MAS Notice 656

14 August 2019
Last revised on ~~3 May 2024~~[Date]*

NOTICE TO BANKS
BANKING ACT 1970

Exposures to Single Counterparty Groups for Banks Incorporated in Singapore

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Introduction

1 This Notice is issued pursuant to section 29(1) and section 65(2) of the Banking Act and applies to all Reporting Banks.

2 This Notice sets out the limits on exposures of a Reporting Bank to a single counterparty group, the types of exposures to be included in or excluded from those limits, the basis for computation of exposures, the eligible credit risk mitigation techniques, and the approach for aggregation of exposures.

Definitions

3 The expressions used in this Notice shall, except where defined in this Notice or where the context otherwise requires, have the same meanings as in the Banking Act.

4 For the purposes of this Notice –

"Accounting Standards" has the same meaning as in section 4(1) of the Companies Act 1967;

[MAS Notice 656 (Amendment) 2024]

"asset class" has the same meaning as in MAS Notice 637;

"associated company" has the same meaning as "associate" under the Accounting Standards;

"bank" means –

(a) any company which holds a valid licence under section 7 or 79 of the Banking Act; or

(b) any entity established or incorporated in a foreign country or jurisdiction which is approved, licensed, registered or otherwise regulated by a bank regulatory agency of the foreign country or jurisdiction to carry on banking business under the laws of the foreign country or jurisdiction;

[MAS Notice 656 (Amendment) 2020]

[MAS Notice 656 (Amendment) 2021]
[MAS Notice 656 (Amendment) 2024]

“Banking Act” means the Banking Act 1970;

[MAS Notice 656 (Amendment) 2024]

“banking book” has the same meaning as in MAS Notice 637;

“banking group” in relation to a Reporting Bank, means the Reporting Bank and its banking group entities;

“banking group entity” in relation to a Reporting Bank, means any subsidiary or any other entity which is treated as part of the Reporting Bank’s group of entities according to the Accounting Standards;

“bank regulatory agency” in relation to a foreign country or jurisdiction, means an authority in the foreign country or jurisdiction exercising any function that corresponds to a regulatory function of the Authority under the Banking Act;

[MAS Notice 656 (Amendment) 2020]
[MAS Notice 656 (Amendment) 2024]

“CCP” or “central counterparty” has the same meaning as in MAS Notice 637;

“clearing member” has the same meaning as in MAS Notice 637;

“client” in relation to a clearing member, has the same meaning as in MAS Notice 637;

“closed-end fund” has the same meaning as in section 2 of the Securities and Futures Act 2001;

[MAS Notice 656 (Amendment) 2024]

“collective investment scheme” has the same meaning as in section 2 of the Securities and Futures Act 2001;

[MAS Notice 656 (Amendment) 2024]

"commitment” means any contractual arrangement that has been offered by a Reporting Bank and accepted by a counterparty, to extend credit, purchase assets or issue credit substitutes, and includes –

(a) any such arrangement that can be unconditionally cancelled by a Reporting Bank at any time without prior notice to the counterparty; and

(b) any such arrangement that can be cancelled by a Reporting Bank if the counterparty fails to meet conditions set out in the contractual arrangement, including conditions that must be met by the counterparty prior to any initial or subsequent drawdown arrangement;

[MAS Notice 656 (Amendment) 2024]

“connected counterparty group” means –

(a) a group of persons, where ~~-~~–

(i) at least one person in the group is a counterparty to the Reporting Bank or a banking group entity; and

(ii) one person in the group (called in this Notice the controlling person) controls every other person in that group[1]~~;~~, or

(b) a group of persons, where –

(i) at least one person in the group is a counterparty to the Reporting Bank or a banking group entity; and

(ii) one person in the group is a person on which every other person in the group is economically dependent~~;~~,

but does not include any specified related party;

[MAS Notice 656 (Amendment) 2020]

“counterparty” means –

(a) at the bank standalone (“Solo”) level, a person –

(i) who has an obligation to the Reporting Bank as a result of the Reporting Bank’s contractual or other arrangements; or

(ii) in relation to whom the Reporting Bank is at risk as a result of the Reporting Bank’s contractual or other arrangements or investments; and

(b) at the consolidated (“Group”) level, a person –

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1 For the purposes of this definition, examples of situations where counterparties are deemed likely to have a control relationship include –
(a) a counterparty ~~in which another counterparty~~which controls more than half of the voting rights in another counterparty through voting agreements with other shareholders;
(b) a counterparty which has material influence on the appointment or dismissal of the members of another counterparty’s administrative or management body, such as the right to appoint or remove a majority of members in those bodies; or
(c) a counterparty which has the power, pursuant to a contract or otherwise, to exercise a controlling influence over the management or policies of another counterparty, for example through consent rights over key decisions.

A Reporting Bank should also refer to the Accounting Standards for further qualitative guidance when determining a control relationship.

[MAS Notice 656 (Amendment) 2020]

(i) who has an obligation to the Reporting Bank or any of its banking group entities, as a result of the contractual or other arrangements of the Reporting Bank or banking group entity; or

(ii) in relation to whom the Reporting Bank or any of its banking group entities is at risk, as a result of the contractual or other arrangements or investments of the Reporting Bank or banking group entity.

[MAS Notice 656 (Amendment) 2020]
[MAS Notice 656 (Amendment) 2021]

"counterparty credit risk" means the risk that the counterparty to a transaction could default before the final settlement of the transaction's cash flows;

"cover pool" has the same meaning as in MAS Notice 637~~in relation to an issuance of covered bonds, means a pool of assets that are –~~

~~(a) legally or beneficially owned or legally and beneficially owned by a bank, a mortgage institution or an SPV;~~

~~(b) held by a bank or a mortgage institution as trustee, or a replacement trustee, on behalf of an SPV; or~~

~~(c) both,~~

~~for the purposes of securing the payment of –~~

~~(i) the liabilities to the holders of the covered bonds;~~

~~(ii) any liabilities arising from the enforcement of the rights of the holders of the covered bonds; and~~

~~(iii) any liabilities to third party service providers appointed for the operation and administration of the covered bonds programme~~;

"covered bond" means any bond, note or other debenture issued by a bank or a mortgage institution, whether directly or through an SPV, and that meets all of the requirements set out in paragraph 5;

[MAS Notice 656 (Amendment) 2019]
[MAS Notice 656 (Amendment) 2021]

"CRE" means commercial real estate;

"credit derivative" has the same meaning as in MAS Notice 637;

"credit RWA" has the same meaning as in MAS Notice 637;

"CRM" or "credit risk mitigation" has the same meaning as in MAS Notice 637;

"D-SIB" or "Domestic Systemically Important Bank" means any Domestic Systemically Important Bank in Singapore as designated by the Authority[2];

"default fund" has the same meaning as in MAS Notice 637;

"director" has the same meaning as in section 2(1) of the Banking Act;

[MAS Notice 656 (Amendment) 2020]

~~**"director group"** has the same meaning as in the Fifth Schedule to the Banking Act;~~

~~[MAS Notice 656 (Amendment) 2020]~~

"ECAI" or "external credit assessment institution" has the same meaning as in MAS Notice 637;

[Deleted by MAS Notice 656 (Amendment) 2020]

"eligible credit protection" has the same meaning as in MAS Notice 637;

"eligible financial collateral" has the same meaning as in MAS Notice 637;

"eligible protection provider" has the same meaning as in MAS Notice 637;

"exempt exposure" means any exposure set out in paragraph 1 of Annex A;

"FC(CA)" or "financial collateral comprehensive approach" has the same meaning as in MAS Notice 637;

"FC(SA)" or "financial collateral simple approach" has the same meaning as in MAS Notice 637;

"family member" has the same meaning as in the Fifth Schedule to the Banking Act;

[MAS Notice 656 (Amendment) 2020]

"financial assistance" includes the making of a loan, the giving of a guarantee, the provision of security and the release of an obligation or a debt;

~~**"financial holding company"** means a holding company which has at least one subsidiary that is a bank incorporated in Singapore;~~

"financial institution" has the same meaning as in MAS Notice 637;

"G-SIB" or "global systemically important bank" means any Global Systemically Important Bank identified and published by the Financial Stability Board;

"G-SIFI" or "global systemically important financial institution" means any G-SIB or any global systemically important insurer identified by the Financial Stability Board;

[2] A Reporting Bank should refer to the Authority's D-SIB framework and the list of designated D-SIBs published on the Authority's website.

"holding company" has the same meaning as in section 5 of the Companies Act 1967 except that any reference to "corporation" in that section must be construed as if it did not exclude a co-operative society;

[MAS Notice 656 (Amendment) 2024]

"initial margin" has the same meaning as in MAS Notice 637;

"insurance subsidiary" has the same meaning as in MAS Notice 637;

"IRBA" or "internal ratings-based approach" has the same meaning as in MAS Notice 637;

"JTD" or "jump to default" has the same meaning as in MAS Notice 637;

[MAS Notice 656 (Amendment) 2024]

"JTD position" has the same meaning as in MAS Notice 637;

[MAS Notice 656 (Amendment) 2024]

"large exposure" means –

(a) at the Solo level, the aggregate of the exposures of the Reporting Bank to a single counterparty group which is equal to or above 10% of the Tier 1 capital of the Reporting Bank; or

(b) at the Group level, the aggregate of the exposures of the banking group to a ~~counterparty, a director group, a substantial shareholder group or a connected~~ single counterparty group which is equal to or above 10% of the Tier 1 capital of the banking group;

[MAS Notice 656 (Amendment) 2020]

"large exposures limit" means the respective limits described in paragraphs 7, 8 and 9;

"LE-LTA" or "look through approach" in relation to a structure, means the approach to identify each underlying asset of the structure;

"LGD" or "loss given default" has the same meaning as in MAS Notice 637;

[MAS Notice 656 (Amendment) 2024]

"long settlement transaction" has the same meaning as in MAS Notice 637;

~~**"major stake"** has the same meaning as in section 32(7) of the Banking Act;~~

~~[MAS Notice 656 (Amendment) 2020]~~

"major stake entity group" has the same meaning as in MAS Notice 643~~in relation to a Reporting Bank, means a group comprising any entity in which the Reporting Bank holds, directly or indirectly, a major stake~~;

[MAS Notice 656 (Amendment) 2020]

"market RWA" has the same meaning as in MAS Notice 637;

"maturity mismatch" has the same meaning as in MAS Notice 637;

"**MDB" or "multilateral development bank"** means an institution which –

(a) is created by two or more countries or jurisdictions;

(b) provides financing and professional advice, for economic and social development projects; and

(c) has its own independent legal and operational status;

[MAS Notice 656 (Amendment) 2021]

"mortgage institution" means any financial institution that provides a loan to a borrower for the purchase of any real estate, where the real estate is used as a security for that loan;

[MAS Notice 656 (Amendment) 2021]

"multi-underlying instrument" has the same meaning as in MAS Notice 637;

[MAS Notice 656 (Amendment) 2024]

"netting" has the same meaning as in MAS Notice 637;

"netting agreement" has the same meaning as in MAS Notice 637;

"originator" has the same meaning as in MAS Notice 637;

"OTC" means over-the-counter;

"OTC derivative transaction" has the same meaning as in MAS Notice 637;

[Deleted by MAS Notice 656 (Amendment) 2024]

"PE/VC investments" has the same meaning as in MAS Notice 630;

"PSE" or "public sector entity" has the same meaning as in MAS Notice 637;

"qualifying CCP" or "qualifying central counterparty" has the same meaning as "qualifying CCP" in MAS Notice 637~~means a CCP that meets the requirements set out in paragraph 7.7.3 of Part VII of MAS Notice 637~~;

[MAS Notice 656 (Amendment) 2024]

"qualifying on-balance sheet netting agreement" has the same meaning as in MAS Notice 637;

"recognised ECAI" has the same meaning as in MAS Notice 637;

"reference obligation" has the same meaning as in MAS Notice 637;

"Reporting Bank" means a bank incorporated in Singapore;

~~**"risk weight"** has the same meaning as in MAS Notice 637;~~

"regulatory CRE exposure" has the same meaning as in MAS Notice 637;

[MAS Notice 656 (Amendment) 2024]

"regulatory RRE exposure" has the same meaning as in MAS Notice 637;

[MAS Notice 656 (Amendment) 2024]

"risk weight" has the same meaning as in MAS Notice 637;

"RRE" or "residential real estate" has the same meaning as in MAS Notice 637;

[MAS Notice 656 (Amendment) 2024]

"SA-CCR" or "standardised approach for counterparty credit risk" has the same meaning as in MAS Notice 637;

"SA(CR)" or "standardised approach to credit risk" has the same meaning as in MAS Notice 637;

"securities" has the same meaning as in section 2 of the Securities and Futures Act 2001;

[MAS Notice 656 (Amendment) 2024]

"securitisation" has the same meaning as in MAS Notice 637;

"SFT" or "securities financing transaction" has the same meaning as "SFT" in MAS Notice 637;

"single counterparty group" means a counterparty to the Reporting Bank or a banking group entity~~, a director group, a major stake entity group, a substantial shareholder group,~~ or a connected counterparty group;

"specific allowance" has the same meaning as in MAS Notice 637;

"**specified related party**" has the same meaning as in MAS Notice 643;

"SPV or special purpose vehicle" has the same meaning as in MAS Notice 637~~means any special purpose vehicle incorporated or established for the primary purpose of issuing covered bonds or holding the cover pool in relation to such covered bonds or both~~;

"structure" means a financial instrument or investment entity that a Reporting Bank has invested in that itself has exposures to underlying assets;

~~**"substantial shareholder group"** has the same meaning as in the Fifth Schedule to the Banking Act;~~

~~[MAS Notice 656 (Amendment) 2020]~~

"Tier 1 capital", in relation to –

(a) a Reporting Bank, has the same meaning as "Tier 1 Capital" in MAS Notice 637, at the Solo level; or

(b) a banking group, has the same meaning as "Tier 1 Capital" in MAS Notice 637, at the Group level;

"trading book" has the same meaning in MAS Notice 637;

"tranche" has the same meaning as in MAS Notice 637;

[MAS Notice 656 (Amendment) 2024]

~~**"unconsolidated major stake entity"** means an entity in which a Reporting Bank holds, directly or indirectly, a major stake and which assets and liabilities are not included in the consolidated financial statements of the banking group; and~~

~~[MAS Notice 656 (Amendment) 2020]~~
~~[MAS Notice 656 (Amendment) 2024]~~

"VaR" or "value-at-risk" has the same meaning as in MAS Notice 637.

[MAS Notice 656 (Amendment) 2024]

5 For the purposes of the definition of "covered bond" in paragraph 4, the qualifying requirements are –

(a) the bond, note or debenture must be subject to a law, whether in Singapore or outside Singapore, that protects all holders of the bond, note or debenture;

(b) the proceeds derived from the issuance of the bond, note or debenture must be invested in conformity with the law mentioned in sub-paragraph (a) in assets that form a cover pool, where –

(i) the aggregate value of the assets can satisfy all claims attached to the bond, note or debenture, during the duration of the validity of the bond, note or debenture; and

(ii) in the event that the issuer defaults on the bond, note or debenture, the assets will be used on a priority basis for the reimbursement of the principal, and the payment of the accrued interest, to the holder of the bond, note or debenture; and

(c) a holder of the bond, note or debenture may enforce his rights against, and recover any payment owed to him by, the issuer of the bond, note or debenture.

[MAS Notice 656 (Amendment) 2021]

5A For the purposes of the definition of "connected counterparty group" in paragraph 4, and paragraph 5B(a), a reference to a controlling person or person B shall, where the controlling person or person B is an individual, include a reference to a family member of the controlling person or person B, as the case may be.

[MAS Notice 656 (Amendment) 2020]

5B For the purposes of this Notice –

(a) a person *A* is controlled by another person *B* if *A* is —

(i) a person in which *B* holds more than half of the total number of issued shares, whether legally or beneficially;

(ii) a person in which *B* controls more than half of the voting power;

(iii) a person in which *B* controls the composition of the board of directors;

(iv) a subsidiary of a person described in sub-paragraph (i), (ii) or (iii); or

(v) a person the policies of which *B* is in a position to determine;

(b) a person *A* is economically dependent on another person *B* if *A* is so interconnected with *B* that any inability of *B* to obtain funds or meet *B*'s financial obligations would, or would be likely to, cause *A* to be unable to —

(i) obtain funds; or

(ii) meet *A*'s financial obligations.

[MAS Notice 656 (Amendment) 2020]

5C For the purposes of paragraph 5B(a)(iii), a person *B* is deemed to control the composition of the board of directors of another person *A* if *B* has any power, exercisable by *B* without the consent or concurrence of any other person, to appoint or remove all or a majority of –

(a) the directors of *A*; or

(b) the equivalent of the directors of *A*.

[MAS Notice 656 (Amendment) 2020]

6 [Deleted by MAS Notice 656 (Amendment) 2020]

Large Exposures Limit to a Single Counterparty Group

7 Subject to paragraphs 19 and 20, a Reporting Bank must not permit, at the Solo level, the aggregate of its exposures to any single counterparty group to exceed 25% of its Tier 1 capital.

8 Subject to paragraphs 19 and 20, a Reporting Bank –

(a) must aggregate the exposures of the Reporting Bank and its banking group entities to the same ~~counterparty, director group, substantial shareholder group or connected~~ single counterparty group; and

(b) must not permit, at the Group level, the aggregate of the exposures of the banking group to any ~~counterparty, any director group, any substantial shareholder group or any connected~~ single counterparty group to exceed 25% of the Tier 1 capital of the banking group.

9 Subject to paragraphs 10, 11, 19 and 20, where a Reporting Bank is a G-SIB which is headquartered in Singapore, the Reporting Bank must not permit –

(a) at the Solo level, the aggregate of its exposures to any other G-SIB or any connected counterparty group including the G-SIB to exceed 15% of its Tier 1 capital; and

(b) at the Group level, the aggregate of the exposures of its banking group to any other G-SIB or any connected counterparty group including the G-SIB to exceed 15% of the Tier 1 capital of the banking group.

10 Where a Reporting Bank becomes a G-SIB that is headquartered in Singapore on or after 1 July 2021, the Reporting Bank must apply the limit set out in paragraph 9 within 12 months of the Reporting Bank becoming a G-SIB.

[MAS Notice 656 (Amendment) 2020]

11 Where a Reporting Bank is a G-SIB that is headquartered in Singapore and has any exposure to a bank that becomes a G-SIB on or after 1 July 2021, the Reporting Bank must apply the limit set out in paragraph 9 within 12 months of that bank becoming a G-SIB.

[MAS Notice 656 (Amendment) 2020]

12 A Reporting Bank must set internal limits on the exposures of the Reporting Bank at the Solo level and the banking group at the Group level to a G-SIFI or a D-SIB.

13 For the purposes of paragraphs 7, 8 and 9, for a person that belongs to more than one single counterparty group, a Reporting Bank must include its exposures or exposures of the banking group to that person in each of the single counterparty groups.

14 For the purposes of paragraphs 8 and 9(b), a Reporting Bank –

(a) must exclude exposures of an insurance subsidiary, irrespective of whether these are held for the benefit of a third party, from the aggregate of the exposures of the banking group to any ~~counterparty, any director group, any substantial shareholder group or any connected~~ single counterparty group;

(b) must exclude exposures of a subsidiary, where such exposures arise from assets held in ~~these entities'~~ the subsidiary's funds for the benefit of any third party (other than the Reporting Bank or any other banking group entity), from the aggregate of the exposures of the banking group to any ~~counterparty, any director group, any substantial shareholder group or any connected~~ single counterparty group; and

(c) must not consolidate the assets and liabilities of an insurance subsidiary and must account for the investment in such a subsidiary at cost, when calculating the Tier 1 capital of the banking group at the Group level.

[MAS Notice 656 (Amendment) 2020]

15 Pursuant to paragraphs 8, 9(b) and 14, and for the purposes of complying with the large exposures limit at the Group level (other than paragraphs 8, 9(b), and 14), all assets, liabilities, Tier 1 capital, transactions, exposures or operations of a banking group entity of a Reporting Bank (except where excluded under paragraph 14) must be deemed to be that of the Reporting Bank.

Aggregation of Counterparties

16 A Reporting Bank must conduct due diligence on a counterparty (*X*) to identify any person which –

(a) is economically dependent on *X*; or

(b) *X* is economically dependent on,

if the aggregate exposures of –

(i) the Reporting Bank to *X* exceed 5% of the Tier 1 capital of the Reporting Bank at the Solo level; or

(ii) the banking group to *X* exceed 5% of the Tier 1 capital of the banking group at the Group level.

17 To assess if a counterparty may be economically dependent on another counterparty, a Reporting Bank must take into account the following matters:

(a) where a counterparty derives 50% or more of its gross receipts or gross expenditures on an annual basis from transactions with the other counterparty;

(b) where a counterparty has fully or partly guaranteed the exposure of the other counterparty, or is liable by other means, and the exposure is so significant that the guarantor is likely to default if a claim occurs;

(c) where a significant part of a counterparty's production or output is sold to the other counterparty, and it cannot be easily replaced by other customers;

(d) when the expected source of funds to repay the loans of two counterparties is the same and neither counterparty has another independent source of income from which the loan may be fully repaid;

(e) where it is likely that the financial problems of a counterparty would cause difficulties for the other counterparty in terms of full and timely repayment of liabilities;

(f) where the default or insolvency of a counterparty is likely to be associated with the default or insolvency of the other counterparty;

(g) when two or more counterparties rely on the same source for the majority of their funding, and in the event of the common provider's default, an alternative provider cannot be found.

18 A Reporting Bank must maintain documentation of the basis of its determination of a connected counterparty group and the due diligence conducted pursuant to paragraph 16.

19 Despite a person not being included in ~~a director group, a major stake entity group, a substantial shareholder group or~~ a connected counterparty group, a Reporting Bank must aggregate the exposures to one or more persons with that of ~~a director group, a major stake entity group, a substantial shareholder group or~~ a connected counterparty group, as the case may be, if there are reasons for the Reporting Bank to regard these exposures as connected in such a way so as to pose a single risk to the Reporting Bank.

[MAS Notice 656 (Amendment) 2024]

Exclusion from Large Exposures Limit

20 For the purposes of complying with the large exposures limit at the Solo level or the Group level in paragraphs 7, 8 and 9, a Reporting Bank when aggregating its exposures or the exposures of its banking group, as the case may be, –

(a) may exclude one or more exempt exposures set out in paragraph 1 of Annex A;

(b) need not aggregate exposures to a person or a sub-group of persons in a connected counterparty group~~, a substantial shareholder group or a major stake entity group~~ with exposures to other persons of the group, if the person or sub-group of persons, as the case may be, fulfils the criteria as set out in paragraph 1 ~~or 6~~ of Annex B;

(c) need not aggregate exposures to a person with exposures to another person that the first-mentioned person may possibly be economically dependent on to form a connected counterparty group, provided that the Reporting Bank is satisfied that the first-mentioned person is able to overcome financial difficulties, which may arise due to the inability of the other person to meet its financial obligations or the default of the other person, by finding alternative business partners or funding sources within an appropriate time period;

(d) need not aggregate exposures to its banking group entities that are included in its major stake entity group with exposures to other related corporations of the Reporting Bank as a connected counterparty group. To avoid doubt, a Reporting Bank must aggregate its exposures to other related corporations of the Reporting Bank as a connected counterparty group, unless the exposures are not aggregated pursuant to sub-paragraph (b); and

[MAS Notice 656 (Amendment) 2024]

(e) in the case of aggregation as a connected counterparty group, need not aggregate exposures to the following persons:

(i) a person, *K,* that is directly controlled by or is directly economically dependent on a central government or central bank, with exposures to that central government, that central bank or any other person that is directly controlled by or is directly economically dependent on that central government or that central bank, as the case may be;

(ii) a sub-group of persons that is controlled by or economically dependent on *K* with exposures to that central government, that central bank or any other person that is directly controlled by or is directly economically dependent on that central government or that central bank, as the case may be.

21 Despite paragraph 20(e), if the persons that are directly controlled by or are directly economically dependent on the same central government or the same central bank are connected with each other based on other control relationship or economic dependence relationship, the Reporting Bank must aggregate the exposures to such persons as a connected counterparty group[3].

[MAS Notice 656 (Amendment) 2024]

22 A Reporting Bank must maintain documentation of its basis for not aggregating any exposures under paragraph 20(b) and (c) for five years.

[MAS Notice 656 (Amendment) 2024]

23 A Reporting Bank must treat exposures to any person or any sub-group of persons that is not aggregated pursuant to paragraph 20(b), (c) and (e) as exposures to a single counterparty group for the purposes of complying with paragraphs 7, 8 and 9.

[MAS Notice 656 (Amendment) 2024]

Monitoring of Compliance with Large Exposures Limit

24 For the purposes of paragraphs 7, 8, 9 and 28, a Reporting Bank must base their computations of exposures and Tier 1 capital as at the same date.

Actions Required in the Event of Breaches

25 Where a Reporting Bank becomes aware that its exposure to any single counterparty group has breached the large exposures limit in paragraphs 7, 8 and 9, the Reporting Bank must –

[3] For example, if single counterparty groups *Y* and *Z* are both not aggregated with a central government under paragraph 20(e), but *Y* is economically dependent on *Z*, exposures to *Y* and *Z* are required to be aggregated for the purposes of complying with paragraphs 7, 8 and 9.

(a) notify the Authority immediately;

(b) assess the effect of the breach in terms of the risks posed to the Reporting Bank;

(c) prepare a plan to rectify the situation and inform the Authority of its plan; and

(d) undertake prompt corrective action in accordance with the plan prepared pursuant to sub-paragraph (c).

[MAS Notice 656 (Amendment) 2024]

Measurement of Exposures

26 A Reporting Bank must apply the basis for computation of exposures set out in Annex C for the purposes of determining compliance with –

(a) the large exposures limit in paragraphs 7, 8 and 9; and

(b) regulatory reporting requirements in paragraph 28.

27 In view of potential changes to the shareholding structure of a counterparty and its financial relationship with other persons, a Reporting Bank must review the profile of its counterparties at least once every 15 months[4].

Submission of Semi-Annual Reports

28 A Reporting Bank must submit to the Authority a report containing the following exposures as at 30 June and 31 December, no later than the 14th day of the second month from 30 June and 31 December each year respectively, or such other period as the Authority may approve, at the Solo level and the Group level, in accordance with the instructions and format of the reporting schedules set out in Annex D:

(a) all large exposures, including exempt exposures set out in paragraph 1 of Annex A (except exempt exposures set out in paragraph 1(e) of Annex A), measured in accordance with Annex C;

(b) all exposures, excluding exempt exposures set out in paragraph 1 of Annex A, that are equal to or above 10% of the Tier 1 capital of the Reporting Bank, measured in accordance with Annex C and without the effect of CRM set out in paragraphs 2.7 to 2.11, 3.14, 3.15, 4.24 and 4.25 of Annex C;

(c) the 20 largest exposures to a single counterparty group, excluding the exempt exposures set out in paragraph 1 of Annex A, measured in accordance with Annex C, irrespective of the values of these exposures relative to the Tier 1 capital of the Reporting Bank;

[4] As a matter of best practice, a Reporting Bank should conduct the review once every 12 months. A Reporting Bank should also monitor more closely, developments affecting its counterparties with larger exposures, particularly those with exposures that are close to the large exposures limit in paragraphs 7, 8 and 9.

(d) exposures to any person or any sub-group of persons in a connected counterparty group ~~or a substantial shareholder group~~ which are not aggregated with exposures to other persons of the group pursuant to paragraph 20(b), where the exposures to the group would otherwise have breached the large exposures limit if such exposures were aggregated, and the supporting reasons for not aggregating the exposures~~;~~.

~~(e) exposures to any person in a major stake entity group which is not a subsidiary of the Reporting Bank ("non-subsidiary major stake entity") or sub-group of non-subsidiary major stake entities in a major stake entity group which are not aggregated with exposures to other persons of the major stake entity group pursuant to paragraph 20(b), and the supporting reasons for not aggregating the exposures.~~

Effective Date

29 This Notice shall take effect on 1 July 2021.

[MAS Notice 656 (Amendment) 2020]

Saving and Transitional Provisions

30 Where —

(a) a Reporting Bank applies for an exemption from complying with the requirements set out in MAS Notice 656 as in force from 1 July 2024;

(b) the Reporting Bank's application for an exemption was made before 31 May 2024; and

(c) the Authority grants the Reporting Bank's application for the exemption specified in (a),

then, for the period of the exemption granted by the Authority, MAS Notice 656 as in force immediately before 1 July 2024 will continue to apply to the Reporting Bank as if the amendments to MAS Notice 656 had not been made.

[MAS Notice 656 (Amendment) 2024]

31 For the purposes of paragraph 30, any reference to "MAS Notice 637" in MAS Notice 656 as in force immediately before 1 July 2024 is a reference to "MAS Notice 637 as in force immediately before 1 July 2024".

[MAS Notice 656 (Amendment) 2024]

<u>*Notes on History of Amendments</u>

1. MAS Notice 656 (Amendment) 2019 dated 13 December 2019 with effect from 1 October 2020.

2. MAS Notice 656 (Amendment) 2020 dated 21 September 2020 with effect from 1 October 2020.

3. MAS Notice 656 (Amendment) 2021 dated 14 June 2021 with effect from 1 July 2021.

4. MAS Notice 656 (Amendment) 2024 dated 3 May 2024 with effect from 1 July 2024.

Annex A

Exempt Exposures

1 For the purposes of the large exposures limit, the following exposures are exempt exposures:

(a) an exposure to the Singapore Government[5] or to the Authority;

(b) an exposure to a central government or a central bank of a sovereign country other than Singapore –

(i) that is denominated in the domestic currency of the sovereign country;

(ii) that is denominated in a currency other than the domestic currency of the sovereign country, where that sovereign country is rated at least AA- for a foreign currency external credit assessment by a recognised ECAI; or

(iii) where the exposure is to meet statutory liquidity and reserve requirements or other statutory requirements imposed by the Authority or by an authority in a foreign country or jurisdiction exercising any function that corresponds to a regulatory function of the Authority under the Banking Act;

[MAS Notice 656 (Amendment) 2024]

(c) an exposure to any of the following PSEs:

(i) a PSE in Singapore that is subject to a 0% risk weight in Table 7-3 in paragraph 7.3.48 of Part VII of MAS Notice 637;

(ii) a PSE outside Singapore –

(A) that is subject to a 0% risk weight in Table 7-3 in paragraph 7.3.48 of Part VII of MAS Notice 637; and

(B) where the exposure is denominated in the domestic currency of the sovereign country where the PSE is established;

[MAS Notice 656 (Amendment) 2024]

(d) an exposure to the Bank for International Settlements, the International Monetary Fund, the European Central Bank, the European Union, the European Stability Mechanism or the European Financial Stability Facility;

(e) an intraday exposure to a bank, up to 2 business days from the date of transaction where the Reporting Bank has fulfilled its obligation under the transaction but the counterparty bank has not due to reasons other than the occurrence of any of the following:

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5 To avoid doubt, an exposure to a statutory board in Singapore is not considered an exposure to the Singapore Government, except where paragraph 1(c)(i) of this Annex applies.

[MAS Notice 656 (Amendment) 2024]

(i) the bankruptcy, insolvency or inability of the counterparty bank to pay its debts, or its failure or admission in writing of its inability to pay its debts as they become due;

(ii) the restructuring of any exposure to the counterparty bank involving forgiveness or postponement of principal, interest or fees that results in a write-off, specific allowance or other debit to the Reporting Bank's profit and loss account;

(iii) any circumstance where the Reporting Bank makes a write-off of or a specific allowance for any exposure to the counterparty bank due to a decline in the credit quality of the counterparty bank that is perceived by the Reporting Bank as significant, subsequent to the Reporting Bank taking on any exposure to the counterparty bank;

(iv) any circumstance where the Reporting Bank has placed any exposure to the counterparty bank on a non-accrued status;

(v) any circumstance where the Reporting Bank has accelerated repayment of any of its exposures to the counterparty bank;

(vi) the revocation of the counterparty bank's authorisation, licence, registration or approval to operate as a bank;

[MAS Notice 656 (Amendment) 2021]

(f) an exposure to a qualifying CCP related to clearing activities as set out in Table C-2 in paragraph 4.21 of Annex C;

(g) an exposure to a related corporation that is ~~a~~ –

(i) a ~~parent financial~~ holding company of the Reporting Bank, and;

(A) a bank; or

(B) part of a group that is subject to minimum prudential standards, including risk-based capital standards and liquidity standards, and supervision on a consolidated basis by a bank regulatory agency;

(ii) ~~bank, except that in the case of an exposure to a subsidiary that is a bank, the residual maturity of the exposure must not exceed one year; and~~a subsidiary of the Reporting Bank, and

(A) a bank; or

(B) a merchant bank in Singapore,

where the residual maturity of the exposure must not exceed one year; or

(iii) ~~merchant bank in Singapore, except that in the case of an exposure to a subsidiary that is a merchant bank in Singapore, the residual maturity of the exposure must not exceed one year.~~a subsidiary (the "Subsidiary") of a holding company of the Reporting Bank, and is not also a subsidiary of the Reporting Bank, where –

(A) the Subsidiary is a bank, or a merchant bank in Singapore; and

(B) the holding company is

(I) a bank; or

(II) part of a group that is subject to minimum prudential standards, including risk-based capital standards and liquidity standards, and supervision on a consolidated basis by a bank regulatory agency.

[MAS Notice 656 (Amendment) 2019]
[MAS Notice 656 (Amendment) 2021]

2 For the purposes of paragraph 1(b)(ii) of this Annex, where there are two credit ratings for a counterparty, a Reporting Bank must use the poorer credit rating for that counterparty. Where there are more than two credit ratings for a counterparty, a Reporting Bank must use the higher of the two poorest ratings.

Annex B

<u>Criteria for Excluding Exposures to Persons in a Connected Counterparty Group~~, Substantial Shareholder Group or Major Stake Entity Group~~</u>

~~**Connected Counterparty Group and Substantial Shareholder Group**~~

1 In the case of aggregation as a connected counterparty group due to control relationships ~~or a substantial shareholder group~~ ("Group"), a Reporting Bank need not aggregate its exposures to a person, *A*, ("person *A*") or a sub-group comprising a person, *A*, and other persons controlled by *A* in the Group ("sub-group *A*"), if the Reporting Bank can demonstrate that corporate governance safeguards and other forms of ring-fencing measures are in place such that –

(a) any linkage aside from equity holding between person *A* or sub-group *A* and other persons within the same Group is limited; and

(b) the risk of contagion due to the failure of any person in the Group, including the controlling person ~~or the substantial shareholder~~, to person *A* or sub-group *A* (and vice versa) is minimal.

2 Where the controlling person ~~or the substantial shareholder~~ is a foreign government or a central bank of a sovereign country other than Singapore, a Reporting Bank is deemed to have fulfilled the requirements in paragraph 1 of this Annex, if the following criteria are met:

(a) person *A* or each person in sub-group *A* has sufficient financial resources (either on its own or together with the financial resources provided by the other persons in sub-group *A*) to fully service its liabilities, and does not depend on any other person in the Group that does not fall within sub-group *A* ("external group person") for financial assistance in meeting its liabilities[6];

(b) person *A* or each person in sub-group *A* is not depended on by any external group person for financial assistance in meeting the external group person's liabilities;

(c) proceeds received by person *A* or each person in sub-group *A* from the credit facilities granted by the Reporting Bank are only used by person *A* or other persons in sub-group *A* for the operations of person *A* or other persons in sub-group *A*, and are not transferred to any external group person;

(d) person *A* or each person in sub-group *A* does not receive the proceeds of any credit facility, whether in whole or in part, obtained by any external group person from the Reporting Bank;

[6] In the case of a loan provided by a shareholder ("shareholder loan") to person A, the accounting treatment may be used as a guide in determining whether person A depends on the shareholder for financial assistance in meeting its liabilities. Where the shareholder loan was accounted for as debt (e.g. amount due to shareholder/amount due from person A), person A would be dependent on the shareholder. On the other hand, where the shareholder loan was accounted for as equity (e.g. cost of investment in subsidiary/associated company), a Reporting Bank may treat person A as not dependent on the shareholder, unless there are reasons to suggest otherwise (such as the injection of capital to support a financially weak entity).

(e) person *A* or each person in sub-group *A* is not dependent on any external group person, whether singly or in aggregate with other external group persons, for more than 50% of its operating revenues;

(f) subject to paragraph 4 of this Annex, person *A* or each person in sub-group *A* is not depended on by any external group person, either singly or in aggregate with other persons in sub-group *A*, for more than 50% of the external group person's operating revenues;

(g) apart from being in the Group, person *A* or each person in sub-group *A* and any external group person are not economically dependent on each other.

3 Where the controlling person ~~or the substantial shareholder~~ is not a foreign government or central bank of a sovereign country other than Singapore, a Reporting Bank is deemed to have fulfilled the requirements in paragraph 1 of this Annex, if the following criteria are met:

(a) subject to paragraph 4 of this Annex, the criteria set out in paragraph 2 of this Annex;

(b) person *A* or each person in sub-group *A* does not use any name, logo or trademark in a manner which indicates or represents that person *A* or any person in sub-group *A* is related to or associated with any external group person;

(c) none of the names, logos or trademarks of person *A* or any person in sub-group *A* is used by any external group person in a manner which indicates or represents that the external group person is related to or associated with person *A* or any person in sub-group *A*;

(d) a majority of the directors of person *A* or each person in sub-group *A* do not fall within any of the following categories:

(i) the controlling person ~~or the substantial shareholder~~;

(ii) family members of the controlling person ~~or the substantial shareholder~~;

(iii) employees of the controlling person ~~or the substantial shareholder~~;

(iv) concurrently directors of the controlling person ~~or the substantial shareholder~~; or

(v) employees of any other external group person;

(e) no external group person that is a controlling person ~~or a substantial shareholder~~ or family member of such a controlling person ~~or a substantial shareholder~~, is an executive officer or chairman of the board of directors of person *A* or any person in sub-group *A*;

(f) no chief executive officer of any external group person that is a controlling person ~~or a substantial shareholder~~ is an executive officer or chairman of the board of directors of person *A* or any person in sub-group *A*.

4 Where person *A* or sub-group *A* is held by one or more external group persons which are intermediate holding companies whose primary purpose is to own or hold shares in other companies, paragraph 2(f) of this Annex does not apply with respect to the intermediate holding companies for the purposes of determining whether exposures to person *A* or sub-group *A* need not be aggregated under paragraph 2 or 3(a) of this Annex.

5 For the purposes of paragraphs 1 to 4 of this Annex –

(a) [Deleted by MAS Notice 656 (Amendment) 2020]

(b) "foreign government" refers to a foreign central government, a regional government of a foreign country or jurisdiction or a local authority of a foreign country or jurisdiction, that is able to exercise one or more functions of the foreign central government at the regional or local level.~~; and~~

[MAS Notice 656 (Amendment) 2024]

~~(c) "substantial shareholder" has the same meaning as in section 81 of the Companies Act 1967.~~

~~[MAS Notice 656 (Amendment) 2024]~~

~~**Major stake entity group**~~

~~6 In the case of aggregation as a major stake entity group, a Reporting Bank need not aggregate its exposures to a non-subsidiary major stake entity, *B*, ("person *B*") or a sub-group comprising a non-subsidiary major stake entity, *B*, and other non-subsidiary major stake entities controlled by *B* in its major stake entity group ("sub-group *B*"), if the Reporting Bank can demonstrate that corporate governance safeguards and other forms of ring-fencing measures are in place such that –~~

~~(a) any linkage aside from equity holding between person *B* or sub-group *B* and other persons within the major stake entity group are limited; and~~

~~(b) the risk of contagion due to the failure of any person in the major stake entity group to person *B* or sub-group *B* (and vice versa) is minimal.~~

~~7 A Reporting Bank is deemed to have fulfilled the requirements in paragraph 6 of this Annex if the following criteria are met:~~

~~(a) person *B* or each non-subsidiary major stake entity in sub-group *B* has sufficient financial resources (either on its own or together with the financial resources provided by the other non-subsidiary major stake entities in sub-group *B*) to fully service its liabilities, and does not depend on any other person in the major stake entity group that does not fall within sub-group *B* ("external major stake entity group person") for financial assistance in meeting its liabilities[7];~~

~~[7] In the case of a loan provided by a shareholder ("shareholder loan") to person B, the accounting treatment may be used as a guide in determining whether person B depends on the shareholder for financial assistance in meeting its liabilities. Where the shareholder loan was accounted for as debt (e.g. amount due to~~

~~(b) person *B* or each non-subsidiary major stake entity in sub-group *B* is not depended on by any external major stake entity group person for financial assistance in meeting the external major stake entity group person's liabilities;~~

~~(c) proceeds received by person *B* or each non-subsidiary major stake entity in sub-group *B* from the credit facilities granted by the Reporting Bank are only used by person *B* or other non-subsidiary major stake entities in sub-group *B* for the operations of person *B* or other non-subsidiary major stake entities in sub-group *B*, and are not transferred to any external major stake entity group person;~~

~~(d) person *B* or each non-subsidiary major stake entity in sub-group *B* does not receive the proceeds of any credit facility, whether in whole or in part, obtained by any external major stake entity group person from the Reporting Bank;~~

~~(e) person *B* or each non-subsidiary major stake entity in sub-group *B* is not dependent on any external major stake entity group person, whether singly or in aggregate with other external major stake entity group persons, for more than 50% of its operating revenues;~~

~~(f) subject to paragraph 8 of this Annex, person *B* or each non-subsidiary major stake entity in sub-group *B* is not depended on by any external major stake entity group person, either singly or in aggregate with other non-subsidiary major stake entities in sub-group *B*, for more than 50% of the external major stake entity group person's operating revenues;~~

~~(g) apart from being in the major stake entity group, person *B* or each non-subsidiary major stake entity in sub-group *B* and any external major stake entity group person are not economically dependent on each other;~~

~~(h) person *B* or each non-subsidiary major stake entity in sub-group *B* does not use any name, logo or trademark in a manner which indicates or represents that person *B* or any non-subsidiary major stake entity in sub-group *B* is related to or associated with the Reporting Bank or any external major stake entity group person;~~

~~(i) none of the names, logos or trademarks of person *B* or any non-subsidiary major stake entity in sub-group *B* is used by the Reporting Bank or any external major stake entity group person in a manner which indicates or represents that the Reporting Bank or external major stake entity group person is related to or associated with person *B* or any of the non-subsidiary major stake entities in sub-group *B*;~~

~~(j) a majority of the directors of person *B* or each non-subsidiary major stake entity in sub-group *B* do not fall within any of the following categories:~~

~~(i) employees of the Reporting Bank;~~

~~shareholder/amount due from person B), person B would be dependent on the shareholder. On the other hand, where the shareholder loan was accounted for as equity (e.g. cost of investment in subsidiary/associated company), a Reporting Bank may treat person B as not dependent on the shareholder, unless there are reasons to suggest otherwise (such as the injection of capital to support a financially weak entity).~~

~~(ii) concurrently directors of the Reporting Bank; or~~

~~(iii) employees of any other external major stake entity group person.~~

~~8 Where person *B* or sub-group *B* is held by one or more external major stake entity group persons which are intermediate holding companies whose primary purpose is to own or hold shares in other companies, paragraph 7(f) of this Annex does not apply with respect to the intermediate holding companies for the purposes of determining whether exposures to person *B* or sub-group *B* need not be aggregated under paragraph 7 of this Annex.~~

Annex C

Measurement of Exposures

Section 1: General measurement principles

1.1 For the purposes of measuring a Reporting Bank's exposures to a counterparty, the Reporting Bank must –

(a) include –

(i) all on- and off-balance sheet exposures in the banking book and the trading book; and

(ii) exposures arising from instruments with counterparty credit risk under MAS Notice 637;

(b) subject to paragraph 1.2 of this Annex, exclude an exposure value to the counterparty that is deducted from capital under Part VI of MAS Notice 637; and

(c) must not add an exposure value that is deducted from capital to other exposures to that counterparty.

1.2 Where only a portion of an exposure to a counterparty is subject to deduction from capital under Part VI of MAS Notice 637, the Reporting Bank must –

(a) exclude only the exposure value deducted from capital; and

(b) except where the exposure is an exempt exposure set out in paragraph 1 of Annex A, include the remaining part of the exposure in the computation of its total exposures to that counterparty.

1.3 A Reporting Bank must –

(a) include an exposure value that is subject to a 1250% risk weight in MAS Notice 637; and

(b) add the exposure value in sub-paragraph (a) to any other exposures to the same counterparty, except where the exposure is an exempt exposure set out in paragraph 1 of Annex A.

[MAS Notice 656 (Amendment) 2024]

Section 2: Calculation of exposure value for banking book positions and pre-settlement counterparty exposures arising from derivative transactions and long settlement transactions

<u>Banking book on-balance sheet non-derivative assets</u>

2.1 A Reporting Bank must calculate the exposure value of its banking book on-balance sheet non-derivative assets based on the carrying amount of such assets as determined in accordance with the Accounting Standards, where such amounts are –

(a) net of specific allowances and accounting valuation adjustments attributable to such assets; or

(b) gross of any specific allowance and accounting valuation adjustments.

Pre-settlement counterparty exposure for derivative transactions and long settlement transactions

2.2 A Reporting Bank must calculate the exposure value for the pre-settlement counterparty exposure to a counterparty arising from the following:

(a) OTC derivative transactions;

(b) exchange-traded derivative transactions;

(c) long settlement transactions that are not SFTs,

whether or not such transactions are classified as banking book or trading book exposures based on the SA-CCR set out in Annex 7D to Part VII of MAS Notice 637.

[MAS Notice 656 (Amendment) 2021]
[MAS Notice 656 (Amendment) 2024]

2.3 [Deleted by MAS Notice 656 (Amendment) 2024]

2.3A [Deleted by MAS Notice 656 (Amendment) 2024]

Pre-settlement counterparty exposure for securities financing transactions

2.4 A Reporting Bank must calculate the exposure value for a pre-settlement counterparty exposure to a counterparty arising from an SFT, whether or not such a transaction is classified as a banking book or trading book exposure in accordance with paragraph 7.2.41 of Part VII of MAS Notice 637. Where the Reporting Bank recognises the effect of any eligible financial collateral taken for the SFT pursuant to paragraph 2.7 of this Annex and subject to paragraphs 2.9, 2.10(a), 2.10(d) and 2.11 of this Annex, the Reporting Bank must do so based on the FC(CA) in accordance with paragraphs 7.2.42, 7.2.46 and 7.2.47 of Part VII of MAS Notice 637. To avoid doubt, the Reporting Bank must not use the FC(SA) or VaR models set out in Annex 7F of MAS Notice 637 to recognise the effect of eligible financial collateral for any SFT.

[MAS Notice 656 (Amendment) 2024]

Off-balance sheet items

2.5 Subject to paragraph 2.5A of this Annex, except for pre-settlement counterparty exposures arising from derivative transactions, long settlement transactions or SFTs, a Reporting Bank must calculate the exposure values of all other off-balance sheet items by multiplying the notional amount of each item with the applicable standardised credit conversion factors set out in Table 7B-1 of Annex 7B to Part VII of MAS Notice 637, with a floor of 10%.

[MAS Notice 656 (Amendment) 2024]

2.5A For the purposes of paragraph 2.5 of this Annex, any reference to "commitment" in Annex 7B of MAS Notice 637 has the meaning as set out in paragraph 4.

[MAS Notice 656 (Amendment) 2024]

On-balance sheet netting

2.6 A Reporting Bank must recognise the effect of a qualifying on-balance sheet netting agreement for loans and deposits, whenever the Reporting Bank has recognised the effect of the on-balance sheet netting agreement to compute credit RWA pursuant to paragraphs 7.2.9 and 7.2.10 of Part VII of MAS Notice 637.

[MAS Notice 656 (Amendment) 2024]

Eligible credit risk mitigation

2.7 A Reporting Bank must recognise the effect of CRM in the calculation of an exposure whenever the Reporting Bank has recognised the effect of CRM to compute credit RWA for the exposure in MAS Notice 637, and the following conditions are met:

(a) the credit risk mitigant meets the requirements set out in Annex 7H to Part VII of MAS Notice 637 for the recognition of eligible credit protection and eligible financial collateral under the SA(CR);

(b) the Reporting Bank meets the conditions and requirements for recognition of such CRM in accordance with paragraphs 2.8 to 2.11, 4.24 and 4.25 of this Annex.

[MAS Notice 656 (Amendment) 2024]

2.8 A Reporting Bank must not recognise the following:

(a) other forms of collateral that are only eligible under the IRBA as set out in paragraph 2.11 of Annex 7H to Part VII of MAS Notice 637 to reduce exposure values;

(b) the effects of CRM of any collateral for an exposure that has a maturity mismatch if the Reporting Bank has applied the FC(SA) under MAS Notice 637;

(c) the effects of CRM if the Reporting Bank has not recognised this effect in the computation of credit RWA for the exposure in MAS Notice 637.

[MAS Notice 656 (Amendment) 2024]

2.9 Subject to paragraph 2.8(b) of this Annex, for an exposure that has a maturity mismatch with the credit risk mitigant, a Reporting Bank may recognise the effect of CRM pursuant to paragraph 2.7 of this Annex only where the credit risk mitigant has an original maturity of at least one year and a residual maturity of more than 3 months. A Reporting Bank must calculate the value of the CRM adjusted for any maturity mismatch in accordance with Section 7 of Annex 7H to Part VII of MAS Notice 637.

[MAS Notice 656 (Amendment) 2024]

2.10 A Reporting Bank must reduce the value of the exposure to the counterparty by the following amounts of eligible credit protection or eligible financial collateral recognised for the calculation of credit RWA under MAS Notice 637:

(a) the value of the protected portion in the case of eligible credit protection;

(b) the value of the portion of claim collateralised by the market value of the eligible financial collateral when the Reporting Bank applies the FC(SA) for calculating the effect of CRM under Sub-divisions 4 and 5 of Division 2 of Part VII of MAS Notice 637;

(c) the value of the eligible financial collateral as recognised in the calculation of the exposure value for the pre-settlement counterparty exposure to a single counterparty arising from OTC derivative transactions, exchange-traded derivative transactions, or long settlement transactions that are not SFTs based on the same approach that the Reporting Bank has adopted in accordance with paragraph~~s~~ 2.2 ~~and 2.3~~ of this Annex; or

(d) in the case of eligible financial collateral when the Reporting Bank applies the FC(CA) for recognising the effect of eligible financial collateral or when the Bank has adopted the IRBA for the calculation of credit RWA, under MAS Notice 637, the value of the eligible financial collateral adjusted after applying the standard supervisory haircuts in accordance with paragraphs 2.1 to 2.5 of Annex 7J to Part VII of MAS Notice 637.

[MAS Notice 656 (Amendment) 2024]

2.11 Where a Reporting Bank recognises a reduction of the exposure to the counterparty due to the effects of CRM, arising from eligible financial collateral or eligible credit protection, the Reporting Bank must recognise an exposure to the issuer of the eligible financial collateral or to the eligible protection provider, as the case may be. Subject to paragraph 3.15(a) of this Annex, the Reporting Bank must assign to the issuer of the eligible financial collateral or to the eligible protection provider the amount by which the exposure to the original counterparty is reduced.

Section 3: Calculation of exposure value for trading book positions

3.1 A Reporting Bank must calculate –

(a) the exposure value of the positions that meet the conditions under paragraph 3.2 of this Annex in accordance with paragraphs 3.3 to 3.18 of this Annex; and

(b) its aggregate exposure to a counterparty by adding any exposure to that counterparty arising from any position that meets the conditions under paragraph 3.2 of this Annex held in its trading book to any other exposure to that counterparty held in its banking book.

3.2 The conditions referred to under paragraphs 3.1(a) and (b) of this Annex are as follows:

(a) the position is exposed to risk associated with the default of that counterparty;

(b) the position is not a position in a commodity or currency.

3.3 For a position that meets the conditions under paragraph 3.2 of this Annex and where a Reporting Bank has assigned this position to the non-securitisations component in accordance with paragraph 8.2.159 of Part VIII of MAS Notice 637, the Reporting Bank must calculate the exposure value of this position based on its gross JTD position by applying paragraphs 8.2.168 to 8.2.170 and 8.2.172 to 8.2.175 of Part VIII of MAS Notice 637. To avoid doubt, the Reporting Bank must not apply the maturity-weighting set out in paragraphs 8.2.176 to 8.2.179 of Part VIII of MAS Notice 637 for the purposes of this calculation.

[MAS Notice 656 (Amendment) 2024]

3.4 For the purposes of paragraph 3.3 of this Annex, a Reporting Bank must –

(a) use an LGD value of 100% in its calculation of the gross JTD position of the position;

(b) apply paragraph 8.2.164 of Part VIII of MAS Notice 637 in the case of a multi-underlying instrument or an index instrument[8]; and

(c) apply paragraph 8.2.163 of Part VIII of MAS Notice 637 in determining the counterparty to assign the exposure arising from a non-securitisation credit derivative or an equity derivative.

[MAS Notice 656 (Amendment) 2024]

3.5 [Deleted by MAS Notice 656 (Amendment) 2024]

3.6 [Deleted by MAS Notice 656 (Amendment) 2024]

3.7 A Reporting Bank must calculate exposures arising from positions hedged by credit derivatives in accordance with paragraphs 3.14 and 3.15 of this Annex, where the Reporting Bank chooses to recognise such hedges.

3.8 [Deleted by MAS Notice 656 (Amendment) 2024]

3.9 A Reporting Bank must calculate the exposure value of an investment in index positions, securitisations, hedge funds or investment funds held in the trading book applying the same approach as for similar instruments held in the banking book in accordance with paragraphs 4.4 to 4.16 of this Annex. Accordingly, the Reporting Bank may assign the amount invested in a particular structure to –

(a) the structure itself, where it is defined as a distinct counterparty;

(b) the counterparties corresponding to the underlying assets; or

(c) the unknown client described in paragraph 4.11(b) of this Annex.

3.10 A Reporting Bank may offset long and short positions in –

(a) an identical[11] issue of any instrument held in the trading book; or

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[8] For example, an index option.

[MAS Notice 656 (Amendment) 2024]

[9] [Deleted by MAS Notice 656 (Amendment) 2024]

[10] [Deleted by MAS Notice 656 (Amendment) 2024]

[11] Two issues are defined as identical if the issuer, seniority, coupon, currency and maturity are identical.

[MAS Notice 656 (Amendment) 2024]

(b) different issues of any instrument held in the trading book issued by a counterparty when –

(i) the short position is junior to the long position; or

(ii) the long and short positions are of the same seniority.

3.11 For the purposes of paragraph 3.10 of this Annex, the Reporting Bank may calculate its exposure value to the counterparty issuing such instruments based on a net position.

3.12 For the purposes of determining the relative seniority of positions under paragraph 3.10(b) of this Annex, a Reporting Bank may allocate securities held in the trading book into broad buckets of degrees of seniority[12].

3.13 Where a Reporting Bank has chosen not to allocate securities to different buckets based on relative seniority, the Reporting Bank must not recognise any offsetting of long and short positions in different issues of any instrument held in the trading book relating to the same counterparty.

3.14 In the case of positions held in the trading book hedged by credit derivatives, a Reporting Bank may recognise the hedge, provided the underlying instrument of the hedge and the position hedged meet the requirements set out in paragraphs 3.10(b), 3.12 and 3.13 of this Annex.

3.15 Where a Reporting Bank recognises a hedge of a position held in the trading book through the use of credit derivatives pursuant to paragraph 3.14 of this Annex and recognises a reduction of the exposure value to the counterparty due to the hedge, the Reporting Bank must –

(a) in the case where the Reporting Bank bought credit protection in the form of a credit default swap to hedge positions held in the trading book and either the credit default swap provider or the referenced entity is not a financial entity, calculate the exposure value arising from the credit default swap based on paragraph 2.2 of this Annex and assign this exposure value to the eligible protection provider; and

(b) in all other cases, recognise a corresponding increase in the exposure value to the eligible protection provider.

[MAS Notice 656 (Amendment) 2024]

3.16 For the purposes of paragraph 3.15(a) of this Annex, a "financial entity" refers to –

(a) a financial institution that is subject to minimum prudential standards that are consistent with international standards and supervision by a financial services regulatory authority ("regulated financial institution");

(b) where the regulated financial institution referred to in sub-paragraph (a) is substantial in a consolidated group, the parent and subsidiaries of the regulated financial institution;

[MAS Notice 656 (Amendment) 2024]

12 For example, the broad buckets may be "Equity", "Subordinated Debt" and "Senior Debt".

(c) a financial institution that is not subject to minimum prudential standards that are consistent with international standards and supervision by a financial services regulatory authority; or

(d) any other financial institution as may be specified by the Authority from time to time.

3.17 A Reporting Bank must not offset positions held in the banking book with positions held in the trading book or vice versa.

3.18 Where offsetting positions held in the trading book results in a net short position, a Reporting Bank must not include the net short position in calculating its aggregate exposures to a particular counterparty. To avoid doubt, for the purposes of aggregating the exposure value for trading book positions to ~~a director group, a major stake entity group, a substantial shareholder group or~~ a connected counterparty group, the Reporting Bank must only aggregate the exposure value arising from net long positions to each person in ~~the director group, the major stake entity group, the substantial shareholder group or~~ the connected counterparty group.

[MAS Notice 656 (Amendment) 2024]

Section 4: Treatment of specific exposure types

Covered bond exposures

4.1 Subject to paragraph 4.2 of this Annex, a Reporting Bank must assign to the issuer of a covered bond an exposure value of 100% of the nominal value of the Reporting Bank's holding in a covered bond, regardless of whether the covered bond is held in the Reporting Bank's banking book or trading book. To avoid doubt, where a covered bond is issued by a bank or a mortgage institution through an SPV, the Reporting Bank must assign the exposure value arising from its holdings in that covered bond to the bank or the mortgage institution.

[MAS Notice 656 (Amendment) 2019]
[MAS Notice 656 (Amendment) 2024]

4.2 A Reporting Bank may assign an exposure value of at least 25% of the nominal value of the Reporting Bank's holding in a qualifying covered bond, regardless of whether the qualifying covered bond is held in the Reporting Bank's banking book or the trading book, to the issuer of the qualifying covered bond.

[MAS Notice 656 (Amendment) 2024]

4.3 For the purposes of paragraph 4.2 of this Annex, a qualifying covered bond refers to a covered bond that meets the following conditions at the inception date of the covered bond and throughout its remaining maturity:

(a) the cover pool of the covered bond consists of assets that constitute –

(i) exposures which would fall within the central government and central bank asset class, PSE asset class or MDB asset class under the SA(CR) in accordance with paragraph 7.3.1(b) to (d) of Part VII of MAS Notice 637;

(ii) regulatory RRE exposures which would fall within the regulatory real estate asset sub-class under the SA(CR) in accordance with paragraph 7.3.1(k)(ii) of Part VII of MAS Notice 637 that would –

(A) qualify for a 35% or lower risk weight under the SA(CR) set out in paragraphs 7.3.91 to 7.3.92 and subject to paragraph 7.3.96 of Part VII of MAS Notice 637; and

(B) have a loan-to-value ratio of 80% or lower, calculated in accordance with paragraph 7.3.17(g) of Part VII of MAS Notice 637;

[MAS Notice 656 (Amendment) 2024]

(iii) regulatory CRE exposures which would fall within the regulatory real estate asset sub-class under the SA(CR) in accordance with paragraph 7.3.1(k)(ii) of Part VII of MAS Notice 637 that ~~that~~ would –

(A) qualify for a 100% or lower risk weight under the SA(CR) set out in paragraph 7.3.93 to 7.3.96 of Part VII of MAS Notice 637; and

(B) have a loan-to-value ratio of 60% or lower, calculated in accordance with paragraph 7.3.17(g) of Part VII of MAS Notice 637;

[MAS Notice 656 (Amendment) 2024]

(b) the nominal value of the cover pool assigned to the covered bond by its issuer exceeds the nominal outstanding value of the covered bond issuance ("over-collateralisation requirement") by at least 10%[12A], and for the purposes of meeting this over-collateralisation requirement of at least 10% –

(i) where the relevant legislative framework governing the issuance of such covered bonds does not stipulate an over-collateralisation requirement of at least 10%, the Reporting Bank must ensure that the issuer of the covered bond publicly discloses on a regular basis that the cover pool meets the over-collateralisation requirement of 10% at all times; and

(ii) in addition to the primary assets set out in sub-paragraph (a), the assets used to meet this over-collateralisation requirement may include substitution assets that are cash or short-term liquid and high quality assets held in substitution of the primary assets to top up the cover pool for management purposes, and derivatives entered into for the purposes of hedging the risks arising in the covered bond programme.

[MAS Notice 656 (Amendment) 2021]

[12A] For this purpose, the value of the cover pool does not need to be that required by the relevant legislative framework governing the issuance of such covered bonds.

[MAS Notice 656 (Amendment) 2021]

Exposures to collective investment schemes, securitisation vehicles and other structures

4.4 For the purposes of the large exposures limit, a Reporting Bank must calculate the exposure value for exposures arising from structures[13] that the Reporting Bank has invested in, regardless of whether such exposures are held in the banking book or trading book, in accordance with paragraphs 4.5 to 4.16 of this Annex.

4.5 Without prejudice to paragraph 4.15 of this Annex, a Reporting Bank may calculate the exposure value based on the amount[14] it invests in a structure, defined as a distinct counterparty, and assign the exposure value to the structure, if –

(a) the Reporting Bank had demonstrated to the Authority that it has not been influenced by regulatory arbitrage considerations in deciding not to apply LE-LTA to calculate the exposure value to the structure[16]; and

(b) the Reporting Bank's –

(i) exposure value to each underlying asset of the structure is smaller than 0.25% of the Reporting Bank's Tier 1 capital; or

(ii) whole investment in a structure is below 0.25% of the Reporting Bank's Tier 1 capital.

[MAS Notice 656 (Amendment) 2024]

4.6 Where the Reporting Bank has not chosen to apply the approach in paragraph 4.5 of this Annex, the Reporting Bank must apply the LE-LTA to look through the structure to identify the underlying assets of the structure and apply the exposure measurement approach set out in paragraphs 4.12 to 4.14 of this Annex.

4.7 For the purposes of calculating the Reporting Bank's exposure value to each underlying asset in paragraph 4.5(b)(i) of this Annex, the Reporting Bank must include only exposures to underlying assets of the structure that result from the Reporting Bank's investment in the structure and use the exposure measurement approach set out in paragraphs 4.12 to 4.14 of this Annex as though the LE-LTA is applied.

4.8 Where a Reporting Bank's exposure to each underlying asset of a structure is equal to or above 0.25% of the Reporting Bank's Tier 1 capital, the Reporting Bank must apply –

(a) the LE-LTA to look through the structure to identify the underlying assets of the structure; and

(b) the exposure measurement approach set out in paragraphs 4.12 to 4.14 of this Annex.

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13 Such structures include collective investment schemes, closed-end funds, securitisations, investments in index positions and other structures with underlying assets.

14 This is the carrying amount of the investment as determined in accordance with the Accounting Standards.

15 [Deleted by MAS Notice 656 (Amendment) 2024]

16 For example, the Reporting Bank has not circumvented the large exposures limit by investing in several individually immaterial transactions with identical underlying assets.

4.9 For the purposes of paragraphs 4.6 and 4.8 of this Annex, the Reporting Bank must –

(a) identify the counterparty corresponding to each of the underlying assets; and

(b) aggregate the exposures arising from such underlying assets to any other direct or indirect exposure to that counterparty.

4.10 Where the Reporting Bank has applied the approach set out in paragraphs 4.8 and 4.9 of this Annex for underlying assets of a structure that are each equal to or above 0.25% of the Reporting Bank's Tier 1 capital, the Reporting Bank may assign the exposure value arising from other underlying assets of the structure that are each below 0.25% of the Reporting Bank's Tier 1 capital to the structure[17].

4.11 Without prejudice to paragraph 4.15 of this Annex, where a Reporting Bank is unable to identify the underlying assets of the structure, the Reporting Bank must –

(a) if the total amount of a Reporting Bank's exposure to a structure does not exceed 0.25% of the Reporting Bank's Tier 1 capital, assign the total exposures arising from the structure based on the amount it invests in a structure, to the structure as the relevant counterparty; and

(b) if the total amount of a Reporting Bank's exposure to a structure is above 0.25% of the Reporting Bank's Tier 1 capital, aggregate its exposures to all such structures and assign the aggregated amount, based on the amount it invests in the structures, to a hypothetical single counterparty, referred to as the unknown client. The Reporting Bank must apply the requirements set out in paragraphs 7 to 9 on the large exposures limit and paragraph 28 on regulatory reporting, to the unknown client as a single counterparty.

[MAS Notice 656 (Amendment) 2024]

4.12 Where the LE-LTA is applied in the case of a structure where all investors rank pari passu, a Reporting Bank must calculate the exposure value to a counterparty corresponding to each underlying asset in accordance with the formula $P \times V$, where –

(a) P is the pro rata share that the Reporting Bank holds in the structure; and

(b) V is the value of the underlying asset in the structure[19].

4.13 Where the LE-LTA is applied in the case of a structure with different seniority levels among investors[20], a Reporting Bank must calculate the exposure value arising from the underlying assets for each tranche within the structure[21].

4.14 For the purposes of paragraph 4.13 of this Annex, the Reporting Bank must calculate the exposure value arising from each underlying asset in accordance with the formula $V_L \times P_T$, where –

17 A partial use of the LE-LTA is permitted.
18 [Deleted by MAS Notice 656 (Amendment) 2024]
19 For example, a Reporting Bank holding a 1% share of a structure that invests in 20 assets each with a value of 5 must assign an exposure of 0.05 to each of the counterparties.
20 For example, securitisations.
21 This assumes a pro rata distribution of losses amongst investors in a single tranche.

(a) V_L is the lower of the values of –

(i) the tranche in which the Reporting Bank invests; and

(ii) the nominal value of each underlying asset included in the underlying portfolio of assets; and

(b) P_T is the pro rata share of the Reporting Bank's investment in the tranche.

4.15 A Reporting Bank must determine if there are, and if so, identify one or more of the following third parties[22] who constitute an additional risk factor inherent in a structure itself rather in the underlying assets:

(a) originators;

(b) fund managers;

(c) liquidity providers;

(d) eligible protection providers;

(e) any other person that the Reporting Bank deems to be a material risk factor.

4.16 For the purposes of paragraph 4.4 of this Annex, the Reporting Bank must –

(a) aggregate its exposures in investments in structures with a common additional risk factor associated with each third party identified pursuant to paragraph 4.15 of this Annex, and apply the large exposures limit to the aggregate of the exposures associated with each third party[23];

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22 For example, in the case of short-term structured finance programmes, such as asset-backed commercial paper conduits and structured investment vehicles, a Reporting Bank may consider whether a liquidity provider or sponsor constitutes an additional risk factor. In the case of synthetic deals, a Reporting Bank may consider whether an eligible protection provider (e.g. sellers of credit protection by means of credit default swaps and guarantees) constitutes an additional risk factor.

23 For example –

(a) in the case where a fund manager of funds, which the Reporting Bank is invested in, is identified to constitute a common additional risk factor, the Reporting Bank should calculate the exposure value that is subject to the large exposures limit as the total value of the Reporting Bank's investments in the funds. In certain cases, the Reporting Bank may choose not to identify a fund manager as an additional risk factor. Such cases could be where the legal framework governing the regulation of particular funds requires separation between the legal person that manages the fund and the legal person that has custody of the fund's assets.

(b) in the case where a liquidity provider or sponsor of short-term programmes (for example, asset-backed commercial paper conduits and structured investment vehicles), which the Reporting Bank is invested in, is identified to constitute a common additional risk factor, the Reporting Bank should calculate the exposure value that is subject to the large exposures limit as the amount that the Reporting Bank invested in the structured finance products;

(c) in the case of investments in synthetic deals, where such structures are composed of credit protection such as credit default swaps or guarantees, and where the eligible protection provider of such credit protection is identified to constitute a common additional risk factor, the Reporting Bank should assign

(b) assess on a case-by-case basis whether the exposures to such structures associated with a third party that constitutes an additional risk factor are to be added to any other exposures the Reporting Bank has to the third party, depending on the specific features of such structure and on the role of the third party; and

(c) aggregate its exposures to such structures to other exposures[24] it has to that third party, and apply the large exposures limit to the aggregate of the exposures, where the Reporting Bank has assessed this to be necessary under sub-paragraph (b).[25]

[MAS Notice 656 (Amendment) 2024]

Exposures to CCPs

4.17 A Reporting Bank must calculate, and subject to the large exposures limit, the exposure value for –

(a) exposures not related to clearing activities ("non-clearing exposures") that are to a qualifying CCP, in accordance with paragraph 4.23 of this Annex;

(b) exposures to a CCP which is not a qualifying CCP.

4.18 A Reporting Bank must calculate the exposure value for the exposures referred to in paragraph 4.17(b) of this Annex in accordance with the formula, $C + N$, where –

(a) "C" is the exposure related to clearing activities calculated in accordance with paragraphs 4.21 and 4.22 of this Annex; and

(b) "N" is the non-clearing exposures calculated in accordance with paragraph 4.23 of this Annex.

4.19 In the case of exposures related to clearing activities to a CCP, a Reporting Bank must not aggregate its exposures related to clearing activities to a CCP with exposures to other persons included in the same single counterparty group.

4.20 In the case of non-clearing exposures to a CCP, a Reporting Bank must determine whether the CCP is included in the same single counterparty group as other counterparties of the Reporting Bank. Where the CCP is included in the same single counterparty group as other counterparties of the Reporting Bank, the Reporting Bank must aggregate its non-clearing exposures to the CCP with its

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to the eligible protection provider the exposure value that corresponds to the percentage value of the underlying portfolio of each structure that the eligible protection provider is contractually obligated to cover.

[24] For example, a loan.

[25] For example, in the case of an eligible protection provider of a structure that is identified to constitute an additional risk factor, a Reporting Bank should add its exposure arising from the investment in the structure to its direct exposures to the eligible protection provider. Both exposures might crystallise into losses in the event that the eligible protection provider defaults. By ignoring the part of the exposures that is guaranteed by credit protection or secured by collateral, the Reporting Bank may be subject to a high concentration risk exposure to issuers of collateral or providers of credit protection.

exposures to the other counterparties included in the same single counterparty group, and subject the aggregate exposure value to the large exposures limit.[26]

4.21 A Reporting Bank must identify its exposures related to clearing activities to a CCP and calculate the exposure value of such exposures, in accordance with the treatment set out in Table C-2 –

[MAS Notice 656 (Amendment) 2024]

Table C-2 – Exposures related to clearing activities

Type of exposure	Applicable treatment
Trade exposures	Exposure value calculated using the exposure measurement approaches prescribed in this Annex.
Posted segregated initial margin	Exposure value is zero[27].
Posted non-segregated initial margin	Exposure value is the nominal amount of initial margin posted by the Reporting Bank.
Pre-funded default fund contributions	Exposure value is the nominal amount of the funded contribution.
Unfunded default fund contributions	Exposure value is zero.
Equity stakes	Exposure value is the nominal amount of the Reporting Bank's equity stake, except in the case where such equity stakes are deducted from the Reporting Bank's capital on which the large exposures limit is based, in which case the exposure value is zero.

4.22 A Reporting Bank must assign the exposure value of the exposures relating to clearing activities[28] calculated in accordance with paragraph 4.21 of this Annex, to the counterparty determined in accordance with the treatment set out in Division 7 of Part VII of MAS Notice 637.

[MAS Notice 656 (Amendment) 2024]

4.23 A Reporting Bank must calculate the exposure value of non-clearing exposures[29] provided by a CCP in accordance with Sections 1 to 4 of this Annex.

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26 As an example, if a Reporting Bank has exposures to a qualifying CCP for a total of 100 made up of 50 trade exposures, 10 default fund contributions and 40 liquidity lines, the Reporting Bank must report 60 under exposures related to clearing activities. For the other 40, the Reporting Bank should check whether the qualifying CCP is connected to the Reporting Bank's other counterparties, including other CCPs. Assuming that the qualifying CCP is also part of a single counterparty group, the Reporting Bank should add the 40 from the liquidity line to other exposures to counterparties within the same single counterparty group. The Reporting Bank must subject the sum of these exposures to the large exposures limit.

27 When the initial margin posted is bankruptcy remote from the CCP, in the sense that it is segregated from the CCP's own accounts when for example, such initial margin is held by a third-party custodian, this amount cannot be lost by the Reporting Bank if the CCP defaults. Therefore, the initial margin posted by the Reporting Bank is exempted from the large exposures limit.

28 The Reporting Bank may be acting as a CCP's clearing member or as a client of a CCP's clearing member.

29 Such exposures include funding facilities, credit facilities, and guarantees.

<u>Exposures guaranteed or secured by specific exposures</u>

4.24 Subject to paragraph 2.7 of this Annex, a Reporting Bank may exclude any portion of an exposure for which credit protection, whether held in its banking book or trading book, is provided by persons in paragraph 1(a), (b), (c), (d) or (g) of Annex A, or secured by financial instruments which constitute exposures included in paragraph 1(a), (b), (c), (d) or (g) of Annex A.

[MAS Notice 656 (Amendment) 2021]

4.25 Where a Reporting Bank has an exposure mentioned in paragraph 1(a), (b), (c), (d) or (g) of Annex A that is –

(a) secured by eligible financial collateral or protected by eligible credit protection, and the Reporting Bank recognises the effects of CRM pursuant to paragraph 2.7 of this Annex, the Reporting Bank must recognise a corresponding exposure to the issuer of the eligible financial collateral or the eligible protection provider, as the case may be; or

(b) hedged by a credit derivative, and the Reporting Bank recognises the hedge pursuant to paragraph 3.14 of this Annex, the Reporting Bank must recognise a corresponding exposure to the eligible protection provider referred to in paragraph 3.15 of this Annex.

[MAS Notice 656 (Amendment) 2021]

~~**Section 5: Exposures to persons in a Reporting Bank's major stake entity group**~~

~~5.1 For the purposes of complying with the large exposures limit applied to a Reporting Bank's major stake entity group, the Reporting Bank may, in computing the aggregate of the Reporting Bank's exposures to its major stake entity group, exclude the amount of capital investments in persons in its major stake entity group that has not already been deducted from capital under Part VI of MAS Notice 637, provided that the Reporting Bank, in its calculation of the utilisation of the large exposures limit applied to the Reporting Bank's major stake entity group, correspondingly reduces the Tier 1 capital of the Reporting Bank by the amount of those capital investments.~~

~~[MAS Notice 656 (Amendment) 2024]~~

~~5.2 For the purposes of paragraph 5.1 of this Annex, "capital investments" means –~~

~~(a) investments referred to in paragraph 6.1.5(p)(iii) of Part VI of MAS Notice 637; and~~

~~(b) PE/VC investments and investments in unconsolidated major stake entities that are not financial institutions in the form of any of the following:~~

~~(i) ordinary shares;~~

~~(ii) preference shares;~~

~~(iii) investments classified as equity under the Accounting Standards.~~

~~[MAS Notice 656 (Amendment) 2024]~~

~~5.3 To avoid doubt, a Reporting Bank must not apply paragraph 5.1 of this Annex for the purposes of compliance with the large exposures limit applied separately to –~~

~~(a) exposures to a person in a Reporting Bank's major stake entity group; or~~

~~(b) exposures to a person that is not aggregated with exposures to other persons of the Reporting Bank's major stake entity group pursuant to paragraph 20(b).~~

~~[MAS Notice 656 (Amendment) 2024]~~

Annex D

<u>Reporting Template</u>
(Refer to Excel file)

<u>Reporting Instructions</u>

General

1 For the purposes of the reporting form –

(a) "Gross Exposures" refer to exposures measured in accordance with Annex C, without the effect of credit risk mitigation set out in paragraphs 2.7 to 2.11, 3.14, 3.15, 4.24 and 4.25 of Annex C; and

(b) "Net Exposures" refer to exposures measured in accordance with Annex C, after the effect of credit risk mitigation set out in paragraphs 2.7 to 2.11, 3.14, 3.15, 4.24 and 4.25 of Annex C.

2 A Reporting Bank must report its Gross Exposures and Net Exposures in terms of millions of Singapore dollars.

Section 1: Large Exposures (excluding exempt exposures ~~and exposures to major stake entity group~~)

3 In the Section 1 worksheet of the reporting form, a Reporting Bank must measure in accordance with Annex C and report, the following exposures, excluding exempt exposures set out in paragraph 1 of Annex A ~~and exposures to the Reporting Bank's major stake entity group~~:

(a) the 20 largest exposures to a single counterparty group, ranked based on Net Exposures;

(b) all other exposures to a single counterparty group that meet the definition of a large exposure, based on Net Exposures;

(c) all other exposures to a single counterparty group that are equal to or above 10% of Tier 1 capital, based on Gross Exposures.

Section 2: Exempt Exposures

4 In the Section 2 worksheet of the reporting form, a Reporting Bank must report all exempt exposures set out in paragraphs 1(a) to (d), (f) and (g) of Annex A that meet the definition of a large exposure.

5 A Reporting Bank must indicate the type of exempt exposures as follows:

(a) "Central Government / Central Bank" for exempt exposures pursuant to paragraphs 1(a) and (b) of Annex A;

(b) "Public Sector Entity" for exempt exposures pursuant to paragraph 1(c) of Annex A;

(c) "Specified Entity" for exempt exposures pursuant to paragraph 1(d) of Annex A;

(d) "Qualifying Central Counterparty" for exempt exposures pursuant to paragraph 1(f) of Annex A;

(e) "Specified Related Corporation" for exempt exposures pursuant to paragraph 1(g) of Annex A.

Section 3: Exposures to Persons in a Connected Counterparty Group ~~or Substantial Shareholder Group~~ which are not aggregated pursuant to paragraph 20(b)

6 Where the exposures to a person or sub-group of persons in a connected counterparty group ~~or a substantial shareholder group~~ would have resulted in a breach of the large exposures limit if such exposures were aggregated, a Reporting Bank must report, in the Section 3 worksheet of the reporting form, exposures to the person or sub-group of persons in the connected counterparty group ~~or the substantial shareholder group~~ which are not aggregated with exposures to other persons of the respective groups pursuant to paragraph 20(b).

7 The Reporting Bank must provide additional justifications for not aggregating exposures to each person pursuant to paragraph 20(b), if any of the criteria in paragraphs 2 and 3 of Annex B is not met.

~~**Section 4: Exposures to Major Stake Entity Group**~~

~~8 In the Section 4 worksheet of the reporting form, a Reporting Bank must report its exposures to its major stake entity group.~~

~~9 As set out in paragraph 5.1 of Annex C, a Reporting Bank may exclude the amount of capital investments in persons of its major stake entity group that are not already deducted from capital under Part VI of MAS Notice 637, provided that the Reporting Bank, in its calculation of the utilisation of the large exposures limit applied to the Reporting Bank's major stake entity group, correspondingly reduces the Tier 1 capital of the Reporting Bank by the amount of those capital investments.~~

~~[MAS Notice 656 (Amendment) 2024]~~

~~**Section 5: Exposures to Persons in a Major Stake Entity Group which are not aggregated pursuant to paragraph 20(b)**~~

~~10 In the Section 5 worksheet of the reporting form, a Reporting Bank must report exposures to any non-subsidiary major stake entity or any sub-group of non-subsidiary major stake entities which are not aggregated with exposures to other persons of the Reporting Bank's major stake entity group pursuant to paragraph 20(b).~~

~~11 The Reporting Bank must provide additional justifications for not aggregating exposures to each non-subsidiary major stake entity pursuant to paragraph 20(b), if any of the criteria in paragraph 7 of Annex B is not met.~~