Monetary Authority of Singapore

Consultation Paper
P008-2025 – June 2025

Consultation Paper on Proposed Framework for Ex-post Resolution Levies for Banks, Merchant Banks and Finance Companies

Contents

1. Preface

1.1. Following enhancements made to the resolution regime[1] for financial institutions (FIs) in Singapore in 2016, the Monetary Authority of Singapore (MAS) is now proposing a framework to impose ex-post levies on the banking sector, comprising banks, merchant banks and finance companies (individually "Bank" and collectively "Banks") to recover the cost of resolving a distressed Bank ("ex-post levies framework") under the Financial Services Market Act 2022 (FSMA). The cost of resolving such a Bank will initially be covered by a Resolution Fund, set up under the FSMA to fund the costs of any resolution measures taken by MAS and administered by an independent trustee ("trustee"). MAS intends to consult on ex-post levies frameworks for other sectors in future.

1.2. MAS previously consulted on the proposal to apply ex-post levies on the rest of the banking sector, i.e. all other banks, merchant banks and finance companies, other than the Bank in resolution. Most respondents concurred with the proposal, generally acknowledging that all these Banks would collectively benefit from the stability that would ensue from the resolution measures taken.[2]

1.3. MAS is now consulting on the following for the ex-post levies framework:

(a) the use of average uninsured deposit balances to compute levies, and for the resolution levies of Banks within the banking sector to be proportionate to their share in the Singapore market;

(b) the timing for computing levies, and the period for collecting levies;

(c) the treatment for collecting levies from exiting Banks and new entrants to the banking sector.

1.4. The proposed framework will be effected through regulations.

1.5. MAS invites interested parties to provide their views and comments.

1.6. Please note that all submissions received will be published and attributed to the respective respondent unless they expressly request MAS not to do so. As such, if respondents would like

(a) their whole submission or part of it (but not their identity), or

---

[1] The overarching objective of MAS' resolution regime is to achieve an orderly resolution when a financial institution is no longer viable, such that financial stability and the continuity of critical functions performed by financial institutions and financial market infrastructures are maintained. Resolution also seeks to minimise widespread disruption to the economy, and enable distressed FIs to be restructured or exited from the market in an orderly manner. Please also refer to the *Monograph to MAS Approach to Resolution of Financial Institutions in Singapore* for further details.

[2] Please refer to *29 Apr 2016 Response to feedback received on Proposed Enhancements to Resolution Regime for Financial Institutions in Singapore*.

(b) their identity along with their whole submission,

to be kept confidential, please expressly state so in the submission to MAS. MAS will only publish non-anonymous submissions. In addition, MAS reserves the right not to publish any submission received where MAS considers it not in the public interest to do so, such as where the submission appears to be libelous or offensive.

1.7. Please submit written comments by 31 July 2025 via *this link*.

2. Levies based on Proportion of Uninsured Deposit Balances of Banks

2.1. The liquidation of a systemically important FI can adversely affect market confidence, lead to a sudden cessation of the provision of critical functions to users of these services, and have a contagion effect on the broader financial system. This may impact confidence in other Banks and lead to deposit flight. The goal of resolution is to mitigate such spillover effects. A Bank with large amounts of uninsured deposits is expected to be most exposed to deposit flight, and would have benefitted most from the stability bolstered by a resolution measure (as defined under section 107 of the FSMA) taken by MAS ("resolution event"). It thus follows that each Bank should pay a levy that is directly proportionate to its share of uninsured deposits of all Banks.

Question 1. MAS seeks comments on the proposal to use uninsured deposit balances of a Bank to impose levies on the banking sector to recover the cost of resolving a distressed Bank.

2.2. The uninsured deposit balances of Banks will be determined with reference to data obtained from Banks through relevant regulatory submissions such as MAS Notice 610 and MAS Notice DIA-N01. Some data are not routinely collected, e.g. total insured deposits balances from banks and uninsured deposit balances from finance companies at certain quarter-ends. An ad-hoc data collection exercise will be conducted when such data is required for computation of levies as such exercises are expected to be infrequent. MAS will inform and work with the relevant Banks on the data collection at the relevant time.

2.3. To account for seasonal or temporary fluctuations, MAS proposes to determine the uninsured deposit balances of each Bank for the purpose of imposing levies to be calculated as the average of four calendar quarter-end uninsured deposit balances immediately preceding the resolution event. To illustrate, for a resolution event in May 2024, the relevant quarter-ends would be June 2023, September 2023, December 2023, and March 2024.

2.4. For a newly established Bank with only two or three quarter-end data points, the levy will be computed using an average of those available data points. Where a Bank has only one quarter-end data point, that will be the single data point used for computation without averaging. In cases where a Bank has no previous quarter-end data point (e.g. a new entrant which started operating in the same quarter of the resolution event), the nearest month-end data point will be used without averaging.

Question 2. MAS seeks comments on the proposal to determine the uninsured deposit balances for each Bank as the average of four calendar quarter-end uninsured deposit balances of the Bank, immediately preceding the resolution event and the proposal in paragraph 2.4 on the computation of levies for a Bank which does not have four calendar quarter-end data points.

2.5. MAS considered whether to exempt smaller Banks from the levies or charge larger Banks a progressively larger proportion of levies. As all Banks, regardless of size, would benefit from the stability that would ensue from the resolution measures taken, it is equitable that even small Banks pay a share of the resolution costs. A proportionate levy would mean that larger Banks already bear larger portions of the resolution costs.

2.6. Moreover, size thresholds would have to be determined to implement such a levy structure, and could inadvertently be arbitrary or difficult to establish. As resolutions are likely to occur very infrequently, MAS has assessed that a simple proportionate levy rate that is charged to all Banks would be more efficient and easy to understand, and simpler to implement in practice.

2.7. The formula for computation of resolution levies for a Bank is:

$$\text{Levy Amount (for Bank A)} = \frac{\text{Uninsured Deposit Balances (of Bank A)}}{\text{Uninsured Deposit Balances of All Banks}} \times \text{Net Resolution Costs}$$

Question 3. MAS seeks comments on the proposal to charge proportionate levies to all Banks (please also see Questions 9 and 10 when the Deposit Insurance Fund is used in funding the resolution of a distressed Bank).

3. Levy Computation and Collection Timelines

3.1. Resolution actions may be taken when economic conditions are challenging and the situation may take time to improve. Depending on how long the resolution actions take to be fully implemented, the total costs may also not be finalised promptly. Nonetheless, deferring the collection of levies for too long will mean that the Resolution Fund would incur higher overall borrowing costs (which would in turn be charged back to the industry). On balance, MAS proposes to compute and begin collecting levies approximately two years from the date the Resolution Fund obtains funding to carry out its mandate of funding resolution measures ("collection commencement date") taken in respect of a distressed Bank. MAS may also exercise discretion to depart from the collection commencement date taking into consideration factors such as when resolution costs can be finalised and prevailing economic conditions.

Question 4. MAS seeks comments on the proposal to begin levy collection approximately two years after the Resolution Fund obtains funding to carry out its mandate of funding resolution measures taken in respect of a distressed Bank, with MAS having the flexibility to determine the collection commencement date.

3.2. Additionally, MAS proposes to collect levies from the Banks over a period of five to ten years, with the flexibility to adjust the collection period based on the final resolution costs incurred and the economic conditions at that time. A Bank may request for a deferment of the payment of levies, an extension of the period of payment of levies, or both, if there are exceptional circumstances arising in respect of the financial position of the Bank requiring such a deferment or extension.

Question 5. MAS seeks comments on the proposal to collect levies over a period of five to ten years.

4. Treatment for a Bank that has Ceased Operations

4.1. A Bank that was licensed under the Banking Act and carrying on business in Singapore prior to the resolution event but ceases operations after the imposition of levies would have also benefited from the resolution measures taken. Therefore, it is equitable for such a Bank to continue repaying its share of such costs. Where feasible, such an entity will be required to make a lump sum payment of outstanding levies before exiting. Where there are unrecoverable amounts (for instance, if a Bank is insolvent and has insufficient assets to cover the unpaid levies), levies will be recomputed and redistributed among the remaining Banks, in their respective proportions of uninsured deposit balances.

Question 6. MAS seeks comments on the proposal to require Banks that cease operations after imposition of levies to make lump sum payments.

4.2. When a Bank voluntarily exits the Singapore market prior to the two-year mark for levy computation, MAS proposes to compute a levy based on costs incurred to date and impose it as a lump sum on the exiting Bank. Eventually when the resolution costs are finalised, levies will be recomputed among the remaining Banks. Any levies overpaid or underpaid by the exiting Bank, would be redistributed to or borne by the Banks which are subject to the payment of levies at the time of the recomputation.

Question 7. MAS seeks comments on the proposal to compute and impose a lump sum levy on Banks that voluntarily exit the Singapore market before the two-year mark for levy computation.

5. Treatment for New Entrants

5.1. No levies will be imposed on new Banks that are set up after the resolution event (i.e. new entrants) as the resolution measures were taken before their entry into the Singapore market.

Question 8. MAS seeks comments on exempting a new entrant to the Singapore market after a resolution event from paying levies to recover resolution costs.

6. Levy Computation when the Deposit Insurance Fund Contributes to the Resolution Fund

6.1. Under Section 29A of the Deposit Insurance and Policy Owners' Protection Schemes Act 2011, the Deposit Insurance Fund (DI Fund) may be used to contribute to the Resolution Fund to support a resolution measure undertaken for a Deposit Insurance Scheme Member (DI SM) and other matters relating to the measure, subject to the equivalent cost criterion[3]. As the DI Fund is a ready and standing pool of funds, using the DI Fund for resolution can help to reduce the resolution levy burden by repaying any loans the Resolution Fund has taken faster and lowering the interest costs to the Resolution Fund.

6.2. If the DI Fund is used to contribute to the Resolution Fund, MAS proposes to offset the resolution levies only for DI SMs. The resolution levies will be offset for DI SMs as a collective group by the amount in the DI Fund (i.e. resolution levy discount). This is to recognise that only the DI SMs have paid for via DI premiums prior to the resolution and thus any benefits from using these DI premiums should accrue primarily to the DI SMs. For non-DI SMs, MAS proposes not to reduce their resolution levies by the resolution levy discount, as they did not previously pay any DI premiums.

6.3. Illustration 1 provides how the DI Fund can be used to offset the resolution costs of the DI SMs.

Assumptions:
(i) Total resolution cost is $100
(ii) DI Fund contributes an "equivalent cost" of $20
(iii) DI SMs pay an illustrative 70% of total resolution costs if there was no contribution from the DI Fund, based on their aggregate share of uninsured deposits (as computed in section 2 of this consultation)

	Resolution cost (without DI Fund)	**Resolution cost (with DI Fund)**	**Resolution levy for each FI**
DI SMs	$70*	$70 - $20 = $50	$\frac{\text{Uninsured deposits of DI SM}}{\text{Total uninsured deposits of DI SMs}} \times \$50$
Non-DI SMs	$30	$30	$\frac{\text{Uninsured deposits of FI}}{\text{Total uninsured deposits of all FIs}} \times \$100$

Illustration 1: Worked Example to calculate the resolution levies of DI SMs with a Resolution Levy discount and resolution levies of non-DI SMs without a Resolution Levy Discount

[3] The equivalent cost criterion provides that the amount drawn on the DI Fund will be capped at the amount that would have been paid out as compensation to insured depositors in a depositor payout situation for that particular DI SM in resolution (i.e. if the DI SM had been liquidated), net of asset recoveries from the DI SM in resolution.

6.4. For avoidance of doubt, MAS may determine that no amount will be paid out of the DI Fund to the Resolution Fund, for instance if the amounts that meet the equivalent cost criterion are not material.

Question 9. MAS seeks comments on the proposal that if the DI Fund is used to contribute to the Resolution Fund and the equivalent cost criterion is met, the DI Fund should be used to offset the resolution levies for DI SMs as a collective group by the amount in the DI Fund (i.e. resolution levy discount).

Question 10. MAS seeks comments on any other views regarding the proposed use of the DI Fund in the resolution of a DI SM.

7. List of Questions