

CONSULTATION PAPER

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Draft Deposit Insurance Agency Rules

MAS

Monetary Authority of Singapore

PREFACE

The Deposit Insurance Act, which establishes a deposit insurance (“DI”) scheme in Singapore, was passed by Parliament in September 2005 and came into operation on 18 October 2005. The scheme is expected to be operational on 1 April 2006.

2 A DI agency, separate from MAS, will be established to administer the DI scheme and manage the DI fund. The DI agency will also conduct public education on the DI scheme. Under the Act, the DI agency is empowered to issue Rules for any matter relating to its functions. This consultation paper invites comments on the draft Rules to be issued by the DI agency. These Rules set out details on (i) premium collection; (ii) payment of compensation to insured depositors; (iii) method of payout; and (iv) disclosure requirements.

3 We invite comments from interested parties on the draft Rules. Electronic submission is encouraged. Please submit your written comments by 27 January 2006 to:

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Monetary Authority of Singapore
10 Shenton Way
Singapore 079117
Fax: 62203973
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DEPOSIT INSURANCE AGENCY RULES (“Rules”)

1. These Rules are issued under section 19 of the Deposit Insurance Act 2005 (Act No. 31 of 2005) (“the Act”) and apply to all Scheme members.

DEFINITIONS

2. Words and expressions used in these Rules shall, unless otherwise defined herein or unless the context otherwise requires, have the same meaning as in the Act.

PREMIUM CONTRIBUTION

Premium Contributions Payable by Scheme Members

3. For the purposes of section 23(2) of the Act, the Agency shall give each Scheme member notice in writing of the amount of premium contribution payable for any particular premium year at least 1 month before the date on which payment is due from the Scheme member (“payment due date”).
4. For the purposes of section 25(1)(a) of the Act and subject to paragraph 6, a Scheme member shall pay the amount of premium contribution assessed for that premium year on or before **1 April** of that premium year.
5. Where a full bank or finance company becomes a Scheme member during the course of a premium year, or where an exemption from the requirement to be a Scheme member granted to a full bank or finance company pursuant to section 6 of the Act is withdrawn during the course of a premium year, the Scheme member shall pay the pro-rated amount of premium contribution assessed for that premium year within 1 month from the date it becomes a Scheme member or from the date its

exemption is withdrawn, as the case may be, unless the Agency specifies a later payment due date in its notice in writing.

Re-computation of Premium Contributions

6. If the Monetary Authority of Singapore (“the Authority”) notifies the Agency of any re-computation of the amount of premium contribution and the shortfall in premium contribution by a Scheme member, the Agency shall give the Scheme member notice in writing of the shortfall in premium contribution at least 1 month before the payment due date specified in the notice.

Collection of Additional Premium Contributions

7. When the Authority has notified the Agency of the additional premium contribution payable by a Scheme member for that premium year or part thereof under section 24 of the Act, the Agency shall give the Scheme member notice in writing of the additional premium contribution payable at least 1 month before the payment due date specified in the notice.

Late Payment Fees

8. As provided under section 25 of the Act, if a Scheme member fails to pay the premium contribution or additional premium contribution or any part thereof by the date specified under these Rules, the Agency may impose late payment fees by notice in writing pursuant to that section.
9. Any late payment fee imposed by the Agency shall be computed at an annual rate of 10% above SIBOR, calculated per day on the amount of premium contribution or additional premium contribution due and owing by the Scheme member after the date specified or referred to under these Rules up to a maximum of the amount of premium contribution or

additional premium contribution, as the case may be, which is due and owing.

10. For the purposes of paragraph 9, "SIBOR" means the 3 months' S\$ Singapore Interbank Offer Rate fixed by the Association of Banks in Singapore, as at the payment due date.

Payment Due Date

11. Any payment that is due on a Saturday, Sunday or a public holiday, shall be made by the next business day.

Method of Payment of Premiums and Late Payment Fees

12. Subject to paragraph 13, a Scheme member shall pay the annual premium contribution, any shortfall in premium contributions, any additional premium contribution and any late payment fee through a direct debit of the Scheme member's current account with the Authority. In this regard, the Scheme member shall do all things necessary to authorise the Authority to debit its accounts on behalf of the Agency. The Authority shall credit any premium contribution collected into the Agency's account maintained with the Authority for the Deposit Insurance Fund ("the DI Fund").
13. A Scheme member which does not maintain a current account with the Authority may make alternative arrangements with the Agency to pay the annual premium contribution, any shortfall in premium contribution, any additional premium contributions and any late payment fee.

PAYMENT OF COMPENSATION TO INSURED DEPOSITORS

14. When the Authority has notified the Agency of its determination that compensation shall be paid out of the DI Fund, the Agency shall as soon as practicable give notice that such compensation shall be paid

out of the DI Fund to the insured depositors of the failed Scheme member out of the DI Fund. As required under section 30(3) of the Act, the Agency shall gazette the notice of payment of compensation, stating that a payment of compensation is to be made to the insured depositors of the failed Scheme member out of the DI Fund. In addition the Agency shall issue a media release of payment of compensation to news stations and daily press. Such media release shall be issued to at least 4 local daily newspapers, one each in the Malay, Chinese, Tamil and English languages.

15. A Scheme member in respect of which a notice that compensation will be paid has been published in the Gazette (“a failed Scheme member”) shall immediately exhibit at all its offices and branches in Singapore, a notice of the decision by the Authority to pay compensation out of the DI Fund to insured depositors of the Scheme member.
16. A failed Scheme member shall provide such information and render such assistance and cooperation to the Agency as may be required by the Agency to determine the eligibility and entitlement of the insured depositors to compensation, compute the compensation payments and otherwise perform its functions under the Act.

METHOD OF PAYOUT

17. The Agency may pay compensation to insured depositors using any of the following methods:
 - (a) Issue cheques to individual insured depositors for the amount of compensation due to them. The Agency may send cheques by post to insured depositors (at his mailing address recorded in the books of the failed Scheme member) or may arrange for collection by the insured depositors from the branches of one or more other Scheme members appointed by the Agency under section 18(4) of the Act as its agent for the purposes of payment of compensation; or

- (b) Deposit the amount of compensation due to individual insured depositors into new accounts opened for the insured depositors with one or more other Scheme members appointed by the Agency under section 18(4) of the Act as its agent for the purposes of payment of compensation.

DISCLOSURE

Register for Insured Deposits

18. Every Scheme member shall prepare and maintain an up-to-date register of all its deposit products which constitute an 'insured deposit' under the Act.
19. Every Scheme member shall provide the Agency with a copy of the register as of 1 April of each year. The copy of the register shall be submitted by every Scheme member to the Agency within 10 days from 1 April of each year. If there are any changes to the register during the course of each year, every Scheme member shall inform the Agency of the same within 10 days of the changes.
20. Every Scheme member shall make the register available to depositors or any other person upon request.

Disclosure Statement for Insured Deposits

21. Every Scheme member shall include, for each type of insured deposit that it offers to insured depositors, a written statement that such deposit is insured under the Deposit Insurance Scheme in all related publications or writings, including marketing materials, account opening forms and deposit account statements, for such deposits, whether in electronic, print or other form, concerning any such deposit.

22. The written statement shall be in a font size of at least 8-point and in bold type, in the following form:

“This deposit account is insured by the Agency for up to \$20,000 for each depositor, under the provisions of the Deposit Insurance Act 2005.”



Monetary Authority of Singapore