* Bank association plan would cease publishing offshore ringgit rate for NDFs
* Move follows probes that found attempts to manipulate Singapore FX fixings
* Malaysia, Indonesia central banks seeking more control of their currencies
* No move seen to abandon Singapore fixing for Indonesia rupiah

SINGAPORE, March 15 (Reuters) - Banks in Singapore will likely abandon their reference rate for the Malaysian ringgit, a person with knowledge of the matter told Reuters, handing a victory to Malaysia's central bank as it seeks greater control over its currency market.

Singapore's foreign exchange market has come under pressure for change since regulators, spurred by a global scandal over bankers rigging key lending rates, ordered reviews last autumn into various rates set by the city-state's banking association.

The probes uncovered attempts by traders to manipulate Singapore's rate fixings for certain currencies, fuelling the ire of central bankers in Malaysia and Indonesia who for years have held concerns about the impact of offshore speculation on their own spot currency markets.

The Association of Banks in Singapore, which is hammering out reforms to improve the integrity of its rate settings, is expected to adopt a plan that would end the daily publication of a ringgit spot rate for settling derivative contracts, said the person, a banking professional with direct knowledge of the plans who did not want to be named as the plans were not public.

A spokesman for the Association of Banks in Singapore declined to comment on the matter. The Monetary Authority of Singapore provided no comment.

No final decision has been made on whether to discontinue the offshore ringgit rate and discussions are continuing about how to reform the system, several banking sources involved in the process have told Reuters.

Even the consideration of dropping the offshore ringgit rate shows the pressure Singapore faces from its neighbours and the impact of the global regulatory push for greater transparency in over-the-counter derivatives.

The association has not shown any movement toward ending Singapore's rate fixing for the Indonesian rupiah, which market players say lacks a reliable spot reference rate in its home country compared with Malaysia's reference rate for the ringgit.

Over the past two years, the Singapore fixing has consistently quoted the rupiah at rates against the dollar that are weaker than the onshore rates, with the spread widening as far as 250 rupiah at the start of this year. The spread between onshore and offshore rates for the ringgit fixing is usually close to zero.

VESTED INTERESTS

The derivatives priced against the reference rates, known as non-deliverable forwards (NDFs), are instrumental for companies, investors and traders seeking to hedge currency risk in countries where capital controls restrict foreign money flows.

With the end of Singapore's ringgit rate, banks trading ringgit NDFs would refer to a benchmark published by the foreign exchange industry association in Malaysia, the person said.

That would still fall short of the ideal solution - a benchmark based on actual transactions - but it would be better than the offshore model, said Joseph Cherian, director of the Centre for Asset Management Research & Investments at NUS Business School in Singapore.

"When vested interests like offshore bankers set reference rates, be it interest or foreign exchange, and have their profit and loss - and by extension, their compensation - determined by the very rates they set, the temptation to do wrong is always high," he said.

Singapore's NDF market is one of the world's largest with turnover that can reach billions of dollars per day. Most trade is in the Indian rupee, for which reference rates are overseen by India's central bank, and in Southeast Asian currencies.

Some central banks, including Indonesia's, have long complained that speculation by NDF traders has made the spot rates for their currencies more volatile.

To determine Singapore's daily currency reference rates for the ringgit, a panel of 15 banks submits estimates of onshore spot rates every trading day. The fixing takes the average of bank contributions, after removing the top and bottom quarter of submissions.

Thomson Reuters, parent of Reuters news, acts as the agent for the Association of Banks in Singapore, collecting and calculating the rates. A similar process is used for interbank lending rates in Singapore and other financial centres around the world.

The move to a locally set rate is both a vote of confidence in the credibility of Malaysia's onshore rates, and a signal of banks' reluctance to remain involved in an offshore rate-setting process that has become mired in controversy.

It also reflects momentum for regulators to crack down on rate fixing systems after last year's scandal over the setting of the benchmark London interbank offered rate (Libor), which found traders worldwide were manipulating daily lending rates tied to more than $600 trillion worth of securities.

The review into Libor in London is proposing to reduce the number of interest rate benchmarks and tighten the oversight of the rate-setting process. ($1 = 9690.5000 Indonesian rupiah)

(Additional reporting by Niki Koswanage in Kuala Lumpur; Editing by Michael Flaherty and Edmund Klamann)