

MAS 637

28 May 2004

Last revised on 26 September 2007*

NOTICE TO BANKS

BANKING ACT, CAP 19

NOTICE ON RISK BASED CAPITAL ADEQUACY REQUIREMENTS FOR BANKS INCORPORATED IN SINGAPORE

Introduction

This Notice is issued pursuant to section 10(2) of the Banking Act (Cap. 19) ["Banking Act"] and applies to all banks incorporated in Singapore ("Reporting Banks"). This Notice sets out the minimum capital adequacy ratios for a Reporting Bank and the methodology a Reporting Bank shall use for calculating these ratios.

2 The minimum capital adequacy ratio requirements for a Reporting Bank set out in this Notice is based on the capital adequacy framework established in the report "International Convergence of Capital Measurement and Capital Standards" ("the Report") issued by the Basel Committee on Banking Supervision in July 1988 and subsequent amendments to the Report¹.

3 In recognition of the potential non-perfect transferability of capital within a group of related corporations, the Authority will impose capital adequacy ratio requirements on a Reporting Bank at two levels:

(a) the bank standalone ("Solo") level capital adequacy ratio requirement, which measures the capital adequacy of a Reporting Bank based on its standalone capital strength and risk profile, taking into account any adjustments pursuant to MAS Notice 628; and

(b) the consolidated ("Group") level capital adequacy ratio requirement, which measures the capital adequacy of a Reporting Bank based on its capital strength and risk profile after consolidating the assets and liabilities of its subsidiaries and any other company treated as part of the Reporting Bank's group of companies according to Accounting Standards (collectively called "banking group companies"), taking into account:

(i) any exclusions of certain banking group companies under this Notice; and

(ii) any adjustments pursuant to this Notice and MAS Notice 628.

[MAS Notice 637 (Amendment) 2004]
[MAS Notice 637 (Amendment 2) 2005]

4 In addition to complying with the requirements in this Notice, a Reporting Bank should consider whether it has adequate capital to cover its exposure to all risks.

Definitions

5 For the purposes of this Notice

"Accounting Standards" has the same meaning as in section 4(1) of the Companies Act (Cap 50);

"associates" has the same meaning as in section 7(5) of the Companies Act (Cap 50);

"capital investments" in relation to a Reporting Bank, means all exposures of a capital nature, including

(a) any ordinary share;

(b) any preference share;

(c) any instrument treated as regulatory capital in relation to any financial institution approved, licensed, registered or otherwise regulated by a regulatory agency;

(d) any lending on non-commercial terms or which is not at arms' length; and

(e) any guarantee issued to third parties for the benefit of subsidiaries and major stake companies on non-commercial terms or which is not at arms' length;

"credit risk-weighted assets ("RWA")" means the risk weighted assets for credit risks determined in the manner provided in paragraphs 20 to 21;

"market RWA" means the risk weighted assets for market risks determined in the manner provided in paragraphs 22 to 24;

"Deductions from Tier 1 Capital" means the deductions set out in paragraph 12;

"Deductions from Total Capital" means the deductions set out in paragraphs 18 and 19;

"financial year" has the same meaning as in section 4(1) of the Companies Act (Cap. 50);

"Limits on perpetual non-cumulative preference shares and innovative Tier 1 capital instruments" means the limits set out in paragraphs 13 to 15;

"Limits on Tier 2 Capital" means the limits set out in paragraphs 17 and 17A;

"major stake company" in relation to a Reporting Bank, means any company in which the Reporting Bank is deemed, by virtue of section 32(7) of the Banking Act and Part VII of the Banking Regulations, to hold a major stake;

"preference shares" has the same meaning as in section 4(1) of the Companies Act (Cap 50);

"Tier 1 Capital" means the sum of the items set out in paragraph 11;

"Tier 2 Capital" means the sum of the items set out in paragraphs 16 and 16B;

"Tier 2 capital instrument" means any of the capital instruments set out in paragraphs 16(b), 16(f), 16B(a) and 16B(b);

"Tier 2 Capital subject to Limits" means the sum of the items set out in paragraphs 16 and 16B, subject to the limits set out in paragraphs 17 and 17A;

"written law" has the same meaning as in section 2 of the Interpretation Act.

[MAS Notice 637 (Amendment) 2007]

6 The expressions used in this Notice shall, except where expressly defined in this Notice or where the context otherwise requires, have the same meanings as in the Banking Act.

Minimum Tier 1 and Total Capital Adequacy Ratios

7 A Reporting Bank shall calculate its Tier 1 capital adequacy ratio ("Tier 1 CAR") as follows:

$$\text{Tier 1 CAR} = \frac{\text{Eligible Tier 1 Capital}}{\text{Credit RWA + Market RWA}}$$

where

$$\text{Eligible Tier 1 Capital} = \text{Tier 1 Capital} - \text{Deductions from Tier 1 Capital; subject to Limits on perpetual non-cumulative preference shares and innovative Tier 1 capital instruments}$$

[MAS Notice 637 (Amendment) 2007]

8 Every Reporting Bank shall calculate its total capital adequacy ratio ("Total CAR") as follows:

$$\text{Total CAR} = \frac{\text{Eligible Total Capital}}{\text{Credit RWA + Market RWA}}$$

where

$$\text{Eligible Total Capital} = \text{Eligible Tier 1 Capital} + \text{Tier 2 Capital subject to Limits} - \text{Deductions from Total Capital}$$

[MAS Notice 637 (Amendment) 2007]

9 Every Reporting Bank shall, at all times, maintain at both the Solo and Group levels, the following ratios:

- a) a Tier 1 CAR of at least 6%;
- b) a Total CAR of at least 10%.

[MAS Notice 637 (Amendment) 2007]

10 In addition to the requirements set out in this Notice, the Authority may, pursuant to section 10(3) of the Banking Act, vary the capital adequacy ratio applicable to a Reporting Bank. The Authority will take into account any relevant risk factor, to ensure that the capital adequacy ratio is commensurate with the overall risk profile of the Reporting Bank. These risk factors include concentration risk, liquidity risk, profitability, and the effectiveness of the Reporting Bank in identifying, measuring, monitoring and managing its risks.

Eligible Tier 1 Capital

Tier 1 Capital

11 Tier 1 Capital shall be the sum of the following items, whether at the Solo or Group level, as the case may be:

- (a) paid-up ordinary share capital;

(b) disclosed reserves, excluding (i) any revaluation reserves, (ii) unrealised fair value gains 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, (iv) cumulative fair value gains or losses on cashflow hedges of financial instruments that are measured at amortised cost, (v) unrealised fair value gains or losses on financial liabilities arising from changes in its own credit worthiness, (vi) unrealised fair value gains or losses on non-trading financial liabilities unless the Reporting Bank can demonstrate that the application of the fair value option to these liabilities is part of an identifiable and effective hedging strategy^{1A}, (vii) any gains resulting from securitising its own exposures^{1B}, and (viii) any performance-related payment or benefit from any surplus income generated in its role as servicer of a securitisation transaction that has not been irrevocably received after deducting any interim or final dividends that have been declared by the board of directors of the Reporting Bank or any banking group company on any class of shares and any interim losses incurred since the end of the last financial reporting period. Any interim profits earned since the end of the last financial reporting period may be included as disclosed reserves where the following conditions are met in the 12-month period immediately preceding the inclusion of the interim profits:

- (i) every quarterly financial statement is prepared using the same accounting policies and practices applied in the preparation of the year-end financial statements, unless the change in the accounting policy or practice is in accordance with any statutory requirement;
- (ii) every quarterly financial statement and every significant transaction is reviewed in a timely manner by an external auditor;
- (iii) the external auditor of the Reporting Bank did not express a qualified opinion on any of the quarterly financial statements;

[MAS Notice 637 (Amendment) 2004]

(c) any paid-up perpetual non-cumulative preference shares where:

- (i) the holder of the preference shares has a priority of claim, in respect of the principal and dividends of the preference shares in the event of a winding up of the Reporting Bank, which is lower than that of depositors, other creditors of the bank, and holders of Tier 2 capital instruments, except where such persons rank equally with, or behind the holder of the preference shares;
- (ii) the preference shares are not covered under any arrangement that legally or economically enhances the priority of the claim of the holder of the preference shares as against the persons set out in sub-paragraph (c)(i);
- (iii) the preference shares, if redeemable (whether through a call option, repurchase or otherwise), may be redeemed only at the option of the Reporting Bank with the prior approval of the Authority². Without prejudice to any other matter that the Authority may consider relevant, the Authority shall, in determining whether to grant its approval, have regard to whether the Reporting Bank's capital is likely to remain adequate after redemption;
- (iv) the preference shares do not have any call option within the first five years from the issue date, other than a call option which may be exercised by the Reporting Bank where:

- (A) the preference shares were issued for the purpose of a merger with, or acquisition by, the Reporting Bank and the merger or acquisition is aborted;
- (B) there is a change in tax status of the preference shares due to changes in the applicable tax laws of the country or territory in which the preference shares were issued;
- (C) in the case of a merger or acquisition, the preference shares are exchanged for shares or any instrument of the surviving or new Reporting Bank (as the case may be) with terms and conditions that qualify the shares or

instrument as equal or higher quality capital; or

(D) there is a change in this Notice relating to the recognition of the preference shares as capital for calculating CAR;

(v) the agreement governing the issuance of the preference shares does not contain any provision that mandates or creates an incentive for the Reporting Bank to repay the outstanding principal of the instrument early;

[MAS Notice 637 (Amendment) 2005]

(vi) any dividend paid under the preference shares is only paid to the extent that the Reporting Bank has profits distributable under written law, determined as at the last public disclosure of its financial statements; and

(vii) the Authority has given its approval for the preference shares to be included as Tier 1 Capital;

[MAS Notice 637 (Amendment) 2007]

(d) any innovative Tier 1 capital instrument which, in the opinion of the Authority, complies with the requirements set out in Annex 1;

(e) any minority interest arising from accounting consolidation of subsidiaries³; and

(f) any other instrument issued by a banking group company, which in the opinion of the Authority, is equivalent to a perpetual non-cumulative preference share or innovative Tier 1 capital instrument issued by the Reporting Bank.

[MAS Notice 637 (Amendment) 2007]

11A In applying for approval under paragraph 11(c)(vii), the Reporting Bank shall:

(a) submit an appropriate memorandum of compliance stating how the proposed issuance complies with the requirements in paragraph 11(c), and identifying the relevant portions of the agreement governing the issuance of the instrument which address the requirements; and

(b) confirm to the Authority in writing that it has received a written external legal opinion stating that the requirements in paragraphs 11(c)(i) to (vi) have been met.

[MAS Notice 637 (Amendment) 2007]

Deductions from Tier 1 Capital

12 "Deductions from Tier 1 Capital" shall be the sum of the following items, whether at the Solo or Group level, as the case may be:

(a) goodwill;

(b) any intangible asset, including but not limited to copyright, patents and other intellectual property;

(c) any deferred tax asset, except for any deferred tax assets associated with general provisions qualifying as Upper Tier 2 Capital as set out in paragraph 16(a). At the Solo level, deferred tax assets may be netted against deferred tax liabilities prior to being included as a Deduction from Tier 1 Capital. At the Group level, the following shall not be permitted for the purposes of calculating CAR:

(i) intra-entity netting of deferred tax assets against deferred tax liabilities for any company incorporated outside Singapore;

(ii) inter-entity netting of deferred tax assets against deferred tax liabilities.

However, the Authority may permit (i) and (ii) above if the Reporting Bank confirms in writing to the Authority that it has received written opinions from external auditors and legal advisors that the relevant tax authorities allow or would allow, deferred tax assets to be offset against deferred tax liabilities in a liquidation or winding up of the banking group companies incorporated outside Singapore;

(d) any other item or class of items which the Authority may specify in writing to the Reporting Bank for the purpose of this paragraph.

12A [Deleted by MAS Notice 637 (Amendment) 2007]

12B [Deleted by MAS Notice 637 (Amendment) 2007]

Limits on perpetual non-cumulative preference shares and innovative Tier 1 capital instruments

13 The amount of innovative Tier 1 capital instruments shall not exceed 15% of Eligible Tier 1 Capital of the Reporting Bank at the Solo or Group level, as the case may be. (Please see example at Annex 3.)

14 The amount of perpetual non-cumulative preference shares and innovative Tier 1 capital instruments shall not exceed 30% of Eligible Tier 1 Capital of the Reporting Bank at the Solo or Group level, as the case may be. (Please see example at Annex 3.)

[MAS Notice 637 (Amendment) 2007]

15 Any excess over the 15% and 30% limits described in paragraphs 13 and 14 shall not qualify as Eligible Tier 1 Capital (calculated in the manner set out in paragraph 7) for the calculation of Tier 1 CAR but may qualify as Upper Tier 2 Capital.

Tier 2 Capital

Upper Tier 2 Capital

16 Upper Tier 2 Capital shall comprise the sum of the following items, whether at the Solo or Group level, as the case may be:

(a) general provisions (also referred to as collective impairment provisions), made for impairment losses that have yet to be identified or that have not been allocated specifically to any asset or class of assets, provided the following conditions are satisfied:

(i) deferred tax assets associated with these general provisions ("associated deferred tax assets") shall be deducted from the notional amount of these general provisions;

(ii) the amount of general provisions, after deducting associated deferred tax assets, shall not exceed 1.25% of the sum of credit RWA and market RWA;

[MAS Notice 637 (Amendment) 2004]

(b) any Upper Tier 2 capital instrument which, in the opinion of the Authority, complies with the requirements set out in Annex 2;

[MAS Notice 637 (Amendment) 2007]

(c) 45% of revaluation surpluses on land and building assets, where the following conditions pertaining to revaluations are satisfied:

(i) the valuation of any land and building asset shall be obtained from a qualified

valuer and the increase in value shall be recorded as a revaluation surplus in the financial statements;

- (ii) a new valuation from a qualified property valuer shall be obtained
 - (A) at least once every three years; or
 - (B) where the value of the land or building has been substantially impaired by any event,

whichever occurs earlier;

- (iii) impairment charges taken against any land and building asset may not be netted against revaluation surpluses from any other asset;

- (iv) the external auditor of the Reporting Bank shall not have expressed a qualified opinion on the revaluation of any land and building asset;

(d) 45% of revaluation gains on AFS equity securities that are listed on any securities exchange in Singapore and any Group A Exchange as set out in Table 6 of the Fourth Schedule to the Securities and Futures (Margin and Financial Requirements for Holders of Capital Markets Services License) Regulations (G.N.S498/2002), but excluding any equity security required to be deducted under paragraph 18, where the following conditions pertaining to revaluations are satisfied:

- (i) each equity security shall be valued at least monthly and with greater frequency under volatile market conditions;
- (ii) impairment charges taken against any equity security shall be taken as a charge to profit and loss account and shall not be netted against gains from any other asset; and
- (iii) the external auditors of the Reporting Bank shall not have expressed a qualified opinion on the revaluation of any equity security;

[MAS Notice 637 (Amendment) 2004]

(e) any perpetual non-cumulative preference shares and innovative Tier 1 capital instruments in excess of the 15% and 30% limits described in paragraphs 13 and 14; and

[MAS Notice 637 (Amendment) 2007]

(f) any other instrument issued by a banking group company, which in the opinion of the Authority, is equivalent to an Upper Tier 2 capital instrument issued by the Reporting Bank.

[MAS Notice 637 (Amendment) 2007]

16A A Reporting Bank may continue to include as Upper Tier 2 Capital in its calculation of CAR any Upper Tier 2 capital instrument issued and approved by the Authority before 1 March 2007 where such an instrument has met and continues to meet the requirements in Annex 2 of MAS Notice 637 in force immediately before 1 March 2007.

[MAS Notice 637 (Amendment) 2007]

Lower Tier 2 Capital

16B Lower Tier 2 Capital shall comprise the sum of the following items, whether at the Solo or Group level, as the case may be:

- (a) any Lower Tier 2 capital instrument which, in the opinion of the Authority, complies with the requirements set out in Annex 2A; and

(b) any other instrument issued by a banking group company, which in the opinion of the Authority, is equivalent to a Lower Tier 2 capital instrument issued by the Reporting Bank.

[MAS Notice 637 (Amendment) 2007]

Limits on Tier 2 Capital

17 Tier 2 Capital included for the purpose of calculating Total CAR shall not exceed 100% of Eligible Tier 1 Capital.

[MAS Notice 637 (Amendment) 2007]

17A Lower Tier 2 Capital included for the purpose of calculating Total CAR shall not exceed 25% of the sum of Eligible Tier 1 Capital and Tier 2 Capital subject to Limits.

[MAS Notice 637 (Amendment) 2007]
[MAS Notice 637 (Amendment 2) 2007]

Deductions From Total Capital

18 Deductions from Total Capital shall be the sum of the following items whether at the Solo or Group level, as the case may be:

(a) capital investments in every subsidiary carrying on insurance business as an insurer ("insurance subsidiary") at the Solo level. For purposes of determining Total CAR at the Group level, the assets and liabilities of an insurance subsidiary shall be de-consolidated from the assets and liabilities of the banking group, with goodwill being deducted from Tier 1 Capital and the balance of the capital investment deducted from the sum of Eligible Tier 1 Capital and Tier 2 Capital subject to Limits;

(b) capital investments in every subsidiary approved, licensed, registered or otherwise regulated by the Authority and whose assets and liabilities are not included in the consolidated financial statements of the banking group ("unconsolidated"), unless a deduction has been made pursuant to sub-paragraph (a) above;

(c) capital investments in every unconsolidated subsidiary which is not approved, licensed, registered or otherwise regulated by the Authority, unless any deductions have been made pursuant to sub-paragraph (a) above;

(d) capital investments in every major stake company which is not approved, licensed, registered or otherwise regulated by the Authority, where

(i) the Authority has not approved the holding of a major stake in the company under section 32 of the Banking Act; or

(ii) the company is acquired or held in the course of the satisfaction of debts due to the Reporting Bank or any of its banking group companies to be disposed off at the earliest suitable opportunity,

unless a deduction has been made pursuant to sub-paragraph (c) above;

(e) capital investments in every major stake company in excess of 20% of each tranche of capital investment, where the holding of a major stake in the company is

(i) approved by the Authority under section 32 of the Banking Act; or

(ii) excluded from operation of section 32 of the Banking Act pursuant to section 32(5)(a) ⁴,

unless a deduction has been made pursuant to sub-paragraphs (a) to (c) above.

[MAS Notice 637 (Amendment) 2005]

(f) capital investments in any financial institution incorporated in Singapore which is approved, licensed, registered or otherwise regulated by the Authority, in excess of 2% of Eligible Total Capital of the Reporting Bank at the Solo or Group⁵ level, unless any deductions have been made pursuant to sub-paragraph (a), (b) or (e) above;

(g) full amount of capital deficits in regulated financial subsidiaries and pro-rata share of capital deficits in regulated financial associates. In the event that a recapitalisation plan is in place or an irrevocable commitment has been given by other shareholders to make up the capital deficit, the Authority may approve a corresponding reduction in the amount of deductions in respect of such capital deficits;

(h) any amount that is to be included in Deductions from Total Capital pursuant to MAS Notice 628;

[MAS Notice 637 (Amendment 2) 2005]

(i) [Deleted by MAS Notice 637 (Amendment) 2005]

(j) any other item or class of items which the Authority may specify in writing to the Reporting Bank for the purpose of this paragraph.

19 Notwithstanding paragraph 18(a) above, for purposes of determining Deductions from Total Capital, the capital investments held through the following funds by an insurance subsidiary shall be included as part of the capital investments of the banking group:

(a) any insurance fund established and maintained for its general business or any equivalent fund;

(b) any insurance fund established and maintained for its non-participating policies or any equivalent fund;

(c) any insurance fund established and maintained for its participating policies, and which relates to assets held other than for the purpose of meeting the liabilities in respect of the policies of the insurance fund or any equivalent fund;

(d) any insurance fund established and maintained for its investment-linked policies, and which relates to assets held other than for the purpose of meeting those liabilities in respect of the policies of the insurance fund, the values of which are dependent on the value of the underlying assets or any equivalent fund;

(e) the shareholders' funds of any insurance subsidiary.

Calculation of Risk Weighted Assets

Credit RWA

20 A Reporting Bank shall calculate its credit RWA as the sum of individual RWA arising from all banking book positions and counterparty RWA arising from derivative contracts. The individual RWA shall be derived as follows:

Risk Weighted Assets = Exposure X Applicable Risk Weight

Where Exposure is

- (a) for each on-balance sheet banking book position, the net book value of each position;
- (b) for each off-balance sheet banking book position, other than derivative contracts, calculated by:
 - (i) multiplying the applicable conversion factor set out in Schedule III of Annex 4 with the notional amount for each position, and
 - (ii) deducting specific provisions allocated to each position;
- (c) for each derivative position, calculated by:
 - (i) multiplying the applicable conversion factor as set out in Schedule IV of Annex 4 with the effective notional principal for each derivative position;
 - (ii) adding the marked-to-market value of the derivative position subject to a minimum value of zero (where marked-to-market value of the position is negative); and
 - (iii) deducting specific provisions allocated to each position;
- (d) for each securitisation transaction,
 - (i) the underlying pool of exposures in any securitisation transaction in which the Reporting Bank (A) acts as an ABCP programme sponsor, originator or servicer, (B) provides a liquidity facility or credit enhancement, or (C) participates in a clean-up call, except where the bank has complied with the relevant requirements in MAS Notice 628; and
 - (ii) the underlying pool of exposures in any securitisation transaction to which the Reporting Bank has provided implicit support, as defined in MAS Notice 628, subject to a maximum exposure (including securitisation exposures held in the banking book) equal to that which would apply had the underlying pool of exposures in the securitisation been on its balance sheet,

net of any funded credit protection recognised under MAS Notice 627.

[MAS Notice 637 (Amendment 2) 2005]

21 A Reporting Bank shall use the risk weight for each exposure as set out in Schedule II of Annex 4 unless (a) the Reporting Bank, as Protection Buyer, is permitted to replace the risk weight of the exposure with that of a protection Seller pursuant to MAS Notice 627 or MAS Notice 628; or (b), the exposure is a securitisation exposure as defined in MAS Notice 628, in which case the Reporting Bank shall use the risk weights and if applicable, the CCFs, set out in MAS Notice 628.

[MAS Notice 637 (Amendment 2) 2005]

Market RWA

22 A Reporting Bank shall calculate its capital charges for market risk according to the Standardised Approach as provided for under the "Amendment to The Capital Accord to Incorporate Market Risks" issued by the Basel Committee in 1996, except as regards to its exposure to non-investment grade government securities which shall be assigned a specific risk factor of 4%.

23 A Reporting Bank may also use the Internal Models Approach ("IMA") for calculating capital charges for market risk after it has received written approval from the Authority and subject to such conditions and restrictions as the Authority may impose.

24 A Reporting Bank shall multiply the capital charges for market risk calculated according to the Standardised or Internal Models Approach by 12.5 to arrive at its market RWA.

Regulatory Reporting Requirements

25 Every Reporting Bank shall submit to the Authority, the Tier 1 CAR and Total CAR

(a) at the Solo level as at the end of each month; and

(b) at the Group level as at the end of each quarter, and its associated credit RWA and capital charges for market risk, calculated according to the requirements of this Notice in the format provided at Annex 4 of this Notice no later than the 15th of the following month.

26 This Notice shall take effect on 30 June 2004.

Footnotes

1

The Report and subsequent amendments to the Report may be found at the following website:
<http://www.bis.org>

1A

An effective hedging strategy is one where the gains or losses on the revaluation of these liabilities are offset by corresponding losses or gains on the revaluation of the derivatives that have been clearly identified as hedging such liabilities.

[MAS Notice 637 (Amendment) 2004]

1B

E.g., that associated with expected future margin income resulting in a gain-on-sale that is recognised in equity capital. For avoidance of doubt, fee income generated by the bank for its role in a securitisation transaction need not be excluded from disclosed reserves.

[MAS Notice 637 (Amendment 2) 2005]

2

The Authority is not likely to grant any approval for redemption within the first 5 years from the issue date except in any one of the situations set out in paragraph 11(c)(iv).

Approval is likely to be granted after the first 5 years from the issue date:

- (i) where the preference shares are replaced by equal or higher quality capital (including an increase in retained earnings);
- (ii) where the Reporting Bank or any of its banking group companies is reducing its operations in Singapore or elsewhere; or
- (iii) in any one of the situations set out in paragraph 11(c)(iv).

[MAS Notice 637 (Amendment) 2007]

3

This does not include minority interests in preference shares that do not qualify as Tier 1 Capital.

4

This refers to PE/VC investments as defined in MAS Notice 630.

[MAS Notice 637 (Amendment) 2005]

5

Exposures exempted from deduction that are recorded in the banking book to be risk weighted at 100%. Exposures exempted from deduction that are recorded in the trading book to attract market risk capital charges.

6

[Deleted by MAS Notice 637 (Amendment 2) 2005]

7

[Deleted by MAS Notice 637 (Amendment) 2005]

8

Any Reporting Bank intending to use the IMA for calculating its market risk capital charges shall provide full documentation on the use of Internal Models to calculate its market risk capital requirements concurrent with its application to the Authority. Thereafter, the Authority will schedule a certification programme with the Reporting Bank with a view to determining whether the Authority is prepared to certify the use of the Internal Models Approach by a Reporting Bank.

*Notes on History of Amendments

1. MAS Notice 637 (Amendment) 2004 with effect from 1 Jan 2005.
2. MAS Notice 637 (Amendment) 2005 with effect from 31 August 2005.
3. MAS Notice 637 (Amendment 2) 2005 with effect from 1 October 2005.
4. MAS Notice 637 (Amendment) 2006 with effect from 1 August 2006.
5. MAS Notice 637 (Amendment) 2007 with effect from 1 March 2007.
6. MAS Notice 637 (Amendment 2) 2007 with effect from 1 October 2007.