

ANNEX A(22)  
GUIDELINES ON DEFINITION OF A “DEPOSIT”

**Guidelines on definition of a “Deposit” (“these Guidelines”)**

These Guidelines set out the factors that the Authority would consider in determining whether a **financial** product satisfies the definition of a “deposit” under **sections 4B(4), 55Q and 62A(2)** of the Banking Act (Cap. 19) (the “Act”). The factors would similarly apply in determining whether liabilities in respect of a product qualify as “deposit liabilities” in relation to a bank under section 62(3) and (4), or “deposit liabilities” in relation to a merchant bank under section 62(3) and (4) as applied by section 62B(5) of the Act.

[Amended on 1 July 2021]

## Definitions

~~2 — In these Guidelines, “liabilities base” in relation to a bank in Singapore, means the liabilities against which minimum liquid assets and minimum cash balances are required to be maintained as reserves under sections 38 and 39 of the Banking Act.~~

[Deleted on 1 July 2021]

~~3 2~~ The expressions used in these Guidelines shall, except where expressly defined in these Guidelines or where the context otherwise requires, have the same respective meanings as in the **Banking** Act.

[Amended on 1 July 2021]

~~4 3~~ Section 4B(4) of the **Banking** Act defines a “deposit” **as to include** a sum of money paid on terms –

- (a) under which it will be repaid, with or without interest or a premium, or with any consideration in money or money’s worth, either on

demand or at a time or in circumstances agreed by or on behalf of the person making the payment and the person receiving it; and

- (b) which are not referable to the provision of property or services or to the giving of security.

[Amended on 1 July 2021]

Similarly in section ~~61 and~~ 62(3) and (4), and section 62(3) and (4) as applied by section 62B(5) of the ~~Banking~~ Act, the definition of “deposit liabilities” in relation to a bank and merchant bank, respectively, makes reference to certain sums of money paid to the bank or merchant bank (as the case may be). The description of these sums of money is ~~define a “deposit liability” in a manner~~ similar to that of a “deposit” under section 4B(4).

[Amended on 1 July 2021]

### Characteristics of a “deposit”

§ 4 In determining whether a product is a “deposit”, the Authority would consider whether:

- (i) the principal amount invested in a product is repaid in full i.e. the person issuing the product (“the issuer”) is under an obligation to return to the investor the full value of the principal at maturity;

[Amended on 2 December 2005]

- (ii) the repayment of the principal amount is in cash. Payment of the interest portion may either be in cash or any other asset class. However, a product would not be considered a “deposit” where the repayment of the principal amount is in any other asset class, such as shares or bonds;

- (iii) the product is repaid in full if held to maturity. In this regard, the

Authority recognises that a product may still be considered a “deposit” despite the fact that an early withdrawal by the investor may result in the investor recovering a sum that is less than the full principal value. However, where a product is terminated early by the issuer due to the exercise of any rights of the issuer under any agreement with the investor, or any other circumstances within the issuer’s control, the product would not be considered a “deposit” unless the investor recovers, at the minimum, the full value of the principal.

5 The factors set out in paragraph 4 would similarly apply in determining whether liabilities in respect of a product qualifies as “deposit liabilities” in relation to a bank under section 62(3) and (4), or “deposit liabilities” in relation to a merchant bank under section 62(3) and (4) as applied by section 62B(5) of the Act .

### **Products which are not “deposits”**

6 Every bank in Singapore should take note that a product that does not satisfy the characteristics of a deposit as set out in paragraph 5-4 above:

a. should not be represented or referred to as such in any offer, invitation or advertisement issued in relation to the product;

~~b. need not be included in the deposit liabilities base of the bank in Singapore<sup>†</sup>;~~

[Deleted on 1 July 2021]

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<sup>†</sup>~~For the avoidance of doubt, the issuance of stored value cards are still subject to such reserve and liquidity requirements as the Authority may determine under the Banking Act.~~

~~e-b.~~ may be a capital markets product as defined under section 2(1) of the Securities and Futures Act (Cap.289) [{"SFA"}] and hence a bank may be subject to all the relevant provisions under the SFA relating to capital markets products including prospectus requirements under Part XIII;

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~~d-c.~~ may be an investment product as defined under section 2(1) of the Financial Advisers Act (Cap. 110) [{"FAA"}] and hence ~~a bank~~ may be subject to all the relevant provisions under the FAA relating to investment products.

[Amended on 1 July 2021]

### ~~Transitional arrangements for banks in Singapore~~

~~5—For the purposes of these Guidelines—~~

~~‘existing product’ means any product offered before the issuance of these Guidelines, that has been classified by any bank as a deposit, but which does not fall within the definition of “deposit” in section 4B of the Banking Act;~~

~~‘new product’ means any product issued after the issuance of these Guidelines, that has been classified by any bank as a deposit, but which does not fall within the definition of “deposit” in section 4B of the Banking Act.~~

~~6—The Authority is prepared to grant an exemption to all banks in Singapore which do not comply with the requirements in the FAA and the SFA in respect of any existing product from the date the existing product is offered to the date the product matures, subject to the condition that the bank has to continue to~~

~~include the existing product in the computation of the liabilities base of a bank until it reaches maturity.~~

~~7—The Authority is also prepared to grant an exemption to all banks in Singapore which do not comply with the requirements in the FAA and the SFA in respect of any new product where the maturity date of the product does not exceed 1 June 2005 from the date of issuance of these Guidelines until 1 June 2005, subject to the condition that:~~

~~a.—the bank includes the new product in the computation of the liabilities base of the bank until it reaches maturity; and~~

~~b.—the bank does not represent or refer to the new product as a deposit in any offer, invitation or advertisement issued in relation to the product.~~

~~8—Every bank in Singapore should take immediate steps to ensure that its products are classified correctly for the purposes of ensuring compliance with all relevant legislation.~~

~~9—These Guidelines take immediate effect.~~

Issue Date : 7 October 2004 (Last revised on ~~2 December 2005~~ 7 June 2021, with revisions effective on 1 July 2021)