

MAS 640

6 June 2007

*Last revised on 13 April 2011

NOTICE TO BANKS
BANKING ACT, CAP 19

MINIMUM ASSET MAINTENANCE REQUIREMENTS

1 This Notice is issued pursuant to section 40(1) of the Banking Act (Cap. 19) [the "Act"] and applies to all foreign banks.

Definitions

2 For the purposes of this Notice—

"Accounting Standards" has the same meaning as in section 4(1) of the Companies Act (Cap. 50);

"associated company" has the same meaning as the term "associate" defined in the Accounting Standards;

"banking corporation" means—

- (a) any bank licensed by the Authority under the Act; or
- (b) any entity licensed, registered, approved or otherwise regulated as a bank in the country of establishment;

"bill of exchange" has the same meaning as in section 3 of the Bills of Exchange Act (Cap. 23);

"chief executive" has the same meaning as in paragraph 2 of MAS Notice 622A;

"classified", in relation to a credit facility or a debt security, means any credit facility or debt facility, as the case may be, which has been categorised by a bank as "substandard", "doubtful" or "loss" pursuant to any notice in writing issued by the Authority under any written law;

"company" and "corporation" have the same respective meanings as in section 4(1) of the Companies Act (Cap. 50);

“counterparty related to the bank” includes any holding company, subsidiary or associated company of the bank, and any subsidiary or associated company of any holding company of the bank;

“debt security” includes any debenture, bond or note;

“eligible asset” means any of the assets listed in Annex 1 which may be included by a bank in Singapore for the purposes of the asset maintenance requirements under paragraphs 4, 6 and 7;

“foreign bank” means any foreign full bank, foreign offshore bank or foreign wholesale bank;

“foreign full bank” means a bank which is –

- (a) incorporated in a jurisdiction other than Singapore;
- (b) operating branches or offices located within Singapore; and
- (c) holding a licence granted by the Authority under the Act which permits the bank to carry on the full range of banking business;

“foreign offshore bank” means a bank which is –

- (a) incorporated in a jurisdiction other than Singapore;
- (b) operating branches or offices located within Singapore; and
- (c) holding a licence granted by the Authority under the Act, the conditions of which require the bank to comply with such guidelines as may be issued by the Authority in relation to the operation of offshore banks;

“foreign wholesale bank” means a bank which is –

- (a) incorporated in a jurisdiction other than Singapore;
- (b) operating branches or offices located within Singapore; and
- (c) holding a licence granted by the Authority under the Act, the conditions of which require the bank to comply with such guidelines as may be issued by the Authority in relation to the operation of wholesale banks;

“holding company” and “subsidiary” have the same respective meanings as in section 5 of the Companies Act (Cap. 50);

“housing loan” means a credit facility granted to an individual for the purchase of residential property where the credit facility is secured on that property¹;

“investment grade” means any of the following credit ratings issued by the respective credit rating agencies:

- (a) BBB-minus or better by Fitch, Inc.;
- (b) Baa3 or better by Moody’s Investor Services;
- (c) BBB-minus or better by Standard and Poor’s Corporation;

“merchant bank” means a merchant bank approved under section 28 of the Monetary Authority of Singapore Act (Cap. 186);

“minimum cash balances” means the minimum cash balances maintained on deposit with the Authority by a bank as reserves against its deposit and other liabilities under section 39 of the Act;

“minimum liquid assets” means the minimum amount or amounts of liquid assets held by a bank under section 38 of the Act;

“resident in Singapore” has the same meaning as in Appendix 1 to MAS Notice 610.

“Scheme member” has the same meaning as in section 2 of the Deposit Insurance Act 2005;

“share” has the same meaning as in section 4(1) of the Companies Act (Cap. 50);

“Singapore Government Securities” means any debt securities issued by the Government under any written law.

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

Asset Maintenance Requirement for Foreign Banks

4 Subject to paragraph 5, a foreign offshore bank shall maintain eligible assets of not less than \$5 million in Singapore at all times.

¹ Includes refinancing.

5 Where a foreign offshore bank has eligible assets which are used to meet any requirements in relation to minimum liquid assets or minimum cash balances, the bank—

- (a) may deduct such eligible assets from the \$5 million requirement in paragraph 4; and
- (b) in such a case, need only maintain eligible assets for the balance sum for the purposes of section 40 of the Act.

6 A foreign full bank shall maintain in Singapore at all times –

- (a) an asset maintenance ratio of not less than 0.35; or
- (b) eligible assets of \$5 million,

whichever will result in a higher amount of eligible assets in Singapore.

7 A foreign wholesale bank shall maintain in Singapore at all times—

- (a) an asset maintenance ratio of not less than 0.15; or
- (b) eligible assets of \$5 million,

whichever will result in a higher amount of eligible assets in Singapore.

Computation of Eligible Assets

8 For the purposes of paragraphs 4, 6(b) and 7(b), the eligible assets shall be calculated in accordance with the following formula:

$$\text{Value of eligible assets, } V = \sum[A \times B]$$

Where A is the value of any eligible asset which—

- (a) is reflected as an asset in the books of the foreign bank in relation to its operations in Singapore;
- (b) is free from any prior encumbrances;
- (c) does not arise or result from any contractual or other arrangements with, or investments in, a counterparty related to the bank; and
- (d) is not used to meet any requirements in relation to minimum liquid assets or minimum cash balances; and

B is the percentage applicable to a particular eligible asset specified in the second column of Annex 1.

9 For the purposes of this paragraph, an eligible asset shall be valued at its carrying value.

Computation of Asset Maintenance Ratio

10 For the purposes of paragraphs 6(a) and 7(a), the asset maintenance ratio shall be calculated in accordance with the following formula:

$$\text{Asset maintenance ratio} = \frac{V}{C}$$

Where V is the value of eligible assets calculated under paragraph 8; and

C is the liabilities of the bank, which shall comprise the aggregate amount of all deposit liabilities (including accrued interests) incurred by the bank with non-bank customers, other than deposit liabilities incurred by the bank with non-bank customers when operating an Asian Currency Unit approved under section 77 of the Act, computed on a gross basis as at—

- (i) 31st December of the preceding year or the end of two preceding quarters², as the bank may in its discretion adopt³; or
- (ii) in the case where a foreign bank is licensed by the Authority during the course of a financial year, as at the date on which the foreign bank commences banking business.

11 In computing its asset maintenance ratio—

(a) a bank may exclude from the value of C the following liabilities:

- (i) any liability in respect of any deposit pledged, charged or secured as collateral for a debt which is an eligible asset as specified in the first column of Annex 1, and where the amount outstanding under the debt is less than the amount of deposit,

² For example, deposit liabilities as at 31st December will be the basis for compliance for the period 1st April to 30th June. Similarly, 31st March will be the reference date for the maintenance period 1st July to 30th September, and so on.

³ Once a bank has adopted a particular approach in computing its deposit liabilities, the bank shall not change its approach except with the prior approval of the Authority.

the liability in respect of the part of the deposit equivalent to the amount outstanding; and

(ii) any liability in respect of any deposit or part thereof, set aside for a debt which is an eligible asset specified in the first column of Annex 1, where—

(A) there is a contractual set-off agreement between the bank and the customer; and

(B) the deposit or part thereof which has been set aside cannot be withdrawn by the customer unless and until the debt is fully paid up,

and where the amount outstanding under the debt is less than the deposit or part thereof which has been set aside, the liability in respect of the part of the deposit equivalent to the amount outstanding; and

(b) where the bank has excluded any liability set out in sub-paragraph (a) from the value of C, the bank shall exclude a value equivalent to the excluded liability from the value of V.

12 Subject to paragraph 8, where a foreign full bank is a Scheme member, assets (including eligible pledged assets as defined under the Deposit Insurance Regulations 2006) maintained under regulation 5 of those Regulations may be used to meet the asset maintenance requirements under paragraph 6.

Submission of Quarterly Reports

13 A foreign bank shall submit to the Authority a report signed by its chief executive or its chief financial officer in Singapore, in the format provided at Annex 2 of this Notice, not later than 15 days from 31st March, 30th June, 30th September and 31st December respectively.

Effective Date

14 Subject to paragraph 15, this Notice shall take effect on 11th June 2007.

15 A foreign bank carrying on banking business immediately before 31st March 2007 shall continue to comply with the requirements set out in the repealed section 40 of the Act, and comply with this Notice with effect from 1st October 2007.

***Notes on history of amendments**

- 1 MAS Notice 640 (Amendment) 2009 with effect from 7 May 2009
- 2 MAS Notice 640 (Amendment) 2011 with effect from 13 April 2011