



The Monetary Authority of Singapore

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# **TRUST COMPANIES ACT (ACT 11 OF 2005)**

## **GUIDELINES ON CRITERIA FOR THE GRANT OF A TRUST BUSINESS LICENCE**

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**Guideline No: TCA-G02**

**Issue Date: 22 December 2005 (Last revised on 24 August 2010)**

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**Purpose of these Guidelines**

1. These Guidelines are issued pursuant to section 74 of the Trust Companies Act 2005 (Act 11 of 2005) (“the Act”) to provide guidance on the licensing admission criteria for persons applying for a trust business licence under the Act.
2. The Monetary Authority of Singapore (“MAS”) expects all licensed trust companies to adhere to these Guidelines where applicable, so as to ensure consistency and efficiency in the processing of licence applications.
3. These Guidelines should be read in conjunction with the provisions of the Act, Trust Companies Regulations 2005 (“the Regulations”) as well as written directions, notices, codes and other guidelines that MAS may issue from time to time.

**Who needs to apply for a trust business licence**

4. Any person that carries on trust business as defined in the First Schedule to the Act is required to hold a trust business licence under the Act unless that person is a person specified under the Second Schedule or is exempted.
5. Trust business is defined in the First Schedule to the Act as:
  - (a) the provision of services with respect to the creation of an express trust;
  - (b) acting as trustee in relation to an express trust;
  - (c) arranging for any person to act as trustee in respect of an express trust; or
  - (d) the provision of trust administration services in relation to an express trust.

## **Admission criteria**

### *Company/Foreign Company*

6. A trust business licence will only be granted to -
  - (a) a company incorporated under the Companies Act; or
  - (b) a foreign company registered under Division 2 of Part XI of the Companies Act. An applicant applying for a trust business licence is required to establish a physical presence in Singapore.

### *Minimum Capital or Qualifying Assets*

7. A trust business licence will only be granted if the applicant has paid-up capital or qualifying assets, as the case may be, in the amount of \$250,000, as required by Regulation 11.

### *Systems and Processes*

8. An applicant should have adequate internal compliance systems and processes as set out in the Guidelines on Standards of Conduct for Licensed Trust Companies (Guidelines No. TCA-G03).

### *Resident Managers*

9. Regulation 8 of the Regulations requires a licensed trust company to have at least two resident managers.
10. The applicant should ensure that the resident manager is a fit and proper person having regard to the criteria as set out in Regulation 9 of the Regulations;
11. All resident managers must have acceptable tertiary qualifications or professional qualifications. At least one resident manager must have a minimum of 5 years of relevant working experience. All other resident managers must have a minimum of 3 years of relevant working experience.

### *Competence and Integrity*

12. In addition, the applicant will have to satisfy the following requirements:
  - (a) have the relevant competence and expertise to carry out the trust business; and
  - (b) satisfy MAS that it would discharge its duties efficiently, honestly and fairly.

*Professional Indemnity Insurance*

13. Regulation 14 of the Regulations requires a licensed trust company to have adequate standalone non-Hybrid professional indemnity insurance (PII). The PII must cover all liabilities arising out of negligent discharge of the duties of the licensed trust company and be commensurate with the levels of risk of its business.

14. MAS is likely to consider that the PII is adequate if -

- (a) the annual PII cover is at least -
- (i) \$1 million; or
  - (ii) 2.5 times the turnover (previous year's turnover or, for new businesses, estimated turnover for the first year) of the trust business;

whichever is the higher; and

- (b) the deductible is
- (i) not more than \$10,000, where the annual PII cover is \$1 million; or
  - (ii) not more than 3% of the turnover of the trust business, in any other case.

15. With regard to paragraph 14, MAS recognises that the risk of one licensed trust company may differ from another and that the amount of PII of a licensed trust company will vary accordingly. MAS may also consider the following alternative forms of PII, as long as the applicant has assessed that such a PII does not undermine the interest of investors, subject to the fulfilment of conditions specified for each type of PII:

Type of PII	Conditions to be Satisfied
Group PII	<ul style="list-style-type: none"> <li>• Minimum coverage has to be at least 5 times the required quantum under a standalone non-hybrid PII.</li> <li>• If the deductible of the Group PII is greater than the deductible stipulated in paragraph 14(b) , an undertaking from the applicant's parent company to cover the excess in the event of a claim would be required.</li> </ul>
Hybrid PII <sup>1</sup>	<ul style="list-style-type: none"> <li>• Sub-limits have to be set for the non-PII sections of the hybrid PII.</li> <li>• Total coverage under the hybrid PII less the sub-limits</li> </ul>

<sup>1</sup> A hybrid PII is a PII policy which offers coverage on PII as well as other risks, such as crime and directors and officers' liability.

		for the non-PII sections has to be <b>at least equivalent</b> to the required quantum under a standalone non-hybrid PII.
Group PII	Hybrid PII	<ul style="list-style-type: none"> <li>• Sub-limits have to be set for the non-PII sections of the Group hybrid PII.</li> <li>• Total coverage of the Group hybrid PII less the sub-limits for the non-PII sections has to be <b>at least 5 times</b> the required quantum under a standalone non-hybrid PII.</li> <li>• If the deductible of the Group hybrid PII is greater than the deductible stipulated in paragraph 14(b) , an undertaking from the applicant's parent company to cover the excess in the event of a claim would be required.</li> </ul>

[Amended on 24 August 2010]

*Letter of Responsibility*

16. The applicant will have to procure a Letter of Responsibility (in a format specified by MAS) from its parent company, except in the case of an applicant without a corporate parent.