133 traders tried to rig key financial rates, says MAS

Central bank censures 20 banks, including DBS, OCBC and UOB

By ALVIN FOO

A REVIEW of a key banking process here has outlined widespread attempts to rig the way crucial interest rates are set.

The report from the Monetary Authority of Singapore (MAS) released last night, which covered the period between 2007 and 2011, said 133 traders from 20 banks were involved in trying to rig the benchmark rates.

All three local lenders – DBS Bank, OCBC Bank and United Overseas Bank – were on the list, as well as foreign banks including Australia’s ANZ, Barclays, HSBC and fixed-rate bank of Scotland (FRSB).

MAS, which spent a year on the review, said the banks had deficiencies in the governance, risk management, internal controls and surveillance systems in their benchmark submissions.

It said that while there was no conclusive finding that the rates were successfully manipulated, the traders’ conduct showed a lack of professional ethics.

In censuring the 20 banks, MAS has demanded that 19 of them set aside extra reserves with it at zero interest for a year while they get their house in order.

Holland’s ING, British RBS and Swiss giant UBS are putting aside the most, between $1 billion and $1.2 billion each. In total, the amount to be placed with MAS could range from $8.5 billion to as much as $12 billion. Only German bank Commerzbank does not have to deposit extra funds.

The amounts do not constitute fines, but the banks will be hit as they will not be able to use the cash for their own purposes.

Some analysts, such as SIM University finance professor Sundaram Janakiramanan, felt MAS should have gone further and fined the errant banks.

Banks said they have been cooperating with MAS to address the shortcomings. A UBS spokesman said: "Our cooperation with MAS is ongoing to address all issues related to the review." OCBC chief executive Samuel Tsien said: "There were deficiencies found in our rate submission process. These incidences were not systemic or widespread, but we took them seriously. We have taken tough actions to improve the processes at all levels of the organisation."