

ELIGIBILITY CRITERIA AND REQUIREMENTS FOR DIGITAL BANKS

I. APPLICATION PROCESS



II. ELIGIBILITY CRITERIA

Criteria for all digital full bank (DFB) and digital wholesale bank (DWB) applicants

For the purposes of this Annex, “applicant group” shall mean the entity that will hold the digital bank licence (hereafter “proposed digital bank”) and every of its 20% controllers¹.

Applications for the DFB or DWB licence must meet the following requirements –

- (a) At least one entity in the applicant group has three or more years of track record in operating an existing business in the technology or e-commerce field.
- (b) The following persons are fit and proper²:
 - Applicant group and their directors;
 - Substantial shareholders³ and 12% controllers⁴ of the proposed digital bank; and
 - Directors and executive officers⁵ of the proposed digital bank, when identified⁶.
- (c) Demonstrates ability to meet the applicable minimum paid-up capital requirement at the onset and the minimum capital funds requirement on an ongoing basis. This can be done by submitting a written confirmation from shareholders of the proposed digital bank on commitment of funds.
 - For DFB applicants, this must include commitment of funds or concrete fundraising plans to meet the minimum paid-up capital of S\$1.5 billion that is required when the DFB becomes a full functioning DFB.

¹ “20% controller” means a person who, alone or together with his associates –
(a) holds not less than 20% of the total number of issued shares in the proposed digital bank; or
(b) is in a position to control voting power of not less than 20% in the proposed digital bank.
Please refer to section 15B of the Banking Act.

² See Guidelines on Fit and Proper Criteria.

³ “substantial shareholder” has the same meaning as in section 81 of the Companies Act. It generally refers to any person who will have a voting interest of at least 5% in the proposed digital bank.

⁴ “12% controller” means a person, not being a 20% controller, who alone or together with his associates –
(a) holds not less than 12% of the total number of issued shares in the proposed digital bank; or
(b) is in a position to control voting power of not less than 12% in the proposed digital bank.
Please refer to section 15B of the Banking Act.

⁵ Please refer to section 2 of the Banking Act for definition of “executive officer”.

⁶ The proposed digital bank’s board of directors and team of executive officers need not be fully formed at time of application.

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- (d) Provides clear value proposition, incorporating the innovative use of technology to serve customer needs and reach under-served segments of the Singapore market.
- (e) Demonstrates that the proposed digital bank's business model is sustainable.
 - The applicant must provide a five-year financial projection of the proposed digital bank, which must show a path towards profitability. The assumptions of the financial projection must be reviewed by an external and independent expert.
- (f) Submits a feasible plan that can facilitate the orderly exit of the proposed digital bank.
- (g) Shareholders of the proposed digital bank commit to providing a letter of responsibility and a letter of undertaking that MAS may require in respect of the operations of the proposed digital bank.

DFB applicants

MAS will only consider DFB applicants who are anchored in Singapore, controlled by Singaporeans and headquartered in Singapore.

For purposes of the DFB admission policy, the factors MAS will consider in determining whether a proposed DFB meets the above conditions include:

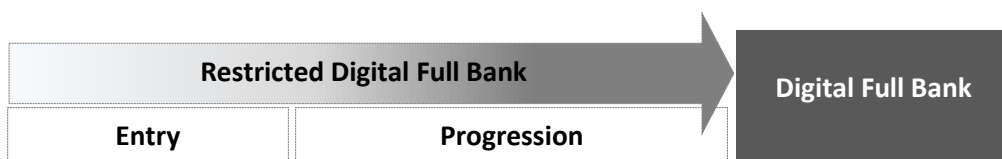
- Whether the proposed DFB and the entity (hereafter "parent entity") of which the DFB is a subsidiary, publicly identify Singapore as their home country;
- Whether the parent entity's global head office is in Singapore;
- Whether the parent entity's and the proposed DFB's effective management are situated in Singapore;
- In cases where there is no parent entity, whether a Singaporean individual or a Singapore entity which fulfils these conditions, together with its related parties similarly meeting these conditions, holds in aggregate the single largest shareholding and has effective control over the proposed DFB.

Where potential applicants are considering partnerships between Singapore and foreign entities, an absolute majority stake by the Singapore entity and its related parties is preferred as a clear demonstration of control by Singaporeans. DFB applicants who are considering partnerships that do not meet this shareholding structure should approach MAS to discuss their proposed structure.

III. REQUIREMENTS AND PERMISSIBLE ACTIVITIES FOR DFB

A DFB must be incorporated in Singapore. It will commence operations as a restricted DFB before becoming a full functioning DFB. MAS will not pre-determine a time period within which a restricted DFB must progress to a full functioning DFB. The pace of growth of a restricted DFB will depend on its ability to meet its commitments and MAS’ supervisory considerations. However, we generally expect a DFB to be fully functioning within three to five years from commencement of business.

A high level summary of the requirements that apply to a DFB is outlined in the following diagram. Please refer to the respective sections below for details of each requirement.



Minimum paid-up capital (Section 1)	S\$15 million	To progressively increase	S\$1.5 billion
Deposit cap (Section 1)	S\$50 million in aggregate ⁷ S\$75,000 per individual Only solicit deposits from limited scope of customers	Aggregate cap to progressively increase ⁷ S\$75,000 per individual No limit on scope of depositors	No deposit cap
DFB will be required to be a member of the Deposit Insurance Scheme ⁸			
Risk-based capital and liquidity rules (Section 2)	Capital: Same as domestic systemically important banks (D-SIBs) Liquidity: Minimum Liquid Asset (MLA) or Liquidity Coverage Ratio (LCR) requirements as set out in MAS Notice 649		
Permissible activities and other requirements	<u>Applicable regardless of progression</u> <ul style="list-style-type: none"> • 1 physical place of business • Not allowed access to automated teller machines (ATMs) or cash deposit machines (CDMs) network but allowed to offer cashback services through 		

⁷ Wholesale deposits will not count towards the aggregate deposit cap if the restricted DFB has a minimum paid-up capital of S\$100 million.

⁸ The Deposit Insurance Scheme will protect non-bank depositors (including individuals and sole proprietorships) in the event of a bank’s failure by covering the SGD deposits placed with a member bank, for up to S\$75,000 per depositor per member bank.

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(Section 3)	electronic funds transfer at point of sale (EFTPOS) terminals at retail merchants	
	<u>Applicable during restricted phase</u> <ul style="list-style-type: none"> • Corporate governance rules: Phased-in • Not allowed to safeguard other financial institutions' relevant money⁹ under the Payment Services Act 2019 • Unsecured credit limit for an individual: 2 times monthly income of individual • No proprietary trading activities 	
	<u>Applicable during entry phase</u> <ul style="list-style-type: none"> • For investment products offered to individuals, only simple capital markets products¹⁰ • Banking operations in at most two overseas markets 	

Section 1: Progression of Deposit Cap and Minimum Paid-Up Capital

Restricted DFB (Entry phase)

A DFB will commence business at this stage. The DFB should focus on deploying its technology and risk management systems, and establishing its business model.

At this stage, the restricted DFB can commence with a minimum paid-up capital of S\$15 million and will be subject to an aggregate deposit cap of S\$50 million. Deposits per individual will be capped at S\$75,000. MAS expects a restricted DFB to be in this phase for one to two years.

- A restricted DFB will not be able to widely solicit deposits from the public at this point. However, it will be able to solicit deposits from its shareholders, employees, related entities and any other persons who are familiar with the DFB's parent or major shareholders' businesses (e.g. existing customers of the parent entity). MAS is open to considering proposals from applicants on this initial depositor scope.

⁹ "relevant money" has the same meaning as that under section 23(14) of the Payment Services Act. This includes the money received by a major payment institution from a customer in exchange for e-money.

¹⁰ These are products under The Schedule to the Securities and Futures (Capital Markets Products) Regulations 2018.

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- Wholesale deposits¹¹ of a restricted DFB can be excluded from the aggregate deposit cap provided that it has a minimum paid-up capital of S\$100 million. The restricted DFB will have to notify MAS that it is planning to do so, with evidence of it having a paid-up capital of S\$100 million. Correspondingly, the aggregate deposit cap of S\$50 million will primarily apply to SGD-denominated deposits (except fixed deposits of at least S\$250,000) of individuals.

Restricted DFB (Progression phase)

After the entry phase, the deposit cap and the minimum paid-up capital requirement of the restricted DFB will be progressively increased. MAS will not prescribe a path of growth for a restricted DFB. A DFB applicant should project its growth path based on its business plans, with the aim of meeting the minimum paid-up capital of S\$1.5 billion within a reasonable period. MAS expects to see a path towards profitability in the financial projection.

As a rule of thumb, in making its financial projection, a DFB applicant can assume that the minimum paid-up capital requirement and the aggregate deposit cap will be increased in tandem by a ratio of 1:4.

- A restricted DFB which has moved out of the entry phase will be able to solicit deposits from the public.
- Deposit cap of S\$75,000 per individual will remain.

In practice, a restricted DFB will be required to seek MAS' approval for the increase in aggregate deposit cap. This will typically be during annual review of the DFB. MAS will assess the restricted DFB based on factors such as strength of internal controls, frequency and type of compliance breaches, customer complaints and sustainability of business performance. It will also include a review of the auditor's report on the digital bank's financials and effectiveness of its internal controls.

Full functioning DFB

MAS expects a DFB to be fully functioning and to meet the minimum paid-up capital of S\$1.5 billion within three to five years' time from commencement of business. An applicant which may expect to take more than five years to become fully functioning should reflect in its financial projections and business plans on the expected timeline and progress. MAS will assess the proposal based on the overall merits of the applicant's business proposition and reasonableness of the progression.

At this stage, all deposit caps will be removed.

Section 2: Risk-based Capital and Liquidity Rules

A DFB will be subject to the same level of risk-based capital requirement as a D-SIB, which would include 6.5% CET1 Capital Adequacy Ratio (CAR), 10% Total CAR, 2.5% capital conservation buffer, and up to 2.5% countercyclical capital buffer. While the DFBs will not be designated as D-SIBs at the onset, the higher risk-based capital requirement is imposed given their untested business models. This will provide a buffer for

¹¹ This refers to all types of deposits that a wholesale bank can accept, including foreign currency-denominated deposits of individuals.

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any unexpected losses. Please refer to [MAS Notice 637](#) for more details on the Risk-based Capital Adequacy Requirements for Banks incorporated in Singapore.

A DFB will also need to comply with the existing MLA or LCR requirement as set out in [MAS Notice 649](#). If a DFB becomes an internationally active bank¹² or is designated as a D-SIB, regardless of whether the bank is a restricted or full functioning DFB, it will be required to comply with the LCR requirement.

Section 3: Permissible Activities and Other Requirements

Unless otherwise stated below, a DFB will be able to conduct all banking businesses and are subject to the same regulatory requirements as existing full banks. These include requirements relating to technology risks, money-laundering and terrorism financing risks, and the conduct of non-financial businesses¹³.

Applicable to DFBs, regardless of phase of progression

- DFBs are only allowed to operate one physical place of business. A “place of business” is defined in section 12 of the Banking Act and is generally any place where a bank conducts banking business or other regulated businesses.
- DFBs are not allowed to access ATMs or CDMs network, but will be able to offer cashback services through EFTPOS terminals at retail merchants.

Applicable to restricted DFB

Existing requirements to be phased in during restricted phase

Board composition

- Some corporate governance requirements will be phased in to take into consideration the small size of a DFB’s operations during the first few years of operations. The requirements on board composition for DFB are as follows:

	First 5 years of operation	Thereafter (regardless of progression of DFB)
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 <i>(note: this will not be phased in)</i>	

¹² As defined in MAS Notice 649, a “internationally active bank” means a bank incorporated in Singapore which has been notified by MAS that MAS considers it to be internationally active, taking into consideration whether it has one or more banking group entity outside Singapore which is approved, licensed, registered or otherwise regulated by a bank regulatory agency in a foreign jurisdiction to carry on banking business as defined in the Banking Act, and whether the banking group entity’s operations are significant in that foreign jurisdiction.

¹³ Please refer to [MAS’ consultation paper on review of anti-commingling framework for banks](#).

Sharing of executive officers

- To enable the DFB to leverage the strength of its non-financial parent, MAS will allow the DFB to share selected executive officers¹⁴ (e.g. chief technology officer) with its parent or affiliate entities during the restricted phase. The restricted DFB will have to demonstrate to MAS that the sharing of the executive officer is beneficial to the DFB and the shared role will not compromise the executive officer's ability to perform his duty at the DFB. This includes consideration of whether the executive officer would have sufficient time and capacity to perform his duty at the DFB.
- MAS expects that once the DFB becomes fully functioning, it should not continue to share executive officers with its non-financial parent.

Throughout restricted phase:

- Not allowed to perform the function of a "safeguarding institution" under section 23 of the Payment Services Act 2019, except to safeguard its own relevant money under a separate trust account that is ring-fenced from the DFB's other funds, in accordance with the Payment Services Regulations.
- If a DFB offers unsecured credit facilities to an individual, it will only be allowed to grant a total unsecured credit limit of up to two times of the individual's monthly income. Other unsecured credit rules under [MAS Notice 635](#) and [Banking \(Credit Card and Charge Card\) Regulations 2013](#) will apply.
- Not allowed to conduct any proprietary trading activities.

Entry phase only:

- A restricted DFB can only operate overseas bank branches or subsidiaries in no more than two other markets during the entry phase.
- Where a restricted DFB offers investment products to individuals, it can only offer products set out under The Schedule to the [Securities and Futures \(Capital Markets Products\) Regulations 2018](#).

¹⁴ MAS will not allow the DFB to share the following executive officers with its non-financial parent or affiliate entities:

- a. Chief executive officer
- b. Head of compliance
- c. Head of risk management, except for cyber security risk and technology risk
- d. Head of internal audit

IV. REQUIREMENTS AND PERMISSIBLE ACTIVITIES FOR DWB

A DWB must be incorporated in Singapore.

It is required to meet the same regulatory requirements as existing wholesale banks, including minimum paid-up capital of S\$100 million, risk-based capital and liquidity requirements, as well as requirements relating to technology risks, money-laundering and terrorism financing risks, and the conduct of non-financial businesses¹⁵.

PERMISSIBLE ACTIVITIES AND OTHER REQUIREMENTS

Generally, the permissible activities of a DWB are outlined in the [Guidelines for Operation of Wholesale Banks](#). A DWB can only conduct the proposed business(es) outlined in its application in the initial 2-3 years. It may subsequently seek MAS' approval to expand its business scope. MAS will assess the request based on various criteria such as whether the DWB has built a track record in delivering its proposed value proposition, and its ability to conduct the additional business scope requested.

In addition, the following will apply:

Place of business

- Only allowed to operate one physical place of business. A “place of business” is defined in section 12 of the Banking Act and is generally any place where a bank conducts banking business or other regulated businesses.

Deposits

- A DWB will be allowed to offer SGD current accounts for business uses, including to sole proprietors and partnerships. These accounts can be interest-bearing. MAS will amend the Guidelines for Operation of Wholesale Banks to allow all wholesale banks to offer the same type of accounts.
- All other permissible deposits are outlined in the Guidelines for Operation of Wholesale Banks.

Other products and offerings

- A DWB will not be allowed to grant unsecured credit facilities to retail individuals. These are individuals who do not fall within the definition of “accredited investor” under the Securities and Futures Act.
- MAS does not expect a DWB to serve retail individuals, such as providing financial advice to these individuals. On an exceptional basis, MAS may allow such offerings, provided that there is a strong nexus and is necessary to the applicant’s core offering(s) to the non-retail segment. An applicant with plans to provide any of such offerings should highlight accordingly in its application, and explain how there is a strong nexus and is necessary to the specific core offering(s) to the non-retail segment.

¹⁵ Please refer to [MAS' consultation paper on review of anti-commingling framework for banks](#).

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- In its first few years of operations, a DWB will not be allowed to perform the function of a “safeguarding institution” under section 23 of the Payment Services Act 2019, except to safeguard its relevant money under a separate trust account that is ring-fenced from the DWB’s other funds, in accordance with the Payment Services Regulations.

Sharing of executive officers

- To enable the DWB to leverage the strength of its non-financial parent, MAS will allow the DWB to share selected executive officers¹⁶ (e.g. chief technology officer) with its parent or affiliate entities during the first few years. The DWB will have to demonstrate to MAS that the sharing of the executive officer is beneficial to the DWB and the shared role will not compromise the executive officer’s ability to perform his duty at the DWB. This includes consideration of whether the executive officer would have sufficient time and capacity to perform his duty at the DWB.
- MAS expects that a DWB should not continue to share executive officers with its non-financial parent beyond five years from the commencement of business.

¹⁶ MAS will not allow the DWB to share the following executive officers with its non-financial parent or affiliate entities:

- a. Chief executive officer
- b. Head of compliance
- c. Head of risk management, except for cyber security risk and technology risk
- d. Head of internal audit