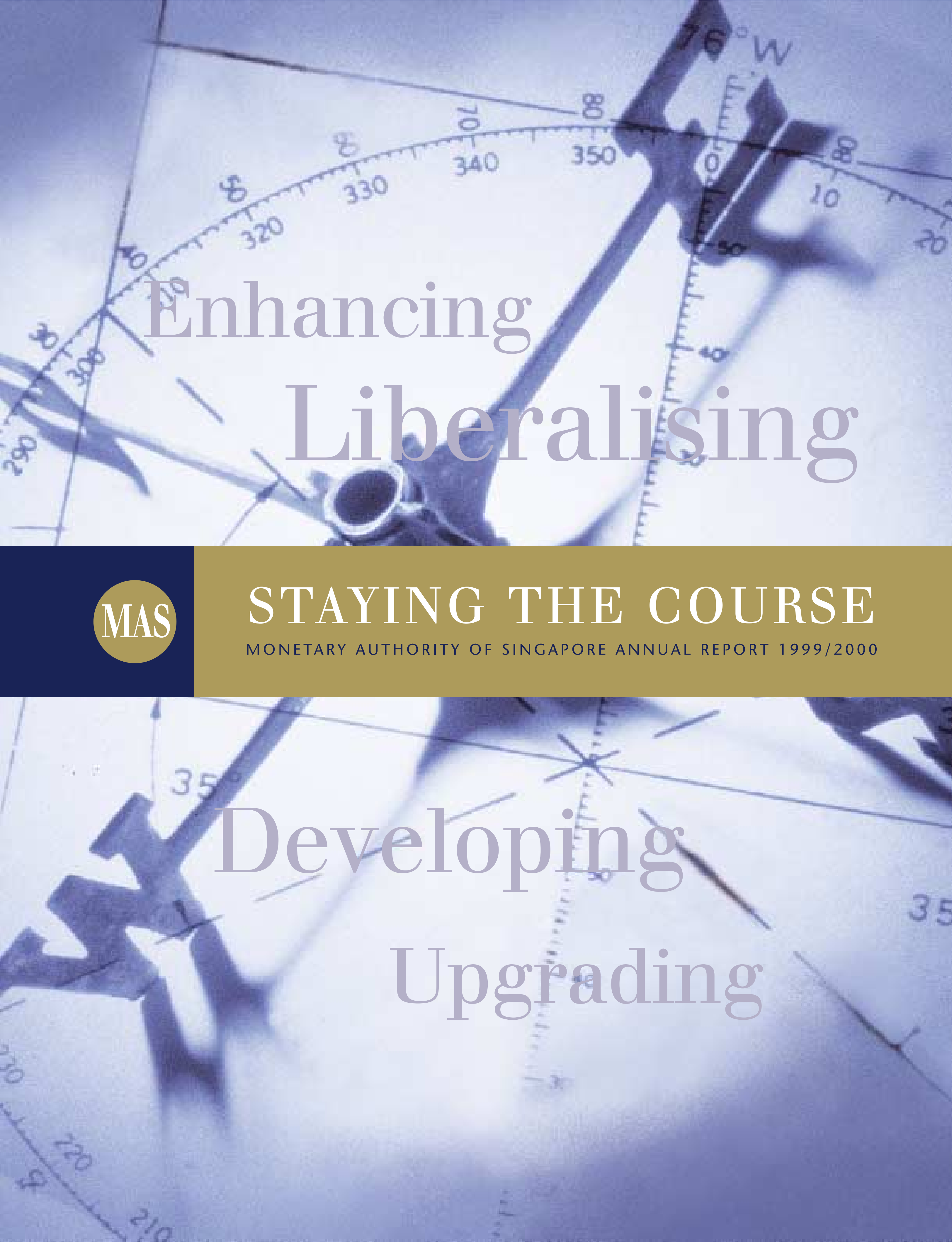


Enhancing

Liberalising

MAS

STAYING THE COURSE

MONETARY AUTHORITY OF SINGAPORE ANNUAL REPORT 1999/2000

Developing

Upgrading

CONTENTS

OUR MISSION

To promote sustained and non-inflationary economic growth and a sound and progressive financial services sector.

OUR OBJECTIVES

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

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

To **build** a cohesive and integrated organisation of excellence.

MEMBERS OF THE BOARD

MR LEE HSIEN LOONG
Chairman

MR LEE EK TIENG
Deputy Chairman

MR KOH YONG GUAN
Managing Director

MR CHAN SEK KEONG
Member

Attorney-General

MR LIM HNG KIANG
Member

Minister for Health

Second Minister
for Finance

MR KHAW BOON WAN
Member

Permanent Secretary
(Ministry of Trade
and Industry)

MR LAM CHUAN LEONG
Member

Permanent Secretary
(Ministry of
National Development)

Chairman
(Info-Communications
Development Authority
of Singapore)

DR PHILIP N PILLAI
Member

Senior Partner
(Shook Lin & Bok)

MR LIM SIONG GUAN
Member

Permanent Secretary
(Ministry of Finance)

... Our objective has been to open up the financial sector, progressively but decisively. We have aimed to allow market forces greater free play, get investors to take full responsibility for their decisions along with the outcomes, and shift MAS' emphasis to setting the framework and upholding standards of integrity and supervision. Ultimately, we aim to become a vibrant and dynamic global financial hub...

...There is no turning back from our quest to liberalise and to go global. We will continue developing a more open and competitive environment, in order to create a dynamic and vibrant world-class financial centre.

The Asian economic crisis has run its course. The region has stabilised. In most countries, the process of financial restructuring and economic recovery is underway. Prospects are that global demand will remain robust this year.

In 1999, the Singapore economy rebounded sharply. GDP growth was 5.4%, compared with just 0.4% the year before. This was supported by a neutral monetary policy stance amidst a benign inflationary environment, which reinforced the Government's cost reduction measures and quickened the turnaround. With the upturn in global and regional demand for exports, and a strengthening of domestic demand, we expect strong growth again this year.

During the year, MAS continued with our liberalisation efforts. We made more changes to promote and further liberalise the financial sector, covering the full range of financial services from banking to capital markets and insurance. The next lap will be equally critical, so we must sustain the momentum and implement our plans efficaciously.

Consolidation and mergers across financial industries and geographical borders will persist, as industry players seek global reach and economies of scale. The surge in internet-based financial services will reshape the financial industry, by creating new business models and roles, and breaking down regulatory barriers. Financial institutions are scurrying to prepare themselves for new opportunities, and to formulate internet strategies to enhance their competitive edge. Institutions in Singapore are already starting to exploit the full potential of the Internet. This will intensify competition.

MAS will continue to refine our regulatory framework to create a conducive and innovative regulatory environment for businesses to thrive. We must persevere to develop a more transparent and competitive environment, to realise our vision of a vibrant world-class financial centre in Singapore.

LEE HSIEN LOONG
Chairman
Monetary Authority of Singapore

Excerpts from Chairman's Speech
"Financial Sector Liberalisation: Going Global"

Positioning Singapore's Financial Sector

"… for Singapore to grow as a hub, we must extend our catchment area beyond Southeast Asia. Our orientation must be international, and not just regional… Singapore can be a portal, an intermediary or a market for (developed markets and global players)…"

Responses to the Challenges

"… Our response… must be to press on with liberalising and upgrading in the financial sector. The key shift is in the mindset of the players. We must be keenly aware of the changing environment, and of the urgency to respond... MAS must continue to build up its expertise and new skills, to better understand and recognise the different types and magnitudes of risk faced by financial institutions…"

"… it is imperative for MAS to foster closer co-operation with the industry. We have made a serious effort to build a constructive exchange and dialogue with the private sector. We must continue to strengthen this culture of openness… As we continue to liberalise, we will need inputs from industry participants on many issues. We have to understand the industry's point of view, and yet not be captured by the industry we are regulating. This mindset must permeate the whole of MAS, to every staff member."

The Next Steps

"… Shifting our regulatory regime to a more flexible risk-based supervisory approach will encourage existing and new players to innovate, expand, take a bolder approach and introduce new services and products. But we have to recognise that opening up means exposing ourselves to more risk. The balance between prudential concerns and liberalisation is a fine and dynamic one. To keep this balance, MAS needs to be vigilant, and to respond promptly and flexibly to the rapid developments."

"… MAS does not exist in a vacuum. A competent MAS is part of the Singapore Government, just as a vibrant financial hub is part of the Singapore economy. To succeed as a financial hub depends on more than financial reforms. The overall social, economic, and political climate and policies need to be sound. Similarly, MAS can function effectively only because the Singapore Government as a whole is honest, efficient, and committed to public service."

Speech was delivered at MAS' Workplan Seminar on 3 April 2000

From left:
DR KHOR HOE EE Senior Executive Director, *Economics*. **MRS HUAY KHEE CHUANG** Executive Director, *Information Technology*. **MRS VERONICA QUEK** Senior Director, *Human Resource*. **MS YEO LIAN SIM** Assistant Managing Director, *Capital Markets*. **MR ONG CHONG TEE** Executive Director, *Markets and Investments.* **MR KOH YONG GUAN** Managing Director. **MRS SHIH-TEO SIEW POH** Executive Director, *International Relations.*

"As financial markets continue to grow rapidly and become more interconnected and complex, it is likely that external shocks will become more severe and unpredictable. The challenge to monetary policy is to provide a firm bearing for the Singapore economy and to work closely with financial supervision and other economic agencies to ensure that the financial system and other key sectors of the economy are robust and resilient to such shocks."
– Dr Khor Hoe Ee, Senior Executive Director (Economics)

"1999 was another challenging year for all of us in the financial community. The experience gained from the rapid changes in cyberspace as well as the Y2000 "bug" had been invaluable and would position us well in the new economy."
– Mrs Huay Khee Chuang, Executive Director (Information Technology)

"It has been an eventful year, with the review and revamp of a number of personnel policies and practices. We expect to make more changes in the year ahead so that our people-management practices fully support MAS' vision to be a central bank of excellence."
– Mrs Veronica Quek, Senior Director (Human Resource)

"Think of MAS as an orchestra, finely tuned and playing in harmony, or a jazz band extemporising from a basic score as individual soloists take the limelight and different sections play the lead, supported throughout by a strong, vibrant corps of musicians. We have been working at playing together – strengthening the organisation, challenging staff and harnessing diversity – and, I feel, are rising to the challenge of achieving excellence in monetary policy, regulation and financial stability."
– Ms Yeo Lian Sim, Assistant Managing Director (Capital Markets)

"Financial markets are evolving at a rapid pace – it is important for staff in the Markets and Investments function to stay abreast of changes in market dynamics affecting price volatility, capital flows, asset relationships, as well as market structures. We should also embrace the use of new technology in our investment and domestic market operations – and in this increasingly challenging financial market environment, the competence and professionalism of our people will put us in good stead."
– Mr Ong Chong Tee, Executive Director (Markets and Investments)

"When we began our review of the financial sector two and a half years ago, we were mindful of the financial revolution that was taking place around the world. We have achieved much over this period, both in our ability to weather the Asian financial crisis and in our financial sector liberalisation programme. But today, change is happening even faster in the financial markets than what we initially anticipated. The challenge for us henceforth is to ensure that our supervisory framework keeps pace with the changes so that we continue to maintain a conducive environment for Singapore to thrive as a major financial centre."
– Mr Koh Yong Guan, Managing Director

"While we have been kept extremely busy with our own domestic financial reforms and organisational improvements, we have also been more active in international finance fora. We will continue to share our experiences and hope to help foster more sound policies and a stronger international financial system."
– Mrs Shih-Teo Siew Poh, Executive Director (International Relations)

"1999/2000 was both most challenging and fulfilling for the Insurance Department. We had stayed on course in achieving two major milestones in opening up market access to direct insurers and enacting the Insurance Intermediary Act. We also knew we had to shift gear and work together to restructure the Insurance Department towards seamless and risk-focussed supervision approach in line with international best practices."
– Mrs Lim Shu Chiau, Executive Director (Banking)

"I am finding MAS to be a dynamic organisation, a place for those with energy and confidence to pursue our career goals and personal vision. MAS' corporate objective to be an organisation of excellence challenges us to always give our best contributions to MAS and to the financial service sectors."
– Mrs Hauw Soo Hoon, Executive Director (Insurance)

"The challenge is always to try to be one step ahead. Whether it is in predicting market trends or industry needs or staff motivation, MAS strives to be anticipatory and responsive."
– Ms Teo Swee Lian, Senior Executive Director (Insurance/Financial Sector Promotion)

"High supervisory standards are a key strength of Singapore's financial system, and this will continue to underpin our efforts to develop a more innovative and vibrant financial industry. MAS has done well during the year to meet the challenge of maintaining a stable financial system even as we further liberalise the industry. This will contribute to the sustained growth of our financial sector and economy."
– Mrs Foo-Yap Siew Hong, Senior Executive Director (Banking)

"Another engaging year for all of us – pushing ahead with financial sector reforms and development initiatives, keeping an eye on the risks, deepening our internal capabilities and strengthening our sense of common purpose in the organisation. It's a continuous task."
– Mr Tharman Shanmugaratnam, Deputy Managing Director (Financial Supervision Group)

"Our move to adopt best practice risk management standards and the establishment of the Risk Committee will add a new focus to our risk management process, and promote a strong risk management culture in MAS."
– Mr Koh Ching Ang, Executive Director (Finance)

"Structural changes have been made to Singapore's financial sector to take it forward into the new economy. Within MAS, we have also been busy with system changes to prepare for the ride ahead. With each set of change, the need for soft controls and quality of relationships cannot be over-emphasised."
– Mrs Irene Khong, Executive Director (Internal Audit)

From left:
MRS LIM SHU CHIAU Executive Director, *Banking*. **MRS HAUW SOO HOON** Executive Director, *Insurance*. **MS TEO SWEE LIAN** Senior Executive Director, *Insurance/Financial Sector Promotion*. **MRS FOO-YAP SIEW HONG** Senior Executive Director, *Banking*. **MR THARMAN SHANMUGARATNAM** Deputy Managing Director, *Financial Supervision Group*. **MR KOH CHING ANG** Executive Director, *Finance*. **MRS IRENE KHONG** Executive Director, *Internal Audit.*

Managing Director
Mr Koh Yong Guan

Financial Supervision Group
Mr Tharman Shanmugaratnam, Deputy Managing Director

Securities and Futures Department
Ms Yeo Lian Sim, Assistant Managing Director (Capital Markets)

Banking Department
Mrs Foo-Yap Siew Hong, Senior Executive Director
Mrs Lim Shu Chiau, Executive Director

Insurance Department
Ms Teo Swee Lian, Senior Executive Director
Mrs Hauw Soo Hoon, Executive Director

Market Infrastructure and Risk Advisory Department
Mr Enoch Ch'ng, Senior Director

Supervisory Legal Services Division
Mr Ng Heng Fatt, Senior Director

Supervisory Policy Division
Dr Andrew Khoo, Senior Director

Financial Sector Promotion Department
Ms Teo Swee Lian, Senior Executive Director

Economics Department
Dr Khor Hoe Ee, Senior Executive Director

International Relations Department
Mrs Shih-Teo Siew Poh, Executive Director

Reserve Management Department
Mr Ong Chong Tee, Executive Director (Markets & Investments)

Monetary Management Division
Mr Low Kwok Mun, Senior Director

Corporate Services Department
Mrs Shih-Teo Siew Poh, Executive Director (covering)

Finance Department
Mr Koh Ching Ang, Executive Director

Human Resource Department
Mrs Veronica Quek, Senior Director

Information Technology Department
Mrs Huay Khee Chuang, Executive Director

Internal Audit Department
Mrs Irene Khong, Executive Director

Planning, Policy and Communications Division
Mr Low Kwok Mun, Senior Director

FINANCIAL SECTOR SUPERVISION AND PROMOTION

Banking Department
The Banking Department (BD) is responsible for prudential oversight of all commercial banks, merchant banks, and finance companies. BD licenses these institutions and continuously monitors their soundness through off-site surveillance and on-site examination. The Department also actively promotes the adoption of international best practice in risk management and corporate governance in the banking industry.

Insurance Department
The Insurance Department (ID) is responsible for the regulation and supervision of the insurance industry. ID has prudential oversight over insurance companies and insurance brokers and also licenses these institutions.

Securities and Futures Department
The Securities and Futures Department (SFD) has supervisory responsibility for capital markets. It regulates the origination and trading of securities and derivatives products, supervises investment advisory and fund management activities, and oversees takeover and corporate governance issues.

Market Infrastructure and Risk Advisory Department
The Market Infrastructure and Risk Advisory Department (MIR) provides specialised supervisory resources in technology and risk management, and oversees the payments system and other financial market infrastructure to support their integrity and efficiency. It also encourages and facilitates the strategic use of technologies to support Singapore's development as a world-class financial centre.

Supervisory Policy Division
The Supervisory Policy Division (SPD) formulates the frameworks for regulation and reform of the banking system, and for MAS' integrated oversight of the financial sector. In support of these policy functions, SPD assesses emerging trends in financial markets, and stays in touch with regulatory developments in other major centres.

Supervisory Legal Services Division
The Supervisory Legal Services Division (SLS) advises MAS on legal issues pertaining to supervisory and regulatory matters and assists in the formulation and development of legal and regulatory frameworks. It also provides legal support to other departments of MAS.

Financial Sector Promotion Department
The Financial Sector Promotion Department (FPD) is responsible for developing and promoting Singapore as a financial centre.

It identifies new financial activities and products, and markets Singapore's financial centre to existing and new players. FPD also facilitates the development of a world-class financial sector workforce.

MONETARY POLICY, RESERVE MANAGEMENT AND INTERNATIONAL RELATIONS

Economics Department

The Economics Department (ED) formulates monetary policy appropriate for sustained and non-inflationary economic growth in Singapore. It provides analyses and forecasts on the Singapore economy, and advises on policies relating to macroeconomic issues. ED also conducts regular assessment of economic and monetary developments in the G-3 and regional economies.

Monetary Management Division

The Monetary Management Division (MMD) implements Singapore's monetary policy by managing the exchange rate along its targeted policy path. It also conducts money market operations to manage liquidity in the banking system. MMD is also responsible for the issuance of Singapore Government Securities (SGS), as well as the growth and development of the SGS market.

Reserve Management Department

The Reserve Management Department (RMD) manages MAS' foreign assets, currencies and gold. It also performs cash management functions.

International Relations Department

The International Relations Department (IRD) is responsible for relations with major international and foreign organisations, and foreign central banks. It reviews, and recommends MAS' and Singapore's positions on key international financial and economic issues.

CORPORATE SUPPORT

Corporate Services Department

The Corporate Services Department (CSD) provides logistics and procurement, building, event management and other general office services to departments in MAS. The department also manages the leasing of office space in MAS building.

Finance Department

The Finance Department (FD) provides budgeting and accounting services to MAS. It maintains the official accounting records of MAS' assets and is responsible for the settlement, custody monitoring, performance evaluation and risk management of MAS' international investments. FD also administers the issue of SGS, and maintains the government securities systems as well as the current accounts of banks and international monetary organisations.

Human Resource Department

The Human Resource Department (HRD) formulates and implements MAS' human resource management polices. This includes recruiting for the organisation, managing an objective appraisal system, ensuring a competitive remuneration package, as well as organising and co-ordinating training programmes.

Information Technology Department

The Information Technology Department (ITD) promotes strategic use of technology and provides IT services to the departments of MAS. ITD also manages two nation-wide financial networks, namely the MASNET and the MAS Electronic Payment System (MEPS). The networks provide the infrastructure and standard for efficient electronic communications and collaborations in the financial sector, and minimise payment risks for Singapore's banking system respectively.

INTERNAL AUDIT

Internal Audit Department

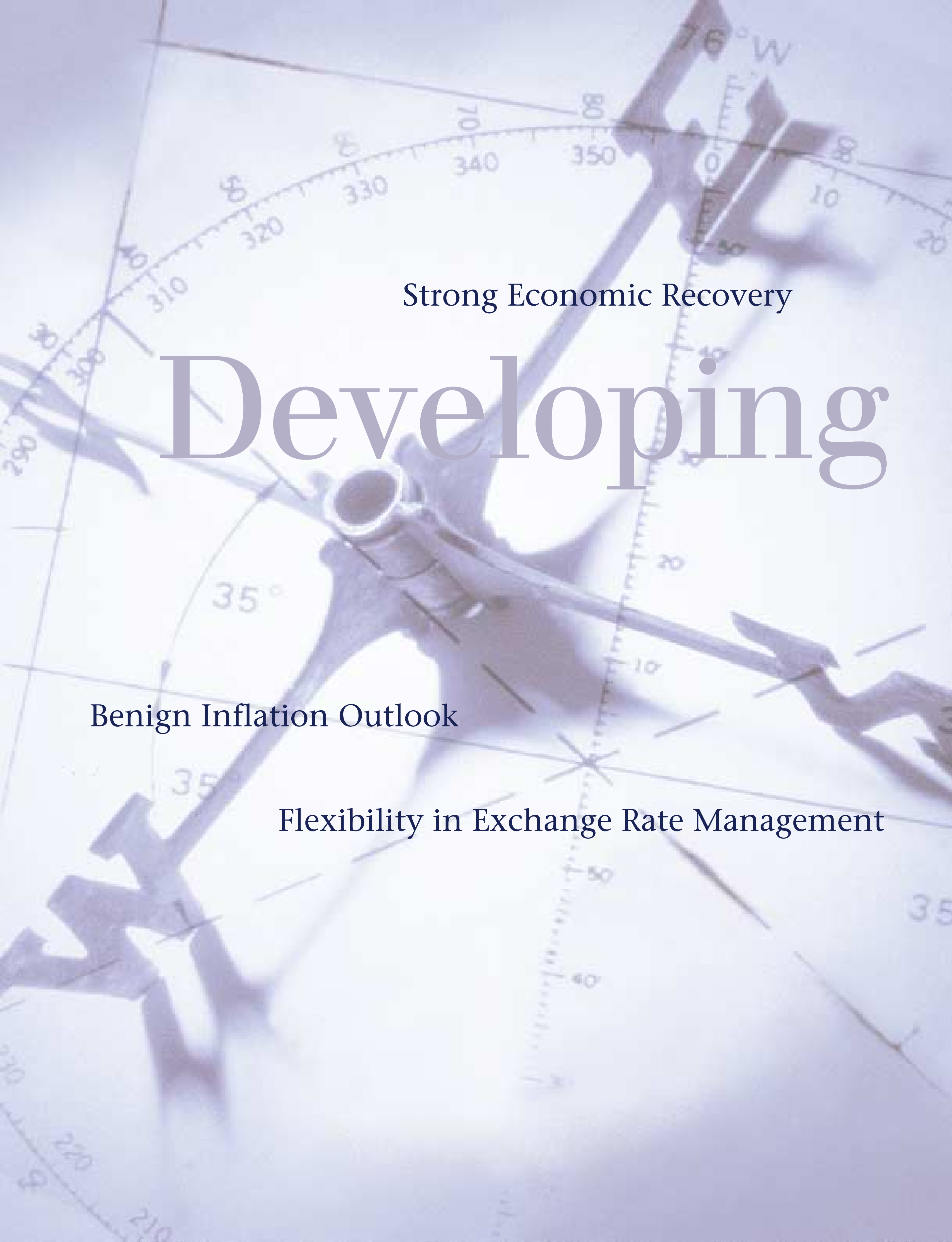
The Internal Audit Department (IAD) conducts financial, operational and information systems audits of MAS' operations. IAD ensures compliance with policies, guidelines, laws and regulations, and evaluates the reliability of financial records, and the security and integrity of information systems in MAS. IAD also works with departments to review the controls in new systems and business processes.

PLANNING, POLICY AND COMMUNICATIONS

Planning, Policy and Communications Division

The Planning, Policy and Communications Division (PPC) is responsible for cross-department policy integration and strategic planning, organisational development, and corporate communications. PPC initiates policy reviews as well as analyses and integrates inputs on issues that cut across MAS departments. It formulates and implements the corporate planning process, and co-ordinates external communications, including media relations.

THE ECONOMY



Strong Economic Recovery

Developing

Benign Inflation Outlook

Flexibility in Exchange Rate Management

EXTERNAL ENVIRONMENT

Economic Recovery in East Asia

The East Asian economies rebounded in 1999, with the crisis-hit countries staging a V-shaped recovery. Growth was led by a sharp improvement in private consumption and exports. The recovery was also supported by fiscal deficits, easy monetary policy and a favourable global environment. In the four countries affected most by the crisis (Indonesia, Korea, Malaysia and Thailand), Gross Domestic Product (GDP) grew by an average of 5% in 1999, compared with a contraction of 9% in 1998. Inflation remained relatively muted, as excess capacity and weak demand kept price pressures at bay (See Chart 1A).

Favourable Global Factors Contributed to the Recovery in East Asia

External demand strengthened in 1999, as the US economy continued to grow robustly, while the European and Japanese economies showed signs of recovery (See Chart 1B). As a result, East Asian exports to the G3 rose rapidly. Intra-Asian trade also recovered as economic growth in the region strengthened, making the region's exports less dependent on US demand. At the same time, the global electronics boom benefited Asian countries, several of which have large electronics export sectors. Non-electronics exports also registered robust growth, although they lagged the recovery in electronics exports. The export recovery, coupled with the collapse of domestic absorption, allowed these countries to enjoy healthy current account surpluses.

International financial markets returned to more stable conditions on the back of an improvement in the world economy and stronger domestic macroeconomic performance. Domestic interest rates declined in Asia, while liquidity conditions also improved as emerging market spreads narrowed, and net international reserves rose.

Structural Reform is Underway

The crisis countries made further progress in financial restructuring in 1999, although the pace of reform varied. Several banks were recapitalised, while a portion of the bad loans that were carved out and placed in public asset management companies was sold. Short-term external debt levels also fell, as domestic banks and corporations continued to unwind their foreign obligations. Corporate debt restructuring committees and government incentives helped indebted companies reach voluntary out-of-court workouts. Countries in the region also raised regulatory and supervisory standards, implementing, *inter alia*, new regulations on connected lending, stricter loan classification and provisioning rules, and more prudent limits on exposure to foreign exchange risk.

In addition, the authorities are gradually liberalising banking and other key sectors to foreign participation, in order to raise efficiency. In response to these measures, indigenous firms in several industries are actively consolidating and rationalising their operations, in order to head off the competition.

CHART 1A: REAL GDP GROWTH IN THE CRISIS-HIT ECONOMIES

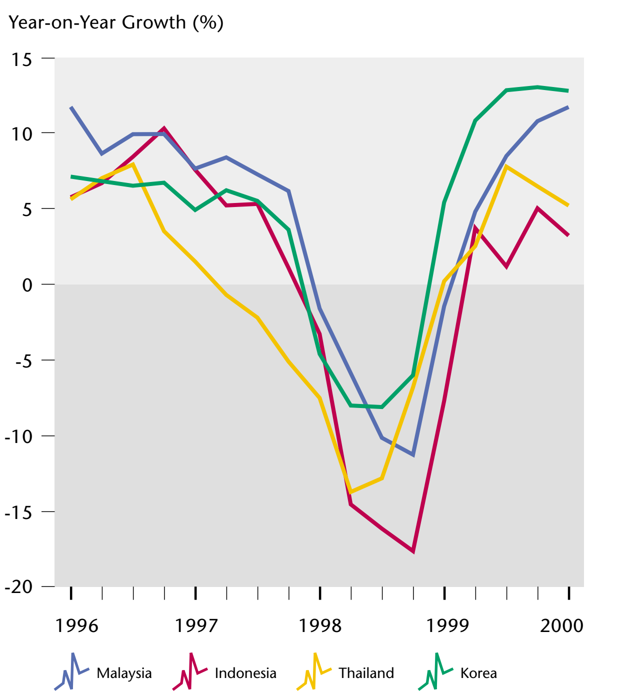


CHART 1B: REAL GDP GROWTH IN THE G-3 ECONOMIES

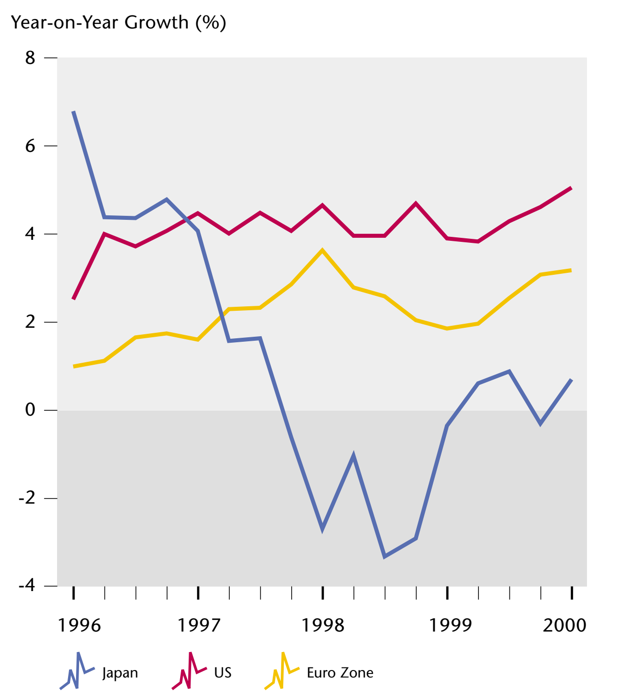


CHART 2A: TRENDS IN GDP GROWTH – OVERALL ECONOMY

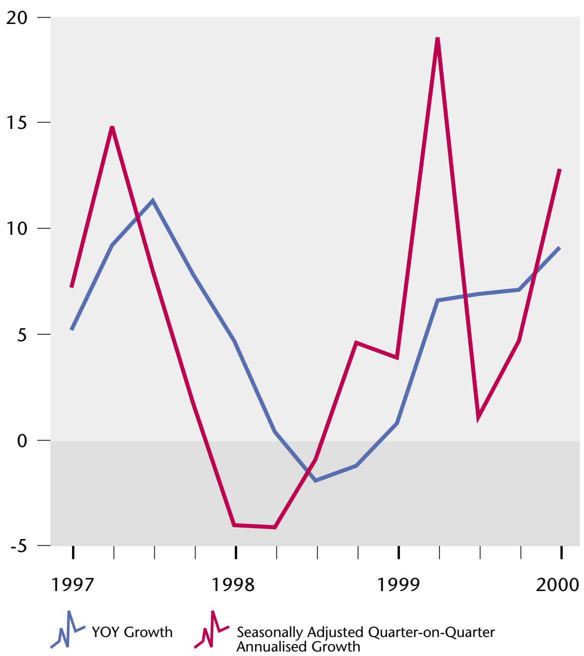
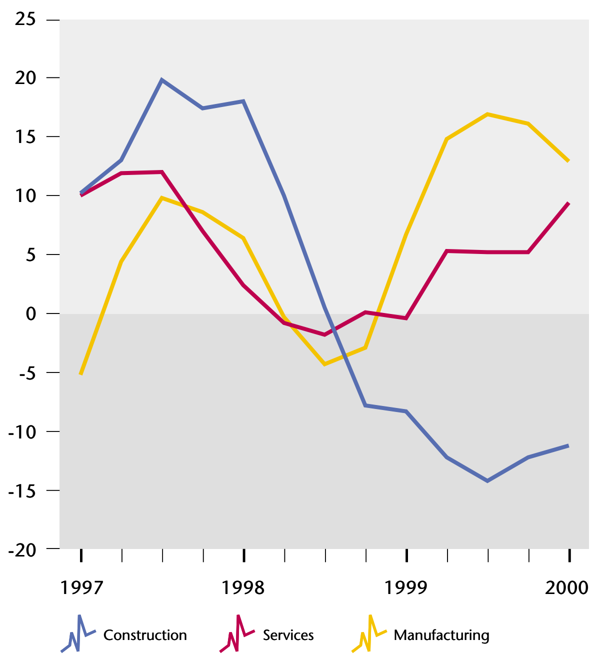


CHART 2B: TRENDS IN GDP GROWTH – SELECTED SECTORS



Bright Economic Outlook for 2000

The economic outlook for 2000 is bright. Private consumption is expected to stay strong, as unemployment falls and consumer confidence continues to improve. External demand is also likely to remain robust, as the strengthening of the European and Japanese economies should counterbalance any slowdown in US economic growth. The continuing boom in global electronics demand also bodes well for Asian exports. Investment spending, which has remained below pre-crisis levels in most countries, should pick up as economic growth accelerates. Current account surpluses will narrow as import growth continues to accelerate, but would be offset by an expected increase in direct and portfolio investment inflows, as structural reforms boost foreign confidence in the region. Recent data releases remain indicative of robust growth prospects for East Asia. Indonesia and Thailand have reported growth of 3.2% and 5.2% respectively in the first quarter of 2000, while Malaysia and Korea have registered double-digit growth.

Risks on the Horizon

The favourable outlook for 2000 is conditional on external demand in the industrial economies remaining strong. In the US, a sharp adjustment of its macroeconomic imbalances could lead to a hard landing. The US is dependent on capital inflows to finance its large current account deficit. The volume of these flows may dwindle if growth tapers off, or if there is a steep correction in the equities market. Alternatively, inflation could rise if productivity growth does not keep pace with wage increases. A sharp rise in inflationary pressure could force the Federal Reserve to further hike rates, which may increase the likelihood of a hard landing. In Japan, a premature and excessive appreciation of the Yen could derail the fragile economic recovery and dampen imports from Asia. Japan's ballooning public debt is also a source of concern. The imminent oversupply of government bonds could lead to a surge in interest rates, increasing the debt-service burden and jeopardising the nascent recovery. Within the Southeast Asian region, Indonesia's economic recovery remains fragile, and will be closely dependent on the government's ability to maintain political and social stability.

ECONOMIC ACTIVITY

Developments in 1999

The Singapore economy recovered strongly in 1999, following growth of just 0.4% in 1998. GDP growth increased steadily from 0.8% in the first quarter of 1999 to 7.1% in the last quarter, with growth averaging 5.4% for 1999 as a whole (See Charts 2A and 2B). The recovery in the economy was led by the manufacturing sector, which

CHART 3A: SELECTED SERVICES SECTOR PERFORMANCE – COMMERCE

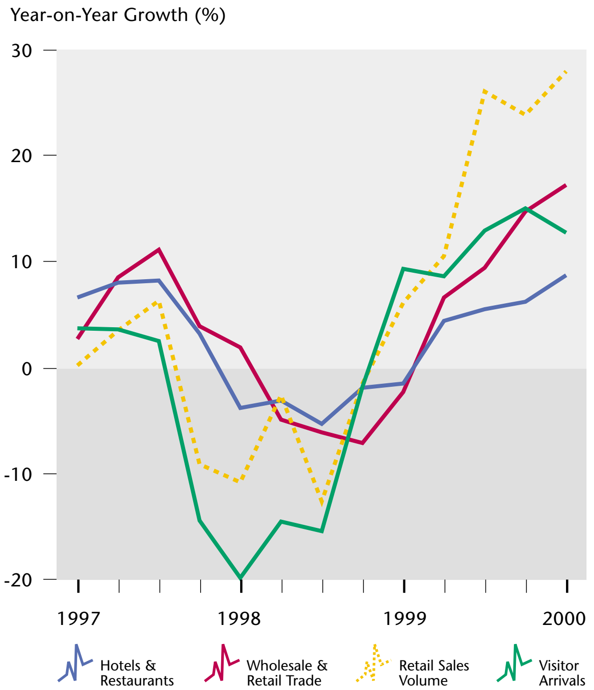
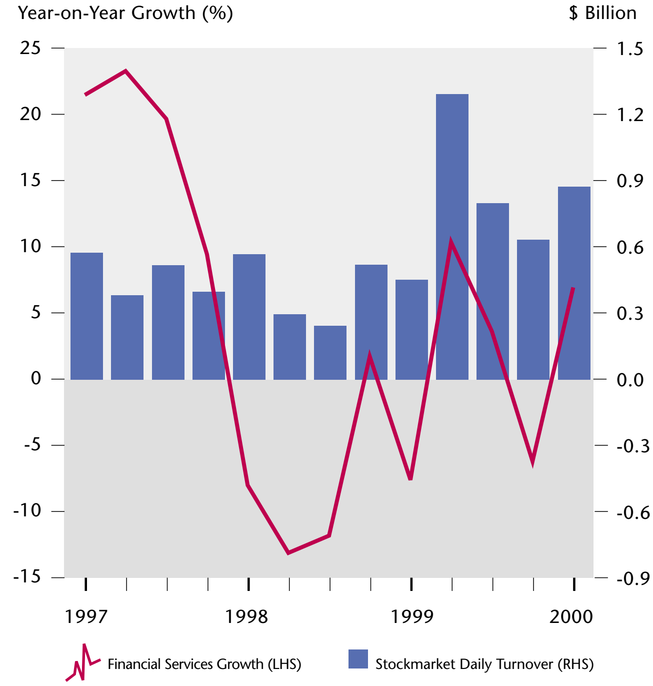


CHART 3B: SELECTED SERVICES SECTOR PERFORMANCE – FINANCIAL SERVICES



rebounded strongly on the back of an upturn in the global electronics cycle. Underpinned by robust growth in the electronics and chemicals industry clusters, the manufacturing sector expanded by 14% in 1999, compared with a decline of 0.6% in the previous year. In particular, electronics output rose by 24%, led by the semiconductor, telecommunications equipment and computer & peripherals industries. The other pillar of strength in the manufacturing sector was the chemicals industry, where output surged by 27% in 1999 on account of capacity expansions and increased production of high value-added fine chemicals. Most other non-electronics industries, however, remained weak, although there were some signs of recovery in the fabricated metal products and machinery & equipment industries towards the end of the year.

The pick-up in the manufacturing sector was also reflected in an increase in exports. As exports rebounded, demand for trade-related services rose. The recovery in the regional economies also provided a boost to the services sectors, which are more closely linked to the region. The commerce sector saw the sharpest turnaround, supported by increased regional visitor arrivals and improved domestic demand, as well as a pick-up in entrepot trade (See Charts 3A and 3B). Also benefiting from the recovery in tourist arrivals and regional trade was the transport & communications sector, which posted stronger growth of 7.1% in 1999. The financial services sector recorded flat growth in 1999, after contracting by 8.1% the previous year. The improvement in performance reflected strong stock market activity, particularly between April to July, although most other activities within the sector remained weak. Nevertheless, there were some signs of recovery towards the end of the year, such as the fund management and insurance businesses.

In contrast, activity in the construction sector plummeted, as both private and public construction slowed sharply. The construction sector shrank by 12% in 1999, following growth of 4.4% the year before. Despite the improvement in private residential property prices over the past year, construction activity in the private residential market continued to be dampened by the overhang of private housing units available. Public residential construction activity also slowed due to reduced demand for new Housing & Development Board (HDB) flats as homebuyers turned to the HDB resale and private property markets, attracted by the substantial decline in property prices during 1996-98. A more detailed discussion of trends in the construction sector is featured as Box Item 1.

BOX ITEM 1: A CLOSER LOOK AT SINGAPORE'S CONSTRUCTION SECTOR

The construction sector has remained in the doldrums despite the recovery in the overall economy. The sector contracted by 12% in 1999, compared with overall GDP growth of 5.4%. Over the past three decades, the construction sector has experienced dramatic swings in its growth, with five periods of downturn in 1966, 1973, 1977-78, 1985-88 and more recently in 1998-99 (See Chart A1).

The magnitude of the downturns in the 1980s and 1990s have been larger than that in the prior two decades. Nevertheless, the current downturn in the construction sector appears milder than that in the mid-1980s, which lasted four years. At the height of the slump in 1986, the construction sector contracted by 23%. This time round, the anti-speculation measures in May 1996 had already dampened sentiments in the property market so that the decline in investments following the Asian financial crisis was somewhat less sharp than would have been the case otherwise. Building investment, for instance, fell by 26% between Q4 97 and Q4 99, compared with a 43% decline over a similar period during the mid-1980s downturn. Occupancy rates have also held up better in the current slowdown (See Chart A2).

Construction activity responds sharply to an increase or decrease in property prices (See Chart B). Between 1979-81, private residential property prices rose by 186%, followed by an increase in investment of almost similar magnitude between 1980-82. The over-zealous response of developers to a property upturn can also be seen from the sharp jump in planning approvals in the boom years of the 1980s and 1990s. Just as construction investment in the mid-1980s was the most rapid – increasing by an average of 27% annually between 1981-84 compared with 17% between 1968-72 and 1991-96 – its downturn was also the most severe.

In the private residential property market, construction investment and prices are correlated with a lag of about four quarters. The lagged response of investment to price movements reflects the inelastic nature of housing supply. During both the downturns in the 1980s and 90s, for example, the supply of new housing in Singapore, as proxied by building completions, continued increasing despite the fall in property prices. Similarly, it takes several years for new supply to enter the market due to the long gestation period between planning a construction activity and its actual delivery. The construction lags exacerbate an over- or under-supply situation in the market, leading to recurring periods of overshooting and undershooting of the market[a] (See Charts C1 and C2).

CHART A1: OVERALL GDP & CONSTRUCTION SECTOR GROWTH

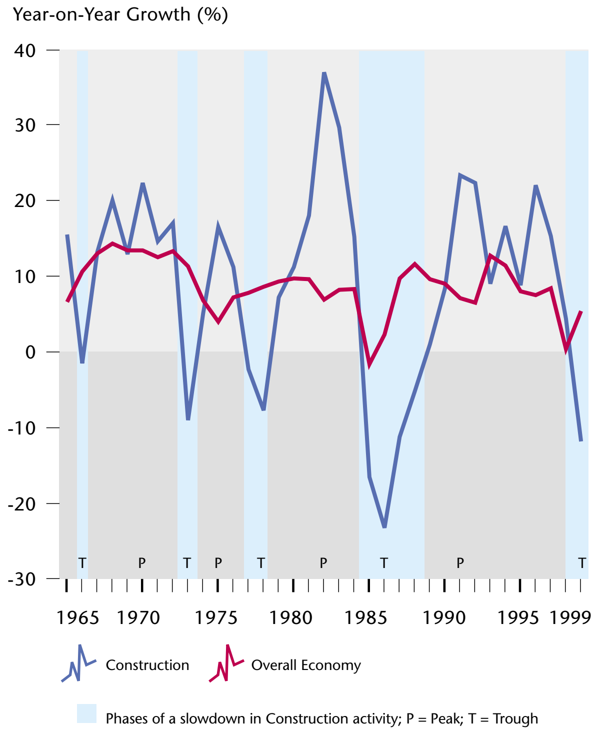
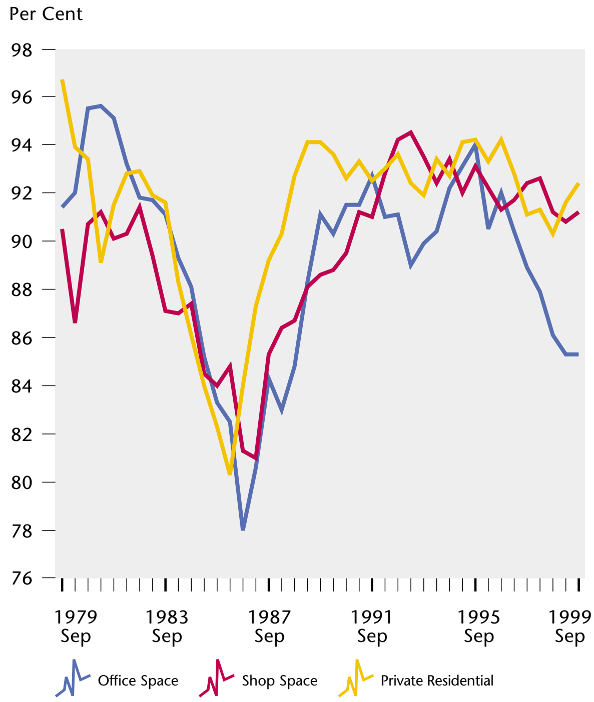


CHART A2: OCCUPANCY RATES



[a] The presence of construction lags is particularly relevant for explaining cycles in private residential construction, but less so in the industrial real estate market where construction times are typically much shorter.

CHART B: PRIVATE RESIDENTIAL PROPERTY PRICES AND CERTIFIED PAYMENTS

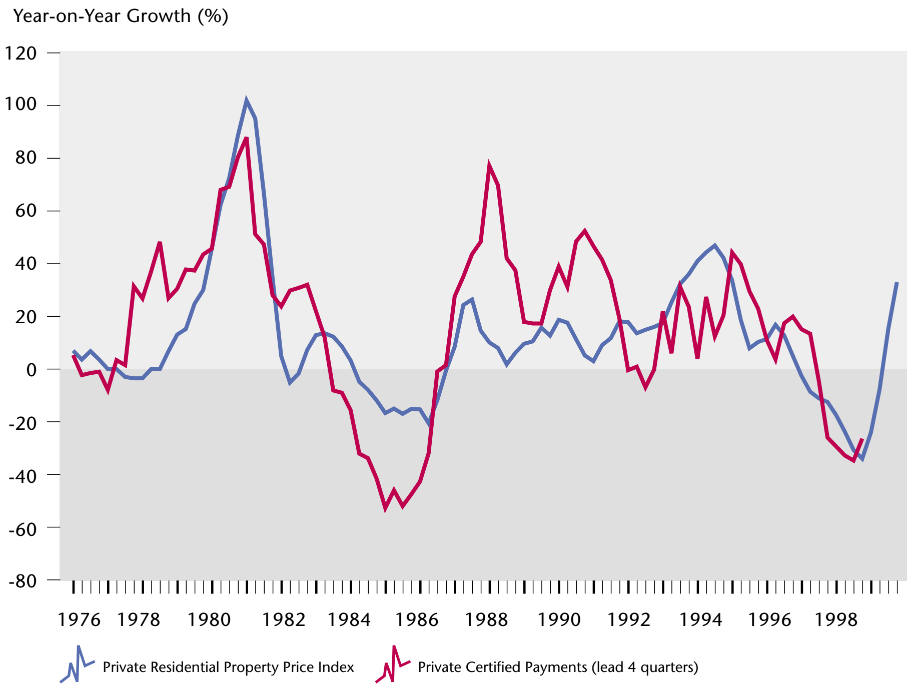


CHART C1: PRIVATE RESIDENTIAL PLANNING APPROVALS AND CERTIFIED PAYMENTS

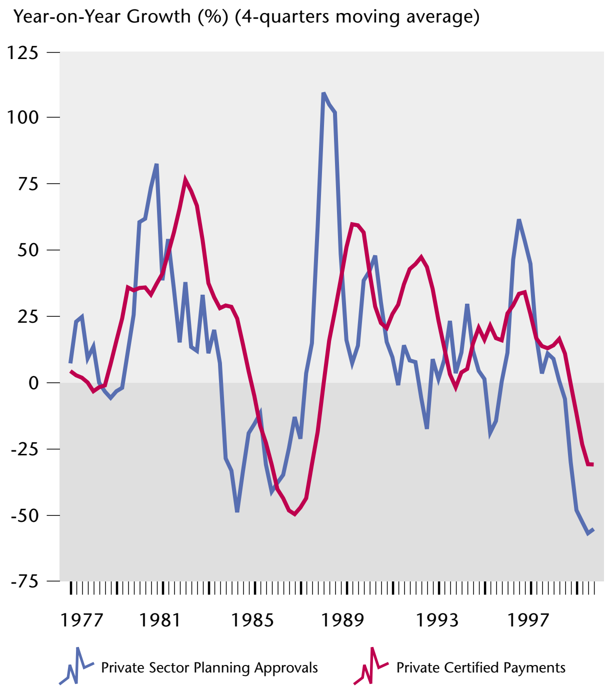
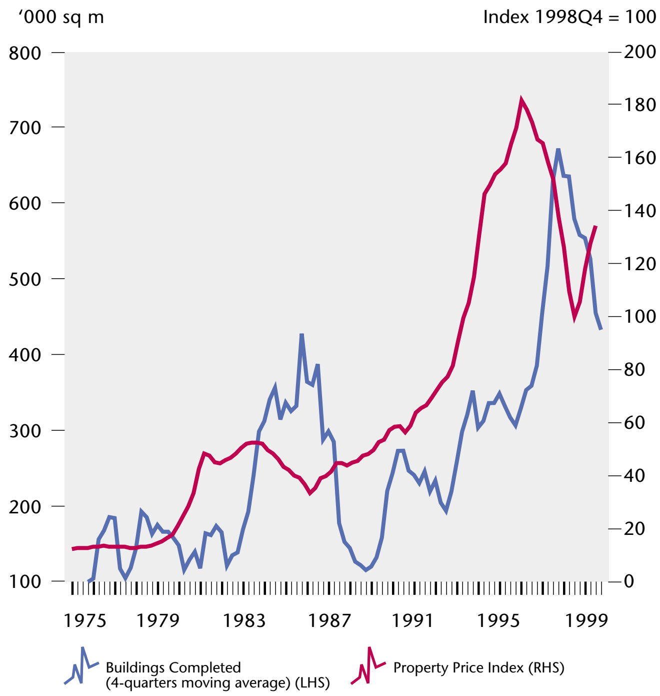


CHART C2: PRIVATE RESIDENTIAL PROPERTY PRICES AND BUILDING COMPLETIONS



From an aggregate demand perspective, the pick-up in the economy in 1999 reflected a sharp recovery in both domestic and external demand (See Charts 4A and 4B). Domestic demand rose by 6.5%, compared with a contraction of 7.3% in 1998, as consumption turned around and investment declined at a more moderate rate. This largely reflected developments in private consumption and investment, while growth of government consumption and investment slowed down. In particular, the smaller decline in private investment spending reflected a pick-up in the second half of the year, as machinery and equipment investment recovered strongly. Construction investment, however, remained weak. On the other hand, public investment contracted in the last three quarters of the year, dragged down by the decline in construction investment. External demand for Singapore's goods and services strengthened steadily over the year to grow by 6.7%, compared with a contraction of 4.4% in 1998. Non-oil domestic exports (NODX) surged by 21% and re-exports by 20%, although domestic oil exports were dragged down by continued oversupply in the region.

Outlook for 2000

The Singapore economy is expected to strengthen further by 5.5% to 7.5% this year, underpinned by continued strong growth in exports, sustained recovery in consumption and a turnaround in investments. GDP expanded at a robust pace of 9.1% in the first quarter of 2000, with growth propelled largely by the manufacturing sector, which continued to be supported by the strong performances in the electronics and chemicals clusters. Growth of the commerce and transport & communications sectors also strengthened, while the financial services sector returned to positive growth. The only sector that continued to see negative growth in the first quarter of 2000 was the construction sector, which recorded double-digit declines in both private and public construction activities.

For the rest of the year, sustained strength in the global electronics industry and a further improvement in regional demand will continue to power exports. At the same time, brighter employment prospects and the wealth effect from the recovery in property and equity prices will support consumer demand, while improved business prospects will lead to an increase in investments.

Underpinned by buoyant exports, the manufacturing sector will continue to lead the recovery in the economy. The electronics industry will be supported by strong growth of semiconductor output from new plants slated to come

CHART 4A: COMPONENTS OF AGGREGATE DEMAND – DOMESTIC AND EXTERNAL DEMAND

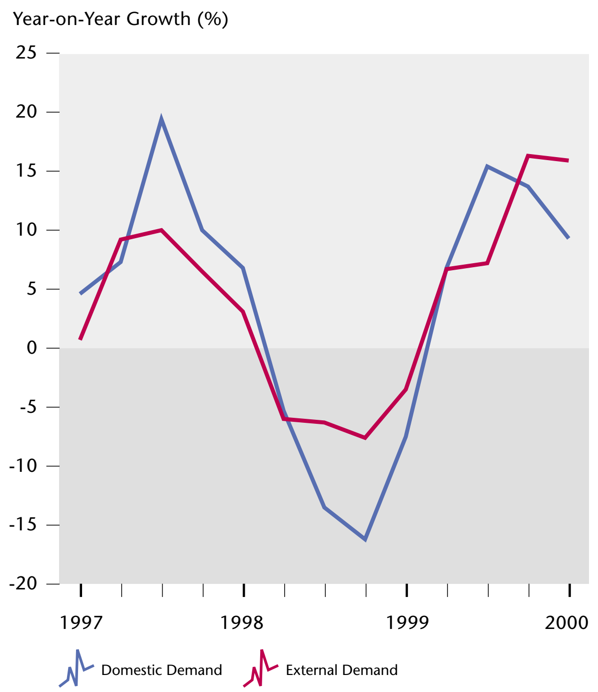
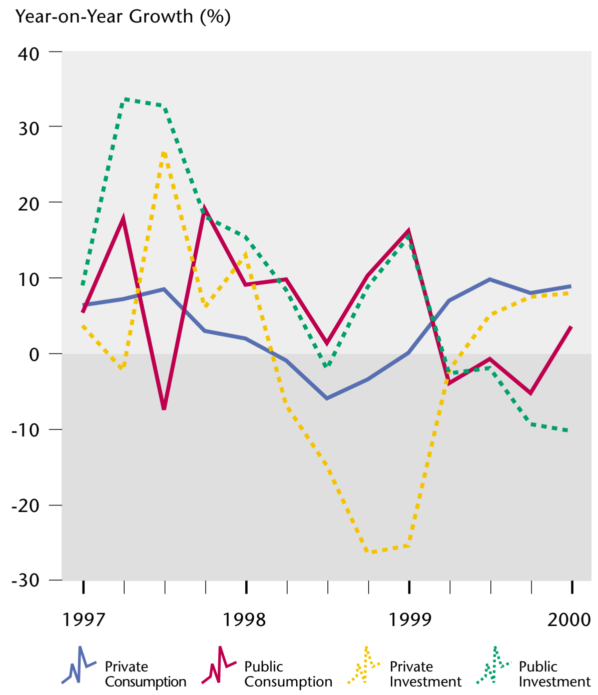


CHART 4B: COMPONENTS OF AGGREGATE DEMAND – DOMESTIC DEMAND



onstream this year, which will more than offset the impact from the relocation by major disk drive players to regional countries. At the same time, new plants in the petrochemical and industrial chemical industries will support non-electronics output. However, outlook for the petroleum refining and marine transport equipment industry remains bleak as they continue to face severe competitive pressures.

The continued recovery in the regional economies will also support stronger growth of the services sectors, which have already picked up in the first quarter of 2000. The commerce sector will continue to benefit from the influx of visitor arrivals, while the recovery in trading activity in the regional economies and liberalisation of the telecommunications industry in April 2000 will provide a boost to the transport & communications sector. A more broad-based recovery is also expected in the financial services sector. In particular, loan activity in the Asian Dollar Market (ADM) and the domestic banking sector is expected to see some recovery as business sentiments in the regional economies and Singapore improve further. The fund management industry will also grow strongly as a more favourable outlook for the region encourages greater interest in regional stock markets and other investments. Only the construction sector is forecast to weaken further in 2000, with contracts awarded, a leading indicator of construction activity, having fallen by 30% in 1999.

LABOUR MARKET

Labour Demand Strengthened

Reflecting the pick-up in economic activity, labour demand strengthened in 1999, with firms recruiting more actively. Demand for new graduates was strong. The annual employment survey of the National University of Singapore (NUS) and the Nanyang Technological University (NTU) graduates found that approximately 90% of the students who graduated in the middle of 1999 had found jobs by year-end, 5.5% higher than in 1998. The re-employment rate of retrenched workers had also trended up to 64% in March 2000, from a low of 54% in March 1999 (See Chart 5).

In line with robust demand for labour, the job vacancy rate[1] remained above 2% since June 1999. However, this was still lower than the pre-crisis rate of 4% to 5%. The seasonally-adjusted ratio of job vacancy to unemployed persons also improved from 0.33 in December 1998 to 0.84 in December 1999.

Turnaround in Employment

Total employment expanded by 39,867 in 1999, a sharp turnaround from net job losses of 23,384 in 1998. The higher employment growth in 1999 also reflected in part an increase in the number of part-timers who were recruited for the Y2000-crossover celebrations (See Charts 6A and 6B).

The largest increase in employment of 53,207 was recorded in the services sector. The manufacturing sector also saw an increase in employment after contracting by over 27,574 in the previous year, while the number of hours worked rose amidst double-digit growth in output. In contrast, about 18,000 workers were displaced in the construction sector in 1999. For the economy as a whole, an additional 13,737 jobs were added in the first quarter of 2000, with the services sector accounting for the entire increase in employment.

With the sharp rise in total employment in 1999, the seasonally-adjusted unemployment rate trended down to 3.4% in March 2000, from the recent peak of 4.2% in the second half of 1998.

Retrenchments, however, remained high in spite of the trend decline in the seasonally-adjusted unemployment rate. In the first quarter of 2000, 6,046 workers were retrenched, compared with the quarterly average of around 3,700 in 1999. This is also significantly higher than the average of 2,440 per quarter over 1994-97, and reflects continued

[1] This is the ratio of job vacancies to the sum of employment and job vacancies.

CHART 5: RECRUITMENT AND RE-EMPLOYMENT RATES

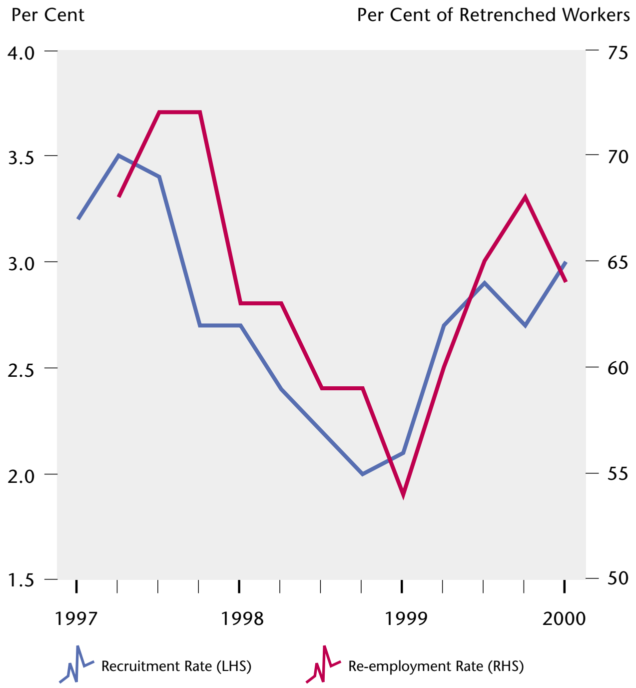


CHART 6A: CHANGES IN EMPLOYMENT

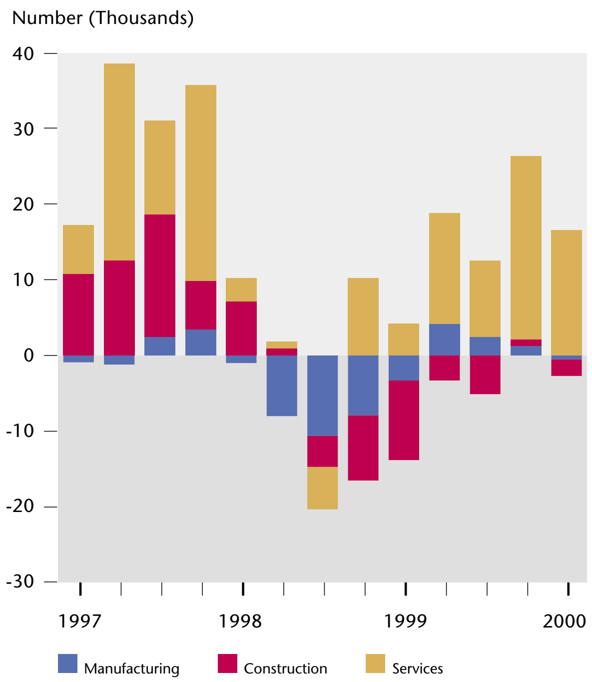


CHART 6B: UNEMPLOYMENT RATE

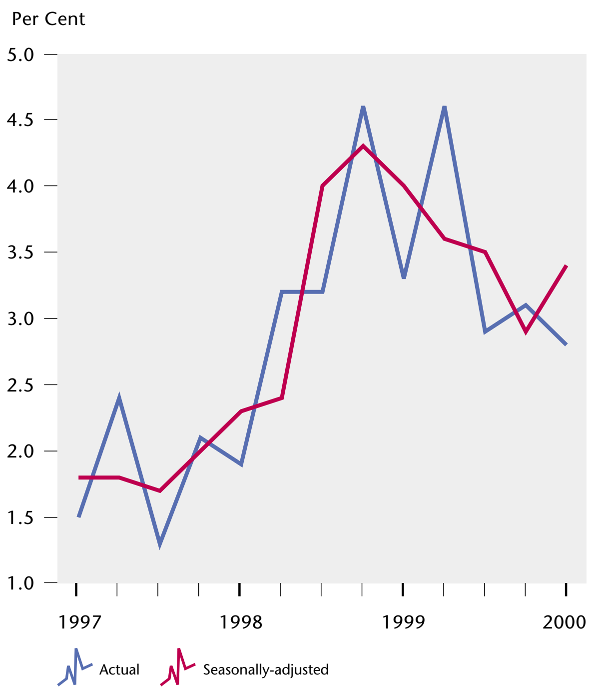


CHART 7A: RETRENCHMENTS – BY SECTOR

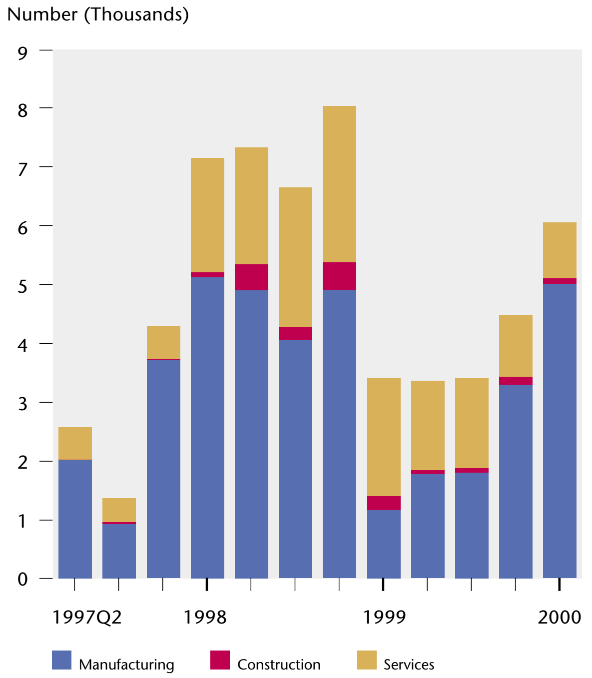


CHART 7B: RETRENCHMENTS – BY OCCUPATION

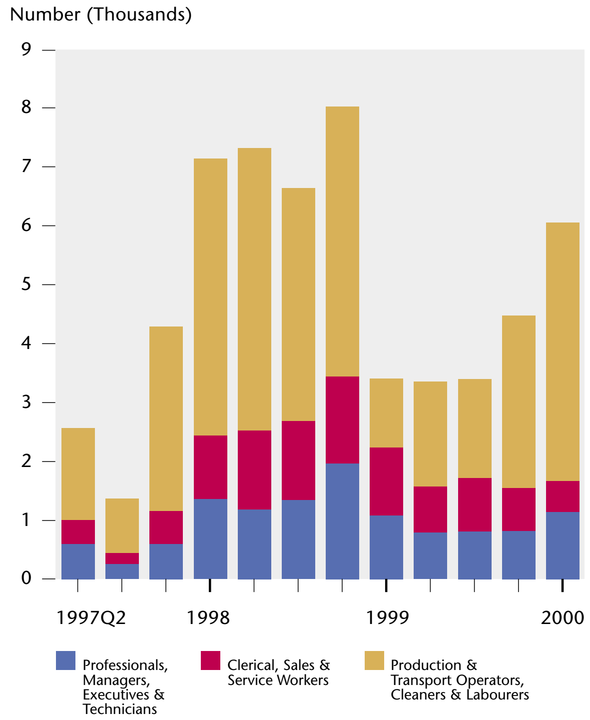
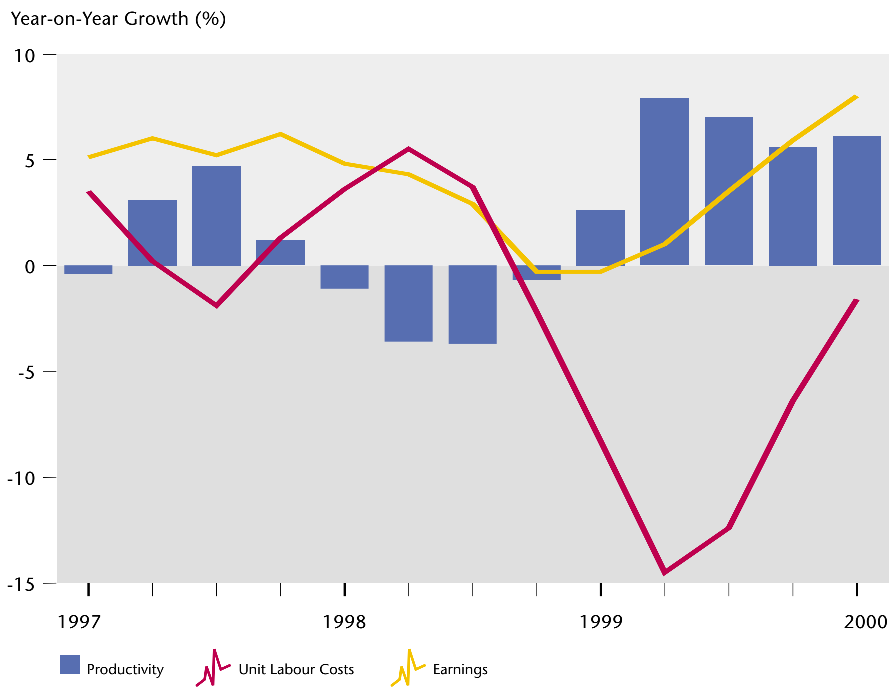


CHART 8: EARNINGS, PRODUCTIVITY AND UNIT LABOUR COSTS



restructuring in the companies here. Most of the job losses in 1999 were at the production end, rather than from the clerical or professional ranks (See Charts 7A and 7B).

Earnings, Productivity and Unit Labour Costs

With the slack in the labour market diminishing, nominal earnings rose by 5.9% in the last quarter of 1999. For the year as a whole, however, nominal earnings increased by a moderate 2.7%, largely unchanged from that in 1998, and about half the rate of growth in 1997. In real terms, earnings rose by 2.6% in 1999. Earnings rose further in the first quarter of 2000, by 8.1% in nominal terms and 6.9% in real terms (See Chart 8).

Productivity growth rebounded in 1999, with the strongest recovery in the manufacturing sector, following a contraction the year before. The increase in overall productivity growth and the 10% point cut in employers' Central Provident Fund (CPF) contribution rate since January 1999 brought unit labour costs (ULC) down by 10% in 1999. ULC continued to fall in the first quarter of 2000, though by a more moderate 1.6%. For the year as a whole, however, ULC is expected to rise, reflecting wage increases and the 2% point restoration of the employers' CPF contribution rate in April 2000.

Labour Market Outlook

On the whole, the labour market is expected to improve further in 2000. Overall employment is expected once again to be supported by the services sectors, in particular, the financial & business services, financial intermediation, computer-related and transport & logistics sectors. This reflects the rapid expansion in IT-related activities, the liberalisation of the financial and telecommunications sectors, and an increasing trend towards "just-in-time" delivery. Some retrenchment, however, is still expected in lower-end manufacturing industries, although the National Manpower Council (NMC) expects more job creation in higher-end electronics, chemical and the life sciences industries. Employment in the construction sector is not expected to improve significantly this year with activity forecast to remain weak.

As firms move up the value-added chain and adopt more productive practices, fewer new jobs may be created while higher educated workers would be required. Recognising this, the NMC has recommended an extension of the Skills Redevelopment Programme and Strategic Manpower Conversion Programme to more industries in order to help workers upgrade their skills. To better meet skills demand in future, universities are to enrol more engineering, computer science, communications studies and pharmacy students, while polytechnics need to increase intake for media and health-related disciplines.

INFLATION

Consumer Price Inflation

Following a decline in 1998, consumer prices trended up in 1999 as consumer demand improved amid the economic recovery and rebound in the stock market. From negative 0.9% in January 1999, consumer price index (CPI) inflation rose steadily to 0.7% in December 1999, bringing average inflation for the year to 0%.

The increase in CPI inflation, particularly during the latter half of 1999, was driven by higher private road transport costs due to stronger demand for cars, as well as higher petrol prices. There were also substantial increases in meat prices arising from the mandatory installation of meat-chillers by pork sellers, following the pig-related Nipah virus outbreak in Malaysia. Hikes in commercial school fees and water charges also contributed to the price increase in 1999. In the first three months of 2000, inflation rose further to 1.1%, largely reflecting the continued strong demand for cars, the upward revision in electricity tariffs, as well as higher meat and poultry prices (See Chart 9A). Abstracting the impact of the one-off increase in meat prices and utility charges, which should not be a concern of monetary policy, CPI inflation was estimated to be negative 0.2% in 1999 and 0.4% in the first quarter of 2000.

The MAS underlying inflation, which excludes private road transport and accommodation costs, came in higher than the headline CPI inflation at 0.5% in 1999. This largely reflected the exclusion of accommodation costs, which fell during 1999 on the back of the soft property rental market. In contrast, the other three measures of core inflation, namely, the volatility-adjusted, the median and the 30%-trimmed mean, recorded negative inflation rates for 1999 as a whole. The volatility-adjusted inflation, which removes those items that exhibit excessive price volatility, remained in the negative territory in the first two months of 2000. The median inflation refers to the 50th percentile inflation rate at which half of the components in the CPI basket have higher inflation and the other half lower, while the 30% trimmed mean inflation is calculated after removing 15% each of the components with the smallest and largest inflation rates. Both these measures of core inflation stayed benign at 0.2% and 0.3% respectively in the first quarter of 2000 (See Chart 9B).

From a more macro perspective, the rise in consumer price inflation reflected inflationary pressures from both foreign and domestic sources. Import prices of mineral fuel jumped by more than 30% on the back of the spike in world oil prices, which more than doubled in 1999 (See Chart 10). This was attributed to the successful adherence to oil production cutbacks by Organisation of Petroleum Exporting Countries (OPEC) members as well as prospects of higher world demand in light of the Asian economic recovery. However, the proportion of Singapore's CPI basket that is directly affected by world oil prices is small at about 10%, mainly comprising transport costs and electricity & gas tariffs. The impact would be larger if indirect effects, such as that of electricity & gas tariffs on cooked food prices, are taken into account. The effect of higher crude oil prices on CPI inflation was largely the result of hikes in petrol pump prices, which have increased by about 16% since April 1999 when the cutbacks began. Electricity tariffs, however, were only increased in January 2000. The hike by 13.4% follows sustained declines since May 1998.

The price of base metals also increased, although this was offset somewhat by the fall in prices of soft commodities. The tightening of domestic labour market conditions also contributed to inflationary pressures.

The outlook for foreign CPI inflation is benign. Despite the pick-up in growth in the G-7 industrialised countries, inflation rates are not expected to spike-up significantly, due to rising productivity growth and central bank vigilance against any resurgence in inflation. Price pressures in the regional countries are also forecast to remain low, particularly in Indonesia, where weak domestic demand will keep a lid on overall inflation. In addition, the recovery of the regional currencies against the US Dollar will help cap imported inflation in these economies.

However, commodity prices are seeing a rising trend and are likely to contribute to some upward price pressures in Singapore. While OPEC has agreed to boost production, the increase in output is not expected to cause a sharp price correction in the near term.

On the domestic front, overall CPI inflation will see the impact of further price increases in several regulated items such as utility charges, university tuition fees, excise tax on cigarettes, as well as the extension of mandatory installation of chillers to all other meat-sellers. The recent recovery in the property market is expected to feed into higher rentals, and hence accommodation costs. Further tightening in the labour market, on the back of a continued recovery in the economy, would also push up labour costs.

Taking all the above into account, both the overall CPI and MAS underlying inflation are expected to be 1% to 2% in 2000. Abstracting from the effect of one-off factors such as meat prices and utility charges, the CPI and MAS underlying inflation should come in at the lower end of the forecast range.

CHART 9A: OVERALL CPI AND ITS SELECTED COMPONENTS

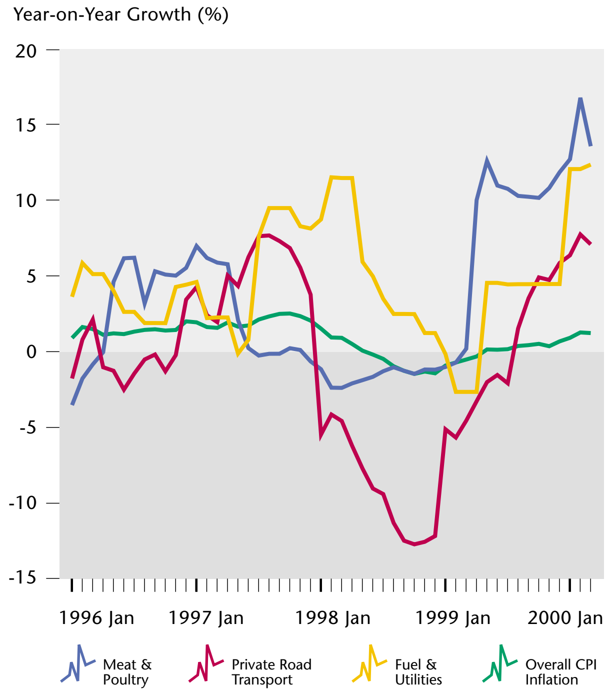


CHART 9B: CORE INFLATION MEASURES

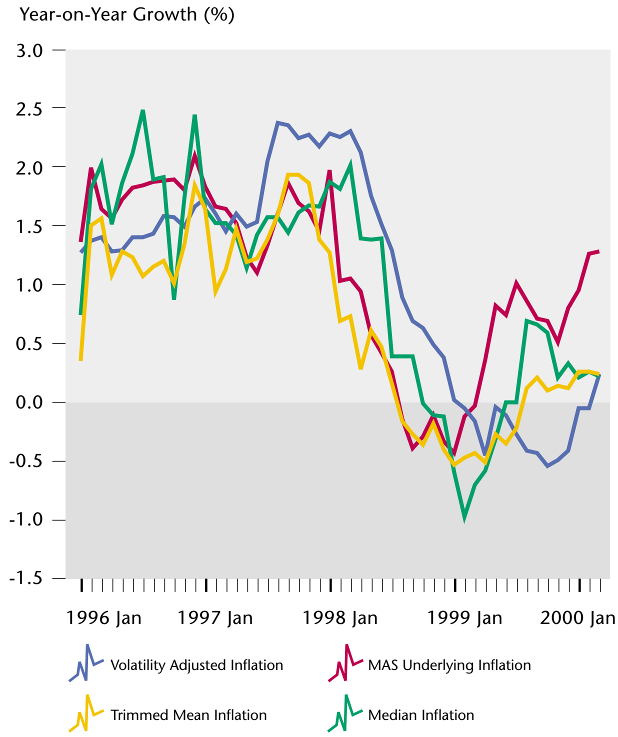
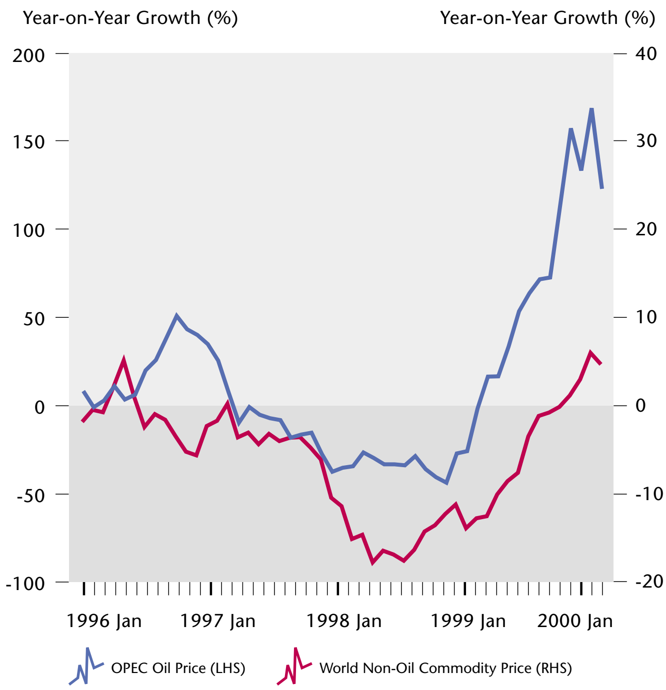


CHART 10: WORLD COMMODITY PRICES



Asset Price Inflation

Asset prices recovered strongly in 1999, as consumer and business sentiments improved. Equity prices rose strongly, with the benchmark STI rising by 78% in 1999, partly reflecting the strong US stock market as well as renewed foreign interest in the local bourse. The series of financial liberalisation measures unveiled during the year boosted sentiment in banking stocks, while technology stocks received support from favourable growth prospects in the industry. Concomitantly, turnover on the Singapore Exchange-Securities Trading rose by 100% in 1999 (See Chart 11A). In the first quarter of 2000, turnover continued to improve, reflecting higher volumes and prices.

In the property market, private residential property prices rebounded by 34% during the year, but remained some 26% below its peak in the second quarter of 1996 (See Chart 11B). There remains an overhang in the market, with an unsold stock of housing units totalling more than 14,000 at the end of 1999. Prices of commercial and industrial property prices also turned around in the last quarter of 1999, with the bottoming out of occupancy rates. Both industrial and residential property prices subsequently rose in the first quarter of 2000.

EXCHANGE RATE POLICY

In 1999, MAS' exchange rate policy sought to facilitate the recovery of the Singapore economy amidst a benign inflationary environment. Following an easing of monetary conditions in the second half of 1998, a neutral policy stance was maintained throughout 1999. The neutral exchange rate policy stance has served to reinforce the government's cost reduction measures and facilitate the faster-than-expected recovery of the Singapore economy. At the same time, greater stability in financial and currency markets compared with 1998 also allowed the exchange rate band, within which the Singapore Dollar exchange rate can fluctuate, to be narrowed back to its pre-crisis level.

Overall monetary conditions were easier in 1999 compared with 1998. The nominal effective exchange rate (NEER) of the Singapore Dollar has come down significantly from its peak in 1998 and was relatively stable in 1999. Concomitantly, the real effective exchange rate (REER) – which adjusts for relative movements in Singapore's ULC vis-à-vis those of its competitors – declined, reflecting the effect of the government's cost-cutting measures in 1998 as well as an improvement in productivity growth. The easy monetary

CHART 11A: STOCK MARKET

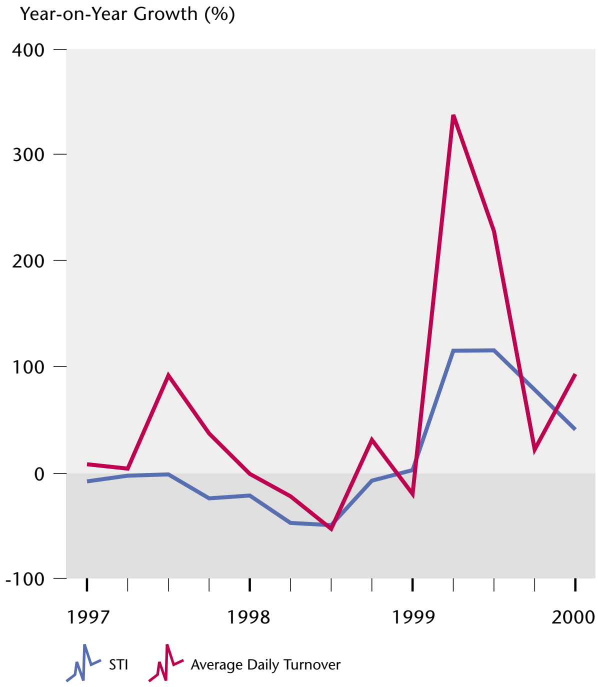


CHART 11B: PRIVATE PROPERTY PRICES

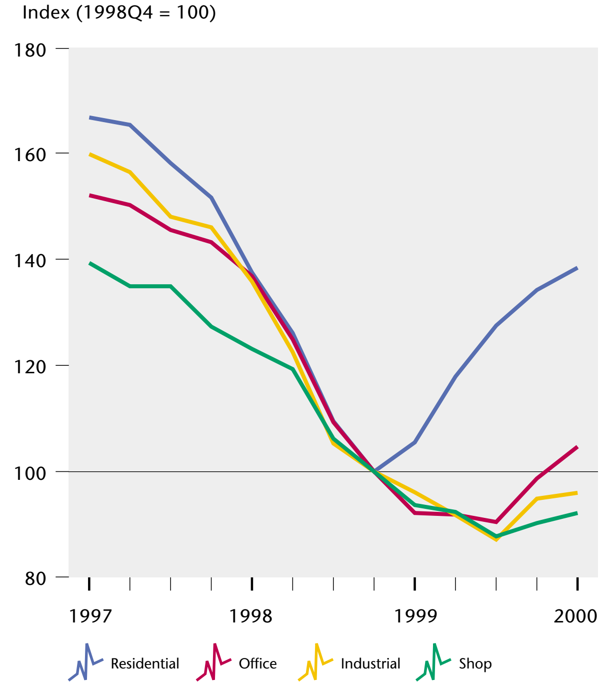


CHART 12: SINGAPORE DOLLAR EXCHANGE RATE AGAINST MAJOR CURRENCIES

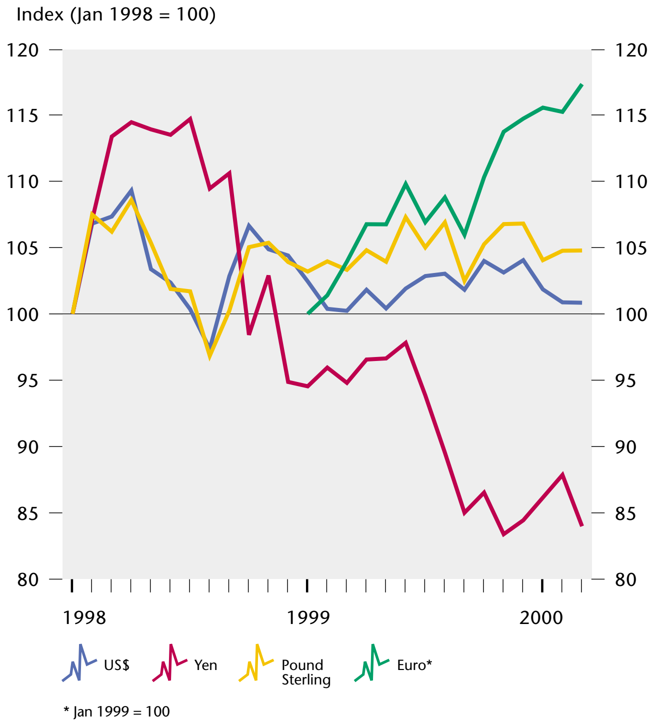
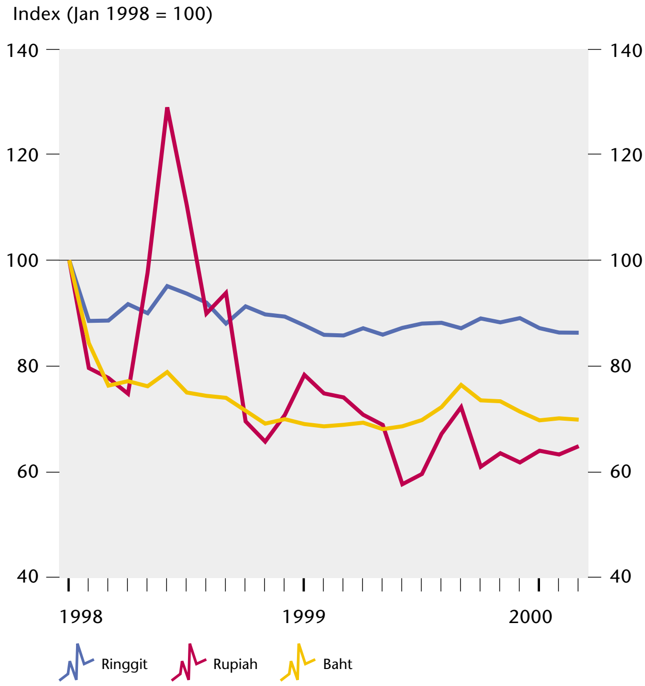


CHART 13A: SINGAPORE DOLLAR EXCHANGE RATE AGAINST REGIONAL CURRENCIES – ASEAN-3



conditions were also reflected in low domestic interest rates. Although domestic interbank rates have tended to rise in tandem with external interest rates during the year, they remained relatively low by historical standards.

For year 2000, although GDP growth is expected to pick-up to 5.5% to 7.5%, CPI inflation is still forecast to be a low 1% to 2%. Nonetheless, MAS' exchange rate policy will remain vigilant and strive to contain any resurgence in inflationary pressures while ensuring that the economy continues to expand at a healthy rate. As always, the exchange rate will be allowed to move flexibly within the policy band without undue or excessive fluctuations.

EXCHANGE RATE DEVELOPMENTS

The Singapore Dollar strengthened against the Pound Sterling and Euro in 1999, but ended the year weaker against the Japanese Yen and the US Dollar on the back of strong growth prospects for the two economies (See Chart 12). It also weakened against most of the regional currencies, rising only against the Thai Baht (See Chart 13A). Most of these trends continued into the first quarter of this year, although the Singapore Dollar weakened against the Pound Sterling and Thai Baht and strengthened against the Indonesian Rupiah.

Movements against Major Currencies

Optimism over the strength of the US economy and expectations that the US Federal Reserve would raise interest rates saw the Singapore Dollar weakened against the US Dollar in the first quarter of 1999. However, the Singapore Dollar strengthened steadily against the US Dollar over the rest of the year, as the recovery of the Singapore economy gathered pace. Strong foreign interest in the resurgent Singapore stock market also provided additional support for the Singapore Dollar. By the end of the year, the Singapore Dollar had recouped almost all of its earlier losses. However, the Singapore Dollar weakened in the first quarter of 2000, partly due to increased corporate demand for US Dollars to acquire foreign assets.

The Singapore Dollar appreciated 14% against the Euro on the back of general bearish sentiment towards the Euro. Significant foreign direct investment (FDI) and portfolio outflows from Europe in 1999 also exerted significant downward pressure on the Euro. Indicators of a recovery in the Euro zone economies were overshadowed by the more robust performance of the US economy and asset markets. The Euro ended the year at S$1.68 compared with S$1.97 at the start of the year. The Euro continued to weaken against the Singapore Dollar in the first quarter of 2000 despite more bullish expectation over the long-term prospects for Euro zone economies.

Against the Pound Sterling, however, the Singapore Dollar appreciated by 3.3% in the first half of the year, amidst a series of interest rate cuts by the Bank of England (BOE). A reversal in BOE's monetary policy stance in the second half of the year with the subsequent pickup in the British economy moderated the gains of the Singapore Dollar to 2.8% in 1999. The Pound strengthened in the first quarter of 2000, as the BOE hiked interest rates. Indications of some slowdown in economic activity helped moderate the strength of the Pound, with the Singapore Dollar ending the quarter 1.9% weaker.

Strong indications of a recovery in the Japanese economy and improving business sentiments, as reflected in the monthly Tankan business sentiment index, led the Yen to appreciate against the Singapore Dollar in the second half of 1999. A surge of foreign funds into Japanese equities also boosted the strength of the currency. Despite repeated interventions by the Bank of Japan, the Yen remained strong.

As a result, the Singapore Dollar weakened by 11% against the Yen in 1999 to S$1.63 per ¥100 at end-December. In January-February 2000, the Yen weakened somewhat on the back of concerns over a fragile economic recovery in Japan and news that Moody's would place Japan's Aa1 domestic currency rating on review for a possible downgrade. Its subsequent strengthening in March was largely attributed to the flow of funds related to the Japanese fiscal year end and an improvement in the economic outlook for the economy.

Movements against Regional Currencies

After appreciating in the previous two years, the Singapore Dollar fell by 13% against the Indonesian Rupiah in 1999. The Indonesian currency recovered strongly following a peaceful parliamentary election in June, which brought hopes of greater political stability to the country. However, the uncovering of irregularities associated with the repayment of a loan owed by PT Bank Bali, as well as violence in East Timor following the referendum in late August, put downward pressure on the Indonesian currency. It was only following the election of Abdurrahman Wahid and Megawati Sukarnoputri to the posts of President and Vice-President of Indonesia respectively in late October that greater stability returned and the Rupiah strengthened. In the first quarter of 2000, the Rupiah weakened amid political uncertainty and weaker performance of the stock market, as well as the decision by the

CHART 13B: SINGAPORE DOLLAR EXCHANGE RATE AGAINST REGIONAL CURRENCIES – NIE-3

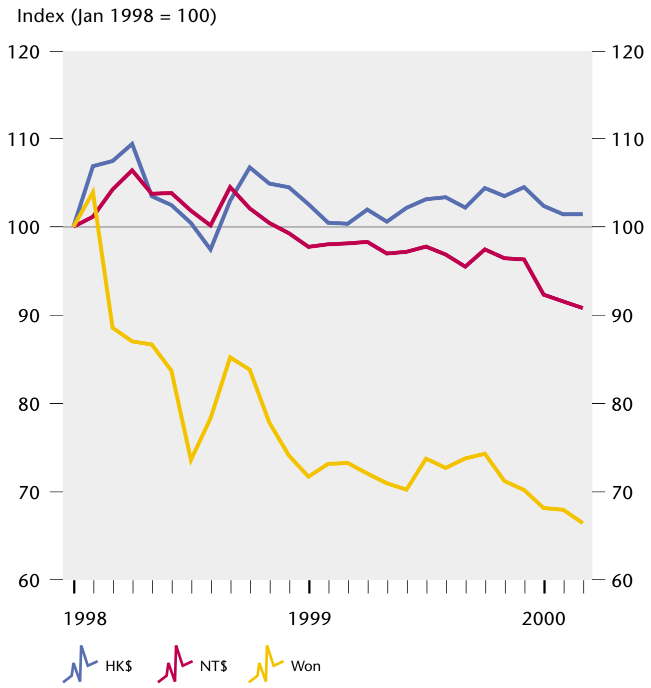


CHART 14A: GOVERNMENT FINANCE

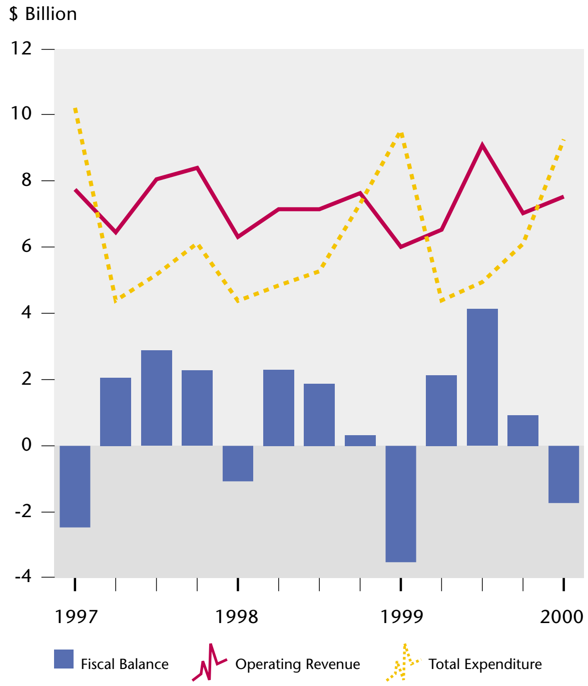
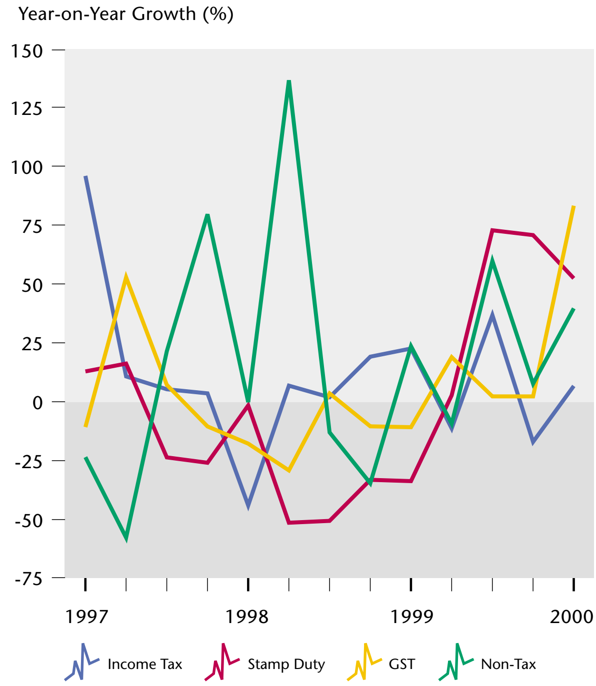


CHART 14B: TAX REVENUE



International Monetary Fund to postpone its loan disbursement to Indonesia. Against the Singapore Dollar, the Rupiah depreciated by 5.0% during this period.

The Thai Baht was relatively stable in the first half of the year, but fell steeply in the third quarter on renewed concerns over the health of the banking sector as well as repayment of foreign loans by Thai corporations. Although it subsequently strengthened with the continued recovery of the Thai economy, this was not sufficient to offset the weakness earlier and the Baht ended the year 2.0% lower against the Singapore Dollar. Against the Malaysia Ringgit, which remained pegged to the US Dollar following the imposition of capital controls, the Singapore Dollar was 0.3% weaker in 1999. The Singapore Dollar continued to weaken against the Thai Baht and Malaysia Ringgit in the first quarter of 2000.

The strength of the South Korean Won and New Taiwan Dollar during 1999 was supported by strong export earnings, renewed confidence in the economic outlook, and foreign interest in their stock markets. Intervention from the South Korean central bank and concerns over the financially troubled Daewoo group of companies dampened the strength of the Won temporarily. Since November, however, the Singapore Dollar has been depreciating against the South Korean Won (See Chart 13B). It depreciated by 5.2% in 1999 and another 5.4% in the first quarter of 2000. Although the appreciation of the New Taiwan Dollar was interrupted by a major earthquake in late September, the Singapore Dollar nevertheless ended the year 3.0% lower against it. The strength of the New Taiwan Dollar continued into the first quarter of 2000.

FISCAL DEVELOPMENTS

With the stronger and faster-than-expected pick up in the economy, the government's fiscal position improved in 1999, registering a surplus[2] of $3.7 billion, compared with $3.4 billion the year before (See Chart 14A). This reflected in particular higher operating revenue and lower operating expenditure during the last three quarters of the year, which more than offset the deficit in the first quarter of 1999.

Total operating revenue rose by $406.7 million to $28.6 billion. Income tax collections were boosted by contributions from statutory boards. However, corporate and personal income tax revenue dipped to $9.3 billion in 1999, reflecting the 10% rebate extended to both categories of income tax payers for the year of assessment 1999 (See Chart 14B).

2 Defined as operating revenue less operating and development expenditure.

CHART 15A: GOVERNMENT EXPENDITURE

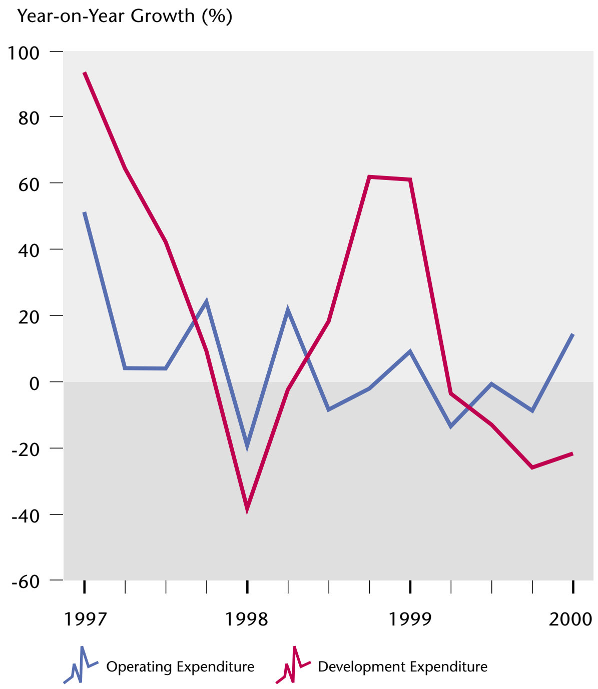
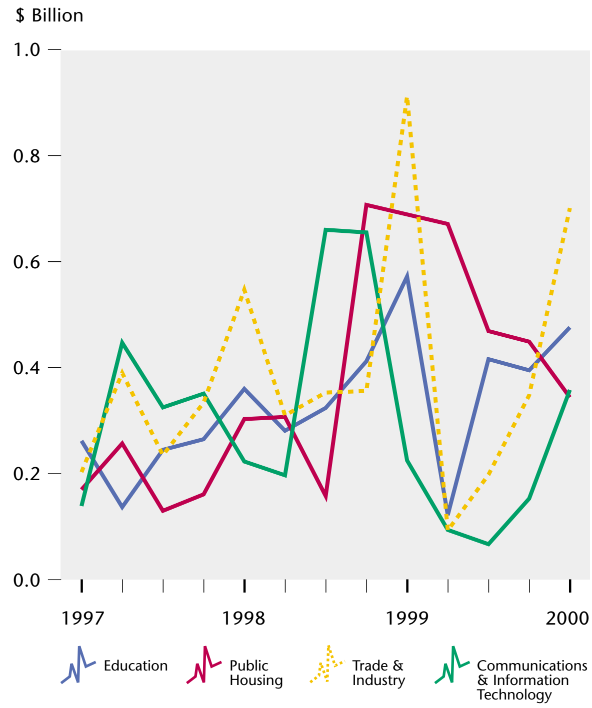


CHART 15B: SELECTED DEVELOPMENT EXPENDITURE



Collections from stamp duty rose significantly by 18% in 1999 compared with a contraction of 36% the year before. As stamp duty on contract notes for share transactions was suspended, the increase in revenue largely reflected the pick up in property transactions, coupled with the increase in property prices. Reflecting the upturn in consumer sentiment, tax collection from consumption-based Goods & Services Tax turned around from a contraction of 15% to rise by 5.2%. The increase in private consumption spending could have been partly encouraged by the bigger year-end bonuses given out in 1999.

At the same time, non-tax revenue collection also expanded by 16% in 1999. Most of the increase was due to a double-digit rise in revenue from fees and charges, which in turn was boosted by the release of a larger number of Certificates of Entitlement (COE).

Total government expenditure grew marginally by $153.2 million to $24.9 billion in 1999. Although development expenditure rose by 4.6%, this was largely offset by lower operating expenditure due to a decline in the wages of public employees (See Charts 15A and 15B).

Development expenditure on social and community services rose by 22%, due to compensation paid to HDB dwellers and shop owners under the Selective En-bloc Redevelopment Scheme. There was also strong growth in development expenditure on economic services and environment projects, reflecting the continued construction of Jurong Island and various sewerage projects respectively. Following a strong increase in the first quarter, overall development expenditure contracted in the second to fourth quarters of 1999, as major projects benefited from lower tender prices and lower-priority projects were rescheduled.

In the first quarter of 2000, the government's fiscal position recorded a deficit of $1.7 billion. The seasonal deficit reflected a jump in expenditure, as ministries ran down their budgeted allocations at the end of the fiscal year. For the whole fiscal year 1999 (FY99), the government accumulated a surplus of $5.5 billion, or 3.7% of GDP, compared with the $5.1 billion deficit estimated in Budget 1999. The government redistributed its accumulated surpluses via various transfers, such as through a CPF top-up for qualifying Singaporeans. These transfers amounted to $682 million, implying an overall budget surplus[3] of $4.8 billion.

[3] Defined as operating revenue less total expenditure and government transfers.

For FY2000, the budget surplus is expected to be sustained at about the same amount. In line with further strengthening of the economy this year, operating revenue is estimated to reach $31.4 billion in FY2000. At the same time, total expenditure is expected to rise to $29 billion on the back of an increase in both operating and development expenditure. The increase in operating expenditure will reflect higher manpower expenditure, as a result of an increase in government employees as well as wage restoration and increase in the employers' CPF contribution rate. A substantial increase in development expenditure was also budgeted for the investment and upgrading of economic infrastructure such as extension of the Mass Rapid Transit (MRT) and Light Rail Transit (LRT) systems as well as other road upgrading and reclamation projects. In preparation for an aging population, the government has also increased its allocation to the Elderly Development Programme. The other broad area of government spending is on enhancing human resource capabilities, with more new schools built and teaching facilities expanded. Meanwhile, capital grant for public housing is expected to increase to $2.2 billion as more flats and estates are upgraded following a slowdown in FY99.

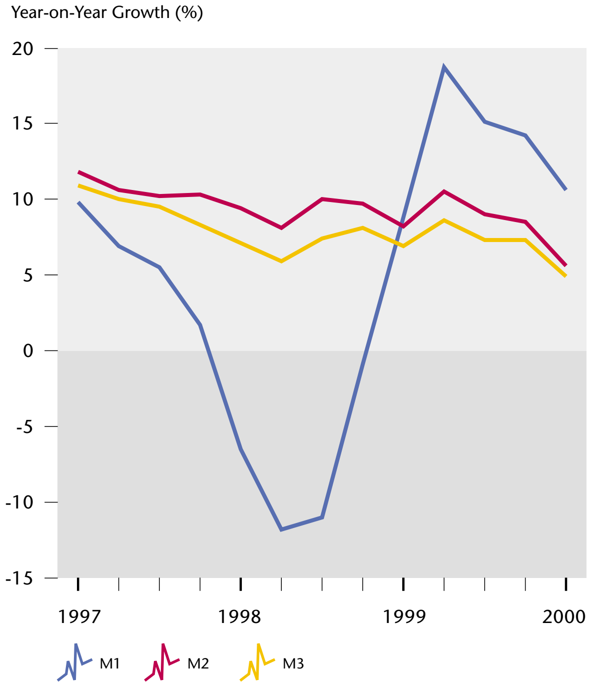
MONEY AND CREDIT

Money Supply

Narrow money M1 turned around from a contraction of 0.9% in 1998 to grow by 14% in 1999, reflecting increased transaction demand for money as the economy recovered. Broad money measures M2 and M3 grew by 8.5% and 7.3% respectively in 1999, slightly lower than growth of 9.7% and 8.1% respectively in 1998 (See Chart 16A).

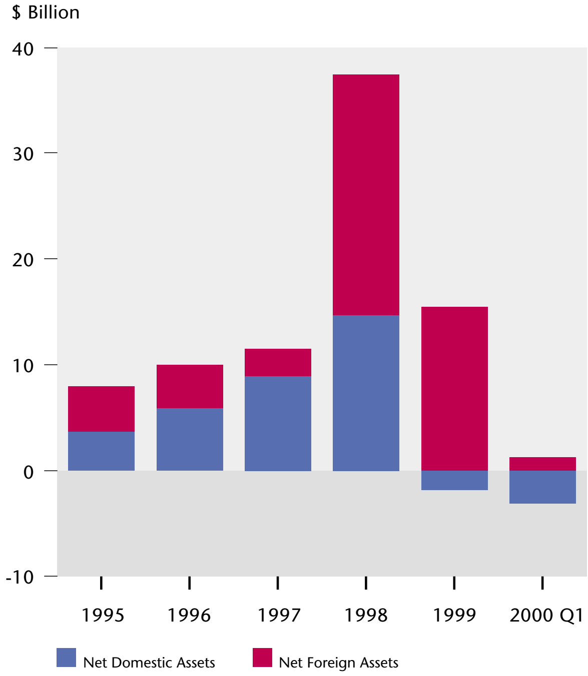
Expansion in monetary aggregate M2 in 1999 was driven largely by strong growth in net foreign assets (NFA) holdings of commercial banks, while domestic credit remained weak. In view of the weak credit market in Singapore, banks channelled the growing domestic deposits to the offshore ADM, particularly the interbank market. This stood in sharp contrast to 1998, when banks used their surplus funds to reduce their foreign liabilities (See Chart 16B). However, growth of money supply moderated in the first quarter of 2000, partly reflecting the slower increase in banks' NFA.

CHART 16A: MONEY SUPPLY*



* Adjusted for the acquisition of POSBank by DBS in Nov 98.

CHART 16B: MONETARY SURVEY*



*Net domestic assets was boosted by the inclusion of POSBank in Nov 98.

Domestic non-bank credit remained weak in 1999, with lending to non-bank customers shrinking by 2.9% in 1999 to $147.2 billion. As a percentage of GDP, it fell from 109% in 1998 to 102% in 1999. Except housing loans, which grew by 11% in 1999, lending to all major sectors of the economy contracted (See Charts 17A and 17B). The level of outstanding loans and advances, however, showed some recovery towards the end of the year. In particular, loans and advances to the manufacturing sector and non-bank financial institutions inched up in the final months of the year. Reflecting the weak domestic demand for credit, the non-bank loan-to-deposit ratio fell from 0.93 at end-1998 to 0.84 at end-1999.

The bottoming-out of the contraction in bank loans continued in 2000, with outstanding loans falling by a smaller 1.2% at end-March. Lending to professional and private individuals, in particular, rose by 4.9%, after shrinking by 0.8% in 1999.

In 1999, domestic interest rates remained relatively low but inched up gradually during the year (See Chart 18). The domestic 3-month interbank rate rose steadily from 1.39% in April 1999 to 2.58% in December, in line with the increase in interest rates in the US and Europe. The increase in the interbank rate in December also reflected year-end short covering and Y2000 liquidity concerns. Central banks in the industrial countries, especially in the US, had tightened their monetary policies during the year to head off inflationary pressures in the face of strong economic growth. The 3-month US$ SIBOR rose from less than 5% in February 1999 to 6.18% in October and 6.13% in December. The differential between the 3-month domestic interbank and US$ SIBOR fluctuated between 3% to 4% in 1999, compared with negative differentials in the first half of 1998.

Retail deposit and lending rates of leading banks in Singapore were largely unaffected by the increase in the interbank rate. In view of the weak domestic credit market and the continuing growth of deposits, the prime lending rate of the ten leading banks in Singapore stayed at 5.8% through the year, while the 3-month and 12-month fixed deposit rates eased slightly from the beginning of the year to stay at 1.68% and 2.46% from March 1999 to the end of the year.

Over the first three months of 2000, the domestic 3-month interbank rate fell to 2.31% due to the liquidity in the money market as banks reduced their cash holdings after the Y2000 crossover. However, as interest rates in the US rose, the US$ SIBOR nudged up to 6.19% in March, leading to a widening of the differential between the US$ SIBOR and the domestic interest rate.

BALANCE OF PAYMENTS

Singapore's overall balance of payments strengthened by $2.3 billion to $7.3 billion or 4.7% of Gross National Product (GNP) in 1999. This reflected an improvement in the current account balance as well as a smaller outflow in the capital and financial account (See Chart 19).

CHART 17A: DOMESTIC CREDIT

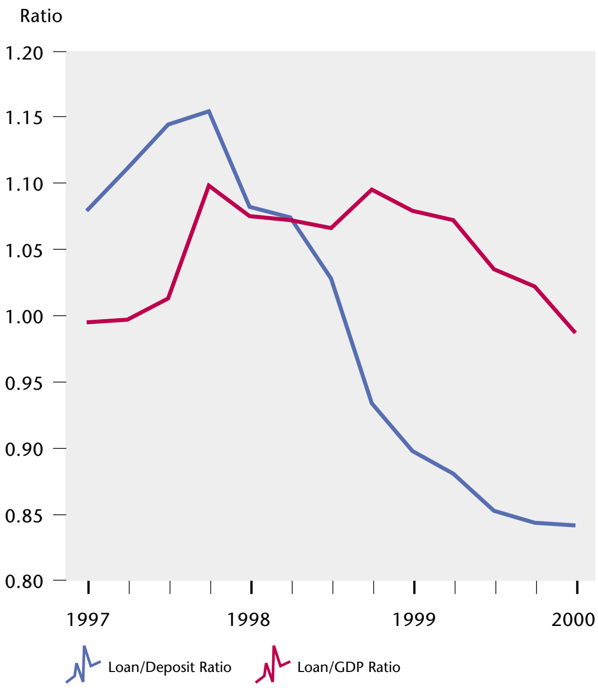
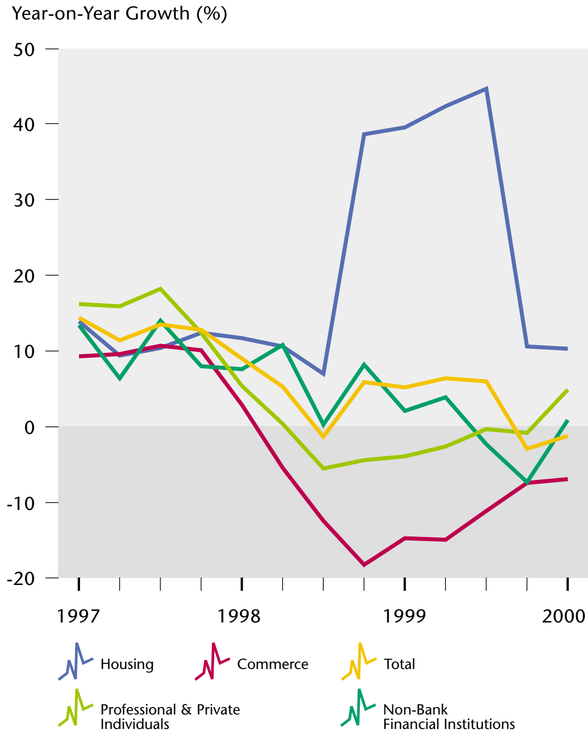


CHART 17B: LOANS BY SELECTED SECTORS



Note: Loans extended by POSBank were included in overall loans following its merger with DBS in Nov 98.

CHART 18: INTEREST RATES

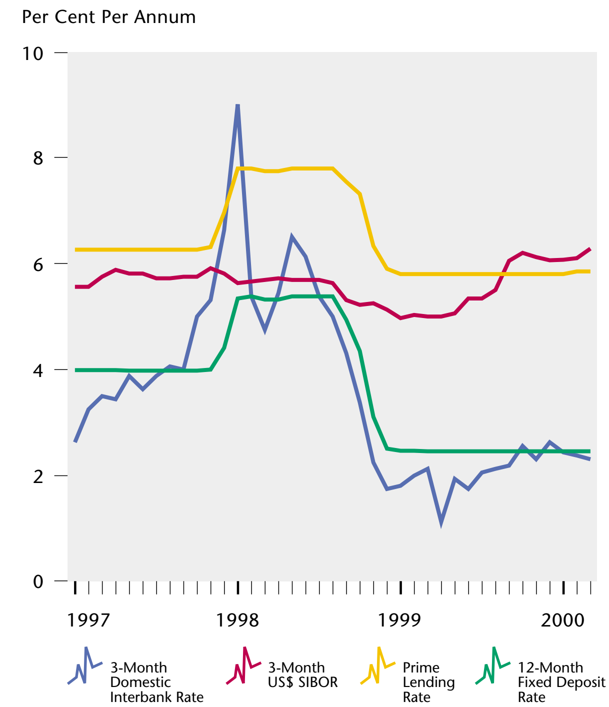
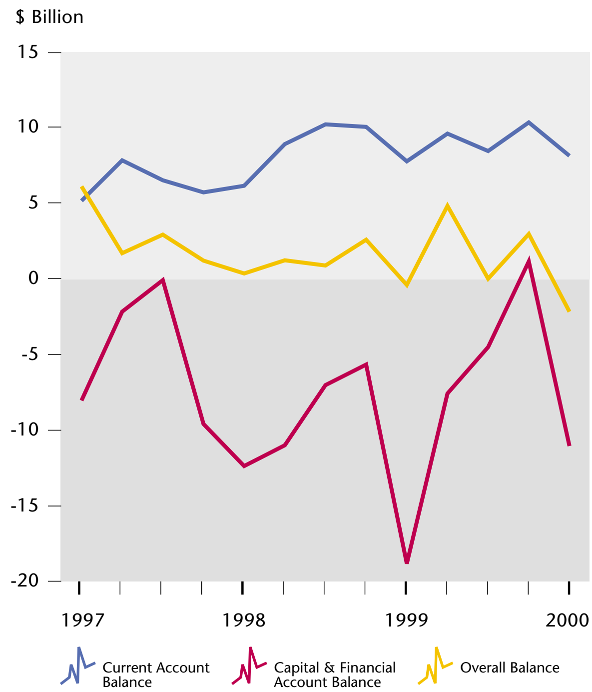


CHART 19: BALANCE OF PAYMENTS



The current account surplus widened to $36.0 billion in 1999, from $35.2 billion in 1998. Both the services and income accounts recorded larger surpluses (See Chart 20A). Singapore's services surplus more than tripled in the year to $8.2 billion, supported by the strong pick-up in travel services receipts as visitor arrivals from the region returned. Other miscellaneous services receipts also rose sharply, underpinned by strong growth in demand for financial and other services from the region. The improvement in these two categories more than offset the deterioration in the transport and insurance services balances. The larger deficit in the transportation account was partly accounted for by exporters' increased payments for freight and port services provided by non-residents as Singapore's exports rebounded. Similarly, the increase in imports saw larger payments for insurance coverage (See Chart 20B).

Despite the strong pickup of goods exports from the second quarter of the year, however, the goods account turned in a smaller surplus than in 1998. This reflected the faster increase in imports over the period, underpinned by increased demand for intermediate inputs as manufactured exports strengthened further, as well as increased demand for final consumer goods with the recovery in consumer sentiments.

The capital and financial account recorded a smaller outflow of $29.8 billion in 1999, compared with $36 billion in the previous year (See Chart 21). To a large extent, the huge outflows in 1998 reflected the withdrawal of funds extended by foreign banks to their branches in Singapore in view of the weak loan demand and heightened concerns over credit risks in the region. As currency markets stabilised and the regional economies picked-up, inflows of foreign banks' head office funds resumed in 1999. This was accompanied by an increase in banks' overseas lending in 1999, especially through the ADM, in contrast to a pullback of funds from the ADM in 1998. While concerns over foreign exchange risks during the Asian crisis had also led to a net repayment of offshore Asian Currency Units loans by non-bank residents in 1998, this trend was reversed in 1999 as currency markets stabilised and sentiments improved.

There was a smaller net outflow of portfolio investment in 1999. Portfolio inflows rose as foreign interest in the local stock market returned, which more than offset the increased purchase of foreign debt and equity securities by residents. On the other hand, net direct investment inflows moderated. This reflected a resumption of residents' direct investments overseas, following some disinvestment in 1998. Direct investment inflows rose in 1999.

Singapore's overall balance of payment recorded a deficit of $2.2 billion in the first three months of 2000. This was partly due to the moderation in the current account surplus as the fall in import payments was more than offset by the larger contraction in receipts from exports. The capital and financial account also saw a significant outflow of $11 billion. Although there was a larger net inflow of direct investment, increased net outflows of portfolio investment as well as of bank and non-bank funds through the 'other investments' account contributed to the greater overall outflow.

CHART 20A: CURRENT ACCOUNT BALANCE

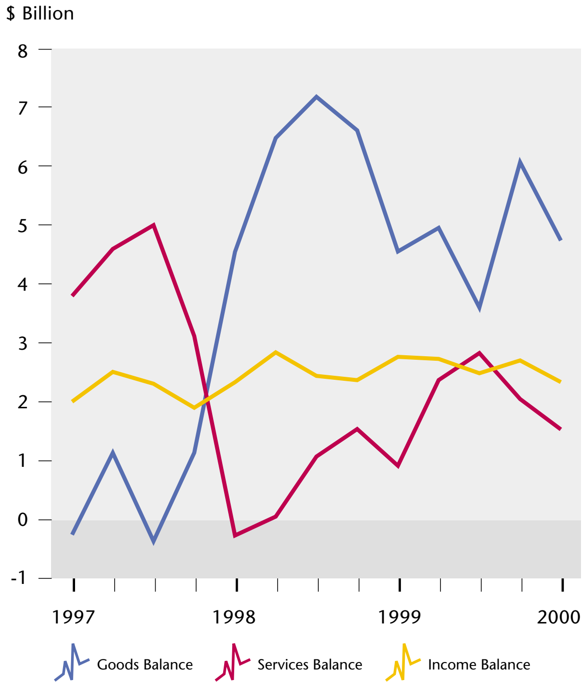


CHART 20B: SERVICES ACCOUNT BALANCE

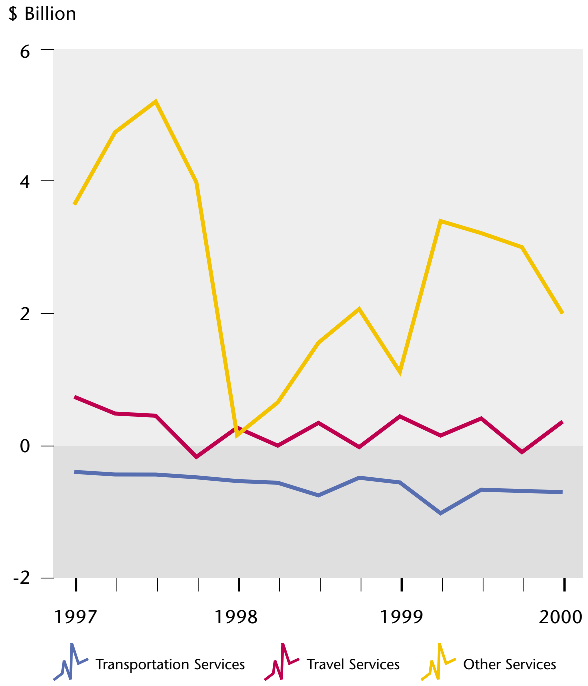
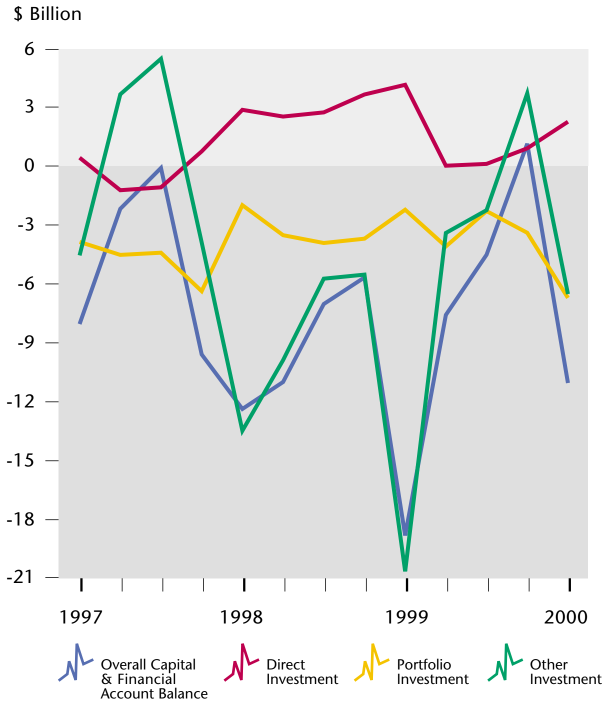


CHART 21: CAPITAL AND FINANCIAL ACCOUNT



THE FINANCIAL SECTOR

Five-Year Programme to Liberalise and Strengthen Banking Sector

Launch of Singapore Exchange – the First Demutualised and Integrated Exchange in Asia Pacific

Assets Under Management Jumps 63% to $246 Billion

Liberalising

Corporate Bond Issuance Doubles to Over $9 Billion

Insurance Sector Opens Up

OVERVIEW OF FINANCIAL SECTOR REFORMS AND NEW SUPERVISORY INITIATIVES

Financial Sector Review

MAS has continued its financial sector reforms over the past year with a series of strategic changes. These included the first phase of the banking liberalisation programme, the merger of the cash and derivatives exchanges to form the Singapore Exchange, and the liberalisation of the insurance industry.

Legislation and guidelines were also refined and updated during the year to enhance regulatory efficiency and to keep pace with changing market practices. Further various developmental measures were introduced to broaden the financial sector. These initiatives are aimed at fostering a more transparent, innovative and dynamic financial sector without compromising the tenets of high prudential standards and sound financial management.

In the longer term, the initiatives taken will also contribute towards the broader vision of propelling Singapore to a higher level of competitiveness in the new global economy, as international markets become more integrated and global competition intensifies. In the financial sector, these trends are manifested in the increasing concentration of financial activities within a few key financial centres around the world.

1999 also saw MAS undertaking the final stages of the preparation for the transition to the year 2000, initiated more than four years ago. The financial sector enjoyed a smooth crossover to the year 2000, together with other sectors of the Singapore economy. MAS played a proactive role in co-ordinating the Year 2000 (Y2000) effort for the financial sector, from monitoring and supervising financial institutions' Y2000 preparations and ensuring adequate liquidity in the banking system to promoting public awareness of the issue. The Y2000 preparation was a valuable exercise in systems renovation and testing, and in contingency planning for Singapore's financial sector. It has strengthened the industry's confidence in dealing with future event risks.

Looking ahead, the changing financial landscape requires MAS to continually review our supervisory framework and existing practices to keep abreast of international best practices. The challenge will be to develop a flexible and integrated risk-focussed supervisory framework that is well-grounded in prudential principles and yet is attuned to evolving trends within the financial sector.

MAS will continue to explore opportunities in the coming year to improve and evolve the various components of the financial sector. This process involves not just formulating major new initiatives, but also building upon what has already been done in the past year and taking incremental steps to refine existing practices. MAS will also continue to engage the industry in constructive dialogue with the aim of maintaining a responsive supervisory environment that is conducive for the financial industry to grow and thrive.

Liberalising Commercial Banking and Upgrading Local Banks

MAS announced a programme to liberalise the domestic banking sector in May last year. The programme aims to strengthen Singapore's banking system and local banks, as well as enhance Singapore's position as an international financial centre. The five-year programme liberalising foreign access to Singapore's domestic banking market started in October 1999 with the award of new Qualifying Full Bank (QFB) privileges to four foreign banks - ABN Amro Bank NV, Banque Nationale de Paris, Citibank NA and Standard Chartered Bank. Eight new restricted bank licences were also awarded, while another eight banks were given additional offshore banking privileges. Applications for the remaining QFB privileges and additional offshore banking privileges will be re-opened in 2001.

The increasingly competitive environment in the domestic banking market has spurred the local banks to upgrade themselves. Local banks will have to continue to build up their management teams and improve their systems of corporate governance. As a start, MAS has required the local banks to set up Nominating Committees to screen appointments to board and key management positions.

Separation of Financial and Non-Financial Activities of Banking Groups

On 21 June 2000, MAS announced regulations to separate financial and non-financial businesses and to unwind cross-shareholdings within the local banking groups. The new regulations complement measures introduced last year to upgrade the local banks and form a necessary part of Singapore's ongoing efforts to strengthen and liberalise the domestic banking sector.

Regulators have a duty to maintain the integrity and overall stability of the financial system and in this respect, many regulators regard it as prudent banking and sound supervisory practice to require clear separation of financial and non-financial activities.

In Singapore, the local banks (apart from DBS) started as family-owned banks. Over time, they have merged and consolidated. Today the founding families remain as principal shareholders, and in several instances are also involved in the management of the bank. Besides banking, the principal shareholders have also built up a diverse mix of businesses, including significant investments in property development. This is partly because over the years the banks have grown together with the property business of their principal shareholders, and also because property has been seen as a good and safe investment in Singapore. The local banks participate in these non-financial businesses of the group, both by lending and through equity ownership. The banks and non-banks in the same group have developed significant cross-shareholdings.

Singapore banks have not run into serious problems arising from commingling, so far. This is because the principal shareholders have run the banks prudently and properly and MAS has also been stringent in monitoring related party transactions. But there is a need to restructure the banks' participation in non-financial activities before potential vulnerabilities become actual problems. MAS has the luxury of introducing the measures now while the banks are sound.

The new regulations are aimed at limiting the risks of contagion from non-banking businesses to the local banks, enhancing market discipline, increasing transparency of transactions, and ensuring that bank management focuses its attention on core banking business amid increasingly competitive conditions. The unwinding of cross-shareholdings will further improve local banks' corporate governance through a clearer and more transparent ownership and control structure. It will also minimise conflicts of interest between bank and non-bank businesses. These measures will ultimately benefit depositors and shareholders and strengthen the financial system as a whole (the elements of the regulations are described under the next section, "Supervisory Issues and Financial Sector Developments").

MAS has discussed the regulations extensively with the local banks, which agree with the policy direction taken. They have suggested modifications to MAS' proposals, which MAS has incorporated wherever possible. The new measures will require local banks to undertake significant corporate restructuring and divestment of non-financial assets. To ensure that the process is undertaken in an orderly manner and to avoid weakening the banks and diminishing confidence, banks will be provided a three-year timeframe for the exercise. To minimise the tax impact on the banks arising from the divestment of assets, the Government has decided on a set of one-off administrative concessions which will facilitate the exercise.

Development and Liberalisation of the Insurance Industry

In August last year, MAS mapped out a development plan that seeks to establish Singapore as a leading insurance hub in Asia by 2003. The strategy involves strengthening insurers' manpower capabilities and attracting players that offer total and integrated risk management solutions, as well as more specialised products. MAS will also facilitate the development of retirement products by providing a conducive regulatory environment.

In March 2000, MAS announced the liberalisation of entry into the direct insurance industry. Direct insurers will be allowed access to the domestic market with immediate effect. No direct life insurers and direct general insurers have been admitted since 1990 and 1984 respectively, with the exception of direct general insurers writing specialised business in which existing insurers in Singapore have little expertise or capacity. Allowing new entrants into the industry would create an environment of increased competition and this would in turn foster greater innovation and raise the efficiency of the incumbents.

While there will be no limit on the number of new entrants, their admission will be paced. This is to minimise any unsound market practices in the short term that may arise from the influx of a large number of players, all intent on increasing market share. Applications for entry to the industry will be considered based primarily on the financial strength and reputation of the applicants.

MAS will also adopt an open market entry policy for insurance brokers. For reinsurers and captive insurers, the existing open admission policy will remain.

MAS also abolished the 49% limit on foreign shareholdings of locally owned direct insurers, with a view towards enabling local insurers to merge and form strategic alliances with reputable foreign players. This would also create an avenue for foreign players to enter the industry with an existing block of business.

With greater competition in the marketplace, enhanced standards of corporate governance and market conduct will be introduced to ensure that policyholders' interests continue to be well-protected. MAS has also formed a Committee on Efficient Distribution of Life Insurance comprising industry representatives and MAS officials, to examine ways to enhance the efficiency in distributing life insurance. It will consider, among other things, the details of expense disclosure and means to encourage insurers to develop alternatives to the agency distribution channel to further reduce distributional costs and to tap more efficient means to gain wider exposure in the market.

Demutualisation of the Exchanges

The Singapore Exchange (SGX) was inaugurated on 1 December 1999, following the demutualisation and merger of the Stock Exchange of Singapore and the Singapore International Monetary Exchange. The first demutualised and integrated securities and futures exchange in Asia-Pacific, SGX has set its sights on being a leading global integrated exchange. The private placement of shares in the new Exchange will commence in the second half of 2000 to be followed by an Initial Public Offering.

Open Access and Liberalisation of Commission Rates

MAS and SGX announced on 1 December 1999 the time frames for opening up access to trading on the SGX as well as for the liberalisation of commissions for securities trading. The time frame was arrived at in consultation with the Securities and Asset Management sub-committee of the Financial Centre Advisory Group. Due to swift global developments in the securities markets and the rapid pace of technological developments, both open access and liberalisation of commissions have had to be expedited. As such, access will be fully opened from 1 January 2002 while commissions will be fully negotiable for all trades starting from 1 October 2000. Commissions on trades above $150,000 have been fully negotiable since 1 January 2000 while approved fund managers are already able to negotiate commissions on all trades, regardless of size.

SUPERVISORY ISSUES AND FINANCIAL SECTOR DEVELOPMENTS

Banking

a) *Strengthening Corporate Governance and Lifting the 40% Foreign Shareholding Limit*

Local banks recognise that they must continue to strengthen themselves and grow as the industry liberalises, so that they will continue to underpin Singapore's financial sector. All five local banking groups have established Nominating Committees, as required by MAS, within their boards, and have provided for this in their Articles of Association. Nominating Committees ensure that only the most competent individuals who can contribute to the bank and discharge their responsibilities in the interests of all shareholders are appointed to the board and key management positions in the bank. MAS has set the following guidelines for Nominating Committees to identify candidates and review nominations:

i) The board should comprise a majority of Singapore citizens or permanent residents;

ii) The board should have a majority of independent directors who are not related to or employed by substantial shareholders of the bank (those holding five per cent or more), or who otherwise act in accordance with their directions;

iii) Besides the customary criteria of integrity and being a fit and proper person, the Nominating Committee must consider the age, experience and capabilities of the nominee; and

iv) The Nominating Committee must satisfy itself that the candidate is the best and most qualified candidate for the job, especially for appointments to key posts.

MAS' requirement that banks institute Nominating Committees within their boards has international precedents. About half of all US companies, including banks like Citigroup and First Union, have Nominating Committees with very similar roles. The UK Cadbury Report on Corporate Governance also recommended the setting up of a Nominating Committee comprising a majority of non-executive directors and chaired by the Chairman or a non-executive director, to propose to the board, in the first instance, any new appointments of either executive or non-executive directors.

MAS also lifted the 40% limit on foreign shareholdings in local banks in July 1999. This was based in part on the fact that the creation of Nominating Committees will effectively ensure that control of local banks rested with individuals or groups who will act in a manner consistent with Singapore's national interest. The merger of the local banks' foreign and local tranche shares was completed in November 1999. In unifying the foreign and local tranche shares, local banks offered compensation packages, which included new shares and cash payments, to holders of the banks' foreign shares.

b) Regulations for Separating Financial and Non-Financial Activities of Banking Groups

MAS will require banks to clearly separate financial and non-financial entities. There are four key elements to the separation. These are:

i) Ownership

- Singapore banking groups must group all financial activities either under the bank or under a non-operating financial holding company (FHC). MAS will regulate the bank or FHC, but not the non-financial activities.

- Non-financial activities must be segregated from the banking group and divested. They can be sold to third parties or to the principal shareholders of the bank, who will own them directly, and not through any of the entities in the financial arm of the group.

- The local banks and non-banks in the groups presently have separate sets of shareholders. This separation of ownership must be retained. The bank or FHC in the existing banking groups must continue to be listed on its own.

ii) Cross Shareholding

- Financial entities will not be allowed to own, directly or indirectly, the shares of non-financial firms affiliated to the principal shareholder.

- Within the financial arm, shareholdings should only be in one direction. Two companies in the financial arm are not allowed to have mutual shareholdings in each other.

iii) Management

- Financial entities and its non-financial affiliates should have separate management to avoid conflicts of interests.

- A majority of directors, on the board of a regulated financial entity, should not be holding directorships on the boards of the non-financial affiliates as well.

iv) Name Sharing

- To minimise reputational and contagion risks, financial and non-financial entities will be prohibited from sharing names and corporate badges.

Scope of Permitted Activities

Banks will only be allowed to engage in permissible activities. Besides financial activities such as securities and insurance, banks will be permitted to engage in activities which have clear synergies with the bank's financial business. There will be no fixed list of permitted activities and flexibility will be exercised to allow banks to undertake business ventures that are related to their core competencies, such as electronic commerce activities. These include providing payment services in support of electronic commerce (e-commerce), and leveraging on banks' IT competencies to provide IT services, especially in building infrastructure and applications for business-to-business e-commerce. In addition, banks will be allowed to undertake equity portfolio and venture capital investments, and to hold properties solely for investment purposes.

An equity portfolio investment is one where the bank and its financial affiliates do not have control over the investee company, e.g. by being the largest shareholder. Bank's equity portfolio investment should generally not exceed 10% of the investee company's capital, and each equity portfolio investment will be subject to a single security limit of 2% of the bank's capital funds. The existing aggregate limit on portfolio investments will be removed and replaced with the new single security limit.

Banks' investment holdings of properties will be subject to a limit aimed at preventing excessive risk concentration. The aggregate net book value of permitted property holdings will be subject to a revised limit of 20% of a bank's capital funds as opposed to the existing 40%. The revised limit will apply on the basis of both bank and group capital. Whilst the present limit applies only to properties directly held by banks and their subsidiaries, the new limit will also include properties held by companies in which the banking group has shareholding of 10% or more.

c) Review of Internal Risk Management Models and Risk Management Survey

Since the issuance of guidelines on the use of internal models for managing market risk and back-testing in March 1999, MAS has reviewed internal models incumbent at foreign and local banks to assess their consistencies with the guidelines issued. MAS' supervisory concerns were subsequently conveyed to the banks for their follow-up action in refining their internal models.

Separately, a survey was conducted on the level of risk management in the banking industry. The results from the survey indicated that 92% of the respondents have in place a risk management unit independent of their trading functions to measure, monitor and control the risks associated with their business activities. To strengthen their risk management capabilities, 63% of the respondents have introduced the Value-at-Risk (VaR) methodology to quantify their market risks. The VaR calculation covers mainly the interest rate and foreign exchange risk components, reflecting the general trading business focus in this region.

d) Reserve Exemption for Singapore Dollar Swaps

With effect from October 1999, Singapore dollar funds that banks receive from non-bank customers via foreign exchange swaps with original maturity of one year or more are exempted from reserve requirements. The reserve exemption is intended to encourage more active participation in the swap market by non-bank players, including internationally known swap houses and top debt intermediaries, thereby boosting the liquidity in the swap market and in the bond market of which swaps are an integral component.

e) Guidelines on Credit Derivatives

Credit derivatives are among the recent innovations in the financial markets. By providing new avenues through which credit risk can be transferred to third parties, these instruments offer a new way for credit risk to be managed in banking and capital markets. Since credit risk forms the major component of a bank's portfolio, credit derivatives are expected to play a significant role in credit risk mitigation by banks and financial institutions worldwide. MAS is currently finalising the guidelines for the use of credit derivatives by banks. These guidelines, which have been circulated to the industry for comments, are targeted for release in the second half of this year.

f) Establishment of Credit Bureau

As a step towards improving the efficiency and transparency of the industry's credit risk management practices, the Association of Banks In Singapore (ABS) embarked on a project to facilitate the setting up of a consumer credit bureau in Singapore. This common data pool will provide authorised members with a fair and unbiased view of individuals' payment behavior on their existing credit facilities. The launch date for the credit bureau is targeted for the first half 2001. The shareholding structure and implementation details are currently being worked out among the relevant parties.

g) Lifting of ABS' Restrictions on Interest Payments on Current Accounts

The ABS lifted the restriction on banks paying interest on current account balances in the middle of last year. ABS also allowed banks to accept fixed deposits of any amount for any duration. Banks were previously not permitted to accept fixed deposits of less than one month unless the deposits were of a minimum amount of $1 million placed over a minimum period of seven days. These changes are in line with moves to deregulate and liberalise the banking sector, thus enabling banks to offer a wider range of products.

Insurance

a) Insurance Intermediaries Act 1999 and Insurance Intermediaries Regulations 1999

The Insurance Intermediaries Act 1999 and the Insurance Intermediaries Regulations 1999 came into effect on 31 December 1999. The Act and Regulations are primarily aimed at promoting greater professionalism in the insurance industry and enhancing the protection of the insuring public.

Under the Act, brokers who wish to carry on insurance business in Singapore will have to register with MAS and comply with the stipulated regulatory requirements. Key requirements include minimum paid-up capital and net asset value provisions, the maintenance of professional indemnity insurance and submission of annual audited returns. The Act also formalises the current industry requirement that any person wishing to act as an agent for a registered insurer will need to have a written agency contract with that insurer.

b) Amendments to the Insurance (Financial Guarantee Insurance) Regulations

The Insurance (Financial Guarantee Insurance) Regulations were amended to allow multi-line insurers and reinsurers to establish branch operations in Singapore to write financial guarantee business. A new requirement for licensed financial guarantee insurers to build up contingency reserves to meet unexpected large claims was also introduced. The amended regulations took effect from 1 September 1999.

c) *Notices on Financial Reinsurance*

In August 1999, MAS issued notices on financial reinsurance to general insurers and life insurers. These notices provide a framework to facilitate the development of financial reinsurance, to ensure clarity and consistency in accounting treatment and to provide users of financial statements with adequate information to assess the financial position of insurers.

d) *Corporate Governance and the Role of Key Persons*

MAS recognises the importance of good corporate governance in strengthening the management of insurers in the light of globalisation and rapid changes taking place in the financial scene. MAS has studied the frameworks of various countries and will be introducing corporate governance standards in line with international best practices. The details will be worked out in consultation with the industry.

e) *Actuarial Certification of Loss Reserves*

Actuarial certification of loss reserves is a good discipline and should form an integral part of insurers' management practice. It helps to improve insurers' systems for setting and monitoring loss reserves, and enhance the general loss reserving expertise of the industry. With the liberalisation of the industry, it is even more imperative that insurers maintain reserves that are sufficient to meet all ultimate claims liabilities. MAS will therefore be introducing a requirement for loss reserves of general insurers to be assessed and certified by qualified professionals within the next two years. Details will be worked out in consultation with the industry.

f) *Review of Investment Guidelines & Disclosure Guidelines for Cash Investment-linked Policies*

To avoid regulatory arbitrage between cash unit trusts and cash investment-linked policies, MAS reviewed the investment and disclosure requirements for cash investment-linked policies. MAS will be amending the regulation on the investment requirements and introducing additional guidelines for derivatives and securities borrowing and lending activities, as well as the requirement for semi-annual reports to be sent to policyholders. These guidelines would be introduced before the end of the year.

g) *Review of Counter-party Exposure Limits*

MAS will be amending the Insurance Regulations to raise the limit on investments in supra-national bodies from 5% to 10% of Singapore Insurance Fund assets. In addition, the term 'counter-party' would be replaced by 'single party' for clarity.

Securities and Futures

a) *Regulatory Developments*

Several changes were made to our securities and futures trading laws in the last financial year.

i) *Civil Remedy for Insider Dealing*

Parliament passed recommended amendments to the Securities Industry Act and Futures Trading Act on 17 January 2000. These included the introduction of a civil liability regime for insider trading. While still a criminal offence, MAS has the option to initiate a civil prosecution for a penalty of up to three times the insider's gains or losses avoided. In addition, contemporaneous investors will be allowed to claim compensation for losses suffered by them following a successful civil or criminal prosecution.

ii) *Consolidation of Securities & Futures Laws*

MAS is undertaking a review of policy issues pertaining to an envisaged consolidation of the securities and futures legislation. The proposed "Omnibus Securities and Futures Act" will streamline the present Securities Industry Act and Futures Trading Act provisions. Relevant provisions from the Companies Act, including those relating to corporate fund-raising will also be transferred to the proposed Omnibus Act. Policy issues that are being studied include the streamlining of licensing requirements into a single licensing framework, trading rules for intermediaries and market participants, the legal and procedural framework of the proposed Act, and the unit trust framework.

iii) *Risk-Based Capital Requirement*

SGX's improved risk management measures, including the shift to a T+3 settlement cycle on 15 March 2000, has allowed MAS to lower the capital requirements for brokers. This will enable brokers to allocate resources more effectively and enhance their competitive edge. The revised requirements took effect from 1 January 2000 when amendments to the Securities Industry Regulations came into force. The reduced capital requirements remain more prudent than international norms and serve as an interim measure while MAS completes its study of a comprehensive risk-based capital adequacy system. The risk-based framework is targeted for implementation in 2001.

b) Moving towards a Full Disclosure Based Regime

Amendments were made to the SGX – Securities Trading (SGX-ST) Listing Manual to give effect to the recommendations made by the Corporate Finance Committee to enhance disclosure standards in Singapore. Amendments to the Companies Act will also be introduced soon.

The key amendments included :

i) aligning prospectus disclosure standards with that of the International Organisation of Securities Commissions (IOSCO);

ii) introducing the "reasonable investor" test in disclosure standards – companies would have to disclose information that investors and their professional advisors would reasonably require and expect to find in prospectuses;

iii) allowing for the issuance of a "profile statement" by a corporation, which would contain a fair summary of information set out in a prospectus;

iv) providing for the lodgement of a supplementary or replacement document in the event of new circumstances arising since the filing of an earlier prospectus or the discovery of false or misleading information since that earlier prospectus;

v) expanding the scope of criminal and civil liability for false or misleading statements or omissions in prospectuses;

vi) shortening the reporting period of annual reports from five months from the financial year end to four months; and

vii) allowing companies to adopt US accounting principles without having to reconcile their accounts to international or Singapore accounting standards. To enforce the continuous disclosure of material corporate information to investors, criminal sanctions will be introduced in the Omnibus Securities and Futures Act against listed corporations and their officers who intentionally fail to disclose material information.

c) Offering of Securities through the Internet

On 14 February 2000, MAS, the Registry of Companies and Businesses (RCB) and the Ministry of Finance (MOF) jointly issued guidelines for offers of securities (which include shares, debentures and unit trusts) over the Internet. These guidelines serve to assist issuers and unit trust managers making offers through the Internet to comply with the prospectus provisions in the Companies Act.

The guidelines call for issuers, unit trust managers and distributors who offer securities through the Internet to submit written statements to MAS and RCB, confirming that their web-sites are in compliance with the guidelines. Two Gazette Notifications, which prescribe the requirements for advertisements for shares and unit trusts on the Internet, were issued with the guidelines at the same time.

d) Revision of the Singapore Code on Take-overs & Mergers

On 1 November 1999, the Securities Industry Council (SIC) issued a consultation paper on proposed revisions to the Singapore Code of Take-overs and Mergers (the Singapore Code) to keep pace with market innovations and international practices as well as to foster a more efficient mergers and acquisitions market. The consultation paper followed SIC's extensive discussions with investment bankers and lawyers active in the field of mergers and acquisitions. The SIC will review public comments on the consultation paper before proceeding to make detailed rule changes this year.

e) Corporate Regulation and Governance Policy Committee

MOF, MAS and RCB have embarked on a comprehensive review of corporate regulation and governance in Singapore. The review will be led by a Corporate Regulation and Governance Policy Committee comprising senior government officials and private sector participants. As part of the review, three review committees comprising principally representatives from the financial, legal, accounting industries and the corporate sector are formed – Committee on Company Legislation and Regulatory Framework, Committee on Disclosure and Accounting Standards, and Committee on Corporate Governance. MAS is actively involved in the Corporate Regulation and Governance Policy Committee, the Committee on Company Legislation and Regulatory Framework and the Committee on Corporate Governance.

f) *Memoranda of Understanding*

In line with ongoing efforts to ensure that regulatory co-operation keeps pace with industry developments in cross-border linkages and provision of services, MAS has signed agreements to exchange regulatory information with the Commission des Operations de Bourse of France and the Conseil des Marches Financiers on 24 November and 31 December 1999 respectively. In May 2000, MAS also entered into a series of Memoranda of Understanding (MoUs) with other regulators. The MoUs seek to facilitate the effective performance of the regulators' supervisory functions, and the enforcement of laws and regulations, through mutual assistance and exchange of information. The MoUs were signed on 16 May 2000 with the Australian Securities and Investments Commission, the US Securities Exchange Commission and the US Commodity Futures Trading Commission, and on 17 May 2000 with Germany's securities and futures regulator, the Bundesaufsichtsamt für den Wertpapierhandel.

g) *Cross-Border Market Linkages*

In the past year, exchanges have sought trading alliances in response to the trend of globalisation and technological advancement. SGX has been part of this wave, with the Brazilian Futures Exchange and the Montreal Exchange joining SGX derivatives trading arm's GLOBEX alliance with the Chicago Mercantile Exchange (CME) and the Sociètè des Bourses Françaises (SBF-Paris Bourse) in September 1999. SGX also signed an agreement with the Australian Stock Exchange on 6 June 2000 to jointly design and establish an electronic linkage between the respective securities markets.

While cross-border market linkages increase the depth and breadth of the markets and ultimately benefit the investors, they present new challenges for regulators. In response, MAS has reviewed the admission criteria for foreign markets and approved applications by the CME, SBF-Paris Bourse and New York Mercantile Exchange to install their electronic terminals in Singapore. The US Commodity Futures Trading Commission and the French authorities have in turn approved SGX's applications to install its electronic terminals in the US and France respectively.

Fund Management

a) *Regulation of Unit Trusts - Prohibition on Retention of Cash Rebates and Guidelines on Soft Dollar Commissions for Unit Trust Managers*

On 1 September 1999, MAS issued a Practice Direction prohibiting unit trust managers from retaining cash rebates, received for transactions executed on behalf of Singapore unit trusts, for the managers' own account. Such rebates must be passed on to the unit trusts. In addition, unit trust managers may only receive soft dollars if the goods and services received would assist in the management of the unit trust. Receipt of soft dollars is subject to conditions, including disclosure to unit-holders and best execution rule.

b) *Introduction of Guidelines for Specialised Funds*

During 1999, MAS issued regulatory guidelines to give guidance to fund managers on the operation and marketing of specialised funds sold to retail investors in Singapore. These specialised unit trusts include property funds, money market funds, futures and options funds and capital guaranteed funds. The guidelines paved the way for a greater variety of funds to be sold and managed in Singapore.

Debt Capital Market

a) *Recommendations by Debt Capital Working Group*

Following recommendations by the Committee on Singapore's Competitiveness Finance and Banking Sub-Committee, a private sector-led Debt Capital Working Group was formed in September 1998. Comprising representatives from 15 local and foreign financial institutions active in the Singapore debt market, the Group was tasked to review the existing infrastructure and relevant regulations, and look into ways to develop Singapore as an international hub for debt market activities. The Group submitted a total of 17 recommendations to MAS in June 1999. Amongst the recommendations accepted by MAS was a move to exempt banks from maintaining Minimum Cash Balance (MCB) and Minimum Liquid Assets (MLA) requirements on Singapore dollar funds received from non-bank customers via foreign exchange swaps which have original maturities of one year or more. This exemption aims to promote more competitive pricing and boost liquidity in the long-term swap market.

b) Formation of Debt Market Committee

To further drive and coordinate the overall strategies in developing the Singapore debt market, a Debt Market Committee (DMC) was formed in August 1999. Chaired by MAS' Managing Director, Mr Koh Yong Guan, the DMC is a multi-government agency formed to look at further encouraging the issuance of public and private sector bonds in Singapore. It also works closely with industry players to review and develop the infrastructure and regulatory environment, making it conducive for the growth of a vibrant debt market.

Internationalisation of the Singapore Dollar

MAS completed a review of the non-internationalisation policy, administered through the MAS Notice 757 in November 1999. While maintaining the basic thrust of the policy, some areas of liberalisation were announced with a view to nurturing the development of the financial sector, without jeopardising the stability of the Singapore Dollar exchange rate. These changes were aimed at increasing international participation in the Singapore Dollar capital markets. The major liberalisation measures are summarised below:

a) Limit on Repos of Singapore Government Securities

The $20 million consultation limit on repos of Singapore Government Securities (SGS) with non-residents was lifted. Banks are now free to transact any amount of repos involving SGS and other Singapore Dollar-denominated bonds listed on SGX and cleared through the Central Depository Pte Ltd (CDP) provided that there is full delivery of collateral.

b) Transactions in Singapore Dollar-denominated Interest Rate Derivatives

Banks are now free to transact with non-residents Singapore Dollar-denominated interest rate derivative products such as interest rate swaps, interest rate options and swaptions.

c) Transactions in Singapore Dollar-denominated Currency Options

Previously, banks were required to consult MAS before transacting Singapore Dollar-denominated currency options with non-residents. Under the revised Notice, banks are free to transact Singapore Dollar-denominated currency options with non-bank customers without consulting MAS so long as these options are used for hedging the customers' commercial requirements arising from economic activities in Singapore.

d) Listing of Foreign Companies on the SGX in Singapore Dollars

Previously, foreign companies were allowed to list their shares in Singapore Dollars on the SGX provided that at least 20% of their revenues, profits or expenses were attributed to their operations in Singapore. The 20% requirement was removed and foreign companies which satisfy SGX's listing criteria can now list their shares freely on SGX in Singapore Dollars. However, the proceeds of the share issue must be converted into foreign currency before they can be used outside Singapore.

e) Credit Rating of Foreign Entities Issuing Singapore Dollar-denominated Bonds

In the past, foreign entities wishing to issue Singapore Dollar bonds had to be of good credit standing. To widen the credit spectrum of foreign entities tapping the Singapore Dollar bond market, foreign corporates and sovereigns are now allowed to issue Singapore Dollar-denominated bonds, regardless of their credit ratings. This is in recognition that allowing more diversely rated bond issues would increase the investment opportunities for investors with different risk-return appetites, allow for portfolio diversification and create more investor interest in Singapore's debt market. However, unrated foreign corporates can only issue paper to "sophisticated investors".

Treasury

a) Joint US-Singapore Foreign Exchange Committee Meeting

Singapore played host to the Third Joint Meeting of the New York Foreign Exchange Committee (NYFEC) and the Singapore Foreign Exchange Market Committee (SFEMC) in November 1999. The joint meeting served as an important platform for market participants from both financial centres to discuss industry developments and to facilitate the sharing of ideas and harmonisation of market practices. During the one-day meeting, members of the SFEMC and NYFEC discussed the post-crisis Asian markets as well as issues relating to barrier options and force majeure clauses. The meeting also marked the first time that representatives from the Tokyo Foreign Exchange Market Committee attended as observers at the joint meeting.

Preparing for the Millennium Crossover

The entire Year 2000 (Y2000) compliance project comprised five main phases:

a) systems assessment and renovation;
b) internal testing of mission critical and non-mission critical systems;
c) external testing;
d) formulating and validating contingency plans; and
e) external communications and command centre operations.

The last three phases made up the remaining tasks for the financial industry in 1999.

During the year, MAS conducted on-site assessments of financial institutions' Y2000 preparations, focusing on the adequacy and progress of these remaining tasks. By June 1999, all active players had been inspected. For the small number of institutions that were found lacking in their preparations, MAS worked closely with them to expedite their preparations.

In June 1999, the New York Clearing House initiated a global test involving 34 national and international payments systems and networks to ensure funds transfer capability for year 2000. Over 530 banks and financial institutions from 20 countries across the world took part in the Global Payment Systems Test (GPST). On 13 June 1999, Singapore successfully completed its part in the GPST with participation by nearly 30 banks and financial institutions, including all local banks. The test also verified the compliance status of the MAS Electronic Payment Systems (MEPS), the inter-bank real-time gross settlement system. Other external testing during this time covered service providers such as Network for Electronic Transfers (Singapore) Pte Ltd (NETS), SWIFT, the Automated Clearing House (ACH), the securities and futures exchanges and credit card companies. Bilateral testing was carried out in addition to industry level testing.

All banks, merchant banks and finance companies were required to have an independent assessment of their Y2000 readiness. The assessments were conducted between June and August 1999 by international accounting firms, head office auditors, consulting companies or other independent parties. By mid-September 1999, all independent assessment reports were submitted to MAS. Review of the reports largely confirmed their compliance status. In September 1999, all financial institutions were additionally required to submit a formal statement signed by the Chief Executive in respect of Y2000 preparedness. This assurance provided MAS with another avenue to confirm the financial sector's overall readiness and to identify institutions that did not meet stipulated compliance deadlines.

Validation of business contingency plans (BCP) in response to changing external conditions was also carried out by financial institutions from the third quarter onwards. In the fourth quarter, MAS visited key financial institutions and service providers to ascertain that their BCPs were in place and properly tested.

Scenario Planning and the Command Centre

The MAS Operations Centre (Opscen) was fully set up in November 1999, ready for monitoring and tracking the Y2000 transition. The centre was fully equipped with laptops, fax machines, telephone lines and other communication devices. In addition, two database systems were developed to track the Y2000-related reporting of incidents by financial institutions. Scenario simulation exercises were conducted within MAS to ensure its own capability in dealing with incidents and crossover issues.

As a contingency measure, MAS formalised a procedure for banks to obtain additional liquidity during the crossover should the need arise. At the industry level, the ABS also facilitated the work in scenario planning.

During the fourth quarter visits to financial institutions and key service providers, MAS also took the opportunity to tour the command centres of these organisations. On the whole, MAS was satisfied with the level of preparations in these command centres, most of which received top management commitment in terms of budget and resources.

The Crossover

Prior to the actual crossover, all financial institutions successfully completed their year-end processing and performed appropriate data backup.

During the millennium weekend, financial institutions conducted wellness checks to assess and report the operational status of all critical systems. For additional assurance, the SGX and the ACH conducted internal and external systems testing on 1 January 2000. MAS also conducted systems testing on its MEPS system.

Throughout the first week of Year 2000, business in the financial sector was as usual. The standby liquidity facility provided by MAS was not utilised at all. The smooth crossover reflected the tremendous efforts that financial institutions had put into their preparations and the high level of co-ordination, both within Singapore and with regulators and institutions abroad.

In conclusion, Singapore, like other major financial centres, with a large number of participants and high dependency on information technology, faced a significant test and met it well. In addition, the entire Y2000 project was a valuable exercise in systems renovation and testing, and in contingency planning for the financial sector. It had bolstered the industry's confidence and capability in dealing with risks of such magnitude in the future.

FINANCIAL SECTOR PROMOTION

Over the last year, MAS continued to actively engage local and overseas financial institutions, with the aim of attracting reputable financial market participants to Singapore, and encouraging existing players to expand the range of financial activities conducted here.

During the period April 1999 to March 2000, a total of 140 new projects were identified. These projects will result in enhanced skills sets, and an increase in job opportunities as well as total business spending over the next few years. A total of 12 promotional visits to various leading financial centres in the United States, Europe and Asia were made in the same period.

MAS, together with the MOF, continued to review our tax rules to improve the competitiveness of the Singapore financial sector. In the 2000 Budget, stamp duty on contract notes for securities transactions was abolished, thus giving a boost to the SGX. To promote the growth of financial guarantee insurance business, withholding tax was lifted on claims payments to non-residents. For the capital markets, a 10% concessionary tax rate was given for swaps trading by financial institutions. Asian Currency Units (ACUs) were also granted 10% tax incentive on all offshore financial derivatives. In addition, withholding taxes on payments under bona fide interest rate and currency swaps made by financial institutions were lifted. Further, in line with the principle that the Goods and Services Tax is a tax on domestic consumption, zero-rating was granted for the provision of trustee services by local trustees to trusts satisfying certain conditions relating to non-residence of the settlors and beneficiaries.

In addition to the concessions announced in the 2000 Budget, the regulations for the Tax Exemption Scheme for Offshore Marine Hull and Liability Insurance Business were also finalised. The scheme allows for underwriting profits derived by approved insurers from the writing of offshore marine hull and liability insurance business to be exempted from tax for a period of up to 10 years.

During the year, MAS also conducted a comprehensive manpower survey covering more than 800 financial institutions. The survey aimed to provide a better understanding of manpower demands and employment trends of the financial industry. This will enable MAS to provide an effective infrastructure to develop critical manpower skills for the Singapore financial sector.

As at October 1999, there were a total of about 57,000 personnel[4] employed in the financial sector. While actual total employment grew by a modest 1% between 1998-99, respondents projected that employment would grow by an average of 4.5% per annum up to 2002. In total, respondents indicated that over the next three years, there would be an increased demand of about 8,000 personnel across the various industries in the financial sector.

MAS will be taking active steps to address skill gaps identified by the survey and build up manpower capabilities for new growth areas. A Financial Sector Development Fund (FSDF) Advisory Committee was formed in 1999. The Committee, comprising both private and public sector representatives, will play a key consultative role in providing industry feedback on manpower needs and ensuring the relevance of FSDF schemes to industry practitioners. The FSDF schemes will be designed to cultivate local talent by providing training grants and incentives, as well as enhancing the overall training infrastructure through appropriate financial support.

GROWTH OF THE FINANCIAL SECTOR

Financial Services Sector Performance

The financial services sector registered flat growth in 1999. This was a marked improvement compared with a negative growth rate of 8.1% in 1998. The improvement was partly due to the surge in stock market and fund management activities over the year, reflecting a more upbeat market sentiments on the domestic and regional economic outlook.

Total assets in the Asian Dollar Market (ADM) decreased by 4.6% in 1999 to US$480.4 billion, while total assets in the Domestic Banking Units of banks rose by 5.3% to reach $326.3 billion over the same period. Average daily foreign exchange trading volume decreased by 18.9% from US$142.0 billion to US$115.1 billion in 1999. Daily trading activity on the Singapore Exchange – Derivatives Trading (SGX-DT) [formerly SIMEX] fell by 6.8% to 101,502 lots, while average daily turnover on the Singapore Exchange – Securities Trading (SGX-ST) [formerly SES] rose significantly by 98.1% to $781.4 million.

In the first quarter of 2000, the financial services sector grew by 6.9%. Growth was broad-based across most key industries except the foreign exchange market. Total assets in the ADM declined by 1.1% year-on-year to US$474.6 billion. Total assets in the Domestic Banking Units of banks rose 5%

[4] These included personnel working in MAS-licensed financial institutions, captive managers and financial institutions granted incentives.

year-on-year to $342.2 billion. In the first three months of 2000, foreign exchange trading activity averaged US$106.3 billion per day, a 19.3% drop over the same period last year. Turnover on SGX-DT increased to 110,320 lots per day, compared with 106,328 lots in the corresponding period in 1999. Average daily turnover on SGX-ST also rose to $852.1 million, compared with $441.7 million for the same period last year.

Financial Institutions Operating in Singapore

As at end-March 2000, there were 140 commercial banks in Singapore, compared with 142 a year ago. Four new banks were admitted, four ceased operations and two converted into representative offices. Over the same period, the number of merchant banks and finance companies decreased to 63 and 14, from 70 and 15, respectively, reflecting ongoing consolidation in the sector.

As at end-March 2000, there were 31 SGX-ST member companies and 46 non SGX-ST member companies. The number of investment advisers increased to 154 from 148 a year ago. This is due to the increased emphasis placed by MAS on developing the fund management industry.

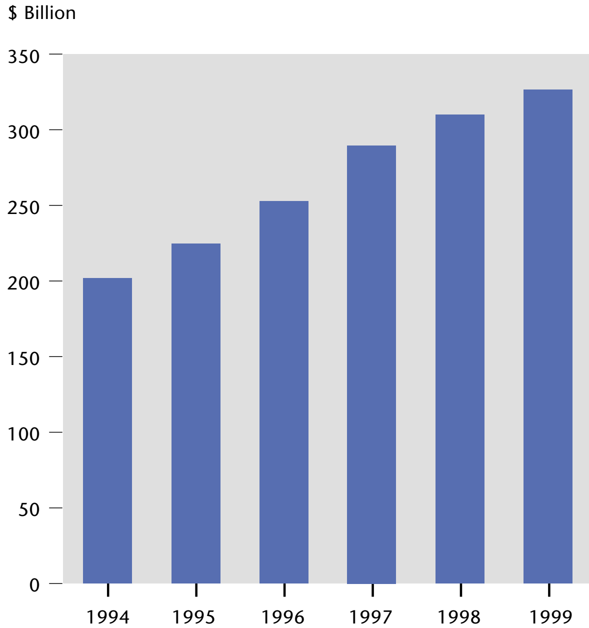
There were 62 SGX-DT corporate members, comprising 30 corporate clearing members, 17 corporate non-clearing members and 15 commercial associate members. There were 565 individual non-clearing members as at end-March 2000.

During the financial year, MAS registered one direct life insurer, two reinsurers and five captive insurers. On the other hand, five direct general insurers, four reinsurers and five captive insurers were deregistered. This brings the total number of insurance companies to 153 as at 31 March 2000 compared with 159 as at 31 March 1999 (See Table 1).

TABLE 1 – NUMBER OF FINANCIAL INSTITUTIONS IN SINGAPORE

INSTITUTIONS	END OF PERIOD MAR 1999	END OF PERIOD MAR 2000
Commercial Banks	**142**	**140**
Local	9	8
Foreign		
Full Banks	22	23
Restricted Banks	13	16
Offshore Banks	98	93
Merchant Banks	**70**	**63**
Asian Currency Units	**205**	**195**
Banks	135	133
Merchant Banks	70	62
Representative Offices	**69**	**68**
Banks	68	67
Finance Companies	1	1
Finance Companies	**15**	**14**
Insurance Companies	**159**	**153**
Direct Insurers	59	55
Reinsurers	49	47
Captive Insurers	51	51
Stockbroking Companies	**78**	**77**
SGX-ST Member Companies	30	31
Non SGX-ST Member Companies	48	46
Investment Advisers	**148**	**154**
International Money Brokers	**9**	**9**
SGX - Derivatives Trading Members		
Corporate Clearing Members	33	30
Corporate Non-clearing Members	22	17
Individual Members	520	565
Commercial Associate Members	16	15

CHART 22: COMMERCIAL BANKS: TOTAL ASSETS/LIABILITIES



COMMERCIAL BANKS (DOMESTIC BANKING UNITS)

Locally-incorporated banks reported substantially higher earnings for 1999, attributable to lower provisions, higher income from fees and commissions, and increase in net interest income. Paid-up capital and reserves of the local banks therefore increased by 6% to $27.2 billion at 31 December 1999. Local banks remain well-capitalised, with their capital adequacy ratios significantly higher than the 12% minimum required by the Banking Act. Total Net Head Office Funds of branches of foreign-incorporated banks also increased, albeit marginally. As at 31 December 1999, foreign-incorporated banks' Net Head Office Funds grew by 1% from a year ago, to $42.9 billion.

Overall Operations

Commercial banks' assets and liabilities grew by 5% to reach $326.3 billion as at 31 December 1999, underpinned by the economic recovery in Singapore and the region (See Chart 22). Although this represents a slight moderation from the 7% growth in 1998, the 1998 assets and liabilities were distorted by the once-off inclusion of POSBank. Interbank loans increased by 8% to $114.9 billion, up from 6% in the previous year, while interbank deposits declined by a marginal 2% to $103.4 billion, compared with the substantial 16% decline in 1998. Loans to non-bank customers contracted by 3% to $147.2 billion in 1999. The 6% growth in 1998 was due to the inclusion of POSBank's loans. Excluding POSBank's loans, credit extended to the industrial sectors experienced a slowdown in 1998. Non-bank deposits expanded by 7% in 1999 to $174.5 billion, due to the economic pickup in the second half of the year. However, non-bank deposits grew by 31% in 1998, again mainly due to the once-off inclusion of deposits from POSBank.

Banks' holdings of SGS and Treasury Bills stood at $30.9 billion as at 31 December 1999, representing an increase of 17% over the preceding year. The increase was driven by the expanded supply of SGS and Treasury Bills during the year and demand by banks to hold additional securities as part of their Y2000 liquidity contingency plans. While the increase in banks' holdings of SGS and Treasury Bills is significantly smaller than the 40% growth recorded in 1998, the latter had been, to a large extent, inflated by the inclusion of securities held by POSBank. Investments abroad increased significantly by 97% to $2.7 billion in 1999, due mainly to a number of regional acquisitions by local banks.

Assets

Growth in aggregate credit granted to non-bank customers contracted by 3% to $233.2 billion in 1999. Credit growth was affected by continued economic uncertainty in the region, and by the fact that companies increasingly switched from loans to debt and equity issues for their financing needs. Loan utilisation remained unchanged at 61%.

Loans to the general commerce sector, which accounted for $19.9 billion or 13.6% of banks' outstanding loans to non-bank customers, decreased by 7% in 1999, compared with a drop of 18% in 1998 (See Chart 23). Loans to the manufacturing sector declined by 6% in 1999 to $11.6 billion, compared with a decrease of 2% in the previous year. The contraction in loans to professional and private individuals moderated to 1% to $21.6 billion as at end-1999, following a 4% contraction in 1998. Loans to non-bank financial institutions also declined by 7% to reach $21.1 billion as at end-1999. Loans to the transport and communications sector decreased by 16% to $3.7 billion, after rising by 25% in 1998.

In line with the continued weakness in the construction industry, loans to the building and construction industry (excluding housing loans) contracted by 8% to $23.4 billion, compared with a decrease of 3% in 1998. The exception was the expansion in housing loans by 11% to $35.2 billion, which was driven by a rebound in the property market. The 39% increase experienced in 1998 was due to the inclusion of POSBank's housing loans.

Liabilities

Commercial banks' deposits expanded by 7% to $174.5 billion as at end-1999, given the economic recovery (See Chart 24). The 31% growth reported for 1998 was due to the inclusion of POSBank's deposits. Their overall reserve and liquidity ratio was 25%, above the statutory requirement of 21%. Banks' aggregate holding of SGS was 18% of their total liabilities base, significantly higher than the minimum statutory requirement of 10%.

Non-bank fixed deposits grew by 4% to $92.1 billion as at end-1999, compared with an increase of 11% the previous year. Its share of total deposits dropped from 55% in 1998 to 53% in 1999. The slower growth in non-bank fixed deposits was partly attributable to generally lower interest rates during the year, as well as a general shift into bond and equity investments. Total savings deposits increased by 10% to $60.3 billion in 1999, after registering an increase of 116% in 1998 on the back of the inclusion of POSBank's savings deposits. Savings deposits' share of total deposits increased marginally from 34% to 35%. Demand deposits rose significantly by 18% to $21.7 billion, compared with the marginal 1% increase in 1998. The growth of demand deposits was driven by the increase in transaction demand for money as the economy recovered. Its share of total deposits increased from 11% in 1998 to 12% in 1999.

CHART 23: COMPOSITION OF COMMERCIAL BANKS' LOANS AND ADVANCES, 1999

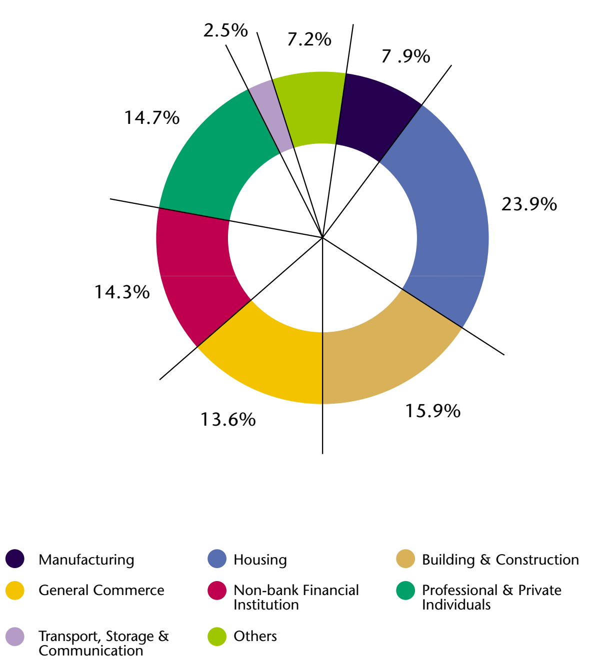


CHART 24: COMMERCIAL BANKS: TYPES OF DEPOSITS

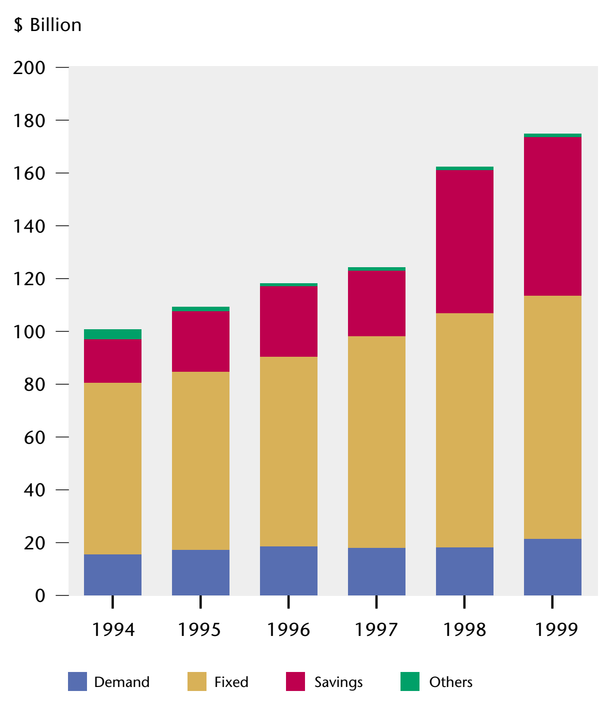


CHART 25A: MERCHANT BANKS: COMPOSITION OF ASSETS (ACU & DBU),1999

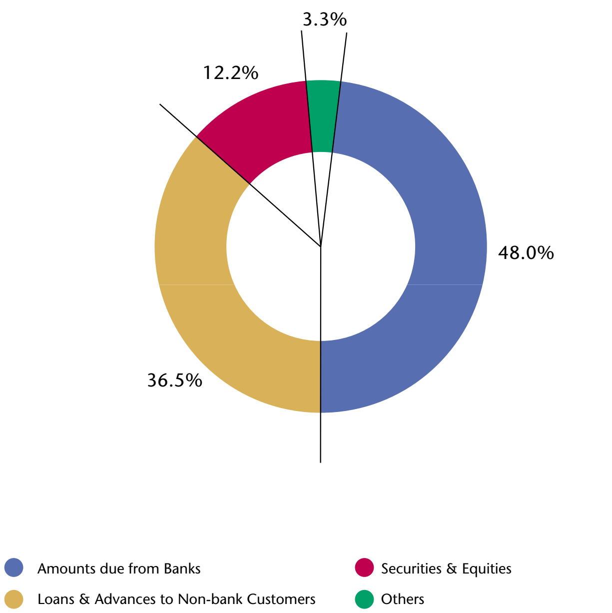
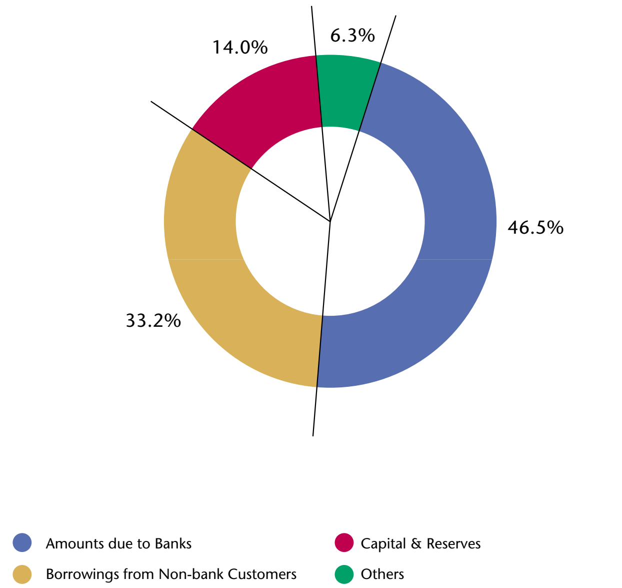


CHART 25B: MERCHANT BANKS: COMPOSITION OF LIABILITIES (ACU & DBU),1999



CREDIT AND CHARGE CARDS

The number of credit and charge cards grew by 9% to 2,231,390 in 1999 compared with a growth of 10% in 1998.

The value of card transactions of resident cardholders grew by 16% to $8.9 billion in 1999 compared with a decline of 3% in 1998. This was due to an increase in card transactions in the last two quarters of 1999.

Card issuers wrote off bad debts totalling $67.9 million in 1999 compared with $53.7 million in 1998. The amount of bad debts written-off increased to 0.8% of card transactions against 0.7% in 1998.

Foreign card issuers increased their share in terms of number of cards issued from 47% to 50%. Although the local card issuers' share in terms of cards issued fell from 53% to 50%, their share of total card transactions, however, grew from 43% to 45%.

MERCHANT BANKS

Overall Operations

Commercial lending activities by merchant banks contracted in 1999, partly on account of the ongoing consolidation in the merchant banking sector. The decline in total assets and liabilities of merchant banks moderated to 6%, or $57.1 billion in 1999, compared with the 9% contraction in the preceding year due to the regional financial crisis. Inter-bank loans and securities holdings also contracted, by 1% and 28%, respectively, to $27.4 billion and $6.9 billion. In line with this, borrowings from banks fell by 13% to $26.5 billion in 1999. In contrast, after registering a fall of 11% in 1998, non-bank lending grew by 8% to $20.8 billion in 1999, mainly due to placements with related corporations and, to a lesser extent, lending to private banking customers (See Charts 25A and 25B).

Offshore Operations

Total assets of the ACUs of merchant banks contracted by 6% to $54.4 billion as at end-1999, due mainly to a 32% drop in securities holdings as merchant banks trimmed their holdings of regional debt papers as well as other public securities. The ACU assets of merchant banks in 1999 comprised mainly interbank loans (45%), loans and advances to non-bank customers (39%) and securities holdings (13%).

Merchant banks' ACU liabilities comprised borrowings from banks (including ACUs) in Singapore (27%), borrowings from banks outside Singapore (20%) and non-bank deposits (41%).

Domestic Operations

Merchant banks' Domestic Banking Unit (DBU) assets decreased by a further 8% to $8.0 billion as at end-1999, compared with a contraction of 1% in 1998. The decrease was due to a 19% and 4% decrease in loans and advances to non-bank customers and interbank loans, respectively. Securities holdings, however, increased by 5%, spurred by the strong upturn in the equities and bond markets. Merchant banks' DBU assets comprised mainly interbank placements (82%), loans and advances to non-bank customers (9%), and investments in securities (6%). Their capital and reserves contracted by 7% in 1999, due partly to the closure of nine merchant banks during the year.[5] However, borrowings from banks increased by 11%.

Off-Balance Sheet Activities

The volume of merchant banks' underwriting activities dropped from $548 million in 1998 to $341 million in 1999 on account of increased competition from banks and securities companies. Fee income of merchant banks, on the other hand, rose by 102.8% to $43 million. Fees earned from mergers, acquisitions and other financial advisory services rose sharply from $18.0 million in 1998 to $39.9 million in 1999, as merchant banks participated in regional loan restructuring activities. However, there was a slight reduction in fees received for underwriting activities from $3.2 million to $3.1 million.

FINANCE COMPANIES

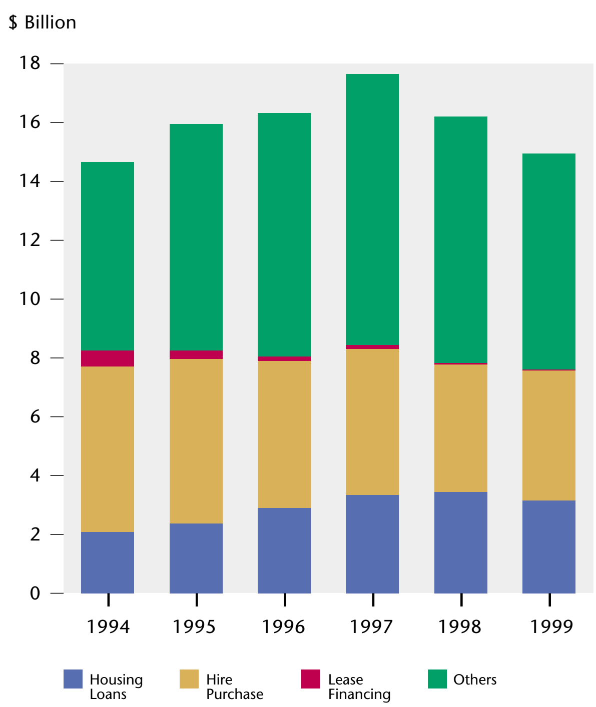
Overall Operations

Finance companies' assets and liabilities declined further by 5% to $20.7 billion in 1999, following a 1% contraction in 1998. Loans contracted by 7% to $15.6 billion, compared with a decrease of 6% in the previous year. Deposits also dropped by 7% to $14.3 billion after declining by 2% in 1998.

Assets

Loans dropped by 7% in 1999 as credit extended to the major sectors contracted due to increased competition from banks and the change in business strategy of bank-owned finance companies. Some of these bank-owned finance companies had channelled certain types of loans to the parent banks. Housing loans decreased by 8% to $3.5 billion, compared with a growth of 3% in 1998. Loans to professional and private individuals contracted by a further 10% to $2.4 billion, after a fall of 5% in the previous year. Loans to the building and construction sector fell by 14% to $1.6 billion, compared with a 0.2% increase in the previous year. Loans to the transport, storage and communications sector dropped sharply by 22% to $0.3 billion, compared with an increase of 3% in 1998. Lending to the manufacturing sector also declined by 17% to $0.5 billion in 1999 against a drop of 18% a year ago. Hire-purchase financing, however, rose by 2% to $4.4 billion, against a 13% decrease in the previous year, as car sales increased with the improvement in the economy (See Chart 26).

CHART 26: FINANCE COMPANIES: TYPES OF LOANS AND ADVANCES



[5] These closures were mainly on account of problems in the merchant banks' parent banks. Additionally, two merchant banks closed as part of their parent banks' restructuring efforts, and as a result transferred their activities to their parent banks' other operations in Singapore.

Finance companies' investments in securities and equities declined marginally by 1% to $1.7 billion in 1999, compared with the 42% jump in 1998 as funds from the 3% reduction in Minimum Cash Balance requirement were invested in government securities that year.

Liabilities

Deposits with finance companies dropped by 7% to $14.3 billion in 1999, compared with a 2% decline in 1998 (See Chart 27). The decline was mainly in fixed deposits which fell by 7% to $13.9 billion, compared with a drop of 2% in the previous year. The stronger performance in the stock market during the year had diverted funds from fixed deposits. With the contraction in loans, finance companies' borrowings from banks and other creditors also fell by 24% to $0.9 billion, compared with a decline of 16% in the previous year.

ASIAN DOLLAR MARKET (ASIAN CURRENCY UNITS)

Assets and Liabilities

Total assets in the ADM, operated through ACUs of financial institutions, contracted by 5% to US$480.4 billion as at end-1999, compared with a 10% decline in 1998. This was primarily due to a decrease in loans to non-bank customers. Notwithstanding the recovery in regional economies, banks remained cautious in their lending in the midst of continued economic uncertainty in the region. The share of interbank loans in total ACU assets remained unchanged at 66%, while the share of non-bank loans decreased from 26% to 23%. The share of interbank deposits in total ACU liabilities declined to 68% from 73% in 1998, while the share of non-bank deposits rose slightly to 25% from 22%.

Loans to non-bank customers continued to decrease by 16% to US$110.6 billion in 1999, after contracting 24% in 1998. Non-bank deposits totalled US$121.3 billion, representing an increase of 7% compared with the 1% decline in the previous year.

Interbank activities of ACUs decreased slightly in 1999. The volume of interbank loans contracted by 4% to US$318.8 billion, compared with a marginal 0.1% drop in 1998. Interbank liabilities also decreased by 11% to US$326.5 billion, compared with a decline of 12% in 1998. Inter-ACU transactions and net borrowings from banks abroad declined to US$34.7 billion and US$6.3 billion, respectively in 1999, from US$40.7 billion and US$40.4 billion in 1998 (See Charts 28A and 28B).

The composition of ACU assets and liabilities by maturity was unchanged compared with previous years. Interbank transactions continued to dominate the ADM. ACU assets and liabilities were also concentrated in the shorter end of the maturity spectrum, with only 16% of assets and 4% of liabilities having maturities exceeding one year (See Charts 29A and 29B).

CHART 27: FINANCE COMPANIES: TYPES OF DEPOSITS

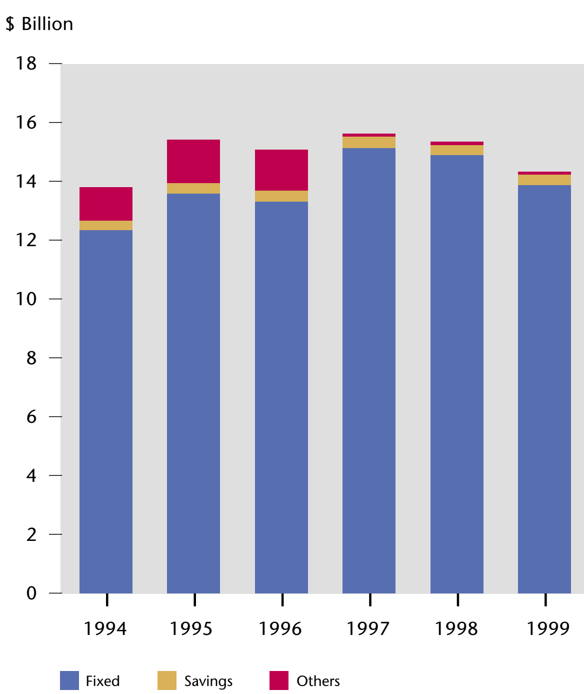


CHART 28A: ASIAN CURRENCY UNITS: COMPOSITION OF ASSETS, 1999

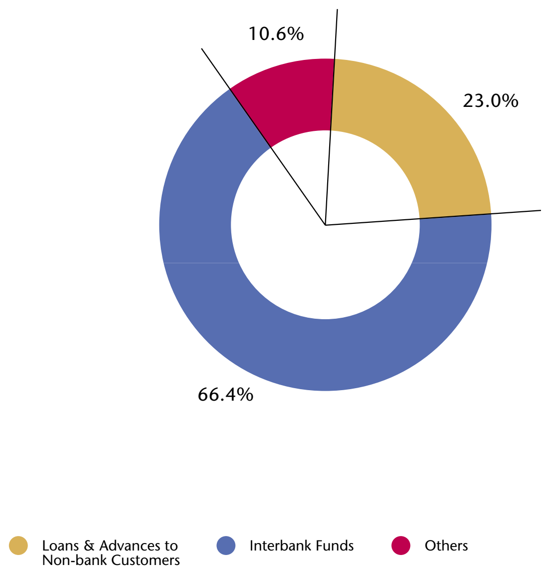


CHART 28B: ASIAN CURRENCY UNITS: COMPOSITION OF LIABILITIES, 1999

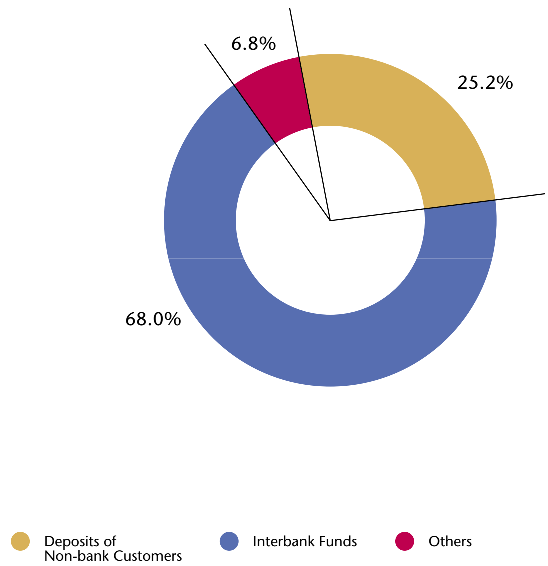


CHART 29A: ASIAN CURRENCY UNITS: MATURITIES OF ASSETS, 1999

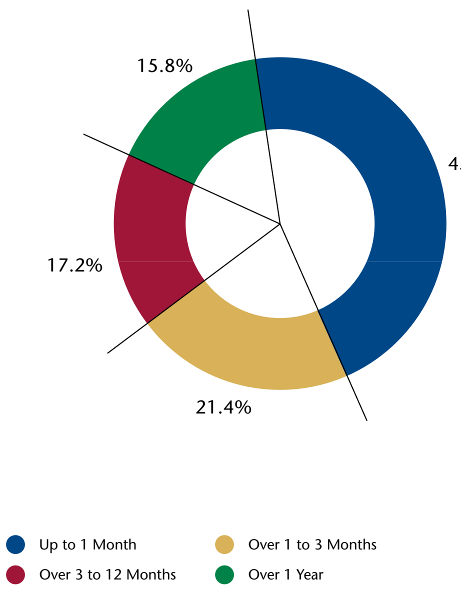
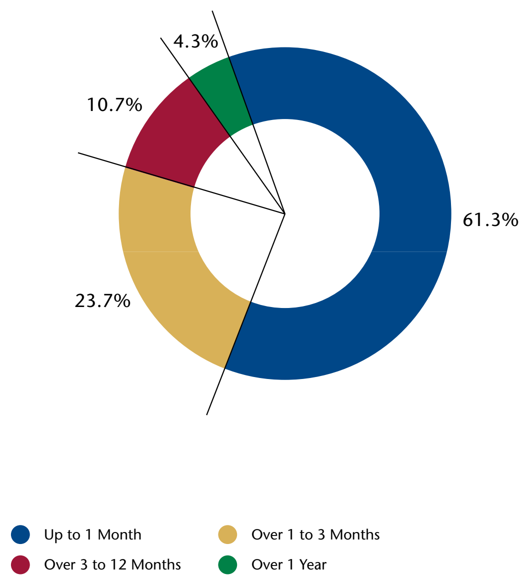


CHART 29B: ASIAN CURRENCY UNITS: MATURITIES OF LIABILITIES, 1999



RECENT DEVELOPMENTS IN THE ASIAN DOLLAR MARKET

Activity in the ADM grew at an average annual rate of 5%[b] over a ten-year period between 1989 and 1999[c]. In the same period, international banking activity in other BIS reporting centres recorded an average 7% expansion annually. The slower growth in the ADM largely reflected the sharp contraction in lending during the Asian financial crisis. Indeed, up to the first half of 1997, the ADM was still growing at a faster rate than aggregate international banking activity in the other centres. Over 1997-99, ADM activity shrank by an average rate of 9% p.a., while the other centres continued to see positive growth of 5% (See Chart D).

Reflecting the vicissitudes of regional and international events in the past few years, both the sources and uses of funds have undergone several shifts in growth trends and composition.

Sources of Funds

While ADM non-bank deposits have continued to increase, total deposits have been dragged down by a decline in interbank deposits. The withdrawal of funds by Japanese banks was one of the main reasons for the decline.

Total funds from non-bank and interbank deposits with the ADM fell from a peak of US$537 billion in June 1997 to US$448 billion at the end of 1999 (See Chart E). There were also significant changes in the composition of ADM sources of deposits. Notably, due to the continued growth of deposits from non-bank sources, the proportion of funds from this source has risen over the past two and a half years from 20% of total deposits to 27% in December 1999.

Growth in non-bank deposits was boosted by a rise in private savings. There was a significant increase in deposits by Singapore residents to take advantage of the higher interest rates in the offshore market. However, non-bank deposits saw a dip in mid-1998, which coincided with a period of tight liquidity in the region as regional currencies came under speculative attack. In particular, there was some repatriation of funds to Hong Kong in response to special relief measures undertaken by the authorities to ease the credit crunch.

On the other hand, withdrawals of interbank deposits from the ADM over 1997-99 could be largely attributed to Japanese banks. These institutions, faced with considerable exposures to crisis-hit Asia and a renewed deterioration in

CHART D: ASSETS OF THE ADM AND OTHER INTERNATIONAL BANKING CENTRES

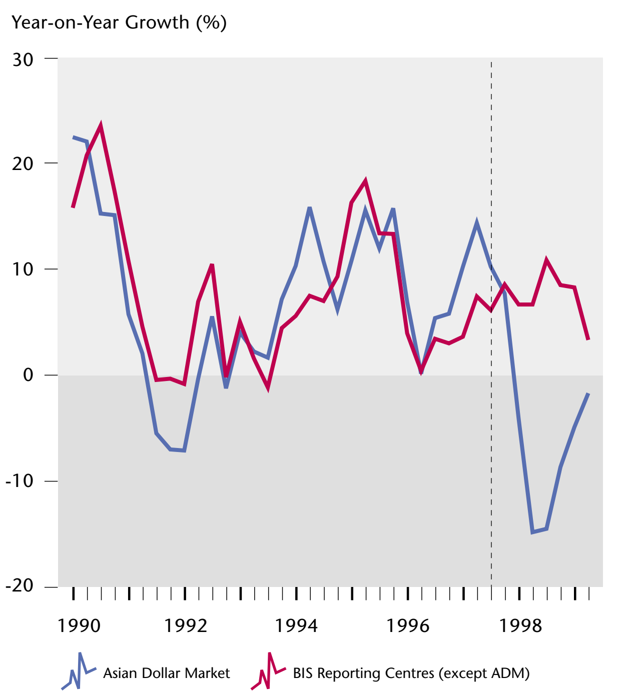
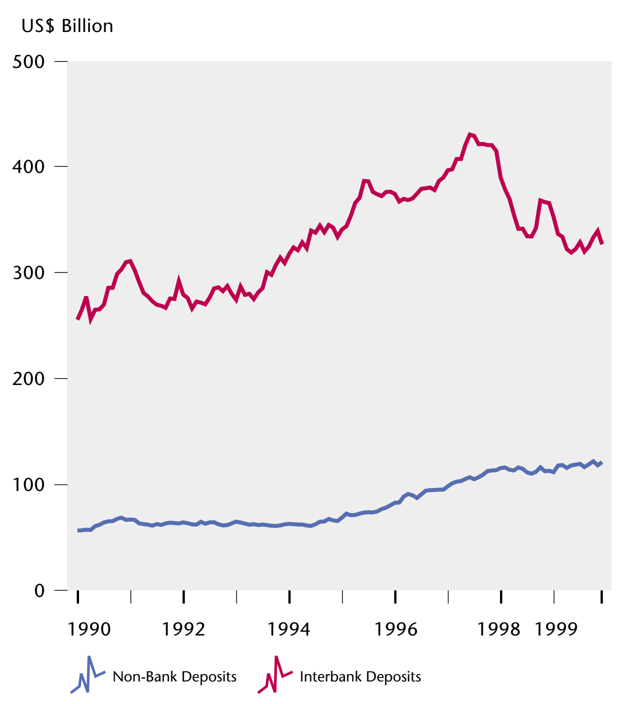


CHART E: INTERBANK AND NON-BANK DEPOSITS



[b] In this analysis, comparisons between the ADM and other centres are based on reported BIS data. All other references to the ADM are based on MAS data. The difference is that ADM lending between Asian Currency Units (ACU) and to banks in Singapore are excluded from BIS data. The difference in data sources does not affect the analysis, as the trends are similar.

[c] All BIS data for 1999 refer to that as at June 1999.

CHART F: INTERBANK DEPOSITS AND THE JAPAN PREMIUM

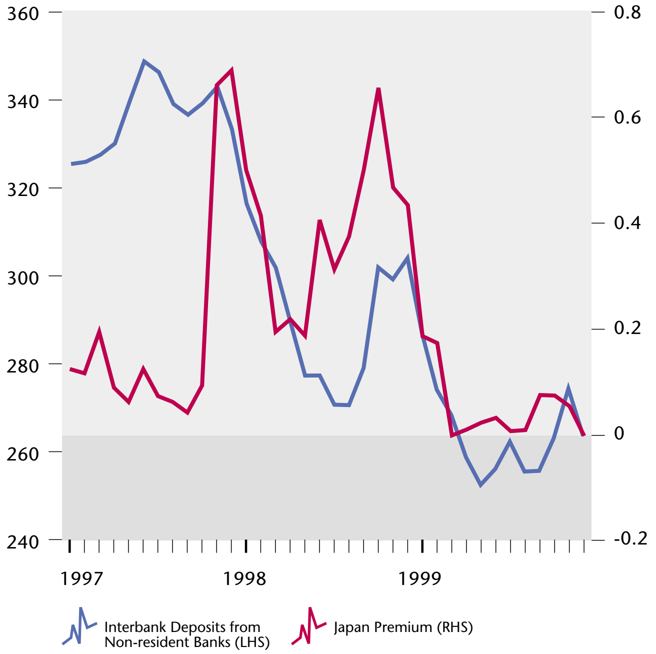
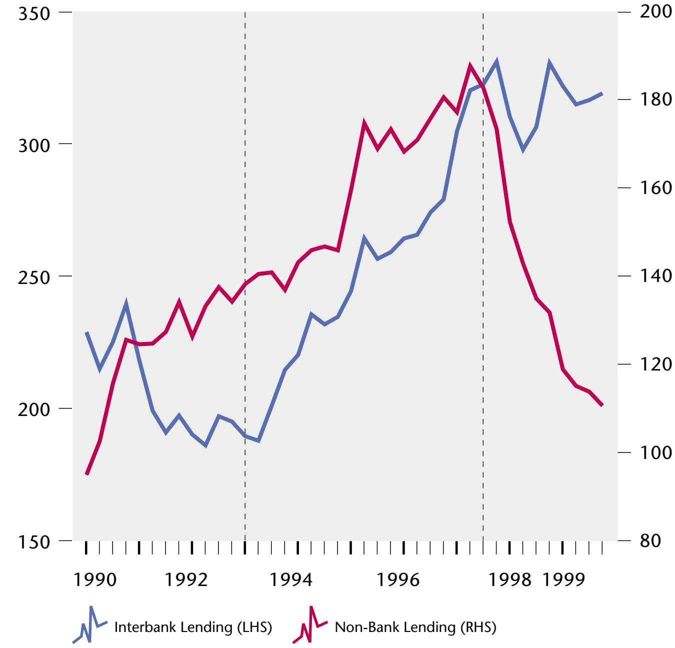


CHART G: ADM NON-BANK AND INTERBANK LENDING



the Japanese economy, recalled deposits with their branches in offshore centres.

Japanese banks' declining deposits with the ADM was temporarily reversed when doubts over the financial viability and credit-worthiness of these banks resulted in higher borrowing costs for them in the international interbank market. From late 1997 to end-1998, to avoid the "Japan premium[d]" in the interbank market, Japanese ACUs[e] in Singapore obtained yen-denominated funds from their head offices, boosting ADM interbank deposits (See Chart F). These were then swapped into other currencies to finance their activities. Part of these funds was also lent back to Japan. However, Japanese banks' deposits with the ADM resumed their slide once their borrowing rates became more favourable again.

In contrast to Japanese banks, ADM deposits of banks in Singapore recovered following a sharp fall in the second half of 1997 and have seen trend increases in 1998-99. Excess funds arising from a contraction in domestic loans and burgeoning deposits were partly channelled to the ADM. Thus, interbank deposits from Singapore in the ADM have remained at about 8% (excluding inter-ACU deposits) as a share of total interbank deposits.

Uses of Funds

Pre-Crisis Trends: 1989 to mid-1997

The pre-crisis expansion of ADM lending in the 1990s was driven by the significant increase in credit extended to developing Asian economies, which were experiencing rapid growth and a concomitant surge in capital investments (See Chart G). Between 1989 and mid-1997, BIS reporting centres' lending to developing Asia[f] grew at an average of 16% p.a., boosting the region's share of total international bank credit to all developing economies from 28% to a peak of 54%. Lending by the ADM to developing Asian countries rose almost five-fold during this period.

The main driving force behind the growth of the ADM in the early 1990s was its lending to non-bank customers. In contrast, interbank lending was held back by a fall in loans to Japanese banks. Following the collapse of the Japanese

[d] Estimated as the difference between Tokyo Interbank Offer Rate (TIBOR) and its London counterpart, LIBOR.
[e] ACUs are the offshore banking units of financial institutions in Singapore.
[f] Based on BIS definition which excludes countries such as Japan, Singapore and Hong Kong.

bubble economy, banks in Japan saw domestic loans fall sharply, and in turn had reduced their borrowing from the ADM. Subsequently interbank lending activity picked up in tandem with the increased activities arising from the establishment of new regional offshore centres such as the Bangkok International Banking Facility (BIBF) and the expansion of existing offshore banking centres such as Labuan. Non-bank lending from the ADM, however, moderated.

Nonetheless, despite competition from newcomers as well as traditional competitors, Singapore maintained its share of the international banking pie right up to the unfolding of the Asian financial crisis. Assets of the ADM in June 1997 stood at 5.6% of total international banking assets of all BIS reporting countries – similar to that at 1989.

Asian Financial Crisis: mid-1997 to 1999

The 1997/98 Asian financial crisis had negative spillover effects on the ADM as an international banking centre. As at June 1999, the ADM's share of international banking assets had declined to 4.3% (See Table I). As a comparison, the shares of Switzerland and Germany showed the largest gains since June 1997, from 5.8% and 6.9% to 6.8% and 8.9% respectively. Although overall syndicated loans[9] to borrowers in industrial countries fell during 1997-98, especially following the rise in interest rate spreads after the Asian financial crisis and Russian default debacle, the continued strong growth in mergers and acquisitions in the European Union helped support bank financing activity in that region. Singapore's ranking among BIS reporting centres consequently dropped a notch to the 10th position, overtaken by Luxembourg and Germany.

The impact of the Asian financial crisis began to weigh on ADM activity from the second half of 1997. From double-digit rates, year-on-year growth turned negative as major borrowers from the region were engulfed by the crisis. Exacerbating this decline was a further weakening of the Japanese economy, as well as the increasingly severe financing difficulties faced by Japanese banks. As a result of these regional developments, overall ADM assets/ liabilities slid from a high of US$560 billion in mid-1997, to US$470 billion in August 1999 before recovering slightly to US$480 billion at the end of 1999.

ADM lending to non-bank customers fell from US$188 billion in June 1997 to US$111 billion at end-1999. The sustained contraction in lending to the Japanese accounted for a significant portion of the decline in total ADM non-bank lending in this period. There were several blows to the Japanese economy, including its government's decision to hike consumption tax in April 1997, which caused the incipient recovery to falter. The Asian financial crisis also served to reduce demand for Japanese exports and caused an acceleration in non-performing loans of crisis-hit countries on the books of Japanese banks.

Other non-bank loans also contracted markedly following the crisis. The decline was steepest in 1998. While this was in large part due to the rapid repayment of existing loans, it was also indicative of the lack of new lending opportunities in the region and the risk aversion of banks. With the downturn in many Asian economies and industrial capacity utilisation at low levels, corporate investment had collapsed in 1998. Moreover, following the Russian default in August,

TABLE I –
SINGAPORE'S INTERNATIONAL BANKING ASSETS

YEAR	EXTERNAL ASSETS (US$ BILLION)	SHARE OF BIS TOTAL (%)	BIS RANKING
1994	362.9	5.1	10
1995	420.0	5.2	10
1996	444.3	5.3	9
1997	478.5	5.3	9
1998	437.0	4.5	10
1999 (Jun)	405.9	4.3	10

[9] As large non-bank loans are usually syndicated, trends in syndicated lending are a good indicator of non-bank lending.

prohibitive risk premia were applied to loans extended to all but the best borrowers. An indication of the weak lending activity could be seen in the 56% plunge in Asian syndicated loans in 1998 to US$57 billion[h], compared with the US$128 billion worth of loans arranged the year before. Asian syndicated loan volumes subsequently bounced back to US$99 billion in 1999. However, the ADM did not benefit significantly from this pick up and continued to see an overall downtrend.

In contrast to East Asia, European demand for bank financing had continued to grow in 1997-98, as borrowing for corporate restructuring as well as merger and acquisition activities was strong in Europe. This helped sustain activity in the ADM, as funds were channelled to meet this demand, largely through lending to European banks. Loans extended to these banks helped to arrest an initial decline of interbank ACU loans. Hence, at the end of 1999, total interbank assets, at US$319 billion, was only marginally lower than its all-time high in 1997.

Conclusion

There have been significant shifts in Asian trade and investment flows in the past few years. From large deficits in 1996, the current account balances of Asian countries swung into surpluses in 1998 as domestic demand weakened. Capital inflows also turned into outflows. As such, some of this excess liquidity has been channelled to the ADM.

On the other hand, over 1997-98, major European countries that had previously supplied funds to the ADM began to see inflows of funds. Initially, these flows resulted largely from the withdrawal of interbank deposits but increasingly more lending was extended to these countries by the ADM. In turn, funds in Europe were being channelled to portfolio investments in the United States.

The decline in overall activity in the ADM had bottomed out in late 1999 with the pick up in interbank loans, especially to European countries. While this is expected to continue to provide support to the ADM, a strong recovery is not likely in the near term, given that regional investments have not as yet risen in tandem with the economic recovery. Moreover, financing through the capital markets will likely be preferred to bank lending in the future, given the experience of the Asian crisis. With the liberalisation of Japan's banking sector, the round-tripping of funds via the ADM has also lessened.

[h] A large proportion of these loans went to Australia. (Source: Thomson Financial Securities Data.)

EQUITY MARKET

Stock Market Commentary

The market started 1999 with the benchmark Straits Times Index (STI) at 1,393. It remained soft initially on the back of general weakness in the regional markets and fears of a devaluation of the Chinese yuan. In addition, the expected rise in US interest rates weighed on the market. In early February, the STI fell to 1,280, its lowest level in 1999.

From mid-February 1999 up till early July 1999, signs of recovery in the Asian economies, especially that of Japan, began to perk up the stock market. The bullish sentiment in the Singapore market was also a result of the continuation of the strong US economy, the stabilisation of the regional currencies as well as the decline in interest rates to pre-crisis levels across the region. In addition, the stock market was encouraged by the good performances within the Asian economies, exhibited by the increase in the industrial production and exports of the crisis-affected economies. The stock market also welcomed the measures introduced by the government in November 1998 to cut local business costs by $10.5 billion, which helped to boost Singapore's competitiveness.

From July 1999 to October 1999, the market took a breather, with the STI range trading between 1,900 and 2,200. The up-trend continued from October to the end of the year, culminating in the STI reaching an all-time high of 2,583 on 3 January 2000. The sentiment, however, turned bearish for the rest of the first quarter of 2000, as nervousness in the US stock markets placed a damper on the rest of the world. Fears of the US markets being over-valued after their phenomenal bull run from late 1999 into early 2000, coupled with the inflationary pressures caused by the strong economic activities in the US, pushed the local stock market down. The STI was weak and tested the 2,000 psychological support level on 15 March 2000. Trading in the stock market was volatile for the rest of the month with the STI registering 2,133 at the end of the first quarter of 2000 (See Chart 30A).

Market Capitalisation and Turnover

As at end-1999, market capitalisation of the stock market stood at $470.8 billion, an increase of 74.0% from a year ago. As at end-March 2000, market capitalisation fell to $439.6 billion, 6.6% below the end-1999 level.

Turnover on the SGX-ST increased by 99.7% from $98.6 billion to $196.9 billion in 1999. In terms of units transacted, turnover rose 110.1% from 74.1 billion units to 155.8 billion units. In the first quarter of 2000, turnover in units grew almost 89% to 30.4 billion units compared with the first quarter of 1999. Turnover in value terms increased over the same period from $26.1 billion to $53.7 billion (See Chart 30B).

CHART 30A: STRAITS TIMES INDEX (MONTH END DATA)

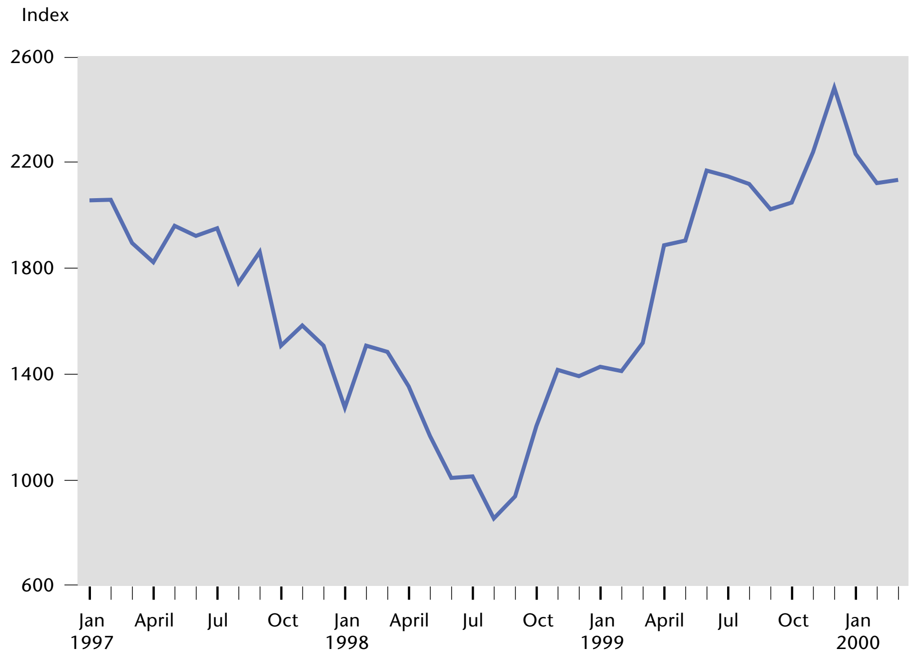
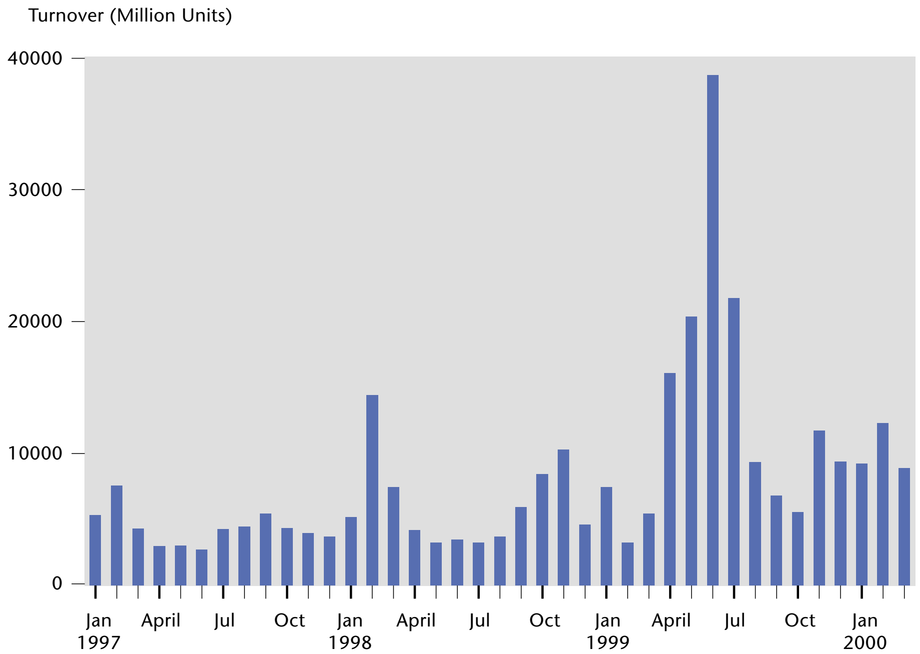


CHART 30B: STOCK MARKET TURNOVER



Funds Raised

In 1999, funds raised through the SGX-ST rose significantly from $2.3 billion to $12.2 billion. The flotation of 49 companies raised $2.0 billion, while rights issues raised $1.3 billion. Bond issues accounted for $6.1 billion of funds raised and private placement of shares raised $2.8 billion.

In the first quarter of 2000, the amount of funds raised jumped by 28% to $1.8 billion compared with $1.4 billion raised in the first quarter of 1999. Funds raised through initial public offerings amounted to $927 million while bond issues accounted for $680 million. Rights and private placements raised $109 million and $93 million respectively.

New Listings

During 1999, 32 companies were admitted to the SGX-ST Main Board while 16 were delisted. Four companies were transferred from SESDAQ to the Main Board while SESDAQ saw 21 new listings. The total number of companies listed on the Main Board and SESDAQ was 335 and 81 respectively, as at end-1999.

The first quarter of 2000 saw the admission of nine companies to the Main Board and three to the SESDAQ. These admissions, coupled with the delisting of two companies from the Main Board, brought the number of companies on the Main Board and SESDAQ to 342 and 84 respectively.

Financial Position of Stockbroking Companies

The financial position of SGX-ST member companies strengthened in 1999 with the shareholders' funds and adjusted net capital expanding by 13.3% and 14.6% respectively to $3.4 billion and $3.1 billion. For non SGX-ST members, the shareholders' funds increased by 38% to $1.2 billion, while the adjusted net capital decreased by 75% to $202 million (See Table 2).

Number of Stockbroking Companies

As at March 2000, the number of SGX-ST member companies stood at 31, up from 30 at end-March 1999. However, the number of non SGX-ST member companies dropped from 48 at end-March 1999 to 46 at end-March 2000. The number of investment advisers increased to 154 at end-March 2000, from 148 at end-March 1999.

Financial Futures Market

In 1999, total trading volume on the SGX-DT decreased by 7.2% to 25.86 million contracts, from 27.86 million contracts in 1998. Average daily turnover in 1999 was 101,502 contracts, a decrease from 108,961 contracts in 1998. During the first quarter of 2000, an average daily volume of 110,320 contracts were traded on the Exchange, compared with 106,328 contracts in the corresponding period in 1999. There are 12 futures and seven options contracts currently trading on the Exchange.

Trading interest continued to be dominated by the 3-month Eurodollar and Euroyen interest rate futures contracts, as well as the Nikkei-225 stock index futures contract. However, total volumes traded in all three contracts declined in 1999 as compared with 1998. The 3-month Euroyen interest rate futures saw a sharp decline of 22.6% to 6.8 million contracts in 1999 from 8.8 million contracts in 1998. The corresponding decline in the 3-month Eurodollar interest rate futures and the Nikkei-225 stock index futures were more muted; the trading volume for the 3-month Eurodollar futures was down 8.5% to 9.0 million contracts, while the Nikkei-225 stock index futures was down 1.9% to 5.4 million contracts.

In contrast, trading volume in the MSCI Taiwan stock index futures improved by 28.2% to 2.4 million contracts in 1999. Since its launch in September 1998, volume traded for the MSCI Singapore stock index futures consistently increased

TABLE 2 – FINANCIAL POSITION OF STOCKBROKING COMPANIES

($ Million)

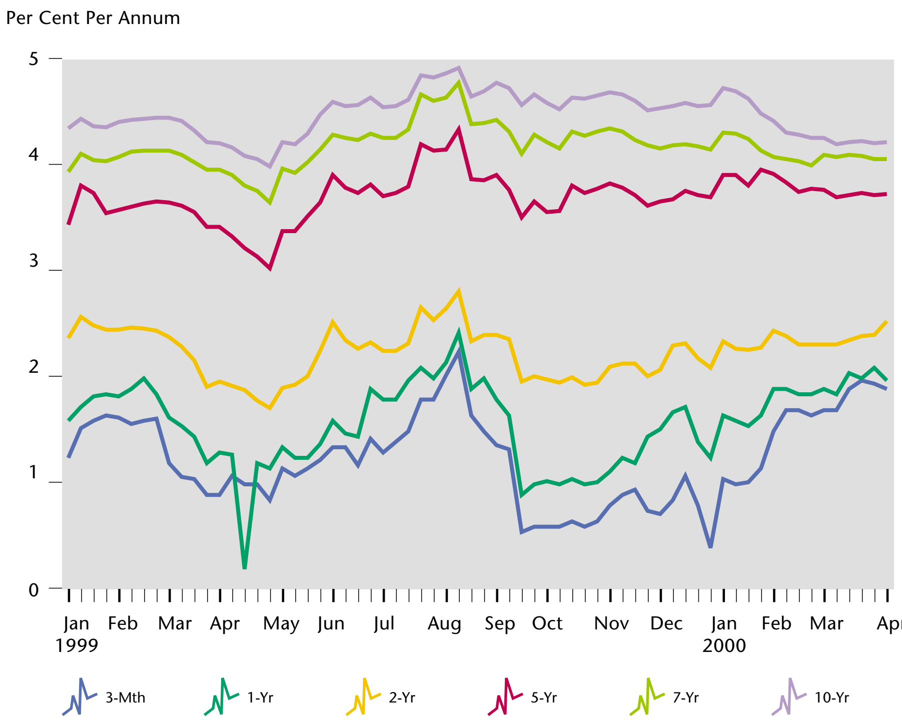
	DEC 1997	DEC 1998	DEC 1999
SGX-ST Member Stockbroking Companies			
Adjusted Net Capital	2,833.0	2,708.4	3,103.3
Shareholders' Funds	3,049.2	2,991.0	3,390.0
Total Assets	5,048.6	4,835.0	8,169.3
Non SGX-ST Member Stockbroking Companies (excluding merchant banks)			
Adjusted Net Capital	405.0	811.9	202.3
Shareholders' Funds	517.0	905.3	1,249.7
Total Assets	18,434.3	16,198.9	15,617.9

from an initial monthly volume of 2,814 contracts in September 1998 to a monthly volume of 49,937 contracts in January 2000. Three new contracts were launched in 1999, namely the Euroyen Libor futures on 22 February 1999, Euroyen Libor options on 8 March 1999, and the Singapore Dollar interest rate futures on 10 September 1999. The Euroyen Libor futures turned in a good performance at the start, with an average of over 3,000 contracts traded everyday in the first month of trading. However, trading subsequently slowed down, and the average daily volume for 1999 was 1,671 contracts. Average daily volume was at 991 lots for the first quarter of 2000. Trading in the 3-month Singapore Dollar interest rate futures also enjoyed a good start. Active trading on the first day chalked up a total of 1,517 lots for the contract. Thereafter, trading volume slowed down, with an average daily volume of 237 contracts traded in 1999. There has been no activity in Euroyen Libor options since its launch.

In terms of new volume records, 1999 was a good year for SGX-DT. June saw the highest monthly total volume at 3,243,192 contracts traded. In addition, the MSCI Taiwan stock index futures hit a record annual volume of 2,362,385 lots traded in 1999. The Nikkei 225 stock index futures set a record monthly volume of 750,429 contracts in March 1999, as well as a record daily volume of 92,263 contracts on 10 March 1999. Despite these record volumes, trading in the other contracts declined across the board in 1999.

In March 1999, SGX-DT's 15-year association with Chicago Mercantile Exchange (CME) through the Mutual Offset System was strengthened by a tri-partite GLOBEX alliance formed between CME, the SBF-Paris Bourse and SGX–DT. This is further strengthened by the addition of the Brazilian futures exchange BM&F and the Montreal Exchange in September 1999. Under the alliance, members of each exchange will benefit from a direct access to all the products of all the markets within the alliance through a single technical access. Each member also receives trading privileges for the electronically traded products of the other exchanges, along with cross margining of positions in order to reduce the capital requirements of their customers and members.

CHART 31: YIELD OF SINGAPORE GOVERNMENT SECURITIES



BOND MARKET

Singapore Government Securities Market

Singapore Government Securities (SGS) yields ended mixed in 1999, with the short end of the yield curve outperforming the longer end. Over the year, the benchmark 5-, 7- and 10-year yields rose by more than 20 basis points to 3.69%, 4.14% and 4.56% respectively. However, the benchmark 3-month, 1-year and 2-year yields ended significantly lower at 0.38%, 1.23% and 2.08% respectively at end-December.

For the first half of the year, SGS yields saw a gradual decline as interbank rates eased due to an influx of foreign funds. However, yields picked up in May on concerns of increased supply in the debt market and an accelerated pace of economic recovery in Singapore. Sentiment in the SGS market recovered as supply concerns were alleviated following smaller-than-expected auction sizes in September. In addition, increased demand by banks for Treasury Bills to meet their Y2000 liquidity needs caused 3-month and 1-year Treasury Bills rates to reach a low of 0.58% and 0.98% respectively in October (See Chart 31).

Average daily turnover in the SGS market declined moderately in 1999 to $602 million, compared with 1998's volume of $874 million. Average daily turnover in repurchase transactions, however, remained steady at $251 million. The decline in SGS turnover in 1999 was due to subdued activity in the months leading up to the Y2000 crossover.

Gross issuance in Treasury Bills and bonds during the year amounted to $32.4 billion and $7.4 billion respectively. This brought total SGS outstanding at end-1999 to $35.3 billion, an increase of 23% over end-1998. The net increase in bonds issuance was $3.1 billion, which increased total outstanding scripless SGS bonds to $23.1 billion. The average size of the weekly 91-day Treasury Bill auctions was $680 million, higher than the 1998 average of $530 million per week. Treasury Bills outstanding increased by $3.6 billion to $12.2 billion at end 1999.

In May 2000, MAS announced further steps to improve efficiency and price transparency in the SGS market. The measures included:

a) Introducing a repo facility for primary dealers to enhance repo market liquidity and support the price-making function of primary dealers. This facility offers a fixed pool of benchmark SGS bonds which primary dealers can access via a daily repo auction. This will provide a useful means for primary dealers to cover short positions in benchmark issues arising from their price making activities.

b) Removing regulatory constraints by allowing SGS held by a bank under reverse-repos to qualify as liquid asset regardless of the tenure of the reverse-repos and the type of counterparty. Offshore banks will also be allowed to engage in SGS repo transactions with non-bank customers as part of their capital market activities. These moves aim to spur the development of the term repo market and increase the number of repo market participants.

c) Implementing a focused SGS issuance programme aimed at building larger and more liquid benchmark sizes. This would meet increased SGS demand from both existing and new investors, and create larger and more liquid benchmark issues to facilitate secondary trading.

Singapore Dollar Corporate Bond Market

Measures to boost the Singapore bond market have met with much success. Following from the 1998 announcement to allow foreign entities to issue Singapore Dollar denominated bonds, a total[6] of 23 approved foreign entities have issued Singapore Dollar bonds amounting to $3.7 billion. The Singapore bond market continues to be active with issuance from statutory boards. The total amount of bonds raised by statutory boards totaled $2.6 billion as at 31 March 2000.

The total amount of Singapore Dollar corporate bonds issued in 1999 amounted to $9.2 billion. This is more than twice the amount issued in 1998 ($3.9 billion) (See Chart 32). The total number of Singapore Dollar bond issues[7], however, decreased from 287 in 1998 to 216 in 1999.

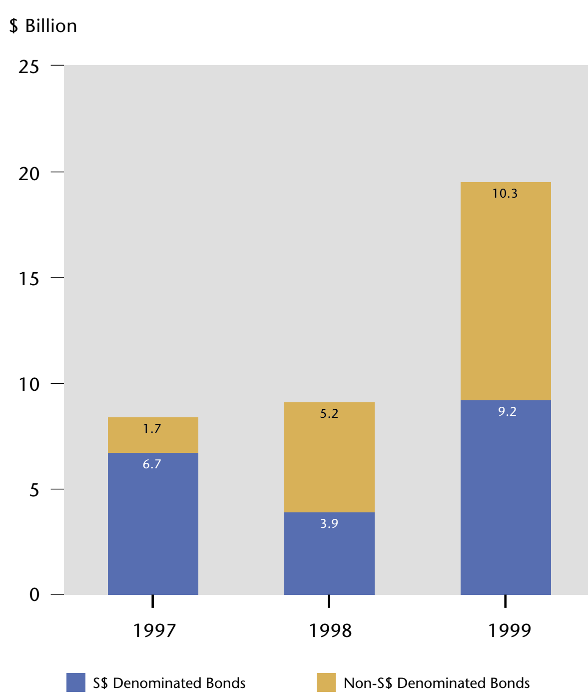
Asian Dollar Bond Market

The Asian Dollar Bond Market was also active in 1999. A total of 281 issues were floated in 1999, representing a 57% increase over the 179 issues floated in 1998. The total amount of Asian Dollar bonds issued increased to $10.3 billion, representing a two-fold increase over the amount issued in 1998 ($5.2 billion) (See Chart 32). The bulk (58%) was denominated in US Dollars while the Yen and Euro-denominated issues accounted for 26% and 10% respectively.

Approved Bond Intermediary Scheme

To encourage more international debt teams and capabilities to base their fixed income activities in Singapore, MAS introduced a new Approved Bond Intermediary (ABI) Tax Incentive Scheme in April 1999. All bond issues lead-managed by ABIs would automatically satisfy the "substantial arrangement" criteria and qualify for the tax incentives. As at 31 March 2000, 19 financial institutions had been awarded the ABI status.

CHART 32: TOTAL CORPORATE BOND ISSUANCE



6 For the period August 1998 (when MAS Notice 757 was first introduced) to March 2000.
7 Number of issues refers to number of tranches.

Syndication Activities

The syndication market in Singapore continued to slow down in 1999. During the year, 29 syndicated facilities totalling $6.5 billion came under the Tax Exemption Scheme for Syndicated Facilities. This was significantly lower than the 72 facilities amounting to $11.9 billion approved under the Scheme in 1998. The contraction was due to continued poor economic conditions in regional countries. Much activity in the syndication market centred on restructuring existing defaulted loans or loans in distress. To create a conducive tax environment for market players, a simplified procedure was introduced in 1999 to grant tax exemption automatically to syndicated facilities that meet certain defined criteria.

FOREIGN EXCHANGE MARKET

Foreign Exchange Transactions

In the foreign exchange market, trading activities declined in 1999 on concerns over the century date change and the loss of intra-European trading opportunities due to the introduction of the Euro. In addition, investors' risk-taking appetite remained relatively modest as the severe market disruptions over the last 2 years remained fresh on their minds. Average daily trading volume was US$115.1 billion compared with US$142.0 billion in 1998. The US$/Yen and US$/Euro were the most actively traded currency pairs in 1999, constituting 27% and 21% respectively of the total turnover.

Currency Options

Transactions in currency options increased in 1999, averaging US$70.8 billion per month, 16% higher than in 1998. The bulk of the trading volume (72%) was accounted for by transactions involving the Yen, Euro and Australian Dollar. The majority of the currency options trading were transactions with counterparties outside Singapore.

FUND MANAGEMENT INDUSTRY

Size of Fund Management Industry

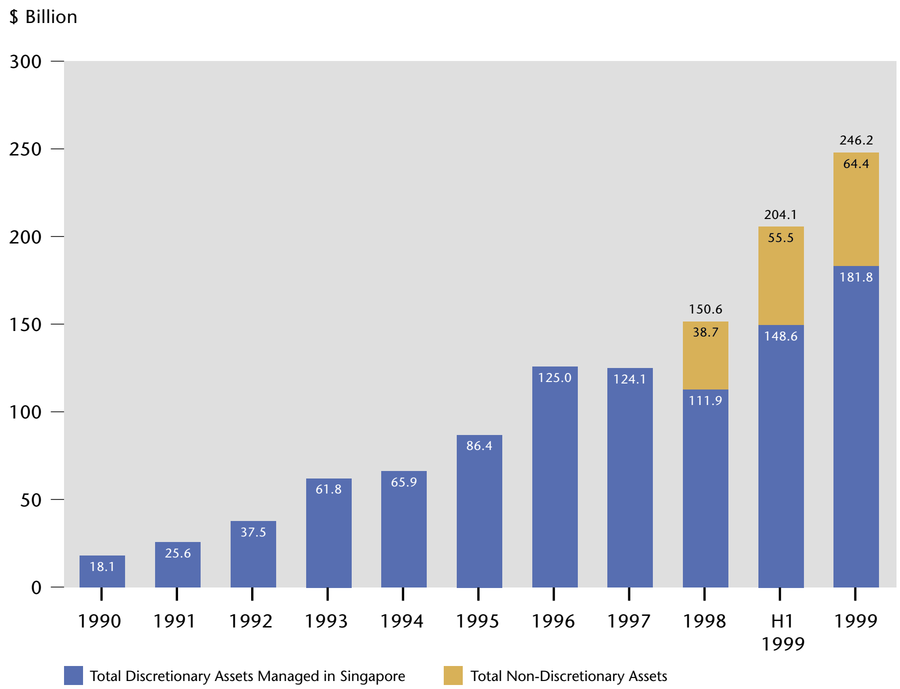
Total assets under management increased by 63% from $150.6 billion at end-1998 to $246.2 billion at end-1999. This comprised $181.8 billion of discretionary and $64.4 billion of non-discretionary funds managed by financial institutions in Singapore, including licensed and exempt investment advisers, approved fund managers, banks, finance and treasury centres (FTCs), as well as operational headquarters. This also represented a growth of 21% over the mid-year figure of $204.1 billion (See Chart 33). The economic recovery in Asia has led to renewed interest by fund managers in Asian markets. This, coupled with MAS' efforts to encourage asset management activities in Singapore, underpinned the growth of assets managed in Singapore. In addition, the rebound in Asian markets also raised the valuation of portfolios under management, thereby contributing to the increase in assets under management.

The number of investment professionals increased to a total of 913, comprising 664 fund managers and 249 investment analysts at end-1999, compared with a total of 772 at end-1998. Most of these professionals specialised in equities (49%), direct investments or venture capital investments (20%) or fixed income fund management (9%). The remaining 22% dealt in foreign exchange, derivatives, real estate, or were asset/country allocators.

The number of asset management companies also increased over the last year. As at end-1999, there was a total of 191 asset management companies in Singapore, of which 147 managed assets on a discretionary basis. This was a 13% increase from end-1998 figure of 169, of which 142 managed discretionary assets.

The number of asset management companies managing discretionary portfolios over $5 billion increased from three as at end-1998 to 11 at end-1999.

CHART 33: GROWTH OF ASSETS UNDER MANAGEMENT



Compared with 1998, 1999 witnessed a higher proportion of funds[8] invested in equities (1999: 69%, 1998: 64%), while investments in bonds continued to represent about 15% of total funds. In terms of geographical allocation of investments, 70% of total funds were invested in Asia, with the remaining 30% invested in the US, Europe and other countries.

Total unit trust investments increased more than two-fold to $6.8 billion (1998: $3.2 billion). Net subscriptions for the year were $1.5 billion. This upward trend in unit trust assets reflects the growing interest in unit trust products by retail investors. The number of managers offering unit trusts and the number of unit trusts made available to the investing public also showed steady growth. As at end-1999, there were 25 unit trust managers managing a total of 187 Singapore-registered unit trusts, compared with 23 managers managing 127 unit trusts at end-1998.

Enhanced Fund Managers / Approved Boutique Fund Managers

For the period April 1999 to March 2000, an additional fund manager was awarded the Enhanced Fund Manager (EFM)[9] status, bringing the total number of EFMs to four.

New measures to develop the local boutique fund management industry were introduced, including a new Approved Boutique Fund Manager (ABFM) Scheme, which allows investment income earned by foreign investors from funds managed by ABFMs in Singapore to be tax-exempt. Three companies were granted the Approved Boutique Fund Manager status between April 1999 and March 2000.

Outplacement of Government Funds for Private Management

In 1998, MAS announced that it would place out $10 billion over the following three years to external fund managers. MAS had since earmarked $4.1 billion to be placed out with identified fund managers, and will continue to interview fund managers for the placement of the remaining funds.

INSURANCE INDUSTRY

Overall Performance of the Insurance Industry

The insurance industry grew by 20.8% to $9.4 billion, fuelled by strong growth in single premium life insurance business. Assets at the end of 1999 amounted to $38.9 billion, a growth of 23.8% (See Chart 34).

8 Based on the $181.8 billion of discretionary assets managed in Singapore.

9 The EFM status allows established fund management companies managing at least $5 billion of foreign investors' funds in Singapore to enjoy tax exemption on the fee income earned from providing investment management or advisory services to foreign investors.

Life Insurance Business

The domestic life insurance industry experienced mixed growth in new business sales in 1999. New annual premiums for life insurance business increased marginally by 2.3% to $552.6 million while total annual premiums in force grew marginally by 4.7% to $4.7 billion. Consumers were reluctant to make long-term financial commitments due to financial uncertainties and the cut in the Central Provident Fund (CPF) contribution rate. New single premiums expanded strongly by 237.3% to $1.8 billion. New single premiums for annuity business also increased by 68.1% to $174.3 million. The continued low interest rate environment has increased the attractiveness of single premium products. In addition, the recovery of the stock market boosted sales of investment-linked products.

General Insurance Business

In 1999, total gross premiums for the general insurance industry amounted to $2.8 billion, a moderate increase of 3.1%. Domestic business and offshore business had mixed performance. Domestic business contracted by 3.2% to $1.5 billion. The domestic market continued to be affected by keen rate competition. The recovery in the Singapore economy in the second half of the year, however, arrested the decline. Miscellaneous class reported a slight growth of 1.2% due to the increase in health and accident business. The other classes of business recorded declines, ranging from -11.5% to -0.5% (See Chart 35).

Offshore insurance business grew by 11.4% to $1.3 billion. Business written by general direct insurers registered a decline of 30% to $133.4 million. This was due to the transfer of an insurer's offshore business to a related reinsurer's new Singapore branch. Discounting this effect, offshore business of general direct insurers registered moderate growth. Offshore business written by reinsurers increased by 28.1% to $948.7 million, largely due to the contributions from the newly admitted reinsurers. On the other hand, offshore business written by captive insurers registered a 3.4% decline to $204.5 million, dampened by the restructuring of insurance programmes by a few captive insurers and rate reduction (See Chart 36).

The life insurance industry registered strong growth in the first quarter of 2000. New annual premiums continued its two consecutive quarters of growth to register an increase of 57% to $153.7 million. New single premiums for life insurance business also increased tremendously by 164.5% to $615.9 million. New single premiums for annuity business also grew by a good 100.7% to $57.6 million. As for general insurance business, domestic gross premiums increased by 8.3% to $429.5 million, while offshore gross premiums expanded by 33.6% to $303.7 million.

CHART 34: TOTAL INSURANCE BUSINESS

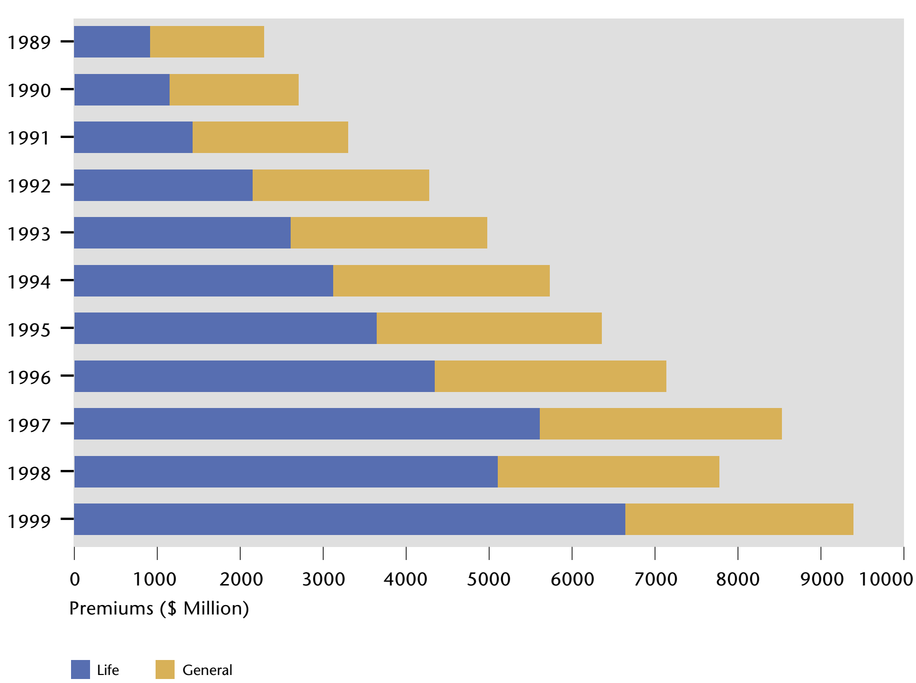


CHART 35: GROWTH OF DOMESTIC GENERAL BUSINESS BY CLASS

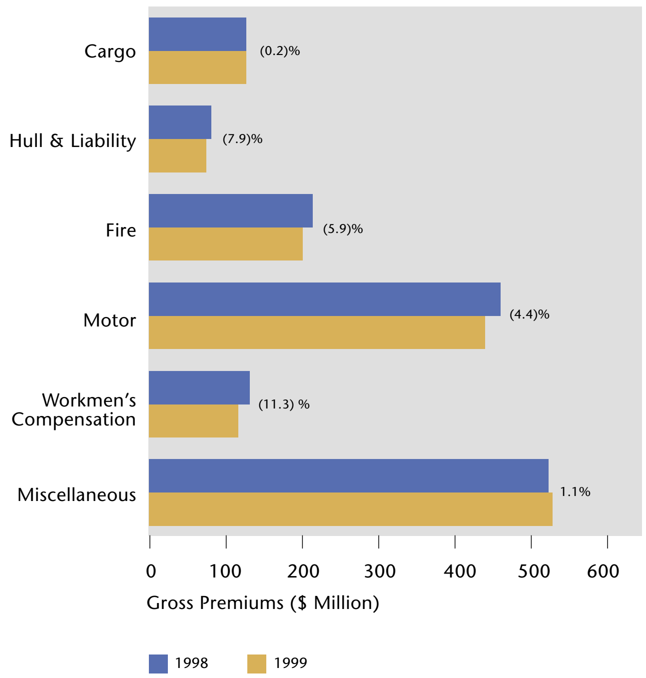
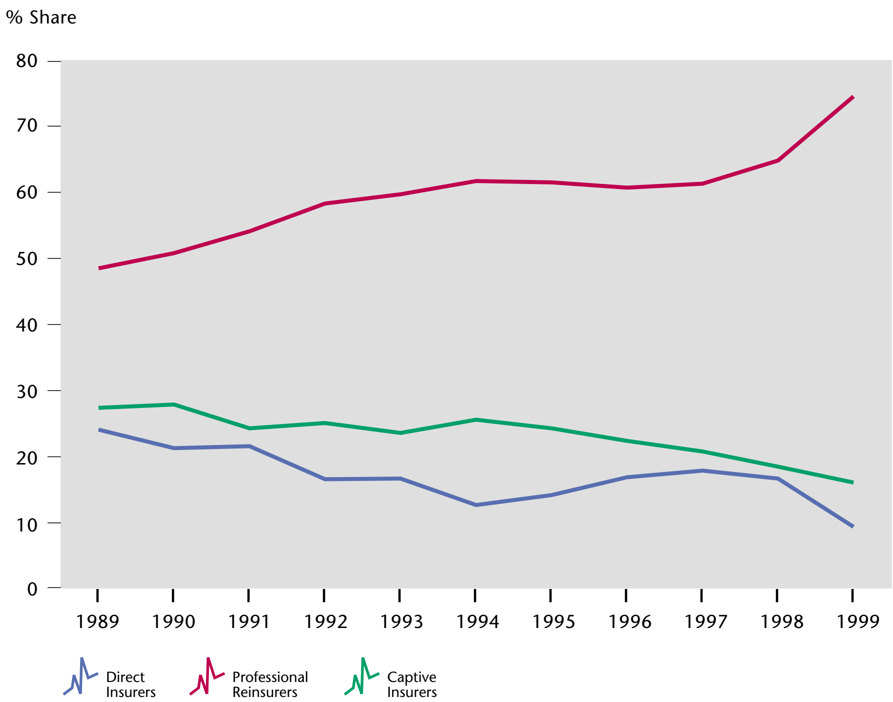


CHART 36: COMPOSITION OF OFFSHORE GENERAL BUSINESS BY TYPE OF INSURER



PAYMENT AND SETTLEMENT SYSTEMS & IT DEVELOPMENTS

Payment Systems

a) *MAS Electronic Payment System (MEPS)*

Launched on 13 July 1998, MEPS is a real-time gross settlement system for Singapore dollar high value interbank fund transfers and the delivery-versus-payment (DvP) settlement of scripless SGS. As at December 1999, there were 94 direct participants and 44 indirect participants for MEPS, making a total of more than 1.8 million transfers in 1999. The average daily turnover was $32.2 billion, totalling more than $9 trillion in its first full-year of operation.

b) *Cheque Clearing and Interbank GIRO (IBG)*

The volume and value of cheques cleared by the Automated Clearing House (ACH) increased by 5.5% and 6.5% respectively in 1999. IBG transactions decreased by 14.7% in volume and 4.9% in value. An average of 306,000 cheques and 98,000 GIRO transactions, with a value of over $1.6 billion and $220 million respectively, were cleared daily through the ACH.

c) *Cheque Truncation*

The banking industry, in conjunction with the Singapore Clearing House Association and the Association of Banks in Singapore, is developing a Cheque Truncation System targeted for implementation in 2001. Cheque truncation is a clearing system in which the electronic images of cheques are captured at the point of deposit and transmitted for verification throughout the entire clearing process. Movement of paper cheques between the ACH and other banks would thus be eliminated, giving rise to cost savings and quicker processing cycles.

d) *Automated Teller Machine (ATM) and Electronic Fund Transfer at Point of Sale (EFTPOS)*

As of December 1999, the number of ATMs declined marginally by 2% to 1,855 machines, representing a penetration rate of about 476 ATMs per million population. The EFTPOS network increased by 11% to about 17,800 terminals with transactional volume growing from 57.9 million to 65.7 million, and value by $500 million to $4 billion in 1999.

Payment Instruments

a) *Cashcard*

The use of Cashcards increased significantly in 1999. The number of Cashcard transactions almost tripled from 26.3 million transactions in 1998 to 77.0 million transactions in 1999, with a corresponding increase in value from $36.2 million to $87.3 million. As of December 1999, there were 14,200 Cashcard terminals in Singapore, an increase of 34% from the previous year.

In January 2000, NETS, in association with Visa International, launched a newly designed CashCard with the VisaCash branding, with the aim of adding an international functionality in future through the adoption of the open and non-proprietary Common Electronic Purse Specifications (CEPS), which will provide cardholders with the convenience of using their cards for transactions overseas.

b) *Visa Electron, Debit Mastercard*

Visa Electron and Debit Mastercard are new concepts introduced in the year by some banks. They function like credit cards, but come without the minimum income requirements and credit extension as charges are directly debited from the cardholders' linked checking or savings accounts. Card transactions are conducted through the credit card EFTPOS network and the cardholders' signatures are used for authorisation instead of Personal Identification Numbers (PIN).

E-Commerce Developments in the Industry

a) *Internet Banking*

The major retail financial institutions have introduced advanced Internet Banking services in the past year. In addition to marketing campaigns, personalised banking web-pages, online credit scoring engines, electronic billing and payment services have been introduced. The expected entry of standalone internet banks, coupled with the need for banks to attract more customers as part of their e-commerce strategies, will likely result in more cross-selling of products over the Internet.

b) Internet Trading

Major broking houses have launched Internet Trading via the computer and more recently, through mobile phones. Advanced services such as stock alerts, trading of overseas shares in regional exchanges, voice-activated stock trading, research analyses and reports are part of the service offerings. With the impending liberalisation of online commissions, Internet Trading would likely become a key feature of the broking industry to further enhance the cost efficiency of the trading environment.

c) Trade Finance System (TFS)

Launched in March 2000, the TFS is a nationwide network that allows traders to submit online applications via the Internet to all participating banks for commonly used trade financing instruments, like Letters of Credit, Telegraphic Transfers and Demand Drafts. Compared with conventional methods of telephone, facsimile or courier mails, this new service benefits traders through faster turnaround time, greater flexibility, reduced paperwork and costs, as well as elimination of data entry and duplication errors.

TFS was developed by NETS and Singapore Network Services Pte Ltd (SNS) with the support of the Singapore Trade Development Board (TDB) under the TradeNet Plus framework. TFS makes use of messages conforming to SWIFT standards and ensures the security of transactions with the use of Public Key Infrastructure technology and Netrust digital security certificates.

d) Financial Portals

The past year has seen the entry of online financial portals that aggregate consumer needs for bidding by licensed financial institutions. General insurance such as travel and auto insurance are among the most popular products available for online sale and transactions. Innovative features such as the reverse auction of home mortgages have also received encouraging responses from both consumers and participating financial institutions.

e) E-Procurement

Banks have begun to migrate service offerings from branches directly to corporate clients. Their establishment of e-procurement hubs to link corporate suppliers and customers, accessible from any internet-enabled office computer, is a value-added response to leverage their traditional payment franchise to move into new businesses. They essentially undertake to automate the entire information flow normally associated with procurement and distribution of goods and services among corporate clients.

f) Capital Market Infrastructure

Preliminary work has begun on the feasibility and migration of our capital market infrastructure to enable shorter settlements beyond the current T+3 target. The SGX, CDP, fund managers, brokers and custodian banks are in discussions on the technical, functional and design issues with the Global Straight Through Processing Association (GSTPA), SWIFT and consultants to build market awareness and momentum.

REGIONAL TREASURY CENTRES / OPERATIONAL HEADQUARTERS

Singapore continues to be an attractive location for regional treasury centres. For the period April 1999 to March 2000, five MNCs were approved as Finance & Treasury Centres (FTCs), under MAS' FTC Tax Incentive Scheme, bringing the total number of FTCs registered in Singapore to 40.

For the same period, five financial institutions based in Singapore were granted Operational Headquarter (OHQ) status to provide financial services to their international operations. This brings the total number of financial OHQs registered under MAS' Tax Incentive Scheme for Operational Headquarters to 19.

THE ORGANISATION

MAS International Advisory Panel Identifies Challenges and Opportunities for Singapore

Enhancing

MAS Lecture Launched

Financial Stability Forum Meets in Singapore to Discuss Ways to Further Strengthen the Global Financial System

INTERNATIONAL RELATIONS

Overview

With the recovery in crisis-affected economies and greater stability in world financial markets, the focus of work and discussions in international fora has shifted from crisis management to ensuring the sustainability of the recovery, and reform of the international financial architecture. Other areas which dominated the agenda of international and regional meetings included strengthening of international standards and codes and their implementation, restructuring of banks and corporations, and surveillance of economic and financial markets. In regional fora, there were discussions on co-operative financing schemes, development of bond markets and other work programs to reduce the region's vulnerabilities.

MAS played an active role in this international dialogue, contributing its views and experiences to discussions on issues relating to the international financial architecture and financial supervision. In June 1999, Singapore was one of four non-G7 financial centres invited to join the Financial Stability Forum (FSF), established to pool and co-ordinate the resources of national and international regulatory authorities to assess financial stability issues and to monitor international financial market developments for potential vulnerabilities. Besides our participation in the Forum's surveillance of financial markets, MAS contributed to the work of the FSF Working Group on Offshore Financial Centres. We hosted the third meeting of the FSF in March 2000, where the reports and recommendations of the three FSF working groups were endorsed for public release.

Besides the FSF, the Bank for International Settlements (BIS) also invited MAS, one of two non-G7 members, to join a Taskforce on Accounting Issues last year. MAS hosted the second BIS Special Governors' Meeting in January 2000. In July 1999, Singapore was admitted as an observer in the Committee on Financial Markets of the Organisation for Economic Co-operation and Development (OECD). We will also be hosting an OECD regional roundtable on corporate governance in April 2001.

In regional fora, MAS is contributing to efforts to develop the regional bond markets, including playing a lead role in the ASEAN work program on capital markets development. Our efforts in the past year were also directed at supporting the development of regional surveillance discussions. In this regard, MAS hosted and chaired the 5th Manila Framework Group Meeting in August 1999. The Singapore meeting also enabled the Manila Framework Group to discuss and convey views on issues in reform of the international financial architecture to the International Monetary Fund (IMF), the World Bank and the BIS as well as FSF. In his opening address, MAS' Chairman set out Singapore's views and position on these key issues.

Bilateral meetings with other central banks in the region continued through the year. In addition, to promote greater co-operation and exchange of information with other securities regulators, MAS signed Memoranda of Understanding on information sharing with securities regulators of France, Australia, US and Germany.

In the area of technical co-operation, Singapore and the IMF have stepped up training provided through the IMF-Singapore Regional Training Institute (STI), in line with the Prime Minister's enhanced technical assistance initiative announced at the 1998 APEC Summit. The International Association of Insurance Supervisors (IAIS) also endorsed MAS as its Regional Training Co-ordinator for Asia, to organise collaborative seminars for training insurance supervisors in Asia over the next five years.

Reform of the International Financial Architecture

Over the past year, the three working groups under the FSF completed their tasks of looking into concerns related to volatile capital flows, highly leveraged institutions and offshore financial centres. Their concrete policy recommendations were endorsed by the FSF at its third meeting in Singapore in March 2000. Follow-up action on the FSF recommendations is expected to be taken by relevant international organisations. MAS agrees with the main thrust of the working groups' assessments and conclusions which is similar to our general view on the issues.

On the question of an appropriate exchange rate system, a broad consensus has been reached that there is no one single system which is universally appropriate and the choice should depend on other institutional arrangements and macroeconomic policies in the country concerned. This is also in line with MAS' position enunciated in various fora.

In the area of transparency issues, the IMF has expanded the Special Data Dissemination Standard (SDDS) to require subscribing members to include additional details on their foreign reserves. Singapore has complied with this new SDDS requirement and published a reserve template.

Parallel efforts were also made to enhance the transparency of private sector activities. There was broad agreement on the need for enhancing official market surveillance and for public disclosure of risk exposures of individual financial institutions, including hedge funds. On the former, the IMF is developing macroprudential indicators to strengthen the statistical framework for surveillance of financial sector health. On the latter, a Multidisciplinary Working Group on Enhanced Disclosure[10] is taking forward a pilot study on enhancing risk-based disclosures by a cross-section of financial institutions with the objective of promoting a level playing field in disclosure for all financial intermediaries.

While discussions on the international financial system had traditionally been the preserve of the G7, there were attempts to involve systemically significant economies and financial centres in the ongoing effort. Besides the inclusion of non-G7 members in the FSF and its working groups, a Group of 20 (G-20), was established in September 1999, to provide a new mechanism for informal dialogue within the framework of the Bretton Woods Institutional System. This new Group is expected to broaden the discussion on key economic and financial policy issues among large systemically significant economies, an extension of the G22 idea originally mooted by Singapore.

Review, Strengthening and Implementation of International Standards

During the year, the standard-setting bodies continued to look into the establishment, strengthening, and implementation of standards for the banking, securities and insurance industries. MAS is a member of the Core Principles Liaison Group, which has completed and released its Core Principles Methodology paper. The paper sets out detailed harmonised standards for assessing a country's compliance with each of the 25 Core Principles for Effective Banking Supervision, and paves the way for the implementation of the Principles. MAS is also a member of the Core Principles Liaison Group's Working Group on Capital, which made further progress towards developing a New Capital Adequacy Framework. During the year, MAS continued to be active in international meetings of supervisors of offshore financial centres. These included an IMF consultative meeting on offshore financial centres and meetings of the BIS Working Group on Supervision of Cross-Border Banking.

On the securities side, MAS participated actively in the effort by the International Organisation of Securities Commission (IOSCO) to establish principles of securities regulation. Self-assessment surveys on the extent of members' adoption of these principles were prepared and sent out in January 2000. MAS is currently working with other jurisdictions in assessing the necessity and potential scope of a peer review process following the self-assessment. We have also signed Memoranda of Understanding on information sharing with France, Australia, US and Germany.

In the insurance sector, the IAIS developed more specific supervisory standards based on the IAIS Insurance Supervisory Principles established in 1997. MAS, which is in the Executive Committee of the IAIS, was involved in formulating these standards. MAS is part of the Reinsurance Working Group set up by IAIS to establish general principles, standards and practices of reinsurers' regulation as well as a member of the Insurance Fraud Sub-Committee.

In the area of corporate governance, the OECD has developed principles to guide policy-makers in their development of legal, institutional and regulatory frameworks. Together with the World Bank, the OECD has launched the Global Corporate Governance Forum (GCGF) in September 1999 to engage the national and global bodies which are leading governance reform. The GCGF's activities include convening regional roundtables to advance dialogue on corporate governance between the private and public sectors. MAS will be hosting next year's Asian roundtable on this.

[10] This working group is jointly sponsored by the Basel Committee, IOSCO, IAIS and the Committee on the Global Financial System and succeeds the Fisher Group which had done initial work in this area. MAS had participated in the Fisher Working Group.

The assessment of countries' implementation of international standards is being incorporated into the Financial Sector Assessment Programme (FSAP) of the IMF and the World Bank. MAS supports the idea of the FSAP to help countries identify the strengths and vulnerabilities in their financial system and to form a basis for defining whether follow-up technical assistance is needed. We have conveyed our views to the IMF on the technical aspects and experience of the pilot FSAP. MAS has also responded positively to the IMF request for technical resources to support this international assessment process.

MAS continued to actively participate in the work under the BIS Committee on Payment and Settlement Systems in monitoring and analysing developments concerning the stability and efficiency of payment, clearing and settlement arrangements. The international Task Force on Payment System Principles and Practices is developing core principles governing the design and operation of systemically important payment systems in all countries and the responsibilities of central banks in applying these principles.

Regional Fora

During the past year, discussions in regional fora centred on surveillance of regional economic and financial market developments, banking and corporate restructuring, and reform of the international financial architecture. Mutual surveillance discussions or exchange of views on regional economic and financial developments continued to be conducted in various regional groupings, including ASEAN, the Executives' Meeting of East Asia and Pacific Central Banks (EMEAP), Manila Framework, APEC, the South East Asia Central Banks (SEACEN) and Four Markets Meetings. In view of the current focus on international financial issues, the BIS was invited for the first time to the Singapore meeting of the Manila Framework Group in August 1999. The outcome of the meeting was conveyed to the October Annual Meeting of the IMFC, as well as to the Managing Director of the IMF, the President of the World Bank and the General Manager of the BIS, who is also Chairman of the FSF. In this way, the Manila Framework Meeting provided a vehicle for feeding the region's perspectives on international financial issues to the relevant international organisations and fora, including the G7.

With economic recovery in the region underway, ASEAN looked into ways to put the region on a more sustainable growth path. The development of regional bond markets featured in the APEC, Four Markets and ASEAN fora. At the Four Markets Meeting hosted by MAS in September 1999, a joint study was initiated on the development of regional bond markets. In the ASEAN Work Programme of co-operation in the area of finance approved in November 1999, Singapore has been assigned the overall lead on the initiative to develop capital markets. Under this, MAS has initiated a joint ASEAN survey and workshop on bond market development and asset securitisation which members have found to be very useful.

In other areas of ASEAN co-operation, member central banks started a review of the ASEAN swap arrangement in early 2000 and are also looking into the modalities of a broader regional financing framework to supplement the existing international facilities. Under the "Chiang Mai Initiative" announced in May 2000, the ASEAN central banks will look into extending the swap arrangement to include the other ASEAN members and setting up a network of bilateral repos/swaps, which would include the ASEAN dialogue partners of Japan, China and Korea.

On the insurance front, ASEAN has established a Protocol on a common ASEAN Scheme of Compulsory Motor Vehicle Insurance. This scheme is intended to provide compensation to victims of road traffic accidents caused by goods vehicles transiting across ASEAN countries. The Protocol is part of the ASEAN Framework Agreement on the Facilitation of Goods in Transit, signed in December 1998.

In the APEC Finance Ministers process, members continued to work on initiatives to strengthen their financial markets, promote sound economic and corporate governance, ensure freer and stable capital flows and strengthen training of banking and securities regulators.

Technical Co-operation

In the past year, MAS organised a two-part programme on Banking and Foreign Exchange Management for Vietnamese officials. This programme included a five-day course at the Institute of Banking and Finance. Central bank officials from

China, Indonesia, Macau, Puerto Rico, Thailand, Kazakhstan and Taiwan also visited MAS during the year. In November 1999, MAS hosted a three-day programme for Bank of Thailand's Data Management Project Team.

The IMF-Singapore Regional Training Institute (STI), which was set up in 1998 to provide training to government and central bank officials in the Asia-Pacific region, has so far conducted 33 courses and seminars, and trained 850 officials from 29 countries. In the second year of its operations, the STI stepped up its program to 20 courses, in line with the Prime Minister's enhanced technical assistance initiative in response to the crisis.

In November 1999, the MAS also took up a suggestion to host a meeting of regional providers of economic and financial training to facilitate an exchange of information on their training programmes and plans in the region, as well as a sharing of views on training needs and problems. In March 2000, we hosted a meeting of the APEC Training Advisory Groups.

In the area of insurance, MAS, as the Regional Training Co-ordinator for Asia, will collaborate with IAIS to organise annual seminars for training insurance supervisors in Asia over the next five years. These seminars aim to strengthen the skills of insurance supervisors as well as promote co-operation among them. They will cover issues such as international insurance supervisory system, international accounting rules, solvency regulations, on-site inspections and catastrophic occurrences. The seminars will be funded jointly by the Japanese Government under the Japanese International Co-operation Agency (JICA) and the Singapore Government under the Singapore Co-operation programme.

PARTNERING THE INTERNATIONAL AND LOCAL FINANCIAL COMMUNITIES

International Advisory Panel

Formed in November 1998, MAS' International Advisory Panel (IAP) comprises some of the world's leading financial experts in the private sector. The panel presently has 12 members, with representations from the US, the UK, Europe, and Asia. The IAP advises the MAS on Singapore's financial sector reforms and strategies. Tapping the knowledge and expertise of a distinguished advisory panel gives MAS a global perspective on financial sector issues, and helps MAS to keep abreast of market developments and policy initiatives in major international financial centres.

The panel held its second meeting in January 2000. During the meeting, the IAP identified the challenges and opportunities for Singapore in the new financial landscape, and urged Singapore to further enhance its competitive advantage and define our financial sector as a gateway to the region and the world.

IAP Members

a) Mr J Y Pillay, Chairman
IAP and Singapore Exchange

b) Mr Alfred Berkeley, President
The NASDAQ Stock Market, Inc

c) Mr Maurice R Greenberg, Chairman
American International Group, Inc

d) Mr Gerald Corrigan, Managing Director
Goldman Sachs & Co.

e) Mr Toyoo Gyohten, President
Institute of International Monetary Affairs

f) Mr Jan Kalff, Chairman
ABN AMRO Bank N.V.

g) Mr John Mack, President
Morgan Stanley Dean Witter & Co.

h) Mr Michel Pèbereau, Chairman
Banque Nationale de Paris and Paribas

i) Sir Brian Pitman, Chairman
Lloyds TSB Group plc

j) Mr John Reed, Former Co-Chairman
Citigroup

k) Mr Douglas Warner, Chairman
JP Morgan & Co, Inc

l) Dr Rolf E Breuer, Spokesman of the Board of Managing Directors
Deutsche Bank AG

Financial Centre Advisory Group

The Financial Centre Advisory Group (FCAG), comprising representatives from the private sector, was formed in March 1999 to act as a sounding board on supervisory issues and development opportunities in the financial sector. The group allows MAS to tap the expertise of industry experts in Singapore by institutionalising dialogue and consultation between MAS and the industry. The creation of the FCAG also complements the IAP by providing domestic perspectives on financial sector developments.

The inaugural FCAG meeting was held on 7 July 1999. Four sub-committees on banking, treasury, securities and asset management, and insurance have been formed. The sub-committees have been reviewing and providing feedback to MAS on the reforms needed for Singapore to develop as a world-class financial centre.

MAS LECTURE

MAS held the inaugural MAS Lecture on 24 March 2000. The annual lecture series provides a platform for central bankers, financial supervisors and professionals in the region to listen to a prominent member of the international financial community speak on issues of current interest. It is part of MAS' continuing drive to foster dialogue amongst key players in the financial sector, and to develop and sustain a vibrant financial community in the region.

Mr William J McDonough, President of the Federal Reserve Bank of New York and Chairman of the Basle Committee on Banking Supervision, delivered the keynote speech at the inaugural lecture entitled: "Sound Banking Systems: A New Growth Imperative". His address provided valuable insights into the challenges in establishing sound banking systems in the new millennium. Some 300 representatives from the Asean central banks, international organisations, local and foreign financial institutions and government agencies attended the lecture.

WORKPLAN SEMINAR

The second MAS Workplan Seminar, held on 3 April 2000, focussed on the "Challenges of the New Financial Landscape". To provide a global and forward-looking angle to the organisation's agenda in the coming year, guest speakers from Scient and Goldman Sachs shared their perspectives on the opportunities and uncertainties of global e-business trends as well as their regulatory implications.

CORPORATE SUPPORT GROUP

The Corporate Support Group provides essential services that support and sustain the operations of the organisation, in terms of overall staff development and well being as well as staffing requirements, and in ensuring the efficiency and effectiveness of internal systems and operations. The group comprises the Human Resource Department, Information Technology Department, Finance Department and Corporate Services Department.

During the year, the Group undertook several major projects and reviews. Amongst these were the review of MAS' philosophy on training and career development, enhancement of our compensation policy to make it more competitive with the private sector, renovation of our IT systems for the year 2000 rollover, as well as the development of a risk management process and framework.

Substantial renovation works to the MAS building are underway, to cater to the expanded staff strength as well as create a more conducive working environment and provide additional facilities, including recreational facilities for staff. The improvements will be progressively completed over the next two years.

HUMAN RESOURCE MANAGEMENT AND DEVELOPMENT

The year saw continued emphasis on people development in MAS. Efforts were stepped up to attract, retain and develop quality staff to meet the challenges ahead. The Human Resource Department (HRD) was reconfigured from the former Human Resource and Corporate Services Department. HRD was reorganised along three functional lines of manpower planning and recruitment; training and career development; and appraisal, compensation and benefits. The reorganisation was aimed at giving greater focus to people development as a critical function and area of priority within MAS.

Manpower and Recruitment

As at 31 March 2000, MAS' staff strength totalled 769, comprising 377 senior officers, 67 trainee officers and 325 support staff. A total of 114 professional staff were recruited during the year, of whom half were early- and mid-career officers from a wide range of backgrounds, such as the financial sector, audit firms and consultancies.

The overall expansion of MAS' human resources was to support MAS' expanded roles and functions in building a central bank of excellence. The recruitment of mid-career candidates encourages diversity in perspectives and views within the organisation. We also actively recruit talented fresh graduates who can be developed into future leaders of the organisation.

Ten MAS undergraduate scholarships (including eight overseas scholarships) were awarded during the year to outstanding GCE "A" level students, to read Accountancy, Economics, Computer Engineering, and Engineering Statistics and Mathematics. The scholars received their awards from MAS Chairman, Deputy Prime Minister Lee Hsien Loong at a scholarship ceremony on 30 July 1999.

Training and Career Development

MAS believes in investing in its people. It does so through a planned and structured approach to training and career development. A training philosophy and framework consistent with MAS' HR Principles was enunciated for the organisation, to guide us in our training policies. This year, the emphasis was on encouraging life-long learning and developing each individual's competencies for current and future jobs in MAS. Job rotation for senior officers, including management staff, has been introduced to give senior staff greater exposure to various aspects of our business, and to foster broad-based knowledge amongst staff.

During the year, we organised 11 in-house training programmes for about 280 MAS staff – on economics, business writing, creative thinking, accounting and teambuilding. More in-house courses are in the pipeline, as we implement fully the general development training roadmaps that were drawn up this year for different levels of staff. These courses are aimed at enhancing staff's personal effectiveness and equipping them with the necessary people and management skills. In addition, departments were trained to draw up functional training roadmaps for different jobs to address the specific training needs of their staff.

MAS also sponsored 290 staff for local training to complement our in-house programmes. In addition, 133 senior officers attended training abroad, including study visits to overseas financial authorities. In total, MAS staff spent an average of 6.7 days or 47 hours on structured training during the year. Our investment on training, as a percentage of payroll, rose to 4.7% in FY1999/2000 from 3.8% in the previous financial year, accounting for an average training expenditure of over $3,650 per employee.

The introduction of a part-time educational sponsorship scheme in December 1999 was consistent with our policy of encouraging continuous learning and upgrading among staff. This scheme provides financial assistance and study leave to staff who take up part-time examinable courses relevant to their work in MAS. Over 20 applications had been approved since its launch. At the same time, MAS continued to award postgraduate scholarships to selected senior officers for studies at local and foreign universities. Four serving officers are currently attending postgraduate programmes at Harvard University, New York University, Institute of Management Development and the Nanyang Technological University on MAS postgraduate scholarships.

A total of 30 officers moved across departments in MAS last year. Besides job rotation within MAS, staff development through overseas postings and external attachments were also arranged for selected officers. MAS currently has seven officers in its New York and London offices for terms of two to three years each. In addition, another three officers are on attachment or secondment to the International Monetary Fund in Washington D.C., the Bank for International Settlements in Basle, Switzerland, and the Singapore Exchange.

Staff Remuneration

MAS' salary policy is to award remuneration packages that are competitive with the financial sector. This ensures that MAS is able to attract, motivate and retain quality staff.

In this regard, MAS participates regularly in salary surveys of the financial sector conducted by professional consultancy firms. MAS uses these survey results to peg staff remuneration to that of the financial sector in Singapore.

MAS further strengthened the link between pay and performance by introducing higher variable bonuses for good performance. How each employee is remunerated depends on his ability and contributions. This is similar to the practice of leading financial institutions where variable pay can form a large proportion of total pay. Our best people are paid equivalent to the best in the industry. In addition, promotions for good officers have been accelerated.

Long Service Awards

In recognition of their dedication and loyalty, 37 employees were presented with long service awards. Of these, 3 had served the MAS for 30 years, 8 for 25 years, 5 for 20 years, 14 for 15 years, and 7 for 10 years.

Recreation and Welfare

The MAS Recreation Club continued to play a key role in promoting camaraderie among staff through activities and games. Besides organising the annual Dinner and Dance, National Day celebrations and Family Day, the Recreation Club organised various activities including lunch-time talks, movie screenings, and bazaar sales. They also organised inter-departmental games like tennis, captain's ball, table soccer and carom.

The MAS Child Development Centre continued to provide quality childcare and education to pre-school children. The Centre caters mainly to children of MAS staff. As at 31 March 2000, a total of 82 children were being cared for by 10 teachers.

Fostering Open Communication

A number of activities were initiated this year to foster more open communication between staff and management. Staff-management lunches are now held on a regular basis for staff to share with management their ideas and views on MAS policies, HR matters, or any other organisational issues. HR dialogue sessions were organised for larger groups of staff, to communicate HR policies and address staff's queries. In addition, HR officers continue to have lunch meetings with individual MAS staff to get feedback and views on career plans and HR policies.

INFORMATION TECHNOLOGY SYSTEMS

Y2000 Readiness

Over the past few years, the MAS IT Department had expended considerable efforts on renovating and testing internal IT systems and industry-wide IT infrastructure, MAS Electronic Payment System (MEPS) and MAS Network (MASNET), to ensure that the computer hardware, software and MAS IT systems were well-prepared for the Year 2000 rollover. Special attention was focussed on the Y2000 contingency planning and industry Y2000 rollover tests with user departments and the financial industry. MAS also participated in several Y2000 exercises involving Government Agencies and major Global Payment Systems.

On 1 and 2 January 2000, all key personnel were present to carry out comprehensive IT health checks and to respond immediately in the event of any unforeseen problems or potential crisis. MAS IT systems, including MEPS and MASNET, were validated to ensure that they were fully ready for the first business day on 3 January 2000. The extensive efforts over the past years paid off. Our IT systems rolled over into the Year 2000 without any glitches.

MAS IT Infrastructure

With the rapid advancement in Internet technologies, MAS has adopted the open systems platform and web interface. The web browser is a standard user interface across all computing platforms. Last year, a Virtual Private Network (VPN) project was initiated to take advantage of the availability and ubiquity of the Internet. VPN uses smartcards and cryptography to protect all communication between the external users and MAS IT servers. The VPN technology allows remote access to the MAS IT systems from homes, financial institutions or abroad in the e-world environment.

To ease the management and control of IT operations, most applications were consolidated to high-end servers. In addition, an enterprise disk storage system was installed to manage the growing demand for storage.

OfficeNet

In 1999, MAS adopted and began the implementation of the Electronic Registry System (ERS). ERS harnesses the power of IT to improve office processes. With ERS, documents such as e-mails, faxes, word processing documents, spreadsheets, presentation slides and brochures can be stored and shared electronically to improve overall work efficiency. The system was extended to all departments in July 2000.

RISK MANAGEMENT

A Risk Committee comprising MAS Board members and senior management was established in February 2000. The Committee will drive the risk management process and oversee the implementation of a framework of best practice risk management standards for managing the market, credit, liquidity, operational and legal risks associated with MAS' reserves and monetary management. The Risk Committee, with the Risk Management Division reporting to it, seeks to promote high professional and ethical standards and a strong risk management culture within the organisation. Among other things, the Risk Committee ensures the establishment of appropriate risk policies and control parameters consistent with the Board's risk tolerance. For proper oversight of the risk function, the necessary expertise, systems and resources will continue to be allocated to risk mangement for it to remain effective in MAS.

INTERNAL AUDIT

Internal audit provides independent and objective assurance to management that the controls over MAS' operations are sound and effective. It also ensures that key controls are put in place at the outset of new operations and systems, by playing a facilitative or consultative role in these areas.

Over the past year, the department conducted assurance reviews on the reserve management operations, finance and human resource activities, and the management information systems put in place to support these activities. Besides control assurance, these reviews also led to improvements in internal processes. In the area of IT deployment, the department performed risk assessment and security reviews of MAS' networks and IT applications to ensure that effective security policies and practices are in place to safeguard MAS' information assets, and that attendant risks have been effectively managed. The department also evaluated the adequacy of controls in new areas such as the outplacement of promotional funds to fund managers and the IT systems to support these activities. In the run-up to the year 2000, Internal Audit actively monitored the progress of MAS departments in the conversion process and prepared procedures for them to track systems' wellness and exceptions.

ANNUAL ACCOUNTS

ASSETS

Total assets of the Authority as at 31 March 2000 were S$114,341 million.

Holdings of gold and foreign assets, which accounted for 96.5 per cent of the Authority's total assets, grew by S$3,904 million during the year to S$110,316 million.

The Authority's reserve position in the International Monetary Fund (IMF) and Special Drawing Rights (SDRs) decreased by S$1 million to S$1,312 million. As at 31 March 2000, the Singapore's quota in the IMF was SDR862.5 million, the same as at 31 March 1999.

Other assets rose by S$2,273 million to S$2,607 million due mainly to the increase in holdings of Singapore Government securities and cash balances.

LIABILITIES

Deposits placed by the Singapore Government with the Authority increased by S$1,952 million to S$56,116 million.

Deposits and balances of banks and other financial institutions decreased by S$3,318 million to S$6,604 million, due mainly to the repayment of deposits previously placed by Post Office Savings Bank of Singapore with the Authority before its merger with The Development Bank of Singapore Limited.

The allocation of Special Drawing Rights to Singapore remained unchanged at SDR16.5 million or S$38 million.

Provisions and liabilities increased by S$6,202 million over the year to S$35,679 million.

PROFIT APPROPRIATION

After meeting all expenditure and transferring to / from provisions, the net profit for the year was S$3,598 million. In accordance with the Statutory Corporations (Contributions to Consolidated Fund) Act (Chapter 319A), S$720 million will be paid to the Government. As approved by the Board, S$1,798 million has been transferred to the General Reserve Fund and the remaining profit of S$1,080 million will be returned to the Government.

REPORT ON THE AUDIT OF THE ACCOUNTS OF THE MONETARY AUTHORITY OF SINGAPORE

FOR THE YEAR ENDED 31 MARCH 2000

The accounts of the Monetary Authority of Singapore set out on pages 85 to 91 have been examined under my direction and in accordance with the provisions of the Monetary Authority of Singapore Act (Chapter 186). I have obtained all the information and explanations I have required.

In my opinion, the accompanying accounts show fairly the state of affairs of the Authority as at 31 March 2000, and the results and cash flows of the Authority for the year ended on that date.

CHUANG KWONG YONG
AUDITOR-GENERAL
SINGAPORE
14 JUNE 2000

BALANCE SHEET
AS AT 31 MARCH 2000

	NOTE	1999/2000 S$	1998/1999 S$
Capital and General Reserve			
Authorised Capital		100,000,000	100,000,000
Issued and Paid-up Capital	3	100,000,000	100,000,000
General Reserve Fund		13,789,878,252	11,992,227,936
		13,889,878,252	12,092,227,936
Represented by:			
Assets			
Fixed Assets	4	105,621,424	103,813,053
Gold		79,056,323	79,783,038
Foreign Assets	5	110,236,853,213	106,332,214,478
Reserve Position and Holdings of Special Drawing Rights in International Monetary Fund	6	1,312,086,782	1,313,561,080
Other Assets	7	2,607,503,129	334,182,068
		114,341,120,871	108,163,553,717
Less:			
Liabilities			
Deposits of Singapore Government		56,116,082,525	54,163,606,751
Deposits of Banks and Other Financial Institutions	8	6,603,720,918	9,921,334,385
Deposits of International Financial Institutions	9	214,535,293	170,297,419
Provision for Contribution to Consolidated Fund	10	719,530,063	1,158,807,798
Profit to be Returned to Singapore Government		1,080,469,937	1,141,192,202
Allocation of Special Drawing Rights in International Monetary Fund	11	37,725,895	38,717,258
Provisions and Other Liabilities		35,679,177,988	29,477,369,968
		100,451,242,619	96,071,325,781
		13,889,878,252	12,092,227,936

The accompanying notes form part of the accounts.

LEE HSIEN LOONG
CHAIRMAN
MONETARY AUTHORITY OF SINGAPORE
SINGAPORE
13 JUNE 2000

KOH YONG GUAN
MANAGING DIRECTOR
MONETARY AUTHORITY OF SINGAPORE
SINGAPORE
13 JUNE 2000

INCOME AND EXPENDITURE STATEMENT

FOR THE YEAR ENDED 31 MARCH 2000

	NOTE	1999/2000 S$	1998/1999 S$
Net Income from Foreign Operations (after transfers to / from provisions)		3,637,953,708	5,835,940,865
Net Income from Domestic Operations		44,238,407	31,731,649
Non-operating Income		10,827,545	12,012,421
		3,693,019,660	5,879,684,935
Less:			
Personnel Expenditure	12	67,432,430	57,825,122
General & Administrative Expenditure	13	20,066,462	17,180,703
Non-recurrent Expenditure		1,334,721	5,904,766
Depreciation / Amortisation		6,535,731	4,735,355
		95,369,344	85,645,946
Profit for the Year (after transfers to / from provisions)		3,597,650,316	5,794,038,989
Less:			
Contribution to Consolidated Fund	10	719,530,063	1,158,807,798
Return of Profit to Singapore Government		1,080,469,937	1,141,192,202
		1,800,000,000	2,300,000,000
Transfer to General Reserve Fund		1,797,650,316	3,494,038,989
General Reserve Fund as at 1 April		11,992,227,936	8,498,188,947
General Reserve Fund as at 31 March		13,789,878,252	11,992,227,936

The accompanying notes form part of the accounts.

CASH FLOW STATEMENT
FOR THE YEAR ENDED 31 MARCH 2000

	NOTE	1999/2000 S$	1998/1999 S$
Cash Flows from Operating Activities			
Profit (after transfers to / from provisions)		3,597,650,316	5,794,038,989
Adjustments for Depreciation / Amortisation:			
Fixed Assets	4	6,519,064	4,718,688
Others		16,667	16,667
Profit before Working Capital Changes		3,604,186,047	5,798,774,344
Decrease / (Increase) in Gold		726,715	(5,291,455)
Increase in Foreign Assets		(3,904,638,735)	(12,065,475,755)
Decrease / (Increase) in Reserve Position and Holdings of Special Drawing Rights in International Monetary Fund		482,935	(446,531,382)
(Increase) / Decrease in Other Assets		(2,098,111,397)	135,914,889
Increase / (Decrease) in Deposits of Singapore Government		1,952,475,774	(5,772,817,929)
Decrease in Deposits of Banks and Other Financial Institutions		(3,317,613,467)	(38,536,902)
Increase in Deposits of International Financial Institutions		44,237,874	145,464,938
Increase in Provisions and Other Liabilities		6,198,003,003	14,199,132,539
Net Cash from Operating Activities		2,479,748,749	1,950,633,287
Cash used in Investing Activities			
Purchase of Fixed Assets		(4,522,418)	(6,666,215)
Cash used in Financing Activities			
Contribution to Consolidated Fund	10	(1,158,807,798)	–
Profit returned to Singapore Government		(1,141,192,202)	(2,000,000,000)
		(2,300,000,000)	(2,000,000,000)
Net Increase / (Decrease) in Cash and Cash Equivalents		175,226,331	(56,032,928)
Cash and Cash Equivalents as at 1 April		71,612,022	127,644,950
Cash and Cash Equivalents as at 31 March	14	246,838,353	71,612,022

The accompanying notes form part of the accounts.

1 PRINCIPAL ACTIVITIES

The Authority performs all the functions of a central bank except for the issue of currency. It also oversees the securities and insurance industries.

2 SIGNIFICANT ACCOUNTING POLICIES

Basis of Accounting

The accounts are prepared in accordance with the historical cost convention.

Foreign Currency Transactions

Assets and liabilities in foreign currencies have been translated into Singapore dollars at the rates of exchange ruling on the balance sheet date. Transactions in foreign currencies during the year have been translated into Singapore dollars at the rates of exchange prevailing on transaction dates. Exchange differences are taken to the income and expenditure statement.

Fixed Assets and Depreciation

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

Leasehold Land	Period of lease
Buildings	50 years
Building Improvements & Renovation	10 years
Mechanical and Electrical Installations	10 years
Computer Equipment and Software	3 to 5 years
Furniture, Fixtures and Other Equipment	3 to 5 years

Assets costing not more than S$1,000 are charged to the income and expenditure statement in the year of purchase.

3 ISSUED AND PAID-UP CAPITAL

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

4 FIXED ASSETS

	Leasehold Land S$	Buildings S$	Building Improvements and Renovation S$	Mechanical and Electrical Installations S$	Computer Equipment and Software S$	Furniture, Fixtures and Other Equipment S$	Work-in-Progress S$	Total S$
COST								
At 1.4.1999	25,448,472	105,121,814	1,312,119	35,105,558	6,353,070	1,891,020	–	175,232,053
Additions	–	781,022	428,776	209,718	5,930,141	957,678	20,100	8,327,435
At 31.3.2000	25,448,472	105,902,836	1,740,895	35,315,276	12,283,211	2,848,698	20,100	183,559,488
ACCUMULATED DEPRECIATION								
At 1.4.1999	3,706,905	29,330,740	155,997	35,044,801	2,538,917	641,640	–	71,419,000
Depreciation for the year	265,141	2,125,426	169,790	28,566	3,199,656	730,485	–	6,519,064
At 31.3.2000	3,972,046	31,456,166	325,787	35,073,367	5,738,573	1,372,125	–	77,938,064
Depreciation for FY1998/1999	265,141	2,103,731	107,006	9,495	1,782,114	451,201	–	4,718,688
NET BOOK VALUE								
At 31.3.2000	21,476,426	74,446,670	1,415,108	241,909	6,544,638	1,476,573	20,100	105,621,424
At 31.3.1999	21,741,567	75,791,074	1,156,122	60,757	3,814,153	1,249,380	–	103,813,053

5 FOREIGN ASSETS

Foreign assets consist of government securities, Treasury bills, deposits with banks and other approved investments. Provision has been made for diminution in value of assets based on the lower of cost and market value.

6 RESERVE POSITION AND HOLDINGS OF SPECIAL DRAWING RIGHTS (SDR) IN INTERNATIONAL MONETARY FUND (IMF)

These comprise the following:

	1999/2000 S$	1998/1999 S$
Reserve Tranche	902,496,080	954,395,361
SDR Holdings	212,311,787	183,633,033
Poverty Reduction and Growth Facility	183,188,767	188,002,613
Accrued Income	8,090,729	7,574,468
Currency Adjustment	5,999,419	(20,044,395)
	1,312,086,782	1,313,561,080

The Reserve Tranche represents the amount of the paid-up portion of the Singapore quota. Changes in SDR Holdings are due to, among other things, interest receipts and payments of charges as well as transactions with other member countries. Singapore participated in the IMF's Poverty Reduction and Growth Facility (previously known as Enhanced Structural Adjustment Facility) with an initial loan of SDR40 million disbursed over four years from 1988 and another SDR40 million in 1994. The period of the loan is ten years from the date of disbursement.

7 OTHER ASSETS

These comprise the following:

	1999/2000 S$	1998/1999 S$
Cash and Cash Equivalents	246,838,353	71,612,022
Singapore Government Securities	2,243,568,826	64,840,537
Investment in Bank for International Settlements	54,670,260	54,670,260
Staff Loans		
– Amount repayable within 12 months	1,026,531	938,881
– Amount repayable after 12 months	11,758,031	9,202,219
Others	49,641,128	132,918,149
	2,607,503,129	334,182,068

The Authority's investment in the Bank for International Settlements comprises 3,000 shares at 2,500 gold francs per share (25% paid).

8 DEPOSITS OF BANKS AND OTHER FINANCIAL INSTITUTIONS

These represent mainly the minimum cash balances maintained by banks and finance companies with the Authority as required under the Banking Act (Chapter 19) and the Finance Companies Act (Chapter 108) respectively and statutory deposits of securities companies under the Securities Industry Act (Chapter 289).

	1999/2000 S$	1998/1999 S$
Banks	6,235,973,103	9,528,266,425
Finance Companies	361,847,815	387,067,960
Securities Companies	5,900,000	6,000,000
	6,603,720,918	9,921,334,385

9 DEPOSITS OF INTERNATIONAL FINANCIAL INSTITUTIONS

These represent current account balances of international financial institutions, including the International Monetary Fund, and foreign central banks.

	1999/2000 S$	1998/1999 S$
International Financial Institutions	213,779,295	169,924,023
Foreign Central Banks	755,998	373,396
	214,535,293	170,297,419

10 CONTRIBUTION TO CONSOLIDATED FUND

This represents the contribution to be made to the Consolidated Fund in accordance with the Statutory Corporations (Contributions to Consolidated Fund) Act (Chapter 319A). The contribution is based on 20% of the profit for the year (after transfers to / from provisions).

11 ALLOCATION OF SPECIAL DRAWING RIGHTS IN INTERNATIONAL MONETARY FUND

This represents special drawing rights allocated to the Authority by the International Monetary Fund.

12 PERSONNEL EXPENDITURE

This includes the following:

	1999/2000 S$	1998/1999 S$
Salaries and Superannuation	60,483,071	52,247,877
Training and Personnel Development	3,725,877	3,345,839
Staff Benefits	1,801,903	1,669,445
Directors' Fees	50,183	14,636

13 GENERAL AND ADMINISTRATIVE EXPENDITURE

This includes the following:

	1999/2000 S$	1998/1999 S$
Property Tax	1,706,093	2,034,583
Information Technology Expenses	7,659,195	5,893,033
Building and M&E Maintenance	1,518,129	1,744,470
Audit Fees		
– Statutory Accounts	280,000	250,000
– Service Charge Account	11,500	10,000
Entertainment	120,587	123,334

14 CASH AND CASH EQUIVALENTS

These comprise the following:

	1999/2000 S$	1998/1999 S$
Cash and Bank Balances	246,838,353	63,685,346
Pre-export and Export Bills	–	7,926,676
	246,838,353	71,612,022

The MAS Rediscounting Scheme for Pre-export and Export Bills of Exchange was terminated with effect from 1 April 1999.

15 FINANCIAL SECTOR DEVELOPMENT FUND

The Financial Sector Development Fund (the Fund) is established under Section 30A of the Monetary Authority of Singapore Act (Chapter 186). It is controlled and administered by the Authority. The Fund shall be used for the objects and purposes set out in Section 30B of the Monetary Authority of Singapore Act and is deemed not to be a fund of the Authority.

As at 31 March 2000, the Authority has given an advance of S$92,869 to the Fund, being preliminary expenses incurred prior to the receipt of proceeds from the sale of the transferee holding company's shares referred to in Section 10 of the Exchanges (Demutualisation and Merger) Act 1999.

16 COMMITMENTS

International Monetary Fund

In addition to the Reserve Position and Holdings of Special Drawing Rights disclosed in the accounts, the Authority has an obligation to pay an amount of S$1,073 million (FY1998/1999: S$1,073 million) which represents the unpaid quota due to IMF under Section 4 of Article III of the Articles of Agreement.

As a participant in the IMF's 'New Arrangements to Borrow' (NAB), the Authority undertakes to provide a credit line up to SDR340 million [S$779 million] (FY1998/1999: S$799 million) in the event of a financial emergency as specified by the NAB. During the year, the Authority did not grant any loan under the NAB.

Bank for International Settlements

The Authority has a commitment, amounting to S$25.1 million as at 31 March 2000 (FY1998/1999: S$25.3 million), in respect of the uncalled portion of its investment in the Bank for International Settlements. The amount is based on the nominal value (in gold francs) of the uncalled portion and gold price as at the balance sheet date.

Financing Package

The Authority participated in a financing package organised for Thailand by the IMF. The financing package is in the form of a Currency Swap Agreement between the Bank of Thailand (BOT) and a number of Asian central banks and multinational institutions, including the Authority and the IMF. Under the Agreement, the Authority entered into swap transactions to exchange US dollars for Thai Baht up to a maximum of US$1 billion for a maximum period of 5 years. As at 31 March 2000, the outstanding principal due from BOT under the Agreement amounted to US$862 million (FY1998/1999: US$793 million).

17 COMPARATIVE FIGURES

Certain comparative figures have been reclassified to conform to the current year's presentation.

CALENDAR OF MONETARY AND FINANCIAL EVENTS

APRIL 1999 – MARCH 2000

DOMESTIC

6 April 1999

The Stock Exchange of Singapore (SES) amends its listing rules under which listed companies are allowed to reward with share options controlling shareholders who are staff or directors.

14 May 1999

The Monetary Authority of Singapore (MAS) releases guidelines for property funds.

17 May 1999

MAS unveils several measures to liberalise the commercial banking sector and upgrade local banks, including the removal of the 40% foreign shareholding limit on local banks.

MAS raises the Singapore dollar lending limit of qualifying offshore banks from $300 million to $1 billion, and for the rest of the banks with offshore licences from $300 million to $500 million.

14 June 1999

SES unveils proposals for more liberal criteria for companies seeking a listing on the mainboard in a move to promote Singapore's capital markets.

1 July 1999

MAS issues regulatory guidelines for money market funds on the type of instruments and securities managers of such funds can invest in, and on the marketing of such funds to the public.

1 August 1999

The Association of Banks in Singapore allows Singapore banks to pay interest on current accounts and accept fixed deposits of less than one month.

4 August 1999

Parliament passes the Insurance Intermediaries Bill and the Insurance (Amendment) Bill aimed at tightening insurance regulations and promoting professionalism in the industry.

4 August 1999

Parliament passes the Bill on The Exchanges (Demutualisation and Merger) to demutualise and merge the SES and SIMEX.

18 August 1999

MAS issues detailed guidelines for financial reinsurance in life and non-life businesses.

23 August 1999
Singapore and China sign a Memorandum of Understanding to strengthen their cooperation in the insurance industry.

24 August 1999
MAS issues the Insurance (Financial Guarantee Insurance) (Amendment) Regulation 1999 which allows multi-line insurers and reinsurers to engage in financial guarantee insurance business.

1 September 1999
MAS issues guidelines on the practice of receiving soft dollars by unit trust managers, while prohibiting their retention of cash rebates.

10 September 1999
SIMEX launches the 3-month Singapore Dollar interest rate futures contract.

20 September 1999
SES adopts a more liberalised listing criteria to cater to the changing needs of the market place.

7 October 1999
MAS accepts several recommendations made by the Debt Capital Market Working Group to look into ways to develop Singapore as an international hub for debt market activities.

20 October 1999
MAS awards the Qualifying Full Bank privileges to ABN Amro Bank, Banque Nationale de Paris, Citibank NA and Standard Chartered Bank. It also grants another eight banks with Qualifying Offshore Bank privileges and awards eight new Restricted Banks.

26 October 1999
MAS issues two new sets of guidelines to regulate capital guaranteed funds, as well as futures and options funds sold to retail investors in Singapore.

24 November 1999
MAS signs a Memorandum of Understanding to enhance co-operation with French regulators of the Paris bourse.

26 November 1999
MAS further liberalises the use of the Singapore Dollar aimed at boosting the capital market in Singapore.

1 December 1999
The Central Provident Fund Board (CPF) allows a CPF member to invest only 50% (as against 80% previously) of his investible funds in individual stocks. However, there is no limit when the savings are invested in unit trusts, fund management accounts, insurance policy, statutory board bonds and bonds issued and guaranteed by the government.

1 December 1999
SIMEX and SES merge to become the first demutualised, integrated securities and futures exchange in the Asia-Pacific region.

1 December 1999
MAS unveils new initiatives to enhance the competitiveness of Singapore's capital markets, which includes accelerating the freeing up of brokerage commissions.

31 December 1999
MAS introduces the Insurance Intermediaries Regulations 1999 which stipulate that all insurance brokers must register themselves with MAS.

1 January 2000
The stockbrokers' commission is reduced from 0.95% to 0.75% for trades worth $150,000 or less, while commission for larger trades will be negotiable.

24 February 2000
The Central Provident Fund (CPF) Board announces new regulations for investment-linked insurance products to bring them in line with those for unit trusts.

25 February 2000
The Finance Minister announces the 2000 Budget which includes tax concessions for the financial sector.

3 March 2000
The Singapore Exchange introduces wide-ranging changes to its listing rules to attract more initial public offers.

15 March 2000
The shorter settlement period of T+3 for stocks traded on the Singapore Exchange takes effect.

17 March 2000
MAS liberalises the insurance sector.

EXTERNAL

23 April 1999
The International Monetary Fund (IMF) approves a new loan facility or the Contingency Credit Line aimed at providing contingency financing to prevent countries pursuing sound policies from being hit by financial contagion in the event of a crisis.

27 April 1999
The Australian Stock Exchange and the Sydney Futures Exchange agree to merge.

3 June 1999
The Basle Committee for Banking Supervision publishes proposals for revisions to its 1988 Capital Accord. Under the proposals, the amount of capital will be determined by the credit ratings of external agencies, and in some cases by the internal ratings of banks, if they have been approved by regulators.

14 July 1999
Hong Kong announces its policy to further deregulate its banking sector with plans to fully abolish interest rate rules and allow more branches for foreign banks.

2 August 1999
The Hong Kong Futures Exchange (HKFE) launches electronic trading of Hang Seng Index (HSI) futures.

1 September 1999
HKFE launches electronic trading of HSI options.

1 September 1999
Malaysia lifts the exit tax on investments made before September 1, 1998.

21 September 1999
Malaysia imposes a flat 10% capital gains tax on stock investments by foreign money managers, replacing its two-tier exit levy.

1 October 1999
Japan scraps rules governing brokerage commissions, allowing brokers to set their own commissions for the first time in the industry's history.

12 November 1999
President Bill Clinton signs into law a sweeping overhaul of the US Glass-Steagall Act to allow banks, brokers and insurers into each other's businesses.

10 December 1999
The New York Stock Exchange and Nasdaq announce tightened margin rules for day traders.

25 February 2000
The Kuala Lumpur Stock Exchange and the Singapore Exchange reach a comprehensive solution to the CLOB issue.

6 March 2000
The Stock Exchange of Hong Kong, the Hong Kong Futures Exchange and the Hong Kong Securities Clearing Company merge to form the Hongkong Exchanges and Clearing Limited.

KEY ECONOMIC AND FINANCIAL STATISTICS

	1995	1996	1997	1998	1999
NATIONAL INCOME AGGREGATES					
Gross Domestic Product					
At Current Market Prices ($m)	118194.7	128726.8	140465.8	138529.2	143981.3
Growth Rate (% change)	10.8	8.9	9.1	-1.4	3.9
At 1990 Market Prices ($m)	102808.1	110557.7	119835.3	120316.4	126755.9
Growth Rate (% change)	8.0	7.5	8.4	0.4	5.4
Gross National Product					
At Current Market Prices ($m)	121438.3	132687.3	149183.7	148508.5	154659.3
Growth Rate (% change)	11.3	9.3	12.4	-0.5	4.1
LABOUR FORCE					
Unemployment Rate (%)	2.0	2.0	1.8	3.2	3.5
Productivity Growth (% change)	2.8	1.2	2.2	-2.3	5.8
Employment Growth (% change)	6.4	5.6	6.2	-1.1	2.0
Average Monthly Earnings (% change)	6.4	5.8	5.7	2.8	2.7
Unit Labour Cost (% change)	2.8	2.5	0.8	2.5	-10.2
SAVINGS AND INVESTMENT					
Gross National Savings ($m)	61328.7	66997.4	80314.5	80626.9	83195.3
As % of GNP	50.5	50.5	53.8	54.3	53.8
Gross Domestic Capital Formation ($m)	40867.2	47400.0	55202.4	45439.1	47169.7
As % of GNP	33.7	35.7	37.0	30.6	30.5
BALANCE OF PAYMENTS ($m)					
Goods Balance	1384.2	3136.4	1660.1	24787.7	19158.4
Export of Goods	167896.5	177679.6	186708.1	185085.0	196004.1
Growth Rate (% change)	12.3	5.8	5.1	-0.9	5.9
Import of Goods	166512.3	174543.2	185048.0	160297.3	176845.7
Growth Rate (% change)	12.9	4.8	6.0	-13.4	10.3
Service and Other Balances	19077.3	16461.0	23452.0	10400.1	16867.2
Current Account Balance	20461.5	19597.4	25112.1	35187.8	36025.6
As % of GNP	16.8	14.8	16.8	23.7	23.3
Capital and Financial Account Balance	-6810.7	-7524.9	-19906.7	-36048.6	-29760.9
Balancing Item	-1476.9	-1665.9	6650.3	5841.4	1056.5
Overall Balance	12173.9	10406.6	11855.7	4980.6	7321.2
Official Foreign Reserves	97336.6	107750.8	119616.8	124584.4	128457.0
INFLATION (% CHANGE)					
Consumer Price Index	1.7	1.4	2.0	-0.3	0.0
GDP Deflator	2.6	1.3	0.7	-1.8	-1.3

	1995	1996	1997	1998	1999
MONETARY AGGREGATES (% CHANGE)					
M1	8.3	6.7	1.7	-1.0	14.2
M2	8.5	9.8	10.3	30.2	8.5
M3	8.7	8.6	8.3	8.0	7.3
INTEREST RATES (PERIOD AVERAGE)(% PER ANNUM)					
Prime Lending Rate	6.37	6.26	6.30	7.49	5.80
Banks' 3-month Fixed Deposit Rate	3.50	3.41	3.47	4.60	1.68
Banks' Domestic 3-month Interbank Rate	2.60	2.92	4.06	5.27	2.03
3-month SIBOR – US$	6.01	5.52	5.74	5.56	5.41
EXCHANGE RATES (PERIOD AVERAGE)(S$ PER)					
US Dollar	1.4174	1.4101	1.4848	1.6736	1.6949
Pound Sterling	2.2369	2.2017	2.4334	2.7722	2.7427
Euro	–	–	–	–	1.8093
100 Japanese Yen	1.5154	1.2971	1.2277	1.2823	1.4944
Malaysian Ringgit	0.5651	0.5605	0.5353	0.4271	0.4460
BANKING AND FINANCE					
Commercial Banks' Assets/Liabilities ($m)	224578.7	252723.4	289572.3	309974.5	326295.4
Growth Rate (% change)	11.2	12.5	14.6	7.0	5.3
Finance Companies' Assets/Liabilities ($m)	21135.5	21189.4	22210.6	21941.9	20742.4
Growth Rate (% change)	11.3	0.3	4.8	-1.2	-5.5
Merchant Banks' Assets/Liabilities ($m)	50253.1	53580.6	66661.2	60545.4	56999.6
Growth Rate (% change)	11.6	6.6	24.4	-9.2	-5.6
Asian Currency Units' Assets/Liabilities (US$m)	478232.9	506870.2	557193.5	503609.9	480399.4
Growth Rate (% change)	14.9	6.0	9.9	-9.6	-4.6
INSURANCE					
Life Insurers' Assets/Liabilities ($m)	13230.2	16626.5	19350.9	22270.5	29138.9
Growth Rate (% change)	25.5	25.7	16.4	15.1	30.8
General Insurers' Assets/Liabilities ($m)	7221.1	7996.1	8815.0	9107.6	9719.8
Growth Rate (% change)	11.4	10.8	10.3	3.3	6.7
CPF					
Excess of Contributions Over Withdrawals ($m)	6270.0	4078.3	4398.3	2370.5	14.7
DOMESTIC CAPITAL MARKET					
Net Funds Raised in Domestic Capital Market ($m)	15864.5	15556.7	17234.4	16944.6	24383.6

STATISTICAL ANNEX

A.1 MONETARY STATISTICS: MONEY SUPPLY

S$ million

END OF PERIOD	1991	1992	1993	1994	1995	1996	1997	1998	1999	March 2000
MONEY SUPPLY (M1)	16,430.0	18,515.6	22,882.2	23,411.5	25,349.2	27,040.0	27,510.9	27,239.1	31,109.1	32,072.0
Currency in circulation	7,497.1	8,279.2	8,942.1	9,420.3	9,906.5	10,293.1	10,703.8	10,146.2	11,315.4	10,967.6
Demand deposits	8,932.9	10,236.4	13,940.1	13,991.2	15,442.7	16,746.9	16,807.1	17,092.9	19,793.7	21,104.4
Quasi-money	53,112.3	57,212.9	59,248.1	70,569.1	76,618.1	84,910.8	95,932.5	133,544.8	143,365.3	140,591.3
Fixed deposits	40,852.0	43,176.4	40,321.0	53,622.8	54,908.2	59,987.0	72,704.6	81,294.6	85,988.3	84,160.0
Savings and other deposits	11,338.5	13,295.4	18,091.7	16,350.1	20,894.8	24,079.3	22,594.4	51,673.7	56,828.0	55,887.3
S$NCDs	921.8	741.1	835.4	596.2	815.1	844.5	633.5	576.5	549.0	544.0
MONEY SUPPLY (M2)	69,542.3	75,728.5	82,130.3	93,980.6	101,967.3	111,950.8	123,443.4	160,783.9	174,474.4	172,663.3
Net deposits with non-bank financial institutions	23,107.4	25,753.6	29,239.1	31,854.5	34,769.3	36,543.9	37,322.6	12,797.1[2]	11,709.3	11,853.2
Finance companies	7,557.3	8,060.9	9,301.3	11,863.8	13,273.7	13,192.0	13,969.3	12,797.1	11,709.3	11,853.2
POSBank	15,550.1	17,692.7	19,937.8	19,990.7	21,495.6	23,351.9	23,353.3	–	–	–
MONEY SUPPLY (M3)[1]	92,649.7	101,482.1	111,369.4	125,835.1	136,736.6	148,494.7	160,766.0	173,581.0	186,183.7	184,516.5

1 The M3 series has been revised to include Post Office Savings Bank's (POSBank) fixed deposits with MAS. For a more detailed explanation of this change, please refer to the January 1999 issue of the MAS Monthly Statistical Bulletin.

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

A.2 MONETARY STATISTICS: OFFICIAL FOREIGN RESERVES[1]

S$ million

END OF PERIOD	1991	1992	1993	1994	1995	1996	1997	1998	1999	March 2000
Total Foreign Reserves	55,802.8	65,788.4	77,866.8	85,165.5	97,336.6	107,750.8	119,616.8	124,584.4	128,457.0	128,158.6
Gold & Foreign Exchange	55,324.0	65,239.0	77,290.7	84,559.4	96,666.2	107,072.5	118,764.7	123,570.3	127,161.0	126,854.6
Reserve Position in the IMF	199.7	346.4	361.2	381.5	430.3	428.8	564.3	614.5	908.5	908.5
Special Drawing Rights (SDRs)	279.1	203.0	214.9	224.6	240.1	249.5	287.8	399.6	387.5	395.5
Total Foreign Reserves (US$ Million)	34,224.3	39,995.4	48,424.6	58,304.6	68,823.2	76,975.9	71,391.7	75,028.2	77,176.0	74,760.6

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

A.3 MONETARY STATISTICS: EXCHANGE RATES – (S$ PER FOREIGN CURRENCY)

PERIOD AVERAGE	1991	1992	1993	1994	1995	1996	1997	1998	1999	1st Qtr 2000
US Dollar	1.7276	1.6290	1.6158	1.5274	1.4174	1.4101	1.4848	1.6736	1.6949	1.6963
100 Japanese Yen	1.2843	1.2869	1.4568	1.4951	1.5154	1.2971	1.2277	1.2823	1.4944	1.5850
Euro	–	–	–	–	–	–	–	–	1.8093	1.6760
Pound Sterling	3.0559	2.8762	2.4271	2.3377	2.2369	2.2017	2.4334	2.7722	2.7427	2.7277
Swiss Franc	1.2101	1.1621	1.0940	1.1184	1.2009	1.1425	1.0245	1.1563	1.1306	1.0428
Australian Dollar	1.3454	1.1978	1.0983	1.1166	1.0510	1.1040	1.1024	1.0518	1.0933	1.0716
100 Korean Won	0.2357	0.2087	0.2014	0.1900	0.1838	0.1754	0.1587	0.1204	0.1426	0.1507
100 New Taiwan Dollar	6.4415	6.4724	6.1279	5.7724	5.3382	5.1354	5.1752	5.0004	5.2544	5.5183
Hong Kong Dollar	0.2223	0.2104	0.2089	0.1976	0.1832	0.1823	0.1918	0.2160	0.2184	0.2180
Malaysian Ringgit	0.6283	0.6398	0.6277	0.5823	0.5651	0.5605	0.5353	0.4271	0.4460	0.4464
Thai Baht	0.0677	0.0641	0.0638	0.0607	0.0569	0.0556	0.0488	0.0409	0.0448	0.0451
100 Indonesian Rupiah	0.0886	0.0802	0.0775	0.0707	0.0632	0.0606	0.0536	0.0173	0.0218	0.0230

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

A.4 MONETARY STATISTICS: DOMESTIC INTEREST RATES

Per Cent Per Annum

PERIOD AVERAGE	1991	1992	1993	1994	1995	1996	1997	1998	1999	1st Qtr 2000
BANKS[1]										
Prime Lending Rate	7.61	6.01	5.39	5.82	6.37	6.26	6.30	7.49	5.80	5.83
Fixed Deposit Rate										
3-month	4.63	2.86	2.30	3.00	3.50	3.41	3.47	4.60	1.68	1.71
6-month	4.97	3.09	2.54	3.26	3.77	3.67	3.72	4.66	2.04	2.06
12-month	5.06	3.34	2.84	3.54	4.11	4.01	4.02	4.82	2.46	2.46
Savings Deposit Rate	3.69	2.14	1.62	2.31	2.81	2.72	2.75	3.11	1.37	1.34
FINANCE COMPANIES[2]										
Fixed Deposit Rate										
3-month	4.73	2.90	2.44	3.28	3.28	3.14	3.32	4.61	1.77	1.82
6-month	4.99	3.16	2.68	3.52	3.68	3.48	3.62	4.73	2.23	2.29
12-month	5.17	3.54	3.16	3.99	4.20	3.93	4.03	4.94	2.73	2.79
Savings Deposit Rate	4.12	2.48	1.95	2.33	2.56	2.50	2.55	3.04	1.30	1.27
INTERBANK RATE										
1-month	4.60	2.51	2.19	3.36	2.33	2.82	4.12	5.09	1.75	2.06
3-month	4.76	2.66	2.40	3.62	2.60	2.92	4.06	5.27	2.03	2.30
SIBOR-US$										
1-month	5.99	3.82	3.23	4.50	5.96	5.45	5.64	5.57	5.26	5.91
3-month	6.01	3.87	3.32	4.76	6.01	5.52	5.74	5.56	5.41	6.11
6-month	6.09	3.96	3.43	5.09	6.12	5.58	5.83	5.54	5.52	6.32

1 Average of 10 leading banks.
2 Average of 10 leading finance companies.
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	1994	1995	1996	1997	1998	1999	2000
BANKS	132	140	143	152	154	142	140
Local[1]	13	12	12	12	12	9	8
Foreign	119	128	131	140	142	133	132
Full banks	22	22	22	22	22	22	23
Restricted banks	14	14	14	13	13	13	16
Offshore banks	83	92	95	105	107	98	93
(Banking offices including head offices and main offices)	(446)	(463)	(473)	(482)	(474)	(561)	(538)
ASIAN CURRENCY UNITS	198	209	214	224	226	205	195
Banks	123	132	135	144	146	135	133
Merchant banks	75	77	79	80	80	70	62
Others	0	0	0	0	0	–	–
FINANCE COMPANIES	27	23	22	19	19	15	14
(Finance companies' offices including head offices)	(131)	(128)	(128)	(125)	(119)	(109)	(101)
MERCHANT BANKS	76	77	79	80	80	70	63
INSURANCE COMPANIES	142	141	146	154	164	159	153[2]
Direct insurers	58	58	59	59	61	59	55
Professional reinsurers	36	35	38	45	51	49	47
Captive insurers	48	48	49	50	52	51	51
REPRESENTATIVE OFFICES	50	57	58	64	70	69	68
Banks	47	53	54	60	67	68	67
Merchant banks	3	3	3	3	2	–	–
Finance companies	–	1	1	1	1	1	1
STOCKBROKING COMPANIES	78	81	82	89	89	78	77
SGX-ST member companies	33	33	33	33	32	30	31
SGX-ST non-member companies	45	48	49	56	57	48	46
INVESTMENT ADVISERS	125	136	151	156	156	148	154
INTERNATIONAL MONEY BROKERS	10	11	10	8	9	9	9
SGX-DT MEMBERS							
Corporate clearing members	38	39	37	36	36	33	30
Corporate non-clearing members	31	30	29	29	26	22	17
Individual members	387	411	443	470	473	520	565
Commercial associate members	12	12	12	11	11	16	15

1 All local banks are full banks.
2 Figure inludes 7 companies on run-off and 1 company under scheme of transfer.

C.1 COMMERCIAL BANKS: ASSETS AND LIABILITIES

S$ million

ENDOF PERIOD	1991	1992	1993	1994	1995	1996	1997	1998	1999	March 2000
ASSETS										
Cash in hand	532.9	543.1	578.3	593.5	688.8	811.2	802.2	998.2	2,556.7	969.5
Balances with MAS	4,227.4	4,764.5	5,198.9	5,564.3	6,471.8	7,095.4	7,702.2	5,430.8	7,524.3	5,900.7
S$NCDs held	271.7	198.6	180.3	71.0	104.9	198.5	212.5	175.0	162.5	162.5
Amounts due from banks	47,683.7	57,724.2	62,516.6	79,152.9	79,837.0	86,112.6	99,935.3	106,345.0	114,900.2	136,126.0
In Singapore	12,058.4	11,936.4	17,401.5	28,411.2	30,926.6	33,555.1	30,220.6	38,215.6	29,458.6	37,525.0
ACUs	17,900.2	22,703.6	21,328.8	26,373.8	25,398.6	24,851.9	34,517.1	29,216.6	40,026.6	51,318.3
Outside Singapore	17,725.0	23,084.2	23,786.3	24,367.9	23,511.8	27,705.6	35,197.5	38,912.8	45,414.9	47,282.6
Money market investments	3,362.0	4,660.0	4,798.5	4,888.1	5,661.4	5,939.0	6,738.3	8,103.7	11,264.5	10,459.8
Treasury bills	3,362.0	4,660.0	4,798.5	4,888.1	5,661.4	5,939.0	6,738.3	8,103.7	11,264.5	10,459.8
Other investments	10,862.9	11,717.1	13,177.5	14,608.2	16,637.6	18,694.3	19,667.5	27,134.3	28,996.2	29,819.3
In Singapore	10,532.3	11,448.0	12,777.3	13,439.6	15,508.4	17,400.4	18,340.0	25,778.6	26,330.6	26,697.9
Government securities	6,403.1	6,945.8	7,975.1	8,681.3	10,092.5	11,599.0	12,145.1	18,398.3	19,684.0	20,211.6
Other securities	4,129.1	4,502.2	4,802.2	4,758.3	5,415.9	5,801.4	6,194.9	7,380.3	6,646.6	6,486.2
Outside Singapore	330.7	269.2	400.3	1,168.7	1,129.2	1,293.9	1,327.5	1,355.8	2,665.6	3,121.4
Loans and advances to non-bank customers	64,009.1	69,138.9	78,454.3	90,974.2	108,974.0	126,987.7	143,243.8	151,640.9	147,185.5	146,527.9
of which bills financing	5,466.0	5,710.3	5,835.8	6,247.8	6,879.2	8,693.4	9,363.5	4,924.5	5,118.1	4,627.7
Fixed and other assets	5,143.8	4,556.0	5,346.0	6,100.3	6,203.2	6,884.7	11,270.6	10,146.6	13,705.5	12,215.7
LIABILITIES										
Paid-up capital and reserves	9,748.0	11,379.3	13,296.3	15,685.3	18,904.1	20,977.3	23,709.6	23,323.8	25,318.6	25,805.5
Deposits of non-bank customers	72,241.1	78,483.2	85,400.8	99,032.2	108,885.5	118,201.5	124,143.0	162,310.3	174,454.1	174,101.3
S$NCDs issued	1,193.4	939.7	1,015.7	667.2	920.0	1,043.0	846.0	751.5	711.5	706.5
Amounts due to banks	45,002.1	54,397.4	62,264.7	77,295.1	86,063.1	101,576.8	125,856.1	105,301.7	103,432.8	120,368.6
In Singapore	10,419.7	11,862.8	16,626.7	25,125.5	29,881.0	34,328.6	31,134.2	29,769.5	23,124.0	29,299.0
ACUs	13,307.0	15,994.9	20,450.0	24,993.0	26,293.3	31,293.4	50,049.6	43,034.2	44,623.1	49,611.8
Outside Singapore	21,275.4	26,539.8	25,188.0	27,176.6	29,888.8	35,954.8	44,672.3	32,497.9	35,685.7	41,457.8
Amounts borrowed from other creditors	877.9	1,096.3	1,101.6	1,337.6	1,369.8	1,423.9	1,316.0	519.3	903.0	857.6
Bills payable	633.8	566.7	752.2	511.6	503.4	589.2	552.5	478.8	754.1	916.8
Other liabilities	6,397.2	6,439.8	6,419.0	7,423.6	7,932.8	8,911.7	13,149.2	17,289.2	20,721.4	19,425.2
TOTAL ASSETS/LIABILITIES	136,093.4	153,302.4	170,250.4	201,952.5	224,578.7	252,723.4	289,572.3	309,974.5	326,295.4	342,181.5

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

S$ million

END OF PERIOD	1991	1992	1993	1994	1995	1996	1997	1998	1999	March 2000
Agriculture, mining and quarrying	96.9	86.5	105.5	119.8	159.3	132.8	187.6	223.6	191.4	212.6
Manufacturing	8,122.6	8,380.4	8,353.4	8,856.2	11,003.1	12,248.2	12,472.0	12,249.2	11,574.7	11,523.4
Building and construction	8,602.1	9,285.0	11,394.1	13,509.9	16,712.9	21,401.2	26,234.8	25,580.0	23,444.0	22,534.6
Housing loans	6,976.3	8,626.3	11,718.5	14,702.8	17,482.8	20,402.3	22,934.8	31,788.5	35,154.1	35,746.0
General commerce	15,694.7	17,188.8	17,732.6	19,442.6	21,643.9	23,931.8	26,349.5	21,549.1	19,949.3	19,401.5
Transport, storage and communication	1,816.9	1,939.8	1,837.8	1,902.2	2,178.1	2,618.7	3,575.7	4,459.7	3,743.3	3,727.4
Non-bank financial institutions	10,317.9	11,250.2	13,132.5	13,644.4	16,888.6	19,448.3	20,997.4	22,724.1	21,062.8	21,611.0
Professional and private individuals	8,290.2	8,135.5	9,352.8	13,786.0	16,889.5	20,256.1	22,775.4	21,766.1	21,594.2	22,371.4
Others	4,091.5	4,246.5	4,826.9	5,010.2	6,015.8	6,548.3	7,716.5	11,300.6	10,471.7	9,400.0
TOTAL	64,009.1	69,138.9	78,454.3	90,974.2	108,974.0	126,987.7	143,243.8	151,640.9	147,185.5	146,527.9

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

S$ million

End of Period	1991	1992	1993	1994	1995	1996	1997	1998	1999	March 2000
Overdrafts	16,682.3	16,237.6	19,585.6	23,620.2	26,965.7	30,306.9	36,063.2	32,680.6	28,302.8	28,146.1
Term loans	37,012.4	41,531.1	47,456.1	55,238.2	68,394.5	81,518.5	90,805.3	109,009.0	109,175.1	109,016.5
Bills discounting	5,466.0	5,710.3	5,835.8	6,247.8	6,879.2	8,693.4	9,363.5	4,924.5	5,118.1	4,627.7
Trust receipts	4,848.3	5,659.9	5,576.7	5,867.9	6,734.6	6,468.9	7,011.8	5,026.7	4,589.3	4,737.6
TOTAL	64,009.1	69,138.9	78,454.3	90,974.2	108,974.0	126,987.7	143,243.8	151,640.9	147,185.5	146,527.9

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

S$ million

ENDOF PERIOD	1991	1992	1993	1994	1995	1996	1997	1998	1999	March 2000
Demand	10,290.8	11,635.0	15,765.4	15,787.6	17,537.8	18,862.7	18,297.4	18,427.1	21,676.0	23,375.0
Fixed	49,528.9	52,136.9	49,877.9	65,083.2	67,389.6	71,802.7	80,089.1	88,658.1	92,118.7	90,950.4
Savings	11,981.1	14,208.8	16,895.3	16,900.2	23,501.3	27,168.2	25,439.4	54,862.4	60,271.8	59,380.3
S$NCDs (net)	921.7	741.1	835.4	596.2	815.1	844.5	633.5	576.5	549.0	544.0
Others	440.3	502.5	2,862.1	1,261.1	456.8	368.0	317.2	362.7	387.6	395.6
TOTAL	73,162.8	79,224.3	86,236.2	99,628.3	109,700.6	119,046.0	124,776.5	162,886.8	175,003.1	174,645.3

C.5 COMMERCIAL BANKS: LIQUIDITY POSITION

S$ million

PERIOD AVERAGE	1991	1992	1993	1994	1995	1996	1997	1998	1999	1st Qtr 2000
1) Liabilities Base	64,846.8	73,389.7	80,743.0	87,580.0	100,138.0	114,828.5	122,777.4	134,282.3	162,193.4	169,802.3
2) Liquid Assets										
(a) Minimum Requirement	15,563.2	17,613.5	19,378.3	21,019.2	24,033.1	27,558.9	29,466.6	30,125.4	34,060.6	35,658.5
(b) Total Actual Liquid Assets	16,099.9	18,394.9	20,232.9	21,932.2	25,039.1	28,632.1	30,556.7	31,968.6	37,419.2	38,790.1
(c) Free Liquid Assets (b) – (a)	536.7	781.3	854.6	913.0	1,006.0	1,073.3	1,090.2	1,843.2	3,358.6	3,131.7
3) Liquidity Ratios	24.8	25.1	25.1	25.0	25.0	24.9	24.9	23.9	23.1	22.8

D.1 FINANCE COMPANIES: ASSETS AND LIABILITIES

S$ million

ENDOF PERIOD	1991	1992	1993	1994	1995	1996	1997	1998	1999	March 2000
ASSETS										
Reserves with MAS	464.6	493.6	578.7	728.2	836.1	812.7	871.8	401.7	357.5	361.8
Deposits with banks and other financial institutions	2,478.7	2,207.2	1,802.2	2,333.6	2,666.1	2,165.9	1,904.2	2,721.8	2,729.7	3,062.7
Banks	1,511.2	1,448.0	1,197.0	1,830.9	1,998.3	1,734.1	1,628.1	2,408.1	2,654.4	2,990.6
Other institutions	967.5	759.2	605.2	502.7	667.8	431.8	276.1	313.7	75.4	72.1
Loans and advances	8,666.3	9,563.7	11,516.8	14,708.6	16,251.9	16,762.7	17,900.2	16,779.4	15,636.4	15,938.6
Housing loans	1,523.9	1,473.6	1,826.9	2,314.2	2,637.3	3,221.1	3,721.7	3,821.2	3,500.1	3,397.4
Hire purchase	2,384.1	3,045.9	4,245.7	5,616.1	5,580.2	4,982.4	4,958.8	4,331.6	4,413.3	4,677.1
Lease finance	156.0	114.9	84.0	46.2	20.2	8.7	6.1	2.4	1.4	1.3
Others	4,602.3	4,929.3	5,360.2	6,732.0	8,014.2	8,550.5	9,213.7	8,624.2	7,721.6	7,862.8
Securities	614.5	702.3	845.5	942.9	1,089.8	1,139.4	1,201.6	1,705.2	1,691.5	1,621.6
Other assets	235.7	240.9	251.2	284.5	291.6	308.8	332.8	333.8	327.3	316.1
LIABILITIES										
Capital and reserves	1,510.3	1,678.9	1,850.2	2,202.9	2,621.0	3,014.7	3,268.5	3,371.2	3,408.1	3,457.5
Deposits	8,972.1	9,550.9	10,567.7	13,790.3	15,417.8	15,071.6	15,611.8	15,344.6	14,321.9	14,822.2
Fixed	8,323.8	8,685.1	9,729.2	12,345.5	13,584.6	13,311.8	15,124.9	14,882.9	13,875.5	14,414.5
Savings	296.2	342.4	350.5	320.5	348.8	371.6	392.7	341.7	344.3	314.9
Others	352.1	523.4	488.0	1,124.4	1,484.4	1,388.2	94.2	120.0	102.1	92.7
Borrowings	528.2	744.8	1,113.2	1,248.1	1,215.0	1,381.9	1,398.0	1,180.4	899.2	836.6
Other liabilities	1,449.2	1,232.9	1,463.3	1,756.4	1,881.7	1,721.2	1,932.2	2,045.6	2,113.2	2,184.7
TOTAL ASSETS/LIABILITIES	12,459.8	13,207.6	14,994.4	18,997.7	21,135.5	21,189.4	22,210.6	21,941.9	20,742.4	21,300.9

E.1 MERCHANT BANKS: CONSOLIDATED ASSETS AND LIABILITIES[1]

S$ million

ENDOF PERIOD	1991	1992	1993	1994	1995	1996	1997	1998	1999	March 2000
ASSETS										
Amounts due from banks	11,573.2	11,343.3	15,828.2	18,590.9	21,678.6	21,796.7	28,222.0	27,632.0	27,337.8	28,520.5
In Singapore	682.2	616.8	609.0	997.6	715.2	771.9	1,221.3	1,771.2	1,704.7	1,453.6
Outside Singapore[2]	10,891.0	10,726.5	15,219.2	17,593.3	20,963.4	21,024.8	27,000.7	25,860.8	25,633.1	27,066.9
Loans and advances to non-bank customers	10,590.8	15,691.2	11,545.8	13,138.8	15,258.2	17,348.9	21,777.5	19,321.2	20,846.5	21,514.5
Securities and Equities	7,029.4	9,045.7	13,547.4	10,880.2	10,550.1	11,678.3	14,339.0	9,662.9	6,934.8	4,290.0
Other assets	829.1	706.4	1,283.9	2,439.4	2,766.3	2,756.7	2,322.8	3,929.2	1,880.5	1,504.8
LIABILITIES										
Capital and reserves	4,781.9	4,777.7	5,777.4	5,704.7	6,089.9	6,646.0	8,193.7	7,597.8	8,008.6	8,050.9
Amounts due to banks	18,039.7	19,286.3	27,473.3	28,668.5	30,543.6	34,571.8	41,111.3	30,363.7	26,501.8	25,422.0
In Singapore	565.6	499.7	471.2	399.0	657.5	481.5	974.2	1,083.2	649.0	732.0
Outside Singapore[2]	17,474.1	18,786.6	27,002.1	28,269.5	29,886.1	34,090.3	40,137.1	29,280.5	25,852.8	24,690.0
Borrowings from non-bank customers	5,956.4	11,099.4	6,711.3	7,453.2	8,779.6	9,030.0	13,814.9	17,751.6	18,914.6	18,615.7
Other liabilities	1,244.5	1,623.3	2,243.4	3,223.0	4,840.0	3,332.9	3,541.2	4,832.3	3,574.6	3,741.2
TOTAL ASSETS/LIABILITIES	30,022.5	36,786.7	42,205.3	45,049.4	50,253.1	53,580.6	66,661.2	60,545.4	56,999.6	55,829.8

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

E.2 MERCHANT BANKS: ASSETS AND LIABILITIES OF DOMESTIC OPERATIONS[1]

S$ million

ENDOF PERIOD	1991	1992	1993	1994	1995	1996	1997	1998	1999	March 2000
ASSETS										
Amounts due from banks	4,170.2	3,893.0	4,558.8	4,787.9	5,191.9	5,339.3	6,553.5	6,753.9	6,454.7	6,103.5
In Singapore	679.4	613.5	599.8	994.0	712.3	761.7	1,215.8	1,769.2	1,702.7	1,451.6
Outside Singapore[2]	3,490.8	3,279.5	3,959.0	3,793.9	4,479.6	4,577.6	5,337.7	4,984.7	4,752.0	4,651.9
Loans and advances to non-bank customers	1,747.6	1,334.5	1,398.0	1,131.0	1,295.1	1,246.6	1,089.8	834.2	675.8	698.2
Securities and equities	369.0	471.0	479.7	393.1	406.1	494.2	513.2	430.0	449.8	535.9
Other assets	401.8	285.9	422.5	387.6	351.7	416.4	555.8	574.5	319.8	325.6
LIABILITIES										
Capital and reserves	3,122.8	3,111.6	3,902.0	3,739.9	4,036.7	4,104.7	4,889.6	5,254.6	4,874.0	4,702.3
Amounts due to banks	1,400.4	1,318.2	1,304.9	1,376.3	1,509.7	1,720.2	2,046.5	1,855.6	2,053.7	2,013.0
In Singapore	520.3	442.6	381.9	299.2	412.0	297.7	284.6	183.3	411.3	481.3
Outside Singapore[2]	880.1	875.6	923.0	1,077.1	1,097.7	1,422.5	1,761.9	1,672.3	1,642.4	1,531.7
Borrowings from non-bank customers	1,759.0	1,209.1	1,185.2	1,229.4	1,324.9	1,194.3	1,082.0	786.0	516.3	498.1
Other liabilities	406.3	345.5	466.9	353.9	373.5	477.3	694.2	696.5	456.1	449.6
TOTAL ASSETS/LIABILITIES	6,688.5	5,984.4	6,859.0	6,699.6	7,244.8	7,496.5	8,712.3	8,592.6	7,900.1	7,663.1

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 AND PREMIUMS

S$ million

	1991	1992	1993	1994	1995	1996	1997	1998	1999	March 2000
TOTAL ASSETS OF INSURANCE INDUSTRY (END PERIOD)	9,793.9	11,899.9	14,199.2	17,026.1	20,451.3	24,622.6	28,165.9	31,378.1	38,858.7	NA
Direct Insurers	7,958.3	9,824.2	12,049.3	14,537.4	17,599.3	21,516.2	24,628.1	27,823.4	34,918.8	NA
Professional Reinsurers	1,253.1	1,421.0	1,455.5	1,649.8	1,969.3	2,222.0	2,581.0	2,710.7	3,081.2	NA
Captive Insurers	582.5	654.7	694.4	838.9	882.7	884.4	956.8	844.0	858.7	NA
GENERAL BUSINESS: GROSS PREMIUMS										
Total General Business	1,873.4	2,125.5	2,369.3	2,609.5	2,716.1	2,793.8	2,914.9	2,670.9	2,752.6	733.3
Domestic Business	953.1	1,059.1	1,230.0	1,397.2	1,544.7	1,616.4	1,645.4	1,527.9	1,479.2	429.5
Offshore Business	920.3	1,066.4	1,139.3	1,212.3	1,171.4	1,177.4	1,269.5	1,143.0	1,273.4	303.8
LIFE BUSINESS: PREMIUMS										
Premiums in Force (End Period)	1,392.9	1,711.7	2,070.4	2,547.8	3,016.0	3,538.0	4,202.5	4,468.6	4,680.5	4,754.7
New Business Premiums										
Annual Premium Policies	333.8	397.2	485.0	578.3	584.5	656.7	837.1	540.5	552.6	153.7
Single Premium Policies										
Life Insurance	9.1	393.4	480.1	509.9	551.5	699.5	1,288.1	529.3	1,785.1	615.9
Annuity	24.1	43.2	54.9	60.5	74.5	104.2	120.8	103.7	174.3	57.6

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

S$ million

	1991	1992	1993	1994	1995	1996	1997	1998	1999	1st Qtr 2000P
EXCESS OF CONTRIBUTIONS OVER WITHDRAWALS (DURING PERIOD)	3,436.5	3,609.9	-522.2	3,977.6	6,270.0	4,078.3	4,398.3	2,370.5	14.7	425.9
Members' Contributions	8,101.4	9,028.2	10,427.0	11,278.5	13,536.1	14,623.0	15,873.8	15,999.8	12,826.6	4,246.3
Withdrawals*	4,664.9	5,418.3	10,949.2	7,300.9	7,266.1	10,544.7	11,475.5	13,629.3	12,811.9	3,820.4
Approved Housing Schemes[1]	3,000.6	3,614.1	3,509.4	3,500.4	4,590.7	5,058.4	5,786.7	7,834.7	9,528.4	2,217.2
Under Section 15[2]	958.1	1,015.0	1,187.0	1,372.9	1,450.0	1,633.0	1,548.2	1,847.0	1,671.1	388.6
Medical Schemes[3]	265.4	275.7	292.1	335.2	360.0	389.5	420.8	441.0	444.9	112.1
Others	440.8	513.5	5,960.7	2,092.4	865.4	3,463.8	3,719.8	3,506.6	1,167.5	1,102.5
INTEREST CREDITED TO MEMBERS' BALANCES (DURING PERIOD)	1,966.1	1,868.0	1,329.6	1,337.3	2,116.2	2,452.8	2,692.6	3,248.9	3,105.3	596.4
ADVANCED DEPOSITS WITH MAS (DURING PERIOD)[4]	5,478.3	6,058.0	1,782.8	4,617.3	8,184.6	8,075.9	6,337.8	5,967.5	3,576.7	1,457.7
INTEREST EARNINGS FROM INVESTMENTS (DURING PERIOD)	2,053.3	1,943.3	1,387.8	1,397.4	2,198.7	2,596.6	2,853.0	3,479.6	3,309.8	630.0
HOLDINGS OF GOVERNMENT SECURITIES (END PERIOD)[5]	32,120.0	45,620.0	4,4620.0	43,620.0	45,120.0	51,620.0	57,120.0	59,620.0	62,620.0	62,620.0
MEMBERS' BALANCES (END PERIOD)	46,049.0	51,526.9	52,334.3	57,649.2	66,035.4	72,566.6	79,657.4	85,276.8	88,396.9	89,419.2

Source: Central Provident Fund Board

* Includes refunds and transfers to Reserve Account.
P Provisional

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 of 55 years;
   b) leaving Singapore and West Malaysia;
   c) physical incapacity;
   d) unsound mind;
   e) death; and
   f) Malaysian citizen (leaving Singapore).
3 Medical Schemes include Medisave & MediShield Schemes.
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.

H.1 DOMESTIC CAPITAL MARKET: NET FUNDS RAISED IN THE DOMESTIC CAPITAL MARKET

S$ million

	1991	1992	1993	1994	1995	1996	1997	1998	1999	1st Qtr 2000
A NET FUNDS RAISED BY GOVERNMENT	6,243.9	6,757.9	2,538.0	5,519.1	10,417.9	10,096.6	6,626.4	11,491.6	8,973.9	3,461.1
1) Gross issue of Government securities[1]	2,300.0	17,700.0	3,260.0	3,750.0	7,200.0	12,150.0	10,460.0	12,800.0	12,430.0	3,000.0
Less:										
Redemption of Government securities	1,639.3	3,150.0	2,768.4	4,100.0	4,000.0	3,998.0	5,008.2	5,438.3	6,549.2	1,618.5
Government holdings of Government securities	-1.0	–	-5.7	–	–	-2.8	-15.2	-0.1	-0.1	–
Conversion from accumulated advance deposits	–	14,000.0	–	–	3,000.0	8,000.0	7,000.0	5,000.0	5,000.0	–
2) New advance deposits	5,582.2	6,207.9	2,040.7	5,869.1	10,217.9	9,941.8	8,159.4	8,829.8	6,093.0	1,779.6
3) Net issues of statutory boards' securities	–	–	–	–	–	–	–	300.0	2000.0	300.0
B NEW CAPITAL RAISED BY THE PRIVATE SECTOR	1,057.7	2,434.2	8,168.8	4,732.7	1,680.0	3,150.6	3,928.0	1,606.0	6,144.7	1,128.2
1) Public issues of shares	278.6	515.0	5,832.2	1,399.5	644.6	906.2	1,379.3	411.2	2,019.6	926.9
2)Rights issues	686.2	1,150.6	1,352.3	2,050.0	571.5	1,154.8	1,769.6	822.2	1,325.7	108.7
3) Private placements of listed shares	92.9	768.6	984.3	1,283.2	463.9	1,089.6	779.1	372.6	2,799.4	92.7
C ISSUES OF DEBT SECURITIES	1,940.9	2,380.5	3,659.3	2,926.9	3,766.6	2,309.5	6,680.0	3,897.0	9,265.0	1,944.0
1) Listed bonds, debentures and loan stocks[2]	671.9	1,258.5	1,518.3	643.9	1,695.0	589.5	1,168.1	721.4	6,067.1	679.5
2) Unlisted bonds	719.0	812.0	1,325.0	1,808.0	1,784.6	1,620.0	5,511.9	3,013.6	2,955.4	1,264.5
3) Revolving underwriting facilities/ Note issuance facilities	450.0	130.0	615.0	445.0	280.0	–	–	–	92.5	–
4) Negotiable certificates of deposits[3]	100.0	180.0	201.0	30.0	7.0	100.0	–	162.0	150.0	–
TOTAL NET FUNDS RAIDSED (A+B+C)	9,242.5	11,572.6	14,366.1	13,178.7	15,864.5	15,556.7	17,234.4	16,944.6	24,383.6	6,533.3

1 Government securities excluding treasury bills.
2 Singapore dollar-denominated bonds listed on the Stock Exchange of Singapore.
3 Refers only to S$ reserve-free NCDs issued during the year.

I.1 ASIAN DOLLAR MARKET: ASSETS AND LIABILITIES

US$ million

ENDOF PERIOD	1991	1992	1993	1994	1995	1996	1997	1998	1999	March 2000
ASSETS										
Loans to non-bank customers	134,078.2	134,184.1	136,857.4	145,822.5	173,264.7	180,505.5	173,286.3	131,712.7	110,593.9	100,870.3
Interbank funds	197,028.2	194,757.8	214,276.8	234,338.5	258,769.8	278,743.1	330,685.5	330,193.3	318,776.6	322,173.1
In Singapore	8,221.1	9,726.4	12,716.9	17,106.7	18,591.6	22,357.2	29,846.3	25,930.5	26,781.7	28,853.2
Inter-ACU	26,626.4	26,740.3	31,713.5	36,356.6	39,669.5	40,236.8	48,882.9	40,696.6	34,698.2	34,873.3
Outside Singapore	162,180.7	158,291.1	169,846.4	180,875.2	200,508.7	216,149.1	251,956.3	263,566.2	257,296.7	258,446.6
NCDs held	1,781.1	1,884.5	2,899.5	3,917.7	6,450.4	7,952.7	5,837.0	3,378.7	3,777.6	3,229.4
Other Assets	24,837.5	24,552.2	32,069.4	32,266.7	39,747.8	39,668.8	47,384.7	38,325.2	47,251.3	48,340.0
LIABILITIES										
Deposits of non-bank customers	63,499.4	63,612.2	62,669.0	65,787.8	80,603.6	95,373.8	113,683.4	113,077.0	121,319.5	123,016.9
Interbank funds	281,813.4	279,821.3	308,940.1	333,537.8	376,106.5	389,469.6	414,526.2	365,479.4	326,542.7	319,532.8
In Singapore	14,258.8	18,194.7	18,502.4	22,676.3	25,133.5	25,257.4	32,271.9	20,742.4	28,200.3	34,410.5
Inter-ACU	26,624.1	26,741.6	31,716.6	36,354.3	39,670.2	40,243.3	48,905.3	40,694.4	34,701.6	34,873.6
Outside Singapore	240,930.5	234,885.0	258,721.1	274,507.2	311,302.8	323,968.9	333,349.0	304,042.6	263,640.8	250,248.7
NCDs issued	1,334.1	925.0	760.2	797.2	1,737.5	2,229.5	2,198.1	1,571.6	1,148.1	698.5
Other Liabilities	11,078.0	11,020.1	13,733.6	16,222.6	19,785.2	19,797.3	26,785.9	23,481.7	31,389.3	31,364.6
TOTAL ASSETS/LIABILITIES	357,725.0	355,378.6	386,103.0	416,345.4	478,232.9	506,870.2	557,193.5	503,609.9	480,399.4	474,612.8

I.2 ASIAN DOLLAR MARKET: MATURITY CLASSIFICATION OF ASSETS AND LIABILITIES

US$ million

ENDOF PERIOD	1991	1992	1993	1994	1995	1996	1997	1998	1999	March 2000
ASSETS										
Up to 7 days	57,253.1	66,710.8	78,267.1	75,774.0	89,709.1	102,544.6	131,356.6	117,190.0	87,481.1	119,902.9
Over 7 days to 1 month	71,974.0	68,542.8	77,557.8	76,180.8	84,731.7	88,029.3	106,318.6	100,885.7	131,322.7	90,392.3
Over 1 to 3 months	87,569.0	80,492.5	86,333.6	105,446.9	116,031.0	116,119.3	115,402.8	110,067.7	103,024.8	98,326.5
Over 3 to 12 months	66,520.6	69,957.1	69,544.2	81,102.7	102,093.3	112,104.8	112,918.7	95,641.1	82,454.4	92,754.1
More than 1 year	74,408.3	69,675.4	74,400.2	77,841.1	85,667.7	88,072.1	91,196.8	79,825.4	76,116.4	73,237.0
LIABILITIES										
Up to 7 days	87,149.5	87,561.6	108,432.5	110,093.2	123,729.0	147,901.2	165,240.8	159,112.1	103,457.6	169,135.8
Over 7 days to 1 month	98,496.2	101,664.4	109,383.7	104,555.7	129,946.3	136,728.0	150,252.5	141,014.5	190,966.4	127,866.4
Over 1 to 3 months	97,193.5	97,551.2	101,099.5	118,392.3	129,254.7	138,149.5	136,103.3	116,857.3	113,707.3	97,933.2
Over 3 to 12 months	57,516.3	53,313.0	55,177.2	71,221.4	81,408.7	65,738.6	87,882.6	68,630.9	51,287.2	57,030.5
More than 1 year	17,369.5	15,288.4	12,010.2	12,082.8	13,894.2	18,352.9	17,714.3	17,995.0	20,980.9	22,646.9
TOTAL ASSETS/LIABILITIES	357,725.0	355,378.6	386,103.0	416,345.4	478,232.9	506,870.2	557,193.5	503,609.9	480,399.4	474,612.8

I.3 ASIAN DOLLAR MARKET: MATURITY TRANSFORMATION BY ASIAN CURRENCY UNITS

US$ billion

END OF PERIOD	1991	1992	1993	1994	1995	1996	1997	1998	1999	March 2000
NET POSITION										
Up to 3 months	-66.0	-71.1	-76.7	-75.6	-92.4	-116.1	-98.5	-88.9	-86.3	-86.3
3 months to 1 year	9.0	16.7	14.3	9.9	20.7	46.4	25.0	27.0	31.2	35.8
More than 1 year	57.0	54.4	62.4	65.7	71.8	69.7	73.5	61.8	55.1	50.6
CLAIMS										
Up to 3 months	216.8	215.7	242.2	257.4	290.5	306.7	353.1	328.1	321.8	308.6
3 months to 1 year	66.5	70.0	69.5	81.1	102.1	112.1	112.9	95.6	82.5	92.8
More than 1 year	74.4	69.7	74.4	77.8	85.7	88.1	91.2	79.8	76.1	73.2
LIABILITIES										
Up to 3 months	282.8	286.8	318.9	333.0	382.9	422.8	451.6	417.0	408.1	394.9
3 months to 1 year	57.5	53.3	55.2	71.2	81.4	65.7	87.9	68.6	51.3	57.0
More than 1 year	17.4	15.3	12.0	12.1	13.9	18.4	17.7	18.0	21.0	22.6

Monetary Authority of Singapore
10 Shenton Way
MAS Building
Singapore 079117
Website: http://www.mas.gov.sg

Design and Production by Su Yeang Design