Just over a fortnight later, news emerged of difficulties at ZenRock, another of Singapore's independent fuel traders. HSBC filed a court application to have the company placed under judicial management, while accusations of fraudulent activity led to a police raid on its Marina View headquarters.

Though Hin Leong and ZenRock's demise was propelled by a historic crash in oil prices and the Covid-19 pandemic, concerns have not been limited to the fuels sector. Notably, in March, lenders were **left with exposures of US$600mn** (https://www.gtreview.com/news/asia/analysis-little-hope-for-banks-caught-up-in-agritrade-collapse/) after the collapse of commodities trader Agritrade.

With banks at risk of having to write off loans – particularly where single trades were financed several times over – firms are finding it increasingly difficult to access fresh lines of funding.

"Financing is effectively coming to a halt across commodity types," says Baldev Bhinder, managing director of Singapore law firm Blackstone & Gold. "I don't think that is helpful for anyone – the banks or the economy."

"The oil crisis has sucked up liquidity from the market, and cumulatively the banks appear to be quite jittery in their lending patterns," Bhinder tells **GTR**.

Regulators in the country have sought to reassure lenders that the oil trading sector remains resilient, despite the twin pressures of low oil prices and a significant decline in global demands.

The Monetary Authority of Singapore (MAS) is urging banks not to take a blanket approach to the sector, and continue lending wherever safe to do so.

"In their credit risk management, banks are expected to apply judicious credit assessments on individual borrowers and not rely on broad-based sector de-risking," a spokesperson for the regulator tells **GTR**. "We note that banks in Singapore continue to lend to firms in the oil and gas sector."

The plea follows an MAS statement issued on April 21 reminding banks "not to de-risk indiscriminately".

But for banks active in the country, the situation is not necessarily that straightforward. A source familiar with the Hin Leong collapse says some banks are already responding by carrying out a review of how their commodities facilities work across the globe.

"You learn a lot from a fraud crisis," says the source, who requests not to be identified. "There's been a temporary halt on everything except the most necessary lending – not because banks can't afford to fund traders but because a lot of these shocks may not have worked their way through the supply chain, and so there are still worries about companies' financial health."

Of the international banks with exposure to Hin Leong, the three largest are believed to be HSBC, ABN Amro and Société Générale.

ABN Amro said in its Q1 financial results that "a potential fraud case in Singapore" was one of two exceptional files accounting for €460mn in impairments.

"The corporate loan book is diversified and exposures to high-risk sectors such as offshore, diamonds and trade and commodity finance have been reduced in recent years, although more de-risking is clearly necessary," it said.

A bank spokesperson says it never discusses individual client situations nor discloses client names, but adds a review is ongoing into the activities of its corporate and institutional banking activities.

HSBC's Q1 filings report that its expected credit loss was US$3bn, a year-on-year increase of US$2.4bn, due to "a significant charge related to a corporate exposure in Singapore" as well as the impact of coronavirus-weakened oil prices. The bank declined to comment when contacted by **GTR**.