TO BE EMBARGOED UNTIL
FRIDAY, 27 FEB 81 AT 1800 HRS

PRESS RELEASE BY
DR GOH KENG SWEE, CHAIRMAN, MONETARY AUTHORITY OF SINGAPORE

Mr Michael Wong Pakshong, Managing Director of the Monetary Authority of Singapore, relinquishes his post on 2nd March 1981 when he will go on leave prior to resignation. The President and the Public Services Commission has agreed to the appointment of Mr Lim Kim San as Managing Director of the MAS for a period of two years in the first instance.

Mr Lim has accepted the appointment on the understanding that he will not be engaged full time, as he has his private matters to attend to in addition to his appointment as Chairman of the Port of Singapore Authority. This condition is acceptable to the Government.

A major restructuring of the functions and organisation of the MAS and the BCCS was recommended in a detailed study made by the Management Services Department of the Finance Ministry. The general recommendations have been accepted by the Prime Minister, the Finance Minister and myself.

The root of the problems was that the MAS and BCCS faced with regular surpluses in the financial accounts in the public sector resulting in regular overall balance of payments surpluses followed policies more appropriate to economies in chronic deficit. The surpluses have been allowed to accumulate to amounts in excess of what is required to meet the legal obligations of the Currency Board or the resources needed by the MAS to manage the floating parity of the Singapore dollar.

The MAS and BCCS thus came to hold a large portfolio of investments diversified in terms of type and maturity of assets and the currencies in which they are held. Insufficient weight was given to the management of assets held as long term investments.

Investment portfolio management and the management of the float require different approaches, the former being more concerned with capital appreciation of long term investment while the latter needs to concentrate on holdings of liquid assets of short maturities to enable the MAS to respond quickly to market conditions and switch large amounts between currencies. This has been especially true in the last two years which saw extreme volatility of rates of interest and rates of exchanges. This volatility is expected to continue in the foreseeable future.

The Government has decided that funds, beyond what is required to manage the float with a good safety margin, be transferred in stages to an Investment Corporation wholly owned by the Government. The Prime Minister will be Chairman of the Board of Directors. The other directors will be Mr Hon Sui Sen, Mr Lim Kim San, Mr Goh Chok Tong, Dr Tony Tan, Mr S Dhanabalan, Mr Tan Teck Chwee and myself. It is expected tht the Investment Corporation will be set up by 1 June this year.

(Goh Keng Swee)
Chairman
Monetary Authority of
Singapore