



ANNEX C

LIBERALISATION OF SINGAPORE'S BANKING SECTOR IN LAST 20 YEARS

1. MAS implemented a five-year programme over 1999 to 2003 to liberalise Singapore's banking sector. The aim was to strengthen our local banks through competition, provide Singaporeans with quality banking services, and enhance Singapore's position as an international financial centre. MAS phased in the liberalisation measures progressively, to give local banks time to upgrade themselves to meet the competition, and maintain the stability of the financial system.
2. The first package of measures in 1999 comprised a few main elements. The category of Qualifying Full Banks (QFBs) was created to distinguish these banks from the existing Full Banks. One of the key privileges accorded to QFBs was the increased number of places of business that a QFB can have, compared to the other foreign banks. Four QFBs were initially awarded to ABN Amro Bank NV, BNP, Citibank NA and Standard Chartered Bank, which were allowed to establish up to 10 locations each, relocate their existing branches and share ATMs among themselves. MAS also granted eight new Restricted Bank licences to banks that wanted to expand their wholesale Singapore dollars (SGD) business. Further, MAS gave Offshore Banks more flexibility to lend in SGD and engage in SGD swaps, and even wider leeway to eight Qualifying Offshore Banks.
3. The second package of measures in 2001 entailed the grant of 20 Restricted Bank licences over two years to free up competition in the wholesale banking business. The "Restricted Bank" licence was also renamed to "Wholesale Bank" licence to reflect the wider range of activities they can conduct. The intent was to eventually upgrade all Offshore Banks to Wholesale Banks over time. In addition, QFBs were granted additional privileges such as additional five places of business (i.e. total 15) and access to EFTPOS networks.
4. In 2005, MAS further increased the number of places of business for QFBs from 15 to 25.
5. In 2012, MAS refined the QFB category to require local incorporation of the retail operations of QFBs which are important to the domestic market, for better depositor protection. MAS also introduced the "Significantly Rooted Foreign Bank" (SRFB) framework, which allowed QFBs that met the criteria to establish an additional 25 (i.e. total 50) places of businesses. SRFB privileges would only be granted under free trade agreements (FTAs).

6. There are nine QFBs currently, namely, Bank of China Limited, BNP Paribas, Citibank Singapore Limited, HSBC Bank (Singapore) Limited, ICICI Bank Limited, Industrial and Commercial Bank of China Limited, Maybank Singapore Limited, Standard Chartered Bank (Singapore) Limited, and State Bank of India.
7. In 2018, MAS announced that it would open its real-time and round-the-clock payment system, Fast and Secure Transfers (FAST), to non-bank financial institutions so as to spur innovation in payment services and bring greater convenience for consumers. This would facilitate the transfers of money from bank accounts to non-bank e-wallets, and vice versa.
8. A summary of the banking liberalisation measures that have been implemented over the last 20 years is set out in the table below.

Progressive Liberalisation of Singapore’s Banking Sector

1999	<p>Launch of the five-year liberalisation programme to open up banking sector to foreign banks.</p> <p>Key measures include:</p> <ul style="list-style-type: none"> • Permitting four Qualifying Full Banks (QFBs) to establish up to 10 locations • Granting eight new Restricted Bank licences • Liberalising SGD lending restrictions for Offshore Banks
2001	<p>Grant of 20 Restricted Bank licences over two years and renaming of “Restricted Bank” licence to “Wholesale Bank” licence. Offshore Banks to be upgraded to Wholesale Banks over time.</p> <p>Expansion of QFB privileges, including ability to:</p> <ul style="list-style-type: none"> • establish up to 15 locations, and • provide debit services through an EFTPOS network.
2005	<p>Further expansion of QFB privileges, including the ability to establish up to 25 locations.</p>
2012	<p>Additional privilege for QFBs which are significantly rooted in Singapore market to establish up to 50 locations.</p>
2018	<p>Opening of the Fast and Secure Transfers (FAST) inter-bank network to allow access by non-bank financial institutions. (to be implemented in 4Q 2020)</p>
2019	<p>Issue of up to five digital bank licences, comprising two digital full banks and three digital wholesale banks, to players of non-bank parentage (targeted for application in August 2019).</p>

