Monetary Authority of Singapore

Consultation Paper
P011-2026 – May 2026

Consultation Paper on Proposed Total Loss Absorbing Capacity Requirements for Domestic Systemically Important Banks in Singapore

Contents

1. Preface

1.1. The Monetary Authority of Singapore (MAS) is proposing a framework to impose total loss absorbing capacity (TLAC) requirements on domestic systemically important banks (DSIBs) in Singapore. The proposed TLAC requirements aim to improve the loss absorbing and recapitalisation capacity of a DSIB to facilitate its orderly resolution in a manner which minimises reliance on public funds and without undermining financial stability.

1.2. MAS is therefore consulting on:

(a) key aspects of the proposed TLAC framework; and

(b) draft amendments to the Financial Services and Markets Act 2022 (FSMA) that will give MAS statutory powers to set out TLAC requirements.

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

1.4. 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

(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.

1.5. Please submit written comments by 12 June 2026 via the link provided: *FormSG Link*.

1.6. If you encounter technical difficulties in submitting your feedback via the link above, or would like to seek further clarifications on the consultation paper, please reach out to *resolution@mas.gov.sg*.

2. Introduction

2.1. The Global Financial Crisis highlighted risks arising from "too big to fail" financial institutions, especially moral hazard arising from using public funds to bail out systemically important financial institutions. International reforms to address this moral hazard have taken place firstly in the banking sector in the form of an internationally agreed set of minimum TLAC requirements applicable to Global Systemically Important Banks (GSIBs), also known as the FSB TLAC Term Sheet[1]. The requirements were developed by the Financial Stability Board (FSB) in consultation with the Basel Committee on Banking Supervision. TLAC requirements increase the amount of financial resources held by GSIBs that can be used for loss absorption or recapitalisation and ensures private investors are bailed in to bear first costs of failure, rather than public funds via government bailout.

2.2. All financial institutions are exposed to risk of failure, not just GSIBs. The failure of several US banks in 2023 further demonstrated the need for authorities to be prepared to resolve non-GSIBs that nevertheless could have significant impact on their respective jurisdictions' financial sectors were they to fail. One important area of consideration is whether increasing the loss-absorbing capacity of these banks will improve the ability to execute their orderly resolution while minimising reliance on public funds. Like other reputable global financial regulators, MAS is of the view that it is prudent to impose TLAC requirements on DSIBs to ensure that they have sufficient loss-absorbing capacity in a resolution scenario.

2.3. The proposed TLAC requirements take into consideration relevant international standards, such as the FSB TLAC Term Sheet, as well as approaches taken by other jurisdictions. Key aspects of the TLAC requirements to be consulted on are set out in Sections 3 to 6.

[1] Please refer to the Principles on Loss-absorbing and Recapitalisation Capacity of Global Systemically Important Banks in Resolution and the Total Loss-absorbing Capacity Term Sheet.

3. TLAC Requirements

3.1. Resolution actions, including bail-in and recapitalisation, are taken by resolution authorities in respect of the failed bank. For a DSIB headquartered in Singapore (local bank DSIB), MAS is the home resolution authority in charge of determining and implementing the appropriate resolution strategy. Therefore, local bank DSIBs will be subject to external TLAC requirements, whereby TLAC instruments are issued to external investors.

3.2. The FSB TLAC Term Sheet requires a GSIB to maintain TLAC equal to at least 18% of its risk-weighted assets (RWA) at all times. MAS recognises that our local bank DSIBs are smaller in size and have different risk profiles. As such, MAS proposes a risk appropriate approach to set external TLAC at 14% of the DSIB's RWA.

3.3. The FSB TLAC Term Sheet also has a 6.75% leverage ratio requirement, which is not risk-sensitive. The TLAC leverage ratio requirement is meant to be a backstop against capital underestimation that may arise from risk-based approaches. Based on MAS' close supervision of banks' internal models and assessment of capital adequacy (including supervisory CAR), MAS is comfortable that no further leverage ratio requirement is necessary. MAS will therefore not introduce an external TLAC leverage ratio requirement for local bank DSIBs. Such an approach will avoid unnecessary complexity and compliance costs.

Question 1. MAS seeks comments on the proposed external TLAC requirements applicable to local bank DSIBs.

3.4. DSIBs which are part of other banking groups headquartered overseas (foreign bank DSIBs) are generally subject to resolution strategies determined and coordinated by resolution authorities in their home jurisdiction. In such cases, it is more appropriate that losses suffered by these DSIBs are instead up-streamed to other entities in the banking group that resolution strategies will be applied to. This can be done via the foreign bank DSIB issuing internal TLAC to a parent entity within the group.

3.5. Where a foreign bank DSIB is designated as a material sub-group (MSG) of a GSIB, it will already be subject to internal TLAC requirements imposed on it as part of the GSIB's Crisis Management Group discussions. MAS will also impose internal TLAC requirements on other foreign bank DSIBs which are not such MSGs, given their systemic importance in Singapore. This will be done in discussion with the foreign bank DSIB and its home regulator and/or resolution authority.

3.6. The internal TLAC requirements will be calculated as a percentage, more specifically 75%-90% of the amount of external TLAC it would be required to hold if it were a standalone entity to be resolved – this is known as the internal TLAC scalar. Internal TLAC requirements are lower than external TLAC requirements because it is expected that foreign bank DSIBs will receive support from their parent entities when in stress, and the parent entity should have some flexibility to deploy its financial resources across the banking group to alleviate stresses faced by different entities.

3.7. In calculating the amount of external TLAC a foreign bank DSIB would be required to hold as a standalone entity, and subsequently its internal TLAC requirement, MAS proposes that this be calibrated at 18% RWA for a foreign bank DSIB that is part of a GSIB, and 14% RWA for a foreign bank DSIB that is not part of a GSIB.

Question 2. MAS seeks comments on the proposal to subject foreign bank DSIBs to internal TLAC requirements.

3.8. TLAC is meant to enhance a DSIB's ability to absorb losses in a resolution scenario and works in parallel with the existing regulatory capital framework. Accordingly, a DSIB can use its regulatory capital to satisfy its TLAC requirements, so long as they also meet the eligibility criteria set out in Section 4. However, CET1 Capital that is being used to meet the capital conservation buffer[2] cannot be used to also meet TLAC requirements. This is because these buffers are meant to be drawn down in stress before a DSIB becomes non-viable and cannot be reliably available during resolution.

Question 3. MAS seeks comments on the proposal that CET1 capital used to meet the capital conservation buffer cannot also count towards its TLAC.

3.9 While TLAC improves the resilience of DSIBs by ensuring that they have sufficient loss-absorbing capacity in a resolution scenario, there could be other methods of achieving the same objective.[3] MAS seeks views on any potential alternative solutions that could be used to improve the resilience of DSIBs in crisis situations.

Question 4. MAS seeks views on any alternative solutions that could be imposed in lieu of a TLAC requirement to improve the resilience of DSIBs in crisis situations.

[2] MAS will also not allow capital held against the countercyclical buffer (currently 0%) to be used to meet TLAC requirements.

[3] Such methods could include, inter alia, a prefunded pool of money contributed by all DSIBs that could be used in the event of a DSIB failure and mutualise the potential losses should one DSIB fail. The contributions could be in proportion of the DSIBs' RWA.

4. Eligibility Criteria for TLAC instruments

4.1. Minimum TLAC requirements are intended to facilitate an orderly resolution of a DSIB by ensuring sufficient loss absorbing capacity for bailing in external investors or up-streaming to the banking group, as the case may be. For this purpose, it needs to be sufficiently certain that TLAC instruments are available and able to to bear losses in resolution. Additionally, the priority in which TLAC instruments absorb losses in resolution must be aligned with their respective positions in the creditor hierarchy in liquidation, to minimise compensation costs payable under the "No Creditor Worse of than in Liquidation" safeguard.

4.2. TLAC instruments must meet the following criteria (excluding paragraph 4.2(f) for internal TLAC), which will ensure that they have sufficient loss-absorbing capacity:

(a) Be fully paid in;

(b) Be unsecured;

(c) Not be subject to any set off or netting rights that would undermine their loss-absorbing capacity in resolution;

(d) Have a minimum remaining contractual maturity of at least one year or be perpetual (no maturity date);

(e) Not be redeemable at the option of the holder (i.e. not contain an exercisable put) prior to maturity;

(f) Not be funded directly or indirectly by the issuer or a related party of the issuer, except where MAS and relevant host authorities have agreed that it is consistent with the resolution strategy to allow TLAC instruments or liabilities to be issued to a parent of the issuer to count towards TLAC of the issuer;

(g) Not arise from derivatives;

(h) Not have derivative-linked features (e.g. structured notes);

(i) Not arise other than through a contract (e.g. tax liabilities);

(j) Be subject to Singapore law or if it is subject to the law of a foreign jurisdiction, the application of resolution powers by MAS is effective and enforceable on the basis of binding statutory provisions or legal enforceable contractual provisions for the recognition of resolution actions; and

(k) Contain a contractual trigger or be subject to a statutory mechanism for MAS to effectively write it down or convert it to equity in resolution.

4.3. To avoid doubt, the scope of liabilities eligible for inclusion as TLAC mirrors the scope of instruments subject to MAS' statutory bail-in regime. Deposits (insured or otherwise) and liabilities which are preferred to senior unsecured creditors under Singapore insolvency law are therefore also excluded from being used to meet TLAC requirements.

4.4. In sum, MAS therefore proposes that a DSIB's TLAC comprise:

(a) Its regulatory capital as reported under Notice 637 on Risk Based Capital Adequacy Requirements for Banks Incorporated in Singapore (MAS Notice 637), net of any deductions and any contribution from regulatory capital instruments which do not meet the criteria in paragraph 4.2;

(b) Any portion of its Tier 2 capital instruments that meets the criteria in paragraph 4.2 and has been subject to the amortisation schedule set out in paragraph 6.3.6(f)(ii) of MAS Notice 637; and

(c) Other liabilities that meet the criteria in paragraph 4.2.

These are illustrated in Figure 1.

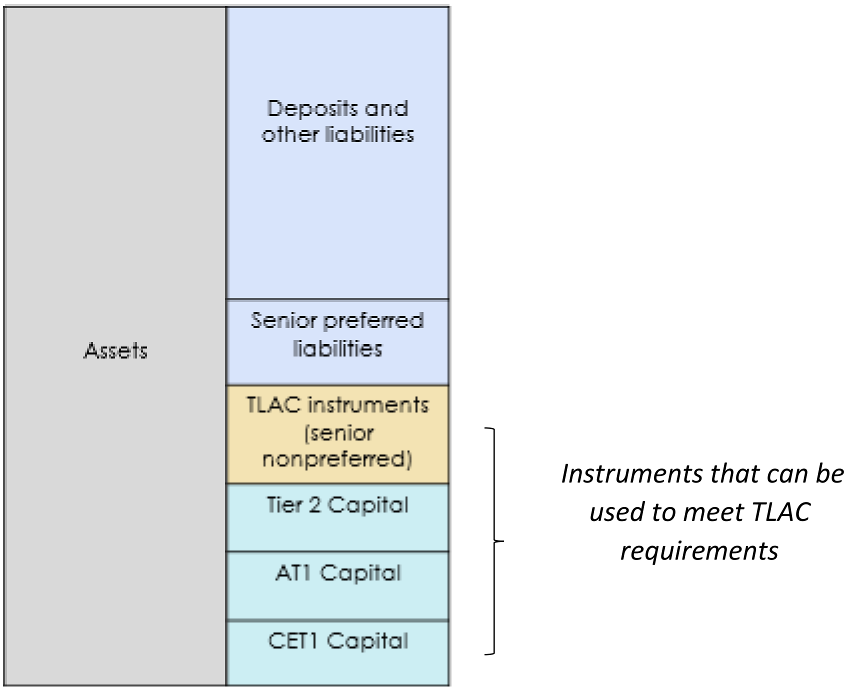

Figure 1: Illustration of a DSIB's TLAC structure

Question 5. MAS seeks comments on the proposed eligibility criteria for TLAC instruments.

4.5. Depending on the resolution strategy adopted for a DSIB under resolution, MAS may impose losses on investors of a DSIB's TLAC instruments e.g. through a write-down or conversion to equity at a haircut. As the objective of a resolution is to maintain critical functions provided by the DSIB, as well as to preserve financial stability, it is important that MAS is able to use all resolution tools available at its disposal promptly. If a significant portion of TLAC instruments is held by retail investors[4] in Singapore, there is a real risk that considerations over imposing losses on these retail investors may delay decisions relating to bail-in. MAS therefore proposes that TLAC instruments issued to retail investors in Singapore cannot count towards its TLAC. DSIBs are not expected to track or limit subsequent transactions of TLAC instruments in the secondary market, but are expected to not distribute or facilitate Singapore retail investors' access to TLAC instruments issued by DSIBs, including investment products referencing these instruments. This approach is aligned with MAS' approach on retail investment in Additional Tier 1 and Tier 2 Capital Instruments.[5]

Question 6.	*MAS seeks comments on the proposal to not allow TLAC instruments issued to retail investors in Singapore to count towards a DSIB's TLAC.*

[4] Retail investors are investors that are not accredited investors (AI) or institutional investors (II). AIs and IIs have the same definitions as under Section 4A of the Securities and Futures Act 2001.
[5] Please refer to "Consultation Paper on the Prudential Treatment of Cryptoasset Exposures and Requirements for Additional Tier 1 and Tier 2 Capital Instruments for Banks" published on 27 March 2025.

5. Implementation Timeline

5.1. MAS expects DSIBs to meet TLAC requirements primarily through the issuance of new TLAC instruments. A longer implementation timeline balances the need for DSIBs to build up TLAC against other considerations such as the desirability of developing the Singapore TLAC investor base/market in an orderly manner and avoiding rush-to-market pricing spikes if all DSIBs are required to issue TLAC in a short timeframe. MAS therefore proposes that DSIBs be given 5 years to meet their TLAC requirements, starting from the date of notification that they are subject to TLAC requirements.

Question 7. MAS seeks comments on the proposal to give DSIBs 5 years, from date of notification, to meet TLAC requirements.

6. Reporting and Disclosure Requirements

6.1. As mentioned in Section 5, a DSIB will likely issue new external or internal TLAC instruments to meet its TLAC requirements. It is important for a DSIB to report and disclose relevant information about its TLAC instruments, both to MAS and to the public, as this will provide clarity to interested stakeholders (i.e. investors, counterparties, creditors, depositors) about the order in which they are expected to bear losses in resolution. MAS intends to require every DSIB to disclose the following metrics, either quarterly or semiannually:

(a) Key prudential metrics related to TLAC, including total amount, composition (regulatory capital and other TLAC instruments) and creditor hierarchy ranking of all TLAC instruments; and

(b) TLAC expressed as a ratio of its RWA.

Question 8. MAS seeks comments on the proposed TLAC reporting and disclosure requirements.

7. Proposed Amendments to the FSMA

7.1. MAS proposes to amend Part 7 of the FSMA to introduce a new Division 3 that will give MAS statutory powers to impose TLAC requirements on Division 6 FIs, in line with the proposals set out in Sections 3 to 6, via notice.

7.2. While TLAC requirements are intended to apply only to DSIBs in the first instance, the new Division 3 provisions provide MAS with the flexibility to introduce similar requirements on other Division 6 FIs, should subsequent domestic and international developments necessitate such a move.

*Question 9. MAS seeks comments on the draft Division 3 under Part 7 of the FSMA, at **Annex A**.*

8. List of Questions