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Review of Anti-Commingling Framework for Banks

MAS

Monetary Authority of Singapore

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1 Preface

1.1 Banks in Singapore are prohibited from carrying on businesses other than banking and financial businesses and businesses prescribed or approved by MAS.

1.2 In 2011, MAS introduced an exemption under regulation 23G of the Banking Regulations to give banks flexibility to conduct non-financial businesses that are related or complementary to their core businesses. This is subject to a number of conditions such as the requirement for banks to obtain approval from their parent supervisory authorities, engage external auditors and undertake stress tests.

1.3 Since then, the banking landscape has continued to evolve. Technological advancements have created opportunities for banks to improve delivery of financial services. They have also enabled non-bank and other online players in the provision of financial services.

1.4 MAS recognises that there is scope to simplify the regulatory requirements and expand the scope for banks seeking to conduct or invest in permissible non-financial businesses that are related or complementary to their core financial businesses. This will allow banks to broaden their ability to provide a fuller suite of services to their customers. This paper sets out MAS' detailed proposals and corresponding legislative amendments.

1.5 MAS invites interested parties to provide their views and comments on the proposals in this paper.

Please note that all submissions received will be published and attributed to the respective respondents unless they expressly request MAS not to do so. If respondents would like (i) their whole submission or part of it, or (ii) their identity, or both, to be kept confidential, please state so in the submission to MAS. 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 libellous or offensive.

1.6 Please submit written comments by 15 November 2017 to –

Prudential Policy Department
Monetary Authority of Singapore
10 Shenton Way, MAS Building
Singapore 079117
Fax: (65) 62203973
Email: prudential_policy_dept@mas.gov.sg

1.7 Electronic submission is encouraged. We would appreciate that you use this suggested format [here](#) for your submission to ease our collation efforts.

2 Introduction

2.1 In 2001, MAS introduced a policy to separate the financial and non-financial businesses of banks in Singapore (the anti-commingling policy). This was intended to help banks remain focused on their core banking business and competencies, and avoid potential contagion from the conduct of non-financial businesses. The general thrust of the policy was to prohibit banks from:

- (a) directly undertaking businesses other than banking business and financial businesses [section 30 of the Banking Act “BA”];
- (b) acquiring major stakes in companies engaging in non-financial businesses [section 32 of the BA]; and
- (c) using or sharing their names, logos or trademarks on or with (i) physical infrastructure; (ii) sponsored events; or (iii) any non-financial affiliate [section 5A of the BA].

2.2 The anti-commingling policy was fine-tuned in 2011, through the introduction of regulation 23G of the Banking Regulations, to give banks flexibility to carry on businesses that are related or complementary to their core financial businesses. To ensure that banks take on such new businesses prudently, they are required to comply with minimum requirements. These include the requirement for banks to obtain prior approval from their parent supervisory authorities, engage external auditors to audit the businesses annually (including the robustness of the approval framework, valuation methodology and risk management processes) and undertake regular stress tests (see Annex B). In addition, some businesses such as property development, provision of hotel and resort facilities, and sale of consumer goods, are strictly prohibited.

2.3 Since then, the banking landscape has further evolved. The advent of mobile apps and digital platforms have disrupted traditional business models and transformed consumer preferences. Technological advancements have also created opportunities to seamlessly provide customers with a more integrated suite of financial and related non-financial services. With the line blurring between financial and non-financial businesses, banks also face increasing competition from non-bank players who are leveraging their large user bases to provide digital payments and other financial services.

2.4 Given the new environment, MAS recognises that there is scope to simplify and adjust the anti-commingling framework, while safeguarding its core policy objectives. This will allow banks to broaden and better integrate their range of services.

2.5 As announced in June 2017¹, MAS proposes to refine the anti-commingling framework for banks in two key aspects:

- (a) The conditions and requirements under regulation 23G will be streamlined so as to make it easier for banks to conduct or invest in permissible non-financial businesses that are related or complementary to their core financial businesses; and
- (b) Banks will be allowed to engage in the operation of digital platforms that match buyers and sellers of consumer goods or services, as well as the online sale of such goods or services.

3 Streamlining the Conditions under Regulation 23G

3.1 Banks have provided feedback that the exemption under regulation 23G is not widely used as the conditions and requirements set out therein can be onerous. This is particularly where the non-financial business is conducted on a small scale.

3.2 MAS agrees there is scope to simplify the framework. Specifically, MAS proposes to remove the requirement for banks to seek prior parent supervisory approval². MAS will also streamline existing conditions under regulation 23G such that banks would only need to comply with the following, prior to conducting or investing in permissible non-financial businesses:

- (a) The business is related or complementary to any of the core financial businesses carried on by the bank;
- (b) The bank informs MAS at least 14 calendar days prior to:
 - i. the commencement of the business, public announcement of the bank carrying on the business, or the signing of the agreement to acquire the business or major stake in the entity operating the business, whichever is earlier; and

¹ Keynote Address by Mr Heng Swee Keat, Minister for Finance and Board Member, Monetary Authority of Singapore, at the Association of Banks in Singapore Annual Dinner on 27 June 2017.

² For the avoidance of doubt, a foreign bank should still seek its parent supervisory authority's approval if this is a requirement imposed on the bank in its home jurisdiction.

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- ii. any subsequent changes in scope, shareholding, ownership, investment or capital in the business;
 - (c) The bank does not issue any guarantee, indemnity, letter of comfort or such other letter imposing similar obligations on the bank in respect of the business, without the prior approval of MAS;
 - (d) The bank puts in place appropriate risk management and governance arrangements that are commensurate with the risks posed by the business and such arrangements have been approved by its board of directors;
 - (e) The aggregate size of all businesses carried on by the bank under regulation 23G does not exceed 10% of the bank's capital funds (solo and group)³; and
 - (f) The bank complies with such other conditions that MAS may impose, from time to time.

3.3 MAS also proposes to exempt banks from the single equity investment limit under section 31 of the BA⁴, as well as the requirement to seek MAS' approval for the acquisition of a major stake in an entity under section 32 of the BA⁵, if the entity to be

³ With the removal of the DBU-ACU divide, the concept of capital funds will no longer apply for foreign bank branches. In the consultation paper on "DBU-ACU Divide – Implementation Issues" issued in August 2015, MAS had proposed to then revise the basis for the limit to total assets, instead of capital funds, for all banks. On further consideration, MAS will retain "capital funds" as the base for banks incorporated in Singapore. For foreign bank branches, MAS will use "total assets less interbank lending" as a proxy. Correspondingly, the aggregate size limit for foreign bank branches will be set at 1.5% of the bank's total assets less interbank lending. This will be applied at the solo level once the DBU-ACU divide is removed.

⁴ Under section 31 of the BA, a bank must not acquire or hold any equity investment in a single company, the value of which exceeds in the aggregate 2% of the bank's capital funds.

⁵ "Major stake", in relation to an entity, means —

- (a) any beneficial interest exceeding 10% of the total number of issued shares or such other measure corresponding to shares in a company as may be prescribed;
- (b) control of over more than 10% of the voting power or such other measure corresponding to voting power in a company as may be prescribed; or
- (c) any interest in the entity, by reason of which the management of the entity is accustomed or under an obligation, whether formal or informal, to act in accordance with the bank's directions, instructions or wishes, or where the bank is in a position to determine the policy of the entity.

acquired carries on a permissible non-financial business prescribed under regulation 23G and the bank complies with the conditions set out therein.

3.4 As set out in paragraph 3.2, MAS will continue to apply a cap on the aggregate size of a bank's non-financial businesses. This is important to limit contagion risks and help ensure that banks remain focused on their core financial businesses.

3.5 Given that the revised regulation 23G no longer requires banks to seek prior approval from their home supervisory authority or comply with other detailed requirements, MAS proposes to lower the cap to 10% (from 15% currently) of a bank's capital funds.

3.6 With the lowering of the Aggregate Size limit to 10%, MAS will remove the 20% aggregate cap on PE/VC businesses under regulation 23F⁶ and permissible non-financial businesses under regulation 23G be since such a limit will no longer be relevant.

3.7 It is possible that a bank may wish to acquire a major stake in an entity that carries on both financial and non-financial businesses. The bank may do so pursuant to the exemption under regulation 23G or seek MAS' approval for the acquisition under section 32 of the BA. If the bank opts to use regulation 23G, it will not need to seek MAS' approval under section 32 but must count the entire acquisition towards the 10% Aggregate Size limit. If the bank decides to seek MAS' approval for the acquisition under section 32 of the BA, then only the size of non-financial businesses would need to be taken into account for the purposes of determining whether the 10% Aggregate Size limit under regulation 23G has been exceeded.

3.8 In addition, MAS will simplify the measurement of Aggregate Size such that it will be based on total balance sheet asset value or total exposure (whichever is the higher of the two). MAS will remove revenue contribution as a measurement of size of permissible non-financial business. However, banks will be required to monitor and report revenue contribution as this continues to serve as a useful gauge of the significance of the business to the bank. The current reporting requirements under the Fourth Schedule to the Banking Regulations will be amended accordingly.

3.9 MAS also proposes to clarify the definition of total exposure for the purpose of computing the aggregate size of non-financial businesses under regulation 23G.

⁶ Under regulation 23F, banks are able to invest in prescribed private equity or venture capital businesses, subject to a cap of 10% of capital funds.

Specifically, total exposure should measure the maximum loss that a bank may incur arising from carrying on the businesses. It should include exposures that are reflected in both the bank's banking and trading books, recorded in accordance with Part VII (Credit Risk) and Part IX (Market Risk) of MAS Notice 637 respectively. Where a bank proposes to acquire a major stake in an entity, the full amount of its investment would also have to be taken into account. Total exposure will therefore refer to the sum of:

- (a) All exposures to businesses conducted under regulation 23G that are reflected in the bank's banking book;
- (b) All exposures to businesses conducted under regulation 23G which are reflected in the bank's trading book; and
- (c) The value of the consideration paid for the acquisition of any major stake entity.

Question 1. MAS seeks comments on (i) the proposal to streamline the conditions in regulation 23G as set out in paragraph 3.2; and (ii) the revised reporting requirements under the Fourth Schedule to the Banking Regulations as set out in Annex C.

Question 2. MAS seeks comments on the proposal to exempt banks from (i) the single equity investment limit under section 31 of the BA; and (ii) the requirement to seek MAS' approval for the acquisition of a major stake in an entity under section 32 of the BA, so long as the entity carries on permissible non-financial businesses prescribed under the revised regulation 23G and the bank complies with the conditions set out therein.

Question 3. MAS seeks comments on the proposed computation of total exposure set out in paragraph 3.9.

4 Permissible Non-Financial Businesses

Prohibited businesses

4.1 Currently, banks are prohibited from conducting, or investing in, the following non-financial businesses:

- (a) Property development (except for the property-related businesses prescribed in regulation 21 of the Banking Regulations);

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- (b) Manufacturing and selling of consumer goods⁷;
 - (c) Provision of hotel and resort facilities;
 - (d) Property management of properties not held by the bank or any of its major stake entities;
 - (e) Owning, operating or investing in facilities for the extraction, transportation, storage or distribution of commodities; and
 - (f) Owning, operating or investing in facilities for processing, refining or otherwise altering commodities.

4.2 MAS proposes to retain the above list of prohibited businesses, with the following refinements to reflect MAS' policy intent and codify existing practices:

- (a) In relation to paragraph 4.1(b), banks will no longer be strictly prohibited from carrying on the business of selling consumer goods (see paragraphs 4.3 and 4.4); and
- (b) In relation to paragraph 4.1(d), banks will only be allowed to engage in property management for properties held by the bank or an entity in its banking group (i.e. its subsidiary or any other entity treated as part of the bank's group for accounting purposes according to the Accounting Standards).

Digital matching platforms and online sale of consumer goods or services

4.3 MAS recognises that the banking landscape has continued to evolve. Online purchase of goods and services and the use of e-payment services are becoming increasingly integrated, and many non-financial entities are now delivering financial services through their online platforms and mobile phone applications.

4.4 To enable banks to compete effectively against the non-financial players in the new digital economy, MAS proposes to relax the current prohibition on sale of consumer goods by allowing banks to engage, directly or indirectly, in the following businesses, under regulation 23G:

⁷ For the avoidance of doubt, where the business is a manufacturing or product development business that manufactures or develops products only for and/or provides services only to the bank (i.e. the bank does not on-sell these goods, products or provide the services to third parties), then this will not constitute a business for the purposes of the anti-comingling framework set out in section 30 of the BA.

- (a) Operation of online location or electronic platform that matches buyers and sellers of consumer goods or services;
- (b) Sale of consumer goods or services via online location or electronic platforms; and
- (c) Any business which is incidental to the business set out in paragraph (a) or (b) above e.g. the provision of logistics services to deliver the goods to consumers.

With this adjustment, banks will be able to provide a fuller and integrated suite of services to their customers, thus enabling them to compete on a level playing field with the non-financial entities.

Question 4. MAS seeks comments on the proposal to allow banks to engage, directly or indirectly, in the following businesses, under regulation 23G:

- (a) Operation of digital platforms that match buyers and sellers of consumer goods or services (through online or other electronic platforms); and
- (b) The sale of consumer goods or services via digital platforms (either online or through mobile application).

Other non-financial businesses

4.5 We note that some banks currently carry on the following non-financial businesses in reliance on the existing regulation 23G:

- (a) Sale, purchase and trading of commodities;
- (b) Provision of Islamic financing (other than those prescribed in Regulations 22 to 23E), which involves the sale or purchase of assets so as to be compliant with Shariah law and principles;
- (c) Provision of sales, marketing and administrative services on behalf of any regulated financial institution which is a related corporation of the bank; and
- (d) Provision of advisory services to any of its customer on the social and environmental impact of the customer's actual or planned investments or activities.

4.6 MAS will continue to allow banks to conduct the above activities under the revised regulation 23G.

4.7 Following MAS' announcement on the streamlined anti-commingling framework, some banks have also provided feedback that they would like to be able to conduct or

invest in the following businesses, as part of their strategy to provide integrated solutions to their customers:

- (a) sale of software or systems that were originally developed or commissioned by the bank for its core financial business (e.g. sale of accounting or risk analytics software); and
- (b) entering into tie-ups or referral arrangements with any person for that person to sell or provide the person's products or services which that person will be solely responsible for delivering or performing.

4.8 MAS is prepared to allow banks to conduct the activities mentioned above, if the conditions under the revised regulation 23G are complied with.

4.9 Where a bank intends to carry on, either directly or indirectly through another entity, any other business which does not fall within paragraphs 4.4, 4.5 or 4.7, it must seek MAS' approval⁸ before doing so. This is because banks should not be engaging in the sale of goods or non-financial services as a business in its own right.

4.10 In reviewing such applications, MAS will consider if the business is indeed related or complementary to the bank's core financial businesses, the strategic value of the business, and also the associated risks. Where MAS grants approval, the bank will be subject to at least the conditions set out in the revised regulation 23G. MAS may also impose additional conditions, where necessary.

4.11 MAS will review the prescribed list of permissible activities under regulation 23G periodically, drawing on implementation experience.

4.12 A flowchart illustrating the above proposals is set out in [Annex D](#).

Question 5. MAS seeks comments on the proposal to allow banks to engage, directly or indirectly, in the non-financial businesses set out in paragraphs 4.5 and 4.7, and whether there are other non-financial businesses that should be allowed under the revised regulation 23G.

⁸ The application for case-by-case approval will have to be made under section 30(1)(e) of the BA. Where the bank is acquiring a major stake entity, the bank shall also seek MAS' approval under section 32 of BA.

Anti-commingling framework for Bank Holding Companies and Merchant Banks

4.13 We are also reviewing the appropriate anti-commingling regime to be applied to bank holding companies and merchant banks. These will be included in our industry consultation papers on FHC regulations and ACU-DBU implementation issues for merchant banks respectively.

5 Sharing of Name, Logo or Trade Mark of a Bank Incorporated in Singapore

5.1 Under section 5A of the Banking Act, MAS' prior approval must be obtained for any use of a locally incorporated bank's name, logo or trade mark. This is to avoid reputation and contagion risks that can result from the sharing of names and logos between banks and non-financial entities. It also helps to minimise confusion to the public who may otherwise perceive the bank to be associated with a particular trade or business, when it is not the case.

5.2 That said, MAS recognises that the placement of the bank's name, logo or trade mark in relation to an event that is sponsored by the bank is a commonly accepted avenue of advertisement. This is typically done on an ad hoc basis and is short term in nature. As such, MAS proposes to allow a locally incorporated bank to place its name, logo and/or trade mark on any event that is sponsored by the bank, subject to deliberation and approval by the bank's board of directors.

Question 6. MAS seeks comments on the proposal to allow a locally-incorporated bank to use or place its name, logo or trade mark in relation to any event that is sponsored by the bank, subject to deliberation and approval by its board.

6 Legislative Amendments

6.1 The proposed legislative amendments to effect the proposals in this paper are set out in the following Annexes:

Proposal	Annex
To revise the reporting requirements under the Fourth Schedule to the Banking Regulations.	Annex C
To simplify the conditions under regulation 23G.	Annex E
To allow banks to engage, directly or indirectly, the businesses of (i) operating digital platforms that match buyers and sellers of consumer goods or services (either online or through mobile application); and (ii) selling consumer goods or services via digital platforms (either online or through mobile application) under regulation 23G.	Annex E
To allow banks which are currently carrying on businesses under the existing regulation 23G to continue to carry on such businesses subject to the conditions under the revised regulation 23G.	Annex E
To exempt banks from the requirement to seek MAS' approval for the acquisition of a major stake in an entity under section 32 of the BA, so long as the entity carries on permissible non-financial businesses prescribed under the revised regulation 23G and the bank complies with the conditions set out therein.	Annex F
To refine the list of prohibited businesses.	Annex G
To exempt banks from the single equity investment limit under section 31 of the BA	Annex H
To insert a new Part IIAA in the Banking Regulations to allow banks incorporated in Singapore to use or place its name, logo or trade mark in relation to any event that is sponsored by the banks.	Annex I
To amend regulation 21 such that banks will not be allowed to engage in property management of properties, except for those held by the bank or an entity in its banking group.	Annex J
Other consequential amendments, resulting from MAS' proposal to simplify the anti-commingling policy.	Annex K

Question 7. MAS seeks comments on the proposed legislative amendments set out in Annexes C to K.

Annex A: List of Questions

- Question 1.** MAS seeks comments on (i) the proposal to streamline the conditions in regulation 23G as set out in paragraph 3.2; and (ii) the revised reporting requirements under the Fourth Schedule to the Banking Regulations as set out in Annex C. 9
- Question 2.** MAS seeks comments on the proposal to exempt banks from (i) the single equity investment limit under section 31 of the BA; and (ii) the requirement to seek MAS' approval for the acquisition of a major stake in an entity under section 32 of the BA, so long as the entity carries on permissible non-financial businesses prescribed under the revised regulation 23G and the bank complies with the conditions set out therein. 9
- Question 3.** MAS seeks comments on the proposed computation of total exposure set out in paragraph 3.9. 9
- Question 4.** MAS seeks comments on the proposal to allow banks to engage, directly or indirectly, in the following businesses, under regulation 23G: 11
- (a) Operation of digital platforms that match buyers and sellers of consumer goods or services (through online or other electronic platforms); and..... 11
- (b) The sale of consumer goods or services via digital platforms (either online or through mobile application). 11
- Question 5.** MAS seeks comments on the proposal to allow banks to engage, directly or indirectly, in the non-financial businesses set out in paragraphs 4.5 and 4.7, and whether there are other non-financial businesses that should be allowed under the revised regulation 23G. 12
- Question 6.** MAS seeks comments on the proposal to allow a locally-incorporated bank to use or place its name, logo or trade mark in relation to any event that is sponsored by the bank, subject to deliberation and approval by its board. 13
- Question 7.** MAS seeks comments on the proposed legislative amendments set out in Annexes C to K. 15

Annex B: List of Existing Conditions

Requirements in the Banking Regulations	
23G(1)	<p>(a) the business is related or complementary to any of the core financial business which is carried on by the bank;</p> <p>(b) the business is being carried on by a regulated financial institution in any jurisdiction and is permitted —</p> <p style="padding-left: 20px;">(i) under the laws of that jurisdiction; and</p> <p style="padding-left: 20px;">(ii) by the supervisory authority of that regulated financial institution;</p> <p>(c) the business is permitted to be carried on by the bank —</p> <p style="padding-left: 20px;">(i) under the laws of the home jurisdiction of the bank; and</p> <p style="padding-left: 20px;">(ii) by the parent supervisory authority of the bank;</p> <p>(e) the business is not any of the following types of business:</p> <p style="padding-left: 20px;">(i) property development, not including the property related businesses prescribed in regulation 21;</p> <p style="padding-left: 20px;">(ii) manufacturing or selling of consumer goods;</p> <p style="padding-left: 20px;">(iii) provision of hotel and resort facilities;</p> <p style="padding-left: 20px;">(iv) property management of properties not held by the bank or any of its major stake companies;</p> <p style="padding-left: 20px;">(v) owning, operating or investing in facilities for the extraction, transportation, storage or distribution of commodities; and</p> <p style="padding-left: 20px;">(vi) owning, operating or investing in facilities for processing, refining or otherwise altering commodities.</p>
23G(2)	<p>(a) the bank has appropriate policies and procedures, including well-defined risk management policies on financial and non-financial exposures and risk concentrations, and staff with the expertise to manage the business;</p> <p>(b) where the bank is a bank incorporated outside Singapore or is a foreign-owned bank incorporated in Singapore with no experience in carrying on the business in its head office or parent bank, it has obtained the prior written approval of its head office or parent bank (as the case may be), and its parent supervisory authority, to carry on the business; and</p> <p>(c) any equity investment in a company acquired or held by the bank arising from the business —</p> <p style="padding-left: 20px;">(i) is not intended to be held by the bank for more than 7 years; or</p> <p style="padding-left: 20px;">(ii) is not intended to be held by the bank for the purpose of allowing the bank to participate in or make any management decisions for the company, unless the company is a wholly-owned subsidiary of the bank acquired or held primarily for the purpose of segregating risks that arises from the carrying on of the business so as to prevent such risks from affecting the financial soundness and stability of the bank.</p>

23G(3)	<p>limit the Aggregate Size of all such businesses —</p> <p>(a) where the bank is incorporated in Singapore, to —</p> <p>(i) 15% of its capital funds or such other percentage as the Authority may approve in any particular case (where applicable); and</p> <p>(ii) 15% of the capital funds of its banking group or such other percentage as the Authority may approve in any particular case (where applicable); and</p> <p>(b) where the bank is incorporated outside Singapore, to 15% of its capital funds or such other percentage as the Authority may approve in any particular case (where applicable).</p>
23G(4)	<p>limit the Aggregate Size of all such businesses —</p> <p>(a) where the bank is incorporated in Singapore, to —</p> <p>(i) 20% of its capital funds or such other percentage as the Authority may approve in any particular case (where applicable); and</p> <p>(ii) 20% of the capital funds of its banking group or such other percentage as the Authority may approve in any particular case (where applicable); and</p> <p>(b) where the bank is incorporated outside Singapore, to 20% of its capital funds or such other percentage as the Authority may approve in any particular case (where applicable).</p>
23G(5)	<p>Provide reports to the Authority in accordance with the requirements specified in the Fourth Schedule, and provide such other information as the Authority may require in relation to any business prescribed in paragraph (1) that is carried on by the bank.</p>
23G(6)	<p>Comply with such other conditions or restrictions that the Authority may impose, from time to time, by notice in writing in relation to its carrying on of such business.</p>
23G(7)	<p>If the Authority, having regard to the specific circumstances of a bank in Singapore (including whether the internal controls of the bank are sufficiently robust to effectively monitor and manage the risks of the bank), or in the event that any of the conditions or requirements in paragraphs (1) to (6) are not satisfied by the bank at any point in time, issues to the bank a written declaration that paragraph (1) shall no longer apply to the bank in relation to any business specified in the declaration from a specified date, then paragraph (1) shall not apply to the bank from the specified date with respect to that specified business.</p>

23G(8)	The Authority may, at any time where it considers it to be necessary in the circumstances, by notice in writing require a bank in Singapore to carry on any business prescribed in paragraph (1) in a wholly-owned subsidiary of the bank.
Requirements in the Banking Regulations Fourth Schedule	
(1)	<p>A bank in Singapore shall submit, no later than the last day of the month immediately following the end of each quarter of a year, the following information in relation to that quarter:</p> <ul style="list-style-type: none"> (a) balance sheet value, revenue numbers, and exposures of all businesses prescribed in regulation 23G(1) carried on by the bank; (b) utilisation of the regulatory limits prescribed in regulation 23G(3) and (4); (c) key internal risk metrics, in addition to the regulatory limits prescribed in regulation 23G(3) and (4); and (d) the business activities of every wholly-owned subsidiary of the bank excluded from the operation of section 32 of the Act under regulation 7A.
(2)	<p>A bank in Singapore shall submit, no later than the last day of the month immediately following the end of each of its financial year, and at such other times as the bank considers necessary, the following information:</p> <ul style="list-style-type: none"> (a) external audit reports on the businesses prescribed in regulation 23G(1) carried on by the bank and the risk management of such businesses; and (b) stress test results of such businesses.
(3)	<p>A bank in Singapore shall submit, no later than the last day of the month immediately following the end of each quarter of a year, the following in relation to that quarter, where applicable:</p> <ul style="list-style-type: none"> (a) for every new business prescribed in regulation 23G(1) carried on by the bank, an assessment of the impact of the new business on the risk profile of the bank, and key risk mitigation and contingency plans; (b) changes in the corporate governance structure and business activities of any of the wholly-owned subsidiaries of the bank excluded from the operation of section 32 of the Act under regulation 7A; (c) provision by the bank of any guarantee or letter of comfort to any of the wholly-owned subsidiaries of the bank excluded from the operation of section 32 of the Act under regulation 7A; (d) changes in the bank's investment in, and exposure to, any of the wholly-owned subsidiaries of the bank excluded from the operation of section 32 of the Act under regulation 7A; and

	(e) any supervisory, legal, reputational or other significant matters relating to any of the wholly-owned subsidiaries of the bank excluded from the operation of section 32 of the Act under regulation 7A.
(4)	<p>A bank in Singapore shall submit an internal audit report on every business prescribed in regulation 23G(1) carried on by the bank, and on the risk management of such business —</p> <p>(a) no later than the last day of the month immediately following the end of its first year carrying on such business; and</p> <p>(b) no later than the last day of the month immediately following the end of each quarter of every subsequent year, where such report has been prepared.</p>
Other Requirements	
	The bank obtains prior approval from the Authority for the issuance of any guarantee, indemnity, letter of comfort, or other such letter imposing similar obligations on the bank, in respect of the business.

Annex C: Proposed Amendments (Tracked) to Fourth Schedule of the Banking Regulations

FOURTH SCHEDULE

regulation 23G(5)

REQUIREMENTS FOR ~~REPORTS~~ INFORMATION TO BE SUBMITTED TO AUTHORITY

1. A bank in Singapore shall, ~~within 10 days from 31st March, 30th June, 30th September and 31st December of each year, or such later date as may be approved in writing by the Authority, submit to the Authority, no later than the last day of the month immediately following the end of each quarter of a year~~ the following information in relation to ~~that~~ the respective quarter:

- (a) balance sheet value, revenue numbers, and exposures of all businesses prescribed in regulation 23G(1) ~~which are~~ carried on by the bank;
- (b) ~~balance sheet value, revenue numbers and exposures of all businesses referred to in regulation 23G(3) which are carried on by the bank;~~
- (c) ~~balance sheet value, revenue numbers and exposures of all businesses prescribed in regulation 23G(1) which the bank's major stake entities are carrying on;~~
- (d) ~~balance sheet value, revenue numbers and exposures of all businesses prescribed in regulation 23G(1) which the bank's major stake entities are carrying on where –~~
 - (i) ~~the bank has obtained the approval of the Authority under section 32 of the Act for acquiring or holding such entities; and~~
 - (ii) ~~the approval granted by the Authority under sub-paragraph (i) is subject to conditions which include the bank having to comply with the requirements in regulation 23GA(1)(a)-(g);~~
- (e) ~~balance sheet value, revenue numbers and exposures of all businesses referred to in section 30(1)(a)-(c) of the Act and prescribed under section 30(1)(d) of the Act (other than businesses~~

prescribed in regulation 23G(1)), which the bank's major stake entities are carrying on and where –

- (i) the bank has not obtained the Authority's approval under section 32 of the Act for acquiring or holding such entities; and
 - (ii) such entities are acquired or held by the bank in accordance with the requirements in regulations 23GA(1) and (3);
- (f) balance sheet value, revenue numbers and exposures of all businesses for which the Authority has granted approval to the bank under section 30(1)(e) of the Act and such approval is subject to conditions which include the bank having to comply with the requirements in paragraph (2);
- (g) the Aggregate Non-Financial Business Size of the bank computed in accordance with regulation 23G(8); and
- (h) utilisation of the regulatory limits prescribed in regulation 23G(3) and (4) regulation 23G(2)(a).;
- ~~(c) key internal risk metrics, in addition to the regulatory limits prescribed in regulation 23G(3) and (4); and~~
- ~~(d) the business activities of every wholly owned subsidiary of the bank excluded from the operation of section 32 of the Act under regulation 7A.~~

~~2. A bank in Singapore shall submit, no later than the last day of the month immediately following the end of each of its financial year, and at such other times as the bank considers necessary, the following information:~~

- ~~(a) external audit reports on the businesses prescribed in regulation 23G(1) carried on by the bank and the risk management of such businesses; and~~
- ~~(b) stress test results of such businesses.~~

~~3. A bank in Singapore shall submit, no later than the last day of the month immediately following the end of each quarter of a year, the following in relation to that quarter, where applicable:~~

- ~~(a) for every new business prescribed in regulation 23G(1) carried on by the bank, an assessment of the impact of the new business on the~~

~~risk profile of the bank, and key risk mitigation and contingency plans;~~

~~(b) changes in the corporate governance structure and business activities of any of the wholly owned subsidiaries of the bank excluded from the operation of section 32 of the Act under regulation 7A;~~

~~(c) provision by the bank of any guarantee or letter of comfort to any of the wholly owned subsidiaries of the bank excluded from the operation of section 32 of the Act under regulation 7A;~~

~~(d) changes in the bank's investment in, and exposure to, any of the wholly owned subsidiaries of the bank excluded from the operation of section 32 of the Act under regulation 7A; and~~

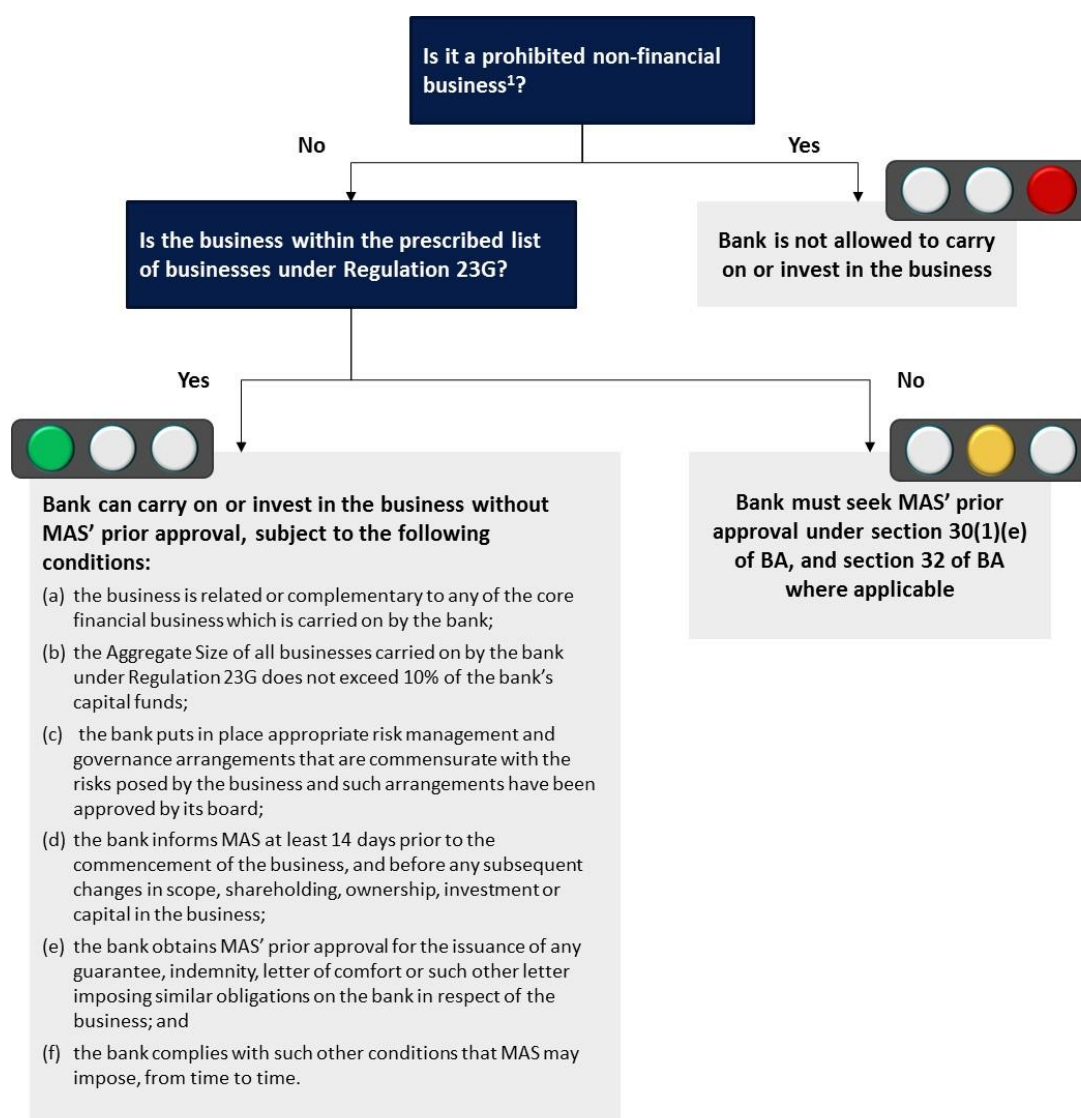
~~(e) any supervisory, legal, reputational or other significant matters relating to any of the wholly owned subsidiaries of the bank excluded from the operation of section 32 of the Act under regulation 7A.~~

~~4. A bank in Singapore shall submit an internal audit report on every business prescribed in regulation 23G(1) carried on by the bank, and on the risk management of such business —~~

~~(a) no later than the last day of the month immediately following the end of its first year carrying on such business; and~~

~~(b) no later than the last day of the month immediately following the end of each quarter of every subsequent year, where such report has been prepared.~~

Annex D: Flowchart on Permissible Non-Financial Businesses



¹ Prohibited businesses are:

- (a) Property development, not including the property-related businesses prescribed under Regulation 21 of the Banking Regulations;
- (b) Provision of hotel and resort facilities;
- (c) Property management of properties not held by the bank or any entity in its banking group;
- (d) Owning, operating or investing in facilities for the extraction, transportation, storage or distribution of commodities; and
- (e) Owning, operating or investing in facilities for processing, refining or otherwise altering commodities

Annex E: Proposed Amendments to Banking Regulations– New Regulation 23G⁹

Prescribed non-financial business

23G.—(1) For the purposes of section 30(1)(d) of the Act and subject to paragraphs (2) to (8) —

- (a) the business of operating an online location or electronic platform that matches buyers and sellers of consumer goods or services, or both;
- (b) the business of selling consumer goods or services, or both, via an online location or electronic platform;
- (c) the business of purchasing, selling and trading any commodity as defined in section 2 of the Commodity Trading Act (Cap. 48A);
- (d) the business of providing Islamic financing (other than those prescribed in regulations 22 to 23E), which involves the sale or purchase of assets in a Shariah compliant manner;
- (e) the business of providing sales, marketing and administrative services on behalf of any regulated financial institution which is a related corporation of the bank;
- (f) the business of providing advice to any of its customers on the social and environmental impact of the customer’s actual or planned investments or activities;
- (g) the business of selling software or systems that were originally developed or commissioned by the bank for its core financial business (such as but not limited to the sale of accounting or risk analytics software);
- (h) the business of entering into tie-ups or referral arrangements with any person for that person to sell or provide the person’s

⁹ Proposed new regulation 23G will replace the existing regulation 23G of the Banking Regulations.

products or services which that person will be solely responsible for delivering or performing; and

- (i) any business which is incidental to the business which a bank may carry on under paragraphs (a) to (h);

are each prescribed as a business that any bank in Singapore may carry on, or enter into any partnership, joint venture or other arrangement with any person to carry on, whether in Singapore or elsewhere, if such business is related or complementary to any of the core financial business which is carried on by the bank.

(2) A bank in Singapore may carry on any business prescribed in paragraph (1) if, and only if —

- (a) the bank, when carrying on any business prescribed in paragraph (1), limit the Aggregate Non-Financial Business Size —
 - (i) where the bank is incorporated in Singapore, to —
 - (A) 10% of its capital funds or such other percentage as the Authority may approve in any particular case (where applicable); and
 - (B) 10% of the capital funds of its banking group or such other percentage as the Authority may approve in any particular case (where applicable); and
 - (ii) where the bank is incorporated outside Singapore, to 10% of its capital funds or such other percentage as the Authority may approve in any particular case (where applicable);
- (b) the bank puts in place appropriate risk management and governance arrangements that are commensurate with the risks posed by such business, and such arrangements have been approved by its board of directors;
- (c) the bank notifies the Authority of the following—
 - (i) at least 14 days prior to the earliest of the following:
 - (A) any public announcement of the bank's carrying on of the business (whether on its own or by entering

-
- into a partnership, joint venture or other arrangement with any person) ;
- (B) the signing of any agreement to carry on the business or in the case where the bank is entering into a partnership, joint venture or other arrangement with any person to carry on the business, the signing of the agreement to enter into such partnership, joint venture or arrangement;
- (C) the effective date on which the bank will be carrying on the business (whether on its own or by entering into a partnership, joint venture or other arrangement with any person) information relating to —
- (AA) the business which will be carried on;
- (BB) any regulation or licensing requirement that the business is or will be subject to, whether in Singapore or elsewhere;
- (CC) the bank's investment, including capital, in the business;
- (DD) the date on which the business will commence; and
- (EE) where applicable, the partnership, joint venture or arrangement which it has in place for carrying on such business; and
- (ii) any subsequent changes to the information provided in subparagraph (i), prior to making such changes or as soon as the bank becomes aware of such changes;
- (d) the bank obtains prior approval from the Authority for the issuance of any guarantee, indemnity, letter of comfort, or other such letter imposing similar obligations on the bank, in respect of the business; and
- (e) in the case where the bank has entered into any partnership, joint venture or other arrangement with any person to carry on the

business such that the business is carried on by any person other than the bank itself, the bank's name, logo or trade mark is not used in the carrying on of that business.

(3) Where a bank is carrying on, whether in Singapore or elsewhere, any business prescribed in regulation 23G in force immediately before the commencement date of regulation 23G of the Banking (Amendment) Regulations 2018, the bank may continue to carry on such business if and only if –

- (a) the bank, when carrying on any such business, limits the Aggregate Non-Financial Business Size –
 - (i) where the bank is incorporated in Singapore, to—
 - (A) 10% of its capital funds or such other percentage as the Authority may approve in any particular case (where applicable); and
 - (B) 10% of the capital funds of its banking group or such other percentage as the Authority may approve in any particular case (where applicable); or
 - (ii) where the bank is incorporated outside Singapore, to 10% of its capital funds or such other percentage as the Authority may approve in any particular case (where applicable);
- (b) the bank puts in place appropriate risk management and governance arrangements that are commensurate with the risks posed by such business, and such arrangements have been approved by its board of directors;
- (c) prior to any change being made to such business or where applicable, the partnership, joint venture or arrangement which the bank has in place for the carrying on of such business, the bank notifies the Authority of such changes;
- (d) the bank obtains prior approval from the Authority for the issuance of any guarantee, indemnity, letter of comfort, or other such letter imposing similar obligations on the bank, in respect of the business; and

(e) in the case where the bank has entered into any partnership, joint venture or other arrangement with any person to carry on the business such that the business is carried on by any person other than the bank itself, the bank's name, logo or trade mark is not used in the carrying on of that business.

(4) A bank in Singapore shall provide reports to the Authority in accordance with the requirements specified in the Fourth Schedule, and provide such other information as the Authority may require, in relation to any business prescribed in paragraph (1) and referred to in paragraph (3) that is carried on by the bank.

(5) The Authority may, at any time where it considers it to be necessary in the circumstances, by notice in writing require a bank in Singapore to carry on any business prescribed in paragraph (1) or referred to in paragraph (3), in a wholly-owned subsidiary of the bank.

(6) The Authority may at any time impose additional conditions or restrictions, or vary or revoke such additional conditions or restrictions, in relation to any business prescribed in paragraph (1) or referred to in paragraph (3), and the bank in Singapore shall comply with these additional conditions or restrictions.

(7) If the Authority, having regard to the specific circumstances of a bank in Singapore (including whether the risk management and governance arrangements of the bank are sufficiently robust to effectively monitor and manage the risks of the bank), or in the event that any of the conditions or requirements imposed on the bank are not satisfied by the bank at any point in time, issues to the bank a written declaration that paragraph (1) or (3), or both, shall no longer apply to the bank in relation to any business specified in the declaration from a specified date, then paragraph (1) or (3), or both, shall not apply to the bank from the specified date with respect to that specified business.

(8) In this regulation, unless the context otherwise requires –

“Aggregate Non-Financial Business Size” means the total balance sheet asset value or total exposures (whichever is the higher of the 2) or such other measure of the size of the businesses as the Authority may specify by notice in writing, of –

-
- (a) all businesses prescribed in paragraph (1) and referred to in paragraph (3), which the bank is carrying on;
 - (b) all businesses prescribed in regulation 23GA(1) which the bank's major stake entities are carrying on;
 - (c) all businesses prescribed in paragraph (1) which the bank's major stake entities are carrying on where –
 - (i) the bank has obtained the approval of the Authority under section 32 of the Act for acquiring or holding such entities; and
 - (ii) the approval granted by the Authority under subparagraph (i) is subject to conditions which include the bank having to comply with the requirements in regulation 23GA(1)(a)-(g);
 - (d) all businesses referred to in section 30(1)(a)-(c) of the Act and prescribed under section 30(1)(d) of the Act (other than this regulation), which the bank's major stake entities are carrying on and where –
 - (i) the bank has not obtained the Authority's approval under section 32 of the Act for acquiring or holding such entities; and
 - (ii) such entities are acquired or held by the bank in accordance with the requirements in regulations 23GA(1) and (3); and
 - (e) all businesses for which the Authority has granted approval to the bank under section 30(1)(e) of the Act and such approval is subject to conditions which include the bank having to comply with the requirements in paragraph (2);

“capital funds” —

- (a) in relation to a bank incorporated in Singapore, means the capital of the bank that is used for the purposes of calculating its capital adequacy requirements under section 10 of the Act;
- (b) in relation to the banking group of a bank incorporated in Singapore, means the capital of the banking group that is used for

the purposes of calculating the banking group's capital adequacy requirements under section 10 of the Act; or

- (c) in relation to a bank incorporated outside Singapore, means such net head office funds and such other liabilities as the Authority may, by notice in writing, specify;

“consumer goods or services” means goods or services which are ordinarily supplied for private use or consumption; and

“core financial business”, in relation to a bank, means the core business activities that the bank carries out based on its particular business model which are either —

- (a) businesses referred to in section 30(1)(a), (b) and (c) of the Act; or
- (b) businesses prescribed under section 30(1)(d) of the Act which are similar to the businesses referred to in section 30(1)(a), (b) and (c) of the Act in terms of economic substance and risks.

**Annex F: Proposed Amendments to Banking Regulations – New
Regulation 23GA¹⁰**

Exemption from section 32 of Act in respect of prescribed non-financial business

23GA.—(1) A bank in Singapore may acquire or hold, directly or indirectly, a major stake in any entity without the approval of the Authority if -

- (a) the entity carries on a business prescribed in regulation 23G(1) (whether as its principal business or otherwise), or the principal business of the entity is that of investing in any entity that carries on a business prescribed in regulation 23G(1) (whether as its principal business or otherwise);
- (b) the Aggregate Non-Financial Business Size of the bank after acquiring or holding the major stake entity –
 - (i) where the bank is incorporated in Singapore, does not exceed –
 - (A) 10% of its capital funds or such other percentage as the Authority may approve in any particular case (where applicable); and
 - (B) 10% of the capital funds of its banking group or such other percentage as the Authority may approve in any particular case (where applicable); or
 - (ii) where the bank is incorporated outside Singapore, does not exceed 10% of its capital funds or such other percentage as the Authority may approve in any particular case (where applicable);
- (c) the bank puts in place appropriate risk management and governance arrangements that are commensurate with the risks

¹⁰ Proposed new regulation 23GA is to be inserted immediately after regulation 23G of the Banking Regulations.

-
- posed by such business, and such arrangements have been approved by its board of directors;
- (d) the bank notifies the Authority of the following—
- (i) at least 14 days prior to any public announcement of the acquisition or holding of the major stake entity or the signing of the agreement to acquire or hold the major stake entity, whichever is earlier, or where there is no such announcement or signing of agreement, the effective date of the acquisition or holding, information relating to —
 - (A) the business which is carried on by the major stake entity;
 - (B) any regulation or licensing requirement that the major stake entity is or will be subject to, whether in Singapore or elsewhere;
 - (C) the bank's investment, including capital, in the major stake entity; and
 - (D) the date on which the major stake entity will be acquired or held; and
 - (ii) any subsequent changes to the information provided in subparagraph (i), prior to making such changes or as soon as the bank becomes aware of such changes;
- (e) the bank obtains prior approval from the Authority for the issuance of any guarantee, indemnity, letter of comfort, or other such letter imposing similar obligations on the bank, in respect of the business carried on by the major stake entity;
- (f) the bank's name, logo or trade mark is not used by the major stake entity to carry on its business; and
- (g) in the case where the major stake entity will be a subsidiary of the bank —
- (i) the bank has an agreement with the major stake entity to allow the Authority and any person appointed by the

Authority, at any time, to obtain any information from the entity and to inspect the books of the entity; and

- (ii) where the major stake entity is regulated by an overseas regulatory authority, the bank is satisfied, from its own due diligence or from having taken professional advice, that the Authority and any person appointed by the Authority are not prohibited from obtaining any information from, or inspecting the books of, the entity.

(2) For the avoidance of doubt, the major stake entity referred to in paragraph (1) may also carry on businesses referred to in section 30(1)(a),(b),(c) of the Act or prescribed under section 30(1)(d) of the Act which are similar to the businesses referred to in section 30(1)(a), (b) and (c) of the Act in terms of economic substance and risks, whether as its principal business or otherwise, or be an entity whose principal business is that of investing in any entity that carries on such businesses.

(3) A bank in Singapore shall provide reports to the Authority in accordance with the requirements specified in the Fourth Schedule, and provide such other information as the Authority may require, in relation to any major stake entity held or acquired by the bank under this regulation.

(4) If the Authority, having regard to the specific circumstances of a bank in Singapore (including whether the risk management and governance arrangements of the bank are sufficiently robust to effectively monitor and manage the risks of the major stake entity), or in the event that any of the conditions or requirements imposed on the bank are not satisfied by the bank at any point in time, issues to the bank a written declaration that paragraph (1) shall no longer apply to the bank in relation to any major stake entity specified in the declaration from a specified date, then paragraph (1) shall not apply to the bank from the specified date with respect to that specified major stake entity.

(5) In this regulation, unless the context otherwise requires —

“Aggregate Non-Financial Business Size” means the total balance sheet asset value or total exposures (whichever is the higher of the 2) or such other measure of the size of the businesses as the Authority may specify by notice in writing of;

-
- (a) all businesses prescribed in regulation 23G(1) and referred to in regulation 23G(3), which the bank is carrying on;
 - (b) all businesses prescribed in paragraph (1) which the bank's major stake entities are carrying on;
 - (c) all businesses prescribed in regulation 23G(1) which the bank's major stake entities are carrying on where –
 - (i) the bank has obtained the approval of the Authority under section 32 of the Act for acquiring or holding such entities; and
 - (ii) the approval granted by the Authority under subparagraph (i) is subject to conditions which include the bank having to comply with the requirements in paragraph (1);
 - (d) all businesses referred to in section 30(1)(a)-(c) of the Act and prescribed under section 30(1)(d) of the Act (other than this regulation), which the bank's major stake entities are carrying on and where –
 - (i) the bank has not obtained the Authority's approval under section 32 of the Act for acquiring or holding such entities; and
 - (ii) such entities are acquired or held by the bank in accordance with paragraphs (1) and (3); and
 - (e) all businesses for which the Authority has granted approval to the bank under section 30(1)(e) of the Act and such approval is subject to conditions which include the bank having to comply with the requirements in regulation 23G(2)(a)-(e)

“capital funds” —

- (a) in relation to a bank incorporated in Singapore, means the capital of the bank that is used for the purposes of calculating its capital adequacy requirements under section 10 of the Act;
- (b) in relation to the banking group of a bank incorporated in Singapore, means the capital of the banking group that is used for

the purposes of calculating the banking group's capital adequacy requirements under section 10 of the Act; or

- (c) in relation to a bank incorporated outside Singapore, means such net head office funds and such other liabilities as the Authority may, by notice in writing, specify.

**Annex G: Proposed Amendments to Banking Regulations – New
Regulation 23GB¹¹**

Prohibited business

23GB. For the purposes of section 30(1)(e) of the Act, the following businesses are businesses for those which the Authority will not approve –

- (a) property development;
- (b) provision of hotel and resort facilities;
- (c) property management;
- (d) owning, operating or investing in facilities for the extraction, transportation, storage or distribution of commodities; and
- (e) owning, operating or investing in facilities for processing, refining or otherwise altering commodities.

¹¹ Proposed new regulation 23GB is to be inserted immediately after regulation 23GA of the Banking Regulations.

Annex H: Proposed Amendments (Tracked) to Parts IIB and III of Banking Regulations

PART IIB

EXCLUSION OF LIMITS ON EQUITY INVESTMENTS

Exclusion from operation of section 31 of Act for stabilising action during offer

6B.—(1) Section 31 of the Act shall not apply, during the specified period, in respect of any equity investment in a single company acquired or held by any bank in Singapore when acting as a stabilising bank in relation to an offer of securities issued by the company, where —

(a) an over-allotment option has been made giving the bank the right to purchase a number of securities equivalent to the number of securities over-allotted —

(i) in a case where more than one tranche of securities is offered at different prices, at or below the issue price for each tranche; or

(ii) in any other case, at or below the issue price; and

(b) the total number of securities subscribed for or purchased by the bank as a result of its stabilising action does not exceed the number of securities over-allotted.

(2) In this regulation, unless the context otherwise requires —

“closing date” has the same meaning as in regulation 2 of the Securities and Futures (Market Conduct) (Exemptions) Regulations 2006 (G.N. No. S 148/2006);

“dealer” means a person who is the holder of a capital markets services licence under the Securities and Futures Act (Cap. 289) to deal in securities, and includes a person who is licensed, approved, authorised or otherwise regulated under the laws, codes or other requirements of any foreign jurisdiction in respect of dealing in securities;

“issue price”, in relation to securities being offered under an offer, means the price at which the securities are being offered for subscription or purchase;

“issuer” has the same meaning as in regulation 2 of the Securities and Futures (Market Conduct) (Exemptions) Regulations 2006;

“offer” has the same meaning as in regulation 2 of the Securities and Futures (Market Conduct) (Exemptions) Regulations 2006;

“over-allotment” has the same meaning as in regulation 2 of the Securities and Futures (Market Conduct) (Exemptions) Regulations 2006;

“overseas securities exchange” has the same meaning as in section 2 of the Securities and Futures Act;

“relevant securities” has the same meaning as in regulation 2 of the Securities and Futures (Market Conduct) (Exemptions) Regulations 2006;

“securities” and “securities exchange” have the same meanings as in section 2 of the Securities and Futures Act;

“specified period” means a period of 30 calendar days —

(a) from the date of commencement of dealing in the stabilised securities on a securities exchange; or

(b) where the stabilised securities are listed on both a securities exchange and an overseas securities exchange, from the earlier of the dates of commencement of dealing in the stabilised securities on these exchanges;

“stabilised securities”, in relation to any stabilising action, means the securities in respect of which the stabilising action has been, is being or will be taken, as the case may be;

“stabilising action”, in relation to an offer, means the action taken in Singapore or elsewhere by a stabilising bank, or by a dealer on behalf of the stabilising bank, to buy, or to offer or agree to buy, any relevant securities on the securities market, in order to stabilise or maintain the market price of such securities in Singapore or elsewhere;

“stabilising bank”, in relation to an offer, means a bank in Singapore —

(a) which is appointed in writing by the issuer of an offer to take any stabilising action in respect of the offer; and

- (b) whose appointment under paragraph (a) is notified to the securities exchange on which the relevant securities are or are intended to be listed before the closing date of the offer.

Exclusion from operation of section 31 of Act for non-financial businesses prescribed in regulation 23G

6C.—The Authority excludes from the operation of section 31(1) of the Act any equity investment in a single company which is acquired or held by a bank in Singapore that arises from the carrying on of any business prescribed in regulation 23G(1).

PART III

EXCLUSION OF CERTAIN ~~MAJOR STAKE ENTITIES INVESTMENTS AND WHOLLY OWNED SUBSIDIARIES~~

Exclusion of certain ~~companies entities~~ from operation of section 32 of Act

7.—(1) The Authority hereby excludes, from the operation of section 32 of the Act —

- (a) any ~~company~~ entity which carries on a business prescribed in regulation 23F(1) (whether as its principal business or otherwise); ~~or~~
- (b) any other ~~company~~ entity whose principal business is that of investing in any ~~company~~ entity referred to in sub-paragraph (a);

(2) The exclusion in paragraph (1) shall not apply to ~~a company~~ an entity which is —

- (a) not carrying on any substantial business or not in operation;
- (b) carrying on the business of engaging in property-related activities;
- (c) carrying on the business of factoring, leasing equipment or otherwise purchasing debt obligations from others; or
- (d) a company or within a class of companies, specified by the Authority by notice in writing by reference to a bank or a class of banks.

**Annex I: Proposed Amendments to Banking Regulations – New Part
IIAA¹²**

PART IIAA

USE OF BANK NAME, LOGO OR TRADE MARK

Exemption from section 5A(1) of Act

6AA. Section 5A (1) of the Act shall not apply to any person who, with the consent of a bank incorporated in Singapore, uses the bank's name, logo or trade mark in connection with any event organised by the person which is sponsored by the bank.

Exemption from section 5A(2) of Act

6AB. Section 5A(2) of the Act shall not apply to a bank incorporated in Singapore which permits any person to use its name, logo or trade mark if this is in connection with any event organised by the person which is sponsored by the bank.

¹² Proposed new Part IIAA is to be inserted immediately after regulation 6 of Part II of the Banking Regulations.

Annex J: Proposed Amendments (Tracked) to Banking Regulation 21

Prescribed property-related businesses

21. For the purposes of section 30(1)(d) of the Act, the Authority hereby prescribes the following property-related businesses as businesses that any bank in Singapore may carry on, or enter into any partnership, joint venture or other arrangement with any person to carry on:

- (a) the business of providing property management services in relation to —
 - (i) any investment property that has been acquired or is held by —
 - (A) in the case of a bank incorporated in Singapore, any entity in its banking group ~~the bank or any major stake company of the bank~~;
 - (B) in the case of a bank incorporated outside Singapore, the bank;
 - (ii) any foreclosed property that has been acquired ~~or is held by~~ —
 - (A) in the case of a bank incorporated in Singapore, any entity in its banking group ~~the bank or any major stake company of the bank~~; or
 - (B) in the case of a bank incorporated outside Singapore, the bank; or
 - (iii) the whole or any part of any building that is occupied and used —
 - (A) by the bank for the carrying on of any business or class of business referred to in section 30(1) of the Act; or
 - (B) ~~in the case of a bank incorporated in Singapore, by any entity in its banking group major stake company of the bank~~ for the carrying on of that ~~company's entity's~~ business;
- (b) the business of managing and coordinating property enhancement works in relation to —
 - (i) any property referred to in ~~sub-paragraph (a)(i) or (ii)~~ that is a building; or

(ii) any building referred to in **sub-paragraph (a)(iii)**.

Annex K: List of Consequential Amendments

Proposed Amendments	
Banking Regulations	
20	<p>To amend the definition of “major stake entity”¹³ as follows in view of MAS’ proposal to dis-apply section 32 of the Banking Act when a bank acquires or holds a stake in any entity that carries on only businesses that meet the conditions under regulation 23G:</p> <p>““major stake entity”, in relation to a bank in Singapore, means an entity in which the bank has acquired or holds a major stake with the prior approval of the Authority under section 32(1) of the Act;”</p> <p>This means that major stake entity will refer to any major stake that a bank acquires or holds, regardless of whether the bank requires MAS’ prior approval to acquire or hold the major stake.</p>
20	<p>To insert a definition of “banking group” for the purpose of Part IX of the Banking Regulations as follows:</p> <p>““banking group”, in relation to a bank incorporated in Singapore, means the bank, its subsidiaries, and all other entities treated as part of the bank’s group of companies for accounting purposes according to Accounting Standards;”.</p>
23F	<p>To delete the definition of “banking group” in view of similar definition to be inserted within regulation 20.</p>
Banking Act	
Fifth Schedule, paragraph 1	<p>To amend the definition of “financial group”¹⁴ as follows in view of MAS’ proposal to dis-apply section 32 of the Banking Act when a bank acquires or holds a stake in any entity that carries on only businesses that meet the conditions under regulation 23G:</p> <p>““financial group”, in relation to a bank in Singapore, means a group of entities comprising —</p>

¹³ This already incorporates the proposed amendment consulted in the paper “Amendments to Banking Regulations and Banking (Corporate Governance) Regulations” issued in February 2017, where the word “company” is substituted by “entity”.

¹⁴ This proposed amendment will only be effected in the next round of Banking Act amendments.

	Proposed Amendments
	<p>(a) where the bank is incorporated in Singapore, every entity in which the bank acquires or holds, directly or indirectly, a major stake in accordance with section 32(1); or</p> <p>(b) where the bank is incorporated outside Singapore, every entity in which the bank acquires or holds, directly or indirectly, a major stake in accordance with section 32(1) and which is reflected as an investment in the books of the bank in Singapore in relation to its operations in Singapore;”</p> <p>This means that major stake entity will refer to any major stake that a bank acquires or holds, regardless of whether the bank requires MAS’ prior approval to acquire or hold the major stake.</p>

