

SUMMARY OF KEY AMENDMENTS PROPOSED TO MAS NOTICE 630

Paragraph	Key amendments proposed
Throughout the entire notice	<ul style="list-style-type: none">• The changes are to reflect drafting improvements to the Notice. The regulatory expectations as set out in this Notice remains unchanged.
Paragraph 4.5 and Annex A	<ul style="list-style-type: none">• The concept of “capital funds” will be replaced by “total assets less net interbank lending” for foreign bank branches, as part of the removal of the ACU/DBU divide.

MAS Notice 630

5 July 2010

Last revised on DD MM 20XX*

NOTICE TO BANKS
BANKING ACT, CAP 19

Private Equity and Venture Capital Investments

1 Overview

1.1 This Notice is issued pursuant to section 55(1) of the Banking Act (~~cap~~Cap. 19) (the “Act”) and ~~shall apply~~applies to all banks in Singapore ~~which~~that hold private equity and venture capital investments (“PE/VC investments”).¹

[MAS Notice 630 (Amendment) 2021]

1.2 In the case of a bank incorporated outside Singapore, the treatment of PE/VC investments for capital adequacy purposes ~~would be~~is a matter for its parent supervisory authority. However, a branch in Singapore of a bank incorporated outside Singapore ~~shall~~must comply with all requirements on PE/VC investments as set out in this Notice.

[MAS Notice 630 (Amendment) 2021]

2 Scope of Notice

Definitions

2.1 In this Notice—

“direct PE/VC investment” in relation to a bank in Singapore, means any PE/VC investment which is acquired directly by the bank in Singapore or not held by the bank in Singapore through a fund or a trust structure;

“indirect PE/VC investment” ~~in relation to a bank,~~ means any PE/VC investment other than a direct PE/VC investment;

[MAS Notice 630 (Amendment) 2021]

“investee” means any company or trust in which a bank in Singapore has made a PE/VC investment;

“PE/VC investments” in relation to a bank in Singapore, means —

¹ The capital requirements for the PE/VC investments of a bank incorporated in Singapore are as set out in MAS Notice 637 (Risk Based Capital Adequacy Requirements for Banks Incorporated in Singapore).

- (a) an acquisition or holding of a major stake in any company excluded from the operation of section 32 of the Act by virtue of regulation 7 of the Banking Regulations~~2001~~;
- (b) an acquisition or holding of any beneficial interest exceeding 10% of units or other equivalent measures in a trust;
- (c) control over more than 10% of the voting power in a trust;
- (d) any interest in a trust, where the trustee of the trust is accustomed or under an obligation, whether formal or informal, to act in accordance with the ~~bank's~~bank in Singapore's directions, instructions or wishes, or where the bank in Singapore is in a position to determine the policy of the trust;
- (e) an acquisition or holding of any partnership capital or other similar interest exceeding 10% in an entity (other than a company or trust);
- (f) an acquisition or holding of convertible debentures issued by an entity, where if such debentures are converted to shares, the aggregate value of shares held exceeds 10% of the entity's share capital;
- (g) an acquisition or holding of warrants or options on shares issued or granted by an entity, where if such warrants or options are exercised, the aggregate value of shares held exceeds 10% of the entity's share capital; or
- (h) an acquisition or holding of debentures or credit facilities, where these are held concurrently with any acquisition, holding or interest specified in the preceding sub-paragraphs(a), (b), (c), (d), (e), (f) or (g)²

(hereinafter referred to as “Investment”),

- (i) which the bank in Singapore has determined to have potential for high growth or value creation; and
- (ii) which is acquired in the manner set out in paragraph 2.2 below;

but does not include an Investment which is –

- (A) not carrying on any substantial business or is not in operation;
- (B) carrying on the business of engaging in property related activities ~~(as defined in the Banking Regulations 2001)~~; or

²~~The~~ To avoid doubt, the requirements in this Notice do not apply where the investment is initially by way of debentures and credit facilities alone. However, if subsequent investments within paragraphs (a), (b), (c), (d), (e), (f) or (g) are acquired, then the requirements of this Notice will apply to both the subsequent investments as well as the debentures and credit facilities.

- (C) carrying on the business of factoring, leasing equipment or otherwise purchasing debt obligations from others.

[MAS Notice 630 (Amendment) 2021]

“net interbank lending”, in relation to a bank incorporated outside Singapore, means the total lending by the bank in Singapore to other banks less its total borrowing from other banks. For the purpose of this definition, “banks” has the same meaning as given in paragraph 3 of Annex 1 to Appendix A1 of MAS Notice 610 (Submission of Statistics and Returns) issued on 16 July 2019 and last revised on 18 August 2020.

[MAS Notice 630 (Amendment) 2021]

“related party”, in relation to a bank in Singapore, includes its head office, any of its branches, or any of its related companies.

[MAS Notice 630 (Amendment) 2021]

Types of Investments

2.2 A bank in Singapore ~~shall~~ must acquire an Investment using one or more of the following methods:

- (a) the financing of the Investment’s growth or expansion, funding research and development activities, operational improvements, or engaging new management;
- (b) delisting the Investment from a securities exchange;
- (c) corporate restructuring ~~such as a reorganisation, merger, consolidation, recapitalisation, buy-out, buy-in, joint venture, spinoff, or equity carve-out~~³;
- (d) such other method which the bank in Singapore has determined to be common in the industry for acquiring such Investments.

[MAS Notice 630 (Amendment) 2021]

Related Companies

2.3 Where a company –

- (a) is the holding company of another company;
- (b) is a subsidiary of another company; or

³ Such as a reorganisation, merger, consolidation, recapitalisation, buy-out, buy-in, joint venture, spinoff, or equity carve-out.

(c) is a subsidiary of the holding company of another company,

that first-mentioned company and that other company ~~shall be~~ deemed to be related to each other.

[MAS Notice 630 (Amendment) 2021]

2.4 In the case of a company which has a board of directors and a share capital, the definition of “subsidiary” and “holding company” shall be as set out at section 5 of the Companies Act (Cap 50) where all references to “corporation” shall be replaced with “company”.

2.5 In the case of any other company, a company ~~shall~~ be deemed to be a “subsidiary” of another company if the latter company is in a position to determine or govern the financial and operating policies of the first-mentioned company; and a company ~~shall~~ be deemed to be a “holding company” of another company if the first-mentioned company is in a position to determine or govern the financial and operating policies of the latter company.

[MAS Notice 630 (Amendment) 2021]

2.6 The expressions used in this Notice, shall, except where defined in this Notice or where the context otherwise requires, have the same meanings as in the ~~Banking Act (the “Act”)~~ and in the Banking Regulations.

[MAS Notice 630 (Amendment) 2021]

3 Capital Treatment

~~The capital requirements for the PE/VC investments of a bank incorporated in Singapore are as set out in MAS Notice 637.~~

[Deleted by MAS Notice 630 (Amendment) 2021]

4 Duration of PE/VC Investments

4.1 Subject to paragraph 4.3 ~~and 4.5~~, a bank in Singapore ~~shall~~ must not hold any direct PE/VC investment for a period exceeding 7 years from the date of its first investment in the investee.

[MAS Notice 630 (Amendment) 2021]

4.2 Subject to paragraph 4.4 ~~and 4.5~~, a bank in Singapore ~~shall~~ must not hold any indirect PE/VC investment—

- (a) where such investee is managed by the bank in Singapore or a related party, for a period exceeding 7 years from the date of its first investment in the investee;

- (b) where such investee is not managed by the bank in Singapore or a related party, for a period exceeding 12 years from the date of its first investment in the investee;
- (c) where such investee is managed by the bank in Singapore or a related party, and
 - (i) the ~~bank's~~ bank in Singapore's investment in the investee is less than 50% of the total size of the investee after five years from the date of its first investment in the investee; or
 - (ii) each underlying PE/VC investment invested through the investee is held for a period not exceeding 7 years,for a period exceeding 12 years from the date of its first investment in the investee.

[MAS Notice 630 (Amendment) 2021]

4.3 Subject to paragraph 4.5, A bank in Singapore ~~shall~~ must not hold any direct PE/VC investment, where the date of first investment in the investee was made prior to 5 July 2010, for a period exceeding 10 years from the date of its first investment in the investee.

[MAS Notice 630 (Amendment) 2021]

4.4 Subject to paragraph 4.5, A bank in Singapore ~~shall~~ must not hold any indirect PE/VC investment, where the date of first investment in the investee was made prior to 5 July 2010, and —

- (a) where such investee is managed by the bank in Singapore or a related party, for a period exceeding 10 years from the date of its first investment in the investee; or
- (b) where such investee is not managed by the bank in Singapore or a related party, for a period exceeding 15 years from the date of its first investment in the investee.

[MAS Notice 630 (Amendment) 2021]

4.5 A bank ~~shall deduct~~ incorporated in Singapore may hold a PE/VC investment beyond the relevant holding period as set out in paragraphs 4.1, 4.2, 4.3 or 4.4 (as the case may be) ("relevant holding period"), if the bank deducts the net book value of ~~any~~ the PE/VC investment which is held beyond the relevant holding period ~~as set out in paragraphs 4.1, 4.2, 4.3, and 4.4 from the bank's~~ from its capital funds in accordance with Notice 637 (Risk Based Capital Adequacy Requirements for Banks Incorporated in Singapore)⁴.

⁴ ~~A bank incorporated in Singapore shall deduct the book value of any PE/VC investment which is held beyond the relevant holding period from the bank's capital funds in accordance with MAS Notice 637.~~ The Authority is

[MAS Notice 630 (Amendment) 2021]

5 Valuation of PE/VC Investments

Unless otherwise directed by the Authority, every bank in Singapore ~~shall undertake~~ must ensure that regular reviews of all its directly held PE/VC investments to ascertain their net book values after provisioning for permanent diminution in the values of the PE/VC ~~investments. Such reviews shall be~~ investments are conducted by a person who is independent of the officers involved in the process of making the PE/VC investment, and the PE/VC investments ~~shall be~~ valued prudently.

[MAS Notice 630 (Amendment) 2021]

6 Involvement in Management

6.1 Subject to paragraph 6.3, a bank in Singapore ~~may~~ must not take part in the day-to-day management of an investee.

[MAS Notice 630 (Amendment) 2021]

6.2 ~~A director or an employee of the bank may only serve as a non-executive director of an investee. Only an employee of the bank who is employed primarily to carry out the activities of the PE/VC business unit may be involved in strategic issues or issues which are typically discussed at Board level. Such involvement shall not pertain to the day-to-day operations of the investee, or pertain to areas where involvement may give rise to conflicts of interests in the investee's transactions with the bank.~~ A bank in Singapore must ensure that none of the directors or employees of the bank in Singapore serves as an executive director of an investee.

[MAS Notice 630 (Amendment) 2021]

6.2A A bank in Singapore must ensure that none of the employees of the bank in Singapore is involved in any strategic issue or issues which are typically discussed at Board level of the investee, unless –

(a) the employee is employed primarily by the bank to carry out the activities of the PE/VC business unit;

(b) the employee is not involved in the day-to-day operations of the investee; and

(c) the employee's involvement does not give rise to conflicts of interests in any of the investee's transactions with the bank.

[MAS Notice 630 (Amendment) 2021]

prepared to consider exempting PE/VC investments held beyond the relevant holding periods from being deducted from the bank's capital funds only under exceptional circumstances.

6.3 Subject to paragraph 6.4, A a bank in Singapore may ~~only advise and~~ take part in the day-to-day management of an investee ~~underif –~~

(a) there are circumstances which are, in the opinion of the ~~Authority~~bank, extenuating circumstances, such as the need for prompt action in the event of a stress situation, ~~for example, including~~ the loss of the investee's senior management or the impending insolvency or bankruptcy of the investee, ~~but such;~~

(b) the bank's participation ~~in management shall~~does not exceed 6 months, ~~except with the prior written approval of or such longer period as the Authority. A~~ may approve; and

(c) within 3 months of taking part, the bank ~~shall provide~~provides the Authority with relevant details as to the extent of, and the reasons for ~~the involvement in management of the investee within 3 months thereof of such involvement.~~, doing so.

[MAS Notice 630 (Amendment) 2021]

6.4 The bank must cease to take part in the day-to-day management of an investee if the Authority informs the bank that in the opinion of the Authority, there are no extenuating circumstances.

[MAS Notice 630 (Amendment) 2021]

7 Risk Management Framework

A bank in Singapore ~~shall~~must have in place ~~documentation setting out its a~~ written policy on risk management ~~policy~~for its PE/VC investments. ~~This policy shall, which must include the bank's policies and procedures (where applicable) on types of PE/VC investments that the bank may invest in, risk identification and mitigation, pre-specified investment limits (including single investment limits, industry investment limits, geographical limits and limits based on the stage of investment), due diligence, investment approval, post-investment monitoring, accounting and valuation, and exit strategies and other relevant procedures and processes.~~

[MAS Notice 630 (Amendment) 2021]

8 Qualification of Persons Engaged in PE/VC Investment Activities

8.1 As investing in a PE/VC investment requires skill, experience and judgment on the part of an individual, a bank in Singapore ~~shall~~must employ professionals with relevant work experience and knowledge to manage its PE/VC investments.

[MAS Notice 630 (Amendment) 2021]

8.2 A bank in Singapore ~~shall~~must have in place a written policy for assessing the qualifications of employees of the bank in Singapore entrusted to handle PE/VC investments, and managers in investees not managed by a related party ~~into which they have invested.~~

[MAS Notice 630 (Amendment) 2021]

9 PE/VC Investment Approval

9.1 A bank in Singapore ~~shall~~ must have in place a stringent internal assessment and approval process for each PE/VC investment. A bank in Singapore ~~shall~~ must keep detailed records of all PE/VC investments assessed and approved. ~~These shall in accordance with such processes. The bank in Singapore must ensure that such detailed records include, for each PEVC~~ PE/VC investment, all of the following:

- (a) an investment assessment stating the objective of the PE/VC investment;
- (b) the performance benchmarks set, including the target internal rates of return and the expected holding period; ~~and~~
- (c) the exit strategy for the PE/VC investment.

[MAS Notice 630 (Amendment) 2021]

10 ~~Subsidiarisation~~ Record-keeping requirements ⁵

10.1 ~~The Authority encourages banks to carry out their PE/VC investment business through a separately incorporated subsidiary to separate the bank's PE/VC investment business from its other financial businesses. It is recommended that PE/VC investment functions be retained within the bank only if such PEVC investment is an indirect PE/VC investment made solely in an investee that is not managed by the bank or a related party.~~

[Deleted by MAS Notice 630 (Amendment) 2021]

10.2 ~~In any case, every~~ A bank shall in Singapore must ensure that each PE/VC investment is identifiable and that separate records for each PE/VC investment are kept for internal monitoring purposes.

[MAS Notice 630 (Amendment) 2021]

11 Reporting Requirements

~~11.1 Every bank in Singapore shall submit to the Authority a copy of its risk management policy and a copy of its policy for assessing the qualifications of PE/VC managers (as set out in paragraphs 7 and 8) within 90 days of the effective date of this Notice, in respect of existing PE/VC investments (where such policies have not been previously submitted to the Authority).~~

[Deleted by MAS Notice 630 (Amendment) 2021]

11.2 A bank in Singapore which intends to acquire or hold a PE/VC investment ~~after this Notice comes into effect shall establish~~ must implement the relevant policies, including the

⁵ The Authority encourages banks in Singapore to carry out their PE/VC investment business through a separately incorporated subsidiary to separate the bank in Singapore's PE/VC investment business from its other financial businesses. It is recommended that PE/VC investment functions be retained within the bank in Singapore only if such PE/VC investment is an indirect PE/VC investment made solely in an investee that is not managed by the bank in Singapore or a related party.

policy on risk management referred to in paragraph 7 and the policy for assessing the qualifications of employees and managers referred to in paragraph 8.2, and submit copies of such policies to the Authority prior to the acquisition of any PE/VC investments. ~~In all cases, the~~The bank in Singapore ~~shall~~must notify the Authority in writing of any material changes in these policies as ~~and when they occur~~soon as practicable.

[MAS Notice 630 (Amendment) 2021]

11.3 Every bank in Singapore ~~shall~~must submit to the Authority information on its PE/VC investments, as at 30th June and 31st December of each year, in accordance with the format specified in Annex A, no later than the 30th of the following month. A bank in Singapore ~~shall~~must submit to ~~MAS~~the Authority information on its PE/VC investments held beyond the relevant holding periods, where the net book value has been deducted from capital, as at 31st December of each year, in accordance with the format specified in Annex B, no later than the 30th of the following month.

[MAS Notice 630 (Amendment) 2021]

12 Effective Date

This Notice shall take effect on 5 July 2010.

* Notes on History of Amendments

1. MAS Notice 630 (Amendment) 2021 with effect from DD MM 20XX.

BANKS' SCHEDULE FOR PRIVATE EQUITY/VENTURE CAPITAL INVESTMENTS

Name of Financial Institution: _____

As at dd/mm/yyyy

(1) Investing company or firm	(2) Investee company or firm	(3) Type of business	(4) Date of First Investment	(5) Value of shareholding over investee's capital (%)	(6) Value of debt instruments and credit facilities (\$'000)	(7) Net book value of investment (\$'000)	(8) Net book value as percentage of (i) capital funds (for banks incorporated in Singapore) or (ii) total assets less net interbank lending (for banks incorporated outside Singapore)	
							<u>(a) Bank (%)</u>	<u>(b) Group (%)</u>
Total								

Instructions

Please complete the above table to facilitate MAS' monitoring of the ~~bank's~~ bank in Singapore's private equity and venture capital investments. Please indicate if the figures given are audited.

Item (1) - This refers to the name of the bank in Singapore or its subsidiary.

Item (2) - This refers the name of the investee company or firm.

Item (3) - This refers to the industry, in which the investee company is conducting its business e.g. Consumer products/services, Communications, Electronics, Energy, Manufacturing, Medical/biotechnology, Information Technology.

Item (4) - This refers to the date of the initial PE/VC investment.

Item (5) - This refers to the value of the PE/VC investment as a percentage of the capital of the investee company or firm.

Item (6) - This refers to the value of the debt instruments and the credit facilities extended to the investee company or firm.

Item (7) - This refers to the net book value of the PE/VC investment.

Item (8) (a) - ~~This~~ For banks incorporated in Singapore, this refers to the net book value of the PE/VC investment expressed as a percentage of the capital funds ~~at the solo level~~. For banks incorporated outside Singapore, this refers to the net book value of the PE/VC investment expressed as a percentage of relevant total assets, where "relevant total assets" is the value of total assets less net interbank lending.

Item (8) (b) - ~~This~~ For banks incorporated in Singapore, this refers to the net book value of the PE/VC investment expressed as a percentage of the capital funds at the group level. For banks incorporated outside Singapore, this is not applicable.

[MAS Notice 630 (Amendment) 2021]

BANKS' SCHEDULE OF PE/VC INVESTMENTS HELD PAST PERMITTED HOLDING PERIODS

Name of Financial Institution: _____

As at dd/mm/yyyy

(1) Investing company or firm	(2) Investee company or firm	(3) Type of business	(4) Date of first investment	(5) Date of end of permitted holding period	(6) Expected date of full divestment	(7) Value of shareholding over investee's capital (%)	(8) Value of debt instruments and credit facilities (\$'000)	(9) Net book value of investment (\$'000)	(10) Remarks
								Total	

Instructions

Please complete the above table to facilitate MAS' monitoring of the ~~bank's~~bank in Singapore's private equity and venture capital investments that are held past permitted holding periods. Please indicate if the figures given are audited.

Item (1) - This refers to the name of the bank in Singapore or its subsidiary.

Item (2) - This refers the name of the investee company or firm.

Item (3) - This refers to the industry, in which the investee company is conducting its business e.g. Consumer products/services, Communications, Electronics, Energy, Manufacturing, Medical/biotechnology, Information Technology.

Item (4) - This refers to the date of the initial PE/VC investment.

Item (5) - This refers to the date of the end of the permitted holding period for the PE/VC investment.

Item (6) - This refers to the date when the PE/VC investment is expected to be fully divested.

Item (7) - This refers to the value of the PE/VC investment as a percentage of the capital of the investee company or firm.

Item (8) - This refers to the value of the debt instruments and the credit facilities extended to the investee company or firm.

Item (9) - This refers to the net book value of the PE/VC investment.