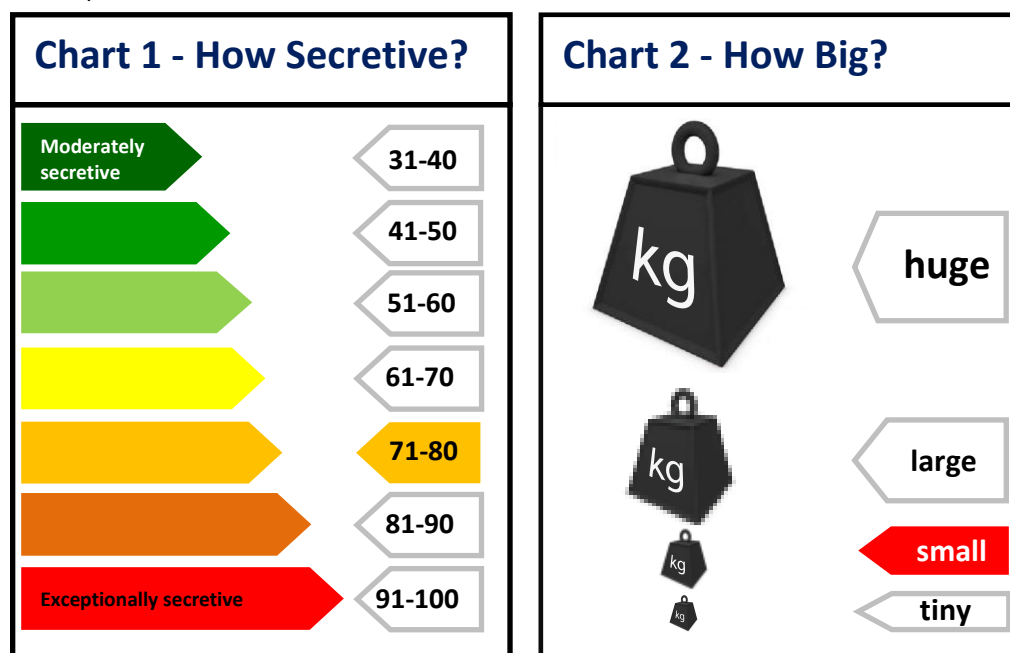


## Report on Singapore

Singapore is ranked at sixth position on the 2011 Financial Secrecy Index. This ranking is based on a combination of its secrecy score and a scale weighting based on its share of the global market for offshore financial services.

Singapore has been assessed with 71 secrecy points out of a potential 100, which places it towards the top end of the secrecy scale (see chart 1 below).

Singapore accounts for slightly over 3 per cent of the global market for offshore financial services, making it a small player compared with other secrecy jurisdictions (see chart 2 below).



### Part 1: Telling the story

#### The Singapore financial centre: history and background

##### Overview

Founded as a British trading colony in 1819, Singapore took its first real steps as a financial centre soon after independence from Malaysia in 1965. Today it is arguably the world's fastest-growing centre for private wealth management. A PWC report in June 2011 [predicted](#) that Singapore would be the world's top wealth management centre by 2013, followed by Switzerland and Hong Kong.

Initial growth was based heavily on being an Asian hub for the offshore '[Eurodollar](#)' markets. Financial liberalisation from 1998, and a reinforcement of secrecy in 2001 (urged by top officials of UBS and Credit Suisse, who had been advising the Singaporean authorities, saw

Singapore's status as a financial centre grew rapidly. Much of Singapore's recent rise since around 2005 has been the result of Asian economic growth combined with (modest) crackdowns elsewhere, particularly in Europe and North America, which have displaced tax-evading and other criminal funds to Singapore and Hong Kong in particular.

At the end of 2010, Singapore had over 700 local and foreign financial institutions, including 38 offshore banks; financial institutions had assets under management of US\$1.2 trillion. Of this, just over \$500 billion was in the wealth management sector in 2010, according to [one estimate](#), eclipsing Hong Kong's approximately \$200 billion. However, much of the new business does not involve assets themselves flowing to Singapore, but instead involves the business of handling assets that are located elsewhere, but held via Singapore offshore trusts and other secrecy facilities.

Singapore has especially close connections with Swiss banks, and it is no co-incidence that the biggest shareholder in UBS, Switzerland's largest bank, [is the](#) Government of Singapore Investment Corporation.

Singapore has recently shown a little willingness to allow improved information exchange, notably with its adoption in October 2009 [of a bill](#) that would allow information exchange under (extremely weak) international standards promoted by the OECD. Still, it receives a disappointing secrecy score of 71 in our Financial Secrecy Index.

### History and background

According to former Singaporean Prime Minister Lee Kuan Yew ([p89](#)), Singapore's financial centre strategy first emerged in 1968 when Dr. Albert Winsemius, a Dutch economic adviser to Lee, contacted an official at the Bank of America in London for advice on setting up a financial centre. Singapore was then inside the British Sterling Area, which required controls on cross-border speculative transactions outside the zone, and although the Bank of England declined to support Lee's desire to set up an offshore 'Eurodollar' financial market (as Hong Kong had already done,) Lee went ahead anyway, exempting all Asian dollar deposits from statutory liquidity and reserves requirements. The Bank of England eventually acquiesced. Eurodollar business mushroomed, focusing mainly on South Asian business, and initially buoyed by large U.S. dollar spending in the region amid the Vietnam War.

Singapore's approach was an 'offshore' strategy from the outset: the absence of liquidity and reserve requirements were complemented by a variety of other lures such as the abolition of withholding taxes on interest income earned by non-residents, the provision of strong secrecy facilities, and freedom from exchange controls.

From the outset, Singapore had to adopt special tactics to compete with Hong Kong. According to Lee, Singapore could not match Hong Kong's links to the City of London or the explicit backing of the Bank of England, so it based its early success on a two-prong approach: first, by reassuring investors that Singapore was a safe place to do business, and

second, by attracting Asian business outside of Hong Kong's sphere of influence. A big factor, he added, was that "in the early years from 1968 to 1985 we had the field all to ourselves in the region." In its early years, as part of a policy to establish a reputation for solidity, Singapore took a more cautious approach to financial regulation than Hong Kong did: "In Hong Kong what is not expressly forbidden is permitted; in Singapore, what is not expressly permitted is forbidden," Lee wrote.

This changed after 1997. Lee said the financial system's ability to survive the shock of the Asian crisis gave him the confidence to change tack; so, with advice from Gerald Corrigan, a former president of the Federal Reserve Bank of New York, and Brian Quinn of the Bank of England, Singapore began to adopt a more 'light touch' regulatory regime and a far more liberalised financial market from 1998. This move led to a step-change in increased financial activity. (Increased financial freedoms, however, have not been matched by increased political freedoms, with what the International Bar Association [recently called](#) the "systematic repression of the right to freedom of expression.")

In 2001 Finance Minister Lee Hsien Loong, following consultations with bankers from around the world, [amended](#) the Banking Act to revise secrecy provisions to allow "only very few exceptions" relating to customer deposits and investment funds; stressing that "tight banking secrecy is important to maintaining the confidence of customers in our banking system", and that "a person who receives customer information will be required by law to keep the information confidential." Infringing banking secrecy [was made](#) punishable by up to three years in jail. In 2004, trust laws were changed to help Europeans in particular avoid and evade inheritance taxes. The overall result of these and other changes has been a spectacular increase in activity: the Singapore Monetary authority [reported](#) that between 2002 and 2007 alone, assets under management nearly tripled to almost US\$1.2 trillion. Of this, nearly half was from the Asia-Pacific region, and over a third from Europe, much of it seeking to escape the EU Savings Tax Directive, which from 2005 effectively covered quite a large number of secrecy jurisdictions, including the British Crown Dependencies (such as Jersey) and Overseas Territories (such as the Cayman Islands and British Virgin Islands).

Further [modest](#) global crackdowns on financial secrecy, especially those led by the OECD since 2009, has displaced additional quantities of tax-evading and other criminal wealth, and the business of handling that wealth, away from European, Caribbean and North American financial centres towards Singapore and Hong Kong.

Over the years, Singapore has had its share of scandals – from its implication in the Slater Walker scandal in the 1970s, to the Nick Leeson trading scandal in 1995, facilitated by what the New York Times [called](#) the "see-no-evil regulators of Simex, Singapore's swinging stock exchange." (However, Singapore did resist several earlier attempts by the highly corrupt [Bank of Credit and Commerce International \(BCCI\)](#) to open offices there, including one approach that came with a letter of support from British Prime Minister Harold Wilson.)

In 2006 Morgan Stanley chief Asia Economist Andy Xie, in an internal email that subsequently became public, questioned why Singapore had been chosen to host the annual IMF and World Bank meetings. As he put it, delegates

“were competing with each other to praise Singapore as the success story of globalization . . . actually, Singapore's success came mostly from being the money laundering center for corrupt Indonesian businessmen and government officials . . . to sustain its economy, Singapore is building casinos to attract corruption money from China.”

Indeed, Indonesia's Deputy Attorney General in 2010 [described](#) Singapore as ‘the most strategic country for corruptors to run away to. . . the policy of the Singaporean government enables corruptors to live there,’ with Singapore declining to help Indonesia extradite those it believes to have siphoned off large-scale state funds during the Asian crisis of the late 1990s. According to the Singapore Democratic Party [in 2008](#), corrupt Burmese ruling generals, among many others from the Asia Pacific region, were also suspected of using Singapore as a destination for their laundered money. The U.S. International Narcotics Control Strategy Report (INSCR) in 2011 [added that](#):

“Stringent bank secrecy laws and the lack of routine currency reporting requirements make Singapore a potentially attractive destination for drug traffickers, transnational criminals, foreign corrupt officials, terrorist organizations and their supporters seeking to launder money or fund terrorist activities.”

Singapore offers a wide array of secrecy and tax facilities. Practitioners stress, quietly, that information-sharing agreements with other countries come hedged with special Singaporean ‘safeguards,’ backed by a courts system favourable to the financial sector, which in practice makes it extremely hard for other jurisdictions to extract information. A popular Singaporean secrecy facility is the Private Trust Company (PTC), which acts as a trustee for secretive trusts. A PTC, as one practitioner [describes it](#), allows the wealthy individual a “higher level of control and discretion” than with standard trusts managed by a professional trustee. (A ‘higher level of control’ means the trust can be more easily controlled by the person who contributed the assets – and is therefore more of a sham; “discretion”, of course, means secrecy.) The private wealth management industry enjoys numerous tax exemptions; more generally income tax is levied on a territorial basis, ie only on income derived from Singapore or remitted to Singapore; other income elsewhere goes untaxed.

In addition, Singapore has quite a wide array of tax treaties with other countries, and, partly as a result of this, it has become a [major turntable](#) for so-called ‘round-tripping’ into and out of India and other countries, in competition with other centres like Mauritius. Round tripping occurs when an investor from, say, India, sends capital to Singapore, where it is dressed up in financial secrecy, and then returned to India via a Singaporean shell company, disguised illegally as foreign investment, in order to obtain tax and other benefits from the tax treaty that would not otherwise have been available to the Indian investor.

The main constraints on Singapore’s growth at the moment seem to be a lack of qualified staff: top salaries for client relationship managers in Singapore are almost double the level of Switzerland, according to [PricewaterhouseCoopers](#). Further rapid growth, based significantly on providing financial secrecy, is inevitable.

**Further reading:**

**Singapore's future as a financial centre:** [Part I](#), [Part II](#) and [Part III](#), Singapore Democratic Party, November and December 2008

[The growth of the private wealth management industry in Singapore and Hong Kong](#), by Jek Aun Long and Danny Tan, Capital Markets Law Journal, August 2010

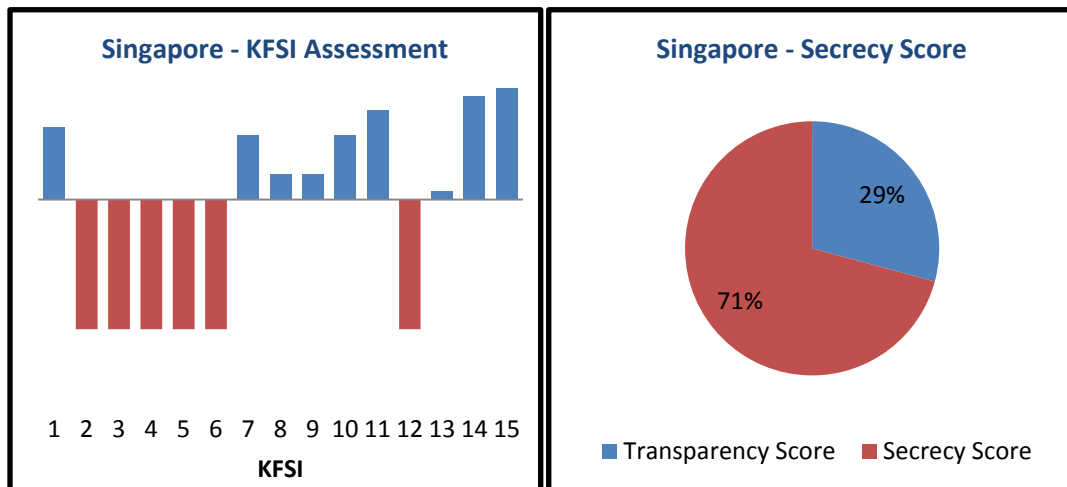
[OECD Peer Review Report of Singapore](#), OECD Global Forum, 2010

**Next steps for Singapore**

Singapore’s 71 per cent secrecy score shows that it must still make major progress in offering satisfactory financial transparency<sup>1</sup>. If it wishes to play a full part in the modern financial community and to impede and deter illicit financial flows, including flows originating from tax evasion, aggressive tax avoidance practices, corrupt practices and criminal activities, it should take action on the points noted where it falls short of acceptable international standards. See part 2 below for details of Singapore’s shortcomings on transparency. See this link <http://www.secrecyjurisdictions.com/kfsi> for an overview of how each of these shortcomings can be fixed.

**Part 2: Secrecy Scores**

The secrecy score of 71 per cent for Singapore has been computed by assessing the jurisdiction’s performance on the 15 Key Financial Secrecy Indicators, listed below.



The numbers on the horizontal axis of the bar chart on the left refer to the Key Financial Secrecy Indicators (KFSI). The presence of a **blue** bar indicates a positive answer, as does **blue** text in the KFSI list below. The presence of a **red** bar indicates a negative answer as does **red** text in the KFSI list. Where the jurisdiction's performance partly, but not fully complies with a Key Financial Secrecy Indicator, the text is coloured **violet** in the list below (combination of red and blue).

This paper draws on key data collected on Singapore. Our data sources include regulatory reports, legislation, regulation and news available at 31.12.2010<sup>2</sup>. The full data set is available [here](#)<sup>3</sup>. Our assessment is based on the 15 Key Financial Secrecy Indicators (KFSIs, below), reflecting the legal and financial arrangements of Singapore. Details of these indicators are noted in the following table and all background data can be found on the [Mapping Financial Secrecy web site](#)<sup>4</sup>. This data is the basis on which the [Financial Secrecy Index](#)<sup>5</sup> is compiled.

#### The Key Financial Secrecy Indicators and the performance of Singapore are:

<b>TRANSPARENCY OF BENEFICIAL OWNERSHIP – Singapore</b>	
1.	Banking secrecy: Does the jurisdiction have banking secrecy?  <b>Singapore does not adequately curtail banking secrecy</b>
2.	Trust and Foundations Register: Is there a public register of Trusts and Foundations?  <b>Singapore does not put details of trusts on public record</b>
3.	Recorded Company Ownership: Does the relevant authority obtain and keep updated details of the beneficial ownership of companies?  <b>Singapore does not maintain company ownership details in official records</b>
<b>KEY ASPECTS OF CORPORATE TRANSPARENCY REGULATION – Singapore</b>	
4.	Public Company Ownership: Does the relevant authority make details of ownership of companies available on public record online for less than US\$10?  <b>Singapore does not require that ownership of companies is put on public record</b>
5.	Public Company Accounts: Does the relevant authority require that company accounts are made available for inspection by anyone for a fee of less than US\$10?  <b>Singapore does not require that company accounts be available on public record</b>
6.	Country-by-Country Reporting: Are companies listed on a national stock exchange

	<p>required to comply with country-by-country financial reporting?</p> <p><b>Singapore does not require country-by-country financial reporting by companies</b></p>
<b>EFFICIENCY OF TAX AND FINANCIAL REGULATION – Singapore</b>	
7.	<p>Fit for Information Exchange: Are resident paying agents required to report to the domestic tax administration information on payments to non-residents?</p> <p><b>Singapore partly requires resident paying agents to tell the domestic tax authorities about payments to non-residents</b></p>
8.	<p>Efficiency of Tax Administration: Does the tax administration use taxpayer identifiers for analysing information effectively, and is there a large taxpayer unit?</p> <p><b>Singapore partly uses appropriate tools for effectively analysing tax related information</b></p>
9.	<p>Avoids Promoting Tax Evasion: Does the jurisdiction grant unilateral tax credits for foreign tax payments?</p> <p><b>Singapore partly avoids promoting tax evasion via a tax credit system</b></p>
10.	<p>Harmful Legal Vehicles: Does the jurisdiction allow cell companies and trusts with flee clauses?</p> <p><b>Singapore partly allows harmful legal vehicles</b></p>
<b>INTERNATIONAL STANDARDS AND COOPERATION – Singapore</b>	
11.	<p>Anti-Money Laundering: Does the jurisdiction comply with the FATF recommendations?</p> <p><b>Singapore partly complies with international anti-money laundering standards</b></p>
12.	<p>Automatic Information Exchange: Does the jurisdiction participate fully in Automatic Information Exchange such as the European Savings Tax Directive?</p> <p><b>Singapore does not participate fully in Automatic Information Exchange</b></p>
13.	<p>Bilateral Treaties: Does the jurisdiction have at least 60 bilateral treaties providing for broad information exchange, covering all tax matters, or is it part of the European Council/OECD convention?</p> <p><b>As of June 30, 2010, Singapore had few tax information sharing agreements complying with basic OECD requirements</b></p>
14.	<p>International Transparency Commitments: Has the jurisdiction ratified the five most</p>

	relevant international treaties relating to financial transparency? <b>Singapore has partly ratified relevant international treaties relating to financial transparency</b>
15.	International Judicial Cooperation: Does the jurisdiction cooperate with other states on money laundering and other criminal issues? <b>Singapore partly cooperates with other states on money laundering and other criminal issues</b>

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<sup>1</sup> Our definition of financial transparency can be found here:

<http://www.secrecyjurisdictions.com/PDF/FinancialTransparency.pdf>.

<sup>2</sup> With the exception of KFSI 13 for which the cut-off date is 30.6.2010. For more details, look at the endnote number 2 in the corresponding KFSI-paper here:

<http://www.secrecyjurisdictions.com/PDF/13-Bilateral-Treaties.pdf>.

<sup>3</sup> That data is available here: [http://www.secrecyjurisdictions.com/sj\\_database/menu.xml](http://www.secrecyjurisdictions.com/sj_database/menu.xml).

<sup>4</sup> <http://www.secrecyjurisdictions.com>.

<sup>5</sup> <http://www.financialsecrecyindex.com/>.