Monetary Authority of Singapore

Response to Feedback Received

P011-2025 – 4 September 2026

Changes to the Group Capital Framework for Designated Financial Holding Companies (Licensed Insurer)

Contents

1. Preface

1.1. On 24 July 2025, MAS issued a consultation paper to seek feedback on enhancements to the Group Capital Notice (“FHC-N133”) applicable to Designated Financial Holding Companies (Licensed Insurer) (“DFHC (Licensed Insurer)”). The consulted enhancements were:

(a) Incorporating the risk charging approach for non-insurance entities of a DFHC (Licensed Insurer);

(b) Enhancing the capital treatment for joint ventures of a DFHC (Licensed Insurer); and

(c) Introducing a limit to the recognition of capital from non-controlling interests in group financial resources

1.2. The consultation period closed on 25 August 2025, and MAS would like to thank all respondents for their contributions. The list of respondents is in Annex B, except for one respondent who has requested confidentiality of both identity and submission.

1.3. MAS has considered carefully the feedback received. Comments that are of wider interest, together with MAS’ responses are set out below. The list of respondents and their full submissions are provided in Annexes at the end of this paper.

2. Risk charging approach for non-insurance entities (NIEs)

2.1. MAS proposed an explicit risk charging approach for NIEs of a DFHC (Licensed Insurer) to promote transparency and comparability of risk requirements set up for NIEs, and provide clarity of treatment in the case of NIEs that are not subject to any sector-specific capital requirements. The proposed risk charging approach ("NIE risk charging approach")[1] is aligned to the Insurance Capital Standard (ICS) for NIEs.

2.2. There was a feedback that holding companies and Special Purpose Vehicles (SPVs) should be excluded from the NIE's risk charges, given that a holding company's gross income is primarily derived from dividends up-streamed from subsidiaries, and SPVs, which exist for investment purposes (i.e. to own assets), can already be appropriately risk-charged under the existing RBC 2 framework.

MAS' Response

2.3. MAS agrees with the respondent and will fine-tune the risk charging approach of certain NIEs under FHC-N133 in the following manner:

(a) MAS will first define an NIE in FHC-N133 as an insurance group entity[2] that is not a licensed insurer or a foreign insurance entity; and

(b) Clarify that the NIE risk charge need not be applied to the NIEs if one or more of the following criteria are met:

(i) NIEs that do not undertake significant businesses other than holding subsidiaries or holding the group's assets within the FHC group. These entities' cash flows consist primarily of upstreamed dividends, investment income of assets held and capital support for subsidiaries;

(ii) SPVs held solely for investment purposes;

(iii) Investment funds that are held for investment purposes, including collective investment schemes.

[1] The risk charge takes the higher of the sectoral capital requirement and 15% of three-year average gross income, or at the Group Wide Supervisor's request, to be based on Basel's Operational Risk Capital Requirement. MAS also retains the flexibility to impose additional risk charges if the risk charging approach does not appropriately capture all risks.

[2] As defined in FHC-N133, "insurance group entity" means the DFHC (Licensed Insurer), any subsidiary or any other entity which is treated as part of the FHC group according to the Accounting Standards.

Whilst these NIEs would not be subjected to the NIE risk charging approach, their underlying risks will continue to be captured through the relevant RBC 2 risk charges, such as market-related risk charges on the assets held by these entities.

2.4. For other NIEs that are not caught under paragraph 2.3(b), the NIE risk charging approach will apply in calculating the Total Risk Requirement. The other RBC 2 risk charges will not apply to such NIEs unless MAS determines that additional risk charges are necessary to more appropriately capture material risks posed by the NIE. For example, where an NIE has material market-related risks from the assets it holds, or counterparty default risks from the transactions it enters into, MAS may impose the relevant additional risk charges. This is consistent with the approach set out in paragraph 3.6 of the Consultation Paper.

2.5. In line with paragraph 2.1.3 of FHC-N133, NIEs are consolidated[3] into the DFHC (Licensed Insurer)'s financial statements of the FHC group, prepared in accordance with the Accounting Standards. However, for the purpose of calculating the Group Total Risk Requirement, the NIE risk charges will not yield any diversification benefits with other RBC 2 risk charges, as they are similar in nature to the operational risk charge under RBC 2. Diversification benefits may apply only where other RBC 2 risk charges, such as market-related risk charges, are imposed on the NIE.

[3] An exception is where the NIE has been approved to be excluded from the calculation of the capital adequacy requirement in accordance with paragraph 2.4.2 of the FHC-N133.

3. Limit to the recognition of capital from non-controlling interests (NCI)

3.1. MAS proposed imposing a limit on the recognition of NCI in group financial resources to reflect the non-fungible nature of NCI at the group level. Any capital from NCI exceeding this limit will consequently not be recognised in group financial resources.

3.2. A respondent suggested that, since the consulted formula already requires the NCI portions of Financial Resources (FR) and Total Risk Requirement (TRR) to be quantified, it may be simpler and more accurate to deduct the NCI contributions from Group FR and Group TRR directly. The respondent also noted that the consulted approach could be disadvantageous to groups with a Group Capital Adequacy Ratio (CAR) above 100%, as the amount of NCI recognised in Group FR would be capped at the NCI's share of TRR[4].

3.3. On the consulted formula in deriving the limit, a respondent suggested adjusting it such that the entity-level TRR, instead of insurance liabilities, is used to derive the entity's contribution to the Group TRR. This is on the basis that entity-level TRR is already calculated in the consulted formula.

3.4. A respondent also sought clarification on whether the limit on NCI would similarly apply to CET1 capital and Tier 1 capital in deriving the respective quality of capital ratio.

MAS' Response

3.5. MAS will retain the approach of limiting the amount of NCI recognised in Group FR, rather than deducting the NCI's entire share of FR and TRR from Group CAR. The risks supported by NCI remain part of the FHC group's risk exposure, and excluding the NCI's share of FR and TRR from Group CAR would result in a less comprehensive assessment of the group's solvency position, and may not necessarily be more prudent.

3.6. We agree with the suggested refinement to the formula for determining the NCI limit. As diversification benefits are recognised at the group level, the NCI's share of the group TRR would be lower than its TRR at the solo entity level, or the same if there are no diversification benefits recognised at the group level. Consequently, limb (a) of the consultation formula is no longer necessary and will be removed. The revised formula is set out below with the changes shown in bold:

[4] For example, where Group CAR is 150%, the NCI's share of capital may exceed its share of Group TRR. If the NCI's share of capital is $45 but its share of TRR is only $30, the consulted approach would recognise only $30 in Group FR, leaving $15 unrecognised.

The limit on NCI from a legal entity will be:

(a) ~~**the entity's risk requirement at solo level (based on RBC 2) that is supported by the NCI; and**~~

(b) the consolidated Group TRR supported by the entity's NCI, as determined using following formula:

NCI Proportion X Estimated Contribution of entity to Group TRR, where:

- NCI Proportion = (Equity elements issued to third parties of the entity) / (FR of the entity)
- Estimated Contribution of entity to Group TRR =
  - **TRR of the solo entity/ simple sum of the TRR of the Group's legal entities**; multiplied by
  - the Group TRR

The total NCI deducted from group financial resources consists of the sum of NCIs (that are in excess of the NCI limit) from all entities within the FHC group. All TRRs are determined based on RBC 2.

We have included an example in Annex A to illustrate how the revised formula works.

3.7. The NCI limit should similarly apply to CET 1 capital and Tier 1 capital when deriving the respective quality of capital ratios. The formula in paragraph 3.6 still applies, but with adjustments to reflect the relevant information from ex-participating ("ex-par") businesses. The formula for deriving the NCI limit for CET 1 and Tier 1 capital is set out below:

The limit on NCI from a legal entity will be the consolidated Group TRR (**for ex-par businesses**) supported by the entity's NCI, as determined using the following formula:

NCI Proportion X Estimated Contribution of entity to Group TRR (**for ex-par businesses**), where:

- NCI Proportion = (Equity elements (**for ex-par businesses**) issued to third parties of the entity)/ (FR (**for ex-par businesses**) of the entity)
- Estimated Contribution of entity to Group TRR (**for ex-par businesses**) =
  - TRR (**for ex-par businesses**) of the solo entity/ simple sum of the TRR (**for ex-par businesses**) of the Group's legal entities; multiplied by
  - the Group TRR (**for ex-par businesses**)

The total NCI deducted from group CET 1 and Tier 1 capital consist of the sum of NCIs (that are in excess of the NCI limit) from all entities within the FHC group. All TRRs are determined based on RBC 2.

Annex A

Illustration on determination of NCI limit

A worked example to illustrate how the formula in paragraph 3.6 works:

Assume a DFHC (Licensed Insurer) has the following:

Group Financial Resources (FR) = $120m

Group TRR (aggregated with diversification effects) = $60m; Group TRR (simple sum) = $80

➔ Group Capital Adequacy Ratio (CAR) (before adjustment for NCI limit)

= Group FR/ Group TRR

= $120m/$60m = 200%

Assume a Subsidiary A, which is 51% owned by the DFHC (Licensed Insurer); meaning 49% non-controlling interests), has the following:

Subsidiary A's FR = $50m (out of which, $24.5m (from 49% of $50m) is capital from NCI)

Subsidiary A's TRR = $24m (out of which, $11.8m (from 49% of $24m) is TRR supported by the NCI

Calculation of NCI limit

Subsidiary A's NCI proportion = 49%

Estimated Subsidiary A's contribution to Group TRR

= (TRR of the solo entity/ simple sum of the TRR of the Group's legal entities) x Group TRR

= $24m/ $80m x $60m

= $18m

NCI limit = NCI proportion x Estimated contribution to Group TRR

= 49% x $18m

= $8.8m

Deduction from Group FR

NCI in Group FR (before adjustment) = $24.5m

Deduction from Group FR due to NCI limit = $24.5m - $8.8m = $15.7m

➔ Group CAR (after adjustment for NCI limit)

= (Group FR – Deduction from Group FR due to NCI limit) / Group TRR

= (120 – 15.7)/ 60 = 174%

Annex B

List of respondents to the consultation paper on proposed changes to the Group Capital Framework for Designated Financial Holding Companies (Licensed Insurer)

1. GrabInsure (S) Pte. Ltd.
2. HSBC Life (Singapore) Pte Ltd
3. Transamerica Life (Bermuda) Ltd. Singapore Branch

One other respondent requested confidentiality of both identity and submission.

Please refer to Annex C for the submissions.

Annex C

FULL SUBMISSIONS FROM RESPONDENTS

Note: The table below only includes the submissions for which respondents did not request to be kept confidential.

CONSULTATION PAPER ON CHANGES TO THE GROUP CAPITAL FRAMEWORK FOR DESIGNATED FINANCIAL HOLDING COMPANIES (LICENSED INSURER)

S/N	Respondents	Full Responses from Respondent
1.	GrabInsure (S) Pte. Ltd.	1. Do you agree with the examples in Table 1 on types of non-insurance entities (NIE) in the consultation paper of what may constitute insurance-related NIE, non-insurance financial NIE and non-financial NIE? Please explain why. Yes 2. Can you provide more examples of NIEs that might fall under insurance-related NIE and non-insurance financial NIE in Table 1? None to add 3. Do you agree with the risk charging approach for a NIE proposed in section 3 of the consultation paper? Please explain why and suggest an alternative approach including the rationale of your suggestion. Yes

S/N	Respondents	Full Responses from Respondent
		4. Do you agree with the proposed approach in section 4 of the consultation paper for a DFHC (Licensed Insurer)'s joint venture that conducts insurance business? Please explain why and suggest an alternative approach, providing the rationale for your suggestion. Yes 5. Do you agree that a limit should be imposed on capital from non-controlling interests (NCI) to be recognised in group financial resources? Please state your reasons. Yes 6. Do you agree with the proposed formula in section 5 in determining NCI limit? Please explain why and suggest an alternative approach including the rationale of your suggestion. Yes
2.	HSBC Life (Singapore) Pte Ltd	1. Do you agree with the examples in Table 1 on types of non-insurance entities (NIE) in the consultation paper of what may constitute insurance-related NIE, non-insurance financial NIE and non-financial NIE? Please explain why. Yes 2. Can you provide more examples of NIEs that might fall under insurance-related NIE and non-insurance financial NIE in Table 1? No 3. Do you agree with the risk charging approach for a NIE proposed in section 3 of the consultation paper? Please explain why and suggest an alternative approach including the rationale of your suggestion. Yes

S/N	Respondents	Full Responses from Respondent
		4. Do you agree with the proposed approach in section 4 of the consultation paper for a DFHC (Licensed Insurer)'s joint venture that conducts insurance business? Please explain why and suggest an alternative approach, providing the rationale for your suggestion. Yes 5. Do you agree that a limit should be imposed on capital from non-controlling interests (NCI) to be recognised in group financial resources? Please state your reasons. Yes 6. Do you agree with the proposed formula in section 5 in determining NCI limit? Please explain why and suggest an alternative approach including the rationale of your suggestion. Yes
3.	Transamerica Life (Bermuda) Ltd. Singapore Branch	1. Do you agree with the examples in Table 1 on types of non-insurance entities (NIE) in the consultation paper of what may constitute insurance-related NIE, non-insurance financial NIE and non-financial NIE? Please explain why. Yes 2. Can you provide more examples of NIEs that might fall under insurance-related NIE and non-insurance financial NIE in Table 1? Insurance - related NIE: Any shared service center that supports the finance and actuarial functions of an insurer 3. Do you agree with the risk charging approach for a NIE proposed in section 3 of the consultation paper? Please explain why and suggest an alternative approach including the rationale of your suggestion.

S/N	Respondents	Full Responses from Respondent
		Yes 4. Do you agree with the proposed approach in section 4 of the consultation paper for a DFHC (Licensed Insurer)'s joint venture that conducts insurance business? Please explain why and suggest an alternative approach, providing the rationale for your suggestion. Yes 5. Do you agree that a limit should be imposed on capital from non-controlling interests (NCI) to be recognised in group financial resources? Please state your reasons. Yes 6. Do you agree with the proposed formula in section 5 in determining NCI limit? Please explain why and suggest an alternative approach including the rationale of your suggestion. Yes