

RESPONSE TO FEEDBACK RECEIVED

17 May 2018

Second Consultation - Proposed Revisions to MAS Notice to Banks 610 and MAS Notice to Merchant Banks 1003

MAS

Monetary Authority of Singapore

Second Consultation on Proposed Revisions to MAS Notice to Banks 610 and MAS Notice to Merchant Banks 1003

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1 Preface

1.1 On 10 February 2017, the Monetary Authority of Singapore (“MAS”) issued the second consultation paper on proposed revisions to the MAS Notices on Submission of Statistics and Returns (“revised 610/1003”). The consultation period closed on 13 April 2017.

1.2 There were 88 respondents from the industry including banks, merchant banks (together, “banks”) and audit/accounting firms¹. 35 respondents made further enquiries on the draft reporting forms.

1.3 The industry had provided significant feedback on MAS’ proposals for a 6 month parallel run period and for banks to book only Singapore dollar (“SGD”) transactions in the Domestic Business Unit (“DBU”) book in the interim before the revised 610/1003 is implemented. MAS has considered carefully the feedback received and made changes to the proposals as appropriate. Specifically, MAS will not require banks to book only SGD transactions in the DBU book in the interim. In addition, MAS will allow banks to maintain their DBU and Asian Currency Unit (“ACU”) books or systems if they face difficulties in merging them prior to the implementation of the revised 610/1003.

1.4 MAS would like to thank all respondents for their contributions. We look forward to the engagement between the industry and the Association of Banks in Singapore (“ABS”) at the industry working group, which will oversee the industry’s implementation of the revised 610/1003. Industry participants can continue to provide feedback to MAS on common issues faced through ABS, as well as how to enhance MAS’ guidelines/frequently asked questions on the revised 610/1003.

2 Implementation Timeline of 24 Months and Progress Updates

2.1 MAS had proposed to revise the implementation timeline from 18 months to 24 months². 70% of the respondents welcomed the extended timeline.

2.2 MAS had also proposed that the industry provide progress updates to MAS every 6 months during the implementation period. 80% agreed with the frequency of progress reports. Several respondents suggested that the updates should be more frequent (e.g.

¹ These are listed in Appendix 1.

² Refer to Appendix 2 for details of industry feedback under Question 1a.

quarterly) and that MAS provide banks with feedback on such updates. Respondents also suggested that to facilitate banks' reporting, MAS should provide standard templates and set out its expectations on the contents of the progress updates.

2.3 MAS will proceed with a 24 month implementation timeline. We also welcome the suggestions for progress updates and we will separately engage the industry on details of the tracking mechanism.

3 Parallel Run

3.1 MAS had proposed to conduct a 6 month parallel run before the revised 610/1003 took effect³. Almost half of the respondents agreed with the proposal as the parallel run would help to mitigate the risks of a direct cutover. The parallel run also allows banks additional lead time to resolve issues that may arise during this period.

3.2 Generally, respondents sought clarity in the following areas:

- Whether banks would be required to submit both existing and revised 610/1003 during the parallel run;
- Whether banks would be expected to reconcile the existing and revised 610/1003 data during the parallel run;
- Potential factors that may lead to an extension of the parallel run; and
- Whether banks would be subject to supervisory action for errors in the existing 610/1003 if these were discovered during the parallel run⁴.

3.3 MAS conducts surveillance of the financial system and participates in the aggregated data submission to the Bank for International Settlements and the International Monetary Fund. The removal of the distinction between the DBU and ACU ("DBU/ACU divide") is a major change for the banking system and we expect to see data breaks as a result of this change in definitions. MAS must be able to identify the cause of the data breaks; whether they are due to the changes in definitions or if there are changes

³ Refer to Appendix 2 for details of industry feedback under Question 1b.

⁴ This was also raised at the industry briefing held in March 2017 and September 2017.

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to the underlying data. The parallel run is intended to provide sufficient data points for MAS to make comparisons of the existing⁵ and the revised returns⁶.

3.4 Given the above, MAS intends to proceed with the 6 month parallel run. However, MAS notes the operational difficulties and challenges raised by the industry, and is prepared to make the following adjustments to address the industry's concerns:

- Banks may continue to maintain their internal DBU and ACU books or systems if they are unable to merge their books or systems within the implementation timeline, so long as they can submit the requisite data to MAS; and
- Banks will not be required to submit test data for the revised returns at the same time as they submit data for the existing 610/1003. MAS will also review on a case-by-case basis if banks require more time to submit certain types of test data during the parallel run. More details, which include the extent of reconciliation of data between existing and revised 610/1003, will be provided during the implementation period.
- With the above adjustments, MAS expects all banks to be on track to implement the revised 610/1003 by the end of the parallel run.

3.5 MAS will review erroneous submission of existing 610/1003 submitted during the parallel run on a case-by-case basis. In considering whether supervisory action is necessary, MAS will take into account, among other factors, the impact of the bank's errors on MAS' supervision, publication of statistics and external reporting obligations.

4 Removal of DBU-ACU Divide

4.1 MAS previously consulted the industry on the regulatory requirements and consequential legislative amendments following the removal of the DBU-ACU divide⁷.

⁵ The existing 610/1003 are based on the DBU-ACU divide.

⁶ The revised returns subject to testing would be the monthly and quarterly submissions by the industry.

⁷ Refer to MAS' consultation paper "Removing the DBU-ACU Divide – Implementation Issues" on 2 August 2015 and MAS' response issued on 10 February 2017.

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Several respondents enquired on the detailed implementation requirements in the second consultation for the revised 610/1003⁸.

4.2 MAS clarifies that the legislative amendments to remove the DBU-ACU divide will be made in due course, to take effect at the same time as the revised Notices for MAS 610/1003. In addition, the Department of Statistics will amend its survey requirements to remove the DBU-ACU divide once the revised 610/1003 has been implemented.

4.3 One respondent sought clarification on large exposure limits for foreign bank branches after the proposed removal of requirements under MAS Notice 639, in the event of delays in the implementation of the BCBS standardised supervisory framework for large exposures. MAS will remove the application of MAS Notice 639 on foreign bank branches at the same time as the effective date of the DBU-ACU removal.

4.4 The implementation timeline including the 6 months parallel run and removal of the DBU/ACU divide are summarised in Table 1⁹.

Table 1: Implementation Timeline

Timeline	Implementation Comments
1 April 2018 to 31 March 2020	<p><u>24 months industry implementation</u></p> <p>Banks may continue to maintain their DBU and ACU books or systems if they assess that they will not be able to merge their books or systems within the implementation timeline, provided they are able to submit the requisite data to MAS.</p> <p>MAS has also decided not to pursue the proposal for the industry to book only Singapore Dollar transactions in the DBU book during the interim period. This will allow the industry to concentrate on system changes to effect the Notices.</p>
1 April 2020 to 30 September 2020	<p><u>6 month parallel run</u></p> <p>1) Submission of existing 610/1003 data in line with current submission timelines; and</p>

⁸ Refer to Appendix 2 for details of industry feedback under “DBU_ACU Divide” tab.

⁹ The implementation timeline was also shared with all banks and merchant banks in Singapore via a circular dated 29 March 2018.

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	<p>2) Submission of test data under revised 610/1003 in the later part of the month, starting with March 2020 data for monthly and quarterly test submissions.</p> <p>Banks and merchant banks continue to comply with existing requirements related to the DBU-ACU divide.</p>
1 October 2020	<p>Revised MAS 610/1003 Notices take effect. Banks/merchant banks will report September 2020 data in line with the submission timeline stipulated in the revised Notices.</p> <p>Removal of the DBU-ACU divide and related legislative changes to take effect.</p>

5 Booking only SGD Transactions in the DBU Book in the Interim

5.1 MAS had proposed that in the interim before the revised 610/1003 takes effect, banks consider booking only SGD transactions in their DBU Book¹⁰. Half of the respondents disagreed, citing operational difficulties in treating multi-currency facilities and foreign exchange trades involving SGD, diversion of resources from implementing the revised 610/1003, and additional system changes. Others expressed challenges in complying with prudential requirements that are currently based on the DBU-ACU divide.

5.2 MAS has taken note of the major operational difficulties expressed by the industry and has decided not to pursue this proposal.

6 Industry Working Group Led by Association of Banks in Singapore

6.1 MAS had proposed that an industry working group be led by the Association of Banks in Singapore (“ABS”) to monitor the industry’s implementation of the revised 601/1003¹¹. Respondents generally agreed that the working group should be set up and led by the ABS. MAS has therefore shared with ABS the suggestions by some banks on how to segment industry participants and areas of discussion. ABS has also held several briefings to engage the industry on the following topics, besides other areas related to the implementation of the revised 610/1003:

¹⁰ Refer to Appendix 2 for details of industry feedback under Question 3.

¹¹ Refer to Appendix 2 for details of industry feedback under Question 5.

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- *Managed services*, or the use of industry-led centralised reporting utilities for interested industry participants; and
- *Data taxonomy*, or the mapping of data elements to the required data-fields in the revised 610/1003.

6.2 MAS welcomes initiatives that benefit the industry as a whole, so long as these initiatives are accessible by all industry participants.

6.3 ABS will arrange for industry players to participate in the working group. An online portal was also set up by ABS in 2017 to receive feedback by the industry on different topics. MAS had also arranged for ABS to be the channel through which industry participants could seek clarification on common areas from MAS.

7 Collecting GBP and CHF Exposures

7.1 MAS had sought feedback on whether banks had significant exposures denominated in GBP and CHF and whether removing reporting for GBP and CHF exposures would significantly reduce reporting burden¹².

7.2 60% of respondents agreed that removing GBP and CHF exposure collection would significantly reduce reporting burden. They cited that additional checks or controls would be removed and that system modification or testing efforts would no longer be required. 36% of respondents opined that removal of such reporting would not significantly reduce burden. Nevertheless, some of these respondents would prefer not to provide additional reporting if this was not necessary.

7.3 Taking into account industry feedback, MAS has decided to proceed with collecting GBP exposures. However, MAS will not collect CHF exposures as such exposures are significantly smaller than that for GBP.

8 Aggregation Principles for Joint Deposits

8.1 Under the revised 610, where there are two or more joint depositors in respect of any deposit account, each depositor shall be deemed to have an equal share in the deposit unless there is an express provision to the contrary in the books of the bank. This

¹² The detailed responses were summarised in the form of statistics. We will not publish the individual responses as majority of respondents provided their balance sheet percentages for GBP/CHF.

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allows banks to assess the deposits attributable to each depositor where joint depositors have other accounts. MAS sought additional industry opinion on whether this application should be extended to merchant banks in the revised 1003.

8.2 MAS received very few responses to this. Given the limited feedback and the need to ensure consistent implementation across the industry, MAS has decided to extend the same proposal for banks to all merchant banks.

9 Weighted Average Interest Rate for Deposits

9.1 MAS had proposed to collect the weighted average interest rates for outstanding and new deposits from full banks in Singapore¹³. While respondents generally agreed with collecting weighted average interest rates for outstanding deposits, 38% expressed difficulty in providing weighted average interest rates for new deposits as such data was not available in banks' systems and significant enhancements would be required.

9.2 MAS conducted a further consultation with these respondents and has revised the weighted average interest rate originally requested, to collect the highest quoted interest rate for new deposits. The instruction notes in the reporting form for this section have been amended accordingly. MAS will cancel MAS 756 when the revised 610/1003 takes effect.

10 Cost of Banks' System Modifications

10.1 MAS had sought views from banks on the estimated costs of system modifications to accommodate the changes in the revised 610/1003¹⁴. Majority of banks were not able to provide the information, citing that this required further internal and/or vendor assessment. Following this feedback, ABS has organised several industry briefings for interested banks to consider the route of managed services to help reduce their regulatory reporting costs.

10.2 MAS will not be publishing any further information on this area, given the industry's general preference not to reveal cost estimates.

¹³ Banks of other licence types are not required to submit such data. Refer to Appendix 2 for details of industry feedback under Question 9.

¹⁴ Refer to Appendix 2 for details of industry feedback under Question 2.

11 Publication of Aggregate Statistics

11.1 MAS had sought recommendations from the industry for aggregated statistics to allow banks to better benchmark themselves against the industry and identify potential business opportunities. MAS thanks the industry players for their suggestions on the breakdown of information by country and industry, as well as the provision of analysis by specific products (e.g. under management, derivatives exposures etc.). MAS has taken in the feedback and will review them to enhance the publication of aggregate statistics. MAS will separately engage the industry on this.

12 Collection of Foreign Exchange and Derivatives Turnover Data

12.1 The industry was consulted on the draft reporting requirements for Foreign Exchange, Interest Rate and Commodities Derivatives Turnover (Appendix I). In response, several industry participants proposed that MAS use the transactional data already provided to the DTCC Data Repository (Singapore) Pte Ltd (“DDRS”) instead, to compute the requested aggregate statistics.

12.2 MAS is supportive of this proposal as it is in line with our objectives to collect more granular data and to reduce duplicative data submissions by financial institutions. We have formed a working group with interested banks to review the feasibility of this suggestion. MAS would like to encourage more banks to take part in the working group so that we can identify challenges earlier in the process and begin working on solutions.

12.3 The working group is expected to complete its assessment of feasibility by the second half of 2019. In the interim, so that MAS continues to receive foreign exchange data, we have redesigned Appendix I to replicate Appendix 2 in the existing 610/1003, collected on a consolidated basis. If further changes to Appendix I are required after the feasibility has been assessed, MAS will engage banks to determine a mutually acceptable timeline for implementation.

13 Other Revisions

13.1 35 respondents from this consultation, as well as industry participants at the industry briefing on 5 September 2017 sought clarification on the draft reporting forms¹⁵

¹⁵ These refer to draft revised 610/1003 reporting forms published in the second consultation.

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for the revised 610/1003 and other related regulatory returns. These are discussed in greater detail in Appendix 3. Broadly, clarifications were sought in the following areas:

- Counterparty and industry classification, residency, specific asset and liability items etc. to different sections of the draft reporting forms;
- Whether banks can apply the revised data definitions and clarifications to the revised reporting forms in the current 610/1003;
- Whether the reporting deadline for the MAS 649/1015 submission on banks' liquidity can be aligned with the revised 610/1003 in general on the 14th business day, instead of 10th calendar day of each month;
- Whether the current MAS 650/1117 submission on banks' RMB business activity can be merged into the revised 610/1003¹⁶; and
- Whether to apply banks' internal exchange rates or MAS' rates during the parallel run.

13.2 As a result of industry feedback and further review, we have also rationalised the categories of data items by making the following changes:

- We have adjusted the corporates and households categories. We will now collect three new categories – “unincorporated enterprises held by natural persons”, “natural persons” and “non-profit institutions serving individuals and families”;
- New sections were added for collecting specific data of special purpose vehicle loans for covered bond issuance¹⁷, and the industries which treasury centres¹⁸ serve; and
- For completeness of collecting the full balance sheet data under Country Classification, we have included “other residual assets/other residual liabilities – in or outside Singapore”.

¹⁶ This was also raised by the industry during our first consultation on 31 December 2014.

¹⁷ MAS is currently collecting such data from local banks in Singapore. It will be extended to all locally incorporated banks in Singapore in the revised 610/1003.

¹⁸ Treasury centres are non-bank financial institutions.

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13.3 We thank respondents for providing more background to their queries during our follow-up discussions. We have revised the instruction notes and reporting forms and developed further guidelines for banks. These guidelines will continue to be enhanced in response to developments, such as an industry-led data taxonomy or additional queries raised by the ABS' industry working group. Other common queries raised by respondents during this consultation will be addressed via ABS. Details will be given in due course.

14 Finalised Notices 610 and 1003

14.1 The revised Notices 610 and 1003 and accompanying guidelines, outlined in Appendix 4, will take effect on 1 October 2020. MAS will continue to expand on the guidelines and develop frequently asked questions.

14.2 Several respondents sought clarity on the method of collection for the revised 610/1003¹⁹. As part of our efforts to streamline the method of data collection and reduce the amount of effort for financial institutions to submit data, MAS will provide flexibility in how the industry can submit the revised 610/1003. This could include allowing API or CSV file submissions. More details will be provided in due course.

15 Appendices to Second Consultation Responses

15.1 Please refer to the Appendices enclosed for the details referred to in the above sections, as well as the list of respondents to the second consultation:

- Appendix 1: List of Industry Respondents to the Second Consultation

[Appendix 1_pdf]

- Appendix 2: Details of Industry Feedback to the 10 Questions Raised by MAS in Second Consultation²⁰

[Appendix 2_pdf]

- Appendix 2A: Individual Respondents' Feedback

¹⁹ Refer to Appendix 2 under "Method of Collection" tab.

²⁰ Note that some respondents requested not to publish their submissions. Hence we did not publish their feedback though these were taken into account in the computation of statistics in Appendix 2.

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[Appendix 2A_pdf]

- Appendix 3: Clarifications for Industry Feedback to Reporting Forms

[Appendix 3_pdf]

- Appendix 4: Revised Notices 610/1003, Reporting Forms and Guidelines

[MAS Notice 610_pdf; MAS Notice 1003_pdf; MAS 610 reporting forms_pdf; MAS 1003 reporting forms_pdf; Guidelines_pdf]

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