Hin Leong Trading

Singapore oil traders rush to reassure clients

Tightening of credit lines after Hin Leong scandal raises prospect of liquidity crunch

Hin Leong's supertanker Pu Tuo San in the waters off Jurong Island in Singapore © REUTERS

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Oil traders in Singapore are scrambling to reassure nervous clients they have no exposure to crisis-hit rival Hin Leong and can survive the steep drop in demand caused by coronavirus.

The collapse of Hin Leong, which last week revealed $800m of undisclosed losses and is seeking substantial debt restructuring, has sent shockwaves through Singapore's tight-knit trading community, which is also grappling with a crash in oil prices.

Demand for ship fuel, gasoline, diesel and other oil products has plunged because of government lockdowns to contain the spread of the virus.

The twin shocks have reverberated through the banking industry in the city-state, where billions of dollars of physical commodities and related financial derivatives change hands every year.

In response, leading trade finance banks have started to tighten credit lines to traders and stepped up their scrutiny of existing loans, raising the prospect of a severe liquidity crunch for all but the biggest players.

On Tuesday, Singapore's de facto central bank urged lenders not to "indiscriminately" exit its oil industry. Singapore is the world's biggest bunkering port.

Winson Group, which trades petroleum fuel and operates a fleet of tankers, has urged clients to ignore rumours that it has "run into financial difficulties, declaring its financial position "remains healthy and liquid".
"We have been able to meet all our obligations with both our banks and suppliers," it wrote in a letter seen by the Financial Times, adding that it did not have "open account receivables" with Hin Leong or related companies.