

**FREQUENTLY-ASKED QUESTIONS ON
DIGITAL FULL BANK (DFB) AND DIGITAL WHOLESALE BANK (DWB) LICENCES**

(A) GENERAL QUERIES

Q1. Can an applicant submit applications for both the DFB and DWB licences?

1. Yes, applicants can apply for both types of digital bank licences. MAS will assess each application on its own merit.

Q2. After the close of this application period, will MAS consider issuing more digital bank licences in the future?

2. These five digital bank licences are in addition to any digital banks that the Singapore banking groups may already establish under the existing internet-only bank (IOB) framework introduced in 2000. Given the size of the Singapore market, we need to manage the number of players in the banking sector so that we do not end up with a fragmented and inefficient market. MAS will continue to monitor market developments and review the need to issue more digital bank licences in the future.

Q3. Can locally-incorporated foreign banks set up standalone digital bank subsidiaries?

3. Under MAS' IOB framework, Singapore-incorporated banking groups are allowed to set up banking subsidiaries to pursue new business models, including digital banking. They can also choose to do so in alliance with joint-venture partners, so long as the Singapore-incorporated banking group retains control over the venture.

Since then, four QFBs have locally incorporated at least their retail businesses as required under MAS' Domestic Systemically Important Bank framework.

While these locally incorporated QFBs can apply to set up digital full bank subsidiaries with a lower paid up capital of \$100m under the IOB framework, these subsidiaries require separate full bank licences. Currently, MAS only awards new full bank licences to foreign companies under free trade agreements (FTAs). As such, a locally incorporated QFB will not be able to set up a digital bank subsidiary unless it is awarded an additional full bank licence under a FTA between Singapore and its home country.

Q4. Does MAS give priority to applicants who have submitted their applications earlier?

4. No, all applications received before the closing date will be assessed in a similar manner.

Shareholders of digital banks

Q5. Can a bank, local or foreign, be one of the shareholders of a digital bank?

5. Yes, banks can participate as shareholders of a digital bank. However, in the case of Singapore banking groups, they would already be able to set up digital banks as subsidiaries under the IOB framework. Such digital bank subsidiaries will be assessed separately from the DFB and DWB applications. That said, Singapore banking groups may take minority stakes in a DFB or a DWB. Foreign banks can also take minority stakes in a DFB or any stake in a DWB.

Q6. Does MAS accord any preferential treatment to applicants which have existing banks as their shareholders? Or will that put them at a disadvantage versus other applicants?

6. Having banks as shareholders does not automatically confer an advantage, nor will it be a disadvantage to an applicant. MAS will assess the value proposition of each applicant on its own merits. Among other factors, MAS will consider the credibility and strength of the applicant's shareholders, as well as the strategic value, experience and expertise that its significant shareholders may bring to the proposed digital bank.

Q7. Does MAS prefer applicants to form joint ventures?

7. MAS does not have a preference for applicants to form joint ventures (JVs). If a company assesses that it has a strong value proposition and does not require other partners, it is welcome to submit an application on its own. However, foreign companies seeking to apply for a DFB licence must form a JV with at least one local company, and the JV must meet the requirements of being anchored in Singapore, controlled by Singaporeans and headquartered in Singapore.

Q8. MAS requires at least one entity in the applicant group to have a track record in the technology or e-commerce field. Can MAS give some examples of specific areas which will qualify as being in the technology field?

8. In general, the applicant (or applicant group) will include a firm that can bring deployable technological capabilities to the digital bank. Some examples include firms engaged in developing financial technology, advanced data analytics, machine learning, artificial intelligence, as well as those which operate digital platforms (including those which facilitate the delivery or integration of financial services) and provide telecommunication services.

Q9. Can there be a change of shareholding structure after the digital bank licence has been awarded?

9. A licensed bank will be subject to requirements under the Banking Act, including sections 15A and 15B relating to the control of substantial shareholdings, and shareholdings and voting power in financial institutions. Accordingly, any person that wishes to become its substantial shareholder, 12% controller, 20% controller, or indirect controller will be required to seek prior approval from the Minister-in-Charge of MAS.

In the case of a DFB, it is also important to note that any In-Principle Approval (IPA) granted by MAS would be on the basis of the shareholding structure represented to MAS during the application. MAS may revoke

the IPA if the change in shareholding structure results in the digital bank not meeting the eligibility criterion on Singaporean control. In addition, this criterion for Singaporean control will continue to apply for future changes in shareholding structure of the DFB.

Financial projection

Q10. How would MAS expect applicants to demonstrate path to profitability in their financial projections? Do they have to show a break-even point or net profit within the first 5 years of operations?

10. MAS will require an applicant to submit its financial projection for the first five years of the proposed digital bank's operations. The applicant should indicate when the proposed digital bank is expected to break-even if it is not within the first five years. MAS does not specify a definitive time period by which the proposed bank must break-even or achieve certain level of profits. However, an applicant with a financial projection that shows a consistent or increasing trend of net loss (i.e. no improvement in profitability) will not meet the criterion of demonstrating path to profitability. MAS may consider an applicant whose financial projection show an earlier break-even year favourably.

Capital requirements

Q11. Are the digital banks expected to comply with the minimum capital requirement under section 9 of the Banking Act only at the onset, or on an ongoing basis?

11. All banks, including digital banks, are required to meet the minimum paid-up capital requirement at the onset and minimum capital funds requirement on an ongoing basis. These requirements are set out in section 9 of the Banking Act. If the digital bank were to incur losses and breach the minimum capital funds requirement, it would need to raise additional capital to comply with this requirement. For avoidance of doubt, digital banks must also comply with the Risk Based Capital Adequacy requirements as set in [MAS Notice 637](#).

Q12. Do applicants need to have the relevant amount of paid-up capital ready at point of application?

12. No. However, applicants must show that they have firm and ready source(s) of funds, such as commitment from shareholders, which must be furnished to MAS at the point of application. In the case of DFB applicants, they must show that they have a reasonable plan to build up the S\$1.5 billion of capital required to become a full functioning DFB.

Q13. When must a digital bank meet the minimum paid-up capital requirement?

13. All successful applicants will receive an IPA letter from MAS. The applicant will then have up to 12 months to comply with the conditions under the IPA, including meeting the applicable minimum paid-up capital. After all the conditions have been met, the digital bank will be awarded the licence and can commence business.

Q14. Does the digital bank have to hold its paid-up capital entirely in cash?

14. MAS does not mandate the specific balance sheet structure of banks as long as the relevant rules such as minimum paid-up capital and capital funds, minimum risk-based capital, minimum liquid asset, minimum cash balances are complied with on an ongoing basis.

Value proposition

Q15. What is MAS looking for when assessing the value proposition of a digital bank applicant?

15. The applicant must provide a clear proposal on how it can cater to unmet financial needs or under-served segments of the market through an innovative and sustainable digital banking business model. The applicant's ability to contribute to the growth of Singapore as a global financial centre will also be taken into consideration.

Q16. How does MAS expect a digital bank to benefit the under-served segment?

16. We expect a digital bank to incorporate the innovative use of technology to serve customers' needs and reach under-served segments of the Singapore market, that differentiates it from existing banks. Digital banks should therefore operate more nimbly using new technology stacks with a lower cost structure than traditional banks. For example -

- Digital banks could potentially offer deposit accounts without imposing a minimum deposit amount or fall-below fees.
- Digital banks with access to more wide-ranging data sources could adopt different credit risk assessment approaches to lend to under-served segments of the economy such as the young and micro enterprises. By providing a greater suite of digital banking services, digital banks may also be able to enhance SME customers' ability to digitise their own operations.

Q17. How can an applicant contribute to Singapore as a global financial centre?

17. Applicants can:

- (i) Introduce new innovative business models, financial products, services or technologies to Singapore;
- (ii) Contribute to Singapore's financial sector growth strategies in areas such as SME financing, trade financing, wealth management, sustainable financing and insurance;
- (iii) Build a strong local pipeline of specialised talent, in areas such as cyber security, cloud computing, full stack development, data analytics, artificial intelligence/machine learning, APIs and microservices, as well as user experience design; and/or
- (iv) Anchor and grow its operations in Singapore and use Singapore as a base for regional or global operations or functions.

The above examples are non-exhaustive. For further information, applicants can refer to the MAS website for the Financial Services Industry Transformation Map which outlines MAS' growth strategies by business lines, programmes for upgrading skills, and an agenda for continuous innovation and technology adoption.

Permissible activities

Q18. It is mentioned that digital banks can only operate one place of business. Can a digital bank utilise its parent's or affiliated entities' premises to market its products and services?

18. A "place of business" is defined in section 12 of the Banking Act and is generally any place where a bank conducts banking business or other regulated businesses. Locations where a digital bank only conduct marketing efforts, such as distribution of brochures, are not be considered places of business. Please refer to [MAS Notice 603](#) for further details.

Q19. Can digital banks become direct participants of Fast and Secure Transfers (FAST) and MAS Electronic Payment System (MEPS+)?

19. Digital banks can apply to become direct participants of FAST and MEPS+. They would have to meet the same access criteria as all interested applicant banks. Please refer to the MAS website for more information about [MEPS+](#) and the Association of Bank's website for more information about [FAST](#).

Q20. Will digital banks be eligible to access MAS' liquidity facilities?

20. Yes, digital banks will be eligible for MAS' liquidity facilities. Please refer to the MAS website for the operational terms and conditions on access to the [MAS Standing Facility](#) and [Intraday Liquidity Facility](#).

Q21. Will a digital bank be required to notify MAS to commence any business regulated under the Financial Advisers Act (FAA) and Securities and Futures Act (SFA)?

21. Yes, a digital bank will be expected to meet all regulatory requirements, including submitting specified forms before it conducts activities regulated under the SFA and FAA. In particular, a digital bank would need to complete and submit the following:

- If it intends to provide financial advisory services under the FAA: Form 26 - Notice of Commencement of Business lodged pursuant to Regulation 37(1) of the Financial Advisers Regulations by persons exempt from holding a Financial Adviser's Licence under Section 23(1)(a), (b), (c), (d) and (e) of the FAA.
- If it intends to provide capital markets services under the SFA: Form 26 – Notice of Commencement of Business lodged pursuant to Regulation 14(4) of the Securities and Futures (Licensing and Conduct of Business) Regulations by persons exempt from holding a Capital Markets Services Licence under section 99(1)(a), (b), (c) and (d) of the SFA.

In submitting Form 26, the digital bank need not resubmit information which it has already provided in its application to set up a digital bank, unless there is any change to the information provided earlier.

Q22. Can a digital bank conduct any non-financial business?

22. Generally, MAS expects all banks to conduct primarily banking and other financial businesses. However, banks may conduct non-financial activities which are related or complementary to the banks' financial businesses, subject to a limit and other safeguards to mitigate contagion risks. Please refer to

[MAS' consultation paper on review of anti-comingling framework for banks](#), which sets out MAS' current anti-comingling policy for banks.

Other requirements

Q23. How will MAS assess and ensure that a digital bank has a sustainable business model? What will MAS do if the digital bank is subsequently found to have engaged in predatory practices?

23. MAS will carefully evaluate a digital bank applicant's business plans and financials, including its customer acquisition plan and path towards profitability. When digital banks commence operations, MAS will monitor the market dynamics and, where necessary, impose additional supervisory requirements or restrictions to deter any value-destructive behaviour. The aim is to deter unsustainable banking practices, and to preserve a level playing field among banks. MAS expects digital banks to be profitable on a standalone basis; as such, reliance on unfairly favourable transaction terms with related parties to generate short-term profits will not be considered as sustainable.

Q24. Does a digital bank applicant need to hire its key management at point of application?

24. We will not require applicants to hire the full management team at the point of application but there should be sufficient knowledge within the existing team to see through the application process and provide the necessary information. At minimum, MAS expects the proposed digital bank to have at least:

- Prospective¹ Chief Executive Officer hired² ; and
- Candidates for Chief Risk Officer, Chief Finance Officer, Chief Technology Officer, and Chief Information Security Officer identified and ready to be recruited.

MAS expects the prospective CEO to be hired at the point of application as it is critical for this designated person to be able to demonstrate at the onset how he will be driving the digital bank's business proposal and value proposition.

Q25. Will a digital bank applicant need to have the full technological set-up ready at point of application?

25. MAS does not expect applicants to have fully-built and deployable technology at point of application. However, we will require applicants to provide high-level IT plans, such as proposed architecture diagrams of critical systems of the bank. Please refer to part C of section IV of the application form for more details.

Q26. Will MAS prescribe when a digital bank must commence business upon receiving approval?

26. MAS expects the digital banks to commence operations within 12 months from receiving MAS' IPA of the licence. If the digital bank is unable to commence operations within the 12 months, the bank

¹ The proposed digital bank will have to seek MAS' formal approval for key appointment holders such as CEO prior to commencement of business.

² Where the proposed digital bank has yet to be set up, the CEO candidate may be appointed by any entity within the applicant group.

should engage MAS ahead of time to provide the reasons for delay and request for an extension of the validity of the IPA.

Q27. What are the major risk types that a digital bank's risk management framework should cover?

27. Applicants may wish to refer to [MAS' Framework for Impact and Risk Assessment of Financial Institutions](#) for information on the types of risks that are generally applicable to financial institutions.

Q28. A digital bank will be on-boarding its customers online. Can they adopt technology such as facial recognition to verify the identity of the customer? How will the AML/CFT requirements apply?

28. Digital banks will be subject to the same AML/CFT and sanctions-related requirements applicable to incumbent banks, including [MAS Notice 626 on Prevention of Money Laundering and Countering the Financing of Terrorism](#) and its corresponding [Guidelines](#).

On digital on-boarding, MAS supports the use of technology to improve the customer on-boarding experience, and financial institutions (FIs) should ensure that the use of new technologies will enable them to adequately assess and manage their ML/TF risks. To assist FIs, MAS had issued a Circular in January 2018 to highlight considerations relating to the use of non-face-to-face (NFTF) verification measures, and provided further examples of NFTF measures (in addition to those listed in the Guidelines to MAS Notice 626 applicable to banks) that FIs may employ as additional checks to manage the risk of impersonation. We had also clarified that FIs can use MyInfo, a personal data platform that has been made available for private sector use from end 2017, as a verified source of identification information. The Circular can be assessed at [this link](#).

Q29. What technology risk management measures will apply to digital banks?

29. The following requirements and guidelines will apply to digital banks –

- (a) [MAS Guidelines on Technology Risk Management or TRM](#). These Guidelines set out IT risk management principles and best practices to guide financial institutions in establishing a robust TRM framework, strengthening of cyber security controls, enhancing system resiliency, and implementing strong authentication measures to protect customer data, transactions and systems. These are best practices which financial institutions are expected to adopt.
- (b) [MAS Notice 644](#) on Technology Risk Management. This notice sets out requirements on maintaining high availability, recoverability, data protection and incident reporting.
- (c) [MAS Notice 655](#) on Cyber Hygiene. This notice, which takes effect on 6 August 2020, sets out the essential measures that banks must take to mitigate the growing risk of cyber threats.

Q30. Will the digital banks be allowed to outsource any functions that it does not have expertise to perform?

30. Similar to traditional banks, digital banks may enter into arrangements with third party service providers to outsource certain business and support functions.

Prior to entering into outsourcing arrangements, the bank must have in place relevant governance and risk management processes to identify and manage risks arising from such outsourcing arrangements. The bank must also demonstrate a sound level of understanding of the nature and extent of risks arising from its various outsourcing arrangements, and the capacity and ability to exercise effective oversight of these arrangements. Please refer to MAS' [Guidelines on Outsourcing](#) for further information on rules pertaining to banks' outsourcing arrangements.

Q31. MAS requires shareholders of a proposed digital bank to commit to providing a letter of responsibility (LR) and a letter of undertaking (LU). Is it sufficient for the majority shareholder to provide the written confirmation?

31. MAS expects every shareholder³ that directly holds at least 20% of the proposed digital bank's shares to provide a written confirmation at the point of application that it commits to providing a LR and a LU in respect of the operations of the proposed digital bank. MAS reserves the right to require a written confirmation from any other shareholders and will inform the applicants accordingly.

Q32. What is the difference between a LR and a LU? When will MAS require the actual LR and LU to be furnished?

32. The LR provides assurance to MAS that the digital bank's parent and/or significant shareholders is/are committed to provide the relevant oversight and financial support for the continuing strength and operations of the digital bank. The LR sets out the responsibilities of the parent or significant shareholders of the digital bank which include accepting full responsibility for the operations of the digital bank, ensuring that the digital bank maintains sound liquidity and financial position at all times, providing adequate funds to make up for any liquidity shortfall of the digital bank etc.

The LU further imposes a legal obligation on the parent and/or significant shareholders of the digital bank to undertake to meet any outstanding non-bank deposit liabilities in the event of an exit. The LU is an essential instrument in the digital bank's exit plan to facilitate an orderly wind-up of its banking business and ensure adequate protection for its non-bank depositors.

The completed and duly executed LR and LU would have to be furnished to MAS prior to the issuance of the digital banking licence.

Q33. Why is an exit plan needed? What is MAS' expectations of the exit plan?

33. MAS expects applicants to submit a feasible exit plan to facilitate an orderly wind-up of its banking business, if necessary. These are part of the suite of prudential safeguards to protect non-bank depositors, mitigate the risk of untested business models, and minimise costs to the financial system in the event of a failure.

The exit plan should cater to the applicant's business plan, key risks, and should lay out possible scenarios, various exit strategies and solutions, and clear trigger points for which the exit plan may have to be executed, for example, in the event of significant losses or where the business model is no longer viable.

³ In cases where the direct shareholder has not been established or is an intermediate holding company, the written confirmation/undertaking should be provided by its proposed owner or operating parent entity.

(B) DIGITAL FULL BANK (DFB)

Anchored in Singapore and controlled by Singaporeans

Q34. If the single largest shareholder of a consortium is Singaporean but it is not the majority shareholder, will it be eligible to apply for the DFB licence?

34. In assessing the stake controlled by a Singaporean, MAS will consider shareholdings owned by the Singaporean and his related parties as a single stake. Where the Singaporean and his related parties do not hold an absolute majority stake, MAS will consider whether the stake is sufficient to allow him to have effective control of the digital bank (e.g. he holds 25% or more, and the remaining shareholding is widely held by a fragmented group of shareholders). Generally, MAS will not consider JVs where a small number of foreign-controlled stakes forms the majority, notwithstanding the largest shareholder being Singaporean.

For JVs where the Singaporean and his related parties do not hold absolute majority stake, MAS will only consider such cases on an exceptional basis. The applicant will have to demonstrate that there are other factors to meet the criterion for Singaporean control, such as the presence of other Singaporean shareholders, board composition, and the profile of the foreign shareholders e.g. if they have a strong nexus to Singapore, etc.

Where broader factors such as arrangements relating to board nomination and composition are taken into account by MAS, MAS will expect these to be formalised through the JV agreement or the Memorandum and Articles of Association of the digital bank. Such arrangements must remain in place for as long as the DFB is in operation, unless Singaporean control can be demonstrated by other means (e.g. a Singaporean majority shareholder).

DFB applicants who are considering partnerships where a Singapore entity and its related parties do not hold the absolute majority stake should approach MAS to discuss their proposed structure.

Progression of a DFB

Q35. Can a DFB be a full functioning DFB at the onset if it is able to meet the S\$1.5 billion minimum paid-up capital before commencement of business?

35. No. As DFBs will have access to retail deposits, the phase-in approach for the DFBs is intended to minimise risk to retail depositors and mitigate risks of untested business models. As such, all DFBs must undergo the restricted phase, where MAS will assess the performance of the restricted DFB, such as strength of internal controls, compliance track record, customer management ability, and sustainability of business performance before approving an increase of the aggregate deposit cap. MAS' assessment will also include a review of the auditor's report on the DFB's financials and effectiveness of its internal controls.

However, DFBs may exclude wholesale deposits from the aggregate deposit cap if it has a minimum paid-up capital of S\$100 million⁴.

Q36. If a DFB has a minimum paid-up capital of S\$100 million, can it exclude all its wholesale deposits from the S\$50 million aggregate deposit cap at the onset?

36. Yes, the wholesale deposits⁵ of a DFB can be excluded from the S\$50 million aggregate deposit cap at any point as long as the DFB has a minimum paid-up capital of S\$100 million. This will level the playing field between DFB and DWB in serving non-retail customers, which include sole proprietors and partnerships.

The S\$50 million aggregate deposit cap will thus apply primarily to SGD-denominated deposits (except fixed deposits of at least S\$250,000) taken from individuals.

Q37. Why does MAS need to constrain the depositor reach of a restricted DFB during the entry phase, when there is already an aggregate deposit cap? What are some examples of “any other persons who are familiar with the DFB’s parent or major shareholders’ businesses”?

37. The objective of restricting the depositor reach of a DFB in its first one to two years of operation is to minimise the impact of any operational issues which may occur during the start-up phase of the DFB, to a limited group of depositors. This group of depositors should be persons who are familiar with the applicant group, such as existing customers or persons within a closed group of community which the applicant group typically has touchpoints with. The limit on the scope of depositors will allow the DFB to test its products and services and fine-tune its operations, before expanding to the broader public.

As we expect applicants to have varied business models, MAS will not be prescribing the specific scope of depositors. Applicants can propose the scope of depositors which will meet MAS’ objective as outlined above. MAS will work with the DFB to finalise the scope of depositors.

To illustrate, in the case of a crowd-funding platform, we will consider its “funders” and “borrowers” to be its business partners, while in the case of an e-commerce platform player, its business partners will comprise mainly the merchants operating on its platform. Employees of such merchants do not have direct dealings or relationships, and hence would not be considered business partners. Where the applicant has a large retail customer base, we will likely specify an interaction frequency or quantum criteria in determining the appropriate scope.

Q38. Will MAS consider a DFB applicant which has business plans and financial projection to become a full functioning DFB after five years of commencement of business?

38. While MAS expects DFBs to meet the minimum paid-up capital of S\$1.5 billion and become full-functioning by the fifth year of operations, we recognise that certain business models may require more time to scale up. As such, we are open to applications that may project a longer runway to meet the minimum paid-up capital of S\$1.5 billion. However, in such instances, we expect the applicant to provide

⁴ Similar to the minimum capital requirement on DWB.

⁵ This refers to all types of deposits that a wholesale bank can accept, including foreign currency-denominated deposits of individuals.

strong justifications on the longer time required. MAS will assess the reasonableness on the proposal based on its own merits.

Q39. Can a DFB change or update its financial projection after it is granted the licence? How will it affect the progression of the DFB?

39. MAS expects a digital bank to implement its proposed business as outlined during the application. However, the ability to achieve the projected financial results may be affected by externalities such as market conditions and the macro-economic conditions. As part of ongoing supervision, MAS will regularly engage the digital bank to monitor, inter alia, its ability to execute its business plans and meet its financial targets. Where the digital bank expects to fall short of its financial projection, it should engage MAS promptly.

Permissible businesses

Q40. Does MAS allow DFBs to collaborate with incumbent banks to gain access to their Automated Teller Machines (ATM)/Cash Deposit Machine (CDM) network?

40. DFBs are not be allowed to operate ATM/CDMs or join any existing ATM/CDM networks. The objective is for the digital banks to adopt innovative digital ways of serving customers and supporting the future digital economy.

Q41. How does a DFB gain access to the NETS electronic funds transfer at point-of-sale (EFTPOS) system?

41. Access to the NETS EFTPOS payment network, which is operated by the NETS Group, is a commercial arrangement between the bank and the operator. Digital banks with interest to access this payment network can approach NETS Group.

Q42. Can a DFB create and sell its own insurance policies to its customers?

42. Any entity, including a digital bank, that wishes to conduct insurance business in Singapore is required to obtained a licence from MAS pursuant to the Insurance Act. However, DFBs are allowed to distribute insurance products underwritten by licensed insurers, subject to compliance with relevant rules such as the Financial Advisers Act.

Q43. What are some examples of proprietary trading activities which a restricted DFB cannot conduct? Can a restricted DFB engage in hedging activities?

43. A restricted DFB should not enter into speculative trades for profit. A restricted DFB's trading activities should only be for facilitating customers' trades and for risk management purposes (e.g. to hedge foreign exchange risk positions that arose from its cross-border banking business).

Deposit insurance

Q44. What is the deposit insurance (DI) premium rate applicable to DFBs?

44. DFBs will pay the same premium rate as DI Scheme members that are incorporated in Singapore. These members are currently required to pay an annual premium of 0.025% of the bank's insured deposit base.

In addition, as DI scheme members, DFBs will be required to comply with DI rules and regulations. These include the submission of returns under [MAS Notice DIA-N01](#), maintenance of a register of products which are insured deposits and being operationally prepared for payment of compensation.

Applicants may refer to the "Deposit Insurance and Policy Owners' Protection Schemes Act" and "Deposit Insurance and Policy Owners' Protection Schemes (Deposit Insurance) Regulations 2011" for further details on rules pertaining to DI premiums, rules and regulations.

(C) DIGITAL WHOLESALE BANK (DWB)

Q45. What are the business restrictions placed on a DWB?

45. At the onset, DWBs will only be allowed to conduct business activities proposed in the business plan. MAS' approval must be sought to conduct any additional activities outside of the proposed business plan.

Q46. Can a DWB serve retail clients?

46. In general, DWBs are not expected to serve retail clients given its restricted deposit-taking ability⁶. This includes not granting unsecured credit facilities to individuals who do not fall within the definition of "accredited investor" under the Securities and Futures Act.

On an exceptional basis, MAS may allow such offerings provided that there is a strong nexus and is necessary to the applicant's core offering(s) to the non-retail segment. Even in such instances, the range of products and services will be narrowly scoped. We do not expect retail payment services to qualify.

Q47. Can a DWB provide complementary services to its SME clients, such as collection of cash and provision of "software as a service" (SAAS)?

47. Cash management, which may include the collection of cash as deposits, is a financial business and can be currently carried out by banks. As such, DWBs are allowed to do the same. The provision of SAAS is considered a non-financial business and will be subject existing rules and regulations on the conduct of non-financial businesses⁷.

⁶ A wholesale bank shall not operate savings accounts denominated in Singapore dollars. Please refer to the [Guidelines for Operation of Wholesale Banks](#) for more details.

⁷ Please refer to MAS' consultation paper on review of anti-commingling framework for banks.

Q48. Can a DWB expand its banking business out of Singapore?

48. Yes, however, pursuant to section 12(3) of the Banking Act, a DWB must obtain MAS' approval to open a new branch, agency or office in a place outside of Singapore. MAS will take into consideration the DWB's ability to manage its existing business in Singapore and the risks of the proposed overseas business, before approving the new overseas place of business. For avoidance of doubt, the DWB will also have to apply to the host jurisdiction's regulator for a licence to operate as a bank.

Q49. Would MAS allow corporate governance requirements of DWB to be phased in?

49. A DWB does not have a restricted phase like the DFB where there is a cap on aggregate deposit. Hence, at the onset, a DWB is required to meet existing corporate governance requirements of a locally-incorporated wholesale bank. This includes having: -

- At least 5 board directors.
- At least a majority of the board to comprise of independent directors. The exception is where there is a single substantial shareholder holding more than 50% shares, in which case, the bank is only required to have at least one third of its board to comprise of independent directors.
- At least one third of the board to comprise Singaporeans or Permanent Residents of Singapore.