By RACHAEL BOON

ANALYSTS say the Monetary Authority of Singapore’s (MAS) reprimand of 20 banks here last Friday and proposed regulation of key financial rates setting is an example for other central banks to emulate.

MAS is seen as one of the first central banks worldwide to take such tough measures and moves to change the framework, say these observers, signalling Singapore’s seriousness in maintaining its reputation as a key financial centre.

Sias Research chief executive Roger Tan said: "It’s a case study for a lot of central banks to look at and learn from, to see how their regulation can prevent this."

Singapore Management University (SMU) associate professor of finance Annie Koh said the regulator’s actions made Singapore the first market in Asia to do so.

A MAS year-long review revealed 133 traders from 20 banks attempting to rig benchmark rates, including the Singapore interbank offered rate (Sibor) which most home-loan rates are pegged against.

Referring to last year’s rate-rigging scandal of Britain’s Libor rate which triggered the MAS review, Mr Tan said "it exposes the fact that even these rates may be influenced by banks working together."

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

MAS has proposed a new regulatory framework for financial benchmarks, including criminalising attempts to rig these rates and subjecting the setting of several key benchmarks to regulatory oversight.

SIM University finance professor Sundaram Janakiramanan said: "MAS is the first regulating body to come up with regulations on rate setting. It was actually fast and not slow."

Prof Koh said this shows how serious Singapore is about its reputation as a global financial centre.

Analysts also noted that the number of traders involved – 133 of a total of 4,000 bank traders – was not as alarming as it seemed.

PwC partner Chris Matten said that although there was a “significant” number of banks involved, the 133 traders represented a “very small percentage” of the 150,000 or so people in the industry here.

The financial impact on banks was not as severe, he added, “compared to the reputational damage and plain embarrassment suffered.”

MAS has also ordered 19 of the 20 banks – including all three local lenders – to post extra reserves with it at zero interest for a year.

This would not dent the local banks’ lending ability, said CIMB economist Song Seng Wun. "For regular people it’s a lot of money, but for the banks, it’s just opportunity cost of some money being locked up interest-free by MAS."

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