



MAS NOTICE 1001

15 December 2011

NOTICE TO MERCHANT BANKS
MONETARY AUTHORITY OF SINGAPORE ACT, CAP 186

(MAS Notice 1001 dated 1 November 1985 is cancelled with effect from 1 April 2012.)

DEFINITION OF CAPITAL FUNDS AND NET HEAD OFFICE FUNDS

1. This Notice is issued pursuant to section 28 of the Monetary Authority of Singapore Act.

Definition

2. “Asian Currency Unit” or “ACU”, in relation to a merchant bank, means an operational unit that has been approved by the Authority under section 77 of the Banking Act to operate in the Asian Dollar Market subject to such conditions as the Authority may determine.
3. “Domestic Banking Unit” or “DBU”, in relation to a merchant bank, means any operations of the merchant bank in Singapore, other than operations of the ACU.

Capital Funds

4. For the purposes of Directives and Notices to merchant banks, “capital funds” means -
 - (a) in the case of a merchant bank incorporated in Singapore, taking into account its DBU and ACU operations in Singapore, the aggregate of its paid-up capital, excluding any amount represented by treasury shares, and its published reserves, excluding such reserves as the Authority may from time to time determine, deduction having been made for any loss appearing in the accounts of the merchant bank; or
 - (b) in the case of a merchant bank whose head office is situated outside Singapore, net head office funds and the reserves and profits appearing in the books of the DBU operations of the merchant bank in Singapore, other than

reserves which are due to the writing down of the value of assets, provision for depreciation of fixed assets and reserves maintained for specific purposes.

5. For the purposes of paragraph 4,
 - (a) "Published reserves" means reserves appearing in the accounts of the merchant bank which are duly audited or certified as correct by the auditor of the merchant bank;
 - (b) "Treasury shares" has the same meaning as in section 4(1) of the Companies Act; and
 - (c) The following are to be excluded as "capital funds":
 - (i) revaluation reserves;
 - (ii) unrealised fair value gains or losses on revaluation of available-for-sale ("AFS") equity securities;
 - (iii) unrealised fair value gains or losses on revaluation of AFS debt securities and AFS loans; and
 - (iv) cumulative fair value gains or losses on cashflow hedges of financial instruments that are measured at amortised cost.

Net Head Office Funds

6. "Net Head Office Funds" means the net liability of the DBU operations of the merchant bank to the merchant bank's head office, other branches outside Singapore, and its ACU in Singapore, deduction having been made for any loss appearing in the books of the DBU and ACU operations.

Effective Date

7. This Notice shall take effect on 1 April 2012. MAS Notice 1001 dated 1 November 1985 shall be cancelled with effect from 1 April 2012.
8. A merchant bank in Singapore carrying on merchant banking business immediately before 15 December 2011 shall continue to comply with the requirements set out in MAS Notice 1001 dated 1 November 1985 until 31 March 2012. A merchant bank commencing merchant banking business on or after 15 December 2011 shall comply with this Notice on the date of business commencement.