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Ministry of Finance (MOF) and Monetary Authority of Singapore (MAS): Joint Press Statement

Monetary Authority of Singapore

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Ministry of Finance (MOF) and Monetary Authority of Singapore (MAS)



Joint Press Statement

Global financial markets have been under severe strain. Banks in developed markets are experiencing significant capital and liquidity constraints.

2 In Singapore, our financial system remains stable and robust. Financial institutions in Singapore are required by MAS to have assets exceeding their liabilities by an appropriate margin. They are also required to abide by stringent regulations on capital, asset quality and risk concentration. MAS' approach is to emphasise sound regulation and supervision of financial institutions, so that risks can be identified and addressed at an early stage. Banks and financial institutions in Singapore are operating normally, despite the global problems.

3 Our domestic Singapore dollar money and foreign exchange market have been calm and banks have been able to obtain funding in the interbank market. Public confidence in Singapore's markets and financial institutions remains high.

4 In the last week, several jurisdictions have taken extraordinary measures to stabilise financial markets and restart the flow of credit. In particular, recent plans by the European and US Governments to recapitalise their banking systems and guarantee bank borrowings in the wholesale markets have improved confidence.

5 Singapore has not had to undertake similar extraordinary measures, in view of the continuing stability and orderly functioning of the Singapore banking system. However, the announcement by a few jurisdictions in the region of Government guarantees for bank deposits has set off a dynamic that puts pressure on other jurisdictions to respond or else risk disadvantaging and potentially weakening their own financial institutions and financial sectors. This is why although Singapore's banking system continues to be sound and resilient, the Government has decided to take precautionary action to avoid an erosion of banks' deposit base and ensure a level international playing field for banks in Singapore.

6 The Singapore Government has therefore decided to guarantee **all Singapore Dollar and foreign currency deposits of individual and non-bank customers** in banks, finance companies and merchant banks licensed by the MAS.

7 The guarantee will take immediate effect and will remain in place until 31 December 2010.

8 All depositors, big and small, corporates and individuals, including those under the current Deposit Insurance Scheme administered by the Singapore Deposit Insurance Corporation will now enjoy protection from the Government on the full amount of their deposits for the duration of the guarantee. The Government guarantee will also be extended to deposits placed with credit co-operatives registered with the Registry of Co-operative Societies.

9 Given that Singapore's financial sector is sound and robust, MOF and MAS have assessed that a guarantee of up to S\$150 billion will be well in excess of possible liabilities arising from the failure of any financial institutions. The guarantee will be backed by S\$150 billion of the reserves of the Singapore Government. The President has given his concurrence for the Government to provide such a guarantee.

10 MAS reminds financial institutions that they should not misuse the Government guarantee to take on activities without regard for the risks. In the current challenging environment, financial institutions must continue to heighten vigilance and enhance risk management practices. MAS will continue to closely supervise financial institutions to ensure that they operate prudently.

