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Four benchmark rates linked to various spot forex rates and the Singapore dollar Swop Offered Rates (SOR) will soon be calculated using market trading data, instead of being based on surveyed submissions.


File photo of the skyline of Singapore's financial district. (AFP/Simin Wang)

SINGAPORE: A major revamp is on the cards on the way Singapore's benchmark rates are being set.

The Association of Banks in Singapore (ABS) and the Singapore Foreign Exchange Markets Committee (SFEMC) said four benchmarks - SGD Spot FX, THB Spot FX, IDR Spot FX and SGD SOR - relating to various spot forex rates and the Singapore dollar Swop Offered Rates (SGD SOR) will be calculated using mostly market trading data, instead of the conventional surveyed submissions.

Singapore will be one of the first countries in the world to do so.

But Singapore dollar SIBOR - a key market interest rate in Singapore - will continue to be calculated by referring to surveys from banks.

Most housing loans are pegged to the Singapore dollar SIBOR, which will continue to be based on estimates submitted by banks.

ABS said 20 selected banks will soon be contributing to the rate-setting process. The process will be subject to enhancements and regular reviews.

Before submitting, the banks must consider actual transactions, followed by bank quotes, broker quotes, indirect transactions and expert judgements.

Annie Koh, associate professor of finance at Singapore Management University, said: "Now, there will be different sources. Now you don't take one price from a bank, which is their indicative price. Now there is a mix. All the other benchmarking which is the FX rate, people will become more diligent and responsible. And that's called a traded platform."

Singapore's review into the possible manipulation of SIBOR and foreign exchange spot benchmarks follows a global crackdown on rigging of benchmark borrowing costs by banks and brokers.

Meanwhile, four of the 11 benchmarks quoted in Singapore will be discontinued due to low usage and market demand.

In addition, two benchmarks will be replaced with benchmarks in other jurisdictions.

The Malaysian ringgit spot FX rate will be replaced with the onshore Malaysian ringgit spot FX rate, while the US dollar SIBOR will be replaced with the USD LIBOR - the reference rate published in the UK.

ABS and the SFEMC said the initiative will not result in increased borrowing costs for retail or wholesale banking customers, based on the analysis of historical data tested.

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