

# MINISTER'S VALUE-FOR-MONEY ACHIEVEMENT AWARD



## DISTINGUISHED AWARD

### SECURITY WAIVER TO REDUCE BUSINESSES' COST AND IMPROVE CASHFLOW

A24 BUSINESS



The move to waive the security deposit or banker's guarantee for maritime firms in good standing is part of efforts to reduce compliance costs for businesses and reinforce Singapore's competitiveness as a hub port. PHOTO: LIANHE ZAOBAO

**No security deposit  
needed from shipping  
firms of lower credit risk**



**Security Waiver to  
Reduce Businesses' Cost  
and Improve Cashflow**



## PROJECT TEAM



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Chiew Wei Leng	Member
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#### NEED FOR PROJECT



- There are economic headwinds impacting the maritime business sector.
- Government conducted regular review of rules and processes for better achievement of policy and regulatory objectives while reducing regulatory and compliance costs on businesses.

#### PROBLEM STATEMENT

Need to support the growth of maritime business sector amidst the economic challenges by reducing regulatory costs thereby improving their cash flow.

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#### SOLUTION



MARITIME AND PORT AUTHORITY OF SINGAPORE

PORT MARINE CIRCULAR  
NO. 2 OF 2024

16 JAN 2024

**WAIVER OF NEED FOR SECURITY DEPOSITS AND BANKER'S GUARANTEES  
WITH EFFECT FROM 1 APRIL 2024**

1. MPA currently requires all billing parties that are billed more than S\$5,000 annually to furnish a security deposit or banker's guarantee for credit terms for payment to MPA. The amount of security required from the billing party varies with the payment mode and credit history with MPA, and is reviewed regularly as part of credit risk assessment.
2. To help reduce costs on maritime businesses, MPA will waive the requirement for existing billing parties to furnish security with effect from 1 April 2024, provided
  - a. The party has an approved General Interbank Recurring Order (GIRO) arrangement with MPA; and
  - b. The party does not have 3 or more GIRO failures annually.
3. With this, more than 80% of MPA's such billing parties are expected to have their security amount worth more than S\$20 million/year waived, thereby improving their cashflow. These billing parties will also be able to save on the charges incurred on the banker's guarantee.

Revised the credit management policy via a risk-based and pro-business approach by:

- Simplifying credit rating framework from five to three tiers.
- Conducting credit risk assessment to determine security waiver eligibility.
- Converting higher credit risk billing parties to GIRO arrangement via engagement sessions.
- Providing pre-emptive alerts in digitalPORT@SG™ to keep billing parties informed on their overdue invoices and suspension status.
- Shortening credit management cycle to mitigate risk.

#### SOLUTION STATEMENT

Implement the revised credit management policy, by adopting a risk-based and pro-business approach and waiving the need for security deposits and banker's guarantees for billing parties assessed to be of lower credit risk, thereby improving cash flow and operational efficiency for businesses in the maritime sector.

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#### IMPACT



- More than 850 companies in the maritime industry are expected to save compliance cost and improved their cash flows annually.
- MPA will gain time savings through the revised credit rating framework, which also contributes to increased operational efficiency for both MPA and the industry due to lesser security required.
- Full conversion to eGuarantee.
- Improved cash flows: >\$20mil.
- Cost savings: \$0.60mil.
- Time savings: 280 man-hours annually.

#### OUTCOME STATEMENT

This initiative is in line with Whole-Of-Government's direction to help lower regulatory cost which has been well received by MPA's billing parties