

FREQUENTLY ASKED QUESTIONS ON  
DIGITAL FULL BANK (DFB) AND DIGITAL WHOLESALE BANK (DWB) LICENCES, PART II

**(A) INSTRUCTIONS ON SUBMISSION OF APPLICATIONS**

All applications must be emailed to [digital\\_banks@mas.gov.sg](mailto:digital_banks@mas.gov.sg) by **31 December 2019**. If the total size of the submission is expected to exceed 100MB, please inform MAS by 30 December 2019.

Interested applicants must submit **the full set of documents** required for the application. In this regard, applicants are encouraged to use the [email template](#) provided by MAS to ensure that all required documents have been submitted:

To be fair to all applicants, MAS will not accept any additional information or documents after the close of the application, unless it relates to a new development or is requested by MAS.

**Any application that is incomplete will be rejected.**

Applicants should take note of the following instructions for email submissions:

- All submissions of attachments must be password protected using AES 256 or stronger encryption. The password for the zip file(s) should contain a minimum of 8 characters, including both upper and lower case letters, and have at least one numerical digit and one special character (for e.g. @, #).
- Please include in the email the contact details (including mobile phone number) of the person from whom MAS can obtain the password.
- Where the file(s) exceeds 20MB, please split the submissions into separate emails with attachments smaller than 20MB per email.
- The following attachment file types (if these are without macros) are allowed: *.pdf, .doc, .docx, .ppt, .pptx, .xls, .xlsx, .txt, .xml, .html, .bmp, .gif, .jpg, .jpeg, .png*. Attachments such as *.zip, .gz and .tar* are allowed only if the file types contained within are permitted. Non-compliant emails will be blocked.
- All email submissions should be in the following format:  
**[DFB/DWB (delete where applicable) \_NAME OF PROPOSED DIGITAL BANK\_ PART 1/2/3...of X]**
- **Applicants should receive an auto-reply email acknowledgement upon submission.**

**(B) GENERAL QUERIES**

Shareholders of Digital Banks

**Q1. Does MAS require or prefer the applicant group to have already incorporated the proposed digital bank at the point of application?**

1. The digital bank will need to be incorporated in Singapore before it commences operations. There is no preference accorded to an applicant that chooses to incorporate the company earlier. Please note, however, that without a banking licence, applicants will not be able to register a company name that uses the word “bank” or any of its derivatives.

**Q2. Can the applicant group revise its composition after it has submitted its application?**

2. MAS does not expect changes to members of the applicant group or shareholding structure of the proposed digital bank after the submission of application, given that it will affect the assessment process.

Please also refer to Q9 of the [Frequently-Asked Questions](#) on Digital Full Bank (“DFB”) and Digital Wholesale Bank (“DWB”) Licences for more information on the approvals required for shareholding changes after the licence has been awarded.

**Q3. In Section II (Financial Information) of the Application Form, who does “ultimate parent entity or financial holding company” refer to? Does it apply only where there is a direct shareholder with majority control?**

3. To clarify, for the purposes of Section II, “ultimate parent entity or financial holding company” will refer to the ultimate parent or ultimate holding company of a 20% direct shareholder of the proposed digital bank.

In addition, where the ultimate parent entity or holding company of a 20% direct shareholder is a substantial shareholder or controller of an existing licensed bank incorporated in Singapore, any reference or requirement pertaining to this entity mentioned in Section II may be treated as a reference to the next intermediate parent entity or holding company of the 20% direct shareholder which has been assessed by the 20% direct shareholder to be the most relevant for the purposes of the application – please see Q4. MAS may still require the relevant information on the ultimate parent entity or holding company of a 20% direct shareholder to be provided, as part of due diligence in the later stages of the assessment.

**Q4. For applicants with complex group structures and/or have established a significant number of entities, for the purposes of information required in Section I, can MAS allow the applicant group to provide information only on the operating entities that undertake financial businesses or that will be providing key outsourced services to the proposed digital bank?**

4. MAS notes the practical challenges that some applicants may face in ensuring the completeness of information regarding the entities in the applicant group, particularly in relation to 20% controllers that are passive investors and who are not actively involved in the application. Taking this into account, MAS will accept submissions based on the following:

- The scope of information as detailed in the table below;
- If an entity specified in Section I is –
  - (i) an existing licensed bank incorporated in Singapore (“Existing Bank”), or
  - (ii) a substantial shareholder or controller of an existing licensed bank incorporated in Singapore (“Existing Bank Controller”),

there is no need to provide all the information pertaining to the Existing Bank and/or Existing Bank Controller required under Section I, except where specified in the table below (information to be provided is highlighted in blue font); and

- Where an Existing Bank Controller is the ultimate parent entity or holding company of a 20% direct shareholder of the proposed digital bank and the applicant group is not including its information as permitted above, the applicant group should provide under Section I all

**MONETARY AUTHORITY OF SINGAPORE**

relevant information on the next intermediate parent entity or holding company of the 20% direct shareholder (“Next Intermediate Parent”). In this regard, the 20% direct shareholder is to determine the Next Intermediate Parent that it considers to be most relevant for the purposes of the application. Correspondingly, any reference or requirement pertaining to an ultimate parent entity or holding company of a 20% direct shareholder in Section I shall be treated as a reference to the Next Intermediate Parent.

<b>Reference sections in the Application Form</b>	<b>Scope of information required to be submitted</b>
Section I, paragraphs A(i) and (ii)	<p>Information on the following entities (“relevant entities”) –</p> <ul style="list-style-type: none"> <li>• Entity that will hold the digital bank licence (except where it has not been established);</li> <li>• Every 20% <u>direct</u> shareholder; and</li> <li>• Ultimate parent entity or holding company of each 20% direct shareholder (“Ultimate 20% Parent”).</li> </ul> <p>This is consistent with the scope of “relevant entities” for which financial information is required under Section II (Financial Information) – please see Q3.</p>
Section I, paragraph A(iii)	Information on entities that are engaged in the provision of financial services and are part of the group of the Ultimate 20% Parent.
Section I, paragraph A(iv)	Group structure of the Ultimate 20% Parent. The group structure should minimally include all the key operating entities of the parent group.
Section I, paragraphs B(i) to (iv)	<p>Information on all substantial shareholders and controllers that is to the best of the knowledge of the relevant entities, based on existing information in their possession and reasonable checks conducted against public sources.</p> <p>If an Existing Bank or Existing Bank Controller is a direct substantial shareholder of the proposed digital bank, provide under paragraph B(i) the shareholding of the Existing Bank or Existing Bank Controller, as the case may be.</p> <p>MAS may however require further information to be provided, as part of due diligence in the later stages of the assessment.</p>
Section I, paragraph C(i)	<p>Information on the members of the board of directors of the Ultimate 20% Parent.</p> <p>If an Existing Bank or Existing Bank Controller is an Ultimate 20% Parent, information on the members of the board of directors of the Existing Bank or Existing Bank Controller, as the case may be.</p>
Section I, paragraphs D(i) to (iv)	Information as required that is to the best of the knowledge of the relevant entities, based on existing information in the relevant

	<p>entities' possession and reasonable checks conducted against public sources.</p> <p>MAS may however require further information to be provided, as part of due diligence in the later stages of the assessment.</p>
--	--

Given the above, for the purposes of Section VIII (Declaration), MAS will only require declarations from the relevant entities. Where the Ultimate 20% Parent is an Existing Bank Controller, the declaration may be provided by the Next Intermediate Parent.

**Q5. In the case of substantial shareholders that are investment funds, is there a requirement to look through to the Limited Partners of the funds?**

5. We require all shareholders who are substantial shareholders, as defined under the Banking Act, to be identified. If a Limited Partner of an investment fund meets the definition, then it should be listed accordingly under Section I, paragraph B(i) of the Application Form.

**Q6. Do applicants need to submit a chart illustration of the shareholder structure?**

6. Applications should include information regarding substantial shareholders as set out in the table under Section I, paragraph B(i) of the Application Form. Where deemed useful, particularly where it relates to more complex shareholding structures, the applicant may also provide a chart for illustration.

Key Management and Board of Directors

**Q7. Does MAS expect applicants to hire the Chief Executive Officer of the proposed digital bank (prospective CEO) prior to the application deadline? Would it be possible for applicants to hire the CEO only after the licence has been awarded?**

7. MAS had intended for applicants to bring the prospective CEO on board early, as we expect him or her to be closely involved in the application process, including strategy formulation and leading discussions with MAS. If the applicant is awarded the licence, MAS also expects the same person to oversee the implementation of the proposed bank's plans as discussed with MAS during the assessment process.

However, we note that in the case where the applicant intends to hire the prospective CEO externally, there may be practical difficulties in confirming the appointment, given that there is no certainty on the applicant being awarded the licence. As such, MAS will allow applicants to hire the digital bank's CEO only after it is awarded the licence.

Where the prospective CEO has not been hired by the submission of application, the applicant must identify and appoint either a prospective chairperson, director or key management member<sup>1</sup> of the proposed bank to lead the application process. This is to ensure that this same senior personnel remains involved in the setting up of the proposed digital bank as well as the implementation of plans that were discussed with MAS during the assessment process. In addition, the applicant should provide at least an anonymised profile of the prospective CEO candidate(s) that has/have been

---

<sup>1</sup> For avoidance of doubt, where the prospective CEO is hired after the submission of application, the prospective CEO can still lead the application process.

identified, as well as status of the hiring process in the Application Form. The profile should minimally contain relevant information such as years of experience, current role (*e.g. head of <function> at one of the top <number> firms in <industry>*) and a brief description of relevant experience relating to the proposed role. If multiple CEO candidates are currently under consideration, the applicant may submit profiles of all the candidates, indicating current progress in the hiring process.

**Q8. Can applicants submit anonymised profiles of candidates for the Chief Risk Officer, Chief Finance Officer, Chief Technology Officer, and Chief Information Security Officer, instead of their actual names and CVs?**

8. As in the case for the Prospective CEO, applicants will be allowed to submit anonymised profiles of candidates for these positions, which should reflect the applicant's selection criteria for the relevant positions. The profile should minimally contain information such as years of experience, current role and a brief description of relevant experience relating to the proposed role. Applicants should also indicate the status of the hiring process for the position. If multiple candidates are currently under consideration, the applicant may submit profiles of all the candidates, indicating current progress in the hiring process.

**Q9. Does MAS require applicants to make a formal offer to candidates for the key management positions (e.g. CEO and Chief Risk Officer) and for these candidates to have accepted the offer by the point of application?**

9. The candidates who have been identified need not have formally accepted the job offer, but should at least have indicated their interest to join the bank if the licence is obtained. As mentioned in Q8, applicants should inform MAS on its progress in the hiring process in the Application Form. MAS understands that without a formal acceptance of the job offer, there is no certainty that the identified candidates will eventually join the digital bank. However, such candidates' profiles are still useful as it allows MAS to gauge the strength of the digital bank's prospective management team. Once the licence has been awarded, the applicant will be given time to confirm the members of its management team.

**Q10. Can a director who resigns from the parent entity's board to join the digital bank's board be considered an independent director?**

10. There is no specific provision to deem the former director as non-independent if, apart from his former directorship, he meets the criteria to qualify as an independent director. However, the eventual appointment of any director will require MAS' approval. In deciding whether to grant approval, MAS will consider whether the appointment poses any concerns, such as whether the person may be accustomed or under an obligation, whether formal or informal, to act in accordance with the directions of any substantial shareholder. This is a detailed assessment conducted on a case-by-case basis, and MAS will engage successful applicants on its compliance with the board composition requirements subsequently.

**Q11. MAS has indicated it does not allow the DFB or DWB to share selected Executive Officers (including CEO, Head of Compliance, Head of Risk Management – except Cyber Risk and Technology Risk and Head of Internal Audit) with its non-financial parent or affiliate entities. Will MAS also prohibit sharing of resources or outsourcing of work in these areas? For example, certain compliance-related work may be outsourced to the parent or affiliate whilst the Head of Compliance is still ultimately responsible for the DFB and DWB’s compliance.**

11. Applicants should refer to MAS’ [Guidelines on Outsourcing](#) for information on rules pertaining to banks’ outsourcing arrangements.

Written Confirmations

**Q12. Does MAS require each written undertaking/confirmation to be in a separate document?**

12. The applicant group may provide separate confirmations, or combine the written confirmations into a single document, as long as it meets the requirements stated in the Application Form.

**Q13. MAS also requires a written confirmation from every 20% direct shareholder of the proposed digital bank that it will keep the MAS informed of any “material adverse developments”. What does MAS consider as “material”?**

13. Applicants and shareholders should assess for themselves based on their bona fide judgement on whether the adverse developments are “material”. In this regard, it may be useful to refer to the requirements set out in section 48AA of the Banking Act (Information of Material Adverse Development), etc. When in doubt whether a development may be considered “material”, applicants should inform MAS.

**Q14. Under section VII, paragraph (e), MAS requires a written confirmation/undertaking from every 20% direct shareholder and the existing entity that will hold the digital bank licence (if applicable) that it will provide the minimum paid-up capital for the proposed digital bank at the onset and the minimum capital funds on an ongoing basis. Can the shareholders provide the confirmation based on the proportion of shareholdings they hold in the proposed digital bank? In the case of a DFB, would this written confirmation/undertaking include the commitment to provide the S\$1.5bn paid-up capital required for the DFB to become a full functioning DFB?**

14. The objective of this requirement is to assure MAS that the proposed digital bank would have the ability to meet the minimum paid-up capital at the onset and minimum capital funds on an ongoing basis (i.e. S\$15m in the case of DFB and \$100m in the case of DWB). In this regard, we do not have objection to the applicant group providing proportionate commitment so long as the written confirmation/undertaking fully meets the required minimum paid-up capital and ongoing capital funds on an aggregate basis.

For a DFB applicant, the required written confirmation/undertaking at the point of application would thus be the onset requirement of S\$15m, and not the full S\$1.5bn paid-up capital for the DFB to become a full functioning bank. Nonetheless, under section III paragraph D(i), an applicant must show that it has a reasonable plan to build up the S\$1.5b paid-up capital required. An applicant that has obtained commitment from potential investors can share this information with MAS.

Please note that this requirement in section VII paragraph (d) is in relation to the minimum paid-up capital and capital funds only, and is separate from the written commitment/undertaking under section VII paragraph (f).

**Q15. Under section VII, paragraph (f), MAS requires a written confirmation/undertaking from every 20% direct shareholder that it commits to providing a letter of responsibility and a letter of undertaking (LU) that MAS may require for the operations of the proposed digital bank. Can the shareholders provide the confirmation based on the proportion of shareholdings they hold in the proposed digital bank, instead of having to assume joint and several liability for the entire operations of the proposed digital bank?**

15. The written commitment for provision of LU is intended to be provided jointly by all 20% direct shareholders, in line with MAS' current practice for banks. LU providers can, in turn, enter into arrangements to apportion the liabilities amongst themselves.

However, MAS has received feedback from potential applicants that they face challenges in meeting this requirement. In particular, some minority 20% direct shareholders are concerned over providing any undertaking that may result in them assuming 100% of the digital bank's non-bank deposit liabilities in the event of an exit.

Taking into account the practical challenges, MAS will allow the following:

- Where the proposed digital bank is held by a majority shareholder (>50% direct shareholding), the majority shareholder will be required to provide a written commitment that it is prepared to provide an undertaking that fully covers the bank's outstanding non-bank deposit liabilities in the event of an exit or failure. In addition, each of the other minority 20% direct shareholder(s), if any, has to provide a written commitment that it is prepared to provide an undertaking that, at minimum, covers their proportionate percentage of the same liabilities (i.e. a minority direct shareholder with a 25% stake may provide a written commitment that it is prepared to provide an undertaking that covers 25% of the proposed digital bank's outstanding non-bank deposit liabilities).
- Where there is no majority shareholder, all 20% direct shareholders will have to provide a written commitment to undertake in aggregate 100% of the outstanding non-bank deposit liabilities of the bank in the event of an exit, in a proportionate manner amongst themselves. The written commitment can thus be provided as separate undertaking and not joint liability from the 20% direct shareholders, as long as the combined undertaking by the 20% direct shareholders fully covers the aforementioned liabilities.

For avoidance of doubt, MAS will also accept written confirmations where all 20% direct shareholders commit to provide a joint and several undertaking.

#### Permissible Activities

**Q16. Can digital banks become direct participants of interbank GIRO? What are the estimated fees and charges to become direct participants of Fast and Secure Transfers (FAST), MAS Electronic Payment System (MEPS+) and interbank GIRO?**

16. Digital banks can apply to Banking Computer Services Pte Ltd to become direct participants of interbank GIRO and FAST and to MAS to be a direct participant in MEPS+. In addition, for Interbank GIRO and FAST, they would have to be members of the Singapore Clearing House Association.

Potential applicants interested to find out more about the access criteria, estimated fees and charges can email [Digital\\_Banks@mas.gov.sg](mailto:Digital_Banks@mas.gov.sg).

**Q17. Does MAS expect applicants who offer existing non-banking financial services today (e.g. payments or financial advisory etc.) to bring these activities under the proposed digital bank? Can these activities be conducted by separate legal vehicles outside the proposed digital bank group (i.e. directly owned by the parent entity)?**

17. MAS does not require applicants to subsume existing non-banking financial services under the digital bank, whether via a transfer of the businesses or legal entities. However, they should elaborate within their business plan the rationale for their decision to operate such services separately from the proposed digital bank group, and if there are associated risks that may be prejudicial to the proposed digital bank.

**Q18. Does the digital bank need to apply for additional licences under the Securities and Futures Act ("SFA") or Financial Advisers Act ("FAA") in order to conduct SFA/FAA activities?**

18. As a bank licensed under the Banking Act, a digital bank does not need to be separately licensed under the SFA to provide capital markets services, or the FAA for providing financial advisory services. This is made clear in section 99(1)H of the SFA and section 23(1)(a) of the FAA. However, the digital bank must still comply with the applicable provisions in the SFA and/or FAA, including any relevant regulations, notices or guidelines, pertaining to the activity.

The digital bank is also required to lodge with MAS the notice of commencement of business in Form 26 pursuant to the Securities and Futures (Licensing and Conduct of Business) Regulations and/or Financial Advisers Regulations, not later than 14 days prior to the commencement of his business in any SFA and/or FAA activity, and/or any additional SFA and/or FAA activity.

Please refer to Q21 of the [Frequently-Asked Questions](#) on Digital Full Bank (DFB) and Digital Wholesale Bank (DWB) Licences for more information.

#### Financial Projections

**Q19. Can applicants provide a cash flow model to MAS instead of financial projections set out in the form of financial statements?**

19. Applicants are required to submit a set of financial statements that are compliant with the Singapore Financial Reporting Standards for the purposes of the financial projection. This is to ensure that the submissions are consistent with the recognition and measurement principles of the accounting standards. However, applicants may include the cash flow model as supplementary information if this is useful to support the demonstration of a sustainable and profitable business.

**Q20. Does the "break even" point mentioned in Section III, D (ii) and Appendix C refer to the point of where the digital bank turns profitable, or the point where the digital bank's accumulated revenue covers its accumulated expenses across its years in operation?**

20. The "break-even" point mentioned in the Application Form refers to the point where the digital bank turns profitable. If the applicant has also set target for its accumulated revenues to cover the accumulated expenses, it can highlight it as part of point 3 in Appendix C relating to other "targeted returns".



Financial Information

**Q21. Would a credit rating of the applicant group be useful in supporting the application?**

21. MAS assesses financial strength based on several factors. If an applicant group or any entity in the group has a credit rating, it is encouraged to include the information in the Application Form to facilitate MAS' assessment of its financial strength.

**Q22. MAS has asked for details on the significant changes to paid up capital in the past three years (if any). Is there a definition on what constitutes 'significant change'?**

22. Applicants should provide information on any significant event that affects the paid up capital. Such events should include IPOs, recapitalisation, receipt of third party capital investment, as well as any conversion of debt into equity.

**Q23. MAS requires an external and independent expert's report to be provided in respect of the financial projection to be submitted as part of the application. Could MAS provide further clarification on the scope of work to be done by the expert and the corresponding opinions required?**

23. Given that applicants would not have started banking business in Singapore, its intended business model and financial projection would be important information that MAS will consider in assessing the strength of its value proposition and viability of its business model. In the case of the digital full bank which is required to adopt a two-phase process in scaling up its operations, MAS will also be monitoring its actual performance against its financial projection for the purposes of assessing if it should be allowed to increase its deposit-taking.

Hence, it is important that the applicant's financial projection are reviewed by an external and independent expert to ensure that it is properly prepared in accordance with the relevant accounting standards, and are not based on assumptions that are clearly unrealistic. The expert shall be a public accountant registered under the Accountants Act who has not provided, or is currently not providing, any other professional advisory services to the applicant group in relation to its application. In this regard, we note that auditing and accounting firms typically also provide consultancy and other advisory services. To clarify, the auditing or accounting firm is allowed to accept other advisory engagements from the applicant group in relation to its application, so long as the public accountant reviewing the applicant group's financial projection is not involved in that other engagement and is able to review the financial projection in a professional and objective manner<sup>2</sup>.

As set out in the Application Form, the external independent report must include an opinion providing at least a moderate level of assurance that –

- (a) the financial projection is properly prepared on the basis of the assumptions; and

---

<sup>2</sup> In the event that the independent expert is from the same auditing or accounting firm that is appointed to develop the business strategy and/or financial model of the applicant group, the independent expert should set out the considerations and controls in place to ensure that the review is performed in a professional and objective manner.

- (b) the basis for preparation of the financial projection is in accordance with the Singapore Financial Reporting Standards<sup>3</sup> (SFRS) and material assumptions used in preparing the financial projections have been disclosed.

A moderate level of assurance refers to a limited assurance i.e. negative assurance, which is appropriate in the context of the digital bank application, as the financial projection will be based on events and actions that have not yet occurred. To clarify, the scope of the opinion referred to in (a) and (b) shall be confined to all the key assumptions (as required in appendix C of the Application Form) and material assumptions. In determining materiality for the purpose of providing the assurance, the independent expert may take reference from threshold levels used for the audit of comparable banks' financial statements. If there are no comparable banks, the independent expert should exercise professional judgement, based on the relevant Assurance standards, to determine an appropriate materiality threshold.

In addition, MAS has asked for a moderate assurance opinion stating that where hypothetical assumptions are used, all significant implications of such assumptions have been taken into consideration. This would involve checks to make sure that, for example, where revenue is forecasted to grow by X%, all related costs such as additional manpower or marketing costs etc., have been appropriately taken into account. The Institute of Singapore Chartered Accountants (ISCA) has provided feedback that this will constitute a report based on Agreed-Upon Procedures, which will include lengthy descriptions of factual findings and work done. We agree with ISCA that, for purposes of MAS' review, it would be more meaningful to have the expert include a commentary on the significant implications and if these have been taken into account.

Accordingly, there is no requirement to provide a negative assurance on Section III, D(iii) A(c) of the Application Form. However, the expert's report must include comments on the material assumptions used in the financial projection, including whether –

- (i) all significant implications of these assumptions have been taken into consideration. For this purpose, the report should include a list of the material assumptions and the corresponding line items of the financial projection which the expert has reviewed;
- (ii) the material assumptions are reflective of the proposed digital bank's business and funding plans, as well as historical information, if any; and
- (iii) appropriate checks on these assumptions have been conducted based on internal and external sources of information, and these assumptions are not clearly unrealistic.

In providing comments for (i), (ii) and (iii), the expert should reflect broadly the work done and observations, as well as any additional references which the independent expert may have used in the review. In this regard, MAS expects the expert to exercise professional scepticism, and highlight instances where a specific assumption lacks support or where the said support appears to be based on misstated facts. Where applicable, the expert should take into consideration the following non-exhaustive factors:

---

<sup>3</sup> Given that the financial projections will not comprise a full set of financial statements, the independent expert may opine specifically on whether the calculation and accounting policies used in the financial projections are compliant with the recognition and measurement principles of the SFRS. Alternatively, the independent expert may opine whether the significant accounting policies relevant to the preparation of the financial projections were based on the SFRS, and disclose this set of accounting policies as an addendum to the report.

- Whether the quantitative assumptions can be clearly connected with the operational aspects of the business plans;
- Whether the assumptions used can be reasonably correlated with any available and comparable third-party information, such as macro-economic, industry, market or competitor data or independent research/studies;
- Whether the assumptions are broadly in line with any directional market trends; and
- Whether management is able to articulate reasons for assumptions that cannot be reasonably correlated with any available and comparable third-party information.

**Q24. The requirement for Balance Sheet and Profit and Loss Account to be dated not more than 3 months prior to date of application would be onerous for companies that do not prepare quarterly financial statements, given the need to consolidate across multiple group entities and review the financial statements before submission to MAS. Can applicants instead submit the latest annual financial statements or have a longer window for the preparation of the financial statements?**

24. Where the applicant group does not prepare management accounts for a period ending within the last 3 months prior to date of application, it may submit management accounts that are older, provided that such accounts are not dated more than six months from the date of application.

In addition, annual reports for the past three financial years would have to be submitted as part of Section II, A(i).

#### Information Technology and Cyber Risks

**Q25. What are MAS' expectations related to the physical network architecture diagram?**

25. Applicants should provide a high-level architecture showing the physical topology of the network and how the physical devices will be or are connected. MAS' assessment will focus on how the applicant plans to secure its connection to external networks such as the internet and third parties, and guard itself from cyber threats.

**Q26. What are MAS' views on placing critical systems and data (e.g. core banking, customer data) on public cloud? Can applicants engage more than one cloud service providers to host critical systems and data?**

26. Applicants should perform a risk assessment of hosting critical systems on the cloud, and manage the associated risks effectively. MAS expects applicants to put in place adequate security measures to safeguard the systems and data hosted on the cloud.

Applicants may engage one or more cloud service providers to host its systems and data.

**Q27. What are the expectations on localisation of data in Singapore?**

27. MAS currently does not have requirements for applicants to store data in Singapore.

**Q28. At the time of submission of the application, do applicants need to confirm the selected vendors for the data centres that will host the digital banking systems?**

28. Applicants should submit the information based on their planned IT outsourcing arrangements in support of the business and risk management plans. MAS understands that the plans

would be subject to discussions with vendors, and will allow flexibility for changes if necessary, as long as the applicant continues to meet the relevant requirements.

Value Proposition

**Q29. What is the definition of underserved segments? Are there any specific segments that MAS is considering? Are SMEs, gig economy workers, the silver economy and foreign workers included?**

29. There is no specific definition of underserved segments. MAS expects an applicant, in setting out its value proposition, to identify any underserved segment(s) that it is looking to serve. SMEs may be one such segment. The applicant should clearly set out its estimate on the size and value that it may bring by serving its target segments, and clearly articulate why it believes its proposition is superior. Please note that the proposed digital bank's primary value proposition should not be providing unsecured lending to vulnerable borrowers, as this will not be viewed favourably.

**Q30. One of the assessment criteria is the applicant's growth prospects and other contributions to Singapore's financial centre. What are some examples of regional or global activities or functions that MAS would like to see being conducted in Singapore?**

30. In line with Singapore's financial sector development strategies to be a leading global financial centre in Asia as set out in the Financial Services Industry Transformation Map, MAS would consider favourably, applicants who indicate plans to use Singapore as a base for regional or global operations or functions as listed below. These examples are non-exhaustive:

- (i) Tap Singapore's capital markets for fund raising purposes, such as through bond issuances, including green, social and sustainable bonds, and listings on the Singapore Exchange;
- (ii) Establish a treasury centre in Singapore to manage cash flows, financing, and risks;
- (iii) Establish a green finance centre of excellence in Singapore to promote the development of green solutions and deepen green capabilities such as data analytics and research and development;
- (iv) Establish an innovation centre in Singapore to pilot and roll out innovative technology projects;
- (v) Establish a cybersecurity centre of excellence in Singapore to perform advanced cyber functions and develop innovative solutions; and
- (vi) Establish a corporate training centre to develop and upskill their workforce in relevant areas.

For further information, applicants can refer to the MAS website for MAS' financial sector strategies and priorities.

International operations

**Q31. Are there restrictions on digital banks' overseas expansion?**

31. There is no regulatory limit on the number of overseas jurisdictions that a digital bank may operate in, except for a DFB during its entry phase when it will not be able to set up bank subsidiaries/branches in more than two overseas markets. Notwithstanding, MAS may impose restrictions on a digital bank's overseas expansion if there are particular supervisory concerns due to the operations of the specific DFB or DWB. This is no different from MAS' supervisory approach for all banks.

Anti-money laundering (AML)/Countering the financing of terrorism (CFT)

**Q32. What are MAS' views on outsourcing AML/compliance operations for the digital bank to a service company (e.g. external third parties)?**

32. While banks may outsource the performance of certain customer due diligence (CDD) measures, they should not outsource the entire AML/CFT function. Notwithstanding the presence of an outsourcing arrangement, a bank remains responsible for complying with all applicable laws and regulatory requirements, and is expected to maintain effective oversight and control over the outsourced activities. Applicants should refer to MAS' [Guidelines on Outsourcing](#).

For avoidance of doubt, Paragraph 9 of MAS Notice 626 also permits a bank to rely on the CDD measures of a third party, subject to the conditions within. This may occur when the third party is an introducer to the bank: for instance, a bank may have tied up with an insurer to offer banking services to the insurer's customers, and may hence wish to rely on the insurer's CDD measures. Unlike with outsourcing, the third party is applying its own CDD measures, in contrast to the service provider implementing the bank's AML/CFT measures. No bank shall rely on a third party to conduct ongoing monitoring of business relations with customers.

Exit Plan

**Q33. How much details should the exit plan cover? Do exit scenarios need to be included as part of the exit plan model?**

33. The exit plan should be sufficiently in-depth for MAS to understand how the proposed digital bank intends to operationalise an orderly wind-up in the event that it needs to exit the market. In this regard, MAS expects a certain level of detail to illustrate how the trigger points are monitored to determine when to activate the exit plan, the exit strategies/solutions and analyses of how these may play out in plausible scenarios.

MAS does not expect the exit plan to be of the same level of detail as a resolution plan that is required of the G-SIBs or D-SIBs globally.

**Q34. Does MAS have a set of scenarios which an exit plan must include?**

34. MAS does not have a pre-defined set of exit scenarios, as these would vary based on applicants' proposed business model and/or target markets. Applicants should consider the scenarios that would be relevance to them.

Others

**Q35. Why is there a requirement to state the governing law for the proposed digital bank's transactions (under Section III, paragraph A(x) of Application Form)?**

35. The applicant is required to state the law under which it plans to use to govern the proposed digital bank's contracts with its customers. In the event that the applicant is relying on governing law outside of Singapore, MAS will assess if there may be risks arising from such arrangements and whether the applicant group has considered adequate measures to manage the risks.

**(C) DIGITAL FULL BANK**

*Corporate Governance (CG)*

**Q36. MAS proposed to phase in certain requirements on a DFB’s board composition, taking into consideration the small size of a DFB’s operations during the first few years of operations. Would any requirements on the board committees be phased in?**

36. MAS will allow requirements for nominating committee and remuneration committee to be phased in. The table below sets out the phased-in requirements for a DFB’s board<sup>4</sup> and board committees:

		First 5 years of operation	Thereafter (regardless of progression of DFB)
Board	Minimum number of directors	5	7
	Minimum proportion of directors who are independent	One-third	Majority
	Minimum proportion of directors who are Singaporeans or Permanent Residents of Singapore	Majority	Majority
<b>Board Committees</b>			
Nominating Committee	Minimum number of directors	3	5
	Minimum proportion of directors who are independent	One-third	Majority
Remuneration Committee	Minimum number of directors	3	3
	Minimum proportion of directors who are independent	One-third	Majority
Audit Committee	Minimum number of directors	3	3
	Minimum proportion of directors who are independent	Majority	Majority
Risk Management Committee	Minimum number of directors	3	3
	Minimum proportion of directors who are independent	N.A. (Majority to be non-executive)	N.A. (Majority to be non-executive)

<sup>4</sup> As conveyed in Q49 of the [Frequently-Asked Questions](#) on Digital Full Bank (DFB) and Digital Wholesale Bank (DWB) Licences.

For avoidance of doubt, a DFB will have to comply with all other relevant Corporate Governance requirements, including those not mentioned in the table above.

**Q37. Is the phase-in period for CG requirements fixed at five years, regardless of the DFB's progression (for e.g. if it remains a "restricted DFB" after five years or becomes a "full-functioning DFB" before five years)?**

37. Yes, the phase-in period for CG requirements is fixed at five years, regardless of the DFB's progression. This takes into consideration, *inter alia*, the small size of DFBs at the start and the need to give DFBs sufficient time to find good quality independent directors.

#### Capital Requirements

**Q38. How can the proposed digital bank demonstrate to MAS that it complies with the minimum capital funds requirement in order to obtain approval to commence business? Can the digital bank's balance sheet comprise of assets other than cash (e.g. existing loan portfolio or technology infrastructure)?**

38. As mentioned in Q14 of the [Frequently-Asked Questions](#) on Digital Full Bank (DFB) and Digital Wholesale Bank (DWB) Licences, MAS does not mandate the specific balance sheet structure of banks. Prior to the commencement of business, the digital bank will have to demonstrate to MAS that it has met the minimum capital funds requirement. As such, where the digital bank's cash balance is below the minimum capital funds requirement (i.e. if the individual DFBs and DWBs have less than S\$15m and S\$100m in cash respectively prior to business commencement), MAS will require the digital bank to obtain independent third-party valuation of its non-cash assets to ensure that values accorded to these assets are reliable, and that the digital bank can indeed meet the minimum capital funds requirement before commencing business.

On a case-by-case basis, MAS may also request for independent valuation of other non-cash assets, in excess of the minimum capital fund requirements, to be performed before commencement of business.

#### Permissible Activities

**Q39. Are foreign currency deposits subject to the aggregated and individual deposit caps during the restricted phase?**

39. Where the restricted DFB has a paid-up capital of less than S\$100 million, all deposits (whether SGD or foreign currency denominated) will be counted towards the aggregate and individual deposit caps. This includes deposits in savings, fixed deposits and current accounts.

However, where the restricted DFB has a paid-up capital of S\$100 million (this can be at entry or progression stage), the deposit-taking scope will be aligned with that of a digital wholesale bank. This means that the following types of deposits will not be subject to the aggregate or individual deposit caps:

- (i) All foreign currency denominated deposits;
- (ii) SGD denominated fixed deposit of at least S\$250,000;
- (iii) SGD denominated non-interest bearing current account deposits from individuals; and
- (iv) SGD denominated current account deposits from businesses (i.e. corporates, sole proprietors and partnerships).

All other SGD denominated deposits will be subject to the aggregate and individual deposit caps.

**Q40. What are the prohibitions on proprietary trading – can a DFB park excess cash in SGD or bonds?**

40. Our intent is to ensure that DFBs do not engage in high risk speculative trading. It is not to prohibit banks from parking excess cash in low-risk assets. However, we note that “speculative trading” is currently not defined, and can be read very widely. For avoidance of doubt, DFBs will be able to place excess cash in MLA assets.

**Q41. Will MAS be introducing DFB-specific tax incentives that take into account the DFB’s business model and set-up?**

41. As the digital bank licence is the same class as the full bank licence, the same treatment will apply. There will not be specific tax incentives for digital full banks.

**Q42. Other than providing deposit accounts, can a DFB also operate e-wallets?**

42. Yes, DFBs are allowed to operate e-wallets. In this regard, licenced banks are exempt payment service providers and do not need a separate licence under the Payment Services Act. However, the DFB has to comply with all relevant rules and regulations for the provision of such payment services. The DFB must also make it clear to customers that monies in such e-wallets are not deposits, and therefore not covered under the Deposit Insurance scheme.

**Q43. Would DFBs be able to apply for more places of business (POBs) in the future, since qualifying banking subsidiaries of locally-incorporated bank groups could operate digital banking business models and would be able to share the POBs with their parent banks?**

43. A locally-incorporated bank group can set up a qualifying subsidiary<sup>5</sup> to operate new or alternative business models, including digital banking. A qualifying subsidiary is part of the locally-incorporated bank group and together with its parent bank, will have to comply with any group-level regulations/requirements on a consolidated basis. For instance, capital requirements, consumer unsecured credit lending limit as well as large exposures limit would have to be complied with at the solo and group levels. In the same vein, POB requirements, including the number of POBs that the bank group can operate, are to be complied with at the group level. The qualifying subsidiary is not subject to a separate solo-level POB quota<sup>6</sup>. This structure-agnostic approach is intended to ensure that banks do not circumvent our requirements through operating different corporate structures.

DFBs, on the other hand, are not subsidiaries of existing locally-incorporated bank groups. They operate under the new digital bank framework which allows non-financial players to apply for bank licences, with the aim of diversifying and strengthening the banking sector with innovative digital banking business models. We expect these digital banks to support the development of Singapore’s digital economy. As such, MAS requires all digital banks to only operate at most one POB. This ensures that the digital banks focus on delivering innovative digital solutions, differentiated from incumbent banks. Nevertheless, both DFBs and DWBs are allowed to make private visits to their customers’ premises for cash collections. Further, DFBs are able to provide cashback services via electronic fund transfer at point of sale (“EFTPOS”) so that they can meet retail customers’ urgent cash needs.

---

<sup>5</sup> Refer to section 9A of the Banking Act.

<sup>6</sup> In this regard, where the qualifying subsidiary and its parent bank co-locate within the same branch or co-share an ATM/CDM, such co-located branch or co-shared ATM/CDM will be considered as one POB for computing the number of POBs operated.



Please refer to Q5 of the [Frequently-Asked Questions](#) on DFB and DWB Licences for more information.

**(D) DIGITAL WHOLESALE BANK**

**Q44. Can DWBs gain access to the NETS electronic funds transfer at point-of-sale (EFTPOS) system?**

44. As set out in MAS Notice 603, wholesale banks – including DWBs – would not be able to provide any debit services on an EFTPOS network.