XTRA MAS’ BALANCING ACT

FINALLY, A CHANGE ON FRIDAY

What made it change tack and push for an unusual public stand?

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For a government organisation that has perfected the art of brevity, Oct 17 will go down as the day that changed not just the communications strategy of the Monetary Authority of Singapore (MAS), but also forced it to rethink its long-held policy — at least for a while — of using a soft-touch approach to achieve monetary stability in Singapore.

The collapse of Lehman Brothers and its spiralling effects on Singapore investors’ savings have put the MAS in a spot. Caught between an approach that is more regulatory than interventionist and a public clamour for action, the MAS decided to act that Friday night.

From issuing very brief and subdued statements on the crisis, something must have changed for the regulatory authority to dish out its longest statement to date (five pages) on the crisis and hold a press conference to boot.

Three things stood out when it: • Said that it was changing tack by giving the public more information on what has been done behind-the-scenes; • Cracked the whip publicly on the financial institutions that sold the structured products to the common man, by telling them not to be “overly legalistic” in their approach; • Identified those investors (lowly-educated retirees) who needed immediate attention.

Do the right thing — we have communicated this to the CEOs of the financial institutions, the Oct 17 MAS statement said pointedly and sharply.

What changed for the MAS to take such an uncharacteristically public stand?

Public mood, for sure. Hard-luck stories of investors losing their savings, and for many it was their retirement money. Mr Tan Kin Lian’s high-profile consumer action campaign, and rival Hong Kong’s quick on-the-draw and decisive reactions must all have played a part.

A review of the 15 statements and comments by the MAS since news of the investors’ loss broke six weeks ago on Sept 18 shows a MAS caught in a classic communications squeeze.

At one level, it wanted to nudge the financial institutions privately to act. At another level, it didn’t want to come across as doing anything that might upset Singapore’s ambition to want to become Asia’s financial magnet. And at another level, it wanted to make sure that the investors were not forgotten.

In trying to balance all three balls at one time, it lost sight of local politics — that public anger was moving to public helplessness and eventually anger.

The other story here is how the financial institutions should have reacted.

First, they should have taken the heat by its horns and not waited for the MAS to embarrassed them on privately and later, force them to act publicly.

Second, they should have shown empathy for the investors and their plight.

Third, they should not have maintained silence right throughout the crisis until Oct 22, thus creating a vacuum which people like Mr Tan filled happily.

Those following the developments closely and closely felt that the MAS’ Oct 2 statement, which announced the announcements of the three ombudsmen to find solutions to investors’ complaints, would have settled matters.

But then came Oct 17 and finally Oct 22, which saw bank after bank slashing out press releases to talk about compensation and, in the case of DBS Bank, making a rare admission that there could have been instances of mis-selling.

What a communications disaster! And what a lack of decisive leadership, especially in the public domain.

Moving forward, and now that the MAS has shown its sure-footedness publicly, there is still a lot to be done.

Issues like aggressive selling and mis-selling; the financial institutions’ see-no-evil, hear-no-evil attitude, and finally, consumers’ blind faith in investment products — will all have to be addressed.

The MAS has work cut out for itself. As it continues to balance the various balls, a higher public profile should not be dismissed lightly.

HOW WOULD YOU ANALYSE MAS’ REACTIONS OVER THE LAST SIX WEEKS?

Ang Mo Kio GRC MP Indrajit Singh: “MAS did fairly well. It needed time to understand the situation ... A measured approach was necessary. Otherwise, it would create panic.”

Mr Leong Sze Hian (president of the Society of Financial Service Professionals): MAS was right in not trying to be first off the block. It was better to see the reaction before acting. But I was surprised by some about-turns in their approach. For example, MAS seemed to have left it to the financial institutions to act before it stepped in last week. MAS also said it was talking to the financial institutions to get them to hasten their assessments of how investors will be affected. Later, MAS required financial institutions to commit to standards in handling complaints.

Professor Ho Yew Kae (vice-dean of NUS Business School): MAS held its ground well. It did not overt react or remain silent. It maintained its dignity as a regulator. There must have been many actions, decisions and policy issues which were conducted outside the public view. These are all crucial in arriving at the current resolution.

Mr Richard Hartung (retail banking consultant): “The hands-off approach was right. The question is whether this is the investor’s responsibility or the seller’s. The arguments so far have been skewed in favour of the investors.”

COULD MAS HAVE DONE BETTER?

Mr Singh: “I’m glad that there were people like Tan Kin Lian who came forward. MAS could have come forward earlier to calm people. That would have shown a little more leadership.”

Mr Leong: “It would have been better to have appointed two independent directors for each financial institution. That way, suspicions of collusion can be minimised.”

Professor Ho: “All structured products are complicated and moving forward, we must emphasise investor education. This will not be the first or the last case of the outcry of misrepresentation for complex products. Education is one way forward but more importantly that individuals must acknowledge that they understand what they are investing in.”

Mr Hartung: “MAS could look at the registration of high-risk structured products and be more proactive going forward. That is, more information is required either in the prospectuses or in the communication with investors.”

LEONG WEE KEAT