

Treasury Management in Singapore

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Singapore Overview

Singapore is a small but centrally located country that serves as the Asian Headquarters for many corporations and financial institutions.

The unit of currency is the Singapore dollar (SGD). It is divided into 100 cents and commonly referred to as the Sing dollar. The Singapore dollar is freely traded on the foreign exchange market with its value linked to a trade-weighted basket of currencies and commodities.

The Monetary Authority of Singapore (MAS) functions as the central bank and regulates all financial institutions in the country. Central bank reporting requirements have minimal impact on cash management activity and the regulatory environment is open. Strict regulations govern bank secrecy and the internationalization of the Singapore dollar.

There are four clearing systems in Singapore that relate to cash and treasury management.

1. The high value system (MAS Electronic Payment System – MEPS) is an inter-bank real time gross settlement system (RTGS) used for amounts greater than SGD 50,000. MEPS is administered by a private company on behalf of the MAS.
2. The check clearing system is used for both high and low value payments, although check usage is decreasing for both payment types.
3. The Interbank Giro System (IBG) handles low value payments and is functionally similar to a U.S. ACH. Value is on a next day basis although some banks may take compensation through float.
4. The Singapore Clearing House Association operates a U.S. dollar check clearing system using a major international bank as the settlement bank.

For tax purposes, the residence of a company is generally determined by where management control is exercised, and not necessarily by the place of incorporation. This is generally taken to mean where the company directors meet and exercise de facto control. Corporate income tax in Singapore is a flat 26% with no provincial or municipal taxes. There is no withholding tax on interest and royalties earned by resident corporations. Tax incentives are available for companies with business or financial headquarters in Singapore and for companies engaged in various trading activities. These incentives support the establishment or enhancement of Shared Service Centers (SSC) and Regional Treasury Centers (RTC).

Treasury Management

Shared Service Centers (SSC) and Regional Treasury Centers (RTC) for regional financial operations are often established in Singapore due to its central location and the financial incentives provided by the government. Along with those of Hong Kong and Tokyo, the Asian treasury centers function much as their European counterparts do in Belgium, Dublin, and London.

All common treasury management techniques are permitted in Singapore including leading/lagging, re-invoicing, sweeping, and cash concentration.

Weblinks

Background information from the [US CIA](#) and the [US State Department](#)

Country profile information from [Ernst & Young](#) and the [Financial Times](#)

Summary tax information from [DTT World Tax](#)

News and policies of the [Monetary Authority of Singapore](#)

General information from the [Singapore Economic Development Board](#)

Commercial Banking websites of [DBSBank Institutional Banking](#), [Keppel Bank](#), [Citibank Singapore](#), and [ANZ Singapore](#)

Online editions of the [Singapore Business Times](#), [The Straits Times](#), and [The Electric New Paper](#)

Multilateral netting is permitted without restriction. Singapore's position as a financial center makes it an ideal location for a regional or global netting center. Pooling of Singapore dollars is not possible but the pooling of other currencies is not prohibited.

Strict regulation of Singapore dollar activity limits its use in global treasury activities making the U.S. dollar, the Euro, or the Yen more effective currency tools. Foreign exchange (FX) spreads and commissions are a major revenue source for foreign and domestic banks. Accordingly, lifting fees or fees "in lieu of exchange" are often assessed on third party cross border money movements. Since these fees are not mandated by regulators or by cartel, negotiation is possible.

Multiple SGD accounts can be held to facilitate accounting objectives or as part of an overall treasury strategy. Sweeping (zero balancing) and concentration are permitted, but are not common business practice.

Accounts

The basic SGD operating account is referred to as a current account and may be held by resident or non-resident corporations. Banks have recently been permitted to pay interest on current accounts maintained by corporations.

Resident and non-resident corporations may hold accounts in Singapore that are denominated in currencies other than the Singapore dollar.

Time deposits of SGD 1 million or more, with a minimum seven-day tenor, are permitted. Longer-term options for Sing dollar liquidity include swaps to other currencies.

Overdrafts are permitted, with the amount and rate determined by each bank. They are the principal source of short term financing. In general, bank finance continues to be a major source of funding.

Payments and Receipts

Checks and cash are used but are losing ground to the Giro (similar to an ACH). This shift has been encouraged by a government campaign and is possible because bank or postal accounts are widely held by most businesses and individuals. Large payments – greater than SGD 50,000 can be made electronically on a same day basis using the MAS Electronic Payment System (MEPS). Larger settlements are also handled by check because Singapore's small physical size and efficient mail system keeps float to a minimum. EFTPOS transactions are a preferred method of payment, and are efficiently handled by a debit card system called NETS.

Controlled disbursement is not possible because the timing of cleared check presentment and MEPS cutoffs do not permit coverage of check presentments. A functional alternative is to have a disbursement account that is covered by book transfer from a surplus account at the same bank.

Lockbox type arrangements are permitted but not common business practice.

Technology and Marketplace

Singapore has a modern telecommunications system including fiber optic cable and digital switches. Bandwidth is reasonably priced and readily available. In addition to an excellent infrastructure, Singapore also has a number of value added networks (VANs) that enable efficient domestic electronic commerce.

Singapore is a competitive regional banking center and home to strong local, regional, and international banks. Local banks such as Oversea Chinese Banking Corporation (OCBC), Overseas Union Bank (OUB), and Keppel Bank have large retail networks but do not offer competitive regional cash management solutions. Banks such as Standard Chartered can be quite competitive in regional deals but have limited global reach and technological capabilities. International banks offering global cash management services from Singapore include Bank of America, Hong Kong Shanghai Banking Corporation (Hexagon), Deutsche Bank (DB Direct), Citibank, ABN-AMRO (BankStation), and Chase (Workspace).

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