

MAS Notice 1002

29 June 2021

**NOTICE TO MERCHANT BANKS AND AUDITORS  
BANKING ACT, CAP. 19**

**AUDITORS' REPORTS AND ADDITIONAL INFORMATION TO BE SUBMITTED WITH ANNUAL  
ACCOUNTS**

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This Notice is issued pursuant to section 26 as applied by section 55ZD(1) of the Banking Act (Cap. 19) ["the Act"] and section 58 of the Act and applies to all merchant banks in Singapore ("Merchant Banks") and auditors of the Merchant Banks.

**Definitions**

2 In this Notice, "auditor" means an auditor appointed by –

- (a) a Merchant Bank under section 58(1) as applied by section 58(14) of the Act; or
- (b) the Authority under section 58(3) as applied by section 58(14) of the Act.

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

**Reports of the Auditor of the Merchant Bank**

4 For the purposes of section 26(1) and (2)(a)(ii) as applied by section 55ZD(1) of the Act, a Merchant Bank must furnish to the Authority the following documents:

- (a) a copy of the auditors' long form report, which must include-
  - i. findings and recommendations, if any, on –
    - (A) the accounting system, internal controls, quality of loans and advances and other assets of the Merchant Bank; and
    - (B) non-compliance with the Act, Companies Act (Cap. 50), directions issued by the Authority, or any other relevant laws and regulations, or non-observance of guidelines issued by the Authority;
  - ii. comments on any other areas of weaknesses;

(b) a copy of the auditors' supplementary report, which must be addressed to the chief executive of the Merchant Bank and must contain the auditors' statement as to whether, during the course of their examination, anything came to their notice that caused or led them to believe that –

i. known bad debts of material amounts had not been written off or fully provided for;

ii. adequate provision had not been made for known material doubtful debts and for any material impairment of other assets; or

iii. there was non-compliance with the Act, Companies Act (Cap. 50), directions issued by the Authority, or any other relevant laws or regulations, or non-observance of guidelines issued by the Authority; and

(c) in the case of a Merchant Bank incorporated in Singapore, a copy of the auditor's report referred to in paragraph 5(b).

5 Pursuant to section 58(5)(c) and (d) as applied by section 58(14) of the Act, an auditor of a Merchant Bank incorporated in Singapore must –

(a) perform a limited assurance engagement in accordance with the Singapore Standard on Assurance Engagements 3000 (Revised) issued by the Institute of Singapore Chartered Accountants in respect of the reporting schedules submitted by the Merchant Bank under Part IX of MAS Notice 1111 on Risk Based Capital Adequacy Requirements for Merchant Banks Incorporated in Singapore (“Reporting Schedules”), which relate to the end of each financial year of the Merchant Bank or the end of any other calendar quarter within the financial year of the Merchant Bank as the Authority may approve (“Reporting Date”); and

(b) issue a report stating whether, pursuant to its limited assurance engagement in sub-paragraph (a), anything came to the auditor's attention that caused it to believe that the Reporting Schedules have not been prepared, in all material respects, in accordance with the requirements of that Notice.

6 Pursuant to section 26(1) as applied by section 55ZD(1) of the Act, a Merchant Bank incorporated in Singapore that has established one or more branches in any country outside Singapore must notify the Authority within a week upon receipt of the relevant supervisory authority's or auditor's report on the bank's overseas operations, and furnish to the Authority the report as soon as practicable.

### **Additional Information**

7 Pursuant to section 26(1) as applied by section 55ZD(1) of the Act, a Merchant Bank that is incorporated in Singapore must furnish to the Authority the following information:

- (a) consolidated audited financial statements of the Merchant Bank and its subsidiaries, together with the separate financial statements of any company in which the Merchant Bank holds, directly or through any subsidiary of the Merchant Bank, 20% or more of the issued share capital; and
- (b) the annual audited consolidated financial statements of the Merchant Bank's ultimate holding company as defined in section 5A of the Companies Act (Cap. 50),

as soon as practicable.

### **Date of Submission**

8 Pursuant to section 26(1) as applied by section 55ZD(1) of the Act, a Merchant Bank must furnish to the Authority the information referred to in paragraph 4(a) and (b) above together with any other information or financial statements that the Merchant Bank is required to furnish under section 26(2)(a) as applied by section 55ZD(1) not later than 3 months after the close of each financial year of the Merchant Bank or within such longer period as the Authority may on application of the Merchant Bank approve.

9 Pursuant to section 26(1) as applied by section 55ZD(1) of the Act, a Merchant Bank incorporated in Singapore must furnish to the Authority the information referred to in paragraph 4(c) not later than 3 months after the Reporting Date or such longer period as the Authority may on application of the Merchant Bank approve.

### **Effective Date**

10 This Notice takes effect on 1 July 2021.