multi-pronged approach to dealing with cost and price pressures complements monetary policy and is more holistic than relying on monetary tightening alone to reduce and stabilise the rate of inflation.

These measures will ensure that Singapore is well positioned in the medium-term to take advantage of an upturn in the global economy and growing opportunities within Asia.

Enhancing Monetary Policy Research

To support the formulation and implementation of monetary policy at MAS and to deepen our understanding of the growth and inflation dynamics in Singapore, we have undertaken a number of research projects in collaboration with academics. Here we highlight two recently completed studies.

The October 2007 *Macroeconomic Review* featured a comparison of two differently constructed macroeconomic models of the Singapore economy, namely the MAS' own Monetary Model of Singapore (MMS) and the National University of Singapore's Econometric Studies Unit Model (ESU01). This was the outcome of collaboration with Tilak Abeysinghe from the Department of Economics, National University of Singapore, and Choy Keen Meng from the Division of Economics, Nanyang Technological University, which allowed MAS economists to gain a deeper understanding of the characteristics of each model. It showed, in particular, that MMS places a greater emphasis on the production side of the economy whereas ESU01 stresses the trade linkages through which an external shock impacts the rest of the economy. Both models, however, provide complementary perspectives on the behaviour of the Singapore economy and offer a similar range of plausible multiplier estimates that are useful for forecasting and policymaking purposes.

MAS has also developed a quarterly structural vector autoregressive (SVAR) model for the Singapore economy in collaboration with Anthony Tay of Singapore Management University, which was featured in the April 2008 *Macroeconomic Review*. This model captures the principal interactions within the economy as well as the transmission mechanism of monetary policy in Singapore. The model has helped MAS economists to assess the impact on asset prices in Singapore arising from a shock to the foreign interest rate and foreign demand. The results show that, on average, the effect on asset prices arising from a 1 percentage point cut in the foreign interest rate is less than half of the income effect from a positive 1% foreign demand shock. These findings lend support

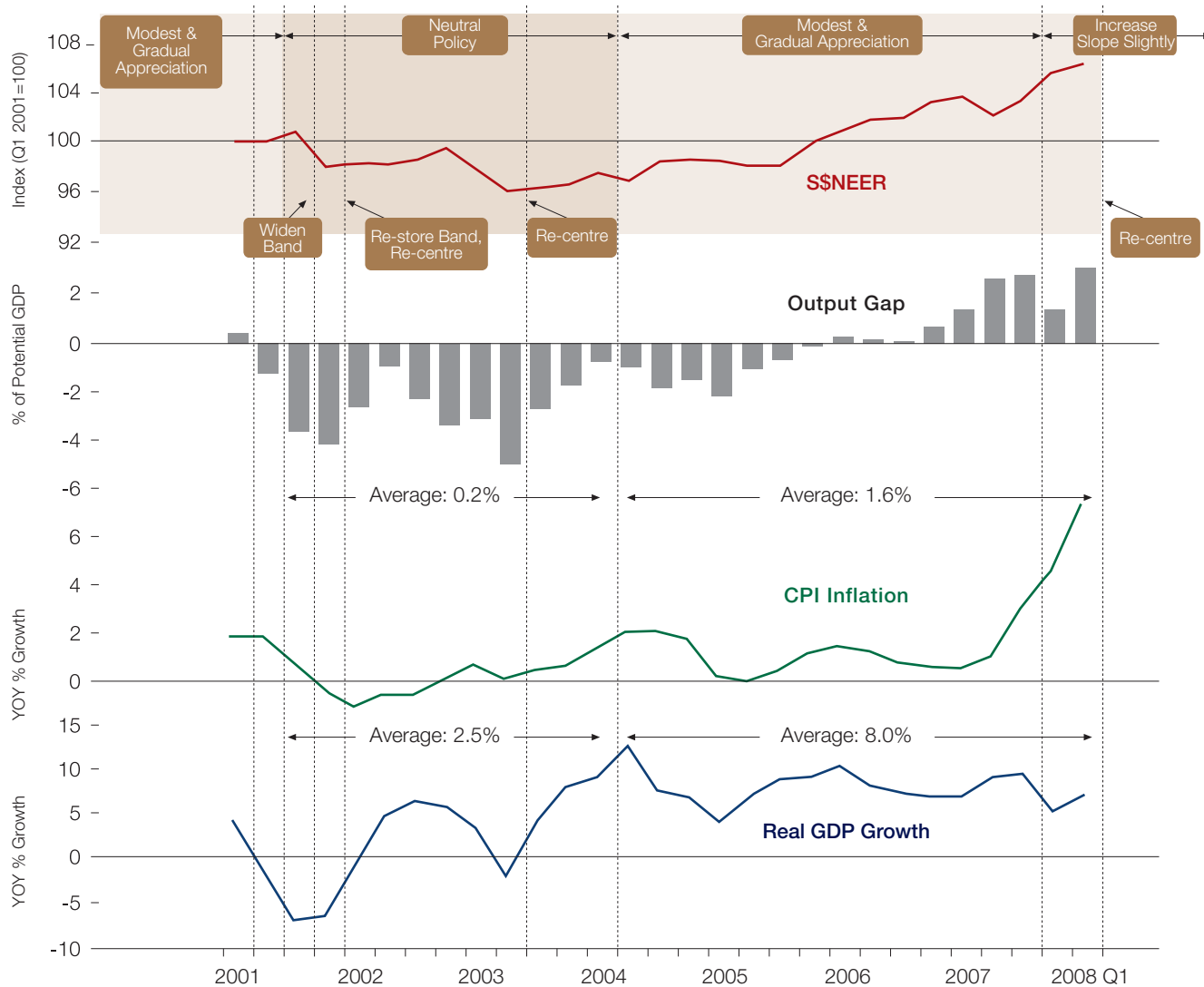
to the view that asset prices in Singapore are largely driven by income effects rather than price (or cost of funds) effects.

In addition, under MAS' Eminent Visitor Programme, Paul Romer (Hoover Institution) visited Singapore in January 2008. Romer shared with MAS officers his ideas and expertise in development economics – New Growth Theory in particular – as well as his work with the Growth Commission. While in Singapore, Romer also gave a public lecture on the theories of economic development, and wrote a Special Feature for the April 2008 issue of the *Macroeconomic Review* on rival versus non-rival goods and their impact on economic growth and development.

In the second half of this year, Barry Eichengreen and Andrew Rose (both from the University of California, Berkeley) will be visiting MAS. Eichengreen is a well-known economist who is highly influential both in academia and in policy circles. He has published widely on the history and operation of the international monetary and financial system. Rose's areas of expertise are in international trade, finance and macroeconomics, and he has written extensively on topics such as monetary unions, currency crises, exchange rate regimes, and more recently, on issues connected with financial markets.

From 25 to 27 June 2008, MAS and the Centre for Central Banking Studies (CCBS) at the Bank of England jointly conducted a course on "Exchange Rates & Capital Flows: Issues and Challenges for Asia". This course was attended by central bank officials from over 10 countries in the Asia Pacific region. It provided participants with greater insight into exchange rate economics as well as specific issues relating to capital flows from an Asian perspective. This is the third time since 2004 that MAS has collaborated with the CCBS to jointly conduct courses in economics and finance for central bankers from the Asia Pacific region. The instructors from the CCBS, Ibrahim Stevens and Ole Rummel, were also able to spend some time with MAS economists to exchange views and share their expertise on the latest econometric approaches in modeling the monetary policy transmission mechanism.

Chart 1
Key Macroeconomic Variables and Shifts in the Monetary Policy Stance Since 2001



Box Story 1

Asia Decoupling?

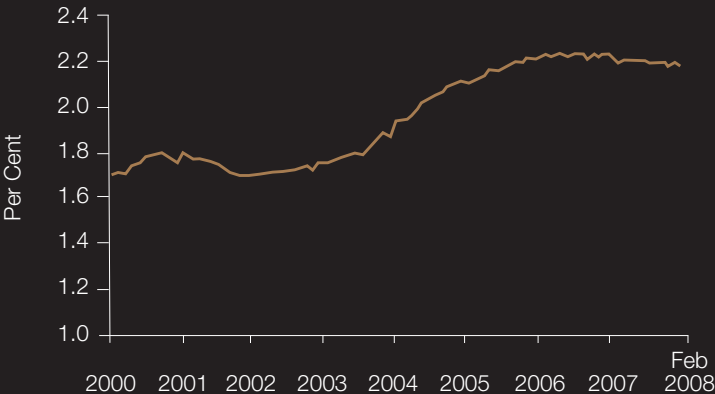
Whether Asia’s growth cycle is becoming less dependent on, or “decoupled” from, the US is a *long-run* phenomenon requiring the establishment of well-diversified final markets for Asia’s goods.

In the October 2007 issue of the *Macroeconomic Review*, MAS examined the US-Asia decoupling hypothesis, and found that the *long-run* elasticity of regional goods exports to changes in US personal consumption expenditure (PCE) remains relatively high – every 1 percentage point change in US PCE results in an approximately 2.2 percentage points change in Asian exports (Chart 2).

This suggests that final demand in the US continues to have a large impact on Asian exports and overall output, and is consistent with the results of previous studies³ that have looked at intra-regional and extra-regional trade flows. A full-blown US recession would, therefore, weigh heavily on regional export growth and economic activity.

There is, nevertheless, the possibility of a *weaker synchronisation* between US and Asian growth cycles over a short-run horizon. While the pace of US economic expansion has slowed sharply in recent quarters, other regions of the world have provided some short-term buffer to Asian growth.

Chart 2
Long-Run Elasticity of Asian Exports with Respect to
US Personal Consumption Expenditures



Source: EPD, MAS internal estimates

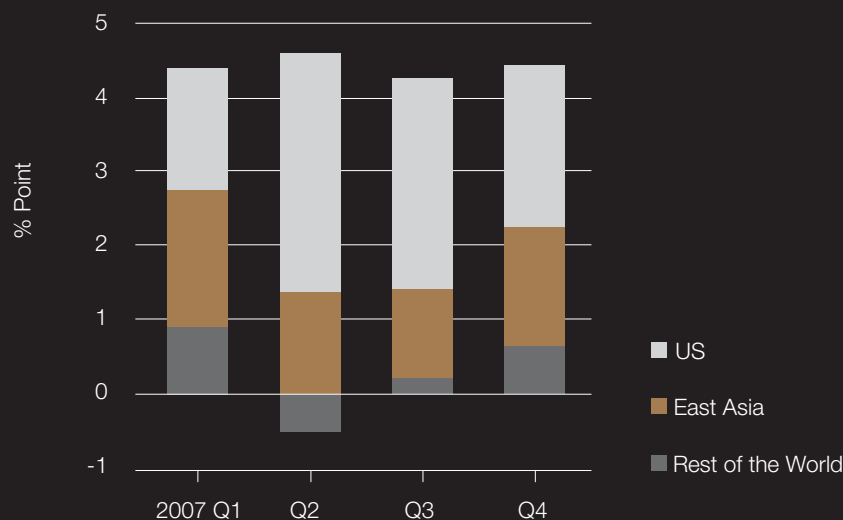
3 See, for example, Asian Development Bank, “Uncoupling Asia”, *Asian Development Outlook 2007*, March 2007.

The April 2008 issue of the *Review* also showed that Asia's export growth has been supported, in part, by higher demand from within the Asian region (Chart 3).

In particular, China's robust domestic demand has become increasingly able to buffer the region from a slowdown in the US economy, at least in the short term. This is evident when we compare the size of final demand for Asia's exports from the US and China. In 2000, US' final demand for Asia ex-China's exports was nearly nine times that of China. However, this ratio fell to around five times in 2007. This has helped boost electronics

exports from Taiwan and Korea to China, while a number of resource-rich Asian economies have also benefited from China's huge appetite for industrial inputs and commodities to power its rapid industrial expansion. Thus, there appears to be some short-term substitution taking place in recent quarters, as regional exporters seek out opportunities in the growing China market to partially offset the softening of US import demand. Nonetheless, it is necessary to continue monitoring export performance closely to see if these trends persist in light of recent developments in the global economy.

Chart 3
Contribution to Regional Export
Growth by Market



Source: CEIC

MANAGING THE CHALLENGES OF INCREASED GLOBAL FINANCIAL UNCERTAINTY

International Financial Markets: Subprime Crisis

Following an extended period of low financial markets volatility and strong economic growth, the fairly sanguine environment was disrupted in early 2007 by equity market sell-offs, one of the initial signs that the rise in risk-taking activity could not continue indefinitely without some re-pricing. The second half of 2007 saw an even more serious disruption in financial markets as the US subprime mortgage crisis unfolded (Chart 4).

Delinquencies on some vintages of subprime US housing loans rose to levels which caused losses on mortgage-backed securities (MBS) to materialise (Chart 5). These and a series of rating downgrades by rating agencies meant that financial institutions had to post substantial writedowns on their holdings of these securities or instruments linked to them such as asset-backed securities collateralised debt obligations

(ABS CDOs). The loss of confidence in this class of assets quickly developed into wider concerns over the valuation of complex structured credit products in general. This led to a sharp rise in risk premia, and worsened liquidity conditions throughout structured-credit markets, especially the wider ABS markets.

The heightened risk aversion arising from the subprime fallout caused money markets in the advanced economies to seize up. Short-term funding for investments in CDOs dried up, reflecting concerns over the quality of the assets underlying asset-backed commercial papers (ABCP). As a result, banks were forced to bail out the conduits and special investment vehicles that were set up by them to invest in CDOs and other complex products using funds raised through ABCPs. In such an environment, the uncertainty large international banks faced over liquidity needs and counterparty risks caused major interbank markets (Chart 6) to experience considerable strain. This prompted major central banks to inject liquidity into the banking system repeatedly.

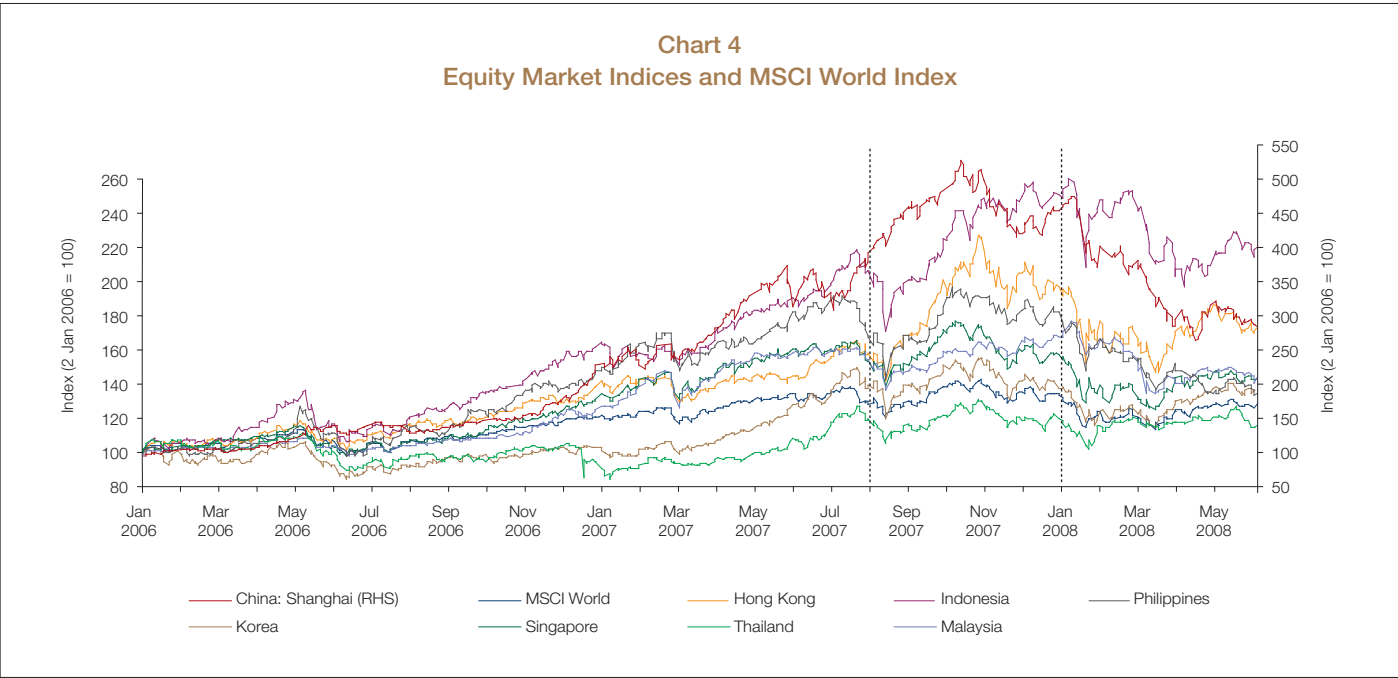


Chart 5
ABX Spreads (bps)

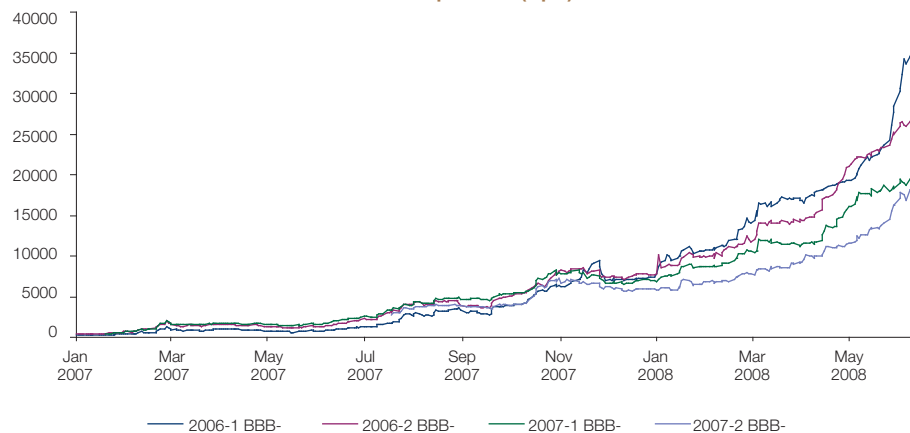
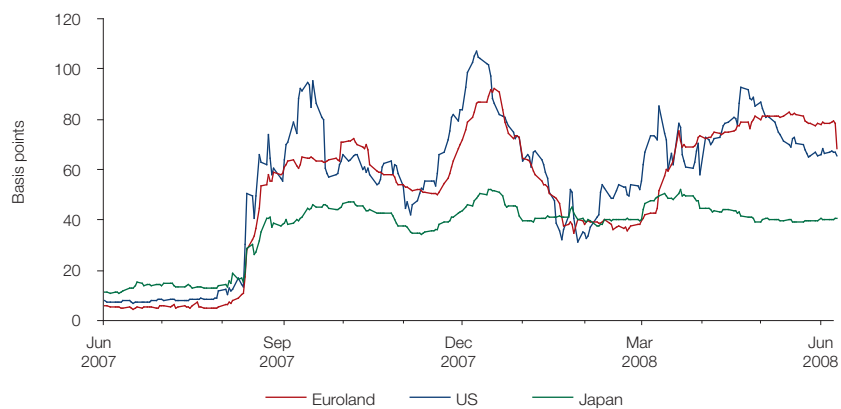


Chart 6
3 mth Libor Spreads over OIS (Overnight Index Swap, bps)

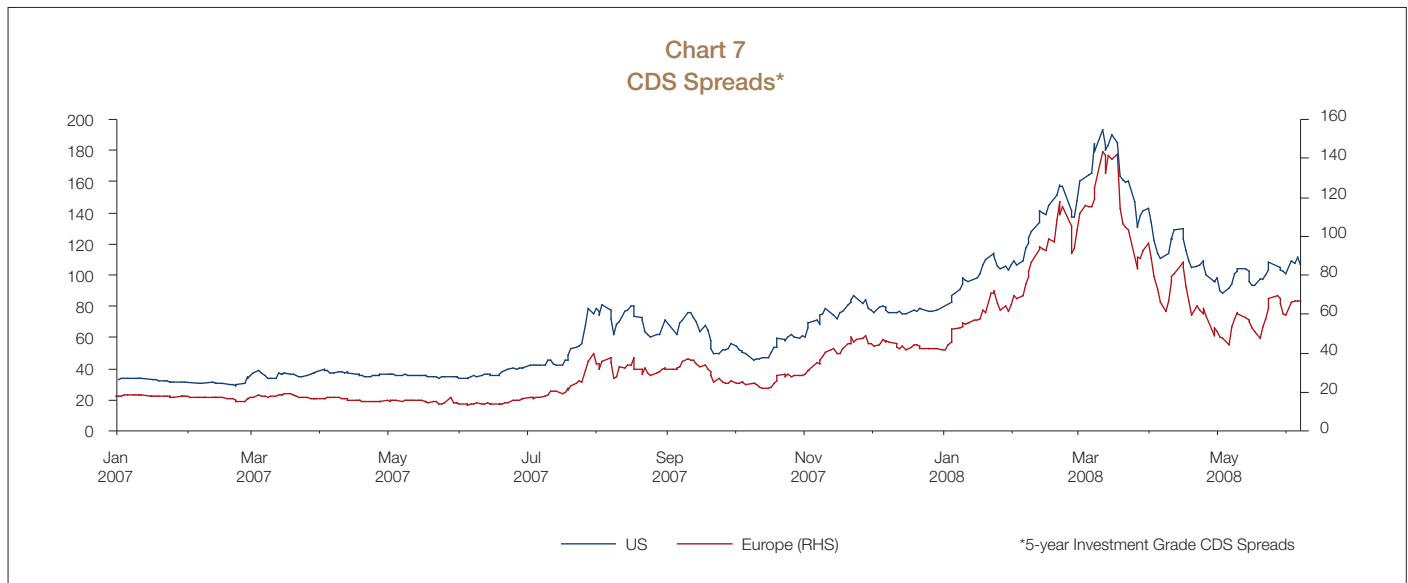


While concerns about the liquidity positions of financial institutions dominated the early months of the crisis, solvency issues arising from large write-downs and uncertainties over the size of eventual losses became more dominant towards the end of 2007 and into 2008. Credit Default Swap (CDS) spreads for large international banks widened substantially towards the end of 2007 and again in March – when renewed concerns over banks' and broker-dealers' access to funding emerged. Over the same period, doubts emerged over the adequacy of major monoline insurers' capital relative to the losses they might incur on cover written for structured-finance products. Several had their credit ratings downgraded by rating agencies. These led to sizeable mark-to-market losses for banks, and also caused strains in the municipal bond markets. In response, major international banks raised capital from their shareholders and other investors including sovereign wealth funds.

As the credit crisis persisted, major central banks and regulators have in response taken a combination of targeted and concerted actions to stabilise the markets. These include the US Federal Reserve, the Bank of England, the European Central Bank, the Bank of Canada and

the Swiss National Bank. They have introduced a wide range of facilities to inject liquidity into the financial system. The US Federal Reserve in particular has also eased monetary policy by cutting the target Federal Funds Rate by 3.25 percentage points, with the policy rate now at 2%.

These measures, along with timely actions to limit the possible effects arising from distressed financial institutions, have helped to stabilise the markets. Credit spreads have narrowed significantly, and activity across different credit markets has recovered somewhat as at end-May 2008 (Chart 4). These measures appear to have helped change perceptions of systemic risk and brought about a pause in the vicious cycle of deterioration in financial markets. At the current juncture, while there are concerns that economic fundamentals are shifting as GDP growth is expected to slow, of late, there are some encouraging signs. Indeed, corporations including investment-grade firms in the US and Europe have seen CDS spreads narrowing substantially in recent months after widening in end 2007 and the early part of 2008 (Chart 7). Interbank rates in these economies have also narrowed although they remain at an elevated level relative to where they were prior to August 2007.



However, despite the improved market sentiment, confidence is still fragile and further market volatility is likely, particularly as the real economy continues to weaken with adverse effects on the financial sector. While delinquency rates on US subprime mortgage loans have continued to rise, declining property prices have now put the prime and near-prime segments under pressure as well, with delinquency rates for these loans increasing. More recently, there have been concerns over commercial real estate loans and commercial mortgage-backed securities (CMBS) as well as the effects of rising oil prices on inflation and the broader economy in the US.

In April 2008, the Financial Stability Forum made a number of recommendations for enhancing the resilience of markets and financial institutions. These include strengthening authorities' responsiveness to risks and prudential oversight of capital, liquidity and risk management; enhancing transparency and valuation in structured products and off-balance sheet vehicles; changing the role and uses of credit ratings to improve the quality of the rating process; and increasing the robustness for dealing with stress in the financial system through enhancements of operational frameworks and strengthening of cooperation among authorities. MAS will continue to work closely with other central banks and regulators to implement the measures in the context of our financial system. We will conduct close monitoring of developments in financial markets and step up surveillance of financial institutions in Singapore.

Asia: Resilient So Far But There Are Risks

Asia has remained resilient so far in a more uncertain environment. There has been greater equity markets volatility since August 2007, and periodic episodes of portfolio capital outflows. Credit spreads have also widened in line with a general reappraisal and repricing of risks globally. However, the overall impact on the financial sector in Asia has been limited by the relatively small direct exposures of regional financial institutions to the US subprime market and strong domestic economic fundamentals in most Asian economies. Asian export growth has been supported by demand from within the Asian region and from other regions such as the Middle East, thus somewhat offsetting the softening US demand. Barring a full-blown US recession, this partial substitution between export destinations should continue to support the region's growth.

A primary concern for Asian central banks is the acceleration in inflation across the region, reflecting the rise in oil and food prices. Even as central banks respond with higher policy rates, equity markets have experienced renewed volatility as investors begin to act on concerns about the impact of inflation and tightening monetary policy on growth prospects in Asia. Looking ahead, while Asian economies have weathered the storm relatively well thus far, they will continue to face challenges arising from slowing global growth, continued financial market volatility and inflation.

Enhanced Surveillance and Supervision

As signs of the US subprime mortgage market problems emerged in the early part of 2007 and developed into a wider financial crisis, MAS intensified financial system surveillance and supervision of financial institutions in Singapore. We coordinated our macroeconomic surveillance, supervisory and market functions more closely to enhance monitoring and oversight of the financial system. We stepped up off-site supervision and surveyed Singapore-based financial institutions for any exposure that they might have to subprime or subprime-related products. We closely monitored the impact of the market turmoil on their liquidity, funding and overall financial position, among other things. Reported exposures of Singapore-based financial institutions to the US subprime mortgage market or structured product markets, including structured investment vehicles, were not significant compared to their total assets and did not pose systemic risk.

Greater focus was given by MAS to regular stress-testing work performed by Singapore-based financial institutions. On an annual basis, major banks and life insurers participate in a co-ordinated stress-testing exercise, based on common risk scenarios provided by MAS. MAS worked closely with them to review their internal stress test results and parameters. The stress test results reported by the major banks and life insurers showed that they were generally resilient. We also maintained regular contact with home regulators of foreign financial institutions to exchange information and worked with the Singapore Exchange (SGX) to monitor brokers' exposure, capital adequacy and their ability to meet their payment obligations.

Notwithstanding the limited exposure of Singapore-based financial institutions to US sub-prime mortgage-backed assets and collateralised debt obligations, MAS continues to emphasise the need for financial institutions to maintain prudent risk management and to provide feedback to MAS on potential stresses. As demonstrated in the international crisis, and especially under current volatile market conditions, financial institutions should also ensure that their stress test scenarios are sufficiently robust and forward-looking, and integrate risk exposures across business lines.

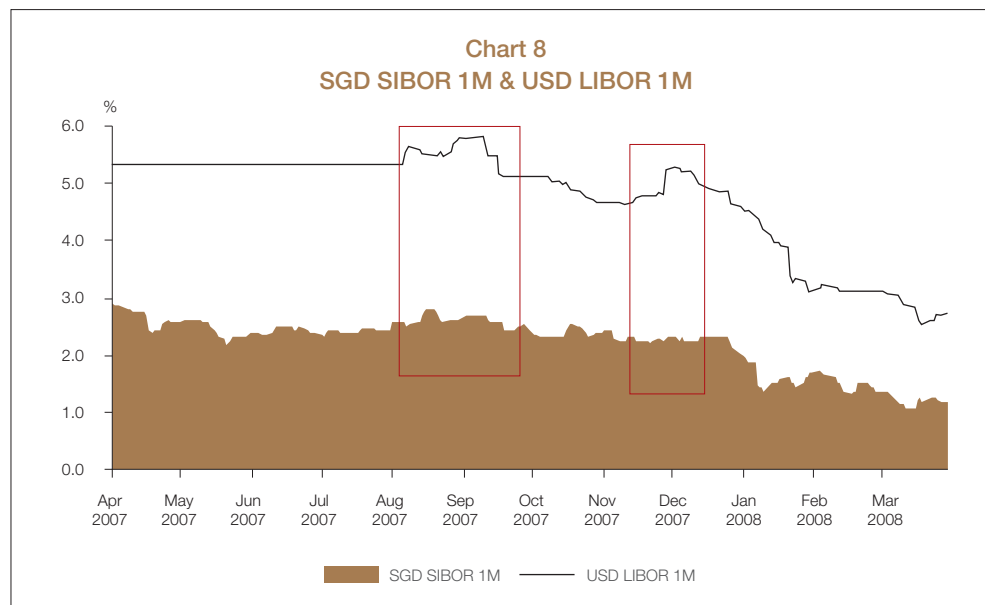
Money Markets: Staying Vigilant

As events in global money markets unfolded in the second half of 2007, major central banks including the Federal Reserve Bank, the European Central Bank and the Bank of England moved swiftly to alleviate liquidity stresses and reassure markets by injecting liquidity.

Money markets in Asia remained relatively less susceptible to the global tightening in liquidity conditions. Money market participants in Asia were by and large less vulnerable to liquidity stresses as a high rate of savings enabled banks to balance their profile between a stable deposit base and funding from the interbank market. MAS stayed in close contact with key banks, gathering up-to-date feedback of market conditions and sentiment, and ensured credit lines between banks were not strained. MAS heightened monitoring based on the systemic studying of a range of indicators from currency movements to equities indices, changes in the profile of yield curves and forward pricing, so as to anticipate possible developments that might ensue.

To reassure markets, MAS issued a statement in August 2007 to state that we had been monitoring the financial markets closely for potential liquidity bottlenecks, and that while no extraordinary liquidity injections had to be made, MAS stood ready to inject liquidity if necessary.

Chart 8 shows the one-month Singapore Dollar (SGD) Singapore Inter-Bank Offer Rate (SIBOR) and US Dollar (USD) London Interbank Offered Rate (LIBOR) deposit rates during key episodes of funding stress, where interbank interest rates in Singapore remained stable amidst volatility in global money markets. The Singapore Dollar market encountered less turbulence with minimal increases in interest rates in August to September and November to December 2007. This was an encouraging reflection of the confidence market participants had in the Singapore Dollar market, and reflected the absence of significant interbank market squeezes for the period.



Business Continuity And Crisis Management

In the last few years, the operating environment for financial institutions has been particularly challenging with continued threats of terrorism, flu pandemics and market upheavals. To stay ahead of these challenges, MAS has been strengthening our institutional framework and capacity for crisis management across the various threat scenarios. In the past year, we have embarked on a three- to five-year work programme to enhance the resilience of the financial sector to major operational disruptions. This entails us working closely with the other government agencies, financial institutions, and non-financial institution service providers.

As a member of the national crisis management system, MAS participates in national crisis management planning and exercises to integrate the financial sector's crisis response plans with those of the homefront agencies. We have also enhanced our surveillance capability through

the wider national information and intelligence network. MAS works closely with the civil authorities, principally the Singapore Police Force (SPF) and the Singapore Civil Defence Force (SCDF), to conduct Business Continuity Management (BCM) outreach programmes for the financial sector and implement BCM initiatives to enhance the security of the financial district. In April this year, the SPF introduced the Industry Safety and Security Watch Group, a new community engagement platform for the financial sector on safety and security issues.

Recognising that speed and flexibility in communication and sharing of updated and relevant information are vital to crisis management and recovery activities, MAS has developed a crisis management information portal to facilitate efficient information sharing and communication during peacetime and crisis. This is especially important if recovery activities were to be carried out at different locations during a crisis.

FATF Mutual Evaluation Exercise 2007/2008

The Financial Action Task Force (FATF) is an inter-governmental body which focuses on the development and promotion of national and international policies to combat money laundering and terrorist financing. As a member of the FATF, Singapore supports the work of the FATF and participated in a mutual evaluation in 2007/2008 to benchmark ourselves against international standards. As part of this exercise, MAS, members of the financial industry and other Singapore government agencies, met with an assessment team during an onsite visit from 3 to 14 September 2007.

The outcome of the mutual evaluation affirmed the high standards of Singapore's anti-money laundering and countering the financing of terrorism (AML/CFT) regime. The assessment recognised that Singapore operates a strict and rigorous AML/CFT regime, which is centred on having a comprehensive and sound legal, institutional, policy and supervisory framework.

AML/CFT Notice to SVF Holders

Stored value facilities (SVFs) or electronic money are means for making immediate and convenient payments for retail purchases. However, unlike traditional bank accounts, persons who purchase and use SVFs are often not required to provide any identification information.

The convenience and anonymity of SVF transactions make SVFs possible vehicles for money laundering and terrorist financing. Given this risk, MAS issued "Notice to Holder of SVF - Prevention of Money Laundering and Countering the Financing of Terrorism" on 12 November 2007 requiring SVF holders to take preventive measures to limit the risk of SVFs being used for illegitimate purposes.

External Validation Performed Between Other Ministries Internal Audit Departments and MAS

During the year, MAS' Internal Audit Department (IAD) completed an independent validation of its internal quality assurance assessment, in line with the International Standards for the Professional Practice of Internal Auditing (Standards). The validation was conducted by members of an inter-statutory board group who had been accredited in quality assessment. The objectives were to validate the results of IAD's self-assessment and express an opinion on IAD's level of conformity to the Standards. The validation also provided an invaluable platform to share best audit practices, and to identify opportunities to enhance audit effectiveness and efficiency.

The independent validation concluded that IAD was compliant with the Standards, and that its self-assessment was thorough and objective.

Box Story 2

Audit Committee Guidance Committee



ACGC members with ACRA Chief Executive Juthika Ramanathan (Front row: 1st from left); MAS Managing Director, Heng Swee Keat, (Front row: 4th from left) and SGX Senior Executive Vice-President, Yeo Lian Sim, (Front row: 7th from left). Absent: Teng Cheong Kwee, Member of ACGC.

The Audit Committee Guidance Committee (ACGC) was established by MAS, ACRA and SGX on 15 January 2008 to develop practical guidance for audit committees of listed companies to enhance their effectiveness. In developing the guidance, the ACGC aims to:

- (a) focus on the practical aspects and considerations of the work of audit committees, including the implications of the requirements of the Companies Act and the principles and guidelines of the Code of Corporate Governance; and
- (b) identify and describe best practices of effective audit committees.

The ACGC is chaired by Mr Bobby Chin Yoke Choong and its members are drawn from the business community as well as stakeholder groups such as the Institute of Certified Public Accountants of Singapore (ICPAS), the Law Society of Singapore, the Singapore Association of the Institute of Chartered Secretaries and Administrators, and the Singapore Institute of Directors (SID).

As part of its work to develop the guidance, the ACGC has held several dialogue sessions with industry groups such as the Singapore Business Federation, the Association of Small & Medium Enterprises, SID and ICPAS to gather their feedback. In addition, the ACGC commissioned the Singapore Management University School of Accountancy to conduct a survey of AC directors of listed companies to obtain further feedback. The findings of the survey were published in June 2008, and will be analysed in more detail through focus groups and discussion forums.

Risk Management Guidelines for Insurance Companies

On 28 November 2007, MAS issued the Risk Management Guidelines for Insurance Business (Guidelines). The Guidelines supplement the guidelines on sound risk management practices for all financial institutions issued in February 2006. The Guidelines contain sound practices for the conduct of insurance business and covers the core activities of product development, pricing, underwriting, claims handling and reinsurance management. It also provides guidance on sound risk management practices to identify and mitigate insurers' exposure to the risk of insurance fraud.

Consumer Protection (Fair Trading) Act — Inclusion of Financial Products and Services

The Consumer Protection (Fair Trading) Act (CPFTA) came into effect in March 2004. The CPFTA seeks to protect consumers who lack the expertise or financial resources to guard against unfair practices, and to empower consumers who encounter unfair practices to obtain civil remedy.

As part of an overall review by the Ministry of Trade and Industry (MTI), MAS has worked with MTI to include financial products and services under the CPFTA. MTI conducted a public consultation from September to October 2007 on proposed legislative amendments to include financial products and services under CPFTA.

Corporate Governance of Listed Companies

With effect from 1 September 2007, MAS and SGX took over the oversight of corporate governance of listed companies from the Council on Corporate Disclosure and Governance. With the active involvement of SGX and market participants, MAS will conduct periodic reviews of the Code of Corporate Governance to ensure that it remains relevant and useful, and is in line with global best practices.

MAS and SGX are working on two initiatives with market participants. The first involves giving practical guidance to audit committees to enhance their effectiveness. To this end, MAS, ACRA and SGX have

established an industry-led Audit Committee Guidance Committee to develop practical guidance to assist audit committees in attaining a better understanding of their role and responsibilities so that they can be more effective in discharging their responsibilities. The second initiative involves the training and professional development of directors. The Singapore Institute of Directors (SID) is conducting a comprehensive review of training and professional development of directors in Singapore. SID has involved MAS, ACRA and SGX in developing the scope of the review. We will work with SID on assessing the recommendations for implementation.

A SOUND AND PROGRESSIVE FINANCIAL CENTRE

Banking

Notwithstanding the onset of the global financial turmoil towards the end of the year, the domestic financial services sector recorded strong growth in 2007, driven in part by robust expansions in the domestic and offshore banking segments. In particular, domestic non-bank credit registered firm gains, underpinned by strong business lending, including a steady pipeline of property-related loans. The Asian Dollar Market also strengthened, as lending to regions such as East Asia and the Americas gathered pace. Banks' non-interest earnings provided further support, reflecting the burgeoning demand in the region for mergers and acquisitions related services, such as loan syndications and trade financing.

Lower paid-up capital for incorporated wholesale banks

Locally incorporated banks have tended to be Singapore-based, engaging in a full range of banking activities with significant retail banking operations. They have a minimum paid-up capital requirement of S\$1.5 billion. Whilst this paid-up capital requirement continues to be appropriate for locally incorporated full banks, MAS is prepared to lower the requirement for locally incorporated wholesale banks which are restricted from accepting deposits from retail customers. In reviewing this requirement, a public consultation paper was released on 7 November 2007.

Changes to Minimum Liquid Assets and Minimum Cash Balance Requirements (Amendments To MAS Notice 613)

MAS issued revised "Notice 613 – Minimum Liquid Assets" to all banks in Singapore on 13 February 2008. The revised Notice, which comes into effect on 31 July 2008, has several enhancements. These include a revised set of 'Qualifying Liabilities' to replace 'Liabilities Base', an expanded range of eligible liquid assets to afford banks greater flexibility in managing their liquid assets portfolio, and a revised computation formula and maintenance period. In addition, to ensure that banks would be better able to manage liquidity stress situations on a timely basis, the process for drawing down of regulatory reserves has been streamlined. Banks can continue to adopt either a general methodology or a risk-sensitive methodology for determining regulatory liquidity reserves, depending on their level of sophistication and liquidity risk management capability.

Developments in Islamic Finance

Islamic finance has grown significantly in recent years and has become an integral component of the international financial system. Singapore's financial industry has similarly seen increased investor interest for Shariah-compliant financial products and services, especially after the establishment of its first Islamic bank - Islamic Bank of Asia. More fund managers are also offering Shariah-compliant funds. In May 2008, the first Shariah-compliant exchange-traded fund was launched on the Singapore Exchange. MAS sees Islamic financial services as part of

the broad range of financial service capabilities that Singapore as an international financial centre should provide.

MAS' regulatory approach is to accommodate Islamic banking products within the existing conventional regulatory framework, and to level the playing field by ensuring the neutrality of MAS' rules where Islamic financing is similar to conventional financing in economic substance and risks. Where there are specific risks or impediments, MAS will refine rules to address these specific areas.

On taxes, Singapore had removed the imposition of double stamp duties in Islamic transactions involving real estate and accorded the same concessionary tax treatment on income from Islamic bonds. Exemptions from income tax were also granted on amounts payable to investors from Islamic Bonds which are Qualifying Debt Securities. In February 2008, the Finance Minister announced the introduction of a 5% concessionary tax rate for qualifying Shariah-compliant financial activities such as in lending, fund management takaful and retakaful.

To further promote the growth of Islamic finance and to meet the needs of financial institutions conducting Shariah-compliant activities in Singapore, MAS announced in May 2008 that it will develop a facility to make available sovereign-rated sukuk. The design of the sukuk issuance facility reflects our efforts to tap the strengths of conventional finance, while adhering carefully to Shariah principles.

Box Story 3

Basel II Implementation in Singapore

Basel II took effect in Singapore on 1 January 2008, marking a milestone in MAS' efforts to implement a more risk-sensitive capital framework for banks incorporated in Singapore.

Formally known as "International Convergence of Capital Measurement and Capital Standards: A Revised Framework", Basel II is a new regulatory capital standard established by the Basel Committee on Banking Supervision in June 2004.

The release of MAS' Basel II rules was a culmination of extensive industry and public consultations since 2004. Besides formal consultations, MAS engaged the banks regularly through meetings and onsite visits to assess their implementation progress. As an example of our belief in the importance of working closely with the industry through the Basel II process, MAS sponsored the formation of an industry working group to develop requirements for disclosure and regulatory reporting. MAS also actively supported initiatives by the banking supervisory community to promote cross-border cooperation and communication on Basel II implementation. Such efforts were aimed at ensuring a smooth implementation of the new framework in Singapore by addressing potential

implementation challenges as early as possible and allowing the industry to be closely involved in policy formulation.

In addition, MAS conducted onsite supervisory visits to assess banks' readiness to adopt Basel II's more sophisticated approaches to measuring, managing and providing capital for credit risk. The reviews focused on the banks' oversight and control frameworks, as well as their systems and processes.

The implementation of Basel II will encourage further advances in the risk management practices of banks in Singapore. This would in turn enhance the safety and soundness of our banks. The framework comprises three "pillars". Pillar 1 prescribes rules on how banks should calculate the minimum capital that they are required to hold for credit, market and operational risks. Pillar 2 describes the accompanying supervisory review of a bank's internal capital adequacy assessment. It encourages banks to continually develop and use better risk management techniques to monitor and manage their risks, and to have processes for assessing their overall capital adequacy in relation to their risk profile. Pillar 3 prescribes minimum disclosure requirements to facilitate market discipline.

Insurance

Both life and general insurance industries have remained well-capitalised and saw good growth in premiums in 2007. Strong balance sheets, adequate reserving, limited exposure to the US subprime-related market and prudent investment strategies have helped the insurance industry weather the recent financial turmoil. Total premium volume increased by 21.8% to reach \$16.5 billion for both the life and non-life business in 2007.

Enhanced governance and disclosure framework for Participating Insurance Business (MAS 320)

A Par Fund Review Workgroup, comprising representatives from the life insurance industry, Singapore Actuarial Society and MAS, was formed in 2005 to review the operations of participating business of life insurers in Singapore. In June 2007, MAS issued Notice 320 which sets out mandatory requirements to strengthen life insurers' internal governance practices on the management of their participating funds and enhance disclosure standards to participating policyholders.

Revision to rules for Investment-Linked Products (MAS 307)

In order to facilitate the availability of cost effective Investment-Linked Insurance Products (ILPs) that meet policyholders' need for broader investment choice and adequate post-sale disclosures, MAS issued revised rules for ILPs in August 2007. The revisions include replacing the pre-launch approval requirement for ILP sub-funds with a prior launch notification regime and streamlining the post-sale disclosure requirements.

Follow up on framework for Insurance-Linked securities

Recognising the merits of insurance securitisation as a risk and capital management tool and the potential growth of such innovation in Asia, MAS is formulating a regulatory framework to facilitate such transactions. Consultation on the proposed regulatory framework was concluded in 2007, and MAS followed up with a second consultation on the draft Insurance (Special Purpose Reinsurance Vehicle) Regulations in May 2008.

Capital Markets

A more globalised and sophisticated equity market

As at end March 2008, there were a total of 770 companies with a combined market capitalisation of S\$671 billion listed on SGX. This is an increase of 55 companies with a combined market capitalisation of S\$98.5 billion compared to end March 2007. This included 153 companies with a market capitalisation of S\$72 billion listed on Catalist. Catalist was launched on 17 December 2007 to replace Sesdaq. It provides a sponsor-supervised listing platform in Asia for local and international growth companies. Of the 770 listed companies, 39% were foreign listings, reflecting the growing status of Singapore as the Asian Gateway, offering global investors access to the dynamic and fast growing Asian markets.

Capital raised from initial public offerings, rights issues and placements totalled S\$18.3 billion for the year ended March 2008, a 21.7% increase from S\$15 billion raised in the previous financial year. Turnover value of the Singapore Exchange Securities Trading Limited (SGX-ST) also rose 73% to S\$602 billion for the year ended March 2008, and turnover in volume terms increased 72% to 648 billion shares. The Straits Times Index reached a historical high of 3875.77 points on 11 October 2007 and ended at 3,007.36 at end March 2008.

The number of futures derivative contracts traded on the SGX for the year ended March 2008 increased by 33.4% to 48.8 million, from 36.5 million. SGX's flagship futures products – the Nikkei 225, MSCI Taiwan Futures, MSCI Singapore Futures contracts and CNX Nifty Index Futures – achieved record volumes and open interest, contributing to 94.1% of the total volume on Singapore Exchange Derivatives Trading Limited (SGX-DT).

In the year ended March 2008, the number of new structured warrants listings rose 57% from 1,143 to 1,794 year-on-year and recorded a 85% growth in turnover value to S\$29.9 billion, as compared to S\$16.2 billion in the year ended March 2007. Structured warrants on foreign indices and Initial Public Offerings (IPOs) were particularly well-received by the market. Trading value for foreign underlying warrants tripled and accounted for 37% of the total warrants market.

As of end March 2008, 20 index participation certificates and five range accrual certificates were listed which offer investors access to the performance of different geographical markets and themes. On 11 April 2008, SGX became the first Asian exchange to list products linked to the Rogers International Commodity Enhanced Indices®.

Size of debt market

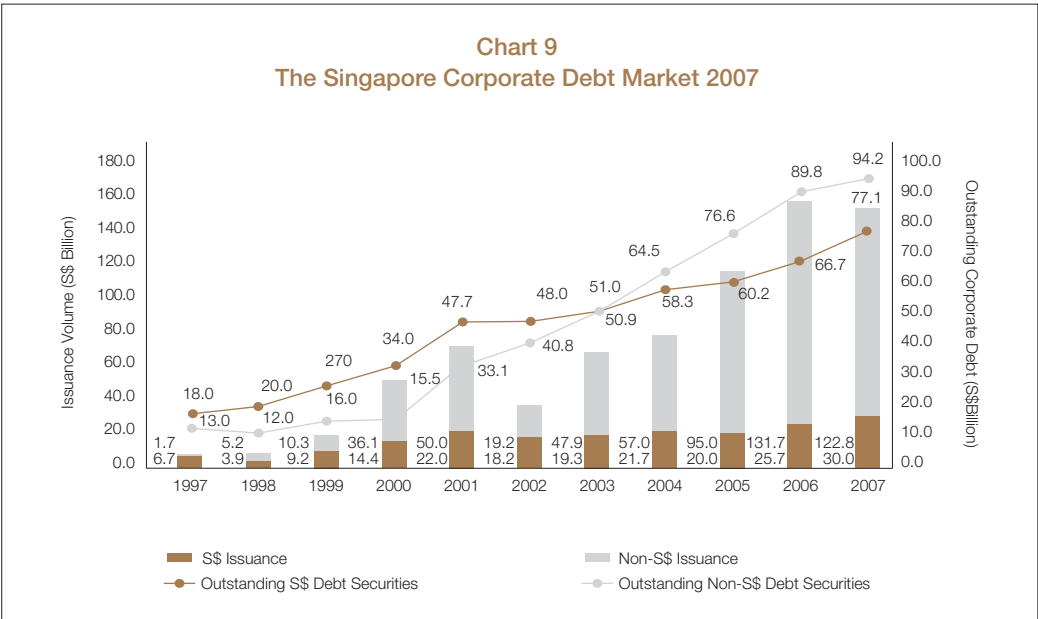
Total outstanding volume of the corporate debt grew by 9% from S\$156.5 billion in 2006 to S\$171.3 billion in 2007. Overall issuance volume fell by 2% to S\$152.8 billion in 2007. Non-Singapore dollar denominated corporate debt issuance continued to dominate, accounting for 80% of total issuance while Singapore-dollar denominated corporate debt issuance registered a 16% rise to S\$30 billion, in 2007 (Chart 9).

Assets under management

Riding on the momentum of double-digit growth rate for the past seven years, the asset management industry continued to perform strongly in 2007. Funds managed in Singapore grew 32% in 2007 to reach close to S\$1.2 trillion.

Singapore is recognised as one of the premier asset management centres in the Asia Pacific. It is well-positioned for fund managers to tap on opportunities in Asia because of its socio-political stability, sound economic fundamentals, reputable legal regime, well-regulated international financial sector and skilled workforce.

In tandem with the growth of the asset management industry, the number of investment professionals increased by 22% to 2,185 in 2007, up from 1,786 in 2006. Asset management companies have continued to expand their operations in Singapore to include research, trading activities and regional middle-to-back office settlement functions.



Strong Treasury market

According to a survey by the Singapore Foreign Exchange Market Committee (SFEMC), average daily foreign exchange (FX) trading volumes in Singapore jumped 44% from a year ago, to reach US\$229 billion in October 2007 (Chart 10).

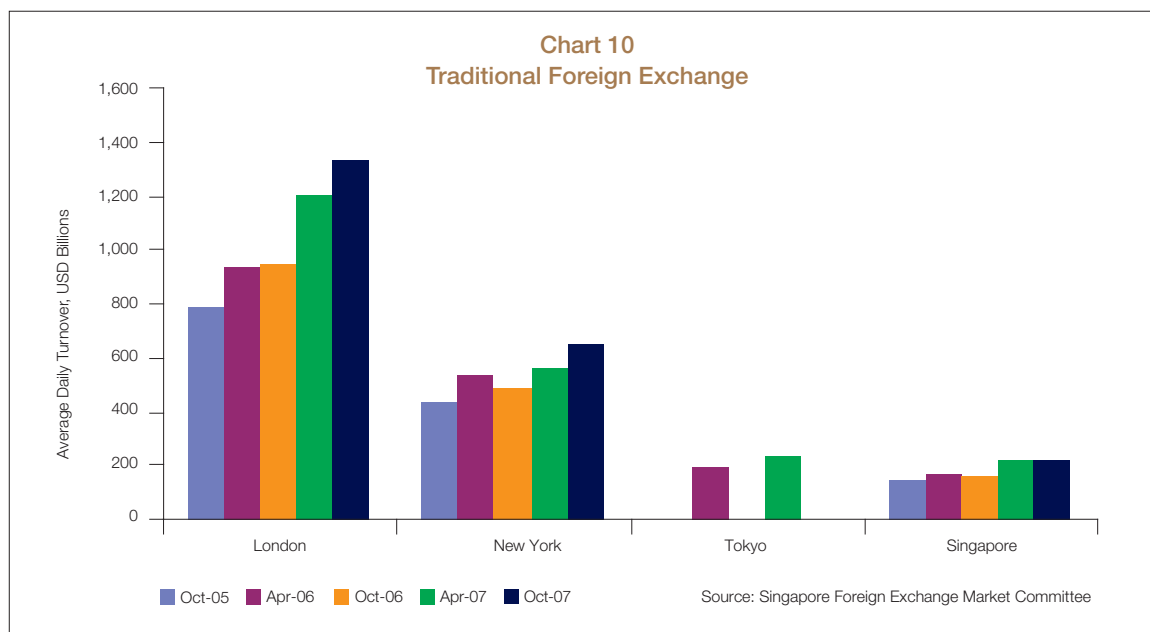
The SFEMC carried out this semi-annual FX survey of the top 30 trading banks in Singapore, in co-ordination with similar committees in New York, London and Tokyo.

The Bank for International Settlement (BIS) also carried out its triennial FX survey and ranked Singapore as the fifth largest FX centre in the world and the second largest in Asia, close behind Tokyo. According to the BIS, average daily FX turnover in Singapore jumped 84% from April 2004, to reach US\$231 billion in April 2007.

Singapore's FX market continued to be international in character, with the major currencies such as US Dollar, Japanese Yen and Euro dominating turnover.

Proposed Legislative Amendments to Securities and Futures Act and Financial Advisers Act

The MAS will be proposing amendments to the Securities and Futures Act (SFA) and the Financial Advisers Act (FAA) in 2008. The amendments aim to facilitate new business activities and products in response to market needs and refine MAS' supervisory and licensing framework. They also aim to enhance the market misconduct enforcement framework and fine-tune the legislation to achieve greater clarity, consistency and operational efficiency. Policy and legislative consultation on the proposed amendments to the Acts has already been conducted.



Key proposed amendments to the SFA which were publicly consulted on cover five broad areas: (i) capital markets licensing and business conduct; (ii) market misconduct enforcement; (iii) disclosure of interests and offers of investments; (iv) markets and clearing facilities; and (v) regulatory flexibility for market innovation. The proposed FAA amendments are similar to those for the SFA in relation to licensing and business conduct, including the introduction of (i) the Representative Notification Framework and System that will replace the licensing regime for representatives, and (ii) perpetual licensing for corporate licence holders. The other major amendments are to be effected in the SFA.

The other major amendments proposed are in relation to the SFA. They include amendments to impose liability on companies for market misconduct by their employees in certain circumstances, and to empower the courts to order the disgorgement of benefits. MAS also proposes to rationalise the requirements for notification of shareholdings by substantial shareholders and directors of listed companies which currently reside in both the Companies Act and the SFA.

In response to industry feedback and to facilitate the development of the capital markets, it is proposed that the minimum investment threshold required for an offer to be exempted from prospectus requirements be lowered from \$200,000 to \$100,000. Other amendments related to MAS' emergency powers and the definitions of "securities" and "futures contract" in the SFA and the FAA to enable MAS to react more efficiently to market developments.

Amendments to the Singapore Code on Take-overs and Mergers
In April 2007, on the advice of the Securities Industry Council (SIC), MAS revised the Singapore Code on Take-overs and Mergers (Code) to keep pace with market innovations and evolving international practices. Several key amendments to the Code were made to provide greater flexibility to the parties involved in take-over transactions and greater clarity to the market. The SIC will continue to review take-over rules and practices and ensure the regime is in line with international best practices.

Box Story 4

Guidelines On Fair Dealing - Board And Senior Management Responsibility For Delivering Fair Dealing Outcomes To Consumers

In February 2008, MAS released a consultation paper on proposed Guidelines on Fair Dealing - Board and Senior Management Responsibility for Delivering Fair Dealing Outcomes to Consumers (Guidelines). These proposed Guidelines are in line with one of the supervisory objectives of the MAS - the promotion of fair dealing by financial institutions (FIs) when they conduct business with consumers.

These proposed Guidelines focus on the role of the board and senior management in leading their FIs to deliver fair dealing outcomes to retail consumers. The proposed Guidelines particularly apply to financial advisory (FA) services regulated under the Financial Advisers Act (FAA), as well as after-sales services and complaints handling. Under the proposed Guidelines, FIs are expected to strive for the following outcomes:

- Consumers have confidence that financial institutions put consumers' interests first in the conduct of their business;
- Financial institutions offer products and services that are suitable for the consumer segments they target;

- Financial institutions appoint competent representatives who provide consumers with advice that meet their financial objectives and suit their personal circumstances;
- Consumers receive clear, relevant and timely information to make informed financial decisions; and
- Financial institutions handle consumer complaints promptly and in a consistent manner.

The board and senior management of the FI are expected to review their business operations and identify how well the FI is delivering the fair dealing outcomes. Where gaps exist, they will have to develop and implement a plan to address these gaps and set clear priorities and targets for its implementation.

In addition, MAS encourages FA industry associations to actively promote fair dealing outcomes among their member firms. MAS has begun discussions with them on how best they can do so. Consumers also have an important role to play. They need to take responsibility for their financial decisions, and acquire basic financial know-how before they invest. MAS will issue consumer tips to educate consumers on what the fair dealing initiative means for them.

The consultation closed on 21 May 2008 and MAS is reviewing the feedback, including some industry suggestions on the most appropriate form and manner of presentation of the proposed fair dealing outcomes and guidelines.

Thematic Approach to Market Conduct Supervision

In addition to routine company inspections, MAS conducted a series of thematic inspections to assess the controls and compliance arrangements of capital markets services (CMS) licensees and how well they address the specific risks involved.

In 2007, MAS inspected six CMS licence holders active in marketing contracts for differences to assess their risk management and internal controls for this product class.

MAS also inspected 16 CMS licence holders to assess the effectiveness of their compliance functions. In addition, we carried out onsite inspections on the adequacy of the system and security controls for the internet-trading systems and activities of 11 CMS licensees.

Following the promulgation of the Trust Companies Act in February 2006, MAS commenced a thematic inspection of six licensed trust companies between 2007 and 1Q 2008 to assess their compliance with the Notice to Trust Companies on Prevention of Money Laundering and Countering the Financing of Terrorism.

Given the increased focus on the global hedge fund industry, MAS continued to engage hedge fund managers in 2007 to gain a better

understanding of their trading strategies, internal controls and management oversight. MAS will continue to monitor international developments in the industry and keep our regulatory approach under active review as the industry in Singapore grows and evolves.

Enhancing Market Discipline

Between April 2007 and March 2008, MAS published a total of 29 formal regulatory and enforcement actions against companies and individuals for market conduct breaches. These actions included the composition of fines, the imposition of civil penalties, the revocation of representative's licences and the issuance of prohibition orders. Over this period, MAS also took other forms of regulatory and administrative actions in another 109 cases.

Box Story 5

Singapore: the Premier International Real Estate Financing Centre

Singapore is fast becoming the premier real estate financing centre in Asia. For the year ended March 2008, the real estate equity financing market saw four new real estate investment trusts (REITs) and our first real estate business trust listed on SGX, plus seven follow-on offerings. There were a total of 19 REITs and one real estate business trust, with a total market capitalisation of S\$26 billion, making Singapore the largest REIT/real estate business trust market in Asia excluding Japan.

With a robust and progressive regulatory framework in place, Singapore has successfully attracted more cross-border REITs/real estate business trusts looking at tapping the global investors base in Singapore. In FY 2007, Singapore saw its first Japanese residential REIT from Saizen REIT, listed in October 2007. In November 2007, Lippo Group, Indonesia's property giant, also collaborated with Mapletree in listing its second REIT – Lippo-Mapletree Indonesia Retail Trust – with a diversified portfolio of retail and retail-related properties in Indonesia.

On 1 August 2007, the much anticipated listing of Ascendas India Trust (AIT) marked an important milestone in Singapore's equity market, providing investors the opportunity to buy a REIT-like vehicle backed by Indian assets. It is the first real estate business trust listed on SGX. Real estate business trust, governed by the Business Trust Act, is an alternative structure available for potential sponsors to securitise their assets to access the global funding in Singapore's equity market. Akin to a REITs, a real estate business trust provides investors the chance to hold stakes in properties, but offers a degree of flexibility in the amount of development activities that can be engaged by a sponsor.

AIT's public offer of 20 million units was 20.2 times over-subscribed, while a placement tranche of about 392 million units was 46.2 times over-subscribed. The IPO was priced at S\$1.18, raising a total of S\$550 million. It closed at S\$1.55, an increase of over 31%, on its first day of trading.

REITS

Revised Property Fund Guidelines

In September 2007, MAS issued amendments to the Property Fund Guidelines to improve safeguards for investors, provide greater clarity and flexibility for commercial transactions and reduce compliance costs. The guidelines were revised after taking into consideration feedback from a public consultation held in March 2007. Changes included enhancing the disclosure requirements on the use of short-term yield-enhancing arrangements, providing guidance on permissible fixed-term management contracts and removing the five percent single party limit for investments in real-estate related securities. MAS will continue to engage industry players to ensure that the regulatory regime remains progressive.

Licensing Framework for REIT Managers

To maintain investor confidence and achieve long-term sustainable growth in the Singapore REIT market, MAS has enhanced the regulatory regime governing REITs over the years. The next phase is to implement a licensing regime for REIT managers under the Securities and Futures Act (SFA). Industry stakeholders, including existing REIT

managers, expressed support for the regime during the public consultations conducted in June 2005 and March 2007. The enhanced standards are in line with international best practices and serve to uphold the investing public's interest.

The licensing regime will set admission criteria and impose several key requirements on the admission and conduct of REIT managers and their representatives. These include requiring REIT managers to adhere to rules on regulatory capital, maintenance of records, safeguarding of customer assets, audit certification, and business conduct. REIT managers, including their management team and professional staff, will be required to meet and maintain high standards of integrity, professionalism and competence. The new legislative framework is expected to come into force in the second half of 2008.

Extension of the Singapore Code on Take-overs and Mergers to REITs

In June 2007, SIC announced that the Singapore Code on Take-overs and Mergers (Code) would be extended to include REITs. The application of the Code to REITs would ensure fair and equal treatment of all unitholders and address concerns relating to proper governance and accountability.

Regulatory Oversight of Commodity Futures

The regulatory oversight of commodity futures was transferred from International Enterprise Singapore to MAS in February 2008. With the transfer, brokers trading in commodity futures are regulated by MAS under the SFA, resulting in a more streamlined process for entities engaging in the broking of both commodity and financial futures, as they will only need a single licence from MAS. This facilitates Singapore's growth as a hub for commodity futures trading.

MAS has reviewed the base capital requirements under the SFA to ensure their relevance for brokers who trade exclusively in commodity futures contracts. The revised base capital requirements took effect in February 2008, following the public consultation in August 2007.

CURRENCY

Managing Dollars and Cents

As at 31 March 2008, the gross and active currency in circulation was S\$19.4 billion (see Chart 11) and S\$17.4 billion respectively. The gross currency in circulation increased 10.2% over the year, with S\$41 billion worth of notes and coins issued to banks and S\$38.9 billion returned.

In 2007, the total Brunei currency repatriated to the Brunei Currency and Monetary Board was B\$743.1 million, B\$97.8 million more than in 2006. The amount of Singapore currency repatriated to Singapore increased by S\$3.4 million to S\$8.9 million in 2007.

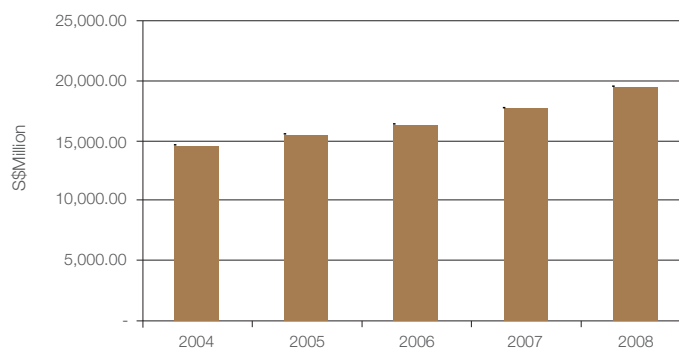
A new \$5 polymer note was issued in May 2007. This was the third denomination to be converted from paper to polymer, following the successful launch of the polymer \$10 in 2004 and polymer \$2 in 2006.

During the year, the Notes Operation Registration Management System (NORMS) was upgraded to enhance the efficiency of our currency-issuing function.

Two new releases of real-time gross and government securities settlement system, namely MAS Electronic Payment System (MEPS+), were also introduced. This is to comply with Society for Worldwide Interbank Financial Telecommunication (SWIFT) changes and also to better cater to new operational requirements.

MAS achieved an income of S\$2.5 million from the sale of numismatic coins issued in 2007.

Chart 11
Gross Circulation of Currency



Gross Circulation (S\$Million)	2004	2005	2006	2007	2008
Notes	13,599.84	14,553.91	15,354.54	16,597.55	18,305.91
Coins	960.58	979.30	1,002.83	1,037.64	1,084.19
Total	14,560.42	15,533.21	16,357.37	17,635.19	19,390.10



Our Partners

Building Linkages, Leveraging Partnerships

Our Partners

Building Linkages, Leveraging Partnerships

WORKING WITH CENTRAL BANKS AND FELLOW REGULATORS

Throughout the year, MAS continued to expand and deepen our ties with our regulatory and central bank counterparts through various bilateral, regional and international forums and initiatives. Key highlights for the year include:

Executives' Meeting of East Asia-Pacific Central Banks (EMEAP)

MAS participates actively in the EMEAP grouping to support regional financial stability. We facilitated discussions in the area of crisis management through workshops and meetings. MAS also continued to chair the Working Group of Payment Systems, focusing on strengthening risk management, oversight and standards, and best practices in the area of payment systems.

In May 2008, MAS hosted the EMEAP Deputies' Meeting, where deputy governors from the 11 EMEAP central banks discussed current issues impacting regional financial and macroeconomic stability as well as areas of cooperation.

Third Asian Forum of Insurance Regulators (AFIR)

MAS hosted the 3rd Asian Forum of Insurance Regulators (AFIR) in April 2008. The Forum was attended by insurance regulators from 18 jurisdictions, as well as the International Association of Insurance Supervisors (IAIS) Secretariat. Substantive topics of interest to the region were discussed, including insurance solvency and accounting, microinsurance, corporate governance and review of the Insurance Core Principles.

Central Bank Information Technology Exchange (CBITX)

MAS hosted the 1st Central Bank Information Technology Exchange (CBITX, previously known as Automation Days) and the Group of

Computer Experts (GCE) Meeting on 5 June 2007. These meetings, held every three years, are attended by the Chief Information Officers of various central banks from the G-10 countries. As the first meeting to be held in this region, central banks from the Asia-Pacific region as well as India were invited to participate. The meetings discussed many topical issues on IT for central banking as well as emerging technologies and trends in portfolio management, enterprise architecture, knowledge management and IT risk management.

Exchange of Letters with CBRC Pertaining to QDII Business

MAS and the China Banking Regulatory Commission (CBRC) signed a supervisory cooperation arrangement in relation to the Qualified Domestic Institutional Investor (QDII) business of Chinese commercial banks on 22 January 2008. The supervisory cooperation arrangement paves the way for Chinese commercial banks to conduct investments on behalf of their clients with Singapore-based financial institutions regulated by MAS. The Chinese commercial banks will be able to offer their customers a range of investment opportunities available in Singapore, which include investments in the Singapore bond and stock market, as well as funds authorised or recognised by MAS.

Mutual Recognition of Market Professional Examinations with Thailand

MAS and the Securities and Exchange Commission of Thailand signed a Memorandum of Understanding on 16 August 2007 which established a framework for the mutual recognition of product knowledge examinations required for the admission of market professionals dealing with securities and collective investment schemes in Singapore and Thailand. This initiative allows market professionals of both countries to provide capital markets services in Singapore and Thailand with greater ease, and paves the way for closer links between the Singapore and Thailand capital markets over the long term.

Memorandums of Understanding (MOU) on Supervisory Cooperation

MAS signed six Memorandums of Understanding (MOU) on supervisory cooperation during the year. These agreements provided for a formal basis for supervisory cooperation between the authorities and paved the way for mutual assistance and information sharing to strengthen

the supervision of cross-border operations of financial institutions under their respective supervisory responsibilities. The MOUs were signed with the Australian Prudential Regulation Authority, the China Banking Regulatory Commission, the Korea Financial Supervisory Commission, the Swiss Federal Banking Commission, the Securities and Exchange Commission of Thailand, and the State Bank of Vietnam.

Box Story 6

MAS Lecture by Toshihiko Fukui, Governor, Bank of Japan



Toshihiko Fukui, Governor, Bank of Japan, delivering his speech at the MAS Lecture 2007



From Left to right: Senior Minister Goh Chok Tong, Chairman, MAS; Toshihiko Fukui, Governor, Bank of Japan; and Heng Swee Keat, Managing Director, MAS

Bank of Japan Governor, Toshihiko Fukui, delivered the MAS Lecture on 15 November 2007 at Singapore's Raffles City Convention Centre. Speaking on the topic of "Central banking under Globalisation", Governor Fukui shared his views on the impact of globalisation on monetary policies and the issues facing central banking with 450 leaders and professionals from the financial community in Singapore and the region. Governor Fukui retired on 19 March 2008 after a five-year term.

The Lecture, first held in 2000, provides a platform for a distinguished member of the international financial community to speak on issues of current interest. Previous speakers included Robert Rubin, Chairman of the Executive Committee, Citigroup Inc and former US Treasury Secretary, William McDonough, former President of the Federal Reserve Bank of New York, Sir Howard Davis, former Executive Chairman of UK Financial Services Authority and Jean-Claude Trichet, President of the European Central Bank.

Box Story 7

Economic Society of Singapore (ESS) Annual Dinner



Tharman Shanmugaratnam, Minister for Finance (centre) with Tim Geithner, President and Chief Executive Officer of the Federal Reserve Bank of New York (left), and Terrence J. Checki, Executive Vice President and Head of Emerging Markets, Federal Reserve Bank of New York (right) at the ESS Annual Dinner.

Timothy F. Geithner, President and Chief Executive Officer of the Federal Reserve Bank of New York, delivered the keynote address the Economic Society of Singapore (ESS) Annual Dinner, on 13 June 2007. Mr. Geithner spoke on "Asia, the World Economy and the International Financial System". He discussed the causes of the Asian Financial Crisis and noted how Asia had developed since then. He felt that Asian economies should continue to strengthen their financial systems further in order to build capacity to handle the open-economy challenge of capital flows.

The ESS is a non-profit organisation which brings together economists in academia, government and the private sector. The year 2007 marked the 10th anniversary of the Asian Financial Crisis and the Annual Dinner was a good platform for a timely discussion on the Asian Financial Crisis, Asia's subsequent response to it and the challenges that Asia faces in the current international financial system.

Participation in International Forums and Initiatives

MAS continues to participate in international financial fora, in support of global financial stability. At the Bank for International Settlements (BIS) and the Financial Stability Forum (FSF) meetings, MAS, together with regulators and central banks around the world, exchanged views on economic and financial developments in their respective economies. They discussed policy responses to the credit turmoil, ways to strengthen market and institutional resilience as well as best-practices recommendations in the areas of risk management and governance.

Bank for International Settlements

MAS is involved in the development of supervisory guidance and standards relating to a range of banking supervisory issues as a member of various working groups under the Basel Committee on Banking Supervision. On capital issues, MAS is a member of the International Liaison Group's Working Group on Capital as well as the Accord Implementation Group's Validation Subgroup. The Subgroup explores issues relating to the validation of banks' systems for internal ratings-

based approaches to credit risk under Basel II. MAS is also a member of the Risk Management and Modelling Group (RMMG) which serves as the Committee's point of contact with the industry on advances in risk measurement and management. Currently, the RMMG is studying various industry practices on economic capital calculations with a view of publishing a guide for both supervisors and banks on evaluating internal capital models used under Pillar 2 of the Basel accord.

MAS is also part of the Working Group on Liquidity. The Working Group has conducted a fundamental review of the Basel Committee's year 2000 publication, "Sound practices for managing liquidity risk in banking organisations" to identify areas that warrant updating and strengthening, and issued the enhanced sound practices for public consultation in June 2008. On accounting issues, MAS is involved in the Accounting Task Force which works to ensure that international accounting and auditing standards and practices promote sound risk management practices at financial institutions, support market discipline through transparency, and reinforce the safety and soundness of the banking system.

As a member of the BIS Committee on Payment and Settlement Systems (CPSS), MAS actively participates in the Subgroup on Foreign Exchange Settlement Risk (FXSR) and the three working groups on Cross-Border Collateral Arrangements, Standards, and System Interdependencies. Within the CPSS FXSR Subgroup, MAS contributed to a report on reducing foreign exchange settlement risks.

Continuous Linked Settlement

MAS is a member of the co-operative oversight arrangement of the Continuous Linked Settlement (CLS), led by the Federal Reserve Bank of New York. CLS provides a mechanism for the safe and efficient settlement of FX trades involving 17 currencies, including the Singapore dollar. This oversight arrangement provides a mechanism for mutual assistance in carrying out individual central bank's responsibilities in pursuit of their shared public policy objectives for the safety and efficiency of payment and settlement systems.

International Organisation of Securities Commissions



International Organisation of Securities Commissions (IOSCO) Standing Committee Meeting

MAS participates in the International Organisation of Securities Commissions (IOSCO) Standing Committee meetings. IOSCO provides an avenue for securities regulators to cooperate to ensure better regulation of the markets through establishing standards, maintaining an effective surveillance of international securities transactions and providing mutual assistance to safeguard the integrity of markets. MAS jointly led a working group of the IOSCO Asia Pacific Regional Committee (APRC),

which resulted in the agreement on an APRC Expedited Entry Framework for Collective Investment Scheme offers to non-retail investors.

International Association of Insurance Supervisors

MAS is also a member of the International Association of Insurance Supervisors (IAIS) Executive Committee, Technical Committee and a number of other sub-committees. Through these committees, MAS participates actively in the formulation of various IAIS Principles, Standards and Guidance Papers. In addition, we are the regional coordinator for the Asia-Oceania region and chair the Insurance Core Principles Review Task Force. MAS is an active participant at the annual Asian Insurance Regulators Meeting, which brings together the ten Association of South East Asian Nations (ASEAN) insurance regulators. In this capacity, MAS also serves as one of five Management Board members of the ASEAN Insurance Training and Research Institute.

Islamic Financial Services Board



Singapore Booth at the 5th IFSB Summit 2008, Jordan

Within the Islamic Financial Services Board (IFSB), MAS participates actively as a Council Member and is committed to IFSB's work through our participation in its Technical Committee and the standard setting work of the various working groups and taskforces. Singapore will host the 6th IFSB Annual Summit in May 2009. The Summit is the largest gathering of senior financial regulators from member countries and private sector participants to discuss key issues on the supervision and future development of Islamic finance.

It will be the first time the annual flagship event is held in East Asia and underscores the increasingly relevant and important role that Islamic finance plays in Asia. MAS has given strong support to past IFSB Annual Summits, including the 5th Summit which was held in Amman, Jordan.

Information Technology Supervisors Group

MAS is a member of the Information Technology Supervisors Group (ITSG) which consists of technology risk specialists and computer security professionals from 19 financial regulators in America, Europe, Asia and Australia. The group provides a forum for exchanging and sharing of information and knowledge in addressing technology risk and systems security issues confronting the financial industries. Within the ITSG, MAS shares experience and capabilities in promoting and supervising a safe internet banking environment and banking infrastructure in Singapore. ITSG interaction also provides opportunities for bilateral collaboration and cross border co-operation. MAS is embarking on a joint-effort with the Federal Reserve Bank of Chicago in the area of IT training for supervisors.

Regional Initiatives

Capital Markets Development and Chiang Mai Initiative

MAS supports the strong regional commitment to accelerate the establishment of the ASEAN Economic Community by 2015 to transform ASEAN into a highly competitive economic region with a single market and production base. Together with our counterparts in the region and the private sector, MAS, as chair of the Working Committee of Capital Markets Development under the ASEAN Finance Ministers' process, aims to promote the strengthening and deepening of regional capital markets by enhancing market linkages, market access and market liquidity. MAS is also a member of the ASEAN Capital Markets Forum (ACMF). The bi-annual ACMF aims to promote greater capital market integration in ASEAN and provides a platform for securities regulators to discuss key regulatory and developmental issues in the region.

MAS is also engaged in the work amongst ASEAN+3 members to develop regional bond markets under the Asian Bond Market Initiative. Under the ASEAN+3 Chiang Mai Initiative, MAS continues to participate in ongoing discussions on ways to develop a multilateral regional crisis lending arrangement.

Anti-Money Laundering / Counter-Terrorism Financing (AML/CFT)

As a member of the Financial Action Task Force (FATF), MAS continues to contribute to the global effort of preventing money laundering and terrorist financing. From 2008 to 2010, Singapore will take up the co-chair position of the Asia/Pacific Group on Money Laundering (APG) and will host the APG Annual Meeting in 2010.

MAS Regional Banking Supervisors Training Programme

MAS holds the MAS Regional Banking Supervisors Training Programme twice a year for regional banking supervisors. The programme is conducted largely by MAS' internal speakers and the objectives of the programme are to introduce participants to MAS' supervisory approaches and practices, and to share MAS' experience in key aspects of banking supervision.

Regional Leadership Programme for Securities Regulators

MAS has been partnering the Toronto International Leadership Centre for Financial Sector Supervision (Toronto Centre) to conduct the Regional Leadership Programme for Securities Regulators since 2007. This Leadership Programme is targeted at senior and upper-middle level regulators and supervisors in the Asia-Pacific region. This intensive programme, conducted by prominent programme leaders from international securities regulatory agencies, provides participants with the skills and competencies to make difficult decisions quickly, to implement change in their organizations effectively and to deal with stakeholders in their jurisdictions.

WORKING WITH INDUSTRY

Box Story 8

Seventh International Advisory Panel Meeting



IAP Members with Prime Minister Lee Hsien Loong

Formed in November 1998, the MAS International Advisory Panel (IAP) comprises some of the world's leading financial and industry experts. The panel advises MAS on Singapore's financial sector reforms and strategies. It also gives MAS a global perspective on financial sector issues, and helps us keep abreast of market developments and policy initiatives in major international financial centres.

The IAP is chaired by Lim Hng Kiang, Minister for Trade & Industry and Deputy Chairman of MAS. The panel held its seventh meeting in Singapore on 5 May 2008. It discussed the current state of the global financial markets, as well as the challenges and opportunities for financial institutions operating in the region. IAP members highlighted that the changing Asian demographics would have an impact on the management of wealth in Asia. The meeting



IAP Members with Senior Minister and MAS Chairman Goh Chok Tong

also talked about the role that the financial sector could play in the sustainable development of the urbanisation of Asian economies.

The IAP expressed confidence that Singapore is well-positioned to tap regional and global opportunities for growth, given its strong reputation for integrity and reliability, its pro-business regulatory framework, its connectivity with Asia and the rest of the world, the efficient and cost-effective operating environment that we offer financial industry players.

Following the meeting, IAP members called on Prime Minister Lee Hsien Loong and Minister Mentor Lee Kuan Yew. They were also hosted to dinner by Senior Minister and MAS Chairman Goh Chok Tong.

Opening of Singapore Exchange Beijing Representative Office



From left to right: SGX Chief Executive Officer, Hsieh Fu Hua; China's Ambassador to Singapore, Zhang Xiaokang; Minister for Trade and Industry and MAS Deputy Chairman, Lim Hng Kiang; China Securities Regulatory Commission Vice-Chairman, Yao Gang; Singapore Ambassador to China, Brigadier General (Ret) Chin Siat Yoon; and SGX Beijing Representative Office Chief Representative, Lloyd Loh.

Officially opened in April 2008, the Singapore Exchange Beijing representative office plays an important supporting role in bridging both China and Singapore's equity capital markets, and servicing the current and future listed Chinese companies. It also demonstrates Singapore's long-term commitment to China, and its financial markets. The Singapore Exchange is one of the most international equity markets

globally, with 38% of international listings originating from the ASEAN nations, China, Hong Kong, India, Japan, South Korea, North America and Europe. Singapore welcomes foreign companies to use Singapore as a second home, to pursue regional business opportunities, to build international connections, as well as a test-bed for new, innovative ideas.

ABS BCM Standing Committee



OCBC CEO David Conner, MAS Deputy Managing Director Teo Swee Lian, and UOB Chairman Wee Cho Yaw at the ABS Annual General Meeting 2007.

MAS works closely with the Association of Banks in Singapore (ABS) to maintain high regulatory standards while facilitating development and innovation in the banking and financial services sector in Singapore.

While individual financial institutions have business continuity plans to ensure critical operations continue to function during major disruptions, the industry has also been collectively strengthening the business continuity preparedness of the sector as a whole.

Established in 2004, the Association of Banks in Singapore Business Continuity Management Standing Committee (Committee) provides a forum for member banks to share information and co-ordinate efforts on disaster recovery, business continuity and crisis management on an industry-wide basis.

Working groups were set up under the Committee to look into specific business continuity issues. For example, the working group on the preparedness against risk of influenza pandemic conducted an industry survey to ascertain the level of pandemic preparedness and issued business continuity practice guidelines to mitigate the risk and impact of an influenza pandemic. Another working group on the preparedness

against security threats is developing good practices to mitigate security threats and planning for an industry-wide crisis communication exercise. MAS is represented in the Committee and the working groups. Where relevant, representatives from the capital markets and insurance sectors would be co-opted into the working groups. The next Industry-wide Business Continuity Exercise (IWE), with an influenza pandemic theme, will be conducted in the later half of 2008.

In addition, the Committee conducts regular workshops and seminars to share information and raise awareness of BCM matters, as well as training courses to upgrade BCM-related skill sets within the financial sector. A BCM Outreach Programme on Influenza Pandemic and Security Response was jointly organised by ABS and MAS on 8 May 2007. Representatives from the Ministry of Health and the UK Financial Services Authority (FSA) were invited to provide a medical update on a possible influenza pandemic and share lessons learnt from the UK Financial Sector Market Wide Influenza Pandemic Exercise, respectively. Representatives from Singapore Police Force and Singapore Civil Defence Force also spoke on the authorities' response plans during a major crisis so as to facilitate the alignment of financial institutions' plans with those of government agencies.

Building a World Class Talent Pool for Singapore's Financial Sector



The Financial Industry Certified Professional Conferment Ceremony

To ensure Singapore's continued growth as an international financial centre, MAS works with industry players and other government agencies to build a quality workforce, attract global financial talent, and develop Singapore as a hub for financial research, education and training. MAS has been working closely with the Institute of Banking & Finance (IBF) to implement the Financial Industry Competency Standards (FICS) framework, a comprehensive quality assurance framework with a certification and accreditation system aimed at raising the quality of our financial workforce and training providers. Five training providers were appointed in mid-2007 to develop and provide quality training programmes aligned with the FICS standards. Competency standards for 53 job families have been launched. As at end 2007, 371 financial practitioners have been trained under the FICS, while 49 financial institutions and six training providers have adopted the FICS framework.

11 senior members of the financial industry were conferred the Financial Industry Certified Professional (FICP) title in 2007, a certification which embodies professional competence and commitment to excellence for the financial services industry.

Attracting Financial Talent

To increase talent flows into the sector, MAS and industry partners have made concerted efforts to reach out to students, working professionals and overseas talent. Locally, we have continued our collaboration with IBF and industry partners to attract graduates from the local universities and polytechnics into the financial sector through campus career talks. In 2007, MAS joined several other government agencies in dialogues with our local universities and their career offices on the projected skill-sets and manpower needs in various growth sectors. Working with the Ministry of Manpower (MOM), a comprehensive career guide was developed, targeted at post-secondary education institutions. In June 2007, MAS supported the launch of the Operations Finance Preparatory Programme, a customised training programme to prepare fresh graduates for a career in operations, co-designed with the industry and training partners.

Apart from grooming our own pool of indigenous talent, it is equally critical to attract top minds and good talent from all over the world. To this end, MAS, together with MOM and finance industry partners, participated in the 2007 annual roadshows to key cities in the US (New York, Chicago, and Boston), UK (London and Manchester), and Australia (Sydney and Melbourne). The roadshows succeeded in generating keen interest among the 1,600 participants to explore opportunities in Singapore's financial sector.

Box Story 9

Finance Scholarship Programme and Doctorate Scholarship Programme

As the financial sector moves up the value chain and assumes more complex and sophisticated activities, we will need to develop a critical mass of specialists with cutting-edge capabilities to support the long-term growth of Singapore's financial services sector.

To meet the demand for such specialised skills, MAS launched two Financial Sector Development Scholarship Programmes to nurture a critical mass of financial specialists who can push new frontiers in high value-add areas such as financial engineering, risk management, actuarial science and economics.

The Finance Scholarship Programme (FSP) provides scholarships for selected candidates to pursue specialised Masters programmes in top local and foreign universities. Launched in June 2006, the FSP provides scholarships for company-sponsored scholars. MAS extended the FSP in November 2007 to cater to individuals, without company sponsorship. These individuals can be fresh graduates or working professionals working in or outside the financial sector. Upon graduation, FSP scholars will return to Singapore to contribute as highly skilled specialists in their respective fields in the financial services industry. MAS has set

aside S\$30million to award up to 200 FSP scholarships over the next five years.

In 2007, we also included two new programmes into the list of specialised Masters Programmes eligible for FSP funding support – the University of Chicago's Master of Science in Financial Mathematics, which will be offered in Singapore with effect from September 2008; and the NUS-Columbia University Double Professional Degree in Financial Engineering, which will be offered in Singapore from August 2008.

In addition to the FSP, MAS introduced the Doctorate Scholarship Programme (DSP) in July 2007 to further develop research and highly specialised skills in areas such as financial risk management, financial engineering and economics. The DSP provides scholarships for specialised PhD studies in top-ranked Universities. Upon graduation, DSP scholars will return to Singapore to contribute as highly skilled practitioners in the financial services industry, or as researchers in the academic and research institutions. A total of S\$20 million has been set aside to award up to 50 DSP scholarships over the next five years.

Educating Consumers to Beware of Bogus Investment Opportunities and Scams

Cold calls, emails and bogus internet websites are common techniques used by unregulated persons to solicit business for bogus investments. There have also been isolated cases of fraudulent letters and emails containing MAS' name, logo and letterhead requesting recipients for personal information or to transfer funds to a particular party or account.

MoneySENSE issued three consumer alerts to advise consumers to exercise caution when they receive offers that seem too good to be true. MoneySENSE also informed consumers of how some common scams work and provided tips on how consumers can protect themselves from falling prey to scams. These alerts are available at www.moneysense.gov.sg



MoneySENSE New Initiatives for Students

Recognising the importance of starting financial education from young, MoneySENSE worked closely with the Ministry of Education and other partners to introduce several new initiatives for students. These included:

- partnering the Association of Banks in Singapore (ABS) to launch an interactive skit "Saving – the Sensible Habit" for primary school students;
- collaborating with the Central Provident Fund Board (CPF) and the Institute of Technical Education (ITE) to organise a programme for ITE students; and
- working with Polytechnics to recognise youths who have taken a sensible approach to managing their money.

In addition, MoneySENSE continued to hold programmes for various segments of the population. Since its launch in October 2003, MoneySENSE has published more than 170 educational articles in the media, organised talks, seminars and workshops that have attracted over 31,000 participants as well as issued 25 consumer guides with a total circulation exceeding 2.2 million. Many of these achievements would not have been possible without the strong support and commitment from the MoneySENSE Financial Education Steering Committee, industry associations, community bodies and the media.

Box Story 10

Skit - Money Got Enough!



MoneySENSE Skit

Together with the Association of Banks in Singapore (ABS) and the Council for Third Age (C3A), MoneySENSE staged a skit for seniors, entitled "Money Got Enough!" at the Silver Industry Conference and Exhibition at Suntec Convention Centre in January 2008.

The skit conveyed simple messages to encourage Singaporeans to manage their finances so that they can have enough in their golden years. Recordings of the skit have been distributed to community centres and grassroots organisations for future screening to their constituents.

FIDReC-NIMA Scheme

The Financial Industry Disputes Resolution Centre (FIDReC) officially launched the Non-Injury Motor Accident (NIMA) scheme on 14 May 2008. The FIDReC-NIMA scheme is a collaborative effort amongst FIDReC, the Subordinate Courts of Singapore, the General Insurance Association and MAS. Under the FIDReC-NIMA scheme, NIMA claims for a quantum of \$1000 or less are required to be first brought before FIDReC before court proceedings can be commenced.

The impetus for the FIDReC-NIMA scheme was to put in place a cost-effective and timely process for resolving NIMA disputes. As the cost of litigation for these low value claims are often higher than the quantum of claims themselves, the FIDReC-NIMA scheme offers consumers an equally effective but more affordable avenue of redress. The Subordinate Courts and the insurance industry will therefore be able to make more efficient use of resources which would otherwise be spent on such claims.



The FIDReC-NIMA Scheme was officially launched by The Honourable Judge of Appeal, Justice Chao Hick Tin, Vice-President of the Court of Appeal, on 14 May 2008.

In conjunction with the launch of the FIDReC-NIMA scheme, the insurance industry introduced an amendment to the claims process. Insured persons will be required to make claims through their own insurers instead of making third-party claims. This aims to facilitate the development of best practices for the general insurance industry.

ADDING BUZZ TO THE FINANCIAL SECTOR

Box Story 11

Marina Bay Business and Financial Centre



Marina Bay Business and Financial Centre. © Urban Redevelopment Authority. All rights reserved.

The Government has recently announced initiatives to double the size of its business and financial district as part of its plans to meet the increased demand for office space by financial institutions. This includes developing the Marina Bay area to facilitate the seamless extension of the existing business and financial district at Raffles Place, Shenton Way and Tanjong Pagar. Over a span of more than 15 years, the development of the 85 hectare site identified for the new growth area will see the addition of around 2.82 million square metres of office space. With state-of-the-art Grade A office spaces within a lively waterfront area, Marina Bay will add to the vibrancy of the business and financial district.

The Government has also implemented temporary measures to alleviate the current office space crunch. These measures include

sites designated for transitional offices, release of vacant state properties for private sector use, and developing new business park space for financial institutions' mid/backoffice operations. Selected government agencies will also vacate their Central Bay Business District offices by 1Q 2009, giving up some 20,000 sqm of grade A office space for private sector users.

These measures have been welcomed by the financial community in Singapore, with many major banks making plans for expansion into the new Marina Bay area, as well as relocating some of their mid/backoffice operations to suburban sites such as Changi Business Park and Alexandra Business Park areas. Over the next two years, we can expect to see a more vibrant financial district spanning a larger area and offering exciting lifestyle options for the community.

Financial Conferences And Events

A number of conferences and events were held in Singapore in 2007 and 2008. Covering a wide range of topics related to the financial services

sector, from commercial banking, fixed income, wealth management and capital markets, these events serve as a gathering point for industry players and international investors.



Minister for Trade and Industry and MAS Deputy Chairman, Lim Hng Kiang speaking at the Citigroup Fixed Income Investor Conference 2008



MAS Deputy Managing Director, Ong Chong Tee speaking at the 2nd Annual Singapore Structured Credit Conference, April 2008



Robert E. Diamond Jr, President, Barclays PLC and CEO of Investment Banking and Investment Management, speaking at the Barclays Asia Forum, November 2007



From Left: Morgan Stanley Head of Asia Sales and Trading, Danny Hegglin; Member of the House of Representatives, Former Prime Minister of Japan, Junichiro Koizumi; and Morgan Stanley Asia Chairman, Stephen Roach at the Morgan Stanley Asia Pacific Summit 2007.

Our People

Grooming Leaders, Growing Expertise





Our People

Grooming Leaders, Growing Expertise

ENHANCING CAPABILITIES

During the year, we initiated several programs to enhance leadership development as well as build and deepen professional expertise.

MAS Academy

MAS places significant emphasis on staff development. The setting up of the MAS Academy in April 2008 reflects our commitment to provide staff with greater opportunities to learn and grow professionally and personally.



Staff of the MAS Academy

Working with line departments and the Human Resource Department, the MAS Academy aims to achieve these outcomes:

- to develop and inculcate “the MAS Way” - the values, ethos and culture of integrity, commitment, teamwork and enterprise;
- to provide the key platform for building institutional knowledge, by codifying tacit knowledge into explicit doctrines, and by sharing and mentoring by peers and supervisors;
- to provide opportunities for officers to learn in the most effective way through effective design and delivery of formal courses and on-the-job training.

The Academy will distinguish itself from other training institutions by integrating values and knowledge, balancing theory and practice, and combining soft and hard skills in its learning programme.

Coaching Framework

We are putting in place a coaching framework to embed a coaching culture across all leadership levels in MAS, and encourage continuous learning in MAS. The framework aims to better equip supervisors at all levels to provide on-the-job training and guidance to staff.

Competency Framework

We have started developing a competency framework- Professional Requisites and Outcomes Framework (PROF) - to enable a more structured development of functional expertise in MAS. With this framework, we aim to continually grow and deepen domain knowledge, skills and competencies in our staff as part of their professional growth.

ENGAGING STAFF

Work-Life Effectiveness Initiatives

MAS is continually reviewing our schemes to help staff balance work responsibilities with personal and family needs. Among other initiatives a new flexi-benefits plan was introduced in April 2008. Under the plan, staff will be able to select a wide range of benefits spanning across three themes: Health and Lifestyle; Personal Development and Productivity; as well as Family and Recreation. In the coming year, we expect to implement more initiatives to promote healthy work-life effectiveness and create an environment conducive for the overall well-being of staff in MAS.

Employee Engagement Survey

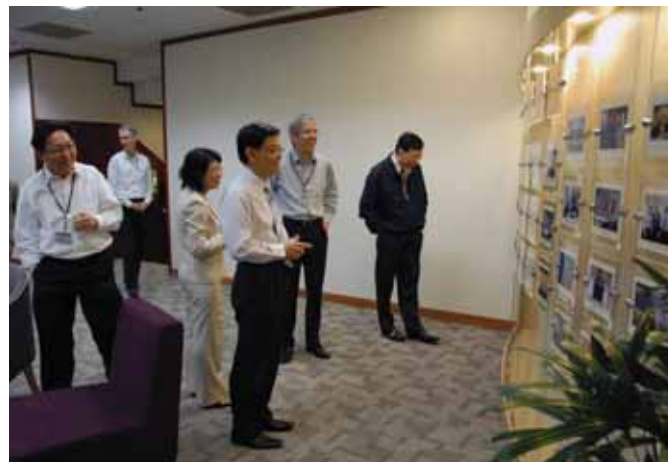
MAS conducted an Employee Engagement Survey in January 2008. The survey aims to gauge staff engagement levels, measure the effectiveness of the initiatives and identify issues for follow-up to make MAS a better place for staff. The overall findings were shared with MAS staff. We have drawn up plans and initiatives on issues identified in the survey for follow-up in the coming year.

ENHANCING KNOWLEDGE

Knowledge Sharing and Innovation

In our continuous efforts to foster greater innovation and knowledge sharing in MAS, we introduced MASpedia, an online encyclopedia for staff to enhance their professional knowledge of specialised topics important to MAS' functions. Modelled after the Internet encyclopedia, Wikipedia, the MASpedia is a wiki platform that enables all staff to contribute and collaboratively build a knowledge base.

We also enhanced our online platforms for sharing ideas and articles through blogs, forums and opinion polls. This has generated greater exchange of ideas and views among our staff.



MAS Information Resource Centre Official Opening

The MAS Information Resource Centre (IRC) was re-located to the ground floor of the MAS building after undergoing major renovation in 2007. Despite a net reduction in floor and shelf space, the new library is designed to maximise staff interaction space through creative use of functional areas. The aim is to create a conducive and relaxed environment to facilitate information sharing, stimulate ideas and encourage knowledge exchange among MAS staff.

In conjunction with the official opening of its new premises on 24 January 2008 by Mr Heng Swee Keat, Managing Director, MAS, the *Reflections@MAS* inaugural talk series was held at the ground-floor lounge area. The guest speaker, Paul Romer, who was visiting MAS under the *MAS Eminent Scholar Programme*, engaged the audience on *The Value of Economic Analysis*. Romer shared key insights on the importance of creating and disseminating knowledge in sustaining long-term growth. The IRC plans to organise more seminars on a regular basis to promote learning and dialogue.

Going forward, the IRC aims to strengthen its role as knowledge hub within MAS. Training modules will be developed and conducted on 'internet searching skills' and the use of information resources found within and outside the library. The IRC will also work closely with departments to preserve MAS' institutional knowledge through its heritage collection of digital photographs and audio-visual material.

MAS Leadership Community Retreat

As part of MAS' annual corporate planning cycle, we held the MAS Leadership Community Retreat on 31 January and 1 February 2008. Participants discussed specific issues that MAS will need to focus on in the medium term to effectively meet the challenges of a changing environment. The Retreat was also a useful opportunity to take stock of organisational issues which are common to different departments within MAS. About a hundred participants from MAS senior and middle management attended the Retreat.

We will follow-up on issues raised during the Retreat through multi-year initiatives.

RECOGNISING OUR PEOPLE

Service Appreciation Award



Our longest serving staff Lam Yit Thong, receiving the 40-year service award from Senior Minister and MAS Chairman Goh Chok Tong.

The Service Appreciation Award recognises and rewards the loyalty and contributions of our dedicated staff. In 2007, 129 staff received the Service Appreciation Award. Of these, 10 staff were recognised for serving the organisation for between 30 and 40 years.

National Day Award

We extend our heartiest congratulations to 16 staff who received the National Day Award in 2007 for their contributions and service to the nation. Among the recipients were Ong Chong Tee, Deputy Managing Director, who was bestowed the Public Administration (Gold) Medal, Executive Director Lee Boon Ngiap, who was conferred the Public Administration (Silver) Medal and Celine Sia, Principal Economist, who received the Public Administration (Bronze) Medal.

Excellent Service Award



EXSA winners doing MAS proud.

Three staff received the Excellent Service Award (EXSA) in recognition of their outstanding service to members of the public. The three MAS winners are Agatha Goh, Currency Department, Vincent Hee, Capital Markets Department and Kate Wong, External Department. The annual EXSA is a national award that seeks to develop service role models for staff to emulate, to honour service champions and to professionalise services.

FOSTERING CLOSER TIES

Inter-Central Bank Games 2007



Inter-Central Bank Games 2007

From 13 to 16 July 2007, MAS, Bank of Thailand, Bank Indonesia and Bank Negara Malaysia participated in the 31st Inter-Central Bank Games (ICBG) held in Kuala Lumpur, Malaysia. Competing in a wide variety of games such as futsal, badminton and bridge, the MAS athletes came in third out of the four participating central banks. The camaraderie and sportsmanship displayed at the annual event helped strengthen inter-central bank relations. The 2008 ICBG was hosted by Bank Indonesia in Bali in June 2008.

Family Day 2008



MAS Family Day 2008

The MAS Family day was held on 23 Feb 2008 at Angsana Green, East Coast Park. Deputy Chairman graced the occasion as the Guest of Honour. This year's theme was "MAS Adventure Splash". The highlight of the day was "The Splashing Race", a keenly-contested telematch with various teams formed by families and staff members.

Inter-Group Games 2008



Inter-Group Games 2008

The annual Inter-Group Games (IGG) allow staff at different levels and from different departments to bond over games like bowling, carrom, captain's ball, futsal, basketball and table tennis. This year, the Prudential Supervision Group emerged the overall champion.

REACHING OUT TO THE COMMUNITY

Charity Drives — MAS With A Heart



MAS Christmas 2007 Charity Drive

Gift Collection Charity Drive, 10 — 13 December 2007

The Gift Collection Charity Drive organised by MAS Recreation Club (MASRC) as part of the Christmas Celebration enjoyed great success thanks to the generosity of MAS' staff. Staff were encouraged to purchase educational items as gifts for children 12 years old and below. Within a short span of 4 days, a total of 355 gifts were collected for the disadvantaged children from Beyond Social Services. The aim of the Gift Collection Charity Drive was to enable these children to have an equal opportunity to enjoy the festive season.



MAS Chinese New Year Charity Drive - Food from the heart

Food from the Heart, 15 January — 1 February 2008

MASRC organised a food goodie bag donation in early 2008 as part of the Chinese New Year celebrations. The donation drive is jointly organised with 'Food from the Heart', a voluntary food distribution programme. The targeted beneficiaries for this programme were the needy families and senior citizens living in the Henderson and Marine Terrace areas. Through this donation drive, MASRC wanted to share the festive joy with the less fortunate and their families. An online order form was provided for MAS staff to indicate the goodie bag items which they wished to sponsor. These items included rice, cooking oil, biscuits and cereal. A total of S\$15,760.50 was collected and the money provided 285 goodie bags which were distributed to the needy families and senior citizens.

MAS FY 2007/2008

FINANCIAL STATEMENTS

Highlights	66
Statement by Directors	67
Auditor's Report	68
Income Statement	70
Balance Sheet	71
Statement of Changes in Equity	72
Cash Flow Statement	73
Statement of Backing of Currency in Circulation	74
Notes to the Financial Statements	75

MAS FY2007/2008 FINANCIAL STATEMENT HIGHLIGHTS

MAS' total assets, including the Currency Fund, grew by S\$35.58 billion during the year to S\$253.79 billion at 31 March 2008. The Currency Fund's net external assets of S\$22.17 billion at the financial year-end, provided 114% asset backing for the currency in circulation.

Total liabilities rose correspondingly with assets, by S\$32.00 billion, to S\$232.75 billion as the currency in circulation, deposits of Singapore Government and financial institutions and other liabilities increased.

The Authority's net profit of S\$7.44 billion for the year stemmed primarily from interest income as changes in valuation of foreign assets and the foreign exchange effects of a stronger Singapore dollar largely offset each other. Total expenditure increased to S\$1.66 billion, from higher interest and investment expenses.

In accordance with Section 3 of the Statutory Corporations (Contributions to Consolidated Fund) Act (Chapter 319A, 2000 Revised Edition), 18% of the net profit or S\$1.34 billion, will be paid into the Singapore Government's Consolidated Fund. The MAS Board approved a return of S\$2.53 billion to the Government from the General Reserve Fund under Section 6(3) of the MAS Act (Chapter 186, 1999 Revised Edition). After this appropriation, total equity increased by S\$3.57 billion to S\$21.04 billion.

STATEMENT BY DIRECTORS FOR THE FINANCIAL YEAR ENDED 31 MARCH 2008

In the opinion of the directors,

- (a) the financial statements of the Authority as set out on pages 70 to 91 are drawn up so as to present fairly the state of affairs of the Authority as at 31 March 2008, the results and changes in equity of the Authority for the financial year ended on that date, and of the cash flows of the Authority for the financial year then ended; and
- (b) at the date of this statement, there are reasonable grounds to believe that the Authority will be able to pay its debts as and when they fall due.

On behalf of the Board of Directors,

GOH CHOK TONG

Chairman

HENG SWEE KEAT

Managing Director

23 June 2008

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS OF THE MONETARY AUTHORITY OF SINGAPORE FOR THE YEAR ENDED 31 MARCH 2008

The accompanying financial statements of the Monetary Authority of Singapore (MAS) and Currency Fund, set out on pages 70 to 91, have been audited under my directions and in accordance with the MAS Act (Chapter 186, 1999 Revised Edition). These financial statements comprise the balance sheet as at 31 March 2008, the income statement, statement of changes in equity, cash flow statement and statement of backing of currency in circulation for the year then ended, and a summary of significant accounting policies and other explanatory notes.

Management's responsibility for the financial statements

The Authority's management is responsible for the preparation and fair presentation of these financial statements in accordance with the MAS Act, Currency Act (Chapter 69, 2002 Revised Edition) and applicable Singapore Financial Reporting Standards as explained in Note 3.1(a) to the financial statements. This responsibility includes:

- a) designing, implementing and maintaining internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error;
- b) selecting and applying appropriate accounting policies; and
- c) making accounting estimates that are reasonable in the circumstances.

Auditor's responsibility

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 and Currency Act and having regard to the Singapore Standards on Auditing. Those standards require that ethical requirements be complied with, and that the audit be planned and performed to obtain reasonable assurance as to whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Authority's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Authority's internal control. An audit also includes evaluating, within the context of applicable laws, the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the Authority's management, as well as evaluating the overall presentation of the financial statements.

I believe that the audit evidence obtained is sufficient and appropriate to provide a basis for my audit opinion.

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS OF THE MONETARY AUTHORITY OF SINGAPORE FOR THE YEAR ENDED 31 MARCH 2008

Opinion

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 Singapore Financial Reporting Standards. The financial statements accordingly disclose less information than would be required under those 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 2008 and the financial transactions of the Authority for the year ended on that date.

LIM SOO PING
AUDITOR-GENERAL
SINGAPORE

24 JUNE 2008

INCOME STATEMENT

For the year ended 31 March	Note	General Reserve Fund		Currency Fund		2008 \$'000	Total 2007 \$'000
		2008 \$'000	2007 \$'000	2008 \$'000	2007 \$'000		
Income from Foreign Operations (after transfers to/from provisions)	4	8,077,679	3,766,493	744,922	1,076,764	8,822,601	4,843,257
Income from Domestic and Other Operations	5	279,691	331,233	23	-	279,714	331,233
Non-operating Income	6	6,583	6,531	582	267	7,165	6,798
Total Income (after transfers to/from provisions)		8,363,953	4,104,257	745,527	1,077,031	9,109,480	5,181,288
Less:							
Investment, Interest and Other Expenses	7	1,403,776	1,100,115	61,916	53,039	1,465,692	1,153,154
Personnel Expenditure	8	137,953	124,912	-	-	137,953	124,912
General and Administrative Expenditure	9	37,393	34,444	-	-	37,393	34,444
Depreciation/Amortisation		23,467	22,801	-	-	23,467	22,801
Total Expenditure		1,602,589	1,282,272	61,916	53,039	1,664,505	1,335,311
Profit for the Year (after transfers to/from provisions)		6,761,364	2,821,985	683,611	1,023,992	7,444,975	3,845,977
Less:							
Contribution to Consolidated Fund	18	1,340,096	769,195	-	-	1,340,096	769,195
Net Profit for the Year (after transfers to/from provisions)		5,421,268	2,052,790	683,611	1,023,992	6,104,879	3,076,782

The accompanying notes form an integral part of these financial statements.

BALANCE SHEET

As at 31 March	Note	2008 \$'000	2007 \$'000
CAPITAL AND RESERVES			
Issued and Paid-up Capital	10	100,000	100,000
General Reserve Fund	11	18,156,241	15,306,263
Currency Fund Reserves	12	2,782,051	2,057,150
		21,038,292	17,463,413
FINANCIAL SECTOR DEVELOPMENT FUND			
	19	871,530	779,712
		21,909,822	18,243,125
Represented by:			
ASSETS			
Cash and Bank Balances		255,829	333,640
Singapore Government Treasury Bills and Bonds		6,702,381	6,409,381
Foreign Assets	13	243,798,093	208,442,112
Gold		292,144	321,029
Other Assets	14	2,535,687	2,492,151
Property and Other Fixed Assets	15	204,328	213,332
		253,788,462	218,211,645
Less:			
LIABILITIES			
Currency in Circulation		19,390,091	17,635,193
Deposits of Financial Institutions	16	10,891,536	9,416,696
Provisions and Other Liabilities	17	85,601,368	62,778,005
Amounts Due to Singapore Government	18	116,867,175	110,918,338
		232,750,170	200,748,232
NET ASSETS OF THE AUTHORITY			
		21,038,292	17,463,413
NET ASSETS OF FINANCIAL SECTOR DEVELOPMENT FUND			
	19	871,530	779,712
		21,909,822	18,243,125

The accompanying notes form an integral part of these financial statements.

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 2006	100,000	15,022,282	1,664,349	16,786,631
Net Profit for the Year (after transfers to/from provisions)	-	2,052,790	1,023,992	3,076,782
Transfer of Reserves from Currency Fund	-	631,191	(631,191)	-
Return of Profit to Singapore Government	-	(2,400,000)	-	(2,400,000)
Balance as at 31 March 2007	100,000	15,306,263	2,057,150	17,463,413
Net Profit for the Year (after transfers to/from provisions)	-	5,421,268	683,611	6,104,879
Transfer of Reserves to Currency Fund	-	(41,290)	41,290	-
Return of Profit to Singapore Government	-	(2,530,000)	-	(2,530,000)
Balance as at 31 March 2008	100,000	18,156,241	2,782,051	21,038,292

The accompanying notes form an integral part of these financial statements.

CASH FLOW STATEMENT

For the year ended 31 March	2008 \$'000	2007 \$'000
Cash Flows from Operating Activities		
Profit for the Year (after transfers to/from provisions)	7,444,975	3,845,977
Adjustments for:		
Depreciation/Amortisation of Fixed Assets and Other Assets	23,467	22,801
Profit before Working Capital Changes	7,468,442	3,868,778
(Increase)/Decrease in		
Singapore Government Treasury Bills and Bonds	(293,000)	504,569
Foreign Assets	(35,355,981)	(11,188,020)
Gold	28,885	21,518
Other Assets	(43,556)	(375,582)
Increase/(Decrease) in		
Deposits of Financial Institutions	1,474,840	975,353
Provisions and Other Liabilities	22,821,260	11,690,520
Deposits of Singapore Government	5,247,936	(4,131,004)
Net Cash from Operating Activities	1,348,826	1,366,132
Cash Flows from Investing Activities		
Purchase of Fixed Assets	(12,340)	(16,911)
Net Cash used in Investing Activities	(12,340)	(16,911)
Cash Flows from Financing Activities		
Increase in Currency in Circulation	1,754,898	1,277,828
Contribution to Consolidated Fund	(769,195)	(243,327)
Return of Profit to Singapore Government	(2,400,000)	(2,402,100)
Net Cash used in Financing Activities	(1,414,297)	(1,367,599)
Net Decrease in Cash and Bank Balances	(77,811)	(18,378)
Cash and Bank Balances as at beginning of the year	333,640	352,018
Cash and Bank Balances as at end of the year	255,829	333,640

The accompanying notes form an integral part of these financial statements.

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	Note	2008 \$'000	2007 \$'000
The value of external assets and the Currency in Circulation are:			
Currency in Circulation	12.2	19,390,091	17,635,193
External Assets	12.2	23,463,665	19,953,861
Less:			
Provisions and Other Liabilities	12.2	1,291,523	261,518
Net Assets		22,172,142	19,692,343

The accompanying notes form an integral part of these financial statements.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2008

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

1 GENERAL

The Authority is a statutory board established in Singapore under the Monetary Authority of Singapore Act (Chapter 186, 1999 Revised Edition) on 1 January 1971 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, 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). 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 Singapore Financial Reporting Standards. The financial statements accordingly disclose less information than would be required under those Standards.
- b) Prior to the cutover to the new investment accounting system on 30 October 2006, the Authority recognised interest income on a straight-line basis instead of on an effective interest basis as required by FRS 18 "Revenue". Premiums and discounts were amortised on a straight-line basis over the remaining life of the securities, except for discounts on zero-coupon non-convertible bonds and negotiable certificates of deposit that are amortised on an effective interest basis as required by this Standard. With the new investment accounting system, interest income is now recognised on a time-proportionate basis using the effective interest method in accordance with FRS 18. The financial impact of this change in accounting policy, based on the Authority's estimation, is immaterial. Due to information system constraints, the Authority is unable to apply this change in accounting policy retrospectively so that comparative information in the income statement required by FRS 1 "Presentation of Financial Statements" is not compliant with FRS 18 from the beginning of the previous period. In subsequent years, comparative information required by FRS 1 will be compliant with FRS 18 from the beginning of the previous period.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2008

- c) The following FRS is applicable in the current financial year.

FRS 40 Investment Property

Under FRS 40, when a portion of a property is leased out and another portion is held for own-use, the portions are required to be accounted for separately if they can be sold or leased out separately under finance leases. FRS 40 also allows investment property to be stated either at fair value or cost less accumulated depreciation and impairment losses.

As the Authority accounts for properties at cost less accumulated depreciation and impairment losses, if any, and the portion of MAS building that is leased out to non-related parties is considered to have no material impact, this FRS does not have any significant impact on the Authority's financial statements.

- d) The preparation of financial statements in conformity with FRS requires management to exercise its judgement in the process of applying the Authority's accounting policies, having regard to the objects and functions of the Authority. It also requires the use of accounting estimates and assumptions that affect the reported amounts of assets, liabilities and disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of income and expenditure during the financial year. Although these estimates are based on management's best knowledge of current events and actions, actual results may ultimately differ from these estimates.

3.2 Basis of Accounting

The financial statements have been prepared under the historical cost convention and on an accrual basis.

3.3 Recognition and Derecognition

Purchases and sales of investments are recognised on the trade date when the Authority commits to purchase or sell the asset. Investments are derecognised when the rights to receive cash flows from the financial assets have expired or have been transferred and the Authority has transferred substantially all risks and rewards of ownership.

3.4 Foreign Currency Translation

- a) The financial statements are presented in Singapore dollars, the Authority's functional currency, and rounded to the nearest thousand, unless otherwise stated.
- b) Transactions in foreign currency are measured at the exchange rate prevailing at the date of transaction. Foreign currency gain or loss resulting from the settlement of such transactions are recognised in the income statement.
- c) Assets and liabilities denominated in foreign currencies are translated into Singapore dollars, at the exchange rate prevailing 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 at the rates of exchange prevailing on the acquisition dates. Exchange differences arising from the translation are recognised in the income statement.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2008

3.5 Income Recognition

- a) Dividend income is recognised when the right to receive payment is established.
- b) Interest income is recognised on a time-proportionate basis using the effective interest method. The effective interest rate is the rate that discounts estimated future cash payments or receipts through the expected life of the financial instrument or where appropriate a shorter period to the net carrying amount.
- c) Profits/losses on disposal of investments are taken to the income statement.
- d) Licence fee income is recognised on a straight-line basis over the period of the licence.

3.6 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.

3.7 Gold

Gold is a long-term investment stated at cost. Provision for diminution in value would be made in the event of a decline other than temporary in its value.

3.8 Foreign Assets

Foreign assets represent the Authority's investments in a global diversified portfolio and 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.

3.9 Financial Derivatives

Financial derivatives include forwards, swaps, futures and options. Other than financial instruments that are subject to margin requirements which are fair valued, provision has been made for diminution in value, if any, of other financial derivatives 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.

3.10 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. 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.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2008

3.11 Operating Leases

- 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 statement on an accrual basis according to the terms of the agreements.
- 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.

3.12 Employees' Benefits

- a) Defined contribution plans

Defined contribution plans are post-employment benefit plans under which the Authority pays fixed contributions into entities such as the Central Provident Fund, and will have no legal or constructive obligation to pay further contributions if any of the funds do not hold sufficient assets to pay all employee benefits relating to employee services in the current and preceding financial years. The Authority's contributions to defined contribution plans are recognised in the financial year to which they relate.

- b) Employee leave entitlement

Employee entitlements to annual leave are recognised when they accrue to employees. A provision is made for annual leave as a result of services rendered by employees up to the balance sheet date.

3.13 Property, Other Fixed Assets and Depreciation

- a) Property and Other Fixed Assets are stated at cost less accumulated depreciation and impairment losses, if any. The cost includes expenditure that is directly attributable to the acquisition of the items. Depreciation is calculated on a straight-line basis to write off the cost less residual value of the fixed assets over their estimated useful lives as follows:

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

The residual values and useful lives are reviewed and adjusted as appropriate, at each balance sheet date.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2008

- 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. Any computer software costs not written off, are included in fixed assets.
- c) Property and Other Fixed Assets are reviewed for impairment whenever there is any indication that these assets may be impaired. If such indication exists, the recoverable amount of the asset is estimated to determine the amount of impairment loss. The impairment loss is recognised in the income statement for the period.

Reversal of impairment losses recognised in prior years is recorded when there is an indication that the impairment losses recognised for the asset no longer exist or have decreased. The reversal, if any, is recognised in the income statement. However, the increased carrying amount of an asset due to a reversal of an impairment is recognised to the extent that it does not exceed the carrying amount that would have been determined (net of depreciation or amortisation) had no impairment losses been recognised for the asset in prior years.

- d) On disposal of fixed assets, the difference between the net disposal proceeds and its carrying amount is taken to the income statement.

4 INCOME FROM FOREIGN OPERATIONS

Income from foreign operations includes interest, dividends, profit/loss on disposal of investments, foreign exchange gain/loss and write-back of/additional provision for diminution in value of investment.

5 INCOME FROM DOMESTIC AND OTHER OPERATIONS

Income from domestic and other operations includes mainly interest and write-back 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

Investment and interest expenses include management fees, futures/options commissions and bank, custody and other charges arising from foreign operations, and interest paid on borrowings and reverse repurchase agreements arising from domestic and other operations. Other expenses include costs of printing of currency notes and coin operations.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2008

8 PERSONNEL EXPENDITURE

8.1 This includes the following:

	2008 \$'000	2007 \$'000
Salaries	119,022	104,784
Employer's Contribution to the Central Provident Fund	9,270	8,284
Training and Personnel Development	5,465	5,031
Staff Benefits	2,005	3,159
Directors' Fee	58	56

The Minister-in-charge of the Authority is not paid a salary by the Authority. In addition, all Ministers serving on the Authority's Board of Directors do not receive Directors' fees.

8.2 The key management personnel compensation is as follows:

	2008 \$'000	2007 \$'000
Salaries and other short-term employee benefits	15,750	14,518
Post-employment benefits	334	282
Other long-term benefits	1,551	1,181

Executive Directors, Department Heads and above, are considered as key management personnel for this purpose.

9 GENERAL AND ADMINISTRATIVE EXPENDITURE

This includes the following:

	2008 \$'000	2007 \$'000
Information Technology Expenses	8,505	9,091
Information Services	3,361	3,446
Property Tax	2,765	1,641
Official Trips and Conferences	2,674	2,357
Building and Mechanical and Electrical Maintenance	2,593	2,835
Consultant and Other Advisers' Fees	1,487	987
Audit Fee	801	662
Courtesy and Entertainment	71	66
IT Operating Lease Charges	5	69

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2008

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 are as follows:

	Note	2008 \$'000	2007 \$'000
External Assets			
Gold		228,093	250,645
Foreign Investments	13.1	23,235,572	19,703,216
		23,463,665	19,953,861
Less:			
Liabilities			
Active Currency in Circulation		19,150,162	17,313,059
Currency Held by the Authority		239,929	322,134
Currency in Circulation		19,390,091	17,635,193
Provisions and Other Liabilities		1,291,523	261,518
		20,681,614	17,896,711
Currency Fund Reserves		2,782,051	2,057,150

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2008

13 FOREIGN ASSETS

13.1 These comprise the following:

	General Reserve Fund		Currency Fund			Total
	2008	2007	2008	2007	2008	2007
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Foreign Investments						
Bank Balances, Deposits and Negotiable Certificates of Deposit	26,292,702	13,376,144	409,912	646,498	26,702,614	14,022,642
Securities (including Treasury bills, bonds and equities)	199,177,312	175,983,755	22,625,390	18,877,104	221,802,702	194,860,859
Other Foreign Investments	7,454,888	3,462,172	1,105,746	325,801	8,560,634	3,787,973
International Monetary Fund Assets (see note 13.2)						
Reserve Tranche	929,792	945,761	-	-	929,792	945,761
Special Drawing Rights (SDRs)	508,213	488,248	-	-	508,213	488,248
Poverty Reduction and Growth Facility - Heavily Indebted Poor Countries (PRGF-HIPC)	99,950	100,920	-	-	99,950	100,920
Shareholding in Bank for International Settlements (BIS) (see note 13.3)	96,172	96,172	-	-	96,172	96,172
Shareholding in Society for Worldwide Interbank Financial Telecommunication (SWIFT)	102	102	-	-	102	102
	234,559,131	194,453,274	24,141,048	19,849,403	258,700,179	214,302,677
Foreign Currency Liabilities	(13,996,610)	(5,714,378)	(905,476)	(146,187)	(14,902,086)	(5,860,565)
Total Foreign Assets	220,562,521	188,738,896	23,235,572	19,703,216	243,798,093	208,442,112

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2008

13.2 International Monetary Fund (IMF) Assets

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 participates in the Poverty Reduction and Growth Facility-Heavily Indebted Poor Countries (PRGF-HIPC). The outstanding balance as at 31 March 2008 is SDR44,045,647 [\$100.0 million] (31 March 2007: \$100.9 million), including a balance of SDR4,045,647 in the Post-Special Contingent Account-2 with IMF which was transferred to the PRGF-HIPC on 24 April 2001 as an interest-free deposit maturing at the end of 2018.

13.3 Bank For International Settlements (BIS)

The Authority's shareholding in the BIS comprises the 25% paid-up value of 4,285 (31 March 2007: 4,285) shares with a nominal value of SDR5,000 each.

14 OTHER ASSETS

14.1 These comprise the following:

	Note	2008 \$'000	2007 \$'000
Loans, Deposits and Other Receivables		2,535,157	2,491,564
Corporate Club Memberships, at cost		561	561
Less: Amount amortised		(252)	(232)
		309	329
Staff Loans			
Amount repayable within 12 months	14.2	46	73
Amount repayable after 12 months	14.2	175	185
		221	258
		2,535,687	2,492,151

14.2 Staff loans include housing, conveyance, renovation and personal computer loans. The period ranges from 3 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 a bank's prevailing housing loan rate (subject to a floor of 5% per annum) for the portion of housing loans exceeding \$750,000.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2008

15 PROPERTY AND OTHER FIXED ASSETS

	Leasehold Land \$'000	Buildings \$'000	Building Improvements \$'000	Computer Hardware and Software \$'000	Furniture,Fixtures, Motor Vehicles and Other Equipment \$'000	Work-in- Progress \$'000	Total \$'000
COST							
As at 1.4.2006	48,070	170,901	90,723	26,244	17,739	20,753	374,430
Additions	-	-	866	15,362	457	563	17,248
Disposals	-	-	-	(2,066)	(385)	-	(2,451)
Transfers	-	-	-	20,695	-	(20,695)	-
As at 31.3.2007	48,070	170,901	91,589	60,235	17,811	621	389,227
ACCUMULATED DEPRECIATION							
As at 1.4.2006	8,869	53,104	55,982	22,195	15,355	-	155,505
Disposals	-	-	-	(2,007)	(385)	-	(2,392)
Depreciation charge	1,092	4,349	6,354	9,395	1,592	-	22,782
As at 31.3.2007	9,961	57,453	62,336	29,583	16,562	-	175,895
NET BOOK VALUE AS AT 31.3.2007							
	38,109	113,448	29,253	30,652	1,249	621	213,332
COST							
As at 1.4.2007	48,070	170,901	91,589	60,235	17,811	621	389,227
Additions	-	-	2,202	4,718	3,995	3,635	14,550
Disposals	-	-	(1,226)	(1,930)	(621)	-	(3,777)
Transfers	-	-	447	-	166	(613)	-
As at 31.3.2008	48,070	170,901	93,012	63,023	21,351	3,643	400,000
ACCUMULATED DEPRECIATION							
As at 1.4.2007	9,961	57,453	62,336	29,583	16,562	-	175,895
Disposals	-	-	(1,127)	(1,922)	(621)	-	(3,670)
Depreciation charge	1,091	4,348	6,488	9,648	1,872	-	23,447
As at 31.3.2008	11,052	61,801	67,697	37,309	17,813	-	195,672
NET BOOK VALUE AS AT 31.3.2008							
	37,018	109,100	25,315	25,714	3,538	3,643	204,328

STATEMENT BY DIRECTORS FOR THE YEAR ENDED 31 MARCH 2008

16 DEPOSITS OF FINANCIAL INSTITUTIONS

	2008 \$'000	2007 \$'000
Banks	9,797,536	8,429,684
Finance Companies	284,516	214,741
Securities Companies	5,700	4,800
	10,087,752	8,649,225
International Financial Institutions	801,338	767,179
Foreign Central Banks	290	292
Others	2,156	-
	10,891,536	9,416,696

Deposits from banks and finance companies in Singapore include 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 (Licensing and Conduct of Business) Regulations.

17 PROVISIONS AND OTHER LIABILITIES

17.1 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.

17.2 The Authority's allocation of Special Drawing Rights in IMF amounting to \$37.4 million as at 31 March 2008 (31 March 2007: \$37.7 million) is included in "Provisions and Other Liabilities".

18 AMOUNTS DUE TO SINGAPORE GOVERNMENT

The amounts due to the Singapore Government comprise the following:

	2008 \$'000	2007 \$'000
Contribution to Consolidated Fund	1,340,096	769,195
Return of Profit to Singapore Government	2,530,000	2,400,000
Deposits of Singapore Government	112,997,079	107,749,143
	116,867,175	110,918,338

MAS FY2007/2008 FINANCIAL STATEMENT HIGHLIGHTS

18 AMOUNTS DUE TO SINGAPORE GOVERNMENT (CONT'D)

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 18% (2007: 20%) of the profit for the year.

19 FINANCIAL SECTOR DEVELOPMENT FUND

19.1 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 Authority provides administrative and accounting support to the Fund. The Fund shall be used for the objects and purposes set out in Section 30B of the Act.

19.2 The financial statements have been prepared in accordance with the provisions of the Monetary Authority of Singapore Act (Chapter 186, 1999 Revised Edition) and the Singapore Financial Reporting Standards. The assets and liabilities of the Fund as at 31 March are as follows:

	2008 \$'000	2007 \$'000
ACCUMULATED FUND		
Capital Account	471,635	471,635
Accumulated Surplus	399,895	308,077
	871,530	779,712
Represented by:		
ASSETS		
Bank Balances and Deposits	172,872	433,513
Financial Assets at Fair Value through Profit or Loss	710,246	365,096
Advances and Receivables	18,361	8,389
	901,479	806,998
Less:		
LIABILITIES		
Financial Liabilities at Fair Value through Profit or Loss	1,953	469
Accruals and Other Liabilities	27,996	26,817
	29,949	27,286
NET ASSETS	871,530	779,712

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2008

19.3 The financial results of the Fund are as follows:

	2008 \$'000	2007 \$'000
Income/(Loss) from Investments		
Interest Income	23,239	19,607
Dividend Income	96,754	45,283
Gains from Financial Instruments Designated at Fair Value	20,058	13,907
Foreign Currency Loss	(25,296)	(5,933)
Other Income	170	52
Total Income	114,925	72,916
Less:		
Investment Expenses	3,085	2,617
Grants	20,022	27,807
Total Expenditure	23,107	30,424
Net Surplus for the Year	91,818	42,492

19.4 The notes to the assets and liabilities and financial results of the Fund are available on the Authority's website at <http://www.mas.gov.sg>.

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

The following statutory bank deposits, guarantees and Singapore Government Bonds of insurance companies, remittance licensees and capital market services licensees, are retained by the Authority under the Insurance Act (Chapter 142, 2002 Revised Edition), the Money-Changing and Remittance Businesses Act (Chapter 187, 1996 Revised Edition) and the Securities and Futures Act (Chapter 289, 2002 Revised Edition) respectively, and in the events specified, dealt with accordingly under the respective Acts.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2008

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

	2008 \$'000	2007 \$'000
Insurance Companies		
Fixed Deposits	139,869	160,683
Banker's Guarantees	23,500	25,000
Singapore Government Bonds	4,300	4,300
	167,669	189,983
Remittance Licensees		
Banker's Guarantees	16,600	17,300
Capital Market Services Licensees		
Banker's Guarantees	76,800	73,700

21 COMMITMENTS

21.1 International Monetary Fund (IMF)

- a) The Authority has an obligation to pay \$1,053 million as at 31 March 2008 (31 March 2007: \$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 [\$771 million] as at 31 March 2008 (31 March 2007: \$779 million) in the event of a financial emergency as specified by the NAB. For the financial year ended 31 March 2008, the Authority did not grant any loan under the NAB.

21.2 Bank for International Settlements (BIS)

The Authority has a commitment, amounting to SDR16.1 million (\$36.5 million) as at 31 March 2008 (31 March 2007: \$36.8 million), in respect of the uncalled portion of its shareholding in the BIS.

21.3 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 2008, there was no request for liquidity assistance from any counterpart.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2008

21.4 ASEAN Swap Arrangement (ASA)

The Authority has participated in the multilateral ASEAN Swap Arrangement (ASA) together with other ASEAN central banks and monetary authorities to provide short-term foreign exchange liquidity support for member countries that may experience balance of payments difficulties. For the financial year ended 31 March 2008, there was no request for liquidity support from any member country. The ASA was renewed for an additional two years up to 16 November 2007. The Authority's appointment as agent bank for the ASA ended on 16 November 2006.

21.5 Bilateral Swap Agreement

The Authority and the Bank of Japan, acting as the agent for the Minister of Finance of Japan, renewed their bilateral swap agreement (BSA) under the Chiang Mai Initiative on 8 November 2005. The revised agreement will enable the two central banks to swap their currencies (i.e., Singapore dollars and Japanese yen) for US dollars. Under the agreement, Singapore can swap up to US\$3,000 million (\$4,140 million) while Japan can swap up to US\$1,000 million (\$1,380 million). For the financial year ended 31 March 2008, there was no request to activate the BSA.

21.6 Capital Commitments

Capital expenditure not provided for in the financial statements is as follows:

	2008 \$'000	2007 \$'000
Amount contracted for	2,249	4,671

21.7 Leases

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

	2008 \$'000	2007 \$'000
Less than 1 year	472	490
1 to 5 years	2,108	401
More than 5 years	3,217	-
	5,797	891

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2008

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

	2008 \$'000	2007 \$'000
Less than 1 year	3,046	2,389
1 to 5 years	1,520	1,594
	4,566	3,983

22 FINANCIAL RISK MANAGEMENT

- 22.1 The Risk Committee, chaired by an independent Board member, assists the Board of Directors in providing 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.
- 22.2 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.
- 22.3 Market Risk
- a) 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, interest rate and other price risks.
- i) Currency risk is the risk of loss on foreign assets and liabilities arising from changes in foreign exchange rates.
- ii) Interest rate risk is the risk of loss arising from changes in market interest rates. The Authority manages interest rate risks by setting duration limits on its investments.
- iii) Other price risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices (other than those arising from interest rate risk or currency risk), whether those changes are caused by factors specific to the individual financial instrument or its issuer, or factors affecting all similar financial instruments traded in the market.
- b) Market risks are managed through regular monitoring of the market risk exposure of the Authority's investments, the diversification of the Authority's investments across different markets and currencies, and the establishment of investment risk tolerance and controls at both the aggregate and individual portfolio levels.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2008

22.4 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, custodian and issuer credit risks.
- b) The Authority's credit risks are managed by transacting with well-rated entities within assigned limits. Credit risks are also mitigated by diversifying credit exposures across counterparties, custodians and issuers.
- c) The Authority manages issuer credit risk by imposing minimum credit rating requirements on the investment of fixed income securities. Single issuer limits are placed to control the credit exposure to any one issuer and to mitigate the extent of loss resulting from a default.

22.5 Country Risk

The Authority is exposed to the country credit risk of the Authority's foreign assets arising from political, economic and financial events in the country of investment. Country limits are established to control the Authority's credit risk exposure to individual countries.

22.6 Liquidity Risk

Liquidity risk is the risk arising from the inability to sell a financial asset at close to its fair value at short notice due to inadequate market depth or market disruptions. The Authority manages liquidity risk by investing mostly in liquid financial instruments and markets, and imposing limits on investments to ensure sufficient diversification.

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 2008 were authorised by the Board of Directors for issuance and signed by Chairman and Managing Director on 23 June 2008.

KEY ECONOMIC AND FINANCIAL STATISTICS

	2003	2004	2005	2006	2007
National Income Aggregates					
Gross Domestic Product					
At Current Market Prices (\$m)	162,287.7	184,508.0	199,374.8	216,994.5	243,168.8
Growth Rate (% change)	2.7	13.7	8.1	8.8	12.1
At 2000 Market Prices (\$m)	168,149.5	183,271.0	196,645.6	212,711.5	229,123.1
Growth Rate (% change)	3.5	9.0	7.3	8.2	7.7
Gross National Income					
At Current Market Prices (\$m)	157,682.0	170,770.3	181,302.8	201,771.7	234,566.1
Growth Rate (% change)	2.4	8.3	6.2	11.3	16.3
Labour Force					
Unemployment Rate (%)	4.0	3.4	3.1	2.7	2.1
Productivity Growth (% change)	4.8	7.2	2.8	1.5	-0.9
Changes in Employment ('000)	-12.9	71.4	113.3	176.0	234.9
Average Monthly Earnings (% change)	1.7	3.6	3.5	3.2	6.2
Unit Labour Cost (% change)	-2.3	-4.1	0.5	0.5	3.8
Savings and Investment					
Gross National Savings (\$m)	63,627.6	70,895.8	76,813.2	90,749.4	113,868.6
As % of GNI	40.4	41.5	42.4	45.0	48.5
Gross Domestic Capital Formation (\$m)	26,015.0	40,074.7	39,737.7	43,454.4	54,854.7
As % of GNI	16.5	23.5	21.9	21.5	23.4
Balance of Payments (\$m)					
Goods Balance	51,267.9	52,466.3	61,729.2	68,953.2	74,096.6
Exports of Goods	281,634.0	336,887.6	387,348.5	437,122.6	456,378.9
Growth Rate (% change)	11.8	19.6	15.0	12.8	4.4
Imports of Goods	230,366.1	284,421.3	325,619.3	368,169.4	382,282.3
Growth Rate (% change)	5.6	23.5	14.5	13.1	3.8
Services and Other Balances	-13,655.3	-21,645.2	-24,653.7	-21,658.2	-15,082.7
Current Account Balance	37,612.6	30,821.1	37,075.5	47,295.0	59,013.9
As % of GNI	23.9	18.0	20.4	23.4	25.2
Capital and Financial Account Balance	-31,329.4	-14,703.5	-21,428.5	-22,779.0	-28,103.7
Balancing Item	5,491.3	4,351.3	4,749.7	2,479.7	-1,612.6
Overall Balance	11,774.5	20,468.9	20,396.7	26,995.7	29,297.6
Official Foreign Reserves	163,053.5	183,464.0	192,813.0	208,991.8	234,545.6
Inflation (% change)					
Consumer Price Index	0.5	1.7	0.5	1.0	2.1
GDP Deflator	-0.8	4.3	0.7	0.6	4.0
Monetary Aggregates (% change)					
M1	8.1	14.0	4.4	13.4	22.4
M2	8.1	6.2	6.2	19.4	13.4
M3	5.9	6.1	6.4	19.1	14.1

	2003	2004	2005	2006	2007
Interest Rates (period average, % per annum)					
Prime Lending Rate	5.31	5.30	5.30	5.31	5.33
Banks' 3-month Fixed Deposit Rate	0.50	0.40	0.44	0.57	0.53
Banks' 3-month Domestic Interbank Rate	0.73	1.02	2.22	3.45	2.76
3-month US\$ SIBOR	1.22	1.62	3.56	5.19	5.30
Exchange Rates (period average, S\$ per)					
US Dollar	1.7422	1.6903	1.6646	1.5889	1.5071
Pound Sterling	2.8467	3.0963	3.0290	2.9261	3.0161
Euro	1.9703	2.1008	2.0719	1.9952	2.0638
100 Japanese Yen	1.5044	1.5634	1.5138	1.3667	1.2806
Malaysian Ringgit	0.4585	0.4448	0.4395	0.4331	0.4384
Banking and Finance					
Commercial Banks' Assets/Liabilities (S\$m)	362,528.4	398,236.7	425,222.5	508,624.6	580,881.9
Growth Rate (% change)	2.7	9.8	6.8	19.6	14.2
Finance Companies' Assets/Liabilities (S\$m)	7,902.7	8,308.5	9,444.9	10,066.6	12,781.8
Growth Rate (% change)	-42.4	5.1	13.7	6.6	27.0
Merchant Banks' Assets/Liabilities (S\$m)	58,203.4	59,244.8	64,845.1	78,029.3	89,025.5
Growth Rate (% change)	10.7	1.8	9.5	20.3	14.1
Asian Currency Units' Assets/Liabilities (US\$m)	509,145.9	581,562.5	611,377.3	698,762.4	905,564.5
Growth Rate (% change)	5.5	14.2	5.1	14.3	29.6
Insurance					
Life Insurers' Assets/Liabilities (S\$m)	63,865.6	72,479.9	88,927.5	99,353.0	112,451.2
Growth Rate (% change)	16.8	13.5	22.7	11.7	13.2
General Insurers' Assets/Liabilities (S\$m)	13,540.9	14,073.0	13,500.9	14,069.4	16,326.2
Growth Rate (% change)	11.6	3.9	-4.1	4.2	16.0
CPF					
Excess of Contributions Over Withdrawals (S\$m)	4,001.7	4,959.0	4,238.3	2,089.5	6,555.1
Domestic Capital Market					
Net Funds Raised in Domestic Capital Market (S\$m)	34,956.9*	42,652.1	44,746.4*	40,795.0*	75,580.7

* Revised

STATISTICAL ANNEX

A.	MONETARY STATISTICS	
A.1	Money Supply	98
A.2	Official Foreign Reserves	99
A.3	Exchange Rates	100
A.4	Domestic Interest Rates	101
B.	FINANCIAL STRUCTURE	
B.1	Number of Financial Institutions in Singapore	102
C.	COMMERCIAL BANKS	
C.1	Assets and Liabilities	104
C.2	Loans and Advances by Industrial Classification	105
C.3	Types of Loans and Advances to Non-Bank Customers	106
C.4	Types of Deposits including S\$NCDs	107
C.5	Liquidity Position	108
D.	FINANCE COMPANIES	
D.1	Assets and Liabilities	109
E.	MERCHANT BANKS	
E.1	Consolidated Assets and Liabilities	110
E.2	Assets and Liabilities of Domestic Unit Operations	111
F.	INSURANCE INDUSTRY	
F.1	Assets and Premiums	112
G.	NON-BANK FINANCIAL INSTITUTIONS	
G.1	Central Provident Fund Board	113
H.	DOMESTIC CAPITAL MARKET	
H.1	Net Funds Raised in the Domestic Capital Market	114
I.	ASIAN DOLLAR MARKET	
I.1	Assets and Liabilities	115
I.2	Maturity Transformation by Asian Currency Units	116

A.1 MONETARY STATISTICS: MONEY SUPPLY

										\$S Million March 2008
End of Period	1999	2000	2001	2002	2003	2004	2005	2006	2007	
Money Supply (M1)	31,109.1	33,261.9	36,082.9	35,828.2	38,722.6	44,162.3	46,085.9	52,242.6	63,938.6	68,875.7
Currency in active circulation ¹	11,315.4	11,289.2	11,867.8	12,360.3	12,838.4	13,694.0	14,584.5	15,284.7	16,668.5	17,356.2
Demand deposits	19,793.7	21,972.7	24,215.1	23,467.9	25,884.2	30,468.3	31,501.4	36,957.9	47,270.1	51,519.5
Quasi-money	143,365.3	137,635.9	144,825.6	144,479.9	156,105.9	162,815.6	173,712.4	210,127.2	233,620.3	244,404.7
Fixed deposits	85,988.3	83,043.8	83,308.2	81,597.5	89,706.3	93,360.2	107,714.3	141,619.4	151,731.7	155,427.8
Savings and other deposits	56,828.0	54,276.8	61,313.5	62,656.8	66,111.3	68,940.4	65,588.9	68,287.0	81,822.9	88,930.8
S\$NCDs	549.0	315.3	203.9	225.6	288.3	515.0	409.2	220.8	65.7	46.1
Money Supply (M2)	174,474.4	170,897.8	180,908.5	180,308.1	194,828.5	206,977.9	219,798.3	262,369.8	297,558.9	313,280.4
Net deposits with finance companies	11,709.3	12,014.9	9,408.4	8,507.3	5,215.8	5,204.8	5,901.3	6,379.3	9,196.0	9,428.0
Money Supply (M3)	186,183.7	182,912.7	190,316.9	188,815.4	200,044.3	212,182.7	225,699.6	268,749.1	306,754.9	322,708.4

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 Oct 2002.

A.2 MONETARY STATISTICS: OFFICIAL FOREIGN RESERVES ¹

End of Period	S\$ Million									
	1999	2000	2001	2002	2003	2004	2005	2006	2007	March 2008
Total Foreign Reserves	128,243.3	138,927.0	139,714.3	142,621.1	163,053.5	183,464.0	192,813.0	208,991.8	234,545.6	244,904.4
Gold & Foreign Exchange	127,344.2	138,155.0	138,744.2	141,490.3	161,745.2	182,276.8	192,044.6	208,304.2	233,913.1	244,271.2
Reserve Position in the IMF	694.8	535.0	692.0	825.0	956.2	712.4	291.2	200.1	128.6	125.0
Special Drawing Rights (SDRs)	204.3	237.0	278.1	305.8	352.1	474.8	477.2	487.5	503.9	508.2
Total Foreign Reserves (US\$ Million)	77,047.7	80,169.6	75,677.0	82,218.7	96,244.1	112,574.9	116,172.6	136,260.9	162,956.8	177,462.3

¹ Prior to May 1999, Singapore's official foreign reserves 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									
	1999	2000	2001	2002	2003	2004	2005	2006	2007	1st Qtr 2008
US Dollar	1.6949	1.7239	1.7917	1.7906	1.7422	1.6903	1.6646	1.5889	1.5071	1.4093
100 Japanese Yen	1.4944	1.6001	1.4751	1.4309	1.5044	1.5634	1.5138	1.3667	1.2806	1.3395
Euro	1.8093	1.5930	1.6050	1.6909	1.9703	2.1008	2.0719	1.9952	2.0638	2.1127
Pound Sterling	2.7427	2.6134	2.5809	2.6885	2.8467	3.0963	3.0290	2.9261	3.0161	2.7881
Swiss Franc	1.1306	1.0223	1.0630	1.1528	1.2957	1.3609	1.3383	1.2684	1.2563	1.3210
Australian Dollar	1.0933	1.0031	0.9274	0.9737	1.1355	1.2443	1.2686	1.1967	1.2624	1.2779
100 Korean Won	0.1426	0.1526	0.1389	0.1435	0.1463	0.1477	0.1625	0.1664	0.1622	0.1475
100 New Taiwan Dollar	5.2544	5.5231	5.3031	5.1801	5.0639	5.0584	5.1768	4.8870	4.5870	4.4731
Hong Kong Dollar	0.2184	0.2212	0.2297	0.2296	0.2237	0.2170	0.2140	0.2045	0.1932	0.1808
Malaysian Ringgit	0.4460	0.4537	0.4715	0.4712	0.4585	0.4448	0.4395	0.4331	0.4384	0.4368
Thai Baht	0.0448	0.0430	0.0403	0.0416	0.0420	0.0420	0.0414	0.0419	0.0436	0.0435
100 Indonesian Rupiah	0.0218	0.0207	0.0176	0.0193	0.0203	0.0189	0.0172	0.0173	0.0165	0.0152

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

A.4 MONETARY STATISTICS: DOMESTIC INTEREST RATES

	Per Cent Per Annum									
Period Average	1999	2000	2001	2002	2003	2004	2005	2006	2007	1st Qtr 2008
Banks ¹										
Prime Lending Rate	5.80	5.83	5.67	5.34	5.31	5.30	5.30	5.31	5.33	5.33
Fixed Deposit Rate										
3-month	1.68	1.71	1.52	0.87	0.50	0.40	0.44	0.57	0.53	0.45
6-month	2.04	2.06	1.85	1.14	0.67	0.51	0.55	0.67	0.64	0.55
12-month	2.46	2.45	2.14	1.39	0.88	0.71	0.76	0.88	0.85	0.75
Savings Deposit Rate	1.36	1.30	1.13	0.56	0.28	0.23	0.24	0.26	0.25	0.24
Finance Companies ²										
Fixed Deposit Rate										
3-month	1.77	1.85	1.54	0.98	0.52	0.48	0.66	0.94	0.75	0.51
6-month	2.23	2.31	1.78	1.19	0.75	0.69	0.83	1.39	1.09	0.62
12-month	2.73	2.82	2.14	1.42	0.99	0.99	1.25	1.85	1.57	0.96
Savings Deposit Rate	1.30	1.31	1.14	0.69	0.36	0.31	0.32	0.34	0.33	0.28
Interbank Rate ³										
1-month	1.80	2.45	1.93	0.87	0.68	0.94	2.17	3.40	2.66	1.43
3-month	2.12	2.57	2.00	0.95	0.73	1.02	2.22	3.45	2.76	1.58
US\$ SIBOR										
1-month	5.26	6.41	3.88	1.77	1.21	1.50	3.38	5.10	5.26	3.30
3-month	5.41	6.53	3.78	1.80	1.22	1.62	3.56	5.19	5.30	3.28
6-month	5.52	6.65	3.74	1.89	1.23	1.79	3.77	5.28	5.26	3.17

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	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008
Banks	142	140	133	120	117	115	111	108	108	113
Local ¹	9	8	8	6	5	5	5	5	5	6
Foreign	133	132	125	114	112	110	106	103	103	107
Full banks	22	23	23	22	22	23	24	24	24	24
Wholesale banks ²	13	16	20	33	31	37	35	34	36	42
Offshore banks	98	93	82	59	59	50	47	45	43	41
(Banking offices including head offices and main offices)	(561)	(538)	(485)	(444)	(404)	(398)	(396)	(397)	(399)	(408)
Asian Currency Units	205	195	184	169	164	160	153	151	154	158
Banks	135	133	127	115	112	110	106	104	106	111
Merchant banks	70	62	57	54	52	50	47	47	48	47
Finance Companies	15	14	11	7	5	3	3	3	3	3
(Finance companies' offices including head offices)	(109)	(101)	(79)	(65)	(59)	(39)	(39)	(39)	(39)	(39)
Merchant Banks	70	63	58	55	53	51	48	48	49	49
Insurance Companies	159	153	151 ³	144	143 ⁴	139	140	151	153	151
Direct insurers	59	55	54	57	57	57	55	58	61	59
Professional reinsurers	49	47	46	36	36	52	28	28	27	25
Authorised reinsurers	0	0	0	0	0	0	0	5	5	5
Captive insurers	51	51	51	51	50	30	57	60	60	62
Insurance Brokers	-	-	88	90	57 ⁵	61	61	63	62	65
Representative Offices	69	66	62	55	51	49	45	42	43	45
Banks	69	66	62	55	51	49	45	42	43	45
Merchant banks	-	-	-	-	-	-	-	-	-	-

1 All local banks are full banks.

2 Previously known as restricted banks.

3 Figure includes 11 companies on run-off and 1 company under scheme of transfer.

4 Figure includes 20 companies on run-off.

5 The figure includes 26 direct life brokers. The regulation of direct life brokers was transferred from the repealed Insurance Intermediaries Act to the Financial Advisers Act (FAA) when the FAA came into force on 1 October 2002.

End-March	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008
International Money Brokers	9	9	8	8	8	8	10	9	10	10
Licensed Financial Advisers	-	-	-	-	49	52	56	61	67	69
Capital Markets Services Licensees ⁶	226	243	247	224	166	163	168	171	183	215
Dealing in Securities ⁷	78	77	81	79	59	60	65	72	77	93
Trading in Futures Contracts ⁸	49	45	50	39	36	31	34	38	40	46
Advising on Corporate Finance	-	-	-	-	22	26	30	33	36	37
Fund Management ⁹	148	154	167	167	90	94	91	92	97	110
Leveraged Foreign Exchange Trading	-	-	-	-	11	10	11	13	14	18
Securities Financing	-	-	-	-	13	13	15	16	15	16
Providing Custodial Services for Securities	-	-	-	-	26	26	27	31	34	38
Licensed Trust Companies ¹⁰	-	-	-	-	-	-	-	-	31	35

6 In view of changes in the licensing framework with the promulgation of the Securities and Futures Act (SFA) and the FAA on 1 October 2002, the data before and after 1 October 2002 are not directly comparable.

7 The figures prior to 2003 show the number of dealers licensed under the Securities Industry Act (SIA), which was repealed on 1 October 2002.

8 The figures prior to 2003 show the number of futures brokers and futures trading advisers licensed under the Futures Trading Act (FTA), which was repealed on 1 October 2002.

9 The figures prior to 2003 show the number of investment advisers licensed under the SIA and the number of futures pool operators licensed under the FTA.

10 Regulation of trust companies came under the purview of MAS when the Trust Companies Act came into effect on 1 February 2006.

C.1 COMMERCIAL BANKS: ASSETS & LIABILITIES

End of Period	1999	2000	2001	2002	2003	2004	2005	2006	2007	S\$ Million March 2008
Assets										
Cash in hand	2,556.7	1,488.9	1,234.3	1,176.1	1,210.2	1,400.7	1,349.4	1,665.4	1,772.9	1,582.5
Balances with MAS	7,524.3	5,690.9	6,970.8	6,462.8	6,592.0	6,775.0	7,466.1	8,802.0	9,530.4	9,782.8
S\$NCDs held	162.5	149.7	167.3	34.1	163.7	300.5	267.6	98.2	-	-
Amounts due from banks	109,650.2	116,475.7	114,250.7	96,807.5	97,549.3	113,856.1	133,505.2	184,163.8	192,851.7	213,721.9
In Singapore	29,458.6	42,535.9	27,069.9	17,434.6	21,357.0	32,615.8	39,004.2	51,554.4	59,924.1	65,608.2
ACUs	34,760.9	26,614.2	39,024.1	41,871.2	39,856.0	42,998.9	51,023.1	63,650.8	56,968.8	62,818.4
Outside Singapore	45,430.7	47,325.6	48,156.7	37,501.7	36,336.3	38,241.4	43,477.9	68,958.7	75,958.8	85,295.2
Investments	40,260.7	45,463.5	70,847.4	61,537.8	64,133.2	68,217.7	70,228.9	80,627.0	91,917.8	96,856.6
In Singapore	37,595.1	42,072.6	66,988.8	55,918.2	58,248.5	60,176.9	60,626.7	67,707.6	78,323.1	82,290.1
Government securities	30,948.5	33,718.9	40,511.7	42,621.2	45,555.8	45,057.5	43,750.4	50,738.3	59,934.1	64,201.9
Others	6,646.6	8,353.8	26,477.1	13,297.0	12,692.7	15,119.3	16,876.3	16,969.3	18,389.0	18,088.2
Outside Singapore	2,665.6	3,390.8	3,858.5	5,619.7	5,884.7	8,040.8	9,602.2	12,919.4	13,594.6	14,566.5
Loans and advances to non-bank customers	147,185.5	154,042.1	162,920.8	161,283.4	171,443.5	179,088.6	183,109.4	194,597.6	233,419.9	249,465.2
of which bills financing	5,118.1	3,584.3	3,636.6	3,047.7	3,889.2	5,544.8	5,308.1	6,160.2	9,035.2	11,526.5
Fixed and other assets	13,705.5	12,505.3	17,356.6	25,813.3	21,436.6	28,598.1	29,296.0	38,670.5	51,389.2	63,368.3
Liabilities										
Paid-up capital and reserves	25,318.6	24,492.1	36,855.7	30,560.9	32,724.5	35,933.0	38,161.7	39,017.4	39,293.9	45,413.3
Deposits of non-bank customers	174,454.1	171,316.4	182,551.4	180,138.4	194,231.5	206,176.3	223,718.0	272,462.6	314,985.8	330,849.0
S\$NCDs issued	711.5	465.0	371.3	259.8	452.0	815.5	676.7	319.0	65.7	46.1
Amounts due to banks	98,182.8	118,034.2	118,349.8	106,060.1	103,559.0	114,953.7	120,849.1	146,643.1	165,686.7	184,235.2
In Singapore	23,124.0	34,334.2	28,544.0	18,218.6	15,201.7	18,815.1	23,010.9	19,879.9	17,225.7	20,440.8
ACUs	44,623.1	53,662.4	61,177.4	61,777.0	63,191.4	71,774.1	67,842.2	79,015.1	96,033.2	105,823.1
Outside Singapore	30,435.7	30,037.5	28,628.3	26,064.5	25,165.9	24,364.5	29,996.0	47,748.1	52,427.8	57,971.2
Bills payable	754.1	598.4	516.7	606.1	578.2	521.1	620.8	998.3	1,254.3	1,262.6
Other liabilities	21,624.3	20,909.9	35,103.1	35,489.8	30,983.3	39,837.2	41,196.2	49,184.3	59,595.5	72,971.1
Total Assets/Liabilities	321,045.4	335,816.0	373,747.9	353,115.0	362,528.4	398,236.7	425,222.5	508,624.6	580,881.9	634,777.2

C.2 COMMERCIAL BANKS: LOANS AND ADVANCES BY INDUSTRIAL CLASSIFICATION

End of Period	1999	2000	2001	2002	2003	2004	2005	2006	2007	S\$ Million March 2008
Agriculture, mining and quarrying	191.4	178.7	113.0	162.1	305.5	212.5	293.0	325.9	232.1	250.8
Manufacturing	11,574.7	11,620.7	11,964.7	10,819.2	10,595.5	9,796.9	10,108.0	10,863.2	10,220.3	11,232.9
Building and construction	23,444.0	25,644.7	26,578.4	23,863.0	24,029.5	23,548.8	23,031.1	26,345.5	37,524.9	43,628.4
Housing and bridging loans	35,154.1	38,562.5	41,733.2	44,623.6	52,155.4	58,887.1	61,954.6	63,345.1	73,139.1	74,180.5
General commerce	19,949.3	18,967.5	17,693.0	16,887.2	16,857.3	18,893.8	19,885.2	20,059.0	22,271.9	24,096.8
Transport, storage and communication	3,743.3	4,124.2	6,148.9	4,554.7	4,133.8	3,956.8	4,327.0	6,297.1	9,129.8	9,719.8
Non-bank financial institutions	21,062.8	20,864.7	21,569.2	22,926.8	21,633.8	22,136.9	21,993.1	23,805.6	31,370.4	32,958.6
Professional and private individuals	21,594.2	24,722.1	27,740.9	27,729.5	32,783.9	32,571.9	32,482.3	32,318.3	35,070.8	35,285.7
Others	10,471.7	9,356.9	9,379.4	9,717.3	8,948.8	9,083.9	9,035.2	11,237.9	14,460.7	18,111.8
Total	147,185.5	154,042.1	162,920.8	161,283.4	171,443.5	179,088.6	183,109.4	194,597.6	233,419.9	249,465.2

C.3 COMMERCIAL BANKS: TYPES OF LOANS AND ADVANCES TO NON-BANK CUSTOMERS

End of Period	1999	2000	2001	2002	2003	2004	2005	2006	2007	S\$ Million March 2008
Overdrafts	28,302.8	27,020.7	23,880.4	20,001.1	16,829.1	13,562.9	11,790.0	10,781.5	10,437.2	10,898.0
Bills discounting	5,118.1	3,584.3	3,636.6	3,047.7	3,889.2	5,544.8	5,308.1	6,160.2	9,035.2	11,526.5
Trust receipts	4,589.3	4,857.2	4,435.4	4,179.1	3,995.2	4,649.5	5,095.7	5,407.2	6,431.8	6,462.0
Term loans and others	109,175.1	118,580.0	130,968.3	134,055.6	146,730.0	155,331.4	160,915.6	172,248.7	207,515.8	220,578.7
Total	147,185.5	154,042.1	162,920.8	161,283.4	171,443.5	179,088.6	183,109.4	194,597.6	233,419.9	249,465.2

C.4 COMMERCIAL BANKS: TYPES OF DEPOSITS INCLUDING S\$NCDS

End of Period	1999	2000	2001	2002	2003	2004	2005	2006	2007	S\$ Million March 2008
Demand	21,676.0	23,650.0	25,966.6	25,178.1	27,902.2	32,775.4	35,140.1	41,473.1	52,080.2	57,972.3
Fixed	92,118.7	89,774.6	90,845.1	87,879.2	95,729.2	99,829.5	118,496.4	158,168.3	175,421.2	177,955.1
Savings	60,271.8	57,477.4	65,331.1	66,690.8	69,861.3	72,938.3	69,306.2	71,760.9	86,496.0	94,154.8
S\$NCDS (net)	549.0	315.3	203.9	225.6	288.3	515.0	409.2	220.8	65.7	46.1
Others	387.6	414.4	408.7	390.4	738.8	633.0	775.4	1,060.3	988.5	766.8
Total	175,003.1	171,631.7	182,755.3	180,364.0	194,519.8	206,691.2	224,127.3	272,683.4	315,051.6	330,895.1

C.5 COMMERCIAL BANKS: LIQUIDITY POSITION

										S\$ Million
Period Average	1999	2000	2001	2002	2003	2004	2005	2006	2007	1st Qtr 2008
Liabilities Base	162,193.4	168,185.3	177,264.5	185,568.9	193,473.1	202,741.5	216,346.6	242,434.1	289,744.0	306,878.0
Liquid Assets										
(a) Minimum Requirement	34,060.6	35,318.9	37,225.5	38,969.5	40,629.4	36,091.2	38,238.1	42,980.6	51,699.6	54,624.8
(b) Total Actual Liquid Assets	37,419.2	39,518.6	44,342.4	46,845.5	50,375.9	52,340.0	52,889.6	53,597.5	65,088.2	69,221.8
(c) Free Liquid Assets (b) - (a)	3,358.6	4,199.7	7,116.9	7,876.0	9,746.5	16,248.8	14,651.5	10,616.9	13,388.6	14,597.0
Liquidity Ratios	23.1	23.5	25.0	25.2	26.0	25.8	24.4	22.1	22.5	22.6

D.1 FINANCE COMPANIES: ASSETS & LIABILITIES

End of Period	1999	2000	2001	2002	2003	2004	2005	2006	2007	S\$ Million March 2008
Assets										
Reserves with MAS	357.5	368.5	286.1	252.8	155.3	160.5	187.6	203.1	274.9	284.5
Deposits with banks and other financial institutions	2,729.7	1,664.5	1,241.9	1,345.7	312.3	460.7	455.1	757.1	881.7	869.7
Banks	2,654.4	1,635.2	1,218.0	1,345.7	312.3	453.3	455.1	757.1	881.7	869.7
Other institutions	75.4	29.4	23.9	0.0	0.0	7.4	0.0	0.0	0.0	0.0
Loans and advances	15,636.4	15,790.9	11,983.0	10,815.9	6,657.2	6,878.9	7,869.7	7,972.2	10,179.7	10,273.5
Housing loans	3,500.1	2,768.0	1,884.7	1,547.9	756.3	952.4	1,583.3	1,681.3	1,767.1	1,741.8
Hire purchase	4,413.3	5,700.1	4,394.8	4,034.4	2,459.0	2,364.8	2,467.6	2,245.8	2,713.1	2,660.9
Lease finance	1.4	1.1	0.8	0.3	0.0	0.0	0.0	0.0	0.0	0.0
Others	7,721.6	7,321.8	5,702.7	5,233.3	3,441.9	3,561.7	3,818.7	4,045.1	5,699.4	5,870.8
Securities and equities	1,691.5	1,680.4	1,257.0	1,115.8	687.4	709.4	827.3	1,008.0	1,277.7	1,344.6
Other assets	327.3	296.7	193.1	192.0	90.6	98.9	105.3	126.2	167.9	111.1
Liabilities										
Capital and reserves	3,408.1	3,164.9	2,425.5	2,111.2	1,406.3	1,442.8	1,658.4	1,693.1	1,734.7	1,773.7
Deposits	14,321.9	13,645.9	10,641.4	9,855.7	5,530.2	5,667.6	6,365.5	7,150.3	10,087.2	10,312.5
Fixed	13,875.5	13,425.4	10,431.4	9,612.0	5,373.4	5,514.1	6,240.4	7,035.3	9,939.5	10,148.8
Savings	344.3	194.6	202.4	222.6	149.7	145.8	121.6	108.9	140.0	152.7
Others	102.1	26.0	7.6	21.1	7.1	7.7	3.5	6.0	7.7	11.0
Borrowings	899.2	998.5	254.3	254.9	119.9	321.3	685.4	603.7	256.9	133.6
Other liabilities	2,113.2	1,991.8	1,639.9	1,500.5	846.4	876.8	735.7	619.5	703.0	663.6
Total Assets/Liabilities	20,742.4	19,801.1	14,961.1	13,722.3	7,902.7	8,308.5	9,444.9	10,066.6	12,781.8	12,883.4

E.1 MERCHANT BANKS: CONSOLIDATED ASSETS AND LIABILITIES ¹

End of Period	1999	2000	2001	2002	2003	2004	2005	2006	2007	S\$ Million March 2008
Assets										
Amounts due from banks	27,337.8	30,386.1	25,703.8	22,156.6	22,291.5	25,718.7	24,548.3	32,683.2	36,217.1	31,266.4
In Singapore	1,704.7	1,554.7	1,427.1	891.2	1,481.6	1,394.9	665.3	771.4	634.8	640.3
Outside Singapore ²	25,633.1	28,831.4	24,276.7	21,265.4	20,809.9	24,323.8	23,883.0	31,911.8	35,582.3	30,626.1
Loans and advances to non-bank customers	20,846.5	21,833.8	20,309.8	19,674.8	24,229.0	18,693.0	26,675.0	27,562.0	28,157.1	23,050.3
Securities and equities	6,934.8	6,263.4	9,354.9	9,511.3	10,109.9	11,991.1	11,209.1	15,650.2	21,072.0	21,032.0
Other assets	1,880.5	1,387.9	1,029.9	1,221.6	1,573.0	2,842.0	2,412.7	2,133.9	3,579.3	4,219.6
Liabilities										
Capital and reserves	8,008.6	8,296.2	8,094.0	7,742.7	8,232.6	7,636.0	8,374.1	8,104.5	9,121.3	8,566.1
Amounts due to banks	26,501.8	26,943.4	27,617.9	24,858.7	29,304.7	27,320.4	29,471.5	35,834.0	36,477.7	36,736.2
In Singapore	649.0	671.8	895.1	501.3	724.3	1,225.9	904.5	1,635.2	1,462.9	752.4
Outside Singapore ²	25,852.8	26,271.6	26,722.8	24,357.4	28,580.4	26,094.5	28,567.1	34,198.8	35,014.8	35,983.9
Borrowings from non-bank customers	18,914.6	21,587.0	17,861.3	17,729.8	18,207.0	20,406.1	23,036.8	28,859.0	36,904.2	27,856.9
Other liabilities	3,574.6	3,044.7	2,825.2	2,233.1	2,459.1	3,882.4	3,962.7	5,231.8	6,522.3	6,409.1
Total Assets/Liabilities	56,999.6	59,871.2	56,398.4	52,564.3	58,203.4	59,244.8	64,845.1	78,029.3	89,025.5	79,568.3

¹ Data are 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 OPERATIONS ¹

End of Period	1999	2000	2001	2002	2003	2004	2005	2006	2007	S\$ Million March 2008
Assets										
Amounts due from banks	6,454.7	5,958.0	5,743.8	5,264.3	5,985.7	4,970.6	4,034.7	4,403.2	4,361.7	4,883.4
In Singapore	1,702.7	1,545.1	1,425.5	881.9	1,479.4	1,393.0	664.2	770.6	633.9	639.8
Outside Singapore ²	4,752.0	4,412.9	4,318.3	4,382.4	4,506.3	3,577.6	3,370.5	3,632.6	3,727.8	4,243.5
Loans and advances to non-bank customers	675.8	791.8	801.1	809.0	768.2	688.4	685.2	715.1	1,138.5	1,102.3
Securities and equities	449.8	485.1	609.2	477.3	350.7	745.1	1,137.6	1,864.0	1,641.2	1,103.2
Other assets	319.8	303.8	249.5	219.0	273.0	326.9	299.8	397.2	1,170.7	793.6
Liabilities										
Capital and reserves	4,874.0	4,802.7	4,734.5	4,517.2	4,700.9	3,529.3	2,613.4	2,133.6	2,781.0	3,452.4
Amounts due to banks	2,053.7	1,677.3	1,659.3	1,529.8	1,771.5	2,301.8	2,842.4	4,236.7	3,884.0	2,948.6
In Singapore	411.3	395.5	658.3	501.1	724.0	831.0	904.5	1,635.2	1,448.5	738.6
Outside Singapore ²	1,642.4	1,281.8	1,001.0	1,028.7	1,047.5	1,470.8	1,937.9	2,601.5	2,435.5	2,210.0
Borrowings from non-bank customers	516.3	565.5	562.7	336.5	446.0	435.8	237.8	365.5	521.9	498.3
Other liabilities	456.1	493.1	447.1	386.3	459.0	464.0	463.7	643.8	1,125.2	983.1
Total Assets/Liabilities	7,900.1	7,538.6	7,403.6	6,769.7	7,377.5	6,731.0	6,157.3	7,379.6	8,312.0	7,882.4

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

	1999	2000	2001	2002	2003	2004	2005	2006	2007	S\$ Million March 2008*
Total Assets of Insurance Industry (End Period)										
Total Assets of Insurance Industry (End Period)	38,858.7	45,409.8	59,696.7	66,789.0	77,406.4	86,552.9	102,428.4	113,422.4	128,777.4	123,617.1
Direct Insurers	34,918.8	41,058.8	54,710.3	61,537.0	71,323.8	79,822.9	94,324.6	105,060.6	118,860.0	115,487.4
Professional Reinsurers	3,081.2	3,504.3	4,208.7	4,361.4	4,697.4	5,202.7	6,070.0	6,622.5	7,960.1	8,129.7
Captive Insurers	858.7	846.7	777.7	890.5	1,385.2	1,527.3	2,033.8	1,739.3	1,957.3	N.A.
General Business: Gross Premiums										
Total General Business	2,752.6	3,269.6	3,821.2	4,756.4	4,996.2	4,902.6	5,330.7	5,481.3	6,105.4	1,584.8
Domestic Business	1,479.2	1,622.2	1,800.5	2,230.9	2,344.2	2,151.3	2,346.7	2,385.9	2,621.9	804.4
Offshore Business	1,273.4	1,647.4	2,020.7	2,525.5	2,652.0	2,751.3	2,984.0	3,095.4	3,483.5	780.4
Life Business: Premiums										
Premiums in Force (End Period)	4,680.5	5,071.6	5,221.9	5,417.9	5,547.9	5,869.6	6,839.8	7,181.5	7,660.8	7,709.5
New Business Premiums										
Annual Premium Policies	552.6	705.6	455.1	686.7	499.8	549.8	982.9	868.8	1,121.9	306.8
Single Premium Policies										
Life Insurance	1,785.1	3,337.7	8,961.6	5,948.3	4,613.4	6,077.0	5,354.3	6,975.8	9,031.7	2,757.3
Annuity	174.3	266.2	450.2	602.6	231.6	237.7	263.1	377.4	402.9	274.3

* Gross Premiums for March 2008 for total general business does not include general captives and marine mutual insurers.

N.A: Not available

G.1 NON-BANK FINANCIAL INSTITUTIONS: CENTRAL PROVIDENT FUND BOARD

	S\$ Million									
	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008 **
Excess Of Contributions										
Over Withdrawals (During Period)	14.7	-478.4	-566.5	1,304.1	4,001.7	4,959.0	4,238.3	2,089.5	6,555.1	1,882.2
Members' Contributions	12,826.6	14,092.8	18,322.3	16,165.7	15,870.0	15,320.1	16,105.1	16,547.1	18,185.0	5,896.9
Withdrawals *	12,811.9	14,571.2	18,888.8	14,861.6	11,868.3	10,361.1	11,866.8	14,457.6	11,629.9	4,014.7
Approved Housing Schemes ¹	9,528.4	8,655.1	8,262.5	8,208.1	6,909.8	6,517.0	7,364.3	8,355.0	5,867.9	1,670.3
Under Section 15 ²	1,671.1	1,679.9	2,226.1	2,026.8	2,384.8	2,272.6	2,440.3	3,028.0	3,079.5	665.3
Medical Schemes ³	445.0	518.1	531.6	763.2	722.0	779.7	903.5	996.3	1,076.7	231.7
Others	1,167.4	3,718.1	7,868.6	3,863.5	1,851.7	791.8	1,158.7	2,078.3	1,605.8	1,447.4
Interest Credited										
to Members' Balances										
(During Period)	3,105.3	2,379.8	2,489.5	2,897.3	3,115.3	3,375.3	3,675.4	3,926.8	4,228.0	1,321.3
Advanced Deposits										
with MAS (During Period) ⁴	3,576.7	577.7	1,648.9	3,820.2	7,130.1	11,624.5	10,091.7	1,574.4	17,874.2	4,071.8
Interest Earnings										
from Investments (During Period)	3,309.8	2,537.8	2,662.4	3,054.9	3,260.5	3,523.5	3,844.1	4,114.7	4,432.1	1,355.8
Holdings of Government										
Securities (End Period) ⁵	62,620.0	60,620.0	89,410.3	94,444.1	100,750.4	108,462.4	115,362.2	118,918.0	128,626.5	135,529.2
Members' Balances (End Period)	88,396.9	90,298.3	92,221.2	96,422.6	103,539.6	111,873.8	119,787.5	125,803.8	136,586.9	139,790.4

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, Private Medical Insurance and ElderShield 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

	S\$ Million									
	1999	2000	2001	2002	2003	2004	2005	2006	2007	1st Qtr 2008
A Net funds raised by Government	8,973.9	8,873.2	12,453.1*	7,014.9	11,661.2*	14,965.8	13,056.1*	3,200.2*	22,905.9	8,195.6
1) Gross issue of Government securities ¹	12,430.0	12,100.0	44,990.3	22,433.8	24,906.3	31,102.2	28,299.8	19,946.1	35,930.9	9,802.7
Less:										
Redemption of Government securities	6,549.2	7,636.9	7,080.0	15,136.8	14,524.4	17,240.0	16,700.0	13,090.3	21,022.5	-
Government holdings of Government securities	-0.1	0.1	-	-	-	-	-	-	-	-
Conversion from accumulated advance deposits	5,000.0	-	30,790.3	14,033.8	6,306.3	7,712.2	6,899.8	3,555.8	9,708.4	6,902.7
2) New advance deposits	6,093.0	2,910.2	4,238.1	13,216.7	7,165.6	8,315.8	7,656.1	-1,374.8	16,290.9	5,295.6
3) Net issues of statutory boards' securities	2,000.0	1,500.0	1,095.0	535.0	420.0*	500.0	700.0*	1,275.0*	1,415.0	-
B New capital raised by the private sector	6,144.7	5,514.8	3,118.2	3,838.0	4,014.6	5,987.2	11,680.0	11,840.1*	22,650.2	1,080.5
1) Public issues of shares	2,019.6	3,393.9	485.7	1,685.4	2,046.4	3,942.7	6,916.8	7,761.3	7,805.9	673.5
2) Rights issues	1,325.7	341.2	192.5	1,427.8	345.3	1,110.6	2,783.5	1,317.8	6,709.6	67.8
3) Private placements of listed shares	2,799.4	1,779.7	2,440.0	724.8	1,622.9	933.9	1,979.7	2,761.0*	8,134.7	339.2
C Issues of debt securities	9,265.0	14,531.7	20,407.2	18,161.4	19,281.1	21,699.1	20,010.3	25,754.7	30,024.6	4,802.3
1) Listed bonds, debentures and loan stocks ²	6,067.1	8,727.4	11,814.2	7,737.9	8,139.9	6,399.5	5,074.5	8,422.0	17,940.2	4,802.3
2) Unlisted bonds ³	2,955.4	5,754.3	8,443.0	10,296.7	10,809.9	14,837.6	14,935.8	17,332.7	12,046.5	-
3) Revolving underwriting facilities/ Note issuance facilities	92.5	-	-	-	-	-	-	-	-	-
4) Negotiable certificates of deposits	150.0	50.0	150.0	126.8	331.3	462.0	-	-	37.9	-
Total net funds raised (A+B+C)	24,383.6	28,919.7	35,978.5*	29,014.3	34,956.9*	42,652.1	44,746.4*	40,795.0*	75,580.7	14,078.4

1 Government securities excluding treasury bills.

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

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

* Revised

I.1 ASIAN DOLLAR MARKET: ASSETS AND LIABILITIES

End of Period	US\$ Million									
	1999	2000	2001	2002	2003	2004	2005	2006	2007	March 2008
<u>Assets</u>										
Loans to non-bank customers	110,593.9	89,446.0	79,324.2	77,906.3	83,602.8	93,494.2	120,865.5	139,499.6	197,791.6	221,427.4
Interbank funds	315,618.9	333,728.5	323,902.2	335,973.7	341,917.7	385,302.2	389,485.1	434,136.8	532,781.5	558,344.3
In Singapore	26,781.7	31,221.6	33,054.5	35,599.0	37,151.2	43,932.1	40,766.4	51,523.4	66,513.4	76,688.5
Inter-ACU	34,698.2	31,512.8	30,916.8	31,415.4	29,360.2	31,428.3	29,102.0	43,628.2	53,597.6	50,524.1
Outside Singapore	254,139.0	270,994.1	259,930.9	268,959.3	275,406.3	309,941.8	319,616.7	338,985.2	412,670.5	431,131.7
NCDs held	3,777.6	3,226.6	3,012.2	3,059.6	2,167.2	3,187.4	3,367.2	5,790.8	2,520.4	1,637.7
Other assets	47,251.3	55,291.9	59,234.1	65,672.8	81,458.1	99,578.7	97,659.5	119,335.2	172,470.9	210,543.0
<u>Liabilities</u>										
Deposits of non-bank customers	121,319.5	124,651.5	122,472.3	126,151.6	137,116.0	150,354.2	162,834.2	210,936.1	264,473.5	273,004.7
Interbank funds	323,384.9	316,890.4	310,151.7	320,896.7	330,911.0	379,900.0	394,080.5	415,873.9	550,099.9	609,629.1
In Singapore	25,040.5	23,213.6	25,746.8	28,369.1	34,243.1	34,771.1	37,337.3	49,253.5	49,066.8	56,159.0
Inter-ACU	34,701.6	31,517.0	30,926.4	31,394.8	29,401.4	31,457.9	29,067.8	42,971.6	53,670.1	50,560.6
Outside Singapore	263,642.8	262,159.8	253,478.5	261,132.8	267,266.5	313,671.1	327,675.4	323,648.8	447,363.0	502,909.4
NCDs issued	1,148.0	594.1	636.6	1,500.9	1,690.3	2,679.4	2,952.4	4,733.1	3,652.1	3,422.2
Other liabilities	31,389.4	39,556.9	32,212.3	34,063.1	39,428.6	48,628.9	51,510.2	67,219.2	87,339.0	105,896.4
Total Assets/Liabilities	477,241.7	481,693.0	465,472.8	482,612.3	509,145.9	581,562.5	611,377.3	698,762.4	905,564.5	991,952.4

I.2 ASIAN DOLLAR MARKET: MATURITY TRANSFORMATION BY ASIAN CURRENCY UNITS

End of Period	1999	2000	2001	2002	2003	2004	2005	2006	2007	US\$ Billion March 2008
Net Position ¹										
Up to 6 months	-74.7	-67.3	-81.4	-84.6	-80.3	-74.1	-89.5	-104.5	-161.2	-182.8
Over 6 months to 1 year	19.5	15.6	15.8	16.1	18.4	20.1	27.3	19.1	27.0	25.8
Over 1 to 3 years	23.8	20.3	25.3	26.7	24.9	27.2	25.7	29.1	46.8	57.0
Over 3 years	31.4	31.4	40.3	41.8	37.0	28.8	37.8	61.6	83.8	93.0
Claims ¹										
Up to 6 months	370.0	374.1	345.8	355.4	375.1	415.5	427.5	479.3	603.4	649.8
Over 6 months to 1 year	31.1	32.3	33.6	35.0	39.2	43.5	48.5	44.4	55.3	58.3
Over 1 to 3 years	30.9	29.7	32.7	32.6	35.0	40.6	41.4	50.6	71.7	82.9
Over 3 years	45.3	45.6	53.4	59.6	59.9	48.7	59.9	87.2	117.6	119.6
Liabilities ¹										
Up to 6 months	444.7	441.4	427.2	440.0	455.4	489.6	517.0	583.8	764.6	832.6
Over 6 months to 1 year	11.6	16.7	17.8	18.9	20.8	23.4	21.2	25.3	28.3	32.5
Over 1 to 3 years	7.1	9.4	7.4	5.9	10.1	13.4	15.7	21.5	24.9	25.9
Over 3 years	13.9	14.2	13.1	17.8	22.9	19.9	22.1	25.6	33.8	26.6

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

Glossary

ABCP	Asset-Backed Commercial Papers	CPSS	Committee on Payment and Settlement Systems
ABS CDOs	Asset-Backed Securities Collateralised Debt Obligations	DSP	Doctorate Scholarship Programme
ABS	Association of Banks in Singapore	ECB	European Central Bank
ACGC	Audit Committee Guidance Committee	EMEAP	Executives' Meeting of East Asia-Pacific Central Banks
ACMF	ASEAN Capital Markets Forum	ESS	Economic Society of Singapore
ACRA	Accounting and Corporate Regulatory Authority	FAA	Financial Advisers Act
AFIR	Asian Forum of Insurance Regulators	FATF	Financial Action Task Force
AML	Anti-Money Laundering	FICP	Financial Industry Certified Professional
APG	Asia/Pacific Group on Money Laundering	FICS	Financial Industry Competency Standards
APRC	Asia Pacific Regional Committee	FIDReC	Financial Industry Disputes Resolution Centre
ASEAN	Association of Southeast Asian Nations	Fls	Financial Institutions
BCM	Business Continuity Management	FSF	Financial Stability Forum
BIS	Bank for International Settlements	FSP	Finance Scholarship Programme
C3A	Council for Third Age	FX	Foreign Exchange
CBITX	Central Bank Information Technology Exchange	FXSR	Foreign Exchange Settlement Risk
CBRC	China Banking Regulatory Commission	GDP	Gross Domestic Product
CCBS	Centre for Central Banking Studies	IAD	Internal Audit Department
CDS	Credit Default Swap	IAIS	International Association of Insurance Supervisors
CFT	Countering the Financing of Terrorism	IAP	International Advisory Panel
CLS	Continuous Linked Settlement	IBF	Institute of Banking & Finance
CMBS	Commercial Mortgage-Backed Securities	ICPAS	Institute of Certified Public Accountants of Singapore
CMS	Capital Markets Services	IFSB	Islamic Financial Services Board
CPF	Central Provident Fund Board	ILPs	Investment-Linked Insurance Products
CPFTA	Consumer Protection (Fair Trading) Act	IOSCO	International Organisation of Securities Commissions
CPI	Consumer Price Index	IPOs	Initial Public Offerings

ITE	Institute of Technical Education	SGX-ST	Singapore Exchange Securities Trading Limited
ITSG	Information Technology Supervisors Group	SIBOR	Singapore Interbank Offer Rate
IWE	Industry-Wide Exercise	SIC	Securities Industry Council
LIBOR	London Interbank Offered Rate	SID	Singapore Institute of Directors
MBS	Mortgage-Backed Securities	SVAR	Structural Vector Autoregressive
MEPS+	MAS Electronic Payment System+	SVFs	Stored Value Facilities
MMS	Monetary Model of Singapore	SWIFT	Society for Worldwide Interbank Financial Telecommunication
MOM	Ministry of Manpower	USD	US Dollar
MTI	Ministry of Trade and Industry		
NIMA	Non-Injury Motor Accident		
NORMS	Notes Operation Registration Management System		
NUS	National University of Singapore		
PCE	Personal Consumption Expenditure		
PROF	Professional Requisites and Outcomes Framework		
QDII	Qualified Domestic Institutional Investor		
q-o-q	quarter-on-quarter		
REITs	Real Estate Investment Trusts		
RMMG	Risk Management and Modelling Group		
S\$NEER	Singapore Dollar Nominal Effective Exchange Rate		
saar	seasonally adjusted annualised rate		
SFA	Securities and Futures Act		
SFEMC	Singapore Foreign Exchange Market Committee		
SGD	Singapore Dollar		
SGX	Singapore Exchange Limited		
SGX-DT	Singapore Exchange Derivatives Trading Limited		

Published by Monetary Authority of Singapore
Designed and produced by UKULELE Brand Consultants Pte Ltd

Copyright © Monetary Authority of Singapore 2008

This annual report is copyright under the Monetary Authority of Singapore.
No reproduction without permission. All rights reserved.

Monetary Authority of Singapore
10 Shenton Way, MAS Building, Singapore 079117
www.mas.gov.sg