

# Get tough on rogue investment execs

ALMOST everyone's attention in the last two weeks has been understandably focused on the twin construction tragedies at Nicoll Highway and Fusionpolis at Ayer Rajah.

Something else, however, had caught my eye which makes me anxious about the foundations Singapore is laying as part of the expansion of its financial scene.

It was reported last month that three former employees of Alliance Capital Management in Singapore were fined between \$30,000, or three months' jail in default, and \$100,000, or 10 months' jail, in Singapore's first case of improper trading of unit trusts.

The three had bought into unit trusts in 2002 only after the day's price of the fund was released. Normal investors had to put in their orders before they knew what the price would be. The three had accomplished this by backdating their order chits and had made an unfair gain of \$214,000.

The appeal by the prosecution to give the three a harsher sentence was rejected because the Chief Justice did not think that, given the law then that late trades were not explicitly illegal, it was the court's role to dish out stiff sentences to frighten people.

Those who know me well enough to have had a conversation about investing would know that I am not a fan of unit trusts.

My personal analogy for putting money in a unit trust as opposed to some other investment vehicle is to compare it to eating chicken rice at Mandarin Hotel's Chatterbox cafe as opposed to eating it at the corner kopitiam.

No doubt, the chicken rice at Chatterbox tastes good, but the bulk of the bill is really for the air-conditioning, the posh furniture and the Orchard Road address.

That's fine for when I feel like dining in style, but when it comes to putting money into something that's supposed to churn out more money, I have no interest in having my capital fund the investment instrument's flashy advertisements and brochures.

And all these misgivings were even before news broke in the US that small investors were being played out by a rash of mutual fund firms.

Some of these firms were letting big clients jump in and out of their investments quickly to make gains at the expense of "buy-and-holders", and one rogue employee after another got caught making improper trades.

The sentiment I got from talking to people here then, however, was that it was a problem isolated to the US. Surely it would never happen in Singapore, where the rules are so strict and the Government is so prudent, and the punishments are so unapologetically harsh.

Well, at least three employees of the investment industry here got together, considered the odds and placed their bets on not getting caught for playing the investment game at the expense of their clients.

Thankfully, these three thieves of Singaporean investors' retirement/education money did get caught.

But in a way, their bet did pay off because they got only a light sentence. All because of the legal loophole,

which the Monetary Authority of Singapore has since closed.

What worries me, however, is that those who may consider committing the same deed in future may not be deterred because of the precedent-setting light sentence issued, especially if no jail time is on the table.

Personally, amassing enough cash to fund a normal person's university education and/or retirement is hard enough as it is, and there are already plenty of legitimate factors to prolong this arduous process.

In my opinion, anyone caught delaying this process by foul means should not only rot in a cell so that there's a scarlet letter on his resume, but also get the same scarlet letter tattooed on his forehead.

This time, the Singapore financial scene was caught off guard, and the CJ's hands were tied during sentencing. I hope it will be the last time.

Singapore is dangling many carrots to attract more financial firms here to grow our finance industry.

But, just like the scaffolding or steel rods seen supporting any big construction project in Singapore, I believe that using at least a few big sticks in the process of building less concrete structures such as our financial scene, is necessary as well.

Consider the tragedy when even one such big stick proves to be a weak link.

## Soh what?



By SOH WEN LIN  
*The Straits Times*

*The writer is a reporter at  
The Straits Times Political Desk.*

*Send your views to [streets@sph.com.sg](mailto:streets@sph.com.sg)*