

RESPONSE TO FEEDBACK RECEIVED

February 2017

Response to Feedback Received – Removing the DBU-ACU Divide-Implementation Issues

MAS

Monetary Authority of Singapore

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1 Preface

1.1 On 31 August 2015, MAS issued a consultation paper on the proposed consequential amendments to regulatory requirements, following MAS' announcement on the removal of the DBU-ACU divide.¹

1.2 The consultation period closed on 30 September 2015. MAS thanks all respondents for their contributions. The list of respondents is set out in [Annex A](#).

1.3 MAS has carefully considered the feedback received. Comments that are of wider interest, together with MAS' responses, are set out below. MAS' responses to other clarificatory questions are set out in [Annex B](#).

2 Implementation Timeline

2.1 In the consultation paper, MAS proposed a two-year implementation timeframe for the removal of the DBU-ACU divide i.e. the amendments to the Banking Act, regulations and other legislative instruments would take effect two years from the date of their issuance.

2.2 Several respondents noted that the removal of the DBU-ACU divide would have implications for regulatory reporting requirements under MAS 610 (Submission of Statistics and Returns), which is also currently being reviewed.² They suggested that the implementation timeline for removal of the DBU-ACU divide be aligned with that of the revised MAS 610, such that banks need only make a one-time change to their systems.

2.3 A few respondents commented that the system changes are relatively extensive, and requested for a longer implementation timeline. Other respondents suggested that banks be given the flexibility to implement the changes earlier if their systems are ready.

2.4 Some respondents also asked if the relevant limits under MAS Notice 639 (namely, large exposure limit, substantial exposures limit, and limits for investments in index or investment funds) could be lifted for foreign bank branches at an earlier date.

¹ Please refer to MAS' consultation paper on "Removing DBU-ACU Divide – Implementation Issues" issued on 31 August 2015 [here](#).

² The changes to MAS Notice 610 are the subject of a separate consultation paper "Second Consultation Paper and Response to Feedback Received on Proposed Revisions to MAS Notice to Banks 610 and MAS Notice to Merchant Banks 1003 – Submission of Statistics and Returns", which can be found on MAS' website.

MAS' Response

2.5 The DBU-ACU divide has been a long-standing feature of Singapore's banking regulatory framework. Removing it requires significant amendments to legislation, as well as changes in banks' regulatory reporting systems. This is because banks' regulatory returns, most notably MAS Notice 610, are also predicated on the DBU-ACU divide. Hence, it is important to give banks sufficient time to make the relevant changes to their systems.

2.6 MAS agrees that the implementation timeline for removal of the DBU-ACU divide should be aligned with that of revised MAS Notice 610, such that banks need only to make a one-time change to their systems. In this connection, MAS has issued a second consultation paper on the proposed amendments to MAS Notice 610, in which MAS has proposed a 30 months implementation timeline. MAS will extend the same timeline to banks for the implementation of changes relating to the removal of the DBU-ACU divide.

2.7 As for whether banks can implement the changes earlier if they wish to do so, MAS understands the request for such flexibility. Nevertheless, allowing banks to implement the changes with varying timelines will result in inconsistent regulatory reporting by banks to MAS. This will hinder MAS' supervision and surveillance of the banking sector. As such, MAS will require all banks to adhere to the same implementation timeline.

2.8 MAS also notes the suggestion for the concentration limits in MAS Notice 639 to be lifted earlier. To recap, MAS had proposed to remove these concentration limits for foreign bank branches in recognition that the Basel Committee on Banking Supervision ("BCBS") had issued a standardised supervisory framework to measure and control banks' large exposures to a single counterparty.³ Once this framework is implemented by member jurisdictions from 1 January 2019, MAS would be able to leverage on home consolidated supervisors to monitor and control such risks at the bank group level. MAS will therefore retain the concentration limits for foreign bank branches until the DBU-ACU divide is removed, by which time the BCBS' large exposures supervisory framework would also have been implemented by all member jurisdictions.

³ The Basel Committee on Banking Supervision ("BCBS")'s supervisory framework on large exposures can be found [here](#). The framework is expected to be implemented by 1 Jan 2019.

3 Limit on ACU Assets and Liabilities

3.1 Banks' ACU operations are currently subject to the ACU Terms and Conditions of Operation, under which MAS may impose a limit on each bank's total ACU assets and liabilities (the "ACU limit"). Several respondents sought clarification on the treatment of the ACU limit, following the removal of the DBU-ACU divide.

MAS' Response

3.2 As set out in the consultation paper, with the removal of the DBU-ACU divide, MAS will cancel the ACU Terms and Conditions of Operation in its entirety. The ACU limit will correspondingly be removed. MAS will engage the banks on implementation details closer to the date of removal of the DBU-ACU divide. In the interim, banks are required to comply with the ACU limit.

4 Others

Head Office Capital funds

4.1 Currently, banks incorporated outside Singapore are required to maintain at least \$200 million head office capital funds, as set out in section 9(1)(b) of the Banking Act. Some respondents asked if this requirement and the concept of head office capital funds would still apply after the removal of the DBU-ACU divide.

MAS' Response

4.2 The concept of head office capital funds is not premised on the DBU-ACU divide. It remains relevant, and will continue to apply. There are no changes to the application and definition of "Head Office Capital Funds" as set out in section 9(6) of the Banking Act and MAS Notice 601. Banks incorporated outside of Singapore will continue to be required to maintain at least \$200 million in head office capital funds.

Application of Proposals to Merchant Banks

4.3 Several respondents noted that the consultation paper had dealt mainly with requirements applicable to banks, and asked if the proposals would similarly apply to merchant banks.

MAS' Response

4.4 The concept of DBU-ACU would be removed in the legislative framework for both banks and merchant banks. The removal of DBU-ACU divide for merchant banks will take

effect at the same time as the revised regulatory reporting requirements under MAS Notice 1003, which has been issued for consultation.⁴

4.5 Besides MAS Notice 1003, consequential amendments to other regulatory requirements will be required to effect the removal of the DBU-ACU divide for merchant banks. MAS will be issuing a separate consultation paper on these proposed changes.

Definition of “emoluments” under MAS Notice 639

4.6 Some respondents asked how “emoluments” should be defined for the purposes of MAS Notice 639, as such a definition is no longer set out in the proposed revised MAS Notice 639.

MAS’ Response

4.7 MAS agrees with the feedback, and will reinstate the existing definition of “emoluments” in the revised MAS Notice 639 and align the regulatory treatment of unsecured credit facilities extended to a bank’s staff with the Banking (Credit Card and Charge Card) Regulations 2013 (“Credit Card Regulations”), by excluding loans listed in regulation 6(9)(a) to (h) of the Credit Card Regulations from the computation of the aggregate and outstanding amount of unsecured credit facility granted to the officer (other than a director), employee or person under paragraph 14(c) of MAS Notice 639.

Application of MAS Notice 639A

4.8 Some respondents asked if foreign bank branches would continue to be subjected to MAS Notice 639A on “Exposures and Credit Facilities to Related Concerns”, in light of the proposed removal of the concentration limits under MAS Notice 639.

MAS’ Response

4.9 MAS Notice 639A on “Exposures and Credit Facilities to Related Concerns” will continue to apply for all banks in Singapore, including foreign bank branches. To reflect the removal of DBU-ACU divide in MAS Notice 639A, MAS had proposed that banks would no

⁴ The consultation paper “Second Consultation Paper and Response to Feedback Received on Proposed Revisions to MAS Notice to Banks 610 and MAS Notice to Merchant Banks 1003 - Submission of Statistics and Returns” can be found on MAS’ website.

longer need to prepare separate statements for DBU and ACU operations, and can henceforth submit a single statement.⁵

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⁵ The final MAS 639A will combine the changes proposed in Annex K of the consultation paper (issued on 31 August 2015) with the amendments made in November 2016 under [MAS Notice 639A \(Amendment\) 2016](#).

Annex A

**LIST OF RESPONDENTS TO THE CONSULTATION PAPER ON
REMOVING THE DBU-ACU DIVIDE – IMPLEMENTATION ISSUES**

1. Agricultural Bank of China Ltd
2. ABN Amro Bank N.V.
3. Bank of China Ltd
4. Bank of Tokyo-Mitsubishi UFJ, Ltd
5. Banco Bilbao Vizcaya Argentaria S.A., Singapore Branch
6. BNP Paribas
7. Commerzbank AG, Singapore Branch
8. Coutts & Co. Ltd
9. Credit Suisse AG
10. DBS Bank Ltd
11. Deutsche Bank AG Singapore
12. DNB Asia & DNB Bank ASA
13. First Commercial Bank Ltd
14. ING Bank N.V.
15. Malayan Banking Berhad
16. Mitsubishi UFJ Trust & Banking Corporation
17. Mizuho Bank Ltd
18. National Australia Bank Ltd
19. Natixis
20. Royal Bank of Scotland PLC
21. Standard Chartered Bank and Standard Chartered Bank (Singapore) Limited
22. Siam Commercial Bank Public Company Ltd
23. State Street Bank and Trust Company
24. Sumitomo Mitsui Banking Corporation

25. Svenska Handelsbanken AB
26. Unicredit Bank AG
27. United Overseas Bank Ltd
28. Wells Fargo Bank National Association
29. 3 respondents requested for confidentiality of their identity
30. 9 respondents requested for confidentiality of their identity and submission

Please refer to [Annex C](#) for the submissions.

Annex B

**MAS' RESPONSE TO OTHER CLARIFICATORY QUESTIONS FROM
RESPONDENTS**

Feedback from Respondents	MAS' Response
Some respondents asked if MAS Notice 757 would continue to apply, in view of the proposed amendments to the "Guidelines for Operation of Wholesale Banks" and "Guidelines for Operation of Offshore Banks".	Yes, MAS Notice 757 on "Lending of Singapore Dollar to Non-Resident Financial Institutions" will continue to apply to all banks in Singapore.
Some respondents asked if MAS Notice 758 would continue to apply.	Yes, MAS Notice 758 on "Minimum Cash Balance" will continue to apply to all banks in Singapore.
Some respondents sought clarification on the definition of "total assets", which was proposed as the base for computing the limits under regulations 23F and 23G in the Banking Regulations.	"Total Assets" means total assets as reported under MAS Notice 610. A bank is to use the total assets figure as reported in the latest MAS Notice 610 returns submitted to MAS for the purpose of complying with the asset-based limits prescribed under regulations 23F and 23G. For foreign currency-denominated assets, the foreign currency amount must be converted into Singapore dollars using the bank's internal rates.

Feedback from Respondents	MAS' Response
<p>Some respondents asked if MAS would give banks flexibility to go above the proposed 2% limit under regulations 23F and 23G of the Banking Regulations.</p>	<p>Based on the current utilisation by banks of the existing limits prescribed in regulations 23F and 23G, MAS has assessed that the proposed revised asset-based limits should not constrain banks' existing and future businesses under regulations 23F and 23G.</p> <p>Nonetheless, where a bank would like to expand its businesses conducted under regulations 23F or 23G under the Banking Act beyond the prescribed asset-based limits, it can seek MAS' approval under section 30(1)(e) of the Banking Act for an increase in the limits. The bank is required to substantiate its application with compelling reasons as to why an increase in the limits is necessary.</p>
<p>Some respondents sought clarification on the circumstances upon which MAS would exercise the discretion to impose limits under sections 31 and 33 of the Banking Act for banks incorporated outside of Singapore, for supervisory or prudential reasons, and the base for such limits.</p>	<p>The factors that MAS will consider when assessing whether to impose such limits on a bank or class of banks incorporated outside Singapore will vary according to circumstances. These factors may include the risk arising from the investment in equity or immovable property to the bank or class of banks or to the financial system in Singapore.</p> <p>Where appropriate, MAS will engage the bank or class of banks in advance on the limits (including the base for the limits) to be imposed. Any limit to be imposed will not be based on the current concept of capital funds, which will no longer apply for banks incorporated outside Singapore with the removal of the DBU-ACU divide.</p>
<p>One respondent suggested that the general limits on equity investments and immovable property set out under sections 31 and 33 of the Banking Act be lifted for foreign bank branches at an earlier date.</p>	<p>MAS will implement these changes together with the rest of the consequential amendments required to implement the removal of the DBU-ACU divide.</p>

Feedback from Respondents	MAS' Response
Some respondents commented that the reference to "Net Head Office Funds" in the title of the proposed revised MAS Notice 601 should be deleted.	MAS will be deleting the reference to "Net Head Office Funds" in the title of the revised MAS Notice 601.
Some respondents asked if the other surveys that make reference to DBU/ACU would also be changed to reflect the removal of the DBU-ACU divide: <ul style="list-style-type: none"> • Annual Survey of Services • Monthly/Quarterly Income and Expenditure • Annual International Trade In Services Survey • Annual Singapore Investments Abroad Survey 	Yes, these surveys will be amended to reflect the removal of the DBU-ACU divide.
Some respondents asked if MAS would be imposing new limits to replace the current limits under MAS Notice 639, which MAS had proposed to remove for banks incorporated outside of Singapore.	MAS has no plans to impose any new limits on foreign bank branches, in lieu of the limits on large and substantial exposures. However, MAS may impose supervisory limits on a foreign bank branch where there are specific prudential concerns with the bank.
One respondent asked if MAS Notice 1004 and MAS Notice 1012 would be amended, along with the proposed amendments to MAS Notice 639.	MAS will be reviewing MAS Notices 1004 and 1012 and will issue a separate consultation paper on the proposed changes
Some respondents asked if MAS would further prescribe depositor priority rankings amongst foreign currencies, for the purposes of the revised section 62 of the Banking Act.	MAS will not be prescribing priority rankings amongst deposits of different foreign currencies.
Some respondents sought clarification on the treatment of dual currency deposits, for the purposes of the revised section 62A of the Banking Act.	Dual currency deposits are included in the definition of SGD deposit liabilities as long as SGD is either the base or the alternate currency.

Feedback from Respondents	MAS' Response
<p>Some respondents asked if AM requirements would be imposed on non-Singapore dollar deposit liabilities. Currently, MAS Notice 640 imposes an asset maintenance requirement on banks' DBU deposit liabilities, which can include both Singapore dollar ("SGD") and non-SGD deposit liabilities.</p>	<p>As indicated in the consultation paper, with the removal of the DBU-ACU divide, banks' existing DBU AM requirements will be applied to their Singapore dollar deposit liabilities. MAS retains the flexibility to impose additional asset maintenance requirements on particular banks, as warranted by prudential and depositor protection considerations.</p>
<p>Some respondents asked if there would be changes to the list of eligible assets for the purposes of MAS Notice 640 on "Minimum Asset Maintenance Requirement".</p> <p>Some respondents also asked if the eligible assets maintained for Asset Maintenance Requirements can be used to meet the requirements for Liquidity Coverage Ratio.</p>	<p>MAS would like to clarify that:-</p> <ul style="list-style-type: none"> • There is no change to the list of eligible assets. Assets that can be used to meet existing AM requirements can also be used to meet the revised AM requirements, subject to the same conditions. • Asset Maintenance Requirements (AMR) and Liquidity Coverage Ratio (LCR) requirements serve different objectives. Eligible assets maintained for AMR purposes cannot be used to meet LCR HQLA requirements, and vice versa. Banks may report the eligible assets based on their own financial reporting practices (i.e. either trade date or value date of transaction).

Annex C

**SUBMISSION FROM RESPONDENTS TO THE CONSULTATION ON
REMOVING THE DBU-ACU DIVIDE – IMPLEMENTATION ISSUES¹**

S/N	Respondent	Responses from Respondent
1.	ABN AMRO Bank N.V.	<p>Concerning this Consultation Paper, our bank would appreciate your clarification on the following:</p> <ol style="list-style-type: none"> 1) Can MAS please confirm that the definition of "Total Assets" will be in accordance with Singapore FRS as reported in the Local Statutory Financial Statements? 2) Is it possible to implement the removal of the DBU-ACU divide ahead (i.e. earlier) of the stated timeline of 2 years in the Consultation Paper, if the bank is ready to do this earlier? 3) Will the concept of the ACU Book Size Limit be removed? Will there be a similar limit placed on the bank's total assets?
2.	Agricultural Bank of China Ltd	<p>Question 1: MAS seeks comments on the proposal to amend section 62(1) of the BA to rank uninsured non-bank deposits in insolvency by the currency denomination of the deposits.</p> <p>We are supportive of the proposed amendment.</p> <p>Question 2: MAS seeks comments on the proposal to amend MAS Notice 640 to apply the AM requirements by currency denomination.</p> <p>We are supportive of the proposed amendment.</p> <p>Question 3: MAS seeks comments on the proposed asset-based anti-commingling limits, as detailed in Table 1, for all banks.</p> <p>We are supportive of the proposed amendment.</p> <p>Question 4: MAS seeks comments on the proposed removal of the general limits on equity investments and immovable property, under sections 31 and 33 of the BA, for banks incorporated outside Singapore. MAS will however retain the</p>

¹ We have not published feedback where (i) respondents had requested that their submissions be made confidential, and (ii) the feedback pertains to confidential bilateral exchanges between MAS and the respondents.

S/N	Respondent	Responses from Respondent
		<p>discretion to impose such limits for supervisory or prudential reasons.</p> <p>We are supportive of the proposed removal.</p> <p>Question 5: MAS seeks views on the proposed removal of the large exposure limit, substantial exposures limit, and limits for investments in index or investment funds, under MAS Notice 639, for banks incorporated outside Singapore. MAS also seeks comments on the removal of the limits on unsecured credit facilities to director groups under MAS Notice 639 for all banks.</p> <p>We are strongly supportive of the proposed removal. We would like to suggest to remove this limit earlier so that other amendments can be made effectively and smoothly.</p> <p>Question 6: MAS seeks comments on the proposed amendments to the other regulatory requirements that refer to the DBU-ACU divide.</p> <p>We are supportive of the proposed amendment.</p> <p>Question 7: MAS seeks comments on the proposed implementation timeline of the removal of the DBU-ACU divide and the attendant changes required as a result.</p> <p>The removal of DBU-ACU divide impacts several MAS reports at once. The proposed timeline should be implemented in different phases. (For example, Notice 639 should be given an earlier timeline for implementation before setting other separate timelines for each of the impacted MAS reports.) Between phases, sufficient time should be allowed for implementation.</p>
3.	Bank of Tokyo-Mitsubishi UFJ, Ltd	<p>Question 1: MAS seeks comments on the proposal to amend section 62(1) of the BA to rank uninsured non-bank deposits in insolvency by the currency denomination of the deposits.</p> <p>The Bank would like to clarify one matter in relation to the proposed priority ranking set out in paragraph [3.2]. When ranked by currency denomination, in relation to (iv) foreign currency, are all foreign currencies to be ranked equally, or does MAS propose that foreign currencies will be ranked further by currency? If so, how will they be ranked?</p>

S/N	Respondent	Responses from Respondent
		<p>Question 2: MAS seeks comments on the proposal to amend MAS Notice 640 to apply the AM requirements by currency denomination.</p> <p>The Bank would like to clarify the following in relation to MAS' proposal to apply the AM requirements by currency denomination: It is stated at page [6], paragraph [4.1], that non-bank deposits will be based on Singapore dollar non-bank deposits going forward. The Bank would like to clarify if there will be no other AM requirements of other currencies non-bank deposits. The Bank also understands from paragraph [4.2] that there will be no change to the list of eligible assets, however, the Bank would like to clarify what kind of denominations should the bank based on in reporting eligible assets? Will it be aligned with the Minimum Liquid Assets computation in the MAS Notice 649 on <i>Minimum Liquid Assets and Liquidity Coverage Ratio</i>, which is by two broad categories (i) SGD and (ii) all currencies (including SGD)?</p> <p>Question 3: MAS seeks comments on the proposed asset-based anti-commingling limits, as detailed in Table 1, for all banks.</p> <p>(i) The Bank would like to clarify whether the capital fund computation under MAS Notice 601 will still be required for banks not incorporated in Singapore as MAS proposes to (a) remove most of the limits monitoring (for example, large exposure limits, substantial exposure limits, etc) for banks not incorporated in Singapore; and (b) revise the methodology for computing the limits for all banks to be based on total assets instead of capital funds?</p> <p>(ii) The Bank would like to clarify whether the proposed amendments to MAS Notice 601 (in Annex F) are in line with the new MAS Notice 610 (that is, the current Annex 1A Part II or Appendix B2 Annex 3 Part II of the Consultation Paper), since both of these Notices have the concept of "capital funds"?</p> <p>(a) Paragraph [5.3], page [7] of the Consultation Paper states: "However, with the removal of the DBU-</p>

S/N	Respondent	Responses from Respondent
		<p>ACU divide, the computation of the limit will need to be revised, as the concept of capital funds will no longer apply for banks incorporated outside Singapore".</p> <p>Does this statement mean that as the Bank (BTMU) is not incorporated in Singapore, it does not need to report its "Capital Funds" and "Adjusted Capital Funds"?</p> <p>(b) If the Bank (BTMU) is required to report its "Capital Funds" and "Adjusted Capital Funds" section, could MAS provide some clarity on the reporting requirements?</p> <p>The Bank would like to propose that MAS Notice 601 elaborate on the computation of Capital Funds. Please refer to the attached Annex F for the Bank's proposed amendment to section 4 of MAS Notice 601.</p>
		<p>Annex F</p> <p>Definition of Capital Funds</p> <p>4 For the purposes of sub-paragraph (a) of the definition of "capital funds" in section 2(1) of the Act, the computation of capital funds is set out below. Following are to be excluded as capital funds:</p> <ul style="list-style-type: none"> - Paid-up Capital - Treasury Shares¹ + Published reserves² + Profit³ - Losses, if any⁴ - Excluded items⁵ <p><u>Total Capital Funds</u></p> <p><u>Notes:</u></p> <ol style="list-style-type: none"> 1 The "treasury shares" has the same meaning as in section 4(1) of the Companies Act; 2 The "published reserves", in relation to a Bank, means reserves which appear in the accounts of the Bank which are duly audited or certified as correct by the auditor of the Bank; 3 Only interim profits that have been duly audited or certified as correct by the auditor of the Bank shall be included; 4 The "losses" includes any interim losses incurred since the end of the last financial reporting period. 5 The excluded items refer to: <ol style="list-style-type: none"> (a) revaluation reserves; (b) unrealised fair value gains or losses on revaluation of available-for-sale ("AFS") equity securities; (c) unrealised fair value gains or losses on revaluation of AFS debt securities and AFS loans; and (d) cumulative fair value gains or losses on cashflow hedges of financial instruments that are measured at amortised cost; and (e) any other reserves maintained by the bank that is required by the Authority.
		<p>(iii) With the deletion of section 5 of MAS Notice 601, whereby the concept of "capital funds" will no longer apply for Banks incorporated outside Singapore, does it mean that Annex 1A Part I of the MAS Notice 610 or the proposed Appendix B2 Annex 3 Part I of the MAS</p>

S/N	Respondent	Responses from Respondent
		<p>Notice 610 Consultation Paper will also be abolished for capital funds of banks incorporated outside Singapore?</p> <p>(iv) The Bank would like to clarify if the below mentioned annexes in the MAS Notice 610 Consultation Paper are still relevant to the Bank with the abolishment of capital funds of banks incorporated outside Singapore?</p> <p>(a) Appendix B2 Annex 3 Part I Capital Funds and Adjusted Capital Funds</p> <p>Capital Funds: Amounts due to / from Parent / Head Office, branches and own ACU – will there still be a requirement for the Bank to report "own ACU"?</p> <p>(b) Appendix B2 Annex 3 Part III: ACU Total Assets / Liabilities</p> <p>With the removal of DBU-ACU divide, is this still a reporting requirement?</p> <p>(c) Appendix B2 Annex 2: Deposits by size and deposit by rate of non-bank customers</p> <p>Is it still a requirement to split by DBU and ACU book?</p> <p>(d) Appendix B2 Annex 4: Reserves by type</p> <p>Revenue Reserves: Is it still a requirement to disclose ACU closing balance?</p> <p>(v) In the current MAS Notice 610, merchant banks' DBU transactions are treated as non-bank and ACU transactions are treated as "banks". With the removal of DBU-ACU divide, the Bank would like to clarify if merchant banks transactions will be considered as "banks" or "non-banks"?</p> <p>(vi) With the deletion of section 5 of MAS Notice 601, whereby the definition of "net head office funds" will be removed, the Bank would like to propose to delete the same in the title of the Notice: "CAPITAL FUNDS, NET HEAD OFFICE FUNDS AND HEAD OFFICE CAPITAL"</p>

S/N	Respondent	Responses from Respondent
		<p>to be amended to "CAPITAL FUNDS AND HEAD OFFICE CAPITAL".</p> <p>(vii) With the deletion of section 5 of MAS Notice 601, the Bank would like to clarify if the subparagraph (b) of the definition of "capital funds" in section 2(1) of the Banking Act will be removed as well?</p> <p>Question 5: MAS seeks views on the proposed removal of the large exposure limit, substantial exposures limit, and limits for investments in index or investment funds, under MAS Notice 639, for banks incorporated outside Singapore. MAS also seeks comments on the removal of the limits on unsecured credit facilities to director groups under MAS Notice 639 for all banks.</p> <p>The Bank would like to clarify:</p> <p>(i) On page [123] of the Consultation Paper, MAS Notice 639A, Appendix II, paragraph [3]:</p> <p>Where an exposure or credit facility to a counterparty falls into more than one relationship, a bank shall report such exposures and credit facilities under each relationship accordingly. The bank shall provide details of such exposures and credit facilities under the "Additional Information" section.</p> <p>(a) What kind of "Additional Information" does the Bank need to provide? For example: to report breakdown by type of exposures?</p> <p>(b) What is meant by "...a counterparty falls into more than one relationship..." in paragraph [3]? Does the term "relationship" refer to relationship (a) to (i) in the form under column "Relationship to Bank"?</p> <p><i>Reference to MAS 639A return "Relationship to Bank":</i></p> <p>(a) <i>The director groups of bank</i></p> <p>(b) <i>Firms or limited liability partnerships of which the bank is a partner, manager, agent, guarantor or surety</i></p>

S/N	Respondent	Responses from Respondent
		<p>(c) <i>Companies of which any of the directors of the bank is a director or agent</i></p> <p>(d) <i>Companies of which the bank or any of its officers (other than directors), employees or other persons who receive remuneration from the bank (other than for professional services rendered to the bank) is a director, executive officer, agent, guarantor or surety</i></p> <p>(e) <i>Officers, employees or other persons who receive remuneration from the bank (other than for professional services rendered to the bank) in excess of one year's emoluments of the officers</i></p> <p>(f) <i>In the case of a bank incorporated in Singapore, the substantial shareholder groups of the bank</i></p> <p>(g) <i>The financial group of the bank</i></p> <p>(h) <i>Related corporations of the bank</i></p> <p>(i) <i>Individuals in whom, or any firm, limited liability partnership or company in which, any of the directors of the bank has an interest, directly or indirectly, as declared under section 28 other than the credit facilities or exposures particulars of which have already been supplied under section 27(1)</i></p> <p>(ii) Each quarter, the Bank downloads the form for submission return from website. Would MAS please clarify which form to use for submission going forward?</p> <p>(d) The Bank would also like to clarify that once the DBU-ACU divide is removed will MAS require Singapore Branch to provide the Bank's framework for monitoring of large exposure to a single group, booked in Singapore? Or will MAS ask for the data relating to the monitoring of exposures for all transactions?</p> <p>The Bank anticipates that if Singapore Branch were to stop monitoring its exposures for foreign currency</p>

S/N	Respondent	Responses from Respondent
		<p>transactions and MAS were to require detailed information about these exposures, this data would be held by Head Office in Tokyo and it may be difficult to provide that level of detailed data.</p> <p>Question 6: MAS seeks comments on the proposed amendments to the other regulatory requirements that refer to the DBU-ACU divide.</p> <p>The Bank has two comments regarding Annex C.</p> <p>(i) According to the proposed revisions to the Banking Act 62A(2): “deposit” has the same meaning as in section 4(B)(4) but includes the items listed in section 4B(6);</p> <p>Is "Section 4(B)(4)" mentioned above referring to “Section 4B(4)” in the Banking Act as set out below?</p> <p>Question 7: MAS seeks comments on the proposed implementation timeline of the removal of the DBU-ACU divide and the attendant changes required as a result.</p> <p>(i) The Bank is supportive of the proposed amendments by MAS to remove the DBU-ACU divide.</p> <p>(ii) The Bank anticipates that the removal of the DBU-ACU will require system enhancements and will have resource implications for both the Bank in Singapore and our Head Office. It will impact our front, middle and back office. The proposed changes to the DBU-ACU divide will have wide-ranging implications for the Bank and other financial institutions. The Bank will need to work closely with our Head Office in terms of these enhancements.</p> <p>Due to these implications, the Bank would ask MAS to consider a phased implementation of the removal of the ACU-DBU divide and would like an indication as to when MAS think they will implement these changes.</p> <p>(iii) MAS’ proposal to amend MAS Notice 610 (the subject of Consultation Paper P017-2014 <i>Proposed Revisions to</i></p>

S/N	Respondent	Responses from Respondent
		<p><i>MAS Notice to Banks 610 - Submission of Statistics and Returns</i>) will also have implications for the Bank's systems. In addition, the introduction of the <i>International Financial Reporting Standards (IFRS)</i> will also have systems implications for the Bank.</p> <p>The Bank would like to clarify what impact will the removal of the DBU-ACU divide have on the proposals to amend MAS Notice 610 and the introduction of IFRS?</p> <p>(iv) The Bank suggests that the implementation of the MAS regulatory requirements in this Consultation Paper and the revised MAS Notice 610 be implemented with a co-ordinated approach. The Bank also suggests that the IFRS implementation timeline also be considered by MAS. As financial institutions will need to make changes to their systems in order to comply with all proposed changes, financial institutions would be hopeful they could enhance their systems once only to ensure all regulatory requirements can be met.</p>
4.	Banco Bilbao Vizcaya Argentaria S.A., Singapore Branch	<p>Question 7: MAS seeks comments on the proposed implementation timeline of the removal of the DBU-ACU divide and the attendant changes required as a result.</p> <p>We would like to propose that banks communicate the date (within a deadline set by MAS) from which they are able to implement the divide, and be required to comply with the revised regulatory requirements from the date communicated by them.</p>
5.	BNP Paribas	<p>Question 1: MAS seeks comments on the proposal to amend section 62(1) of the BA to rank uninsured non-bank deposits in insolvency by the currency denomination of the deposits.</p> <p>The definition of SGD deposit liabilities include deposit liabilities which will be discharged in SGD.</p> <p>Can we clarify how will dual-currency investments / deposits (DCIs) be accounted for – as long as SGD is involved as either base or alternate currency, without reference to strike rate?</p>

S/N	Respondent	Responses from Respondent
		<p>Question 2: MAS seeks comments on the proposal to amend MAS Notice 640 to apply the AM requirements by currency denomination.</p> <p>We understand that the current asset maintenance ratios applied on DBU non-bank deposits will henceforth be applied on Singapore dollar non-bank deposits instead.</p> <p>We would like to clarify the following requirements, after the removal of DBU-ACU divide:</p> <ul style="list-style-type: none"> • Eligible Assets are defined in Annex 1. Some items are clearly specified to be “denominated in Singapore dollars,” while others are not. Can we clarify if the computation of Eligible Assets is to be applied to all types of assets approved, including the items with no specified currency (#1, 3, 6, 9)? <p>Question 5: MAS seeks views on the proposed removal of the large exposure limit, substantial exposures limit, and limits for investments in index or investment funds, under MAS Notice 639, for banks incorporated outside Singapore. MAS also seeks comments on the removal of the limits on unsecured credit facilities to director groups under MAS Notice 639 for all banks.</p> <ol style="list-style-type: none"> 1. Changes to MAS Notice 639A – Appendix II point 2, where it is stated that a bank shall report exposures and credit facilities for each relationship... in the manner such exposures and credit facilities are computed for purposes of complying with the limits set out in MAS Notice 639. Given that MAS Notice 639 no longer applies to banks incorporated outside Singapore, can we clarify if this section still applies to banks incorporated outside Singapore. 2. Changes to MAS Notice 639A – Appendix II point 6, similar to above point. 3. Changes to MAS Notice 639A – Appendix II point 7, similar to above point. <p>Question 6: MAS seeks comments on the proposed amendments to the other regulatory requirements that refer to the DBU-ACU divide.</p> <ul style="list-style-type: none"> • Priorities for set-off in winding up of bank -

S/N	Respondent	Responses from Respondent
		<p>Section 62A(2) – definition of SGD deposit to mean a deposit where (a) the sum of money paid to the bank is denominated in SGD or the sum of money will be repaid in SGD.</p> <p>Can we clarify how will DCIs be accounted for in such scenarios?</p> <p>Question 7: MAS seeks comments on the proposed implementation timeline of the removal of the DBU-ACU divide and the attendant changes required as a result.</p> <p>The proposed removal of DBU-ACU divide will have significant impact on our IT systems set-up and the downstream data-feed to meet reporting requirements. The 2 year implementation timeline seems reasonable but we will need to perform detailed assessment with our IT teams to define the systems impact and the attendant changes required as a result (e.g. clients migration from ACU to DBU’s book).</p> <p>We would like to suggest the deferment and alignment of the implementation timeline of the “Proposed Revisions to MAS Notice 610: Submission of Statistics and Returns,” taking into consideration the implication of the proposed removal of DBU-ACU divide.</p> <p>This will allow time for the bank to streamline our efforts to modify our IT systems to meet both the changes in business rules and revised reporting requirements.</p>
6.	Commerzbank AG, Singapore Branch	<p>General comments:</p> <p>Comments: Para 2.2 of the consultation paper states that “in addition, banks are required to submit regulatory returns based on the DBU and ACU (MAS Notice 610 – Submission of Statistics and Returns). MAS is working separately with the industry on the proposed amendments to these returns”.</p> <p>We would like to check whether there will be a separate industry consultation on the revised MAS 610 and the indicative date of the industry consultation. We propose that the implementation date of the revised MAS 610 requirements be aligned with the timeline for the implementation of DBU-ACU Divide, whichever is later.</p>

S/N	Respondent	Responses from Respondent
		<p>Question 3: MAS seeks comments on the proposed asset-based anti-commingling limits, as detailed in Table 1, for all banks.</p> <p>We note from paragraph 5.3 of the consultation paper that the MAS intends to remove the concept of capital funds for banks incorporated outside Singapore. We would like to confirm if this is the policy intent, and if so, whether there will be subsequent amendment to section 9 of Banking Act as well as MAS Notice 601 to reflect the same?</p> <p>Question 5: MAS seeks views on the proposed removal of the large exposure limit, substantial exposures limit, and limits for investments in index or investment funds, under MAS Notice 639, for banks incorporated outside Singapore. MAS also seeks comments on the removal of the limits on unsecured credit facilities to director groups under MAS Notice 639 for all banks.</p> <p>Comments: We note that the MAS is proposing to remove the large exposure limit, substantial exposures limit, limits for investments in index or investment funds under MAS Notice 639 for <u>banks incorporated outside Singapore</u>. We would like to clarify whether the MAS intends to remove the reporting requirement under MAS Notice 639a as well for banks incorporated outside Singapore?</p> <p>Question 7: MAS seeks comments on the proposed implementation timeline of the removal of the DBU-ACU divide and the attendant changes required as a result.</p> <p>Comments: We are of the view the proposed timeline of two years from the time MAS issues the revised regulatory requirements is reasonable. However, as indicated above, we propose that the timeline be aligned with the proposed changes to MAS 610 reporting (whichever is later).</p>
7.	Coutts & Co. Ltd	<p>General comments:</p> <p>Approved merchant banks which operate ACU are also subject to the DBU-ACU divide, and there are specific regulatory requirements that approved merchant banks need to comply with in this respect – such as MAS 1001 (Definition of Capital Funds and Net Head Office Funds), MAS 1003 (Submission of Statistic and Returns) and Directive 15 (Operation of an Asian Currency Unit). However the consultation paper does not specifically address whether the proposed</p>

S/N	Respondent	Responses from Respondent
		<p>requirements and amendments apply to approved merchant banks which operate ACU or if there are any carve outs for them. We respectfully seek clarification from MAS on the above.</p>
8.	Credit Suisse AG	<p>General comments:</p> <ul style="list-style-type: none"> - We would like to clarify if this consultation paper applies to both wholesale banks and merchant banks. If it is applicable to merchant banks, we would like to suggest for changes applicable to merchant banks to be specified (as ACU of merchant bank is subject to Banking Act and ACU Terms and Conditions, where MAS proposed to move them entirely). In addition, we submit that it is more efficient to implement the proposed changes for both banks and merchant banks. - MAS has retained a clause to require bank to continue on reporting despite the removal of certain regulations, we would like to seek clarification from the MAS on how much advance notice (if any) will be provided to the bank and if MAS will consult the industry. We would also like to know the basis of the assessment. We appreciate MAS efforts to streamline rules to facilitate rule implementation, however, we would like to highlight that the Bank will start to amend configuration/logic in our systems based on the proposed removal of rules. Any subsequent change to the rules will require the Bank to mobilise resource and time to implement it. - How would removing of DBU-ACU Divide impact the restriction on ACU operation? - What is the impact on minimum capital requirement for foreign bank's Net Head Office Funds? <p>Question 2: MAS seeks comments on the proposal to amend MAS Notice 640 to apply the AM requirements by currency denomination.</p> <p>In relation to SGD Deposit Liabilities on which SGD AMR will be monitored, could the MAS clarify if SGD Deposit Liabilities refer to only deposit denominated in SGD in ledger, or is there any need to infer from settlement or reference currency in SGD? For example, Dual Currency Deposit where settlement can be in SGD or USD but is booked in USD.</p>

S/N	Respondent	Responses from Respondent
		<p>Question 3: MAS seeks comments on the proposed asset-based anti-commingling limits, as detailed in Table 1, for all banks.</p> <p>We would like to clarify the following:</p> <ul style="list-style-type: none"> - Will MAS amend DBU in future MAS610 (annex 3)? - Will MAS be proposing to align Banking Act requirement (section 9 on its minimum head office capital funds requirement of \$200 mil) to this removal? - Could MAS clarify if total Assets of the Bank is in line with total assets as defined in MAS 610? <p>Question 4: MAS seeks comments on the proposed removal of the general limits on equity investments and immovable property, under sections 31 and 33 of the BA, for banks incorporated outside Singapore. MAS will however retain the discretion to impose such limits for supervisory or prudential reasons.</p> <p>Appreciate MAS to consult the industry if it is imposing limits on investments in equity and/or immovable property for a class of banks.</p> <p>Question 5: MAS seeks views on the proposed removal of the large exposure limit, substantial exposures limit, and limits for investments in index or investment funds, under MAS Notice 639, for banks incorporated outside Singapore. MAS also seeks comments on the removal of the limits on unsecured credit facilities to director groups under MAS Notice 639 for all banks.</p> <p>We understand that MAS 639A reporting is based on MAS Notice 639. Given that MAS proposes not to apply certain concentration limits in MAS Notice 639 to banks incorporated outside Singapore, we would like to seek clarification if MAS 639A reporting requirement will similarly NOT be applicable to bank incorporated outside Singapore.</p> <p>Question 7: MAS seeks comments on the proposed implementation timeline of the removal of the DBU-ACU divide and the attendant changes required as a result.</p>

S/N	Respondent	Responses from Respondent
		<p>We would like to know if early adoption of the changes is allowed if the bank is able to implement them in advance of the proposed 2 year timeline.</p>
9.	DBS Bank Ltd	<p>General comments:</p> <p>We propose that the Authority continues to collate and publish industry data relating to SGD loans and deposits, in addition to total loans and deposits, for banks in Singapore. This will allow banks to continue to track and monitor their market share in these categories.</p> <p>Question 5: MAS seeks views on the proposed removal of the large exposure limit, substantial exposures limit, and limits for investments in index or investment funds, under MAS Notice 639, for banks incorporated outside Singapore. MAS also seeks comments on the removal of the limits on unsecured credit facilities to director groups under MAS Notice 639 for all banks.</p> <p>We notice that the definition of “Emoluments” has been struck off from the footnote of MAS639. We would like to understand MAS’ intention and if this means that banks are free to set their individual definition.</p> <p>We are supportive of the Authority’s proposal to remove unsecured credit facility limits to director groups for all banks.</p> <p>Question 6: MAS seeks comments on the proposed amendments to the other regulatory requirements that refer to the DBU-ACU divide.</p> <p>We would like to confirm that similar changes will be effected for the following returns that are presently submitted to the Authority or Department of Statistics which also require separate statements for DBU and ACU operations. These include:</p> <ul style="list-style-type: none"> • Monthly/Quarterly Income and Expenditure Survey • Annual Survey of Services • Annual International Trade In Services Survey • Annual Singapore Investments Abroad Survey • MAS 609 Profit & Loss Statement <p>Question 7: MAS seeks comments on the proposed implementation timeline of the removal of the DBU-ACU divide and the attendant changes required as a result.</p>

S/N	Respondent	Responses from Respondent
		<p>We believe that a 2-year transition timeline, during which banks are required to continue to comply with the existing DBU-ACU divide while changes are being effected in existing systems, would result in undue inefficiencies. Comparatively, a more accelerated transition process to the new regime will have the added benefit that new systems being planned over the near-term can be calibrated to post to the DBU book, thereby avoiding additional costs from subsequent re-wirings.</p> <p>As such, we propose that the ACU limits be removed immediately upon the issuance of the revised regulatory requirements, and that banks be allowed to migrate to a single set of accounting unit 6 months after the issuance of the revised regulatory requirements. At the same time, all consequential changes made to relevant regulatory reports that hitherto had required separate submissions for DBU/ACU should also take effect.</p>
10.	Deutsche Bank AG Singapore	<p>Overall, we welcome the recognition that, in light of harmonised prudential requirements at global level, local requirements for branches should be revised, local requirements for branches should be revised to allow for more consistent management of funding across banking groups. There are a few areas which are not dealt with specifically in the consultation paper, where we request clarification on the approach the MAS intends to take:</p> <p>Interaction with MAS 610: as revisions are currently underway to MAS Notice 610 on Submission of Statistics and Returns (and subsequently MMAS Notice 1003 for merchant banks), we welcome MAS' statement that it intends to amend these returns to reflect the removal of the DBU-ACU divide. However, it is not clear in the consultation paper whether this also means that the timing of MAS 610 and 1003 will be delayed, to align with the timing of DBU-ACU changes?</p> <p>In terms of implementation, given the significant changes potentially required in banks' financial reporting systems, we strongly welcome the proposed two-year phase-in period, following the finalisation of all the revised regulations. We also request that the MAS allows banks to take a flexible approach on how they implement the changes, recognising that the DBU-ACU divide is highly embedded in current systems and that group IT investment cycles run over multi-year periods. Please do not hesitate to get in touch if you would like clarification or further information on particular issues raised in this response.</p>

S/N	Respondent	Responses from Respondent
11.	DNB Asia & DNB Bank ASA	<p>Question 6: MAS seeks comments on the proposed amendments to the other regulatory requirements that refer to the DBU-ACU divide.</p> <p><u>Section 77 of the Banking Act “Authority to approve operation of an Asian Currency Unit”</u></p> <ul style="list-style-type: none"> • s.77 will be repealed in its entirety. • Currently, s.77(4)(a) lists out the various exemptions applicable to the ACUs of merchant banks and foreign incorporated banks, e.g. exemption on section 39 ‘Minimum Cash Balance’. Will these exemptions still apply after s.77 is repealed? <p><u>ACU Terms and Conditions</u></p> <p>As this will be repealed in its entirety, can MAS confirm that ACU limits no longer apply to both banks and merchant banks?</p>
12.	First Commercial Bank Ltd	<p>Question 1: MAS seeks comments on the proposal to amend section 62(1) of the BA to rank uninsured non-bank deposits in insolvency by the currency denomination of the deposits.</p> <p>1.1 In a liquidation situation of a bank our first impression is that the Liquidator in Receivership has the necessary legal power by law to determine the priority of payments to Depositors, Creditors and any remainder will go to stakeholders. Also the rule of law is that where creditors are secured, they would have to look to their security first and then claim against the liquidator for the unsecured portion. In the Depositors category, their security is the Insured Sum that the Singapore Deposit Insurance Corporation would have to fork out to repay the Depositors but only up to SGD50,000.00 for each Depositor account. Where the depositors had an assortment of foreign currency deposits well over SGD50,000.00, in the absence of a written direction under the law, it is really an uncertainty whether it is the Depositors’ SGD portion or USD or JPY or EURO deposits that would be setoff first.</p> <p>1.2 The uninsured deposits would then go under the Liquidator’s purview. The proposed amendment by The MAS to get heterogenous sums of uninsured deposits broken up into specific currency denominations is a right step to do especially now that we know that practically all currencies are really volatile.</p>

S/N	Respondent	Responses from Respondent
		<p>Question 3: MAS seeks comments on the proposed asset-based anti-commingling limits, as detailed in Table 1, for all banks.</p> <p>We have read and understood the 2 types of Regulation 23 investments. But we are in no position to offer any comments as our Bank does not own complimentary businesses nor provide private equity nor venture capital financings.</p> <p>Question 4: MAS seeks comments on the proposed removal of the general limits on equity investments and immovable property, under sections 31 and 33 of the BA, for banks incorporated outside Singapore. MAS will however retain the discretion to impose such limits for supervisory or prudential reasons.</p> <p>We have read and understood both Section 31 and Section 33 investment types and limitation. Our experience and investment exposure in these areas are limited as such we are unable to comment much other than to say that it is a good thing to remove their restrictions because both Stock market and Property market conditions are not so good for the past few years.</p> <p>Question 5: MAS seeks views on the proposed removal of the large exposure limit, substantial exposures limit, and limits for investments in index or investment funds, under MAS Notice 639, for banks incorporated outside Singapore. MAS also seeks comments on the removal of the limits on unsecured credit facilities to director groups under MAS Notice 639 for all banks.</p> <p>Our Bank is incorporated outside of Singapore. As such it is definitely a piece of good news to Wholesale banks operating in Singapore that we can look forward to do away with both MAS Notice 639 and 639A Quarterly Reporting.</p> <p>Question 6: MAS seeks comments on the proposed amendments to the other regulatory requirements that refer to the DBU-ACU divide.</p> <p>We are from the Wholesale Bank and we can follow the consequential amendments to various MAS reporting requirements except MAS Notice 610 (Banks Assets and Liabilities and Classified Loan Exposure) which The MAS will announce at a later date what exactly are the relevant amendments to be made after consulting with industry</p>

S/N	Respondent	Responses from Respondent
		<p>practitioners. Disregarding this report, the impact of merging ACU and DBU units had given rise to 3 uncertainties :-</p> <p>General comments:</p> <p>By deleting Section 77 and the ACU Terms and Conditions which currently require Wholesale Banks not to grant S\$ credit facilities (under MAS Notice 757) to non-resident Financial Institutions for more than S\$5 million and also to require any S\$ credit facilities granted to non-resident Correspondent Banks to be settled within 3 working days, such credit facilities under MAS Notice 757 would also be revoked indirectly. We assume this is the correct policy stand because of the deletion of the 2 Notices 619 (S\$ Negotiable Certificate of Deposits) and Notice 757 (Lending of Singapore Dollar to Non-resident Financial Institutions) in the revised Guidelines.</p> <p>The current tax rate for DBU Unit is 10% and ACU is 17% on the Bank's assessable income. By merging both DBU and ACU Unit as one, effectively there would be only 1 taxation rate on the Bank's profit after removing the DBU and ACU Divide. We would assume that the likely corporate rate would be somewhere at 14%.</p> <p>Question 7: MAS seeks comments on the proposed implementation timeline of the removal of the DBU-ACU divide and the attendant changes required as a result.</p> <p>We have estimated the various Milestones along the proposed MAS timeline starting from the MAS Chairman Speech on 30 June 2015 through the Consultation Period, Parliamentary Debate, Attorney General to amend the Banking Act, Government Gazette, MAS issuing new Notices and Guidelines and the grace period of a further 2 years for Bank to adjust their reporting Systems, it would take up to around June 2018 for Banks to get accustomed to the new reporting environment. It is a fairly long time of 3 years (from June 2015) and reasonable because the adjustments for MAS Notice 610 have not yet been finalized by The MAS. Also, there will be impact on tax computation changes arising from merging DBU and ACU tax matters.</p>
13.	ING Bank N.V.	<p>Question 2: MAS seeks comments on the proposal to amend MAS Notice 640 to apply the AM requirements by currency denomination.</p> <p>We note that a number of Asian jurisdictions maintain separate banking units for domestic currency transactions vs foreign</p>

S/N	Respondent	Responses from Respondent
		<p>currency transactions. However to our knowledge none of these Asian jurisdictions have priorities based explicitly on currency, so such a distinction would be unusual.</p> <p>Question 7: MAS seeks comments on the proposed implementation timeline of the removal of the DBU-ACU divide and the attendant changes required as a result.</p> <p>Would there be an option for the bank to adopt the new implementation earlier? In addition, is there an estimated timeline that MAS is targeting this rollout? The reason is that new systems are being implemented (due to system refresh and new products/capabilities) and given the cost implications, it would be helpful to have a gauge of the expected timeline.</p>
14.	Mitsubishi UFJ Trust & Banking Corporation	<ol style="list-style-type: none"> 1. MUTB Singapore require sufficient time to respond to these big changes. Hence, we sincerely hope that MAS will give us at least two years from the issue of the revised regulation. 2. MUTB Singapore hopes that the revision of MAS 610 will be activated on the same timing as the removal of DBU/ACU divide.
15.	Mizuho Bank Ltd	<p>Question 2: MAS seeks comments on the proposal to amend MAS Notice 640 to apply the AM requirements by currency denomination.</p> <p>For purpose of complying with the Asset Maintenance Ratio (“AMR”), we would like to seek clarification on the following:</p> <ol style="list-style-type: none"> a) whether foreign currencies would be allowed for used for computing eligible assets; and b) whether the Banks are allowed to convert the assets denominated in foreign currencies to Singapore dollar using the Bank’s internal rates. <p>Question 4: MAS seeks comments on the proposed removal of the general limits on equity investments and immovable property, under sections 31 and 33 of the BA, for banks incorporated outside Singapore. MAS will however retain the discretion to impose such limits for supervisory or prudential reasons.</p> <p>In relation to Section 31(1A), the proposed changes states “The Authority may, having regard to the risks arising from the</p>

S/N	Respondent	Responses from Respondent
		<p><i>acquisition or holder of any [equity investment in a single company]/ [interest in or right over immovable property or a class of immovably property] by a bank in Singapore incorporated outside Singapore or a class of banks in Singapore incorporated outside Singapore, and such other factors as the Authority may considers relevant...”</i></p> <p>With these proposed changes, we noted that MAS still retains the discretion to impose limits on individual bank or class of banks. As it is not entirely clear from the proposed revised language of S. 31 & 33 as to the circumstances where MAS would exercise such discretion and the factors that will be taken into consideration by MAS in this regard. We would be grateful for further clarity in this respect.</p> <p>Question 5: MAS seeks views on the proposed removal of the large exposure limit, substantial exposures limit, and limits for investments in index or investment funds, under MAS Notice 639, for banks incorporated outside Singapore. MAS also seeks comments on the removal of the limits on unsecured credit facilities to director groups under MAS Notice 639 for all banks.</p> <p>We welcome the removal of the large exposure limit, substantial exposures limit, and limits for investments in index or investment funds for banks incorporated outside Singapore. Whilst a reasonable length of implementation timeline is needed for proposes on system change, we would request MAS to consider a shorter timeline for implementing regulatory changes that do not requires system change, including the lifting of MAS 639 on removal of concentration limits.</p> <p>In respect of MAS Notice 639A Appendix II, we would like to seek confirmation that the conversion rate of exchange for foreign currency will be based on the bank’s internal rate (instead of that quoted on MAS’ website) and whether that will be MAS’ direction which is in-line with the Consultation Paper on Proposed Revisions To MAS Notice to Banks 610 and MAS Notice to Merchant Banks 1003 -Submission of Statistics and Returns.</p> <p>Question 7: MAS seeks comments on the proposed implementation timeline of the removal of the DBU-ACU divide and the attendant changes required as a result.</p> <p>As Banks incorporated outside Singapore may require monetary support and other approvals from its Head Office for</p>

S/N	Respondent	Responses from Respondent
		<p>implementation of system, which may result in delays, we would like to request for a longer timeline. In this connection, we would also like to propose that the changes be implemented in phases (i.e. regulatory changes that do not requires system change can be implemented earlier (e.g. removal of concentration risk), while those that call for system change can be implemented at a later date).</p> <p>Additionally, we would like to seek clarity on the following:</p> <p>a) whether other MAS returns will be prepared on a combined basis (e.g. Quarterly Income and Expenditure Statement, Annual Survey of Services, Department of Statistics Singapore’s Investment Abroad Survey and etc.)</p> <p>b) whether MAS will allow the Banks to self-determine the manner we operationalize the change, including migration of data?</p>
16.	National Australia Bank Ltd	<p>Question 6: MAS seeks comments on the proposed amendments to the other regulatory requirements that refer to the DBU-ACU divide.</p> <p>On (v) Asian Currency Unit Terms and Conditions, does this imply that the bank is no longer required to comply with the current ACU limit and no other limit will be introduced on non-SGD assets and liabilities?</p> <p>Question 7: MAS seeks comments on the proposed implementation timeline of the removal of the DBU-ACU divide and the attendant changes required as a result.</p> <p>Is the bank allowed to comply with the revised regulatory requirements upon issuance of the relevant requirements, i.e. before the two years' implementation period if the bank is ready?</p>
17.	Natixis	<p>Question 7: MAS seeks comments on the proposed implementation timeline of the removal of the DBU-ACU divide and the attendant changes required as a result.</p> <p>The proposed regulatory change will require changes to the core banking system at upstream and regulatory reporting system at downstream. We suggest MAS to consider to align the effective date of the proposed revised MAS Notice 610 with the proposed removal of DBU-ACU divide, so as to allow the bank to effect the</p>

S/N	Respondent	Responses from Respondent
		<p>system change at upstream and subsequently the regulatory reporting system, in a more systematic and cost effective way. We foresee that if the proposed revised MAS Notice 610 is to be implemented before the core banking system change, bank may require to reconfigure the regulatory reporting system for MAS Notice 610 subsequently.</p>
18.	Standard Chartered Bank, and Standard Chartered Bank (Singapore) Limited	<p>Question 3: MAS seeks comments on the proposed asset-based anti-commingling limits, as detailed in Table 1, for all banks.</p> <p>We propose that the bank uses the total assets figures submitted to the Authority under MAS 610 (Appendix 1), as at the month-end falling 2 months ago. This will facilitate the monitoring of limits as the total assets information would be readily available for current month monitoring.</p> <p>Question 6: MAS seeks comments on the proposed amendments to the other regulatory requirements that refer to the DBU-ACU divide.</p> <p>We also note that there are other regulatory submissions that are currently split by ACU and DBU, such as Quarterly Income & Expenditure and Annual Survey of Services. We expect that such submissions would be provided on a consolidated level after the removal of the ACU and DBU divide.</p> <p>We would like to clarify that the bank could use our internal rates for FCY conversion to SGD, for all returns. In this regard, we would like to suggest that the Authority align the conversion approach for reporting requirements for other regulatory submissions (for example, Quarterly Income & Expenditure). This will allow for internal checking for consistency and cross-validation of reporting items between returns, where applicable.</p> <p>Question 7: MAS seeks comments on the proposed implementation timeline of the removal of the DBU-ACU divide and the attendant changes required as a result.</p> <p>We welcome the two-year transition period to implement changes to the systems and note that during the transition period, banks will be required to comply with the prevailing rules and guidelines in force.</p> <p>We would also like to clarify that the removal of concentration limits (under MAS Notice 639) for banks incorporated outside Singapore as well as the removal of limits on unsecured credit</p>

S/N	Respondent	Responses from Respondent
		<p>facilities to director groups for all banks, will take effect upon the issuance of the revised regulatory requirements.</p> <p>We note that the Authority will also be engaging the industry in relation to the revised MAS Notice 610. As the related system changes will be significant, we request that MAS allows for further transition time to implement the revised MAS Notice 610 after the removal of ACU/DBU divide so that banks can allocate adequate resources for smooth implementation.</p>
19.	Siam Commercial Bank Public Company Ltd	<p>Question 1: MAS seeks comments on the proposal to amend section 62(1) of the BA to rank uninsured non-bank deposits in insolvency by the currency denomination of the deposits.</p> <p>On the “uninsured foreign currency non-bank deposits”, does it mean that all the foreign currency will be group together as one for the priority ranking or will there be further split into individual currency like US\$ by itself, Euro by itself etc?</p> <p>If there is further split into individual currency, how will the priority ranking be like?</p> <p>Question 3: MAS seeks comments on the proposed asset-based anti-commingling limits, as detailed in Table 1, for all banks.</p> <p>Please clarify whether “Total Assets” refer to consolidated or S\$ only.</p> <p>There may be constrain based on “total assets instead of capital fund”. If a bank has small total assets, it is more difficult to increase than under the existing capital fund in DBU book.</p> <p>Question 5: MAS seeks views on the proposed removal of the large exposure limit, substantial exposures limit, and limits for investments in index or investment funds, under MAS Notice 639, for banks incorporated outside Singapore. MAS also seeks comments on the removal of the limits on unsecured credit facilities to director groups under MAS Notice 639 for all banks.</p> <p>This will encourage banks outside Singapore to increase their credit facilities especially S\$ currency. However, we are unsure how this will impact FX Swap (US\$/ S\$) relating to S\$ credit facilities and MAS 757 (Lending of Singapore Dollar to Non-resident Financial Institutions).</p>

S/N	Respondent	Responses from Respondent
		<p>Question 6: MAS seeks comments on the proposed amendments to the other regulatory requirements that refer to the DBU-ACU divide.</p> <p>On the proposed cancellation in its entirety of “Asian Currency Unit Terms and Conditions”, it implies that the ACU limit no longer apply. Is this correct?</p> <p>In addition, will there be a limit fixed on foreign currency similar to the ACU limit?</p> <p>Question 7: MAS seeks comments on the proposed implementation timeline of the removal of the DBU-ACU divide and the attendant changes required as a result.</p> <p>3 main concerns as follows:</p> <p>i) Readiness of the system.</p> <p>ii) The impact on regulatory reports such as the proposed revisions on MAS 610 whereby there are substantial changes and new requirements. We understand that MAS is working separately with the industry on the proposed amendments to these returns.</p> <p>iii) There may be too many regulatory changes taking place simultaneously which would prove challenging to smaller size banks with limited resources.</p>
20.	State Street Bank and Trust Company	<p>General comments:</p> <p>SSBTS: Arising from the proposal to remove the DBU/ACU divide, MAS has consulted the industry on the consequential amendments to be made to the various MAS Notices that will be impacted by these changes. SSBTS supports MAS’ initiative to remove the DBU/ACU divide, but we wish to highlight that consequential amendments should also be made to MAS Notice 610 – Submission of Statistics and Returns.</p> <p>MAS Notice 610, paragraph 3(a) states that no later than 10 days after the last day of each month, a monthly return called “Monthly Statement of Assets and Liabilities”, in respect of operations in both the Domestic Banking Unit and Asian Currency Unit, according to the format at Appendix 1, should be submitted. With the removal of the DBU/ACU divide, there is a</p>

S/N	Respondent	Responses from Respondent
		need to amend this notice to reflect the changes to be made in the monthly submission.
21.	Sumitomo Mitsui Banking Corporation	<p>Question 2: MAS seeks comments on the proposal to amend MAS Notice 640 to apply the AM requirements by currency denomination.</p> <p>Can deposits from non-bank financial institutions (for example asset management companies) be considered as deposit liabilities with non-bank customers for the purpose of MAS Notice 640?</p> <p>Question 3: MAS seeks comments on the proposed asset-based anti-commingling limits, as detailed in Table 1, for all banks.</p> <p>The words “Net Head Office Fund” appearing in the title to MAS 601 should be removed.</p> <p>Question 4: MAS seeks comments on the proposed removal of the general limits on equity investments and immovable property, under sections 31 and 33 of the BA, for banks incorporated outside Singapore. MAS will however retain the discretion to impose such limits for supervisory or prudential reasons.</p> <p>If at MAS' discretion, general limits on equity investments and immovable property are imposed on banks incorporated outside Singapore, what will the limits be based on? Will such limits be based on capital funds as defined in BA section 2(1) subparagraph (b), or Adjusted Capital Funds, or other basis?</p> <p>Question 6: MAS seeks comments on the proposed amendments to the other regulatory requirements that refer to the DBU-ACU divide.</p> <p>1) There are 3 annual surveys that refer to the ACU and DBU divide which are not mentioned in the consultation paper. The 3 surveys are as follows:- (a) Survey of Services (MAS) (b) International Trade in Services Survey (Singapore Department of Statistics) (c) Investment Abroad Survey (Singapore Department of Statistics)</p> <p>Will the formats of and the rules for preparation of the above mentioned surveys be amended?</p>

S/N	Respondent	Responses from Respondent
		<p>2) Will the “Total ACU Assets” limit be removed?</p> <p>3) Currently the Deposit Insurance returns are similar to the DBU AMR returns. Will the Deposit Insurance returns be affected?</p> <p>Question 7: MAS seeks comments on the proposed implementation timeline of the removal of the DBU-ACU divide and the attendant changes required as a result.</p> <p>We suggest that the implementation timeline of the removal of the DBU-ACU divide be aligned to the implementation timeline of the revision to MAS 610.</p>
22.	Svenska Handelsbanken AB	<p>Question 5: MAS seeks views on the proposed removal of the large exposure limit, substantial exposures limit, and limits for investments in index or investment funds, under MAS Notice 639, for banks incorporated outside Singapore. MAS also seeks comments on the removal of the limits on unsecured credit facilities to director groups under MAS Notice 639 for all banks.</p> <p>Please clarify if MAS639A is still applicable for a bank incorporated outside Singapore.</p> <p>Question 6: MAS seeks comments on the proposed amendments to the other regulatory requirements that refer to the DBU-ACU divide.</p> <p>Will there be another consultation paper on MAS610, to incorporate the changes? Or will MAS610 be finalised, incorporating the changes? When is the estimated timeline for the consultation paper or finalisation of MAS 610? Please advise.</p> <p>Currently, the Branch has ACU limit and SGD lending limit. Are these limits still applicable with the removal of ACU-DBU divide? Please advise.</p>
23.	Unicredit Bank AG	<p>Question 5: MAS seeks views on the proposed removal of the large exposure limit, substantial exposures limit, and limits for investments in index or investment funds, under MAS Notice 639, for banks incorporated outside Singapore. MAS also seeks comments on the removal of the limits on unsecured credit facilities to director groups under MAS Notice 639 for all banks.</p> <p>We welcome the removal of these limits.</p>

S/N	Respondent	Responses from Respondent
		<p>Question 6: MAS seeks comments on the proposed amendments to the other regulatory requirements that refer to the DBU-ACU divide.</p> <p>As there will be no ACU limit imposed going forward, will there be limit imposed on total assets/liabilities of our bank?</p> <p>Question 7: MAS seeks comments on the proposed implementation timeline of the removal of the DBU-ACU divide and the attendant changes required as a result.</p> <p>We are of the view that DBU-ACU divide process should occur prior to MAS 610, as DBU and ACU are considered as two separate banking books. It would make better sense to collapse the two books and then adjust for the change requirements for MAS 610.</p> <p>The complexity of all these anticipated changes is affecting a wide range of inter-dependent IT systems/applications (at least 7 systems/applications interfaces in question) which would require a huge amount of re-programming investments. Based on current context, it is difficult to comment if the 2 years timeline is sufficient.</p>
24.	United Overseas Bank Ltd	<p>Question 6: MAS seeks comments on the proposed amendments to the other regulatory requirements that refer to the DBU-ACU divide.</p> <p>Impact of the DBU-ACU divide from tax perspective should be considered in the consultative paper, i.e. the concessionary rate of tax for ACU as provided in the Income Tax Act.</p> <p>Question 7: MAS seeks comments on the proposed implementation timeline of the removal of the DBU-ACU divide and the attendant changes required as a result.</p> <p>The attendant changes resulting from the DBU-ACU divide may entail liquidation or divestment activities, particularly in terms of changes in Section 23G. We propose that a longer time period of up to 5 years, or as otherwise expressly agreed with MAS, be provided when the impact involves liquidation or divestment activities.</p>

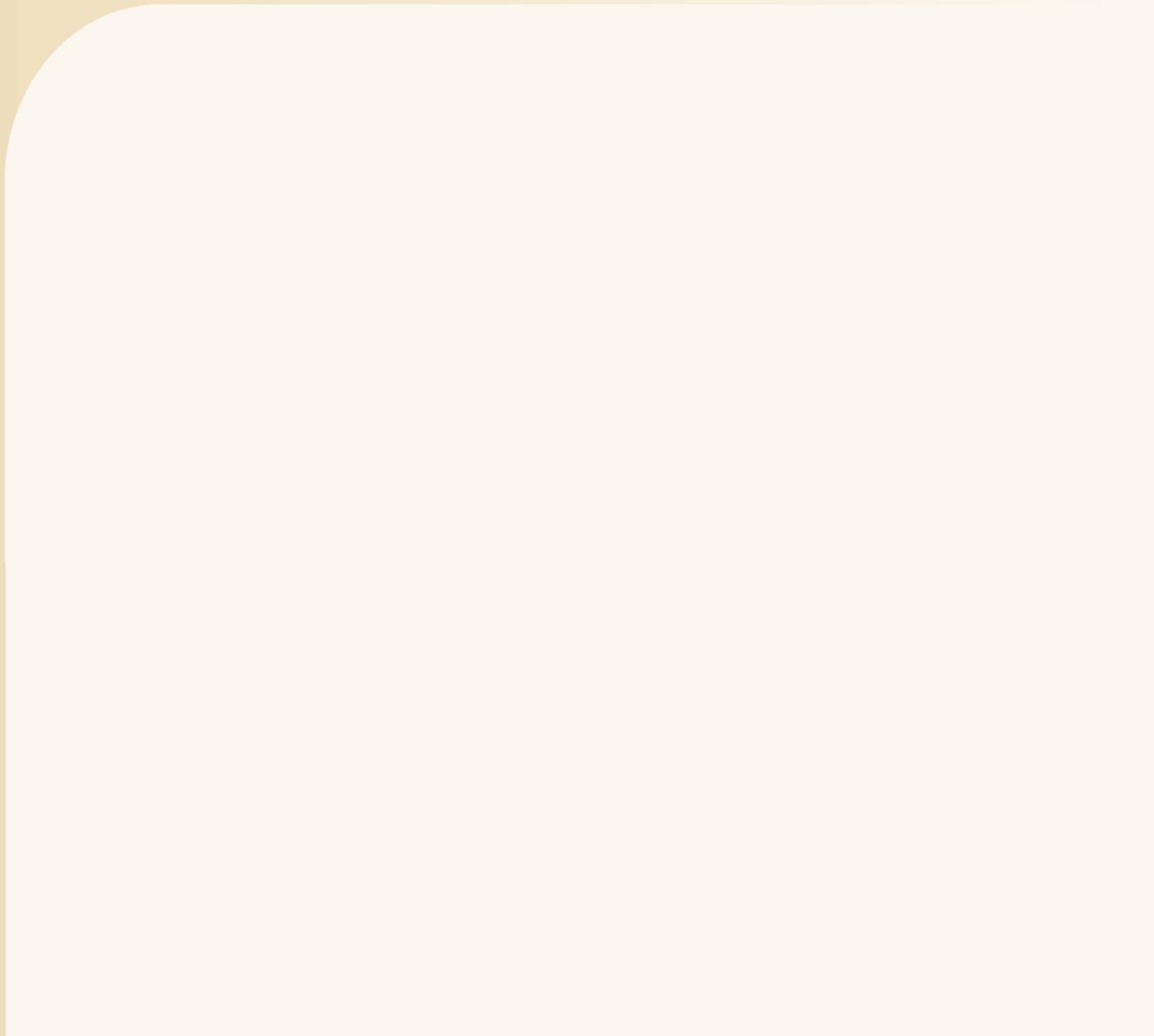
S/N	Respondent	Responses from Respondent
25.	Wells Fargo Bank National Association	<p>Question 6: MAS seeks comments on the proposed amendments to the other regulatory requirements that refer to the DBU-ACU divide.</p> <p>Arising from the proposed changes, will the ACU limits of banks be removed? If yes, will there be any additional regulatory returns required by the MAS to monitor business activity levels of banks?</p> <p>Question 7: MAS seeks comments on the proposed implementation timeline of the removal of the DBU-ACU divide and the attendant changes required as a result.</p> <p>Would there be an option for banks to consider early adoption of the revised regulatory requirements, similar to that for MAS Notice 649?</p>
26.	Respondent A	<p>Question 3: MAS seeks comments on the proposed asset-based anti-commingling limits, as detailed in Table 1, for all banks.</p> <p>Could the authority please clarify if requests for increase of the limit could be requested and if, yes then the process and the timing to get such an increase.</p> <p>Question 5: MAS seeks views on the proposed removal of the large exposure limit, substantial exposures limit, and limits for investments in index or investment funds, under MAS Notice 639, for banks incorporated outside Singapore. MAS also seeks comments on the removal of the limits on unsecured credit facilities to director groups under MAS Notice 639 for all banks.</p> <p>With the removal of the large exposure and substantial exposure limits foreign bank branches will be free to lend any amount in local or foreign currency to a counterpart based upon their internal risk procedures. Will there be any other control mechanism that the MAS will put in place as a substitute to the large and substantial exposure limits?</p> <p>Question 6: MAS seeks comments on the proposed amendments to the other regulatory requirements that refer to the DBU-ACU divide.</p> <ol style="list-style-type: none"> 1. It is mentioned in paragraph 5.3, page 7 of the consultation paper that “However, with the removal of the DBU-ACU divide, the computation of the limit will need to be revised, as the concept of capital funds will no longer apply for banks

S/N	Respondent	Responses from Respondent
		<p>incorporated outside Singapore.” However, the non-applicability of the capital funds requirement on banks incorporated outside Singapore is not explicit in the proposed revised MAS Notice 601 Capital funds, Net Head Office Funds and Head Office Capital Funds. It is proposed that the exclusion of banks incorporated outside Singapore from the scope of MAS Notice 601 be explicitly mentioned in the revised notice for improved clarity.</p> <p>2. The current MAS Notice 639 Exposures to Single Counterparty Group and ACU book size requirements serve as checks on the bank’s asset size. What is the Authority’s view on the continued relevance of maintaining checks on the bank’s asset size in the changing banking & regulatory landscape as these requirements cease to be applicable for banks incorporated outside Singapore in the new regulatory regime?</p> <p>Question 7: MAS seeks comments on the proposed implementation timeline of the removal of the DBU-ACU divide and the attendant changes required as a result.</p> <p>1. MAS proposes to give banks two years from the time MAS issues the revised regulatory requirements to implement the proposed changes. During this period, banks will be required to comply with the prevailing rules and guidelines in force.</p> <p>Before the formal implementation of DBU-ACU divide removal, we would like to propose the option of early adoption of certain regulations (in particular, MAS Notice 639 Exposures to Single Counterparty Group, ACU Book Size), which will ultimately cease to be applicable to banks incorporated outside Singapore. As these regulatory requirements entail compliance at the DBU-ACU divide level, continued compliance of these regulations during the 2 year transition period will culminate in a “big bang” conversion approach, creating risks and operational challenges to bank’s system & process changes. Early adoption of such cessation will grant banks the flexibility of managing the changes to facilitate a smoother and more effective transition towards removing the DBU-ACU divide.</p>

S/N	Respondent	Responses from Respondent
27.	Respondent B	<p>Question 5: MAS seeks views on the proposed removal of the large exposure limit, substantial exposures limit, and limits for investments in index or investment funds, under MAS Notice 639, for banks incorporated outside Singapore. MAS also seeks comments on the removal of the limits on unsecured credit facilities to director groups under MAS Notice 639 for all banks.</p> <p>Will there be amendment to MAS1004 and MAS1012 along with the amendments to MAS639?</p> <p>Question 6: MAS seeks comments on the proposed amendments to the other regulatory requirements that refer to the DBU-ACU divide.</p> <p>Does the removal of DBU-ACU divide apply to Merchant Banks? If yes, what will be the timeline?</p>
28.	Respondent C	<p>Question 2: MAS seeks comments on the proposal to amend MAS Notice 640 to apply the AM requirements by currency denomination.</p> <ul style="list-style-type: none"> • What rates should the Bank apply for conversion from Foreign currencies to Singapore dollars equivalent? MAS month-end exchange rates or Bank's internal currency conversion rates? • With reference to the Computation of Eligible Assets under item 8(a) of page 33, If banks accounting book is based on trade date of the transaction, do we compute Eligible assets on the basis of Trade date or Value date of the transaction? • Computation of Eligible Assets under item 8(d) of page 34. It is not mentioned whether it is not to be used to meet any requirements in relation to Liquidity Coverage Ratio (LCR). Please confirm. • Does the Computation of Deposit Liabilities exclude Structured Deposit (non-principal protected)? • Non-Principal Protected structured deposits: Dual Coupon Structure, DCS is a non-principal structured deposit as the payment of the interest/coupon and the principal on these investments are linked to the credit risk of underlying entity, the "Reference entity." The client places his funds with the Bank on which the client earns a deposit rate. The Bank offers leverage against the collateral for this investment. The Bank in turn

S/N	Respondent	Responses from Respondent
		<p>hedges on an aggregate basis the investment amount via Credit Default Swap with an inter-bank counterparty. The premium fee income is passed on to the client resulting in a higher investment yield for assuming additional credit risk on the underlying reference entity</p> <p>Question 3: MAS seeks comments on the proposed asset-based anti-commingling limits, as detailed in Table 1, for all banks.</p> <p>1) Will the total assets of the bank be computed based on the consolidation of all currencies or will it apply to SGD and Foreign Currencies separately?</p> <p>2) What rates to apply for conversion from Foreign currencies to Singapore dollar equivalent? MAS month-end rates or bank's internal currency conversion rates?</p> <p>Question 4: MAS seeks comments on the proposed removal of the general limits on equity investments and immovable property, under sections 31 and 33 of the BA, for banks incorporated outside Singapore. MAS will however retain the discretion to impose such limits for supervisory or prudential reasons.</p> <p>If the general limits are removed under section 31 and 33 of the BA, will MAS impose new limits on Equity Investment by Foreign currencies or by Single currency?</p> <p>Question 5: MAS seeks views on the proposed removal of the large exposure limit, substantial exposures limit, and limits for investments in index or investment funds, under MAS Notice 639, for banks incorporated outside Singapore. MAS also seeks comments on the removal of the limits on unsecured credit facilities to director groups under MAS Notice 639 for all banks.</p> <p>1) Is there any impact on MAS 757 Lending of SGD to Non-Resident Financial Institution (SGD 5 million) limit?</p> <p>2) With the removal of limits in current MAS639A, will MAS impose new limits on single or group borrowers and limited by Singapore dollar or Foreign currencies?</p> <p>Question 6: MAS seeks comments on the proposed amendments to the other regulatory requirements that refer to the DBU-ACU divide.</p>

S/N	Respondent	Responses from Respondent
		<p>1) Is the Total ACU Assets Size limit taken out?</p> <p>2) Post DBU-ACU divide removal; will MAS grant banks with new limits separately on Foreign Currencies which is similar to ACU Limit?</p> <p>3) How would MAS manage or monitor each individual bank's book size?</p> <p>Question 7: MAS seeks comments on the proposed implementation timeline of the removal of the DBU-ACU divide and the attendant changes required as a result.</p> <p>1) There must be allocation for external vendor timing and internal staffing because there are other planned projects being handled by the bank for this major ACU-DBU divide.</p> <p>2) To upgrade and make necessary changes to meet the requirements of the affected returns, will there be taxation allowance for the cost incurred on the system changes?</p> <p>3) Whether the removal of the DBU-ACU Divide will have impact on other new returns MAS610 Consultation Paper. Need to ensure all data required are properly available for these new and other regulatory returns after the removal of DBU-ACU divide in the Bank's core banking system. For example:</p> <p>(i) MAS610 Consultation Paper - Annex 2 requires Deposits by size of Non-Bank Customers in DBU</p> <p>(ii) MAS610 Consultation Paper - Annex 3 Part I requires Capital Funds in DBU books only</p> <p>(iii) MAS610 Consultation Paper - Annex 3 Part III requires ACU Total Assets / Liabilities) Will the current MAS Quarterly Income and Expenditure be abolished or it will be replaced with another New Return taking into consideration the ACU-DBU divide removal?</p> <p>5) There must be sufficient Notes of interpretation or a channel of customer service at MAS in the event post ACU-DBU divide, there is a conflict of Banking Act Regulations and other MAS notes/circulars that were not identified during this revamp.</p>



Monetary Authority of Singapore