

**Notice No** : **MAS 103**  
**Issue Date** : **16 January 2006**

## **STATUTORY DEPOSITS AND BANK COVENANTS**

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### **Introduction**

1 This Notice is issued pursuant to sections 14(2), 15(1) and 64(2) of the Insurance Act (Cap. 142) (“the Act”).

2 This Notice applies to all direct insurers and reinsurers to whom section 14 applies. It specifies the nature of the assets in which the deposit under section 14(1) of the Act (“statutory deposit”) shall be made. It also specifies the form of the agreement referred to in section 15(1) of the Act (“bank covenant”) and the requirements referred to in section 15(1)(b).

### **Definitions**

3 Any expression used in this Notice shall, except where expressly defined in this Notice or where the context otherwise requires, have the same meaning as in the Act.

### **Statutory Deposits – Form and Related Requirements**

4 The statutory deposit shall be in the form of Singapore Government Securities, or a Singapore dollar-denominated fixed deposit with a bank licensed in Singapore under the Banking Act (Cap. 19), or both.

5 A direct insurer or a reinsurer shall not treat its statutory deposit as an asset of any insurance fund established and maintained under section 17(1) of the Act. The statutory deposit shall be registered in favour of the Authority.

6 For control purposes, a direct insurer or a reinsurer shall lodge in duplicate, together with the statutory deposit, the names, the designations and specimen signatures of officers and employees authorised to deal on its behalf with the Authority on the lodgement and withdrawal of its statutory deposit. The direct insurer or the reinsurer shall notify the Authority of any changes in the officers and employees so authorised.

### **Bank Covenants in lieu of Deposits**

7 In lieu of the statutory deposit, a direct insurer or a reinsurer may lodge with the Authority a bank covenant that complies with the provisions of this Notice.

8 The bank covenant shall be executed under the common seal of the bank or under the power of attorney of the bank. In either case, the bank shall be licensed in Singapore under the Banking Act (Cap. 19). Where the bank covenant is executed under common seal, it shall be lodged together with a copy of a directors’ resolution by the bank authorising the relevant officer(s) to affix the bank’s common seal to the bank covenant. Where the bank covenant is executed under a power of attorney, it shall be lodged together with a copy of the power of attorney of the person(s) signing the bank covenant. If a copy of the power of attorney had been lodged previously, the bank covenant may instead be lodged together with a

certification by the bank that the power of attorney has not been revoked. The lodged copy of the directors' resolution or the power of attorney (as the case may be) shall have been certified by the bank's legal counsel.

9 If the bank covenant is issued by a bank incorporated outside Singapore, it shall also be lodged with written confirmation from the bank's legal counsel that the bank has properly and validly executed the bank covenant according to the law of the place of its incorporation and its memorandum and articles of association or other constitutional instruments.

10 A bank covenant to be issued under the common seal of the bank shall be in the form shown in Appendix A. A bank covenant to be issued under the power of attorney of the bank shall be in the form shown in Appendix B.

### **Commencement and Cancellation**

11 Notwithstanding anything in paragraphs 7 to 10, a direct insurer or reinsurer who has lodged a bank covenant before 16 January 2006 shall, as long as the bank covenant remains lodged and effective, be deemed to have complied with the provisions of this Notice.

12 This Notice shall take immediate effect. MAS Notice 103 dated 26 October 2005 is cancelled.

**Appendix A**

**To: The Monetary Authority of Singapore  
MAS Building  
10 Shenton Way  
Singapore 079117**

In accordance with the provisions of section 15 of the Insurance Act (Cap. 142) (hereinafter referred to as “the Act”), we,

\_\_\_\_\_ (name of bank) at the instance of

\_\_\_\_\_ (name of direct insurer or reinsurer) (hereinafter referred to as “the Insurer”) hereby covenant with the Monetary Authority of Singapore (hereinafter referred to as “the MAS”) as follows:

- 1 If, during the period of validity of this Covenant, any of the circumstances specified in the Schedule below shall occur (as to the occurrence of which we shall accept a certificate signed by the MAS as conclusive evidence), we shall forthwith deposit with the MAS the sum of Singapore Dollars \_\_\_\_\_ (S\$ \_\_\_\_\_) (principal amount of covenant), on account of the Insurer’s deposit under the Act in respect of the \_\_\_\_\_ (general/life/composite) business carried on by the Insurer.
- 2 This Covenant is valid initially from \_\_\_\_\_ (date of initial commencement of Covenant) until 31 Dec \_\_\_\_\_ (same year as date of initial commencement of Covenant) and shall thereafter be automatically extended for a period of one year at a time. This Covenant shall not be terminated, except with the prior written approval of the MAS. In the event that we wish to terminate this Covenant, we shall give written notice of such intention to the MAS not later than three months before the intended date of termination. The MAS shall not approve such termination unless:
  - (a) at least 30 days before the date of termination of this Covenant, we pay to the MAS the sum of Singapore Dollars \_\_\_\_\_ (S\$ \_\_\_\_\_) (principal amount of covenant);
  - (b) we have already paid such sum under paragraph 1 above;
  - (c) the Insurer has ceased to be required to maintain any deposit under the Act; or
  - (d) at least 30 days before the date of termination of this Covenant, any other bank licensed in Singapore has executed a similar Covenant relating to the Insurer's deposit under the Act and such Covenant has been approved by and delivered to the MAS.

- 3 This Covenant shall be, in all respects, governed by and interpreted according to the laws of the Republic of Singapore and we agree to submit to the non-exclusive jurisdiction of the Courts of the Republic of Singapore.

## THE SCHEDULE

The circumstances referred to in paragraph 1 above are:

- 1 The taking of any proceedings in Singapore or elsewhere for the winding-up voluntarily or otherwise of the Insurer or any part of the Insurer's business.
- 2 Any general reduction of the Insurer's liabilities or any description of them, by means of any composition or arrangement with its creditors or otherwise.
- 3 The transfer to another direct insurer or reinsurer (whether registered under section 8 of the Insurance Act, authorised under section 8A of the Insurance Act, or otherwise) of the whole or part of the Insurer's \_\_\_\_\_ (general/life/composite) business in Singapore.
- 4 The making of an arrangement between the Insurer and the MAS under section 12(6) of the Insurance Act (Cap. 142), where a deposit is required by the MAS in connection with such arrangement.
- 5 \_\_\_\_\_  
(name of bank) ceasing to be licensed under the Banking Act (Cap. 19) in Singapore.

Done this \_\_\_\_\_ day of \_\_\_\_\_

20\_\_\_\_\_.

The Common Seal of

\_\_\_\_\_ was affixed to this Covenant in the presence of

Name: \_\_\_\_\_

Signature: \_\_\_\_\_

IC/Passport No.: \_\_\_\_\_

**Appendix B**

**To: The Monetary Authority of Singapore  
MAS Building  
10 Shenton Way  
Singapore 079117**

In accordance with the provisions of section 15 of the Insurance Act (Chapter 142) (hereinafter referred to as “the Act”), we,

\_\_\_\_\_ (name of bank) at the instance of

\_\_\_\_\_ (name of direct insurer or reinsurer) (hereinafter referred to as “the Insurer”) hereby covenant with the Monetary Authority of Singapore (hereinafter referred to as “the MAS”) as follows:

- 1 If, during the period of validity of this Covenant, any of the circumstances specified in the Schedule below shall occur (as to the occurrence of which we shall accept a certificate signed by the MAS as conclusive evidence), we shall forthwith deposit with the MAS the sum of Singapore Dollars \_\_\_\_\_ (S\$ \_\_\_\_\_) (principal amount of covenant), on account of the Insurer’s deposit under the Act in respect of the \_\_\_\_\_ (general/life/composite) business carried on by the Insurer.
- 2 This Covenant is valid initially from \_\_\_\_\_ (date of initial commencement of Covenant) until 31 Dec \_\_\_\_\_ (same year as date of initial commencement of Covenant) and shall thereafter be automatically extended for a period of one year at a time. This Covenant shall not be terminated, except with the prior written approval of the MAS. In the event that we wish to terminate this Covenant, we shall give written notice of such intention to the MAS not later than three months before the intended date of termination. The MAS shall not approve such termination unless:
  - (a) at least 30 days before the date of termination of this Covenant, we pay to the MAS the sum of Singapore Dollars \_\_\_\_\_ (S\$ \_\_\_\_\_) (principal amount of covenant);
  - (b) we have already paid such sum under paragraph 1 above;
  - (c) the Insurer has ceased to be required to maintain any deposit under the Act; or
  - (d) at least 30 days before the date of termination of this Covenant, any other bank licensed in Singapore has executed a similar Covenant relating to the Insurer's deposit under the Act and such Covenant has been approved by and delivered to the MAS.

- 3 This Covenant shall be, in all respects, governed by and interpreted according to the laws of the Republic of Singapore and we agree to submit to the non-exclusive jurisdiction of the Courts of the Republic of Singapore.

## THE SCHEDULE

The circumstances referred to in paragraph 1 above are:

- 1 The taking of any proceedings in Singapore or elsewhere for the winding-up voluntarily or otherwise of the Insurer or any part of the Insurer's business.
- 2 Any general reduction of the Insurer's liabilities or any description of them, by means of any composition or arrangement with its creditors or otherwise.
- 3 The transfer to another direct insurer or reinsurer (whether registered under section 8 of the Insurance Act, authorised under section 8A of the Insurance Act, or otherwise) of the whole or part of the Insurer's \_\_\_\_\_ (general/life/composite) business in Singapore.
- 4 The making of an arrangement between the Insurer and the MAS under section 12(6) of the Insurance Act (Cap. 142), where a deposit is required by the MAS in connection with such arrangement.
- 5 \_\_\_\_\_  
(name of bank) ceasing to be licensed under the Banking Act (Cap. 19) in Singapore.

Done this \_\_\_\_\_ day of \_\_\_\_\_

20\_\_\_\_\_.

Signed, sealed and delivered by

Name: \_\_\_\_\_

Signature: \_\_\_\_\_

as attorney for

Name of Bank: \_\_\_\_\_

in the presence of

Name: \_\_\_\_\_

Signature: \_\_\_\_\_

IC/Passport No.: \_\_\_\_\_