

# RESPONSE TO FEEDBACK RECEIVED

November 2019

## Proposed Amendments to the Banking Act and Regulating Merchant Banks under the Banking Act

MAS

Monetary Authority of Singapore

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## **1 Preface**

1.1 On 7 February 2019, MAS consulted on the proposed amendments to the Banking Act (BA) to strengthen the licensing and regulation of banks and credit card or charge card licensees, formalise existing supervisory requirements and clarify other technical and administrative issues. On 21 May 2019, MAS also consulted on the proposals to consolidate the regulation of merchant banks (MBs) under the BA and subject MBs to a licensing regime under the BA.

1.2 MAS thanks all respondents for their feedback. The list of respondents is in **Annex B**. Full submissions are published in **Annex C**.

1.3 MAS has carefully considered the feedback and where appropriate, has incorporated them into the revised legislation. Comments that are of wider interest, together with MAS' responses, are set out below. MAS' responses to other questions are set out in **Annex A**, while those relating to outsourcing can be found in the [Response to Feedback received on Outsourcing by Banks and Merchant Banks](#).

## **2 Expansion of grounds for revocation of bank licences**

2.1 Currently, MAS may revoke a bank's licence on various grounds specified in section 20 of the BA. To enhance MAS' enforcement powers over banks and provide clarity on circumstances under which MAS may revoke a bank licence, MAS proposed to expand the grounds to include a case where the bank has contravened a provision of the MAS Act (which contains key requirements on preventing money laundering and terrorism financing); in the case of a foreign-owned bank incorporated in Singapore, where the parent bank's licence has been withdrawn by its home regulator; and where MAS assesses that it is in the public interest to do so.

2.2 Two respondents sought guidance on when MAS would consider it to be in the public interest to revoke a bank licence. Another respondent asked for clarity on when MAS would revoke a bank licence for a contravention of anti-money laundering provisions in the MAS Act.

### MAS' Response

2.3 MAS is currently able to revoke licences of most other regulated financial institutions on the ground of public interest. The expansion of the grounds for the revocation of bank licences to include the ground of public interest will align MAS' powers over banks with that of other classes of financial institutions. This ground is also in line with the practices of other jurisdictions.

2.4 As the banking industry evolves over time, it is not practical for MAS to prescribe the full range of circumstances under which the overall interests of the public or a section of the public could be threatened. The inclusion of the ground of public interest will provide MAS with the flexibility to act to protect the public interest.

2.5 MAS is committed to safeguarding the integrity and reputation of Singapore as an international financial centre. As set out in MAS' Enforcement Monograph, in assessing the appropriate regulatory action to be taken for breaches of requirements (including those on anti-money laundering), MAS may consider whether there was ineffective governance, widespread control failures, pervasive non-compliance, gross misconduct, or serious breaches of applicable laws.

### **3 Powers for MAS to approve 20% controllers and key appointment holders, and to remove key appointment holders, of credit card or charge card licensees**

3.1 To ensure that key appointment holders and controllers of credit card or charge card licensees are fit and proper, MAS proposed to make it mandatory for licensees or proposed controllers to seek MAS' approval before a person can become a key appointment holder or controller. MAS also proposed to have the power to remove any of such persons, if he no longer meets the fit and proper criteria. A respondent asked if MAS' approval is also required for temporary appointments of key appointment holders and sought clarity on the lead-time for submitting applications for approval.

#### MAS' Response

3.2 MAS' approval is required for all appointments of key appointment holders, and includes appointments of a permanent, temporary or transitional nature. Applications should be submitted as soon as after the licensee has completed its assessment of the proposed appointee's fitness and propriety.

### **4 Revision to the requirement for auditors to report material adverse developments affecting banks' financial soundness to MAS**

4.1 With the removal of the DBU-ACU divide, the definition of capital funds for bank branches will be deleted. MAS accordingly proposed to revise auditors' reporting requirement such that they would be required to report any material and adverse development affecting the financial soundness of the bank. The new requirement in section 58(8)(e) of the BA is for auditors to immediately report to MAS if, in the course of the performance of their duties, they are satisfied that, any development or likely development is likely to materially and adversely affect, or has materially and adversely affected, the financial soundness of the bank.

4.2 Several respondents sought further clarification on what would constitute material adverse developments. Three respondents asked if auditors would also be required to report developments that will affect other entities, such as those in the bank group of the bank. One respondent was not supportive of the proposal, citing concerns over the subjectivity of what would constitute material and adverse developments, that the scope of an audit would not support timely reporting, and that the requirement could result in higher audit costs.

MAS' Response

4.3 As explained in the consultation paper, material and adverse developments include, but are not limited to, developments that affect banks' statement of financial position and their continued operations or viability, such as material losses and material uncertainty related to asset valuations, asset recoverability, or funding adequacy.

4.4 The notification of material and adverse developments by auditors should extend beyond developments that pervasively affect the financial statements, result in an adverse audit opinion, or invalidate the going concern assumption used in the preparation of the financial statements. Other examples of such developments include:

- a) material uncertainty as to the existence or occurrence, rights or obligations, accuracy or valuation (including depreciation, impairment, or amortisation) of assets, collateral, and liabilities;
- b) challenges in recovering assets, and the assets are likely to require material allowances or write offs;
- c) those where the bank is likely to have inadequate assets to repay its liabilities; or
- d) substantial fines, amounts to settle legal issues, or other payments are likely to occur, and these are likely to materially affect (i) the bank's capital or (ii) the net liability of the bank in Singapore of a bank incorporated outside Singapore to its head office, as applicable.

4.5 Auditors should consider a bank's likely ability to meet regulatory requirements, such as capital adequacy ratio, liquidity coverage ratio, or minimum liquid assets ratio, as applicable, when determining the potential impact of a development on its continued operations or viability.

4.6 The scope of auditors' reporting requirements is intended to be narrower than banks' reporting requirements in terms of the entity and aspects of the entity affected or likely to be affected, specifically focusing on financial soundness.

- a) For a bank incorporated in Singapore, the scope of auditors' reporting is limited to developments, including those in its branches and subsidiaries, which are likely to affect or have affected the bank's financial soundness. It does not include developments that only affect other entities in the bank group or the financial holding company group of the bank, but not the bank itself.

- b) For a bank incorporated outside Singapore, the scope of auditors' reporting is limited to developments that are likely to affect or have affected, the financial soundness of the bank, including the bank in Singapore and its head office outside Singapore.

4.7 MAS does not expect auditors to increase the frequency of interaction with the bank specifically in order to comply with this new requirement. In this regard, auditors may only become aware of the developments in the course of their ongoing and periodic interaction with the bank, such as for financial reporting and internal controls assessment. Likewise, auditors' awareness of developments pertaining to a bank branch's head office or a Singapore-incorporated bank's overseas branches and subsidiaries may be limited depending on the scope of their work. For example, an auditor could become aware of developments through their interaction with the global group auditor in the course of performance of duties as a component auditor; or through their interaction with component auditors, and parts of the bank outside Singapore, in the course of performance of duties as a group auditor, as applicable.

4.8 Regarding costs, as set out in section 58 of the BA and MAS Notice 609, auditors are currently required to report to MAS their findings on non-compliance with relevant laws and non-observance of guidelines by a bank, among others. The bank should remunerate the auditor in respect of the discharge by him of additional duties.

4.9 MAS will proceed with this new requirement on auditors as the information reported by auditors will assist MAS in assessing part of banks' compliance with section 48AA(1)(a) of the BA, and the financial soundness of banks.

## **5 Revision to requirement for banks to publish audited accounts**

5.1 Given the high Internet penetration in Singapore, MAS proposed to allow banks to publish their financial accounts on their websites, instead of the newspapers. However, the banks would need to publish a notification statement in the newspapers that the accounts have been published on its website and are available to any person upon request.

### ***Internet website for the published Accounts***

5.2 Two respondents asked if the link to the bank's Internet website refers to the homepage of the bank or a specific webpage containing the published Accounts<sup>1</sup>, with a copy ready for download. A few other respondents asked if the Internet website could be the head office's website instead of the Singapore branch's website.

#### **MAS' Response**

5.3 Foreign bank branches in Singapore may publish their Accounts on their own website (i.e. Singapore branch's website), or their head office's website.

### ***Format and frequency of the notification statement***

5.4 Three respondents sought clarification on whether there is any specific requirement on the font size and prescribed wordings of the notification statement to be published in the newspapers. Another respondent suggested that publication of the notification statement be one-off, and not recurring on an annual basis.

#### **MAS' Response**

5.5 MAS will not prescribe the formatting and wording of the notification statement. That said, banks should ensure that the prominence and the content meet the policy objective of informing the members of the public about the availability of the published Accounts. The notification in the newspapers should include a hyperlink that brings members of the public directly to the relevant Accounts of the bank. The notification statement must be published annually, as the intent of publication is to keep members of the public informed of the availability of the latest set of annual Accounts.

### ***Requirement to publish Accounts in different languages***

5.6 A few respondents asked if MAS could consider allowing banks to publish their Accounts in the English language only, given that it is an international language and the main language used in banks' communication with clients. Another respondent asked if MAS would consider either exempting foreign bank branches that do not engage in retail businesses from the requirement to publish Accounts, or allowing foreign bank branches to publish their Accounts in the main English language newspaper, instead of all four main newspapers.

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<sup>1</sup> "Accounts" refers to audited annual balance-sheet, profit and loss account and other information which are required to be published under sections 25(2) and 25(4) of the Banking Act.



### MAS' Response

5.7 Under the Banking (Publication of Accounts) Regulations, banks that accept interest-bearing deposits of \$250,000 and above in Singapore dollars from any individual resident in Singapore (except from directors and employees of the bank) during the financial year, will only be required to publish a notification statement and their Accounts in the English language. In the case of other banks, they will be required to publish the notification statement in four local daily newspapers (one in each language of Malay, Chinese, Tamil and English), along with the Accounts published on the website in the Malay, Chinese, Tamil and English languages.

#### ***Timeline for notification statement***

5.8 Some banks provided feedback on the difficulty of publishing the notification statement on the same day as the publication of their Accounts, with one respondent asking if MAS would prescribe the timing for the publication of such statement.

### MAS' Response

5.9 MAS will not specify when the notification statement needs to be published, so long as the publication date of both the Accounts and notification statement are within five months after the close of each financial year or within such period as the Authority may approve, pursuant to section 25(2) of the BA.

## **6 Power for MAS to impose requirements on related party transactions**

### ***Interactions between the amended section 27 of the BA and MAS Notices 643 and 643A***

6.1 MAS proposed to formalise its power to impose requirements on related party transactions (RPTs) by notice in writing to any bank or class of banks, in its own express section within the BA. At the same time, MAS proposed to consolidate in the BA the list of persons who are subject to MAS' RPT and reporting requirements across the Banking Regulations and Notices to facilitate banks' compliance with these requirements.

6.2 Two respondents asked about how the amended section 27 of the BA (now new section 29A) would interact with the requirements under MAS Notice 643 on Transactions with Related Parties. They also noted that the drafting of the proposed BA amendments was not fully aligned with that of MAS Notice 643. One respondent enquired how the proposed BA amendments would affect banks which are currently preparing quarterly

reports on RPTs in accordance with section 27(1) of the BA and MAS Notice 639A (to be renamed MAS Notice 643A).

#### MAS' Response

6.3 The new section 29A of the BA is intended to formalise MAS' existing powers to impose RPT requirements by notice in writing i.e. MAS Notice 643, which is currently issued in accordance with section 55(1) of the BA. When the new section 29A(1) takes effect, MAS will make corresponding amendments to MAS Notice 643 such that it refers to the new section, instead of section 55(1), as the empowering provision. The detailed RPT requirements will continue to be set out in MAS Notice 643, and there will be no changes to its scope and requirements.

6.4 In terms of reporting, banks will continue to report RPTs under MAS Notice 643A, which will be issued under the amended section 27 of the BA. Except for a slightly wider scope for reporting purposes (see paragraph 6.6 below), the drafting of the relevant provisions, terms used and definitions across section 27, section 29A, Notice 643A and Notice 643 will be aligned. The inconsistency in the drafting of the provisions at the time of publication of the consultation paper was because the various instruments were in the process of being amended.

#### ***Aligning the scope of "related party" in the BA and MAS Notices 643 and 643A***

6.5 A number of respondents sought clarification on the scope of "related party" under the amended section 27 of the BA, which appeared to be wider than the definition of "related party" in MAS Notice 643. Respondents requested that the existing definition in MAS Notice 643 be used instead.

#### MAS' Response

6.6 To facilitate banks' compliance with RPT requirements, MAS has consolidated the list of persons under the amended section 27 i.e. the list will encompass the persons to whom MAS Notices 643 and/or 643A apply. MAS has also rationalised the list of persons under section 27 such that it is consistent with that of MAS Notice 643 except for one additional group i.e. sub-paragraph (g) of the list below. Specifically, under the amended section 27(2), banks will be required to report its credit facilities, exposures and transactions with any of the following:

- a) any person in a director group of the bank;
- b) in the case of a bank incorporated in Singapore, any person in a substantial shareholder group of the bank;

- c) any entity in a major stake entity group of the bank;
- d) any branch, entity or head office in a related corporation group of the bank;
- e) any person in a senior management group of the bank;
- f) any person in a key credit approver group of the bank;
- g) any person in which, any of the directors of the bank has a direct or indirect interest, as declared under section 28 (other than the credit facilities, exposures or transactions particulars of which have already been supplied under this section);
- h) any person whose duties or interests are in conflict with the interests of the bank, as determined by the bank in accordance with a manner and process specified by the Authority by written notice to the bank;
- i) any person specified by the Authority by written notice to the bank whose duties or interests are, in the opinion of the Authority, in conflict with the interests of the bank;
- j) any other person or class of persons that is prescribed.

6.7 MAS Notice 643 will apply similarly to all of the persons set out in paragraph 6.6 above, except for persons referred to in sub-paragraph (g).

***Definitions of “senior management group” and “key credit approver group”***

6.8 Three respondents sought clarification on whether the definitions of “senior management group” and “key credit approver group” in the amended section 27 of the BA include family members of the executive officers and key credit approvers of banks respectively, similar to MAS Notice 643. Two respondents asked if paragraph 4 of the Fifth Schedule of the BA on “deemed control” for the definition of “director group” will be extended to “senior management group” and “key credit approver group”.

**MAS’ Response**

6.9 The definitions of the various related party groups under the amended section 27 of the BA and MAS Notice 643 will be aligned. Hence, the definitions of “senior management group” and “key credit approver group” under the amended section 27 of the BA will include family members of the executive officers and key credit approvers of banks respectively, similar to that set out under Notice 643.

6.10 Paragraph 4 of the Fifth Schedule of the BA on “deemed control” will apply to the definitions of “senior management group” and “key credit approver group”. This will, similarly, be made clear in MAS Notices 643 and 643A.

## **7 Regulating MBs under the BA**

### ***Treatment of existing MBs***

7.1 A number of respondents sought clarification on how existing MBs approved under section 28 of the MAS Act would be treated under the new BA licensing regime. Some respondents asked if the existing conditions imposed on MBs as part of the MB approval under MAS Act would continue to apply after the regulation of MBs was migrated to the BA.

#### MAS' Response

7.2 Existing MBs will be treated as having been granted an MB licence under the BA. There is no need for existing MBs to apply for a new MB licence. In addition, MAS intends to retain all existing approval conditions, and will engage MBs to update the approval letters prior to the commencement of section 24 of the Banking (Amendment) Act 2020.

### ***Subsidiary legislation for MBs under the BA***

7.3 Several respondents asked if the existing Directives and Notices issued under the MAS Act to MBs would be replaced by subsidiary legislation under the BA, and whether MAS would be consulting on these.

#### MAS' Response

7.4 The legislative structure for MBs will largely mirror that for banks (i.e. the BA, Banking Regulations and Notices). Existing relevant requirements under the MB directives will be set out under the BA, regulations or Notices issued under the BA. MAS will consult on the Regulations and Notices for MBs at a later stage.

## **8 Allow employees of the Accounting and Corporate Regulatory Authority to obtain complete bank and merchant bank audit work papers**

8.1 MAS proposed to allow external auditors of banks and merchant banks to provide their complete audit work papers to relevant employees of the Accounting and Corporate Regulatory Authority (ACRA) for the sole purpose of allowing them to perform their duties in inspecting external auditors of banks and merchant banks. Only ACRA employees involved in the review will be allowed access to the customer information received, and these employees are prohibited from further disclosing such information. The disclosure to ACRA employees by the external auditors will also be subject to conditions specified in a notice.

***Consequence to bank in event of breach by ACRA***

8.2 A respondent asked whether the bank would face consequences in the event of a breach by ACRA, and if there is a further regulatory restriction to prohibit ACRA from disclosing customer information.

MAS' Response

8.3 Employees of ACRA are required, under section 47(5) of the BA, to preserve the confidentiality of customer information received from auditors. In addition, employees of ACRA are also bound by confidentiality requirements under section 34 of the ACRA Act. If there is an unauthorised disclosure of customer information by employees of ACRA, the bank would not be held responsible for such a breach.

***Scope of customer information to be provided to ACRA***

8.4 One respondent noted external auditors may perform audits for an entire banking group, which could include overseas and other entities that are not regulated by MAS. The respondent proposed that the information, including any customer information, provided by the external auditor to ACRA should be in relation to banks' Singapore operations only.

MAS' Response

8.5 The banking confidentiality obligations in section 47 of the BA, and the exceptions in the Third Schedule (including the proposed amendment for ACRA employees), only apply to "customer information" held by a bank in Singapore. However, as "customer information" is defined in relation to a bank and "bank" is defined in section 2 of the BA as a company that holds a valid banking licence under the Banking Act, customer information can include information relating to a customer of the head office, where such information is held by the bank in Singapore.

8.6 For all other information that is not "customer information", section 47 of the BA does not apply, and the ability of the external auditors to disclose such other information to ACRA would depend on the relevant laws and regulations governing such information. External auditors should satisfy themselves that these laws and regulations are met.

**MONETARY AUTHORITY OF SINGAPORE**

5 November 2019

**Annex A**

**MAS' RESPONSE TO OTHER QUESTIONS**

Respondent Feedback	Response
<b>Revision to requirement for banks to publish audited accounts</b>	
<p>One respondent sought clarification on implementation: If the head office's Internet website is allowed, would it meet MAS' requirement if the Group's annual report is uploaded in its entirety in pdf format?</p>	<p>The publication of Accounts should be in the form of a stand-alone document, pursuant to the requirements of sections 25(2) and 25(4) of the BA.</p>
<p>One respondent asked if the Accounts need to be found in a specific link or page with a copy ready for download in pdf.</p> <p>The respondent also suggested that Section 25(1) of the BA should be repealed as it is redundant. It explained that technology has advanced to a point where one who can read or have a vested interest in the Accounts is unlikely to have a need to visit a physical location of the bank to access the Accounts or would be adversely affected if the same is no longer available in the bank's office or branch.</p> <p>Another respondent welcomed this flexibility as that will allow the bank to potentially save media cost for publishing its financial statements in the Business Times.</p> <p>Another respondent sought clarification if the website should provide options for customers to select language of their choice (Malay, Chinese, Tamil and English) to view the Accounts statement, or if it would be sufficient if a</p>	<p>The link of the Internet website should bring members of the public directly to the Accounts of the bank.</p> <p>MAS noted the suggestion.</p> <p>MAS noted the feedback.</p> <p>MAS will not be prescribing the format or design of the webpage. Banks, however, should ensure that these meet the policy objectives relating to the publication of Accounts.</p>

Respondent Feedback	Response
<p>notification statement is published in the four local daily newspapers (one in each language of Malay, Chinese, Tamil and English) along with the Accounts published on the website in English language.</p>	
<p>One respondent provided feedback that this is expected to lead to savings in publication cost (due to lesser text and smaller ad size), as banks need only to publish a notification statement in the local newspapers, as opposed to publication of the Accounts currently. It sought clarification on the required duration to keep the information on the bank’s website.</p>	<p>For banks that choose to publish their Accounts on their Internet websites, MAS expects the most recent Accounts to be made available at all times.</p>
<p><b>Allow employees of the Accounting and Corporate Regulatory Authority (ACRA) to obtain complete bank and merchant bank audit work papers for the sole purpose of allowing them to perform their duties in inspecting external auditors of banks and merchant banks</b></p>	
<p>One respondent asked whether “officer” under paragraph (a)(ii) of the Second column of Item 1 of Part II of the Third Schedule would encompass “officers” of a related corporation of the bank in Singapore such that such “officers” may be designated under this Item.</p>	<p>“Officer” under paragraph (a)(ii) of the Second Column of Item 1, Part II, Third Schedule does not encompass “officers of a related corporation of the bank in Singapore”. This is because in Item 1, the category of “officers of a related corporation” is not specifically set out amongst those to whom customer information may be disclosed.</p> <p>The term “officer” refers to officers of the head office of the bank in Singapore and officers of the parent bank of a foreign-owned bank incorporated in Singapore.</p> <p>We have already, in Item 2 of Part II of the Third Schedule, provided an exception for banks to disclose customer information to their related corporations designated by their head office or parent bank, where the disclosure is solely in connection with the conduct of the internal audit of the bank or the performance of risk management. If there is a genuine need for banks to share customer information with its related corporations beyond these permitted purposes, please share with us what these purposes or circumstances are, for our consideration.</p>

Respondent Feedback	Response
<p>One respondent asked if it is appropriate that the exception to permit disclosure to ACRA be set out under the purpose (see first column of Part II of the Third Schedule) where disclosure is solely in connection with the performance of duties as an officer or a professional adviser of the bank. ACRA is neither an officer nor a professional adviser of the bank.</p>	<p>The first column of Part II of the Third Schedule governs disclosures from the bank to other parties. In this case, it governs the disclosures by banks to auditors, a professional adviser of the bank.</p> <p>Auditors are prohibited by section 47(5) of the BA from disclosing the customer information received unless authorised by the Third Schedule. Employees of ACRA appointed to carry out practice reviews of auditors have thus been included in the Third Schedule to allow them to obtain complete bank audit work papers from the auditors they are reviewing.</p>
<p>One respondent queried if the proposed revision can be extended to allow internal reviewers within the audit firm to review the audit work conducted by the audit firm on a bank in Singapore.</p>	<p>Section 47(5) of the BA requires audit firms to observe confidentiality of customer information at all times. Internal reviewers, who are employees of the audit firm in Singapore, can access customer information for the purpose of carrying out such internal audits.</p>
<p><b>Power for MAS to impose requirements on related party transactions (RPT)</b></p>	
<p>One respondent asked if “executive officer” and “key credit approver” for a foreign bank branch in Singapore are restricted to persons located within Singapore.</p>	<p>“Executive officers” and “key credit approvers” of foreign bank branches in Singapore are not confined to persons located within Singapore.</p> <p>For executive officers, it will include persons located outside Singapore as long as they meet the definition of “executive officer”<sup>2</sup>.</p> <p>Similarly, for key credit approvers, it will include persons located outside Singapore as long as they meet the definition of “key credit approver”<sup>3</sup>.</p>

<sup>2</sup> “executive officer”, in relation to a company, means any person, by whatever name described, who —  
 (a) is in the direct employment of, or acting for or by arrangement with, the company; and  
 (b) is concerned with or takes part in the management of the company on a day-to-day basis;

<sup>3</sup> “key credit approver”, in relation to a bank in Singapore means —  
 (a) in the case of a bank incorporated in Singapore, any person who, whether alone or jointly with any other person or persons, has the highest level of authority to approve credit facilities that will be reflected in the balance-sheet or profit and loss accounts of the bank incorporated in Singapore or any branch or entity in its bank group; and  
 (b) in the case of branches and offices located within Singapore of a bank incorporated outside Singapore, any person who —



Respondent Feedback	Response
<p>One respondent sought clarification on the definition of “key credit approver” for a foreign bank branch in Singapore, and asked if it will include persons only recommending a limit.</p> <p>Two respondents also sought further clarification on the definition of “key credit approver”.</p>	<p>The intent is to capture persons with the highest level of authority to approve credit facilities that will be booked in the bank in Singapore or any entity in its bank group. Who these persons are depends on how the bank’s credit approval authority is structured (e.g. if the bank’s credit approval authority is structured by loan value then the person with the highest level of credit approval authority would be the person who can approve the highest amount of loan).</p> <p>For a bank incorporated outside of Singapore, the key credit approver need not be located within Singapore. The person will be considered as a key credit approver as long as he takes part in the operations of the bank in Singapore on a day-to-day basis.</p> <p>“Key credit approver” is intended to capture persons with the authority to approve credit facilities, and not persons who only recommend credit facilities.</p>
<p>One respondent asked if the condition – “involved in the day-to-day business of granting credit facilities to customers of the bank in Singapore” – in the definition of “key credit approver” of a bank incorporated outside Singapore is similarly applicable to a bank incorporated in Singapore.</p>	<p>No. This condition is only applicable to banks incorporated outside Singapore. This is because the scope of “key credit approver” should capture persons who have the highest level of authority to approve credit facilities that are booked in the bank in Singapore or an entity in its bank group, even if the person is located outside Singapore.</p> <p>But MAS recognises that the credit approval structures of foreign bank branches in Singapore could go all the way up to the CEOs of their Head Offices by design, and are not actually utilised in practice. To avoid over-capturing for foreign bank branches, we have proposed to include an additional condition to make clear that it will only apply to persons who are involved in the day-to-day operations of the bank in Singapore.</p>

- (i) whether alone or jointly with any other person or persons, has the highest level of authority to approve credit facilities that will be reflected in the balance-sheet or profit and loss accounts of any branch of the bank located within Singapore or any branch or entity in the bank group of the branches and offices located within Singapore of the bank incorporated outside Singapore; and
- (ii) takes part in the operations of the branches located within Singapore of the bank on a day-to-day basis.

Respondent Feedback	Response
<p>One respondent sought clarification on the definition of “executive officer”, and asked for examples.</p>	<p>The definition of “executive officer” is not meant to be prescriptive. Given that “executive officer” is a term that is also used in the BA for other provisions (e.g. section 54 of the BA), we expect banks to assess and identify their executive officers, and to ensure consistency when complying with MAS Notice 643 as well as other relevant regulatory requirements.</p> <p>It is also good practice for the bank to document how it determines the list of “executive officer” accordingly.</p>
<p>One respondent asked if persons that are “key credit approvers” of the bank can also be caught within “executive officers”.</p>	<p>It is possible that a person who is a “key credit approver” of a bank may also be an “executive officer”. Where a person is caught under more than one related party group, the bank can decide which related party group to classify the person under, as long as that chosen related party group is applied consistently by the bank to that person.</p>
<p><b>Consolidating Regulation of Merchant Banks under the BA</b></p>	
<p>One respondent sought clarification on the restriction of Singapore dollar deposit-taking by merchant banks.</p>	<p>As with current practice, merchant banks must not accept any deposit in Singapore dollars or otherwise borrow any money in Singapore dollars, except from banks, finance companies, shareholders and companies controlled by shareholders (to be prescribed by MAS in regulations made under the BA), or any other person that MAS may approve in a particular case.</p> <p>There are no restrictions on non-Singapore dollar deposits.</p>
<p>One respondent asked if the proposed BA amendments would materially alter the scope and frequency of the current MAS Notice 1004 reporting for merchant banks.</p> <p>Another respondent queried if the same scope of related parties under section 27 of the BA for banks will apply on merchant banks.</p>	<p>MAS does not intend to make substantive changes to the scope or alter the frequency of the current MAS Notice 1004 reporting for merchant banks as part of this round of BA amendments.</p> <p>Changes to MAS Notice 1004 reporting, which arise from Section 27 as applied to merchant banks, will be consulted.</p> <p>MAS has drafted in the BA the same scope of related parties for merchant banks as for banks. MAS will separately consult the merchant banks on the proposed framework for related party transactions before implementation.</p>

Respondent Feedback	Response
<p>One respondent queried if the “Stable funding requirement” is a new requirement for merchant banks.</p>	<p>Section 10C<sup>4</sup> and section 10C as applied by section 55ZB(1)<sup>5</sup> serve to formalise MAS’ current power to impose stable funding requirements on banks and merchant banks.</p> <p>Currently, MAS only impose stable funding requirements on internationally active banks in Singapore or domestic systemically important banks in Singapore via MAS Notice 652. There are no stable funding requirements imposed on other classes of banks or merchant banks. MAS will consult the industry prior to imposing similar requirements on other classes of banks or merchant banks in Singapore.</p>
<p><b>Licensing Merchant Banks under the BA</b></p>	
<p>Two respondents sought clarifications on the type of businesses that merchant banks may carry on under the BA.</p>	<p>As set out in section 55V of the BA, a merchant bank in Singapore may carry on the following businesses:</p> <ul style="list-style-type: none"> <li>(a) a permitted business;</li> <li>(b) any business the conduct of which is regulated or authorised by the Authority or, if carried on in Singapore, would be regulated or authorised by the Authority under any written law;</li> <li>(c) any business that is incidental to the business which the merchant bank may carry on under paragraph (a) or (b);</li> <li>(d) any business or class of business prescribed by the Authority;</li> <li>(e) any other business that the Authority may approve in a particular case by written notice to the merchant bank for the purposes of this section.</li> </ul> <p>Subsections (a) and (b) above should cover most of the banking and financial businesses that merchant banks typically engage in.</p>
<p>One respondent sought clarification on the application of MAS’ resolution powers on merchant banks.</p>	<p>MAS’ resolution powers over merchant banks remain unchanged and will continue to apply when merchant banks are licensed under the BA.</p>

<sup>4</sup> Previously section 38A in the consultation paper issued on 7 February 2019 on proposed amendments to the Banking Act and the consultation paper issued on 21 May 2019 on regulating merchant banks under the Banking Act.

<sup>5</sup> Previously section 55ZE(1) in the consultation paper issued on 21 May 2019 on regulating merchant banks under the Banking Act.

<b>Respondent Feedback</b>	<b>Response</b>
One respondent enquired on the ACU limit currently imposed on merchant banks.	The ACU limit will be removed. MAS will engage merchant banks on the implementation details in 2020. Until the DBU-ACU divide is removed, merchant banks must continue to comply with the ACU limit.

**Annex B**

**LIST OF RESPONDENTS**

**Consultation Paper on Proposed Amendments to the Banking Act**

1. The Association of Banks in Singapore
2. Agricultural Bank of China Limited, Singapore Branch
3. Credit Suisse, AG (Singapore Branch)
4. Ernst & Young LLP
5. Mizuho Bank, Ltd., Singapore Branch
6. MUFG Bank, Ltd.
7. Oversea-Chinese Banking Corporation Limited
8. Sumitomo Mitsui Banking Corporation Singapore Branch

14 respondents requested that their identities be kept confidential.

**Consultation Paper on Regulating Merchant Banks under the Banking Act**

1. The Association of Banks in Singapore
2. Resona Merchant Bank Asia Ltd
3. Schroder & Co (Asia) Limited

2 respondents requested that their identities be kept confidential.

**Annex C**

**SUBMISSIONS FROM RESPONDENTS**

**Consultation Paper on Proposed Amendments to the Banking Act**

*Note: The table below only includes submissions for which respondents did not request confidentiality.*

S/N	Respondent	Feedback from respondent
1.	The Association of Banks in Singapore	<p><b>Question 1: MAS seeks comments on the proposed expansion of grounds for revocation of bank licences.</b>  <u>Bank A</u>                      We request the MAS to provide more clarity and guidance on the circumstances where MAS would deem it in the public interest to revoke a bank's licence.</p> <p><b>Question 2: MAS seeks comments on the powers for MAS to approve 20% controllers and certain key appointment holders, and to remove certain key appointments holders, of credit card or charge card licensees.</b>  <u>Bank B</u>                      1. There are sections in Banking Act that have similar requirements                      (i) Appointment of chief executive officer and other persons – BA S53A vs the new BA S57FA                      (ii) Disqualification or removal of director or executive officer – BA S54 vs the new BA S57FB                      Will BA S53A and S54 be replaced by S57FA and S57FB respectively?                      2. 20% controllers per S15A approval of the Minister is required                      As proposed by MAS, MAS' approval is required for 20% controllers, does it mean approval will be required from 2 authorities – Minister and MAS?</p> <p><b>Question 4: MAS seeks comments on the proposal that banks publish a notification statement in the local newspapers with contents as proposed in paragraph 2.11 (a) to (c) of the Consultation Paper, if they opt to publish their Accounts on their Internet websites.</b>  <u>Bank B</u>                      The notification statement in the local newspapers should be a one-off notification and not recurring on an annual basis. E.g. The Bank from would publish the Accounts on its website only. Please visit for the Accounts.                      The Authority may prescribe that the bank indicates clearly when the Accounts are published on its website, and must, like how Annual Reports are featured in the website, be found in a specific link or page with a copy ready for download in pdf and etc for easy access.                      In the same vein, Sec 25(1) should be repealed as it is redundant. Technology has advanced to a point where one who can read or have a</p>

S/N	Respondent	Feedback from respondent
		<p>vested interest in the Accounts is unlikely to have a need to visit a physical location of the bank to access the Accounts or would be adversely affected if the same is no longer available in the bank's office or branch.</p> <p>The proposed 25(1A) should allow banks to make the Accounts available through its website.</p> <p><u>Bank C</u>                      We welcome this flexibility as that will allow the bank to potentially save media cost for publishing our financial statements in the Business Times.</p> <p><u>Bank E</u>                      Is there any specific requirement on font size and prescribed wording on the notification statement?</p> <p><u>Bank F</u>                      Branch would propose to publish Accounts on our internet website in English language considering it to be an international language. Branch would like to seek clarification on whether the same would be required to be published in other languages as well on the website or if the website should provide option for customers to select language of their choice (Malay, Chinese, Tamil and English ) to view the Accounts statement or if it would be sufficient if a notification statement is published in the four local daily newspapers (one in each language of Malay, Chinese, Tamil and English) along with the Accounts published on the website in English language.</p> <p><u>Bank G</u>                      For foreign bank branches, which do not engage in retail businesses and only deal with Accredited and Institutional/Expert Investors, would MAS consider exempting such entities from the requirement to publish financial statements?</p> <p>If MAS is of the view that this is still required for foreign bank branches, we would like to propose for MAS' consideration to allow banks to publish links to the Head Office website which would contain the relevant financial statements. In addition, for banks which do not engage in retail businesses and only deal with Accredited and Institutional/Expert Investors, in consideration of the predominant use of English as a main commercial language and mode of communication to clients, to allow banks to publish these in the main English language newspaper, instead of all 4 main newspapers.</p> <p><u>Bank N</u>                      The bank is supportive of MAS' proposal to allow banks the option to publish their accounts on their internet websites.</p>

S/N	Respondent	Feedback from respondent
		<p>Will MAS prescribe the timing of the notification in the newspapers? For example, would banks be required to publish their accounts on the website on the same day as the notification statement?</p> <p><b>Question 5: MAS seeks comments on the other amendments listed in rows 7 to 12 of Annex B of the Consultation Paper</b></p> <p><u>Bank C</u>                      We like to ask MAS to allow grace period for the impacted bank to meet any new funding requirements if called upon by MAS.</p> <p><u>Bank E</u>                      Could MAS further clarify the intention of the new Section 38A of Banking Act and if it will be applicable to all banks in Singapore regardless of place of incorporation?</p> <p><u>Bank G</u>                      We refer to row 9 of Annex B of the Consultation Paper, entitled "Power for MAS to impose requirements on related party transactions". It is currently intended that MAS will be empowered to issue RPT notices under MAS Notice 643 pursuant to Section 55 of the Banking Act. MAS Notice 643 will take effect on 1 July 2019. The proposed amendments to Section 27 (and other consequential amendments) of the Banking Act in row 9 of the Consultation Paper will empower MAS to similarly issue RPT notices. It is not immediately clear in the Consultation Paper how the proposed amendments will interact with MAS Notice 643, as it appears that there would now be two avenues for MAS to issue RPT notices - under the amended Section 27 and Section 55 (to be renumbered Section 78A) of the Banking Act.</p> <p>This is pertinent as the language of MAS Notice 643 and the proposed amendments in the Consultation Paper do not track one another closely. For instance, the definition of "related party" in MAS Notice 643 appear to be narrower than that of the proposed Section 27 in the Consultation Paper, and operative provisions are not equivalent.</p> <p>We respectfully seek MAS's clarification as to how the proposed amendments in the Consultation Paper are intended to interact with MAS Notice 643. To ensure that the law is applied consistently, we would propose that MAS Notice 643 be assimilated into the proposed new provisions (to the extent not already assimilated) and be cancelled.</p> <p><u>Bank L</u>  <b>Amendment 7 – Amendments to Item 1 of Part II of the Third Schedule</b>                      1. Item 1 of Part II of the Third Schedule allows a bank to disclose customer information where “[d]isclosure is solely in connection with</p>



S/N	Respondent	Feedback from respondent
		<p>the performance of duties as an <u>officer</u> or a professional adviser of the bank.”</p> <p>2. In relation to this Item, the current position is that persons to whom the customer information may be disclosed (as listed in the Second column) include, <i>inter alios</i>:</p> <p>i. “[any] <u>officer of the bank in Sin</u></p> <p>ii. &lt; &gt;”; and “[any] <u>officer designated in writing</u> by the head office of the bank in Singapore, or in the case of a foreign-owned bank incorporated in Singapore, its parent bank”.</p> <p>3. Notwithstanding that the proposed amendments to this Item relating to this Consultation Paper do not affect the categories of persons set out in the paragraph above, we would be grateful for the Authority’s clarification on the scope of this exception to banking secrecy.</p> <p>4. To provide context, the purpose of this banking secrecy exception is to allow the officers of a bank to perform their duties. “Officer” is helpfully defined under section 2 of the Banking Act, and includes “a director, secretary or an employee of the corporation”. This exception is fundamental as it puts it beyond doubt that customer information can be disclosed to the employees of a bank in order to perform their duties; after all, the activities of a bank, and the provision of services to customers, are carried out on a day to day basis by the bank’s employees. These propositions are not controversial.</p> <p>5. It also stands to reason that this exception envisages and is intended to cover the “duties” that the bank’s officers perform (as referred to in the First column) that are <i>distinct</i> from risk management functions. This is because the risk management exception is separately addressed at Item 2 of Part II of the Third Schedule.</p> <p>6. This is necessary given that some functions of the bank are critical to ensure that the bank remains relevant, competitive and current with technological developments, but may not constitute risk management. These include functions such as digital product development and data analytics. The issue, however, is that large international banks are managed and operated out of various countries; such functions may therefore be performed by officers of <i>related entities of the bank</i> situated overseas.</p> <p>It is sufficiently clear that officers of the bank in Singapore are covered under paragraph (a)(i) of the proposed amended Second column. However, it is unclear whether officers of <i>related entities of the bank</i> situated overseas can be designated under paragraph (a)(ii) of the proposed Second column.</p> <p>7. Paragraph (a)(ii) of the proposed Second column merely states that customer information may be disclosed to any “officer” which is designated by either the head office of a bank in Singapore or a parent bank of a foreign-owned bank incorporated in Singapore. Given that paragraph (a)(i) already addresses “officers” of the bank in Singapore, it is submitted that under a purposive reading, the “officer” that can</p>

S/N	Respondent	Feedback from respondent
		<p>be designated under paragraph (a)(ii) is intended to refer to “officers” <i>outside</i> of the bank in Singapore.</p> <p>8. The bank would like to seek the Authority’s clarification of the following points:</p> <ol style="list-style-type: none"> <li>i. Whether “officer” under paragraph (a)(ii) of the Second column of Item 1 of Part II of the Third Schedule would encompass “officers” of a related corporation of the bank in Singapore such that such “officers” may be designated under this Item.</li> <li>ii. If the answer to (a) is negative, whether “officer” under paragraph (a)(ii) of the Second column of Item 1 of Part II of the Third Schedule is limited to “officers” of the head office of the bank in Singapore and “officers” of the parent bank of a foreign-owned bank incorporated in Singapore.</li> <li>iii. If the answers to (a) and (b) are negative, what is the difference between the “officer” referred to in paragraph (a)(i) of the Second column of Item 1 of Part II of the Third Schedule as opposed to the “officer” referred to in paragraph (a)(ii) of the Second column of the same Item.</li> </ol> <p>9. if it is appropriate that the exception to permit disclosure to ACRA be set out under the purpose (see first column of Part II of the Third Schedule) where disclosure is solely in connection with the performance of duties as an officer or a professional adviser of the bank? ACRA is neither an officer or a professional adviser of the bank.</p> <p>10. Section 47 of the Banking Act applies to the bank. What are the consequences to the bank in the event of a breach by ACRA? Is there a further regulatory prohibition, prohibiting ACRA from disclosing customer information?</p> <p><b>Amendment 9: Power for MAS to impose requirements on RPTs</b>                      The bank would like to seek the Authority’s clarification on the following points:</p> <ol style="list-style-type: none"> <li>11. Section 27(1) – are the requirements the MAS may impose such requirements as specified in Section 27(4)?</li> <li>12. Section 27(2) - For banks that are currently preparing quarterly reports, whether banks will be notified that a quarterly reporting is not required, further to the proposed amendments to the Banking Act.</li> <li>13. Section 27(4) – should the cross reference to “subsection 3(c)” refer to “subsection (2)” as there is no subsection 3(c)?</li> <li>14. Section 27(3A) – (i) should this be renumbered as “27(5)”? (ii) should the cross reference to “subsection (3)” refer to “subsection (4)”</li> <li>15. Section 27(4) (i) should this section be renumbered as “27(6)”? (ii) at subsection (k), is this provision meant to capture all disclosures under Section 28 (save for the particulars already provided under subsection 2(a-c))? In which case, can drafting clarification be made to this subsection (k) for clarity? Also, should the words “this subsection” be replaced with “subsection (2)” for clarity?</li> </ol>

S/N	Respondent	Feedback from respondent
		<p><b>Question 6. MAS seeks comments on the draft legislative amendments set out in Annex C of the Consultation Paper.</b></p> <p><u>Bank A</u>                      MAS proposes to replace the term ‘senior management’ with the term ‘executive officer’ in the Notice 643. Senior management, in relation to a foreign bank branch in Singapore, as defined in the current MAS Notice 643, refers to a senior officer located within Singapore. We request that the MAS include the ‘located within Singapore’ in the definition of ‘executive officer’ in relation to a foreign bank branch in the Banking Act, as this is currently not very clear.</p> <p>Similarly, we request that the key credit approver, in relation to a foreign bank branch, refers to a person with the highest credit approval authority, to be located within Singapore.</p> <p><u>Bank D</u>                      In the proposed paragraph 3 of MAS Notice 607, the MAS requires banks to publish the notification statement "on the same day" as the Accounts are published on the Internet website. We wish to clarify if the MAS would allow the date of publishing the Accounts on our Internet website to be earlier than the date of publishing the notification statement, as long as both dates are in compliance with section 25(2) of the Banking Act.</p> <p>On the proposed paragraph 4 of MAS Notice 607, we seek clarification on whether the MAS can provide any standard wording for the notification statement, and whether the "link to our website" refers to the homepage or the specific webpage containing the published Accounts.</p> <p><u>Bank M</u>  <b>Amendment to MAS Notice 607</b>                      Under the proposed amendments of MAS Notice 607 paragraph 3b, bank must on the same day, publish a notification statement in at least one local English language daily newspaper.</p> <p>For foreign bank branches, the publication of the Group’s audited financial statements on the internet website is usually managed by overseas parent or head office i.e. it is not managed by the foreign bank branch. As such, there is time-zone difference between the Group announcement of the website publication and the actual publication in the local newspaper.</p> <p>We thus like to suggest for MAS to allow the bank to have more flexibility in terms of the timeline, to publish the notification statement in the local newspaper since time is needed to co-ordinate between the announcement on the Group website and the local newspaper publication. May we propose for the deadline for the publish of the</p>

S/N	Respondent	Feedback from respondent
		<p>notification statement for the publish of audited accounts to the Bank's internet website to be "within 5 business days" instead of "on the same day"?</p> <p><u>Bank I</u>  <b>Amendment 9: Power for MAS to impose requirements on related party transactions</b></p> <ol style="list-style-type: none"> <li>1. We refer to the "Frequently Asked Questions on Requirements under MAS Notices 643 and 639A (Jan 2019)" and "Consultation Paper on Proposed Amendment to the Banking Act" issued in February 2019. We note that the definition of "key credit approvers" in the FAQs to MAS Notices 643/639A is different from that in the Banking Act Consultation Paper. Hence, we would like to clarify if the definition of "key credit approvers" will be aligned in the amended MAS Notices 643/639A, the Banking Regulations stated in the FAQ and the Fifth Schedule of the Banking Act.</li> <li>2. We would like to confirm that the reference in the proposed Banking Act section 27(4) to subsection (3)(c) is incorrect as the latter is unavailable. In addition, we note that the numbering of some subsections might be incorrect (eg. Subsections 3A, 4 etc.)</li> </ol> <p><u>Bank M</u>  <b>Amendment 9: Power for MAS to impose requirements on related party transactions</b>  <b>Related Party List Definitions</b></p> <p>MAS proposes to consolidate in the Banking Act the list of persons who are subject to MAS' RPT and reporting requirements. We note that in the proposed amendments to BA Fifth Schedule, the revised definitions of "Senior management group" and "Key credit approver", no longer include family members.management We wish to confirm the interpretation that family members of senior management and key credit approver, are hence excluded from RPT requirements.</p> <p><u>Bank J</u>                      In relation to the proposed amendments to Notice 643, and insertion of new definitions of "major stake", "major stake entity group", "key credit approver" and "key credit approver group", we wish to request for the MAS to issue the revised Notice 643, taking into account the FAQs that was issued on Notice 643 for the FIs' consideration. Given that certain amendments within Notice 643 and the Banking Act are still under consultation, we wish to seek clarification if there would be changes to the effective date of Notice 643. We would like to seek a transition period for the FIs to review the responses to this Consultation, and be given time to review the finalized Notice 643 and Banking Act to ensure compliance with the regulatory requirements on related party transactions.</p>

S/N	Respondent	Feedback from respondent
		<p><u>Bank K</u></p> <p>In relation to the definition of “Key Credit Approver” relating to a bank incorporated outside Singapore, which is included in the amendments to fifth schedule, the Branch would like to seek the following clarifications:</p> <ol style="list-style-type: none"> <li>1. What is the definition of “highest tier of credit facilities” and would appreciate more guidance on how to determine this?</li> <li>2. What is the scope of “Key Credit Approver”, whether this includes persons who sit outside of Singapore but has the authority to approve the highest tier of credit facilities that will be booked in the books of Singapore branch (e.g., Head Office credit committee, Chief Risk Officer)?</li> <li>3. In a case where the Singapore branch’s local credit committee does not have credit approval mandate but is only recommending a limit to the Head Office, does this constitutes as “the authority to approve” at the branch level?</li> </ol>
2.	Agricultural Bank of China Limited, Singapore Branch	<p><b>Question 4: MAS seeks comments on the proposal that banks publish a notification statement in the local newspapers with contents as proposed in paragraph 2.11 (a) to (c) of the Consultation Paper, if they opt to publish their Accounts on their Internet websites.</b></p> <p>The Branch supports MAS’ proposal and has the following queries to be clarified on the details of implementation:</p> <ol style="list-style-type: none"> <li>i) Does the Internet website need to be the local branch website or can it be the head office website?</li> <li>ii) If the head office Internet website is allowed, it would be in the form of the Group’s annual report in its entirety in pdf format, will this satisfy MAS’ requirement?</li> </ol>
3.	Credit Suisse, AG (Singapore Branch)	<p><b>Question 3: MAS seeks comments on the proposed revision to the requirement for auditors to report material adverse developments affecting the banks’ financial soundness to MAS.</b></p> <p>The Bank would like to seek clarification on the interpretation of “materially affect adversely” in the amended Section 58(8)(ba) of the Banking Act.</p> <p>For the purposes of the above interpretation, the Bank would like MAS to consider the Bank’s suggestion of taking guidance by SSA 705 of the Singapore Standard on Auditing, extract as per below:-</p> <p><i>“Adverse Opinion</i></p> <p>8. The auditor shall express an adverse opinion when the auditor, having obtained sufficient appropriate audit evidence, concludes that misstatements, individually or in the aggregate, are both material and pervasive to the financial statements.”</p>

S/N	Respondent	Feedback from respondent
4.	Ernst & Young LLP	<p><b>Question 3 - MAS seeks comments on the proposed revision to the requirement for auditors to report material adverse developments affecting the banks' financial soundness to MAS.</b></p> <p>Under Section 48 and 48AA of the Banking Act, a bank in Singapore is required to immediately report to MAS when the bank has information that indicate <b>that</b> it is likely to become insolvent or becomes aware of any development, which can materially affect adversely the bank operations. Section 48AA further clarifies the requirement to report i.e. <b>when the</b> bank becomes aware of any development that occurred or is likely to occur, which the bank has reasonable grounds to believe has materially affected adversely, or is likely to materially affect adversely, the bank's (a) financial soundness or reputation; (b) ability to conduct any business referred to in section 30(1); or Cc) such other matters as the Authority may prescribe. The existing legislation put the onus of this reporting obligations on the bank's management.</p> <p>We do not support the proposed revision to extend the same reporting obligations to auditors of banks based on the following concerns:</p> <ul style="list-style-type: none"> <li>• <b>Audit scope does not support timely reporting expected by MAS</b>                      As highlighted above, banks have the duty to report to MAS immediately when they are aware of circumstances listed in Section 48 and 48AA of the Banking Act. This is reasonably expected since the bank's management is managing its day-to-day operations.</li> </ul> <p>However, the duty of the auditor is to obtain sufficient appropriate audit evidence to opine on the financial statements of the bank on an annual basis. Given the scope and timing of an audit, it would not be possible for the auditors to make the same timely reporting as the bank's management.</p> <p>Furthermore, audit evidence is gathered based on information provided by the bank as well as management representation. Auditors could therefore be restricted in their ability to report to MAS on a timely basis if information requiring immediate reporting to MAS is not provided to the auditors on a timely basis.</p> <ul style="list-style-type: none"> <li>• <b>Subjectivity of what constitutes "material adverse developments" affecting banks' financial soundness</b>                      Under the current requirement, an auditor is to report to MAS when the auditor is satisfied that a bank has incurred losses that reduced the bank's capital funds by 50%. We are able to fulfil this requirement as it is consistent with the scope of the audit of the bank's financial statements and the reporting criteria is clearly specific.</li> </ul>

S/N	Respondent	Feedback from respondent
		<p>However, the proposed amendments to the wording in para 58(8)(ba) of the Banking Act uses terms such as "likely to occur", "materially affect adversely" and "is likely to materially affect adversely". These terms are currently not defined and are subjective concepts open to varying judgement and interpretation, which may differ between stakeholders. Our key concern is that the subjectivity of these terms may lead to different interpretation that could cause a situation of disagreement with the bank's management. A worst scenario could be the auditor not meeting MAS' expectation to report.</p> <p>Should MAS decide to impose this new requirement, we request that the proposed amendments are accompanied by a clear definition or framework to guide the auditor on what and when they need to report to MAS to avoid the element of subjectivity and judgement.</p> <ul style="list-style-type: none"> <li> <b>Higher audit costs</b>                      The proposed amendments would likely expand the scope of the audit beyond what is currently required under the <i>Singapore Standard on Auditing 570, Going Concern (SSA 570)</i> that requires the auditor to assess the appropriateness of the going concern assumption used by management in the preparation of the financial statements.                 </li> </ul> <p>Accordingly, the auditor would have to design and perform additional audit procedures for the purpose of fulfilling the new proposed requirements and this could result in additional audit costs to the banks.</p> <p><b>Conclusion</b>                      We do not support the proposed revision to broaden the reporting obligations of the auditors of banks to report material adverse developments affecting the banks' financial soundness to MAS. We are concerned that the proposed revision would be onerous to auditors. Should MAS decide to impose the new requirements, we request that the proposed amendments are accompanied by a clear definition or framework to guide the auditors of banks on what and when they need to report to MAS to avoid any subjectivity in the interpretation.</p> <p><b>Question 5 S/N (7) - MAS seeks comments to allow employees of the Accounting and Corporate Regulatory Authority (ACRA) to obtain complete bank audit work papers for the sole purpose of allowing them to perform their duties in inspecting external auditors of banks.</b>                      We share ACRA's objective of promoting audit quality and support the proposed revision to allow employees of ACRA to obtain complete bank audit work papers for the sole purpose of allowing them to perform their duties in inspecting external auditors of banks.</p>



S/N	Respondent	Feedback from respondent
		<p>We have, in our Firm, an annual internal inspection process called Audit Quality Review (AQR). We believe many other audit firms have established similar internal review processes in Singapore. We therefore propose to align external inspections and internal reviews by extending the proposed revision to also allow the reviewers within the audit firm who have been assigned to review the audit work conducted on a bank in Singapore. As an additional safeguard, audit firms could be required to take the necessary steps to comply with the banking secrecy law in Singapore. We believe the inclusion of the internal reviewers in the proposed revision would facilitate the audit firms' review process to be conducted effectively and efficiently in the interest of promoting audit quality.</p> <p>We are supportive of the proposed revision to allow employees of ACRA to obtain complete bank audit work papers for their inspection of the external auditors of banks. We believe the revision should be extended to also allow internal reviewers in the audit firm who have been assigned to review the audit work conducted on a bank in Singapore in the interest of promoting audit quality.</p>
5.	Mizuho Bank, Ltd., Singapore Branch	<p><b>Question 5: MAS seeks comments on the other amendments listed in rows 7 to 12 of Annex B of the Consultation Paper.</b></p> <p>Set out below are our comments in respect of Amendment 9 pertaining to related party transactions (“RPT”) for MAS’ kind consideration.</p> <p><b>1. Scope of “related party”</b></p> <p>(a) We appreciate the clarity from the prescriptive listing of persons and entities considered related parties and therefore subject to MAS Notice 643 requirements. However, we sense that the definition may be too broadly scoped in respect of limbs (d) and (e).</p> <p>Both limbs pertain to the bank’s “<i>officers (other than directors), employees or other persons who receive remuneration from the bank (other than for professional services rendered to the bank)</i>” (collectively, “<b>Personnel</b>”). Limb (d) of the definition captures as a related party, any company of which a Personnel is a director, an executive officer, an agent, a guarantor or a surety. While limb (e) of the definition captures any Personnel who receives remuneration from the bank (other than for professional services rendered to the bank) in excess of his/her one year’s emoluments.</p> <p>(b) Now, as reflected in MAS Notice 643, the risk of abuse (whether actual or potential) arising from conflict of interest by a person stems largely from:</p> <ul style="list-style-type: none"> <li>(i) that person being in a position to make decisions and/or participate in the decision-making; or</li> <li>(ii) that person’s ability to influence the outcome of decision-making.</li> </ul>



S/N	Respondent	Feedback from respondent
		<p>Such decision-making authority or influence is typically reserved only for Personnel who are key office holders or who hold senior positions – i.e. Personnel belonging in the “senior management group”. Given that Personnel with decision-making authority or influence is already captured, we are therefore not entirely clear as to the rationale behind including limbs (d) and (e), and will be grateful if MAS can provide further clarification on this.</p> <p><b>2. Interpretation of limb (e) of the definition of “related party”</b></p> <p>(a) We wish to seek MAS’ clarification on the interpretation of “professional services rendered”. In particular, does “professional services rendered” refer to the provision of services by the Personnel to the bank in his/her capacity as a third party service provider independent of the bank?</p> <p>(b) Our preliminary understanding from a plain reading of limb (e) is that any Personnel who is awarded a salary bonus in excess of his/her one year’s emoluments would bring such Personnel within scope. Please kindly clarify whether this understanding is correct. If so, we wish to further seek clarification on MAS’ rationale for this requirement, and also share our following concerns.</p> <p>(c) Assuming that the above understanding is correct, what happens if a Personnel’s remuneration fluctuates from year to year? Is such Personnel to be treated as a related party only for such one-year period following him/her receiving a salary bonus that is in excess of his/her one year’s emoluments, until the next salary bonus pay-out? So, if, in the next salary bonus pay-out, the Personnel receives a bonus that is less than his/her one year’s emoluments, should the Bank then no longer treat the Personnel as a related party going forward until the next subsequent salary bonus pay-out where the Personnel will be re-assessed again; and so on and so forth from year to year?</p> <p>(d) If this is indeed the case, then we foresee operational challenges as we do not currently have any systems in place that cater for the above process. Neither do we currently have any systems that link the list of related party to transactions entered by the Bank.</p> <p>(e) We therefore request that MAS reconsider including as a related party, any persons referred to in limb (e) of the definition of “related party”.</p> <p><b>3. Interpretation of “executive officer”</b></p> <p>(a) We are aware that “executive officer” is already a defined term under the Banking Act. Limb (a) of the definition captures as an executive officer, a person who is in direct employment of, or acting for or by arrangement with, the company. While limb (b) of the definition captures a person who is concerned with or takes part in the management of the company on a day-to-day basis.</p>

S/N	Respondent	Feedback from respondent
		<p>It is our humble view that the existing definition of “executive officer”, in particular, limb (b) of the definition, may to a certain extent, be open to interpretation.</p> <p>(b) In the context of RPT and MAS Notice 643, we would like to request that MAS provide some guidance and examples of such a person (in relation to a company) that would fall within the definition of “executive officer” as set out in the Banking Act.</p> <p><b>4. Director group</b></p> <p>(a) With reference to MAS’ circular dated 2 Oct 2018 and MAS’ Jan 2019 FAQs, both relating to MAS Notices 643 and 639A, we are happy that the director group of a bank incorporated outside Singapore will be excluded from the two Notices if the directors are governed by the bank’s head office (“<b>HO</b>”) RPT policy that comply with the home jurisdiction’s RPT requirements. However, it is noted that the conditions also require directors’ immediate family to be similarly governed by such HO policy, and this is a concern to us.</p> <p>(b) Our Bank is incorporated in Japan and, based on our discussions so far with our HO colleagues, we understand that:</p> <ul style="list-style-type: none"> <li>• HO RPT policy complies with Japanese RPT regulatory requirements and covers directors. But, unlike MAS Notice 643, Japanese RPT regulatory requirements do not capture directors’ family members and, accordingly, HO RPT policy does not cover family members.</li> <li>• However, under the accounting standards by the Accounting Standards Board of Japan (“<b>ASBJ</b>”), directors and their “close family members” are defined as related parties for purposes of the disclosure requirements of RPTs in financial statements.<sup>6</sup> Our HO duly complies with these disclosure requirements.</li> </ul> <p>(c) In this connection, it is worth noting the following stated in MAS’ 2 Oct 2018 circular: “<i>There is also no need for the bank to assess if its head office RPT PP is equivalent to, or more stringent, than the requirements set out in Notice 643</i>”.</p> <p>(d) In reliance on the stated guidance in the abovementioned MAS circular, we therefore wish to exclude our Bank’s director group from MAS Notices 643 and 639A, on the basis that the bank’s directors are governed by our HO RPT policy which complies with Japanese RPT regulatory requirements although it does not cover</p>

<sup>6</sup> ASBJ Statement No. 11 – Accounting Standard for Related Party Disclosures, and ASBJ Guidance No. 13 – Guidance on Accounting Standards for Related Party Disclosures ([https://www.asb.or.jp/en/wp-content/uploads/kouji-keiyaku\\_as-4.pdf](https://www.asb.or.jp/en/wp-content/uploads/kouji-keiyaku_as-4.pdf)).

S/N	Respondent	Feedback from respondent
		<p>family members (which is not something required under Japanese RPT regulations).</p> <p>We will be grateful for MAS' further guidance on this position as may be necessary.</p> <p><b>5. Effective Date</b>                      We are very concerned that the planned implementation date, 1 July 2019 is just over three months away. As it is, the MAS Notice 643 requirements are yet to be finalised and the revised MAS Notice 643 has not been issued. Assuming that the revised MAS Notice 643 is issued by end of March, this leaves banks only three months for implementation which is a really short runway. Plus, in the event that, (despite the explanation set out above) MAS is of the view that we cannot exclude our director group, we will then need to engage our HO, which will need time.</p> <p>We therefore humbly request MAS to allow for an implementation timeline of not less than 8 months after the date of issuance of the revised MAS Notice 643.</p>
6.	MUFG Bank, Ltd.	<p><b>General comments:</b>                      MUFG Response: We are generally agreeable with the proposed amendments by MAS.</p> <p>We appreciate MAS's clarification on the target effective date of the proposed amendments to the Banking Act.</p> <p><b>Question 4: MAS seeks comments on the proposal that banks publish a notification statement in the local newspapers with contents as proposed in paragraph 2.11 (a) to (c) of the Consultation Paper, if they opt to publish their Accounts on their Internet websites.</b></p> <p>We expect this will lead to savings in publication cost (due to lesser text and smaller ad size) as the banks need only to publish a notification statement in the local newspapers as opposed to publication of the accounts currently. However, we will appreciate if MAS can clarify the duration in which we need to keep the information on the bank's website. (NB. We noted that there is no paragraph 2.11(c) in the Consultation Paper.)</p> <p><b>Question 5: MAS seeks comments on the other amendments listed in rows 7 to 12 of Annex B of the Consultation Paper.</b></p> <p>1) The current definition of "senior management group" in MAS Notice 643 includes the senior management's family members and certain parties related to them. However the new proposed definition of "senior management group" and "key credit approver group" does not</p>

S/N	Respondent	Feedback from respondent
		<p>cover family members and parties related to them. Is it MAS' intention to exclude family members from the new definition of senior management group" and "key credit approver group"? We note that "director group" still covers family members. Why is there a difference in treatment of family members among these groups?</p> <p>2) We note that the revised MAS Notice 643 will take effect from 1 July 2019. Will the final definitions of "related party", "senior management group", "key credit approver" and "key credit approver group" be contained in the revised MAS Notice 643?</p> <p>3) The definition of "related party" in the Consultation Paper has been expanded. Parts b, c, d, e and k in the revised definition were previously not included in the definition of "related party" under Notice 643. Can we confirm if the revised definition of "related party" in this Consultation Paper will be used in the revised Notice 643? For instance, if one of our directors holds a director position in Company X, will Company X be considered a related party and hence subjected to monitoring and approval requirements under Notice 643?</p>
7.	Overseas-Chinese Banking Corporation Limited	<p><b>Question 2: MAS seeks comments on the powers for MAS to approve 20% controllers and certain key appointment holders, and to remove certain key appointment holders, of credit card or charge card licensees.</b></p> <p>1) Following from the amendments, there will be sections in Banking Act that set out similar requirements:</p> <ul style="list-style-type: none"> <li>i) Appointment of chief executive officer and other persons – Section 53A of the Banking Act vis-à-vis the new Section 57FA of the Banking Act</li> <li>ii) Disqualification or removal of director or executive officer – Section 54 of the Banking Act vis-à-vis the new Section 57FB of the Banking Act</li> </ul> <p>In this regard, the Bank would like to seek clarification on whether Section 53A and Section 54 of the Banking Act will be repealed and replaced by the new Section 57FA and Section 57FB of the Banking Act respectively.</p> <p>2) Under Section 15B of the Banking Act, approval of the Minister is required before a person becomes a 12%, 20% or an indirect controller of a designated financial institution.</p> <p>As proposed under the new Section 57I of the Banking Act, MAS' approval is required prior to a person becoming 20% controller. Taking into consideration both sections of the Banking Act, the Bank would like to seek clarification on whether approval is required from both the Minister as well as MAS prior to a person becoming 20% controllers.</p>

S/N	Respondent	Feedback from respondent
8.	Sumitomo Mitsui Banking Corporation Singapore Branch	<p><b>Question 5: MAS seeks comments on the other amendments listed in rows 7 to 12 of Annex B of the Consultation Paper.</b></p> <p>As references to “senior management” will be changed to “executive officer” in MAS Notice 643 and the proposed regulation 35 of the Banking Regulations, the bank would like to seek clarification as to the applicability of the definition of “executive officer” for foreign bank branches in Singapore. In addition, the definition of executive officer contains language to the effect that the person “is concerned with or takes part in the management of the company on a day-to-day basis”. This is potentially wide-ranging in nature and may be construed to include for example business heads, as such the bank would like to seek clarification on MAS’s intention.</p> <p>With the introduction of the new category of “key credit approvers”, the bank would like to seek clarification on whether key credit approvers or employees with significant credit approval responsibilities will fall within the definition of executive officers.</p> <p>In relation to the definition of key credit approver, the bank would like to clarify what “highest tier of credit facilities” is intended to refer to, for example whether it is intended to refer to the amount of facility that is made available to the borrower. In addition, we note that the definition of key credit approver includes language to the effect that the person is “involved in the day to day business of granting credit facilities to customers”. As the language could potentially cover persons involved in marketing (as opposed to the head of credit), the bank would like to seek clarification on MAS’s intention.</p>

**Consultation Paper on Regulating Merchant Banks under the Banking Act**

*Note: The table below only includes submissions for which respondents did not request confidentiality.*

S/N	Respondent	Feedback from respondent
1.	The Association of Banks in Singapore	<p><b>Question 1: MAS seeks comments on the proposed BA amendments, including the new Part VIIB for MBs, set out in Annex C.</b></p> <p><u>Bank A</u>                      In accordance to the existing “Guidelines for Operations of ‘Merchant Banks’”, MBs are not allowed to accept deposits or borrow from the public in any form except from banks, finance companies, shareholders and companies controlled by shareholders. However, the proposed amendments to the Banking Act Sections 4(1A) and 4A(1A) suggest MBs will be permitted to accept deposits from the public as long as the deposit accounts are not denominated in Singapore dollars. Can MAS clarify the policy intent here?</p> <p><u>Bank B</u>                      We have noted MAS’ policy intent for the consolidation of regulation of MB under the Banking Act not to introduce new requirements or to modify existing ones. However, the application of Section 27 under the BA, by virtue of Section 55ZA, would materially alter the scope and frequency of the current MAS Notice 1004 reporting for MBs. We would like to seek MAS’ clarification if this is indeed the intent, or would further regulations be issued to modify Section 27 requirements for MBs separately?</p> <p><u>Bank C</u>                      Section 55ZE (1)(a) stipulates that Sections 38, 38A and 40 apply to an MB in Singapore as they apply to a bank in Singapore. Is Section 38A, "Stable funding requirement", a new requirement for MBs? This has not been communicated in the previous closed-door consultation issued for MBs on 1 February 2019 (Consequential amendments to regulatory requirements following the removal of DBU-ACU Divide). Please clarify.</p> <p><u>Bank C</u>                      The new section 4 (1A) stipulates that "Notwithstanding subsection (1), a merchant bank in Singapore that is not in possession of a licence referred to in subsection (1) may transact banking business in Singapore where money received on a current or deposit account is not denominated in Singapore dollars". Under section 2, "banking business" is defined as "the business of receiving money on current or deposit account, paying and collecting cheques drawn by or paid in by customers, the making of advances to customers, and includes such other business as the Authority may prescribe for the purposes of this Act". Please clarify the intent of this new section and the definition of "current account".</p>

S/N	Respondent	Feedback from respondent
		<p><u>Bank D</u>                      The Sixth Schedule lists the current MBs in Singapore. There is however no section or provision about the Sixth Schedule elsewhere. May we know its purpose in the document? Overall, may we clarify if the 2015 amendments (in green) would apply to MBs? Should MBS focus only on the later amendments (in red)?</p> <p><b>Question 2: MAS seeks comments on the proposal to move from the current approval framework to a licensing regime for MBs.</b></p> <p><u>Bank B, D</u>                      Will existing MBs approved under MAS Act be grandfathered and issued a licence under the Banking Act, without needing to make an application for a licence?</p> <p><u>Bank D</u>                      There appears to be no transition period provided for MBs in the proposed BA provisions. MBs will need sufficient time for the transition.</p> <p><u>Bank A</u>                      Existing merchant banks are subject to conditions stated in their approval letter. Will the existing conditions be migrated to the new licence or will a new set of conditions be issued?</p> <p><u>Bank A</u>                      There is a list of activities that MBs may conduct under the “Guidelines for Operation of ‘Merchant’ Banks” (e.g., flotation, underwriting, buying and selling of shares, loan stocks and bond issues and other securities). Will the prescribed list of activities be set out in a separate document? MAS may wish to consider maintaining some form of FAQ or Guidelines in respect of MBs to deal with residual issues such as these. Again we would suggest that some form of FAQs or Guidelines be maintained in the event that certain policy objectives or interpretation issues arise which cannot be easily addressed through legislation or regulation.</p> <p><u>Bank B</u>                      Further clarification from MAS on the incremental impact of this proposal on existing MBs would be appreciated.</p> <p><u>Bank D</u>                      In the 2015 consultation, MAS proposed a number of amendments to MAS Notices 640, 601, 630, 625, 639, 639A, 759, 760 but they are not mentioned in this consultation. Is MAS going to consult on those Notices at a later stage?</p> <p><u>Bank A</u></p>

S/N	Respondent	Feedback from respondent
		<p>Among the proposed amendments to the Banking Act, it appears that MAS has included updated drafting regarding the proposed regulation of outsourcing arrangements. Will MAS be releasing its feedback to the earlier consultation paper? And will there be a further consultation on this topic?</p> <p><u>Bank A</u>                      Will there be subsequent industry consultation on changes to the wholesale banking regulations/notices/guidelines/circulars that will be extended to MBs? Some of them may not cover MBs currently (i.e., only applicable to licensed wholesale banks). We would appreciate if MAS could provide a list of wholesale banking regulations/notices/guidelines/circulars that will be extended to MBs going forward.</p> <p><u>Bank A</u>                      With the proposed consolidation, we would appreciate if MAS can share insights on how it intends to transition the existing notices, circulars, directives and guidelines relevant to merchant banks (collectively identified as “merchant bank regulations”)? In case MAS intends to merge and/or rename the existing merchant bank regulations, to help the industry navigate the large number of regulatory changes, we will like to request that MAS provides a mapping table of the existing and new merchant bank regulations and highlight any changes made.</p> <p><u>Bank A</u>                      In 2018 the MAS finalised legislation in respect of recovery and resolution planning, contractual recognition of bail-in and certain other matters. Can MAS please clarify that the status of merchant banks under such amendments will be maintained and transposed into the new arrangements (e.g. by amendments to the MAS Act)?</p>
2.	Resona Merchant Bank Asia Ltd	<p><b>Question 1: MAS seeks comments on the proposed BA amendments, including the new Part VIIB for MBs, set out in Annex C.</b></p> <p>1.1 – We refer to:                      Pg 135, 55Y (2) and 2b)                      “A merchant bank must notify the Authority within 7 days of the merchant bank becoming aware of the following...                      b) any change or proposed change in an indirect controller.”</p> <p>We would like to request the Authority to consider extending the timeline from “7 days” to “21 business days” as our indirect controller, being an entity listed on an overseas stock exchange and are subject to Corporate Governance and disclosure requirements, may require more time to gather and provide relevant information/ documentation on “any change or proposed change.”</p>



S/N	Respondent	Feedback from respondent
		<p>Also, on reading Section 55Y 2b), it not so clear whether Merchant Banks (MBs) have to notify MAS only when there is a change in the entity which is the MBs' "indirect controller" or notify when there are corporate changes within the "indirect controller." We would also like to seek clarification regarding the meaning and scope of "change" or "proposed changes".</p> <p>1.2 – We refer to the term "related party" of the Bank, specifically:                      a) Pg 69, S 27;                      b) Pg 139, S 55ZA (1)</p> <p>We would like to seek clarification whether Merchant Banks are to apply the same definition of "related party", "related corporation group", "related party group" "related party transaction" as defined in MAS Notice 643 under Notice to Banks, issued on 21 Nov 2016, Banking Act, Cap 19. Also, by virtue of the related party group definition under Section 5 a of MAS Notice 643, an indirect controller is now a party in the related party group and all obligations / provisions applies.</p> <p><b>Question 2: MAS seeks comments on the proposal to move from the current approval framework to a licensing regime for MBs.</b></p> <p>2.1 We refer to:                      a) Pg 127, 55S- "Licensing of merchant banks"                      b) Pg 22 – it defined "licence" means "(b) in the case of a merchant bank, a licence granted or held under Section 55T or 79                      c) Pg 172, footnote 5 states that "MAS intends to include transitional provisions for merchant banks in the Amendment Bill."</p> <p>We would like to seek clarification whether the "transitional licensing provisions" stated in footnote 5 on Pg 172 (see point c above) refer to all existing approved Merchant Banks, listed under Sixth Schedule on Pages 195 and 196, who will be automatically grafted into the new licencing regime for MBs. In other words, these Merchant Banks listed on Sixth Schedule are not required to apply for licensing under the new licensing regime for MBs, including all the activities of the said Merchant Banks.</p> <p>Also, with the impending removal of the divide between the DBU and ACU with effect from 1 Oct 2020, we would like to confirm that the current, approved ACU Total Assets/ Liabilities Limit specifically granted to Merchant Banks does not apply any more from 1 Oct 2020.,</p> <p>2.2 We refer to:                      a) Pg 126, 55Q "permitted business" means (a) "banking business" (b) "deposit-taking business."                      b) Pg 140, 55ZD – Business which merchant banks in Singapore may carry out.</p>

S/N	Respondent	Feedback from respondent
		<p>c) Pg 128 Footnote 4 “The list of specified persons, namely any bank, finance company, any shareholder of the merchant bank and any company controlled by such shareholder, will be specified in Regulations. This mirrors the existing Guidelines for Operation of Merchant Banks, which will be withdrawn once these Bank Act amendments and the new Regulations take effect.”</p> <p>We would like to seek clarification whether under the new licensing regime for Merchant Banks “permitted business” includes all the following activities listed under the existing Guidelines for Operation of Merchant Banks, , including those with ACU licence ie Merchant Banks are not required to apply for separate license under the Banking Act for each of the following activities below:</p> <ul style="list-style-type: none"> <li>i. Floatation, underwriting, buying and selling of shares, loan stocks and bond issues and other securities.</li> <li>ii. Investment portfolio management, investment advisory services and nominee services.</li> <li>iii. Unit Trust management and sales.</li> <li>iv. Advice on corporate reconstruction, takeovers and mergers.</li> <li>v. Management advisory services.</li> <li>vi. Arranging finance, lending or participating in syndicated loans and acting as guarantors.</li> <li>vii. Financing or lending in the institutional money markets.</li> <li>viii. Discounting of negotiable securities or money market instruments in Singapore dollars.</li> <li>ix. Dealing in gold and foreign exchange.</li> </ul>
3.	Schroder & Co (Asia) Limited	<p><b>General comments:</b>                      We believe that this move will result in ease of administration and reference for the merchant banks.</p> <p><b>Question 1: MAS seeks comments on the proposed BA amendments, including the new Part VIIB for MBs, set out in Annex C.</b>                      As there is no material significant change to regulatory requirements on merchant banks and merchant banks will continue to be calibrated to reflect the different business models and activities as compared to banks in general, we have no further comment.</p> <p><b>Question 2: MAS seeks comments on the proposal to move from the current approval framework to a licensing regime for MBs.</b>                      With the proposed move from the current approval framework to a licensing regime for merchant banks, are merchant banks expected to undergo the licensing process for re-application of existing licence in Oct 2020?</p>

