

## **MAS NOTICE 1015 (AMENDMENT) 2022**

Issued on: 24 June 2022

### **MINIMUM LIQUID ASSETS (“MLA”) AND LIQUIDITY COVERAGE RATIO (“LCR”)**

#### **Introduction**

- 1 This document reflects amendments made to MAS Notice 1015 (the “Notice”) to:
  - (a) introduce additional definitions or clarify existing definitions;
  - (b) clarify the manner of computation of Qualifying Liabilities;
  - (c) amend the method to determine the applicable credit rating in the event of split ratings;
  - (d) clarify the treatment of unrated debt securities and sukuk issued by a sovereign or central bank;
  - (e) allow a Merchant Bank to use the marked-to-market value of its Liquid Assets other than bills of exchange as of a maintenance day instead of the marked-to-market value as of a computation day, upon giving prior written notice of at least one month to the Authority;
  - (f) clarify the Tier-1 Liquid Assets requirement;
  - (g) clarify the eligibility of debt securities issued by a sovereign with a non-0% risk weight or its central bank as Level 1 HQLA;
  - (h) clarify the treatment for retail deposits where a Merchant Bank allows a depositor that is undergoing exceptional circumstances that would qualify as hardship to withdraw a retail term deposit;
  - (i) specify the treatment for unsecured precious metals liabilities and assets; and
  - (j) implement various other technical revisions.
  
- 2 For presentational purposes, the amendments in this document are compared with the version of MAS Notice 1015 issued on 11 June 2021, as last revised on 27 September 2021.

- 3 This document shall be interpreted as follows:
  - (a) Text which is coloured and struck through represent deletions, and will not appear in the untracked version of MAS Notice 1015 revised on 24 June 2022 (“Published Version”); and
  - (b) Text which is coloured and underlined represent insertions.
- 4 The amendments reflected in this document shall take effect on 1 July 2022.
- 5 In the event of discrepancies between the amendments in this document and the Published Version, the Published Version shall prevail. This document is to be used for reference only.

## MAS NOTICE 1015

11 June 2021

Last revised on ~~27 September 2021~~ 24 June 2022

NOTICE TO MERCHANT BANKS

BANKING ACT, ~~CAP. 19~~ 1970

### MINIMUM LIQUID ASSETS (“MLA”) AND LIQUIDITY COVERAGE RATIO (“LCR”)

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#### Introduction

[MAS Notice 1015 (Amendment) 2022]

1 This Notice is issued pursuant to section 38(1) as applied by section 55ZG(1) and section 65A(2) of the Banking Act ~~(Cap. 19)~~ 1970 (“the Act”), and applies to all merchant banks in Singapore (“Merchant Banks”). Except where specifically mentioned in the paragraph, the requirements set out in this Notice are issued under section 38(1) as applied by section 55ZG(1) of the Act.<sup>1</sup>

[MAS Notice 1015 (Amendment) 2022]

#### Definitions

[MAS Notice 1015 (Amendment) 2022]

2 In this Notice –

“Accounting Standards” has the same meaning as in section 4(1) of the Companies Act ~~(Cap. 50)~~ 1967;

[MAS Notice 1015 (Amendment) 2022]

“bank” means –

(a) any company which holds a valid licence under section 7 or 79 of the Act; or

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<sup>1</sup> ~~A Merchant Bank should ensure its liquidity risk management is sound and commensurate with the size, nature and complexity of its activities, including meeting the guidelines in Appendix 8.~~ [Deleted by MAS Notice 1015 (Amendment) 2022]

(b) any entity established or incorporated in a foreign country or jurisdiction that is approved, licensed, registered or otherwise regulated by a bank regulatory agency of the foreign country or jurisdiction to carry on banking business under the laws of the foreign country or jurisdiction;

[MAS Notice 1015 (Amendment) 2022]

“bank regulatory agency”, in relation to a foreign country or jurisdiction, means an authority in the foreign country or jurisdiction exercising any function that corresponds to a regulatory function of the Authority under the Act;

[MAS Notice 1015 (Amendment) 2022]

“banking group”, in relation to a Merchant Bank, means the Merchant Bank and its banking group entities;

“banking group entity”, in relation to a Merchant Bank, means ~~any its~~ subsidiary or any other entity ~~which that~~ is treated as part of the Merchant Bank’s group of entities according to ~~the~~ Accounting Standards;

[MAS Notice 1015 (Amendment) 2022]

~~“business day” means any day on which a Merchant Bank carries on business; [Deleted by MAS Notice 1015 (Amendment) 2022]~~

“country-level group”, in relation to a Merchant Bank, means a group comprising any combination of the Merchant Bank and any bank in Singapore or any other Merchant Bank that is a related corporation of the first-mentioned Merchant Bank approved by the Authority to be part of the group;

“Current Account”, in relation to a Merchant Bank, means the current account opened and maintained by the Authority for the Merchant Bank;

[MAS Notice 1015 (Amendment) 2022]

“holding company” has the same meaning as in section 5 of the Companies Act 1967;

[MAS Notice 1015 (Amendment) 2022]

“public sector entity” or “PSE” means –

(a) a regional government or local authority that is able to exercise one or more functions of the central government at the regional or local level;

- (b) an administrative body or non-commercial undertaking responsible to, or owned by, a central government, regional government or local authority, which performs regulatory or non-commercial functions;
- (c) a statutory board in Singapore (other than the Authority); or
- (d) a town council in Singapore established pursuant to the Town Councils Act ~~(Cap. 329A)1988; and~~

[MAS Notice 1015 (Amendment) 2022]

“significant currency”, in relation to a Merchant Bank, means a currency where the aggregate liabilities of the Merchant Bank denominated in that currency as at the end of the month amounts to 5% or more of the Merchant Bank’s total liabilities;

[MAS Notice 1015 (Amendment) 2022]

“sovereign” means a central government of a country or jurisdiction;

[MAS Notice 1015 (Amendment) 2022]

“unencumbered”, in relation to an asset of a Merchant Bank, means that the asset can be liquidated, sold, transferred, or assigned by the Merchant Bank without any legal, regulatory, contractual or other restrictions.

[MAS Notice 1015 (Amendment) 2022]

3 A Merchant Bank only needs to comply with Part II – LCR if it has been notified by the Authority that it is a domestic systemically important bank<sup>2</sup> (“D-SIB”).

4 A Merchant Bank that does not fall within paragraph 3 ~~above~~ may, upon giving prior written notice of at least one month to the Authority, choose to comply with either Part I – MLA or Part II – LCR, and the requirements in the relevant part would apply accordingly. While a Merchant Bank that has chosen to comply with Part I – MLA may choose to comply with Part II – LCR subsequently upon giving the requisite notice to the Authority, a Merchant Bank that has chosen to comply with Part II – LCR ~~will have to write in to~~ must obtain the Authority

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<sup>2</sup> More information on the D-SIB framework can be found at <https://www.mas.gov.sg/-/media/MAS/News-and-Publications/Monographs-and-Information-Papers/Monograph--MAS-Framework-for-Impact-and-Risk-Assessment.pdf>.

~~for Authority's prior written approval to comply with Part I – MLA subsequently. The Authority will not ordinarily grant such an approval except in exceptional circumstances.<sup>2A</sup>~~

[MAS Notice 1015 (Amendment) 2022]

5 A Merchant Bank ~~that has to comply~~complying with Part II – LCR may, with the Authority's approval, comply with ~~the requirements set out in this Notice~~Part II – LCR on a country-level group basis. The Authority will subject the Merchant Bank and the entities which are in the country-level group to an assessment before granting any approval for the Merchant Bank to comply with ~~this Notice~~Part II – LCR on a country-level group basis.

[MAS Notice 1015 (Amendment) 2022]

6 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.

[MAS Notice 1015 (Amendment) 2022]

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<sup>2A</sup> The Authority will not ordinarily grant such an approval except in exceptional circumstances.

[MAS Notice 1015 (Amendment) 2022]

## PART I – MLA

### Definitions

7 In Part I – MLA –

“associate” has the same meaning as in the Fifth Schedule to the Act, with each reference in that Fifth Schedule to a “substantial shareholder” replaced with a reference to a “corporation”;

“bills of exchange” has the same meaning as in section 3 of the Bills of Exchange Act ~~(Cap. 23)~~1949;

[MAS Notice 1015 (Amendment) 2022]

“computation day” means the business day on which a Merchant Bank computes the minimum amount of ~~liquid assets~~Liquid Assets that the Merchant Bank has to maintain on the relevant maintenance day;

[MAS Notice 1015 (Amendment) 2022]

“counterparty related to a Merchant Bank” means –

- (a) a related corporation of the Merchant Bank;
- (b) an associate of the Merchant Bank;
- (c) ~~an a banking group~~ entity ~~which is treated as part of the Merchant Bank's group of entities according to the Accounting Standards~~Bank; and
- (d) a subsidiary or associate of any holding company of the Merchant Bank;

[MAS Notice 1015 (Amendment) 2022]

“limited purpose e-money” has the same meaning as given by Part 3 of the First Schedule to the Payment Services Act 2019 ~~(Act 2 of 2019)~~;

[MAS Notice 1015 (Amendment) 2022]

“Liquid Assets” means any Tier-1 Liquid Assets or Tier-2 Liquid Assets;

[MAS Notice 1015 (Amendment) 2022]

“maintenance day”, in relation to any computation day, means the day occurring ~~two~~<sup>2</sup> business days from that computation day;

[MAS Notice 1015 (Amendment) 2022]

“MAS Bills” means any debt securities issued by the Monetary Authority of Singapore under the Monetary Authority of Singapore Act ~~(Cap. 186)~~<sup>1970</sup>;

[MAS Notice 1015 (Amendment) 2022]

“Qualifying Liabilities”, in relation to a Merchant Bank, means the Qualifying Liabilities as computed by the Merchant Bank in accordance with paragraph 9B~~the aggregate of~~

- ~~(a) all liabilities of the Merchant Bank<sup>3</sup> denominated in the relevant currency or currencies, as the case may be, due to non-bank customers, computed on a gross basis;~~
- ~~(b) all liabilities of the Merchant Bank denominated in the relevant currency or currencies, as the case may be, due to the Authority within one month from the computation day, computed on a net basis after the deduction of all claims denominated in the relevant currency or currencies, as the case may be, by the Merchant Bank on the Authority maturing within one month from the computation day, and where this is a net asset, the net asset amount may be deducted from Qualifying Liabilities;~~
- ~~(c) all liabilities of the Merchant Bank denominated in the relevant currency or currencies, as the case may be, due to banks (whether licensed in Singapore or not), other Merchant Banks, and where the Merchant Bank is incorporated outside Singapore, the Merchant Bank’s head office and other branches of the Merchant Bank’s head office, within one month from the computation day, computed on a net basis after the deduction of all claims denominated in the relevant currency or currencies, as the case may be, by the Merchant Bank on banks and other Merchant Banks maturing within one month from the computation day, and where this is a net asset, the net asset amount must not be deducted from Qualifying Liabilities and must be treated as zero;~~
- ~~(d) 15% of all undrawn commitments denominated in the relevant currency or currencies, as the case may be. For the purposes of the Singapore Dollar MLA requirement, where the undrawn commitment is a multi-currency facility~~

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<sup>3</sup> To avoid doubt, this excludes any contingent liability of the Merchant Bank.~~[Deleted by MAS Notice 1015 (Amendment) 2022]~~



~~involving the Singapore dollars as a component currency, the Merchant Bank must include the entire facility amount as its undrawn commitment for its computation of its Singapore Dollar Qualifying Liabilities. However, if there is a sub-limit for the Singapore dollars in the facility, the Merchant Bank may use the sub-limit amount for its computation of its Singapore Dollar Qualifying Liabilities;~~

~~(e) all liabilities of the Merchant Bank denominated in the relevant currency or currencies, as the case may be, arising from the issue of bills of exchange, other than a bill of exchange which satisfies the requirements set out in Appendix 1; and~~

~~(f) all liabilities of the Merchant Bank denominated in the relevant currency or currencies, as the case may be, arising from—~~

~~(i) the provision of any e-money issuance service as defined in section 2(1) of the Payment Services Act 2019 (Act 2 of 2019); and~~

~~(ii) the issuance of any limited purpose e-money;~~

~~but does not include any liability of the Merchant Bank arising from—~~

~~(A) any funds received through repurchase agreements of Singapore Government Securities or MAS Bills;~~

~~(B) any funds received through currency, interest rate and foreign exchange swaps; and~~

~~(C) any funds raised through the discounting of any bill of exchange which satisfies the requirements set out in Appendix 1, with banks in Singapore, finance companies (as defined in section 2 of the Finance Companies Act, Cap. 108), or other Merchant Banks;~~

[MAS Notice 1015 (Amendment) 2022]

“Relevant Entity”, in relation to a Merchant Bank, means any of the following:

(a) any bank;

(b) where the Merchant Bank is incorporated in Singapore, any other Merchant Bank;

(c) where the Merchant Bank is a branch or office of a merchant bank incorporated outside Singapore, that is located within Singapore, any other Merchant Bank, the head office of the Merchant Bank or any other branch or office of the merchant bank incorporated outside Singapore, that is located outside Singapore;

[MAS Notice 1015 (Amendment) 2022]

“Singapore Dollar Qualifying Liabilities” means Qualifying Liabilities denominated in Singapore dollars;

“Singapore Government Securities” or “SGS” means any debt securities issued by the Singapore Government under any written law;

[MAS Notice 1015 (Amendment) 2021]

[MAS Notice 1015 (Amendment) 2022]

“Tier-1 ~~liquid asset~~Liquid Assets” means ~~the following liquid assets:~~

- (a) for the purposes of the Singapore Dollar MLA requirement, ~~the assets~~any liquid asset listed in paragraph 8(a), (b), (c), (d) ~~and~~or (e), other than assets maintained and held by a Merchant Bank for the purposes of section 40 as applied by section 55ZG(2) of the Act; ~~or~~
- (b) for the purposes of the all currency MLA requirement, ~~the assets~~any liquid asset listed in paragraph 8(a), (b), (c), (d), (e) ~~and~~or (f), other than assets maintained and held by a Merchant Bank for the purposes of section 40 as applied by section 55ZG(2) of the Act; ~~and~~

[MAS Notice 1015 (Amendment) 2022]

“Tier-2 Liquid Assets” means any liquid asset listed in paragraph 8(g) or (h), other than assets maintained and held by a Merchant Bank for the purposes of section 40 as applied by section 55ZG(2) of the Act;

[MAS Notice 1015 (Amendment) 2022]

“undrawn commitment” , in relation to a Merchant Bank, means –

- ~~(a) in the case where a Merchant Bank is incorporated in Singapore, any arrangement of the Merchant Bank with any person; or~~

~~(b) in the case where the Merchant Bank is incorporated outside Singapore, any arrangement of the Merchant Bank with any person, the Merchant Bank's head office, or any other branch of the Merchant Bank's head office that is located outside Singapore,~~

counterparty<sup>3A</sup>, that will pose liquidity risk to the Merchant Bank in the event the ~~person, the Merchant Bank's head office, the branch of the Merchant Bank's head office~~counterparty, or a third party in whose favour the arrangement is made, as the case may be, utilises or calls upon the commitment<sup>4</sup>, but does not include any arrangement where the drawdown or utilisation is subject to the approval of the Merchant Bank at the point of drawdown, and the Merchant Bank has the unconditional right to refuse drawdown.

[MAS Notice 1015 (Amendment) 2022]

### Liquid Assets ~~approved as "liquid assets"~~

[MAS Notice 1015 (Amendment) 2022]

8 For the purposes of section 38(9) as applied by section 55ZG(1) of the Act, the following assets are "liquid assets" ~~are~~:

- (a) currency notes and coins of Singapore which are legal tender in Singapore, or foreign currency;
- (b) cash balances in a Merchant Bank's Current Account maintained with the Authority<sup>5</sup>;
- (c) any ~~Singapore Government Securities ("SGS")~~ and any SGS held under a reverse repurchase agreement;
- (d) any sukuk issued by Singapore Sukuk Pte Ltd;
- (e) any MAS Bills and any MAS Bills held under a reverse repurchase agreement;

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<sup>3A</sup> To avoid doubt, in the case where a Merchant Bank is a branch or office of a merchant bank incorporated outside Singapore, that is located within Singapore, any counterparty includes the head office of the Merchant Bank and other branches and offices of the merchant bank incorporated outside Singapore, that are located outside Singapore.

[MAS Notice 1015 (Amendment) 2022]

<sup>4</sup> For example, any unutilised portion of a guarantee, any standby letter of credit, any warranty, any standby credit facility, any forward asset purchase, any underwriting arrangements, any credit protection sold by the Merchant Bank and any liquidity facilities granted by the Merchant Bank.

<sup>5</sup> To avoid doubt, this does not include overnight deposits or term deposits placed with the Authority.

- (f) any debt securities or sukuk<sup>6</sup> denominated in the relevant currency or currencies, as the case may be, ~~not being other than~~ a sukuk which is a liquid asset by virtue of sub-paragraph (d), that ~~is~~are issued by a sovereign or a central bank and assigned a credit rating of at least AA- by Fitch, ~~Inc, Ratings~~ or Standard and Poor's ~~Corporation~~Ratings Services or a credit rating of at least Aa3 by Moody's Investor Services, and ~~includes~~include any such debt securities or sukuk held under a reverse repurchase agreement;
- (g) any debt securities or sukuk denominated in the relevant currency or currencies, ~~not being as the case may be, other than~~ a sukuk which is a liquid asset by virtue of sub-paragraph (d), ~~and not being or~~ a debt security or sukuk defined in sub-paragraph (f), that ~~are~~ –
- (i) are issued by a statutory board in Singapore, ~~with~~and have a minimum issue size of S\$200 million, ~~at 90% of its value;~~
- (ii) ~~with a minimum issue size of S\$200 million which~~ are assigned a credit rating that satisfies ~~either~~ the long-term issue or short-term issue credit ratings ~~and at the relevant value~~ set out in Appendix 3, and have a minimum issue size of S\$200 million;
- (iii) ~~issued by a sovereign, a supranational (i.e. an entity that is both of a governmental and international character),~~ are issued by a sovereign, the Bank for International Settlements, the International Monetary Fund, the European Union, the European Stability Mechanism, the European Financial Stability Facility, a multilateral development bank, or a sovereign-guaranteed company (where the sovereign or government is not the Singapore Government), ~~and the debt securities or sukuk~~ are assigned a credit rating of AAA by Fitch, ~~Inc, Ratings~~ or Standard and Poor's ~~Corporation~~Ratings Services or a credit rating of Aaa by Moody's Investor Services; or
- (iv) are issued by a ~~AAA-rated~~ PSE that is assigned a credit rating of AAA by Fitch Ratings or Standard and Poor's Ratings Services or a credit rating of Aaa by Moody's Investor Services, and assigned a risk weight of 0% under paragraph 7.3.17 of MAS Notice 637,

<sup>6</sup> To avoid doubt, only sukuk that ~~demonstrates~~demonstrate characteristics similar to a debt security are ~~approved by the Authority~~eligible as ~~liquid assets~~Liquid Assets.

and ~~includes~~include any such debt securities or sukuk held under a reverse repurchase agreement<sup>7</sup>; ~~or~~

(h) any bill of exchange which satisfies the requirements set out in Appendix 2;

provided always that –

(i) the asset is ~~free from any prior encumbrances~~unencumbered;

(~~ii~~) where the asset is a debt security or sukuk, it is not a convertible debt security or sukuk; and ~~if a Merchant Bank holds more than 20% of the total market of a particular issue of debt securities or sukuk (including issues from different tranches), the Merchant Bank must treat as liquid assets, 50% of the value of those debt securities or sukuk; and~~

(~~iii~~) the asset does not arise or result from any contractual or other arrangements with, or investments in, a counterparty related to the Merchant Bank.

[MAS Notice 1015 (Amendment) 2022]

8A For the purposes of paragraph 8(f), (g)(ii) and (g)(iii), where the debt security or sukuk is issued by a sovereign or central bank, and the debt security or sukuk does not have any credit rating assigned to it by Fitch Ratings, Standard & Poor's Ratings Services or Moody's Investor Services, the Merchant Bank may –

(a) treat the credit rating of the issuing sovereign or central bank assigned by Fitch Ratings, Standard & Poor's Ratings Services or Moody's Investor Services as that assigned to the debt security or sukuk; and

(b) where the issuing central bank does not have any credit rating assigned to it by Fitch Ratings, Standard & Poor's Ratings Services or Moody's Investor Services, treat the credit rating of the sovereign of the country or jurisdiction of the central bank assigned by Fitch Ratings, Standard & Poor's Ratings Services or Moody's Investor Services as that assigned to the debt security or sukuk.

[MAS Notice 1015 (Amendment) 2022]

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<sup>7</sup> To avoid doubt, where an issue of such debt securities or sukuk is partially redeemed such that the outstanding issue size falls below S\$200 million, those debt securities or sukuk would no longer be ~~approved as liquid assets~~eligible as Liquid Assets under paragraph 8(g)(i) and (ii).

[MAS Notice 1015 (Amendment) 2022]

## Valuation of Liquid Assets

9 When computing the amount of ~~liquid assets~~Liquid Assets held by a Merchant Bank on any maintenance day, the Merchant Bank must use –

- (a) in the case of its bills of exchange, the book value of those bills of exchange; and
- (b) in the case of its ~~liquid assets~~Liquid Assets (other than bills of exchange), the marked-to-market value of those ~~liquid assets~~Liquid Assets as of the computation day to which that maintenance day relates, multiplied by the following relevant percentage:
  - (i) where the Liquid Asset is a debt security or sukuk set out in paragraph 8(g)(i) to (iv), and the Merchant Bank holds more than 20% of the total market of the particular issue of the debt security or sukuk (including issues from different tranches), 50%;
  - (ii) where the Liquid Asset is a debt security or sukuk set out in paragraph 8(g)(i), and the Merchant Bank does not hold more than 20% of the total market of the particular issue of the debt security or sukuk (including issues from different tranches), 90%;
  - (iii) where the Liquid Asset is a debt security or sukuk set out in paragraph 8(g)(ii), and the Merchant Bank does not hold more than 20% of the total market of the particular issue of the debt security or sukuk (including issues from different tranches), the percentage determined in accordance with Appendix 3;
  - (iv) for all other Liquid Assets not set out in sub-paragraphs (b)(i) to (b)(iii), 100%.

[MAS Notice 1015 (Amendment) 2022]

9A Despite paragraph 9(b), a Merchant Bank may, upon giving prior written notice of at least one month to the Authority, use the marked-to-market value of its Liquid Assets other than bills of exchange as of a maintenance day when computing the amount of Liquid Assets held by the Merchant Bank on the maintenance day. A Merchant Bank that has adopted the

treatment in this paragraph must obtain the Authority's prior written approval to adopt the treatment in paragraph 9(b) subsequently.<sup>7A</sup>

[MAS Notice 1015 (Amendment) 2022]

### **Computation of Qualifying Liabilities**

[MAS Notice 1015 (Amendment) 2022]

9B A Merchant Bank must compute its Qualifying Liabilities as the sum of<sup>7B</sup> –

(a) all liabilities of the Merchant Bank denominated in the relevant currency or currencies, as the case may be, due to non-bank customers other than the Authority and other Merchant Banks, computed on a gross basis;

(b) all liabilities of the Merchant Bank denominated in the relevant currency or currencies, as the case may be, due to the Authority, that –

(i) are due within one month from the computation day; and

(ii) are computed on a net basis after the deduction of all claims denominated in the relevant currency or currencies, as the case may be, by the Merchant Bank on the Authority, that –

(A) are maturing within one month from the computation day;

(B) are not Liquid Assets<sup>7C</sup>; and

(C) are not cash receivables from the Authority arising from reverse repurchase agreements of Liquid Assets transacted with the Authority,

and where this is a net asset, the Merchant Bank may deduct the net asset amount from Qualifying Liabilities;

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<sup>7A</sup> The Authority will not ordinarily grant such an approval except in exceptional circumstances.

[MAS Notice 1015 (Amendment) 2022]

<sup>7B</sup> To avoid doubt, this excludes any contingent liability of the Merchant Bank.

[MAS Notice 1015 (Amendment) 2022]

<sup>7C</sup> To avoid doubt, as MAS Bills held by the Merchant Bank, including those held under a reverse repurchase agreement, are Liquid Assets, cash receivables from MAS Bills cannot be deducted when computing the liabilities of the Merchant Bank due to the Authority on a net basis under paragraph 9B(b)(ii).

[MAS Notice 1015 (Amendment) 2022]

(c) all liabilities of the Merchant Bank denominated in the relevant currency or currencies, as the case may be, due to Relevant Entities, that –

(i) are due within one month from the computation day; and

(ii) are computed on a net basis after the deduction of all claims denominated in the relevant currency or currencies, as the case may be, by the Merchant Bank on Relevant Entities, that –

(A) are maturing within one month from the computation day;

(B) are not Liquid Assets<sup>7D</sup>;

(C) are not cash receivables from convertible debt securities or sukuk, issued by Relevant Entities; and

(D) are not cash receivables from Relevant Entities arising from reverse repurchase agreements of Liquid Assets transacted with Relevant Entities,

and where this is a net asset, the Merchant Bank must not deduct the net asset amount from Qualifying Liabilities and must treat the net asset amount as zero;

(d) 15% of all undrawn commitments of the Merchant Bank denominated in the relevant currency or currencies, as the case may be. For the purposes of the Singapore Dollar MLA requirement, where the undrawn commitment is a multi-currency facility involving the Singapore dollars as a component currency, the Merchant Bank must include the entire facility amount as its undrawn commitment for its computation of its Singapore Dollar Qualifying Liabilities. However, if there is a sub-limit for the Singapore dollars in the facility, the Merchant Bank may use the sub-limit amount for its computation of its Singapore Dollar Qualifying Liabilities;

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<sup>7D</sup> Claims on Relevant Entities that are not Liquid Assets include –

(a) deposits placed with any Relevant Entity;

(b) certificates of deposit issued by any Relevant Entity;

(c) loans extended to any Relevant Entity;

(d) cash receivables from debt securities or sukuk which are not Liquid Assets and are issued by any Relevant Entity (“Relevant Debt Securities or Sukuk”). To avoid doubt, claims on Relevant Entities that are not Liquid Assets include cash receivables from Relevant Debt Securities or Sukuk that are posted as collateral by the Merchant Bank in a repurchase agreement but does not include cash receivables from Relevant Debt Securities or Sukuk that are held by the Merchant Bank under a reverse repurchase agreement; and

(e) cash receivables from any Relevant Entity, other than arising from (a) to (d) above.

[MAS Notice 1015 (Amendment) 2022]



- (e) all liabilities of the Merchant Bank denominated in the relevant currency or currencies, as the case may be, arising from the issue of bills of exchange, other than a bill of exchange which satisfies the requirements set out in Appendix 1; and
- (f) all liabilities of the Merchant Bank denominated in the relevant currency or currencies, as the case may be, arising from –
- (i) the provision of any e-money issuance service as defined in section 2(1) of the Payment Services Act 2019; and
- (ii) the issuance of any limited purpose e-money;
- but does not include any liability of the Merchant Bank arising from –
- (g) any funds received through repurchase agreements of Liquid Assets;
- (h) any funds received through currency, interest rate and foreign exchange swaps; and
- (i) any funds raised through the discounting of any bill of exchange which satisfies the requirements set out in Appendix 1, with banks, other Merchant Banks or finance companies (as defined in section 2 of the Finance Companies Act 1967).

[MAS Notice 1015 (Amendment) 2022]

## MLA Framework

10 ~~Every~~<sup>A</sup> Merchant Bank must hold, at all times<sup>7E</sup> –

- (a) ~~liquid assets~~Liquid Assets denominated in any currency amounting to no less than 16% of the value of its Qualifying Liabilities denominated in ~~all currencies~~any currency (“all currency MLA requirement”); and
- (b) ~~liquid assets~~Liquid Assets denominated in Singapore dollars amounting to no less than 16% of the value of its Singapore Dollar Qualifying Liabilities (“Singapore Dollar MLA requirement”).

[MAS Notice 1015 (Amendment) 2022]

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<sup>7E</sup> A Merchant Bank should ensure its liquidity risk management is sound and commensurate with the size, nature and complexity of its activities, and observe the guidelines in Appendix 8.

[MAS Notice 1015 (Amendment) 2022]

11 A Merchant Bank must treat every business day as a computation day. On a maintenance day, a Merchant Bank must hold the Singapore Dollar MLA requirement and the all currency MLA requirement, respectively, that was computed on the relevant computation day. Where a day is not a business day, a Merchant Bank must hold for that day, the Singapore Dollar MLA requirement and the all currency MLA requirement of the immediately preceding maintenance day which is a business day. Appendix 4 sets out the computation and maintenance schedules for a Merchant Bank determining its ~~MLA requirements~~Singapore Dollar MLA requirement and all currency MLA requirement.

[MAS Notice 1015 (Amendment) 2022]

#### Minimum Amount of Tier-1 ~~assets~~Liquid Assets

[MAS Notice 1015 (Amendment) 2022]

- 12 A Merchant Bank must hold, at all times, ~~at least 50%~~
- (a) Tier-1 Liquid Assets denominated in any currency amounting to no less than 8% of its liquid assets held for the purposes of complying with value of its Qualifying Liabilities denominated in any currency; and
  - (b) Tier-1 Liquid Assets denominated in Singapore dollars amounting to no less than 8% of the value of its Singapore Dollar MLA requirement and the all currency MLA requirement, respectively, in Tier-1 liquid assetsQualifying Liabilities.

[MAS Notice 1015 (Amendment) 2022]

#### Utilisation of ~~liquid assets~~Liquid Assets

[MAS Notice 1015 (Amendment) 2022]

- 13 A Merchant Bank must ~~notify~~
- (a) give prior written notification to the Authority in writing of its intent to utilise its ~~MLA~~Liquid Assets in a liquidity stress situation ~~prior to the~~, where such utilisation ~~The~~ will cause the Merchant Bank's MLA to fall below the prevailing minimum requirements as described in paragraphs 10 and 12; and

(b) ensure that the notification is signed by its chief executive, chief financial officer or any equivalent senior management.

[MAS Notice 1015 (Amendment) 2022]

14 A Merchant Bank must –

- (a) provide its justification for the utilisation of ~~MLA~~Liquid Assets;
- (b) set out the cause of the liquidity stress situation and ~~to~~ provide supporting documents, where available; and
- (c) detail the steps which it has taken and is going to take to resolve the liquidity stress situation,

to the Authority within one business day after the utilisation of its ~~liquid assets~~Liquid Assets.

[MAS Notice 1015 (Amendment) 2022]

15 A Merchant Bank must keep the Authority informed of material developments during the liquidity stress situation.

#### **Submission of liquidity returns**

16 A Merchant Bank must prepare the appropriate liquidity returns set out at Appendix 5 as at the last day of each month.

17 A Merchant Bank must submit all returns prepared in accordance with paragraph 16 to the Authority electronically through MASNET not later than 14 days after the last day of each month.

18 Despite paragraph 17, if the day on which a Merchant Bank has to submit any return is not a business day, the Merchant Bank may submit the return on the next business day.

## PART II – LCR

### Definitions

19 In Part II – LCR –

“30-day LCR horizon” means the 30-day period following the day on which the LCR is computed;

“Alternative Liquidity Approaches” means the alternative liquidity approaches available in a country or jurisdiction with an insufficient supply of Level 1 HQLA in its domestic currency, as described in the “Liquidity Coverage Ratio LCR31 Alternative liquidity approaches” issued by the Basel Committee on Banking Supervision on 15 December 2019;

[MAS Notice 1015 (Amendment) 2022]

“cash management ~~activity~~service”, in relation to a Merchant Bank, means ~~one or more of the following:~~

- (a) the remittance of payments;
- (b) collection and aggregation of funds;
- (c) payroll administration;~~and~~
- (d) control over the disbursement of funds,

in the context of a relationship where the Merchant Bank provides products and services to a customer to manage his or its cash flows, assets and liabilities, and conducts financial transactions necessary to the customer’s affairs or operations;

[MAS Notice 1015 (Amendment) 2022]

“clearing ~~activity~~service”, in relation to a Merchant Bank, means ~~one or more of the following:~~

- (a) the transmission, reconciliation and confirmation of payment orders;
- (b) daylight overdraft, overnight financing and maintenance of post-settlement balances;~~and~~
- (c) determination of intra-day and final settlement positions,

in the context of a relationship where the Merchant Bank provides a service that enables customers to transfer funds ~~(or securities)~~ through direct participants in domestic settlement systems to the final recipient;

[MAS Notice 1015 (Amendment) 2022]

“committed facility” has the same meaning as in paragraph 81;

“correspondent banking” has the same meaning as in paragraph 57A;

[MAS Notice 1015 (Amendment) 2022]

“custody ~~activity~~service”, in relation to a Merchant Bank, means ~~one or more of the following:~~

- (a) the settlement of securities transactions;
- (b) the transfer of contractual payments;
- (c) the processing of collateral;
- (d) the provision of custody related cash management services;
- (e) the receipt of dividends and other income;
- (f) ~~client~~customer subscriptions and redemptions;
- (g) asset and corporate trust servicing; ~~and~~
- (h) treasury, escrow, funds transfer, stock transfer and agency services, including payment and settlement services (excluding correspondent banking), and depository receipts,

in the context of a relationship where the Merchant Bank provides the above services to a customer in connection with the customer’s transactions in and holdings of financial assets;

[MAS Notice 1015 (Amendment) 2022]

~~“external credit assessment institution” or “ECAI” has the same meaning as in MAS Notice 637;~~[Deleted by MAS Notice 1015 (Amendment) 2022]

“financial institution” has the same meaning as in Annex 2A of MAS Notice 637;

[MAS Notice 1015 (Amendment) 2022]

“high quality liquid assets” or “HQLA” means any liquid asset that –

(a) is listed in paragraph 25 ~~that~~;

(aa) satisfies the requirements set out in paragraph 28; and

(b) ~~which~~ is available on a Merchant Bank’s balance sheet as at the end of the day immediately preceding the 30-day LCR horizon;

[MAS Notice 1015 (Amendment) 2022]

“institutional network of cooperative banks” has the same meaning as in paragraph 58;

[MAS Notice 1015 (Amendment) 2022]

“insurance subsidiary” means –

(a) a subsidiary that carries on insurance business as an insurer;

(b) a subsidiary that is –

(i) a holding company of the subsidiary referred to in sub-paragraph (a); and

(ii) subject to ~~specific~~ capital adequacy requirements set out in ~~any~~ direction issued by the Authority under section ~~2836(1)~~ of the ~~Monetary Authority of Singapore Act~~ Financial Holding Companies Act 2013 (“FHC Act”); or

(c) a subsidiary of the holding company referred to in sub-paragraph (b) that is included by the holding company in its computation of ~~specific~~ capital adequacy requirements set out in ~~any~~ direction issued by the Authority under section ~~2836(1)~~ of the ~~Monetary Authority of Singapore~~ FHC Act;

[MAS Notice 1015 (Amendment) 2022]

“intragroup banking entity” means –

(a) in the case where a Merchant Bank is incorporated in Singapore, any of the following:

(i) the Merchant Bank’s parent bank<sup>7F</sup>;

(ii) any other subsidiary<sup>7G</sup> of the Merchant Bank’s holding company, where such subsidiary is a bank, or any other Merchant Bank;

(iii) any subsidiary<sup>7H</sup> of the Merchant Bank, that is a bank, or any other Merchant Bank; or

(b) in the case where a Merchant Bank is a branch or office of a merchant bank incorporated outside Singapore, that is located within Singapore, any of the following:

(i) any other branch or office of the merchant bank incorporated outside Singapore (including the Merchant Bank’s head office);

(ii) the parent bank<sup>7I</sup> of the merchant bank incorporated outside Singapore;

(iii) any subsidiary<sup>7J</sup> of the merchant bank incorporated outside Singapore, that is a bank, or any other Merchant Bank;

(iv) any other subsidiary<sup>7K</sup> of the holding company of the merchant bank incorporated outside Singapore, that is a bank or any other Merchant Bank;

[MAS Notice 1015 (Amendment) 2022]

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<sup>7F</sup> To avoid doubt, this includes branches of the parent bank.

[MAS Notice 1015 (Amendment) 2022]

<sup>7G</sup> To avoid doubt, this includes branches of the subsidiaries.

[MAS Notice 1015 (Amendment) 2022]

<sup>7H</sup> To avoid doubt, this includes branches of the subsidiaries.

[MAS Notice 1015 (Amendment) 2022]

<sup>7I</sup> To avoid doubt, this includes branches of the parent bank.

[MAS Notice 1015 (Amendment) 2022]

<sup>7J</sup> To avoid doubt, this includes branches of the subsidiaries.

[MAS Notice 1015 (Amendment) 2022]

<sup>7K</sup> To avoid doubt, this includes branches of the subsidiaries.

[MAS Notice 1015 (Amendment) 2022]

“less stable deposit” has the same meaning as in paragraph 44;

[MAS Notice 1015 (Amendment) 2022]

“Level 1 HQLA” means any HQLA listed in paragraph 25(a), (b), (c), (d), (g), (h) or (n) ~~which satisfies the requirements set out in paragraph 28;~~

[MAS Notice 1015 (Amendment) 2022]

“Level 2 HQLA” means any Level 2A HQLA or Level 2B HQLA;

“Level 2A HQLA” means any HQLA listed in paragraph 25(e), (i) or (o) ~~which satisfies the requirements set out in paragraph 28;~~

[MAS Notice 1015 (Amendment) 2022]

“Level 2B HQLA” means any Level 2B(I) HQLA or Level 2B(II) HQLA;

“Level 2B(I) HQLA” means any HQLA listed in paragraph 25(j) or (o) ~~which satisfies the requirements set out in paragraph 28;~~

[MAS Notice 1015 (Amendment) 2022]

“Level 2B(II) HQLA” means any HQLA listed in paragraph 25(f), (k), (l), (m) ~~and/or~~ (o) ~~which satisfies the requirements set out in paragraph 28;~~

[MAS Notice 1015 (Amendment) 2022]

~~“less stable deposit” has the same meaning as in paragraph 44;~~ [Deleted by MAS Notice 1015 (Amendment) 2022]

“Liquidity Coverage Ratio” or “LCR” means a ratio which is computed at the end of each day as follows:

$$\text{LCR} = \frac{\text{HQLA}}{\text{Total net cash outflows}} \times 100\%;$$

“parent bank”, in relation to a Merchant Bank, means a bank ~~(whether licensed in Singapore or not),~~ of which the Merchant Bank is a subsidiary;

[MAS Notice 1015 (Amendment) 2022]



“prime brokerage service” has the same meaning as in paragraph 57B;

[MAS Notice 1015 (Amendment) 2022]

“recognised ECAI” has the same meaning as in Annex 2A of MAS Notice 637;

[MAS Notice 1015 (Amendment) 2022]

“relevant intragroup banking entity” means –

- (a) in relation to a Merchant Bank computing the LCR at the Group level, any intragroup banking entity which is not a banking group entity of the Merchant Bank;
- (b) in relation to a Merchant Bank computing the LCR at the country-level group, any intragroup banking entity which is not an entity in the Merchant Bank’s country-level group; and
- (c) in relation to a Merchant Bank ~~calculating~~ computing the LCR at the entity level, any intragroup banking entity;

[MAS Notice 1015 (Amendment) 2022]

“retail deposit” has the same meaning as in paragraph 40;

“secured funding” has the same meaning as in paragraph 65;

“small business” means any corporation, partnership, limited liability partnership, sole proprietorship, trust, or fund (including a collective investment scheme or closed-end fund), with reported annual revenue of less than or equal to S\$100 million;

[MAS Notice 1015 (Amendment) 2022]

“small business customer”, in relation to a Merchant Bank, means any customer ~~or~~ group of customers –

- (a) that is a small business;
- (b) that the Merchant Bank does not have any exposure to, or that the Merchant Bank has ~~that enters into a transaction with a Merchant Bank with total~~ exposures of ~~less~~ not more than S\$2 million ~~(on a consolidated basis where applicable);~~

(c) where the funding provided by the customer or group of customers is not more than S\$2 million; and

(d) where the exposures to the customer or group of customers are managed by the Merchant Bank as retail exposures<sup>8</sup>, or where the Merchant Bank does not have any exposure to the customer or group of customers, the funding provided by the customer or group of customers is managed by the Merchant Bank as retail deposits;

[MAS Notice 1015 (Amendment) 2022]

“stable deposit” has the same meaning as in paragraph 42; ~~and~~

[MAS Notice 1015 (Amendment) 2022]

“unsecured precious metals assets” has the same meaning as in paragraph 114A;

[MAS Notice 1015 (Amendment) 2022]

“unsecured precious metals liabilities” has the same meaning as in paragraph 64A;

[MAS Notice 1015 (Amendment) 2022]

“unsecured wholesale funding” has the same meaning as in paragraph 47.

19A For the purposes of the definition of “small business customer” in paragraph 19 –

(a) in determining the total exposures to, or total funding provided by, a group of customers, the Merchant Bank must ensure that the basis of aggregation of a group of customers follows the basis of aggregation set out in footnote 124 of MAS Notice 637;

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<sup>8</sup> ~~“Small business customers” are defined in line with the definition of loans extended to small businesses in footnote 124 of MAS Notice 637 that are managed as retail exposures and are generally considered as having similar liquidity risk characteristics to retail accounts provided the total aggregated funding raised from one small business customer is less than S\$2 million (on a consolidated basis where applicable). Where a Merchant Bank does not have any exposure to a small business customer that would enable it to use the definition under footnote 124 of MAS Notice 637, the Merchant Bank may include such a deposit in this category provided that the total aggregate funding raised from the customer is less than S\$2 million (on a consolidated basis where applicable) and the deposit is managed as a retail deposit. This means that the Merchant Bank treats such deposits in its internal risk management systems consistently over time and in the same manner as other retail deposits, and that the deposits are not individually managed in a way comparable to larger corporate deposits. [Deleted by MAS Notice 1015 (Amendment) 2022]~~

(b) an exposure is managed by the Merchant Bank as a retail exposure if the exposure is originated in the same manner as other retail exposures, and is managed by the Merchant Bank as part of a pool of similar exposures in its internal risk management systems consistently over time and in the same manner as other retail exposures; and

(c) a funding is managed by the Merchant Bank as retail deposits if the funding is originated in the same manner as other retail deposits, and is managed by the Merchant Bank as part of a pool of similar deposits in its internal risk management systems consistently over time and in the same manner as other retail deposits.

[MAS Notice 1015 (Amendment) 2022]

### LCR Framework

20 A Merchant Bank that has been notified by the Authority that it is a D-SIB and which parent bank is incorporated in Singapore must maintain at all times<sup>8A</sup> –

- (a) a Singapore Dollar LCR of at least 100%; and
- (b) an all currency LCR of at least 100%.

[MAS Notice 1015 (Amendment) 2022]

21 Pursuant to section 65A(2) of the Act, a Merchant Bank referred to in paragraph 20 must comply with the requirements on Singapore Dollar LCR and all currency LCR on a consolidated (“Group”) level, which consolidates the assets and liabilities of all its banking group entities, other than those of the following banking group entities ~~(“excluded entities”)~~, if any:

- (a) an insurance subsidiary;
- (b) any other entity, where such non-consolidation of assets and liabilities of the entity is expressly permitted under the Accounting Standards. To avoid doubt, the exemption for an entity that is a parent from presenting consolidated financial statements in paragraph 4(a) of Singapore Financial Reporting

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<sup>8A</sup> A Merchant Bank should ensure its liquidity risk management is sound and commensurate with the size, nature and complexity of its activities, and observe the guidelines in Appendix 8.

[MAS Notice 1015 (Amendment) 2022]

Standards 110 (“SFRS 110”) Consolidated Financial Statements does not apply to the Merchant Bank for the purposes of complying with this paragraph.

[\[MAS Notice 1015 \(Amendment\) 2022\]](#)

22 Pursuant to paragraph 21, and for the purposes of the requirements on Singapore Dollar LCR and all currency LCR at the Group level in Part II – LCR (other than paragraph 21), a Merchant Bank must deem –

- (a) all assets, liabilities, equity, transactions, exposures ~~and~~, operations or customers of a banking group entity of the Merchant Bank to be that of the Merchant Bank (per the scope of consolidation in paragraph 21); and
- (b) all collateral held by a banking group entity of the Merchant Bank to be collateral held by the Merchant Bank (per the scope of consolidation in paragraph 21).

[\[MAS Notice 1015 \(Amendment\) 2022\]](#)

23 Any other Merchant Bank that is not referred to in paragraph 20 and has been notified by the Authority that it is a D-SIB, or a Merchant Bank that elects to comply with the LCR framework, must maintain at all times –

- (a) a Singapore Dollar LCR of at least 100%; and
- (b) an all currency LCR of at least –
  - (i) 100% in the case where the Merchant Bank’s head office or parent bank is incorporated in Singapore; or
  - (ii) 50% in the case where the Merchant Bank’s head office or parent bank is incorporated outside Singapore.

24 A Merchant Bank must only use ~~liquid assets~~HQLA denominated in Singapore dollars to fulfil the requirements on Singapore Dollar LCR. To avoid doubt, the total net cash outflows for the Singapore Dollar LCR ~~must~~ only include total net cash outflows denominated in Singapore dollars.

[\[MAS Notice 1015 \(Amendment\) 2022\]](#)

~~Assets approved as “Liquid Assets”~~ HQLA

[MAS Notice 1015 (Amendment) 2022]

25 For the purposes of section 38(9) as applied by section 55ZG(1) of the Act, the following assets are “liquid assets” ~~are~~:

- (a) currency notes and coins of Singapore which are legal tender in Singapore, or foreign currency;
- (b) reserves held with the Authority and other central banks, which include –
  - (i) cash balances in a Merchant Bank’s Current Account maintained with the Authority;
  - (ii) a Merchant Bank’s overnight deposits with a central bank; and
  - (iii) a Merchant Bank’s term deposits with a central bank where<sup>8B</sup> –
    - (A) the Merchant Bank has a contractual agreement with the central bank to repay such deposits on notice from the Merchant Bank; or
    - (B) the deposits constitute a loan against which the Merchant Bank may borrow on a term basis or on an overnight but automatically renewable basis<sup>9</sup>,

to the extent that the Authority’s and the central banks’ policies allow them to be drawn down in times of stress;

- (c) any sukuk issued by Singapore Sukuk Pte Ltd;
- (d) any marketable security or sukuk representing a claim on, or that is guaranteed by, a sovereign, a central bank, a PSE, the Bank for International Settlements, the International Monetary Fund, the European Central Bank, the European Union, the European Stability Mechanism, the European Financial Stability

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<sup>8B</sup> To avoid doubt, other term deposits with central banks are not eligible as HQLA. However, if the term deposit matures within the 30-day LCR horizon, the Merchant Bank must treat the term deposit in accordance with paragraph 111.

[MAS Notice 1015 (Amendment) 2022]

<sup>9</sup> Other term deposits with central banks are not eligible as liquid assets. However, if the term expires within the 30-day LCR horizon, the term deposit could be considered as an inflow per paragraph 108. [Deleted by MAS Notice 1015 (Amendment) 2022]

Facility, or a multilateral development bank, which satisfies the following conditions:

- (i) it is assigned a 0% risk-weight under Table 7-1 ~~of MAS Notice 637~~ or paragraphs 7.3.17 to 7.3.20 of MAS Notice 637;
- (ii) it is traded in large, deep and active repurchase agreement (“repo”) or cash markets characterised by a low level of concentration;
- (iii) it has a proven record as a reliable source of liquidity in the markets (repo or sale) even during stressed market conditions;
- (iv) it is not an obligation of a financial institution or any of its related corporations;

(e) any marketable security or sukuk representing a claim on, or that is guaranteed by, a sovereign, a central bank, a PSE or a multilateral development bank, which satisfies the following conditions:

- (i) it is assigned a 20% risk weight under paragraphs 7.3.13 to 7.3.20 of MAS Notice 637;
- (ii) it is traded in large, deep and active repo or cash markets characterised by a low level of concentration;
- (iii) it has a proven record as a reliable source of liquidity in the markets (repo or sale) even during stressed market conditions, i.e. with a maximum price decline or increase in haircut not exceeding 10 percentage points over a 30-day period of significant liquidity stress;
- (iv) it is not an obligation of a financial institution or any of its related corporations;

(f) any marketable security or sukuk representing a claim on, or that is guaranteed by, a sovereign, a central bank or a PSE, which satisfies the following conditions:

- (i) it –
  - (A) has a long-term credit rating from a recognised ECAI of at least BBB- or, in the absence of a long-term rating, a short-term rating equivalent in quality to the long-term rating; or

- (B) does not have a credit assessment by a recognised ECAI and is internally rated as having a probability of default (“PD”) corresponding to a credit rating of at least BBB-;
  - (ii) it is traded in large, deep and active repo or cash markets characterised by a low level of concentration;
  - (iii) it has a proven record as a reliable source of liquidity in the markets (repo or sale) even during stressed market conditions, i.e. with a maximum price decline or increase in haircut not exceeding 20 percentage points over a 30-day period of significant liquidity stress;
  - (iv) it is not an obligation of a financial institution or any of its related corporations;
- (g) where a sovereign has a non-0% risk weight as determined in accordance with Table 7-1 of MAS Notice 637, any sovereign or central bank debt security or sukuk issued in domestic currencies by the sovereign or its central bank –
- (i) if the sovereign is the Singapore Government or the central bank is the Authority from a Merchant Bank’s home country or jurisdiction; or
  - (ii) if the sovereign or central bank is from a host foreign country or jurisdiction where a Merchant Bank has a branch or subsidiary<sup>9A</sup> that is approved, licensed, registered or otherwise regulated by a bank regulatory agency in the foreign country or jurisdiction to carry on banking business under the laws of the foreign country or jurisdiction and the Merchant Bank or its branch or subsidiary takes liquidity risk in that country or jurisdiction;
- (h) where the sovereign has a non-0% risk weight as determined in accordance with Table 7-1 of MAS Notice 637, any sovereign or central bank debt security or sukuk issued in foreign currencies by the sovereign or its central bank –
- (i) if the sovereign is the Singapore Government or the central bank is the Authority from a Merchant Bank’s home country or jurisdiction; or
  - (ii) if the sovereign or central bank is from a host foreign country or jurisdiction where a Merchant Bank has a branch or subsidiary<sup>9B</sup> that is

<sup>9A</sup> To avoid doubt, this includes a branch of the subsidiary.

[MAS Notice 1015 (Amendment) 2022]

<sup>9B</sup> To avoid doubt, this includes a branch of the subsidiary.

[MAS Notice 1015 (Amendment) 2022]

approved, licensed, registered or otherwise regulated by a bank regulatory agency in the foreign country or jurisdiction to carry on banking business under the laws of the foreign country or jurisdiction and the Merchant Bank or its branch or subsidiary takes liquidity risk in that country or jurisdiction,

up to the amount of a Merchant Bank's stressed total net cash outflows in that specific foreign currency arising from the operations of the Merchant Bank or its branch or subsidiary, in ~~the Singapore or that~~ country or jurisdiction ~~where the Merchant Bank has a branch or subsidiary, as the case may be;~~

- (i) any corporate debt security, covered bond or sukuk, which satisfies the following conditions:
  - (i) in the case of a corporate debt security or sukuk, it is not a complex structured product or a subordinated debt security or sukuk and it is not issued by a financial institution or any of its related corporations;
  - (ii) in the case of a covered bond, it is not issued by the Merchant Bank or any of its related corporations;
  - (iii) it –
    - (A) has a long-term credit rating from a recognised ECAI of at least AA- or, in the absence of a long-term rating, a short-term rating equivalent in quality to the long-term rating; or
    - (B) does not have a credit assessment by a recognised ECAI but is internally rated as having a PD corresponding to a credit rating of at least AA-;
  - (iv) it is traded in large, deep and active repo or cash markets characterised by a low level of concentration;
  - (v) it has a proven record as a reliable source of liquidity in the markets (repo or sale) even during stressed market conditions, i.e. with a maximum price decline or increase in haircut not exceeding 10 percentage points over a 30-day period of significant liquidity stress;
- (j) any corporate debt security or sukuk, which satisfies the following conditions:
  - (i) it is not a complex structured product or a subordinated debt security or sukuk;



- (ii) it is not issued by a financial institution or any of its related corporations;
  - (iii) it –
    - (A) has a long-term credit rating from a recognised ECAI of at least A- or, in the absence of a long-term rating, a short-term rating equivalent in quality to the long-term rating; or
    - (B) does not have a credit assessment by a recognised ECAI and is internally rated as having a PD corresponding to a credit rating of at least A-;
  - (iv) it is traded in large, deep and active repo or cash markets characterised by a low level of concentration;
  - (v) it has a proven record as a reliable source of liquidity in the markets (repo or sale) even during stressed market conditions, ~~i.e. with~~ a maximum price decline or increase in haircut not exceeding 20 percentage points over a 30-day period of significant liquidity stress;
- (k) any corporate debt security or sukuk, which satisfies the following conditions:
- (i) it is not a complex structured product or a subordinated debt security or sukuk;
  - (ii) it is not issued by a financial institution or any of its related corporations;
  - (iii) it –
    - (A)- has a long-term credit rating from a recognised ECAI between BBB+ and BBB- or, in the absence of a long-term rating, a short-term rating equivalent in quality to the long-term rating; or
    - (B)- does not have a credit assessment by a recognised ECAI and is internally rated as having a PD corresponding to a credit rating of between BBB+ and BBB-;
  - (iv) it is traded in large, deep and active repo or cash markets characterised by a low level of concentration;

- (v) it has a proven record as a reliable source of liquidity in the markets (repo or sale) even during stressed market conditions, i.e. with a maximum price decline or increase in haircut not exceeding 20 percentage points over a 30-day period of significant liquidity stress;
- (l) any residential mortgage-backed security or sukuk (“RMBS”), which satisfies the following requirements:
  - (i) it is not issued by, and the underlying assets have not been originated by, the Merchant Bank or any of its related corporations;
  - (ii) it has a long-term credit rating from a recognised ECAI of AA or higher or, in the absence of a long-term rating, a short-term rating equivalent in quality to the long-term rating;
  - (iii) it is traded in large, deep and active repo or cash markets characterised by a low level of concentration;
  - (iv) it has a proven record as a reliable source of liquidity in the markets (repo or sale) even during stressed market conditions, i.e. with a maximum price decline or increase in haircut not exceeding 20 percentage points over a 30-day period of significant liquidity stress;
  - (v) the underlying asset pool is restricted to residential mortgages and does not contain structured products;
  - (vi) the underlying residential mortgages are “full recourse” loans (i.e. in the case of foreclosure the mortgage owner remains liable for any shortfall in sales proceeds from the property) and have a maximum weighted average<sup>10</sup> loan-to-value ratio (“LTV”) of 80% at the time of issuance of the RMBS;
  - (vii) the securitisations are subject to risk retention laws and regulations which require issuers to retain an interest in the assets they securitise;
- (m) any ordinary shares, excluding preference shares and treasury shares, which satisfy the following requirements:

<sup>10</sup> Weighted average LTV is computed as follows:

$$\text{weighted average LTV} = \frac{\text{mortgage amount}_1 \times \text{LTV}_1 + \text{mortgage amount}_2 \times \text{LTV}_2 + \dots + \text{mortgage amount}_n \times \text{LTV}_n}{\text{mortgage amount}_1 + \text{mortgage amount}_2 + \dots + \text{mortgage amount}_n},$$

where n is the number of residential mortgages in the RMBS.

- (i) the shares are not issued by a financial institution or any of its related corporations;
- (ii) the shares are exchange traded and centrally cleared;
- (iii) the shares are a constituent of –
  - (A) the FTSE Straits Times Index (“STI”) or the MSCI Singapore Free Index;
  - (B) ~~if the stock is held in a country or jurisdiction outside of Singapore~~ where a Merchant Bank has a branch or subsidiary<sup>10A</sup> that is approved, licensed, registered or otherwise regulated by a bank regulatory agency in a foreign country or jurisdiction to carry on banking business under the laws of the foreign country or jurisdiction and the Merchant Bank or its branch or subsidiary takes liquidity risk in that country or jurisdiction, an index ~~that the banking supervisor in the foreign country or jurisdiction that the bank regulatory agency~~ of that country or jurisdiction recognises for purposes of including the equities as Level 2B HQLA under the applicable regulatory policy; or
  - (C) any other index in Singapore for which a Merchant Bank can demonstrate to the satisfaction of the Authority that the stock is as liquid and readily marketable as equities traded on the indices in sub-paragraph (m)(iii)(A);
- (iv) denominated in Singapore dollars or in the domestic currency of ~~a Merchant Bank’s home~~ the foreign country or jurisdiction ~~or in the currency of the country or jurisdiction where the Merchant Bank has a branch or subsidiary and the Merchant Bank or its subsidiary takes liquidity risk referred to in that country or jurisdiction~~ sub-paragraph (m)(iii)(B);
- (v) traded in large, deep and active repo or cash markets characterised by a low level of concentration;
- (vi) have a proven record as a reliable source of liquidity in the markets (repo or sale) even during stressed market conditions, ~~i.e. with~~ a

<sup>10A</sup> To avoid doubt, this includes a branch of the subsidiary.

maximum price decline or increase in haircut not exceeding 40 percentage points over a 30-day period of significant liquidity stress;

- (n) where a Merchant Bank has a branch or subsidiary<sup>10B</sup> that is approved, licensed, registered or otherwise regulated by a bank regulatory agency in a foreign country or jurisdiction to carry on banking business under the laws of the foreign country or jurisdiction and the foreign country or jurisdiction adopts the Alternative Liquidity Approaches, any liquid assets recognised as alternative liquid assets in ~~countries or jurisdictions that implement the Alternative Liquidity Approaches~~ the foreign country or jurisdiction<sup>11</sup> and which the ~~banking supervisor~~bank regulatory agency of that country or jurisdiction recognises for purposes of including the liquid assets as Level 1 HQLA, subject to the requirements specified in paragraph 120; ~~and~~
- (o) where a Merchant Bank has a branch or subsidiary<sup>11A</sup> that is approved, licensed, registered or otherwise regulated by a bank regulatory agency in a foreign country or jurisdiction to carry on banking business under the laws of the foreign country or jurisdiction and the foreign country or jurisdiction adopts the Alternative Liquidity Approaches, any liquid assets recognised as alternative liquid assets in ~~countries or jurisdictions that implement the Alternative Liquidity Approaches~~the foreign country or jurisdiction<sup>11</sup> and which the ~~banking supervisor~~bank regulatory agency of that country or jurisdiction recognises for purposes of including the liquid assets as Level 2 HQLA, subject to the requirements specified in paragraph 120.

[MAS Notice 1015 (Amendment) 2022]

26 For the purposes of determining the eligibility of a security or sukuk as a liquid asset under paragraph 25(f)(i)(A), (i)(iii)(A), (j)(iii)(A), (k)(iii)(A) and (l)(ii), in the event of split

- (a) where there are 2 credit ratings, ~~a~~ for a particular issue of the security or sukuk, the Merchant Bank must ~~determine~~use the applicable ~~poorer~~ credit rating in accordance with the method used in paragraph 7.3.4 of MAS Notice 637 for that particular issue of the security or sukuk; and

<sup>10B</sup> To avoid doubt, this includes a branch of the subsidiary.

[MAS Notice 1015 (Amendment) 2022]

<sup>11</sup> Please refer to paragraphs 55–67 of the “Basel III: The Liquidity Coverage Ratio and liquidity risk monitoring Tools”. ~~[Deleted by MAS Notice 1015 (Amendment) 2022]~~

<sup>11A</sup> To avoid doubt, this includes a branch of the subsidiary.

[MAS Notice 1015 (Amendment) 2022]

(b) where there are more than 2 credit ratings for a particular issue of the security or sukuk, the Merchant Bank must use the higher of the 2 poorest credit ratings for that particular issue of the security or sukuk.

[MAS Notice 1015 (Amendment) 2022]

27 Despite paragraph 25(f)(i)(A), (i)(iii)(A), (j)(iii)(A), (k)(iii)(A) and (l)(ii), a Merchant Bank may recognise local rating scales (rather than international ratings) of a recognised ECAI if the corporate debt securities or covered bonds are held by athe Merchant Bank for local currency liquidity needs arising from its operations in that local country or jurisdiction.

[MAS Notice 1015 (Amendment) 2022]

### **Operational requirements**

28 A Merchant Bank must treat a liquid asset as HQLA only if the liquid asset complies with the following operational requirements<sup>12</sup>:

- (a) the liquid asset is unencumbered<sup>13</sup> and is not pledged whether explicitly or implicitly, to secure, collateralise or credit-enhance any transaction, nor be designated to cover operational costs<sup>14</sup>;
- (b) the liquid asset is under the control of the function<sup>15</sup> charged with managing the liquidity of the Merchant Bank. In this regard, an asset would only be considered to be under the control of the function if the asset is maintained in a separate pool managed by the function with the sole intent for use as a source of contingent funds or if the Merchant Bank is able to demonstrate that the function has the authority and legal and operational capability to monetise the asset at any point in the 30-day LCR horizon and that the proceeds of doing

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<sup>12</sup> A Merchant Bank should periodically monetise a representative proportion of the assets in the stock through repo or outright sale, in order to test its access to the market, the effectiveness of its processes for monetisation, the availability of the assets, and to minimise the risk of negative signalling during a period of actual stress.

<sup>13</sup> ~~“Unencumbered” means free of legal, regulatory, contractual or other restrictions on the ability of the Merchant Bank to liquidate, sell, transfer or assign the assets. To avoid doubt, all assets maintained and held by the Merchant Bank for the purposes of section 40 as applied by section 55ZG(2) of the Act are encumbered.~~

[MAS Notice 1015 (Amendment) 2022]

<sup>14</sup> For example, rents and salary.

<sup>15</sup> For example, the treasurer.

so are available to the function throughout the 30-day LCR horizon without directly conflicting with a stated business or risk management strategy<sup>16</sup>;

- (c) ~~any~~ in the case of a liquid asset received in reverse repo and securities financing transactions ~~and which, the liquid asset~~ has not been rehypothecated and is legally and contractually available for the Merchant Bank to sell or deal with such assets, ~~may be included as HQLA~~;
- (d) ~~any~~ in the case of a liquid asset ~~which has been~~ deposited with, or pledged to, a central bank or a PSE, ~~but which the liquid asset~~ has not been used to generate liquidity, ~~may be included as HQLA~~;
- (e) ~~any~~ in the case of a liquid asset held by a banking group entity of the Merchant Bank to meet statutory liquidity requirements ~~at a Merchant Bank's branch or subsidiary level (where applicable) may be included as HQLA at the consolidated level only if the expected~~ imposed on the banking group entity by the laws and regulations of any country or jurisdiction to which the banking group entity is subject to, the Merchant Bank includes the cash flows as measured by the Merchant Bank's branch or subsidiary are also reflected in the consolidated outflows and cash inflows of the banking group entity in its computation of its LCR. Any, and the liquid asset in surplus of HQLA held at the branch or subsidiary can only be included in the consolidated stock if those HQLA would also be the statutory liquidity requirements, if any, is freely available to the banking group in times of stress;
- (f) ~~any~~ in the case of a liquid asset received as collateral for derivatives transactions ~~that are, the liquid asset is~~ not segregated, ~~has not been rehypothecated~~ and ~~are~~ is legally and contractually available ~~and not yet rehypothecated may be included as HQLA provided that~~ for the Merchant Bank to sell or deal with such assets, and the Merchant Bank records an appropriate cash outflow for the associated risks in accordance with paragraph 71;
- (g) in the ~~portion~~ case of a liquid ~~assets~~ asset received as part of a basket of collateral as security for a transaction ~~may be included as HQLA to the extent that it, the liquid asset~~ can be monetised separately;
- (h) in the ~~unused portion~~ case of a liquid ~~assets which are~~ asset pledged as collateral, the liquid asset is unused as at the end of the day, ~~except assets in a pool that is and is not~~ intended to collateralise derivatives ~~transaction, may~~

<sup>16</sup> For example, a Merchant Bank must exclude an asset which it is impeded from selling, such as an asset, which, if sold at large fire-sale discounts would cause the Merchant Bank to breach minimum solvency requirements, or an asset which the Merchant Bank is required to hold, including, but not limited to, an asset to meet statutory minimum inventory requirements for market making, from the stock of HQLA.

~~be included as HQLA transactions.~~ If ~~at the~~ Merchant Bank is unable to determine which assets are unused, it must assume that the assets are encumbered in the following order:

- (i) firstly, assets that are not HQLA;
  - (ii) secondly, Level 2B(II) HQLA;
  - (iii) thirdly, Level 2B(I) HQLA;
  - (iv) fourthly, Level 2A HQLA;
  - (v) fifthly, Level 1 HQLA;
- (i) ~~any~~ in the case of a liquid asset received as part of a securities borrowing transaction that is not a reverse repo or collateral swap, ~~where~~ the liquid ~~assets~~ ~~can~~ asset cannot be returned or recalled within the 30-day LCR horizon ~~must not be included as HQLA.~~

[MAS Notice 1015 (Amendment) 2022]

### Composition of HQLA

29 A Merchant Bank must measure its Level 1 HQLA at an amount not greater than the current market value.

30 A Merchant Bank must ensure that –

- (a) its Level 2A HQLA are subject to a 15% haircut on the current market value of each Level 2A HQLA; and
- (b) its Level 2B HQLA are subject to –
  - (i) a 25% haircut on the current market value of RMBS; and
  - (ii) a 50% haircut on the current market value of corporate debt securities (including commercial papers), sovereign debt securities, PSE debt securities and ordinary shares.

31 Where a liquid asset can be categorised into different categories of HQLA, a Merchant Bank must categorise the liquid asset into the HQLA category with the highest haircut, ~~z~~ except

where ~~expressively~~expressly provided otherwise or where the Merchant Bank has obtained the approval of the Authority to do otherwise.<sup>17</sup>

[MAS Notice 1015 (Amendment) 2022]

32 A Merchant Bank must apply a cap on its Level 2 HQLA, Level 2B HQLA and Level 2B(II) HQLA, to ensure that they do not exceed ~~540~~540%, 15% and ~~405~~405% of total HQLA respectively. The Merchant Bank must ~~calculate~~compute the cap on its Level 2 HQLA, Level 2B HQLA and Level 2B(II) HQLA after the application of the required haircuts, and after taking into account the unwinding of short-term securities financing transactions and collateral swap transaction maturing within the 30-day LCR horizon that involve the exchange of HQLA.

[MAS Notice 1015 (Amendment) 2022]

33 If a liquid asset no longer qualifies as HQLA<sup>18</sup>, a Merchant Bank is permitted to keep such liquid assets as HQLA for an additional 30 days. This would allow the Merchant Bank additional time to adjust its HQLA as needed or replace the liquid asset.

34 A Merchant Bank must compute HQLA in accordance with the formula in Appendix 6.

#### **Total net cash outflows**

35 Total net cash outflows is defined as total expected cash outflows minus the lower of –

- (a) total expected cash inflows; and
- (b) 75% of total expected cash outflows.

35A Except where otherwise stated, a Merchant Bank must compute –

- (a) total expected cash outflows as the sum of cash outflows of outflow items; and
- (b) total expected cash inflows as the sum of cash inflows of inflow items.

[MAS Notice 1015 (Amendment) 2022]

36 ~~A Merchant Bank must not include~~For the purposes of computing the total net cash outflows in paragraph 35, a Merchant Bank that is complying with Part II – LCR on a country-

<sup>17</sup> A Merchant Bank may apply to the Authority for such approval with evidence supporting the less conservative treatment.

<sup>18</sup> For example, due to a rating downgrade.



level group basis must exclude cash outflows and cash inflows arising from transactions between entities in a country-level group ~~for the purposes of computing total net cash outflows referred to in paragraph 35.~~

[MAS Notice 1015 (Amendment) 2022]

37 Except where otherwise stated, a Merchant Bank must compute ~~expected~~ cash outflows and cash inflows of outflow and inflow items by multiplying the cash outflow and cash inflow rates respectively to the outstanding balances of the outflow and inflow items due within the 30-day LCR horizon. For the purposes of such computation, ~~at~~ the Merchant Bank must apply the cash outflow and cash inflow rates in paragraphs 40 to 119 and Appendix 7 to each category of cash outflows and cash inflows.

[MAS Notice 1015 (Amendment) 2022]

38 A Merchant Bank must not double count assets and liabilities in ~~the~~ its computation of ~~the~~ its LCR. If a liquid asset is included as part of HQLA, the Merchant Bank cannot count the cash inflows associated with that liquid asset ~~cannot be counted~~ as part of the total expected cash inflows.

[MAS Notice 1015 (Amendment) 2022]

39 Where transactions can be categorised into multiple categories with different cash inflow or cash outflow ~~factors~~ rates, a Merchant Bank must apply the higher cash outflow ~~factor~~ rate or lower cash inflow ~~factor~~ rate, as the case may be, to the transactions, except where expressly provided otherwise or where the Merchant Bank has obtained the approval of the Authority to do otherwise.

[MAS Notice 1015 (Amendment) 2022]

## Cash outflows

### (A) Retail deposit cash outflows

40 Retail deposits are deposits placed by a natural person. Deposits from legal entities, sole proprietorships or partnerships are captured in the wholesale funding categories. ~~Retail deposits that may be included as part of the LCR computation include demand deposits and term deposits~~ A Merchant Bank must include cash outflows from all retail deposits, including demand deposits and term deposits, in its computation of its LCR, unless otherwise excluded under the criteria set out in paragraphs 45 and 46.

[MAS Notice 1015 (Amendment) 2022]

41 Retail deposits are divided into “stable” and “less stable” as described in paragraphs 42 and 44.

**(I) Stable deposits**

42 Stable deposits are those which are fully insured<sup>19</sup> by the Singapore Deposit Insurance Corporation Limited (“SDIC”)<sup>20</sup>, or an effective government deposit insurance scheme<sup>21</sup> in a foreign country or jurisdiction, where –

- (a) the depositors have established relationships with the Merchant Bank such that the deposits are highly unlikely to be withdrawn (“established relationships”); or
- (b) the deposits are in transactional accounts<sup>22</sup>.

[MAS Notice 1015 (Amendment) 2022]

42A Fully insured deposits means the amount of deposits that will be fully paid out by an effective deposit insurance scheme. To avoid doubt, in the case of deposits that are in excess of the deposit insurance limit of the effective deposit insurance scheme, a Merchant Bank must treat only the amount of deposits up to the deposit insurance limit as fully insured and must not treat the amount of deposits in excess of the deposit insurance limit as fully insured.

[MAS Notice 1015 (Amendment) 2022]

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<sup>19</sup> ~~Fully insured means that the deposit amount, up to the deposit insurance limit, will be fully paid out by an effective deposit insurance scheme. Deposit balances up to the deposit insurance limit can be treated as “fully insured” or “stable” even if a depositor has a balance in excess of the deposit insurance limit. However, any amount in excess of the deposit insurance limit is to be treated as “less stable”.~~ [Deleted by MAS Notice 1015 (Amendment) 2022]

<sup>20</sup> ~~The current cash outflow rate for stable deposits fully insured by the Singapore Deposit Insurance Corporation Limited (SDIC) is 5%. This may change to 3% when the insurance scheme meets the additional criteria of (i) the insurance scheme is based on a system of prefunding via the periodic collection of levies on banks with insured deposits and; (ii) the scheme has adequate means of ensuring ready access to additional funding in the event of a large call on its reserves, e.g. an explicit and legally binding guarantee from the government, or a standing authority to borrow from the government; and (iii) access to insured deposits is available to depositors no more than 7 business days once the deposit insurance scheme is triggered.~~ [Deleted by MAS Notice 1015 (Amendment) 2022]

<sup>21</sup> ~~Effective deposit insurance scheme means — A scheme (i) that guarantees that it has the ability to make prompt payouts, (ii) for which the coverage is clearly defined and (iii) of which public awareness is high. The deposit insurer in an effective deposit insurance scheme has formal legal powers to fulfil its mandate and is operationally independent, transparent and accountable. A country or jurisdiction with an explicit and legally binding sovereign deposit guarantee that effectively functions as deposit insurance can be regarded as having an effective deposit insurance scheme.~~ [Deleted by MAS Notice 1015 (Amendment) 2022]

<sup>22</sup> For example, an account where salaries are automatically credited.

42B Effective deposit insurance scheme means a scheme –

- (a) that has the ability to make prompt payouts;
- (b) that has a clearly defined coverage;
- (c) that has high public awareness; and
- (d) where the deposit insurer of the insurance scheme has formal legal powers to fulfil its mandate and is operationally independent, transparent and accountable.

[MAS Notice 1015 (Amendment) 2022]

42C A Merchant Bank may consider an explicit and legally binding sovereign deposit guarantee that effectively functions as deposit insurance as an effective deposit insurance scheme.

[MAS Notice 1015 (Amendment) 2022]

42D A Merchant Bank must apply a cash outflow rate of 5% to stable deposits that are fully insured by SDIC.

[MAS Notice 1015 (Amendment) 2022]

43 Where a Merchant Bank ~~has a branch or subsidiary in other countries or jurisdictions carrying on banking business, and~~ has stable deposits that are fully insured by ~~other an~~ effective government deposit insurance schemes in a foreign country or jurisdiction, the Merchant Bank must follow the relevant treatment adopted by the bank regulatory agency in the host foreign country or jurisdiction ~~where the branch or subsidiary operates.~~

[MAS Notice 1015 (Amendment) 2022]

**(II) Less stable deposits**

44 Less stable deposits are deposits that are not stable deposits.

44A A Merchant Bank must apply a cash outflow rate of 10% to less stable deposits.

[MAS Notice 1015 (Amendment) 2022]

### (III) Retail term deposits

45 Subject to paragraphs 45A and 45B, a Merchant Bank must exclude the cash outflow from a retail term deposit with a residual maturity or withdrawal notice period of greater than 30 days from the total expected cash outflows, if the depositor has no legal right to withdraw the deposit within the 30-day LCR horizon, or if early withdrawal results in a significant penalty that is materially greater than the loss of interest.

[MAS Notice 1015 (Amendment) 2022]

45A If a Merchant Bank allows a depositor to withdraw ~~such deposits~~ a retail term deposit referred to in paragraph 45 within the 30-day LCR horizon without applying any penalty that is materially greater than the loss of interest, ~~notwithstanding or despite~~ a clause that says the depositor has no legal right to withdraw, the ~~entire category of such~~ Merchant Bank must include the cash outflow from all retail term deposits ~~would then have referred to be treated in paragraph 45 in the total expected cash outflows~~ as ~~stable or less stable deposits, depending on their fulfilment of the criteria in~~ computed in accordance with paragraphs ~~4042 to 4444A~~.

[MAS Notice 1015 (Amendment) 2022]

45B ~~Despite paragraph 45A, if a Merchant Bank allows a depositor that is undergoing exceptional circumstances that would qualify as hardship<sup>22A</sup> to withdraw a retail term deposit referred to in paragraph 45 within the 30-day LCR horizon without applying any penalty that is materially greater than the loss of interest, or despite a clause that says the depositor has no legal right to withdraw, the Merchant Bank may continue to exclude the cash outflow from all retail term deposits referred to in paragraph 45 from the total expected cash outflows.~~

[MAS Notice 1015 (Amendment) 2022]

46 Where a Merchant Bank has a branch or subsidiary<sup>22B</sup> ~~in other countries or jurisdictions carrying that is approved, licensed, registered or otherwise regulated by a bank regulatory agency in a foreign country or jurisdiction to carry on banking business under the laws of the foreign country or jurisdiction,~~ the Merchant Bank must apply the cash ~~flow~~ outflow and cash inflow rates outlined in Part II – LCR ~~when it calculates in its computation of its LCR,~~ except for deposits from retail and small business customers where the Merchant Bank must follow the relevant treatment adopted in ~~the host that~~ country or jurisdiction ~~where the branch or subsidiary operates~~, subject to the requirements in paragraph 120.

[MAS Notice 1015 (Amendment) 2022]

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<sup>22A</sup> For example, loss of employment, entering into a serious accident or illness.

[MAS Notice 1015 (Amendment) 2022]

<sup>22B</sup> To avoid doubt, this includes a branch of the subsidiary.

[MAS Notice 1015 (Amendment) 2022]

**(B) Unsecured wholesale funding cash outflows**

47 Unsecured wholesale funding are liabilities and general obligations (excluding liabilities and obligations related to derivative contracts) of persons who are not natural persons and such liabilities and general obligations ~~that~~ are not secured by legal rights to specifically designated assets owned by the person in the event of the bankruptcy, insolvency, liquidation or resolution of the person.

[\[MAS Notice 1015 \(Amendment\) 2022\]](#)

48 A Merchant Bank must include the cash outflow from an unsecured wholesale funding in the total expected cash ~~outflow~~outflows, if the funding is callable within the 30-day LCR horizon, has its earliest possible contractual maturity date situated within the 30-day LCR horizon<sup>23</sup>, has an undetermined maturity, or has options that are exercisable at the discretion of the counterparty to the unsecured wholesale funding transaction within the 30-day LCR horizon. For options exercisable at the Merchant Bank's discretion, the Merchant Bank must consider reputational factors that may limit its ability not to exercise the option and its impact on unsecured wholesale funding cash outflows.

[\[MAS Notice 1015 \(Amendment\) 2022\]](#)

49 A Merchant Bank must not include unsecured wholesale funding that is callable by the counterparty to the unsecured wholesale funding transaction subject to a contractually defined and binding notice period surpassing the 30-day LCR horizon in the total expected cash ~~outflow~~outflows.

[\[MAS Notice 1015 \(Amendment\) 2022\]](#)

**(I) Unsecured wholesale funding provided by small business customers**

50 A Merchant Bank must treat unsecured wholesale funding provided by small business customers in the same way as retail deposits.

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<sup>23</sup> For example, maturing term deposits and ~~unsecured~~ debt securities.

[\[MAS Notice 1015 \(Amendment\) 2022\]](#)

(II) **Operational deposits generated by clearing, custody and cash management ~~activities~~services**

[\[MAS Notice 1015 \(Amendment\) 2022\]](#)

51 Subject to paragraphs 52, 53, 54 and 57, a Merchant Bank may, with the Authority's approval –

- (a) apply a cash outflow rate that is the same as the cash outflow rate applied to “stable” ~~retail~~ deposits, to the portion of operational deposits from customers ~~with~~receiving qualifying clearing, custody and cash management ~~accounts~~ with services from the Merchant Bank (“qualifying operational deposits”) that is fully covered by a deposit insurance scheme; and
- (b) apply a cash outflow rate of 25% to other qualifying operational deposits.

[\[MAS Notice 1015 \(Amendment\) 2022\]](#)

52 For the purposes of paragraph 51, a Merchant Bank must ensure that qualifying clearing, custody or cash management ~~activities must~~services meet the following criteria:

- (a) the customer is reliant on the Merchant Bank to perform these services as an independent third party intermediary in order to fulfil its normal banking activities over the 30-day LCR horizon<sup>24</sup>;
- (b) the Merchant Bank is providing these services under a legally binding agreement to customers;
- (c) the customer may only terminate ~~such agreements either~~ the agreement referred to in sub-paragraph (b) by giving prior notice of at least 30 days or paying significant switching costs<sup>25</sup> if the operational deposits are withdrawn within the 30-day LCR horizon.

[\[MAS Notice 1015 \(Amendment\) 2022\]](#)

53 For the purposes of paragraph 51, a Merchant Bank must ensure that qualifying operational deposits generated from the qualifying clearing, custody and cash management ~~activities must~~services meet the following criteria:

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<sup>24</sup> For example, this condition would not be met if the Merchant Bank is aware that the customer has adequate back-up arrangements.

<sup>25</sup> For example, those related to transaction, information technology, early termination or legal costs.

- (a) the deposits are by-products of the underlying services provided by the Merchant Bank and not sought out in the wholesale market in the sole interest of offering interest income;
- (b) the deposits are held in specifically designated accounts and priced without giving an economic incentive to the customer ~~(not limited to paying market interest rates)~~<sup>25A</sup> to leave any excess funds balances on these accounts. In the case that interest rates in a country or jurisdiction are close to zero, such accounts are likely to be non-interest bearing. ~~A Merchant Bank should be particularly aware that during prolonged periods of low interest rates, excess balances (as defined below) could be significant.~~<sup>25B</sup>

[MAS Notice 1015 (Amendment) 2022]

54 For the purposes of paragraph 51, a Merchant Bank must not treat any excess balances that may be withdrawn while still leaving sufficient funds to fulfil the qualifying clearing, custody and cash management ~~activities~~services as qualifying operational deposits.

[MAS Notice 1015 (Amendment) 2022]

55 For the purposes of paragraph 54, a Merchant Bank must –

- (a) determine the methodology for identifying excess balances that are excluded from this category; and
- (b) conduct an assessment based on the methodology at a sufficiently granular level to adequately assess the risk of withdrawal in an idiosyncratic stress.

56 ~~The~~For the purposes of the methodology referred to in paragraph 55(a), a Merchant Bank must ~~take~~ensure that the methodology takes into account relevant factors<sup>26</sup>, and consider appropriate indicators<sup>27</sup> to identify those customers that are not actively managing account balances efficiently.

[MAS Notice 1015 (Amendment) 2022]

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<sup>25A</sup> To avoid doubt, paying market interest rates for the deposits is not sufficient for the Merchant Bank to determine that the deposits are priced without giving an economic incentive to the customer.

[MAS Notice 1015 (Amendment) 2022]

<sup>25B</sup> The Merchant Bank should be particularly aware that during prolonged periods of low interest rates, excess balances could be significant.

[MAS Notice 1015 (Amendment) 2022]

<sup>26</sup> For example, the likelihood that wholesale customers have above average balances in advance of specific payment needs.

<sup>27</sup> For example, ratios of account balances to payment or settlement volumes or to assets under custody.

57 For the purposes of paragraph 51, a Merchant Bank must not treat any deposit arising out of correspondent banking<sup>28</sup> or from the provision of prime brokerage services as qualifying operational deposits.

57A Correspondent banking means any arrangement under which a bank or merchant bank (correspondent) holds deposits owned by another bank or merchant bank (respondent) and provides payment or other services to the respondent in order to settle foreign currency transactions.<sup>28A</sup>

[MAS Notice 1015 (Amendment) 2022]

57B Prime brokerage services is a package of services<sup>28B</sup> offered to large active investors<sup>28C</sup>.

[MAS Notice 1015 (Amendment) 2022]

### (III) Deposits in institutional networks of cooperative banks

58 An institutional network of cooperative (or otherwise named) banks is a group of legally autonomous banks with a statutory framework of cooperation with common strategic focus and brand where specific functions are performed by central institutions or specialised service providers. ASubject to paragraph 59, a Merchant Bank that is a central institution or a specialised service provider of an institutional network of cooperative ~~bankbanks~~, may, with the Authority's approval, apply a cash outflow rate of 25% to the amount of deposits that members of the institutional network have placed with the Merchant Bank arising from statutory minimum deposit requirements or in the context of common task sharing and legal, statutory or contractual arrangements, so long as both the Merchant Bank that has received the deposits and the member of the institutional network that has placed the deposits

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<sup>28</sup> ~~Correspondent banking refers to arrangements under which one bank or merchant bank (correspondent) holds deposits owned by other banks or merchant banks (respondents) and provides payment and other services in order to settle foreign currency transactions (e.g. so-called nostro and vostro accounts used to settle transactions in a currency other than the domestic currency of the respondent bank or merchant bank for the provision of clearing and settlement of payments). Prime brokerage is a package of services offered to large active investors, particularly institutional hedge funds. These services usually include: clearing, settlement and custody, consolidated reporting, financing (margin, repo or synthetic), securities lending, capital introduction, and risk analytics. [Deleted by MAS Notice 1015 (Amendment) 2022]~~

<sup>28A</sup> For example, nostro and vostro accounts used to settle transactions in a currency other than the domestic currency of the respondent bank or merchant bank for the provision of clearing and settlement of payments.

[MAS Notice 1015 (Amendment) 2022]

<sup>28B</sup> For example, clearing, settlement and custody, consolidated reporting, financing (margin, repo or synthetic), securities lending, capital introduction, and risk analytics.

[MAS Notice 1015 (Amendment) 2022]

<sup>28C</sup> For example, institutional hedge funds.

[MAS Notice 1015 (Amendment) 2022]



participate in the same institutional network's mutual protection scheme against illiquidity and insolvency of its members.

[\[MAS Notice 1015 \(Amendment\) 2022\]](#)

59 Despite paragraph 58, a Merchant Bank, that is a central institution or a specialised service provider of an institutional network of cooperative ~~bank~~banks, must apply a cash outflow rate of 100% to the amount of deposits that members of the institutional network have placed with the Merchant Bank for –

- (a) correspondent banking ~~activities; or~~services; and
- (b) clearing, custody or cash management ~~activities~~services.

[\[MAS Notice 1015 \(Amendment\) 2022\]](#)

**(IV) Deposits contractually pledged to a Merchant Bank as collateral to secure other transactions**

60 Despite paragraphs 40 to 59, if a deposit is contractually pledged to a Merchant Bank as collateral to secure a credit facility or loan granted by the Merchant Bank (“pledged deposit”) that will not mature or settle within the 30-day LCR horizon, the Merchant Bank may exclude the pledged deposit from ~~the~~its computation of its LCR only if the following conditions are met:

- (a) the loan or credit facility is not maturing within the 30-day LCR horizon;
- (b) there is a legally enforceable contract disallowing withdrawal of the pledged deposit before the loan is fully settled or repaid;
- (c) the amount of deposit that is excluded from ~~the~~its computation of its LCR does not exceed the outstanding balance of the loan or drawn portion of the credit facility.

[\[MAS Notice 1015 \(Amendment\) 2022\]](#)

61 Paragraph 60 does not apply to a deposit that is pledged against an undrawn facility, in which case the Merchant Bank must apply the higher of the cash outflow rate applicable to the undrawn facility and the pledged deposit.

**(V) Unsecured wholesale funding provided by non-financial ~~corporate~~corporates and sovereigns, central banks, multilateral development banks and PSEs**

[\[MAS Notice 1015 \(Amendment\) 2022\]](#)

62 A Merchant Bank must apply a cash outflow rate of 20% ~~ento~~ unsecured wholesale funding provided by corporate customers which are not financial institutions, sovereigns, central banks, multilateral development banks, and PSEs, that also do not qualify as operational deposits, if the entire amount of the deposit is fully covered by an effective deposit insurance scheme or by a public guarantee that provides equivalent protection. Otherwise, the Merchant Bank must apply a cash outflow rate of 40% ~~ento~~ such unsecured wholesale funding.

[\[MAS Notice 1015 \(Amendment\) 2022\]](#)

**(VI) Unsecured wholesale funding provided by other customers ~~which~~that are not natural persons**

[\[MAS Notice 1015 \(Amendment\) 2022\]](#)

63 A Merchant Bank must apply a cash outflow rate of 100% ~~ento~~ all unsecured wholesale funding that are not included in paragraphs 47 to 62<sup>29</sup>. A Merchant Bank may compute cash outflows from unsecured wholesale funding ~~over the 30-day LCR horizon and~~ provided by relevant intragroup banking entities on a net basis with cash inflows from unsecured wholesale funding ~~over the 30-day LCR horizon~~ provided ~~by intragroup banking~~to such entities.

[\[MAS Notice 1015 \(Amendment\) 2022\]](#)

64 A Merchant Bank must separate customer cash balances arising from the provision of prime brokerage services, including but not limited to the cash arising from prime brokerage services ~~as identified in paragraph 57~~, from any required segregated balances related to client~~customer~~ protection regimes imposed on the Merchant Bank or its banking group entities by the laws and regulations of any country or jurisdiction to which the Merchant Bank or its banking group entities is subject and the Merchant Bank must not net such cash balances ~~must not be netted~~ against other customer exposures included in its computation of its LCR. A Merchant Bank must treat segregated balances related to client~~customer~~ protection regimes imposed by the laws and regulations of any country or jurisdiction to

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<sup>29</sup> For example, deposits and other funding, that are not qualifying operational deposits, from banks ~~(whether licensed in Singapore or not)~~, securities firms, insurance companies, fiduciaries, beneficiaries, conduits and special purpose vehicles, affiliated entities of the Merchant Bank and other entities.

[\[MAS Notice 1015 \(Amendment\) 2022\]](#)

which the Merchant Bank or its banking group entities is subject as cash inflows in accordance with paragraph 111 and must exclude these segregated balances from HQLA.

[MAS Notice 1015 (Amendment) 2022]

**(BA) Unsecured precious metals liabilities cash outflows**

[MAS Notice 1015 (Amendment) 2022]

64A Unsecured precious metals liabilities are liabilities and general obligations (excluding liabilities and obligations related to derivative contracts) in precious metals and are not secured funding.<sup>29A</sup>

[MAS Notice 1015 (Amendment) 2022]

64B A Merchant Bank must treat unsecured precious metals liabilities in the same way as retail deposits and unsecured wholesale funding, and apply the appropriate cash outflow rates in accordance with paragraphs 40 to 64.

[MAS Notice 1015 (Amendment) 2022]

64C Despite paragraph 64B, a Merchant Bank may apply a cash outflow rate of 0% to an unsecured precious metals liability if –

- (a) contractual arrangements require the unsecured precious metals liability to be settled by physical delivery and the Merchant Bank is able to supply the precious metals from its own inventories; or
- (b) contractual arrangements allow the Merchant Bank to choose cash settlement or physical delivery and there are no market practices or reputational factors that may limit the Merchant Bank's ability to choose physical delivery if the Merchant Bank is able to supply the precious metals from its own inventories.

[MAS Notice 1015 (Amendment) 2022]

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<sup>29A</sup> For example, deposits in precious metals received by a Merchant Bank.

[MAS Notice 1015 (Amendment) 2022]

### (C) Secured funding cash outflows

65 Secured funding are liabilities and general obligations that are collateralised by legal rights to specifically designated assets owned by the borrowing institution in the case of bankruptcy, insolvency, liquidation or resolution of the borrowing institution.

[MAS Notice 1015 (Amendment) 2022]

66 A Merchant Bank must include forward repurchase transactions and collateral swaps that start prior to, but mature within, the 30-day LCR horizon in this category.

67 A Merchant Bank must treat collateral swaps and any other transaction which involves an exchange of non-cash assets as a combination of a repurchase and reverse repurchase agreement. AThe Merchant Bank must compute the ~~net~~cash outflow for collateral swaps based on the net cash outflow that will result from an equivalent repurchase and reverse repurchase transaction, floored at 0zero. The Merchant Bank must treat any collateral lent to its customers to effect short positions as a form of secured funding.

[MAS Notice 1015 (Amendment) 2022]

68 If a pool of assets is used as collateral for a secured funding transaction, and a Merchant Bank is unable to determine specifically which assets are used to collateralise the transaction, it must assume that the assets are encumbered in the following order:

- (a) firstly, assets which are not HQLA;
- (b) secondly, Level 2B(II) HQLA;
- (c) thirdly, Level 2B(I) HQLA;
- (d) fourthly, Level 2A HQLA;
- (e) fifthly, Level 1 HQLA.

69 A Merchant Bank must apply the relevant cash outflow rates in “Cash Outflows – C. Secured funding” section of Appendix 7 to the amount of funds raised through an outstanding secured funding transaction that matures within the 30-day LCR horizon or that arises from collateral lent to customers to effect short positions without a specified contractual maturity.

[MAS Notice 1015 (Amendment) 2022]

**(D) Additional requirements**

**(I) Cash outflows from derivative contracts**

70 A Merchant Bank must ~~—~~

~~(a) apply a cash outflow rate of 100% to the sum of all net cash outflows from derivative contracts. The Merchant Bank must; and~~

~~(b) compute the amounts of cash outflows from derivative contracts by doing the following:~~

~~(i) compute such amounts in accordance with its existing valuation methodologies, expected cash inflows and outflows from its derivative contracts. The Merchant Bank may calculate its cash flows with its counterparty on a net basis (i.e. derivative inflows within the 30-day LCR horizon can offset derivative outflows within the 30-day LCR horizon), where it has entered into a valid master netting agreement with that counterparty. In determining its all currency LCR, the Merchant Bank may calculate its cash flows on a net basis for foreign exchange derivative contracts not covered by a master netting agreement, where it involves a full exchange of principal amounts within the same day. The Merchant Bank must;~~

~~(ii) exclude from such calculations—computations those liquidity requirements that would result from increased collateral needs due to market value movements or fallsfall in value of collateral posted. The by the Merchant Bank—must;~~

~~(iii) assume that options are exercised at the point when they are ‘in the money’ to the option buyer.~~

[MAS Notice 1015 (Amendment) 2022]

70A A Merchant Bank may —

(a) where the Merchant Bank has entered into a valid master netting agreement with its counterparty, compute the cash outflows from derivative contracts with that counterparty on a net basis with cash inflows from derivative contracts with the same counterparty; and

(b) for the purposes of its computation of its all currency LCR, compute the cash outflows from a foreign exchange derivative contract not covered by a master

netting agreement, where the foreign exchange derivative contract involves a full exchange of principal amounts within the same day, on a net basis with cash inflows from the foreign exchange derivative contract.

[MAS Notice 1015 (Amendment) 2022]

71 Where derivative ~~payments contracts~~ are collateralised by HQLA, a Merchant Bank must ~~calculate compute the~~ cash outflows from derivative contracts net of any corresponding cash or collateral inflows that would result, all other things being equal, from contractual obligations for cash or collateral to be provided to the Merchant Bank, if the Merchant Bank is legally entitled to, and is operationally capable of, re-using the collateral in new cash raising transactions once the collateral is received.

[MAS Notice 1015 (Amendment) 2022]

72 A Merchant Bank must treat ~~outflows from~~ options which must be settled by physical delivery, ~~if exercised~~, as secured borrowing transactions, where the assets to be delivered ~~assets~~ are treated as collateral in secured transactions or collateral swaps, ~~with~~ and apply the appropriate cash outflow ~~factors applied rates~~ in accordance with paragraphs 65 to 69. The Merchant Bank may assume cash settlement, if contractual arrangements allow for both physical delivery and cash settlement. Where contractual arrangements require physical delivery as the mode of settlement, the Merchant Bank may assume that the security of lowest value (~~“cheapest to deliver”~~) will be delivered, unless the derivative contract provides otherwise.

[MAS Notice 1015 (Amendment) 2022]

## **(II) Increased liquidity needs related to downgrade triggers embedded in financing transactions, derivatives and other contracts**

73 For each contract in which downgrade triggers<sup>30</sup> exist, a Merchant Bank must ~~assume that include, in its computation of its total expected cash outflows,~~ 100% of ~~this the~~ additional collateral or cash outflow as stated in the governing contract ~~will to~~ be posted for any downgrade during the 30-day LCR horizon up to and including a 3-notch downgrade of the Merchant Bank’s long-term credit rating. For the purposes of ~~the assumption above this paragraph,~~ where a downgrade trigger is linked to the Merchant Bank’s short-term rating, the Merchant Bank must map such short-term rating to the corresponding long-term rating in accordance with published ratings criteria. The Merchant Bank must consider impacts on all

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<sup>30</sup> ~~Downgrade triggers are clauses that require the posting of additional collateral, drawdown of contingent facilities, or early repayment of existing liabilities upon an entity’s downgrade by a recognised credit rating organisation. [Deleted by MAS Notice 1015 (Amendment) 2022]~~

types of margin collateral and contractual triggers which change rehypothecation rights for non-segregated collateral for the impact of the downgrade.

[\[MAS Notice 1015 \(Amendment\) 2022\]](#)

73A For the purposes of paragraph 73, downgrade triggers are clauses that require the posting of additional collateral, drawdown of contingent facilities, or early repayment of existing liabilities, upon a downgrade of the Merchant Bank's credit rating by a recognised ECAI.

[\[MAS Notice 1015 \(Amendment\) 2022\]](#)

**(III) Increased liquidity needs related to the potential for valuation changes on posted collateral securing derivative and other transactions<sup>31</sup>**

74 ~~When~~Where a Merchant Bank posts Level 1 HQLA as collateral in respect of a derivative transaction, the Merchant Bank is not required to maintain additional HQLA for potential valuation changes. If however, the Merchant Bank posts other forms of collateral to cover the potential loss of market value on those securities, the Merchant Bank must include, in its ~~calculation~~computation of its total expected cash outflows, a cash outflow equivalent to 20% of the value of all such posted collateral, net of collateral received on a counterparty basis (provided that the collateral received is not subject to restrictions on reuse or rehypothecation). ~~A~~The Merchant Bank must ~~calculate~~compute the 20% based on the notional amount required to be posted as collateral after any other haircuts have been applied that may be applicable to the collateral category. ~~A~~The Merchant Bank must only use collateral that is in a segregated margin account to offset collateral outflows that are associated with payments that are eligible to be offset from that same account. ~~A~~The Merchant Bank must ~~calculate~~compute the notional amount to be collateralised based on the contractual terms of the transaction. The Merchant Bank must not net collateral inflows and collateral outflows across counterparties. The Merchant Bank must compute the amount of collateral to be posted in accordance with the relevant contract governing the respective transactions.

[\[MAS Notice 1015 \(Amendment\) 2022\]](#)

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<sup>31</sup> Counterparties in derivatives and other transactions are typically required to post collateral to secure the ~~mark~~marked-to-market valuations of their positions. These counterparties are then required to post additional collateral should the value of the posted collateral fall.

[\[MAS Notice 1015 \(Amendment\) 2022\]](#)

**(IV) Increased liquidity needs related to excess non-segregated collateral held by the Merchant Bank that could contractually be called at any time by the counterparty**

75 A Merchant Bank must include, in its ~~calculation-computation~~ of its total expected cash outflows, a cash outflow equivalent to 100% of the amount of non-segregated collateral ~~amount~~ that could contractually be recalled by the counterparty because the collateral is in excess of the counterparty's current collateral requirements, and compute the amount that can be recalled in accordance with the relevant contract governing the transactions.

[MAS Notice 1015 (Amendment) 2022]

**(V) Increased liquidity needs related to contractually required collateral on transactions for which the counterparty has not yet demanded the collateral be posted**

76 A Merchant Bank must include, in its ~~calculation-computation~~ of its total expected cash outflows, a cash outflow equivalent to 100% of the amount of collateral ~~amount~~ that is contractually due but where the counterparty has not yet demanded the posting of such collateral, and compute the amount of collateral in accordance with the relevant contract governing the transactions.

[MAS Notice 1015 (Amendment) 2022]

**(VI) Increased liquidity needs related to contracts that allow collateral substitution to assets that are not HQLA or lower-quality HQLA**

77 AWhere a Merchant Bank has received HQLA collateral that is –

(a) not segregated; and

(b) can be substituted with lower-quality HQLA or assets that are not HQLA without the Merchant Bank's consent in accordance with the relevant contract governing the transactions, including for secured lending transactions maturing beyond the 30-day LCR horizon that allows such collateral substitution,

the Merchant Bank must –

(a) —include, in its ~~calculation-computation~~ of its total expected cash outflows, a cash outflow equivalent to the market value of the ~~initial~~received HQLA collateral ~~received~~ multiplied by the difference in haircuts (as defined in



paragraph 30) of the received HQLA collateral and the potential substitute collateral;~~and.~~

- ~~(b) compute the contingent outflow resulting from collateral substitution in secured lending or borrowing transactions in accordance with the relevant contract governing the transactions.~~

[MAS Notice 1015 (Amendment) 2022]

~~78 Paragraph 77(a) applies to initial HQLA collateral received that is counted in the Merchant Bank's HQLA, and that can be substituted for assets that are not HQLA or lower-quality HQLA without the Merchant Bank's consent, where such HQLA collateral has been received to secure transactions that have not been segregated. [Deleted by MAS Notice 1015 (Amendment) 2022]~~

**(VII) Increased liquidity needs related to market valuation changes on derivative or other transactions<sup>32</sup>**

~~79 A Merchant Bank may treat inflows and outflows of transactions executed under the same master netting agreement on a net basis. [Deleted by MAS Notice 1015 (Amendment) 2022]~~

80 A Merchant Bank must –

- ~~(a) include any outflow generated by increased needs related to market valuation changes, in its calculation computation of the LCR by identifying its total expected cash outflows, a cash outflow equivalent to the largest absolute net 30-day collateral flow realised during the preceding 24 months;~~
- ~~(b) compute the contingent outflow resulting from market valuation changes in accordance with the relevant contract governing the transactions;~~

[MAS Notice 1015 (Amendment) 2022]

80A For the purposes of paragraph 80, the Merchant Bank must compute the absolute net 30-day collateral flow for a 30-day period by doing the following:

- ~~(ea) determine compute the absolute net 30-day collateral flow based on both realised collateral outflows and collateral inflows during the 30-day period,~~

<sup>32</sup> As market practice requires collateralisation of ~~mark~~marked-to-market exposures on derivative and other transactions, a Merchant Bank faces potentially substantial liquidity risk exposures to these valuation changes.

[MAS Notice 1015 (Amendment) 2022]

including payments and receipts which are deemed to settle outstanding exposures from exchange-traded and over-the-counter derivatives structured as “settled-to-market”;~~and~~

(~~db~~) assess the ~~largest~~ absolute net 30-day collateral flow on a portfolio level.

[\[MAS Notice 1015 \(Amendment\) 2022\]](#)

#### **(VIII) Drawdowns on committed credit and liquidity facilities**

81 Committed facilities are defined as explicit contractual agreements or obligations to extend funds at a future date to retail or wholesale counterparties, which are contractually irrevocable or conditionally revocable agreements.

82 A Merchant Bank must ~~calculate~~compute the ~~currently~~ undrawn portion of the committed facilities net of any HQLA that have already been posted as collateral by the counterparty to secure the facilities or that are contractually obliged to be posted when the counterparty draws down the facility<sup>33</sup>. This is provided that the Merchant Bank is legally entitled to and operationally capable of, re-using the collateral in new cash raising transactions once the facility is drawn, and there is no undue correlation between the probability of drawing the facility and the market value of the collateral. ~~A~~The Merchant Bank may net the collateral against the outstanding amount of the facility to the extent that this collateral is not already counted in the stock of HQLA.

[\[MAS Notice 1015 \(Amendment\) 2022\]](#)

83 A committed liquidity facility is defined as any committed, undrawn back-up facility that would be utilised to refinance the debt obligations of a customer in situations where such a customer is unable to rollover that debt in financial markets<sup>34</sup>. A Merchant Bank must treat the amount of commitment that backs currently outstanding debt issued by the customer (or proportionate share, if a syndicated facility) maturing within the 30-day LCR horizon as ~~the~~a committed liquidity facility.

[\[MAS Notice 1015 \(Amendment\) 2022\]](#)

84 Subject to paragraph 85, a Merchant Bank must treat the following as committed credit facilities:

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<sup>33</sup> For example, a liquidity facility structured as a repo facility.

<sup>34</sup> For example, pursuant to ~~a~~-commercial paper ~~programme~~programmes, secured financing transactions, or obligations to redeem units.

[\[MAS Notice 1015 \(Amendment\) 2022\]](#)

(a) any additional capacity of a committed facility that is not meant to be utilised to refinance the debt obligations of a customer in situations where such a customer is unable to rollover that debt in financial markets ~~as a committed credit facility;~~ and

(b) ~~A Merchant Bank must not classify~~ general working capital facilities for corporate entities<sup>35</sup> ~~as committed liquidity facilities, but as committed credit facilities.~~

[MAS Notice 1015 (Amendment) 2022]

85 Despite paragraphs 83 and 84, a Merchant Bank must treat any committed facility provided to hedge funds, money market funds and special purpose funding vehicles or conduits, or other vehicles used to finance the Merchant Bank's own assets as a committed liquidity facility to other legal entities.

86 A Merchant Bank must apply the following cash outflow rates to any contractual and estimated loan drawdowns from a committed facility within the 30-day LCR horizon, regardless of the maturity of the facility<sup>36</sup>:

- (a) committed credit and liquidity facilities to retail and small business customers: 5% of the undrawn portion of these facilities;
- (b) committed credit facilities to non-financial corporates, sovereigns and central banks, PSEs and multilateral development banks: 10% of the undrawn portion of these credit facilities;
- (c) committed liquidity facilities to non-financial corporates, sovereigns and central banks, PSEs, and multilateral development banks: 30% of the undrawn portion of these liquidity facilities;
- (d) committed credit and liquidity facilities extended to banks ~~(whether licensed in Singapore or not), and Merchant Banks,~~ subject to prudential supervision: 40% of the undrawn portion of these facilities;

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<sup>35</sup> For example, revolving credit facilities in place for general corporate or working capital purposes.

<sup>36</sup> Committed facilities can have long-term or short-term maturities, with short-term facilities frequently renewing or automatically rolling-over. In a stressed environment, it will likely be difficult for customers drawing on committed facilities of any maturity, even short-term maturities, to be able to quickly pay back the borrowings. Therefore, any contractual and estimated loan drawdowns from a committed facility within the 30-day LCR horizon are assumed to remain outstanding throughout the 30-day LCR horizon without any repayment, regardless of the maturity of the facility.

- (e) committed credit facilities to other financial institutions including securities firms, insurance companies, fiduciaries, and beneficiaries: 40% of the undrawn portion of these credit facilities;
- (f) committed liquidity facilities to other financial institutions including securities firms, insurance companies, fiduciaries, and beneficiaries: 100% of the undrawn portion of these liquidity facilities;
- (g) committed credit and liquidity facilities to other legal entities (including SPEs, conduits and special purpose vehicles, and other entities not included in the prior categories): 100% of the undrawn portion of these facilities.

[\[MAS Notice 1015 \(Amendment\) 2022\]](#)

**(IX) Contractual obligations to extend funds within the 30-day LCR horizon**

87 A Merchant Bank must apply a cash outflow rate of 100% to any contractual lending obligation to financial institutions not captured elsewhere in Part II – LCR.

88 If the total of all contractual obligations to extend funds to ~~retail and non-customers that are not~~ financial ~~corporate clients~~institutions within the 30-day LCR horizon not captured elsewhere in Part II – LCR exceeds 50% of the total contractual cash inflows due in the 30-day LCR horizon from these ~~clients~~customers, a Merchant Bank must report the difference at a cash outflow rate of 100%.

[\[MAS Notice 1015 \(Amendment\) 2022\]](#)

**(X) Other contingent funding obligations<sup>37</sup>**

89 A Merchant Bank must apply a cash outflow rate of 100% to the full amount of the contingent funding obligations that is expected to materialise within the 30-day LCR horizon under stressed conditions.

[\[MAS Notice 1015 \(Amendment\) 2022\]](#)

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<sup>37</sup> Contingent funding obligations may be either contractual or non-contractual and are not lending commitments. Non-contractual contingent funding obligations include associations with, or sponsorship of, products sold or services provided that may require the support or extension of funds in the future under stressed conditions. Non-contractual obligations may be embedded in financial products and instruments sold, sponsored, or originated by the institution that can give rise to unplanned balance sheet growth arising from support given for reputational risk considerations. These include products and instruments for which the customer or holder has specific expectations regarding the liquidity and marketability of the product or instrument and for which failure to satisfy customer expectations in a commercially reasonable manner would likely cause material reputational damage to the institution or otherwise impair ongoing viability.

90 A Merchant Bank must treat facilities that are unconditionally ~~cancellable~~revocable by the Merchant Bank (in particular, those without a precondition of a material change in the credit condition of the borrower) as contingent funding obligations.

[\[MAS Notice 1015 \(Amendment\) 2022\]](#)

91 Where a Merchant Bank has identified any contingent funding obligations that are explicitly contingent upon an event that is not related to a liquidity event, the Merchant Bank must inform the Authority not later than the last day of the year in which such contingent funding obligation is identified.

92 A Merchant Bank must treat non-contractual contingent funding obligations related to potential liquidity draws from joint ventures or investments in entities, which are not consolidated, as contingent funding obligations where there is the expectation that the Merchant Bank will be the main liquidity provider when the entity is in need of liquidity. The Merchant Bank must seek the Authority's approval for the methodology for quantifying such potential liquidity draws, in particular, those arising from the need to support investments in times of stress out of reputational concerns.

93 For contingent funding obligations stemming from trade finance instruments<sup>38</sup> that are not lending commitments, a Merchant Bank must apply a cash outflow rate of 3%.

94 For contingent funding obligations stemming from trade finance instruments that are lending commitments<sup>39</sup>, a Merchant Bank must apply the cash outflow rates specified in paragraph 86 for such commitments.

95 A Merchant Bank must apply a cash outflow rate of 50% ~~onto~~ contingent obligations where the Merchant Bank has covered customers' short positions using other customers' collateral which does not qualify as Level 1 or Level 2 HQLA, and the Merchant Bank may be obligated to find additional sources of funding for these positions in the event of customers' withdrawals.

[\[MAS Notice 1015 \(Amendment\) 2022\]](#)

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<sup>38</sup> Trade finance instruments consist of trade-related obligations, directly underpinned by the movement of goods or the provision of services, such as –

- (a) documentary trade letters of credit, documentary and clean collection, import bills and export bills; and
- (b) guarantees directly related to trade finance obligations, such as shipping guarantees.

<sup>39</sup> For example, direct import or export financing for non-financial ~~corporate firms~~corporates.

[\[MAS Notice 1015 \(Amendment\) 2022\]](#)

**(E) Other contractual cash outflows**

96 A Merchant Bank must apply a cash outflow rate of 100% to all other contractual cash outflows within the 30-day LCR horizon, where such cash outflows are not captured elsewhere in Part II – LCR<sup>40</sup>, except for cash outflows related to operating costs. The Merchant Bank must, if called upon at any time by the Authority, explain to the Authority, what these cash outflows are.

[\[MAS Notice 1015 \(Amendment\) 2022\]](#)

**Cash inflows**

97 When considering its available cash inflows, a Merchant Bank must only include contractual cash inflows (including interest payments) from outstanding exposures that are fully performing and for which the Merchant Bank has no reason to expect a default within the 30-day LCR horizon. The Merchant Bank must not include contingent inflows in total net cash inflows.

[\[MAS Notice 1015 \(Amendment\) 2022\]](#)

**(A) Cap on total expected cash inflows**

[\[MAS Notice 1015 \(Amendment\) 2022\]](#)

98 ~~In order to prevent Merchant Banks from relying solely on anticipated inflows to meet their liquidity requirement, and also to ensure a minimum level of HQLA holdings, a~~ Merchant Bank must, in its computation of its total net cash outflows, cap the amount of total expected cash inflows that can offset ~~outflows at 75%~~the amount of total expected cash outflows ~~as calculated in Part II – LCR~~at 75% of the amount of total expected cash outflows, in accordance with paragraph 35.

[\[MAS Notice 1015 \(Amendment\) 2022\]](#)

**(B) Secured lending, including reverse repos, securities borrowing and margin loans**

99 Subject to paragraph 101, for~~For~~ reverse repurchase or securities borrowing agreements that are maturing within the 30-day LCR horizon, ~~the~~a Merchant Bank must apply the following cash inflow rates:

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<sup>40</sup> For example, cash outflows to cover unsecured collateral borrowings, uncovered short positions, dividends or contractual interest payments.

[\[MAS Notice 1015 \(Amendment\) 2022\]](#)

- (a) if the agreement is secured by Level 1 HQLA, 0%;
- (b) if the agreement is secured by Level 2 HQLA, the relevant haircut for the specific HQLA as set out in paragraph 30; or
- (c) if the agreement is secured by assets that are not HQLA, 100%.

[\[MAS Notice 1015 \(Amendment\) 2022\]](#)

100 [Subject to paragraph 101, aA](#) Merchant Bank must treat collateralised loans extended to customers for the purposes of taking leveraged trading positions (“margin loans”) as secured lending, and must apply the cash inflow rates in paragraph 99 to margin loans maturing within the 30-day LCR horizon, except in the case of margin loans secured by assets that are not HQLA, to which [athe](#) Merchant Bank must apply a cash inflow rate of 50%.

[\[MAS Notice 1015 \(Amendment\) 2022\]](#)

101 Despite paragraphs 99 and 100, if the collateral obtained through reverse repurchase, securities borrowing, margin loans or collateral swaps is used to cover short positions that could be extended beyond the 30-day LCR horizon, a Merchant Bank must assume that such reverse repurchase or securities borrowing arrangements will be rolled-over and apply a cash inflow rate of 0%, reflecting the need to continue to cover the short position or to re-purchase the relevant securities.

**Table: InflowCash inflow rates for maturing secured lending  
-in accordance with paragraphs 99 to 101**

	<u>InflowCash inflow</u> rate (if collateral is not used to cover short positions that could be extended beyond the 30-day LCR horizon)	<u>InflowCash inflow</u> rate (if collateral is used to cover short positions that could be extended beyond the 30-day LCR horizon)
Maturing secured lending backed by Level 1 HQLA	0%	0%
Maturing secured lending backed by Level 2A HQLA	15%	0%
Maturing secured lending backed by Level 2B HQLA		
• Eligible RMBS	25%	0%
• Other Level 2B HQLA	50%	0%
Maturing margin loans backed by assets that are not HQLA	50%	0%
Maturing reverse repurchase or securities borrowing arrangements backed by assets that are not HQLA	100%	0%

[MAS Notice 1015 (Amendment) 2022]

102 Where a Merchant Bank's short position is being covered by an unsecured security borrowing, the Merchant Bank must assume the unsecured security borrowing of collateral from financial market participants would run-off in full, leading to a 100% outflow of either cash or HQLA to secure the borrowing, or cash to close out the short position by buying back the security, and apply a cash outflow rate of 100% in accordance with paragraph 96 to the short position. Where the Merchant Bank's short position is being covered by a collateralised securities financing transaction, the Merchant Bank must assume the short position will be maintained throughout the 30-day LCR horizon and apply a cash inflow rate of 0% to the short position.

[MAS Notice 1015 (Amendment) 2022]

103 If a pool of assets is used as collateral for a secured lending transaction, and a Merchant Bank is unable to determine specifically which assets are used to collateralise the transaction, the Merchant Bank must assume that the assets are encumbered in the following order:

- (a) firstly, assets that are not HQLA;



- (b) secondly, Level 2B(II) HQLA;
- (c) thirdly, Level 2B(I) HQLA;
- (d) fourthly, Level 2A HQLA;
- (e) fifthly, Level 1 HQLA.

104 Despite paragraphs 99 to 101, a Merchant Bank must manage its collateral such that it is able to fulfil obligations to return collateral whenever the counterparty decides not to roll-over any reverse repo or securities lending transaction.

105 A Merchant Bank must include forward reverse repurchase transactions and collateral swaps that start prior to, but mature within, the 30-day LCR horizon in this category.

106 Paragraphs 99 to 105 do not apply to any transaction where there is a possibility of the cash inflow occurring after the 30-day LCR horizon.

[\[MAS Notice 1015 \(Amendment\) 2022\]](#)

### (C) Committed facilities

107 A Merchant Bank must apply a cash inflow rate of 0% to credit facilities, liquidity facilities or other contingent funding facilities that the Merchant Bank holds at other institutions for its own purposes.

### (D) Other cash inflows by counterparty

[\[MAS Notice 1015 \(Amendment\) 2022\]](#)

108 A Merchant Bank must, in relation to loan payments, include, in its calculation computation of its total expected cash inflows, only cash inflows from fully performing loans. A Merchant Bank must include, in its ~~calculation-computation~~ of its total expected cash inflows, only cash inflows at the latest possible date based on the contractual rights available to counterparties. A Merchant Bank must, in relation to revolving credit facilities, assume that the existing loan will be rolled over and any remaining balances are treated as a committed facility in accordance with paragraph 86.

[\[MAS Notice 1015 \(Amendment\) 2022\]](#)

109 A Merchant Bank must not include, in its ~~calculation-computation~~ of its total expected cash inflows, cash inflows from loans that have no specific maturity, except for minimum

payments of principal, fee or interest associated with open maturity loans that are contractually due within the 30-day LCR horizon. ~~A~~The Merchant Bank must capture these minimum payment amounts as cash inflows at the cash inflow rates ~~prescribed~~ in paragraphs 110 and 111.

[\[MAS Notice 1015 \(Amendment\) 2022\]](#)

**(I) Retail and small business customer cash inflows**

[\[MAS Notice 1015 \(Amendment\) 2022\]](#)

110 A Merchant Bank must –

- (a) assume that all payments (including interest payments and instalments) from retail and small business customers that are fully performing and contractually due within the 30-day LCR horizon will be received in full;
- (b) assume that it will continue extending loans to retail and small business customers at a rate of 50% of contractual cash inflows; and
- (c) apply a cash inflow rate of 50% ~~of~~to the contractual ~~amount~~cash inflows from retail and small business customers as a result of sub-paragraphs (a) and (b).

[\[MAS Notice 1015 \(Amendment\) 2022\]](#)

**(II) Other wholesale cash inflows**

[\[MAS Notice 1015 \(Amendment\) 2022\]](#)

111 A Merchant Bank must –

- (a) assume that all payments (including interest payments and instalments) received from wholesale customers that are fully performing and contractually due within the 30-day LCR horizon will be received in full;
- (b) assume that it will continue extending loans to wholesale customers at a rate of 0% of contractual cash inflows ~~for~~from financial institutions and central banks, and at a rate of 50% of contractual cash inflows ~~for~~from other wholesale customers<sup>41</sup>; and

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<sup>41</sup> This includes non-financial corporates, sovereigns, multilateral development banks, and PSEs.

- (c) apply a cash inflow rate of 100% ~~of~~to the contractual ~~amount for~~cash inflows from financial institutions and central bank counterparties, and 50% ~~of~~to the contractual ~~amount for~~cash inflows from other wholesale customers, as a result of sub-paragraphs (a) and (b).

[\[MAS Notice 1015 \(Amendment\) 2022\]](#)

112 A Merchant Bank must apply a cash inflow rate of 100% to cash inflows from securities maturing within the 30-day LCR horizon that are not HQLA.

[\[MAS Notice 1015 \(Amendment\) 2022\]](#)

113 A Merchant Bank must apply a cash inflow rate of 0% to operational deposits of the Merchant Bank placed with other financial institutions for operational purposes. A Merchant Bank that is a member of an institutional network of cooperative banks must apply a cash inflow rate of 0% to deposits placed with a ~~centralised~~central institution or a specialised service provider in the institutional network ~~of banks~~ arising from statutory minimum deposit requirements or in the context of common task sharing and legal, statutory or contractual arrangements, so long as both the Merchant Bank that has placed the deposits and the ~~centralised~~central institution or the specialised service provider of the institutional network that has received the deposits participate in the same institutional network's mutual protection scheme against illiquidity and insolvency of its members. Where a Merchant Bank has placed a deposit with a bank ~~(whether licensed in Singapore or not)~~ or financial institution (the "receiving financial institution"), the Merchant Bank must apply the methodology in paragraphs 51 to 57 to determine if these deposits are operational deposits.<sup>42</sup>

[\[MAS Notice 1015 \(Amendment\) 2022\]](#)

114 ~~A~~Where a Merchant Bank ~~may~~has elected to compute ~~inflows from the cash outflows from unsecured wholesale funding provided by relevant~~ intragroup banking entities on a net basis with ~~outflows from~~cash inflows from unsecured wholesale funding provided to such entities in accordance with paragraph 63, the Merchant Bank must compute cash inflows from unsecured wholesale funding provided to the same relevant intragroup banking entities ~~on a net basis with cash outflows from unsecured wholesale funding provided by such entities.~~

[\[MAS Notice 1015 \(Amendment\) 2022\]](#)

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<sup>42</sup> As a general principle, if the deposit ~~that~~ has been classified by the receiving financial institution as an operational deposit, the Merchant Bank should also consider the deposit as an operational deposit.

[\[MAS Notice 1015 \(Amendment\) 2022\]](#)

**(DA) Unsecured precious metals assets cash inflows**

[MAS Notice 1015 (Amendment) 2022]

114A Unsecured precious metals assets are assets (excluding assets related to derivative contracts) in precious metals and are not secured lending.<sup>43</sup>

[MAS Notice 1015 (Amendment) 2022]

114B A Merchant Bank must treat cash inflows from unsecured precious metals assets that must be settled by cash settlement in the same way as loans to retail customers and wholesale customers, and apply the appropriate cash inflow rates in accordance with paragraphs 110 and 111.

[MAS Notice 1015 (Amendment) 2022]

114C A Merchant Bank must apply a cash inflow rate of 0% to unsecured precious metals assets that must be settled by physical delivery or where contractual arrangements allow the Merchant Bank to choose cash settlement or physical delivery.

[MAS Notice 1015 (Amendment) 2022]

114D Despite paragraph 114C, a Merchant Bank may treat cash inflows from an unsecured precious metals asset referred to in paragraph 114C in the same way as loans to retail customers and wholesale customers, and apply the appropriate cash inflow rates in accordance with paragraphs 110 and 111, if –

- (a) contractual arrangements allow the Merchant Bank to choose between cash settlement and physical delivery and –
  - (i) physical delivery results in a significant penalty; or
  - (ii) both parties expect cash settlement; and
- (b) there are no market practices or reputational factors that may limit the Merchant Bank's ability to choose cash settlement.

[MAS Notice 1015 (Amendment) 2022]

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<sup>43</sup> For example, unsecured loans in precious metals extended by a Merchant Bank or deposits in precious metals placed by a Merchant Bank.

[MAS Notice 1015 (Amendment) 2022]

(E) Other cash inflows

(I) Cash inflows from derivative contracts

115 A Merchant Bank must –

(a) apply a cash inflow rate of 100% to the sum of all net cash inflows from derivative contracts. The Merchant Bank must not double-count liquidity inflows or outflows. The Merchant Bank must calculate; and

(b) compute the amounts of cash inflows from derivative contracts by doing the following:

(i) compute such amounts in accordance with the methodology described in its existing valuation methodologies;

(ii) assume that options are exercised at the point when they are 'in paragraphs 70 the money' to 72 the option buyer.

[MAS Notice 1015 (Amendment) 2022]

115A Where –

(a) a Merchant Bank has entered into a valid master netting agreement with its counterparty and elected to compute the cash outflows from derivative contracts with that counterparty on a net basis with cash inflows from derivative contracts with the same counterparty in accordance with paragraph 70A(a), the Merchant Bank must compute the cash inflows from such derivative contracts on a net basis with cash outflows from such derivative contracts; and

(b) a Merchant Bank has, for the purposes of its computation of its all currency LCR, elected to compute the cash outflows from a foreign exchange derivative contract not covered by a master netting agreement, where the foreign exchange derivative contract involves a full exchange of principal amounts within the same day, on a net basis with cash inflows from the foreign exchange derivative contract, in accordance with paragraph 70A(b), the Merchant Bank must compute the cash inflows from the foreign exchange derivative contract on a net basis with cash outflows from the foreign exchange derivative contract.

[MAS Notice 1015 (Amendment) 2022]

116 Where derivatives contracts are collateralised by HQLA, a Merchant Bank must ~~calculate~~ compute the cash inflows ~~for~~ from the derivatives contracts net of any corresponding cash or contractual collateral outflows.

[\[MAS Notice 1015 \(Amendment\) 2022\]](#)

117 A Merchant Bank must treat ~~inflows from~~ options which must be settled by physical delivery, ~~if exercised~~, as a secured lending transaction, ~~with~~ and apply the appropriate ~~inflows~~ applied cash inflow rates in accordance with paragraphs 99 to 106. The Merchant Bank may assume cash settlement, if the contractual arrangements allow for both physical delivery and cash settlement, ~~cash settlement may be assumed~~. Where contractual arrangements require physical delivery as the mode of settlement, the Merchant Bank may assume that the security of lowest value (~~“cheapest to deliver”~~) will be delivered, unless the derivative contract provides otherwise.

[\[MAS Notice 1015 \(Amendment\) 2022\]](#)

## (II) Other contractual cash inflows

118 A Merchant Bank must apply a cash inflow rate of 0% to all other contractual cash inflows within the 30-day LCR horizon, where such cash inflows are not captured in paragraphs 99 to 117, or excluded in paragraph 119. The Merchant Bank must, if called upon at any time by the Authority, explain to the Authority, what these cash inflows are.

[\[MAS Notice 1015 \(Amendment\) 2022\]](#)

119 A Merchant Bank must not include the following items as contractual cash inflows:

- (a) any cash inflow related to non-financial revenues;
- (b) any forward repurchase agreement, forward reverse repurchase ~~agreements~~ or forward collateral swap that starts and matures within the 30-day LCR horizon;
- (c) any forward repurchase agreement, forward reverse repurchase ~~agreements~~ or forward collateral swap that starts prior to and matures after the 30-day LCR horizon;
- (d) any forward sales of HQLA.

[\[MAS Notice 1015 \(Amendment\) 2022\]](#)

## Scope of Application

120 Where a Merchant Bank has a branch or subsidiary ~~in countries or jurisdictions~~<sup>44</sup> that ~~is~~ approved, licensed, registered or otherwise regulated by a bank regulatory agency in a foreign country or jurisdiction to carry on banking business under the laws of the foreign country or jurisdiction and the foreign country or jurisdiction does not apply the ~~Basel Committee's~~Committee on Banking Supervision's global framework for liquidity risk, the Merchant Bank must apply the parameters outlined in Part II – LCR for its ~~calculation computation~~ of the its LCR for deposits from retail and small business customers of that branch or subsidiary. Where a Merchant Bank has a branch or subsidiary<sup>45</sup> that is approved, licensed, registered or otherwise regulated by a bank regulatory agency in countries or jurisdictions that apply a foreign country or jurisdiction to carry on banking business under the laws of the foreign country or jurisdiction and the foreign country or jurisdiction applies the Basel ~~Committee's~~Committee on Banking Supervision's global framework for liquidity risk, the Merchant Bank must interpret paragraphs 40 to 46 and ~~footnote 8 must be interpreted~~ the definition of "small business customers" in paragraph 19 (read with paragraph 19A) in accordance with the host foreign country's or jurisdiction's equivalent LCR rules for its computation of its LCR for deposits from retail and small business customers of that branch or subsidiary.

[MAS Notice 1015 (Amendment) 2022]

121 Where a Merchant Bank has a branch or subsidiary ~~in countries or jurisdictions that adopt~~<sup>46</sup> that is approved, licensed, registered or otherwise regulated by a bank regulatory agency in a foreign country or jurisdiction to carry on banking business under the laws of the foreign country or jurisdiction and the foreign country or jurisdiction adopts the Alternative Liquidity Approaches, the Merchant Bank may include the HQLA recognised in ~~these countries or jurisdictions~~the foreign country or jurisdiction for its ~~calculation computation~~ of the its LCR, up to the amount of the Merchant Bank's ~~stressed total~~ net cash outflows stemming from the Merchant Bank or its subsidiary's operations in these countries or jurisdictions of the Merchant Bank or its branch or subsidiary in the foreign country or jurisdiction, and in the domestic currency of ~~these countries or jurisdictions~~the foreign country or jurisdiction.

[MAS Notice 1015 (Amendment) 2022]

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<sup>44</sup> To avoid doubt, this includes a branch of the subsidiary.

[MAS Notice 1015 (Amendment) 2022]

<sup>45</sup> To avoid doubt, this includes a branch of the subsidiary.

[MAS Notice 1015 (Amendment) 2022]

<sup>46</sup> To avoid doubt, this includes a branch of the subsidiary.

[MAS Notice 1015 (Amendment) 2022]

122 The Authority may, by notice in writing to a Merchant Bank, impose stricter parameters than that set out in Part II – LCR, on the Merchant Bank, under section 38(1) read with section 38(2A), as applied by section 55ZG(1) of the Act.

### Utilisation of HQLA

123 A Merchant Bank must –

- (a) give prior written notification to the Authority of its intent to utilise its HQLA in a liquidity stress situation, where such utilisation will cause the Merchant Bank's LCR to fall below the prevailing minimum requirements as described in paragraphs 20 and 23; and
- (b) ensure that the notification is signed by its chief executive, chief financial officer or any equivalent senior management.

124 A Merchant Bank must –

- (a) provide its justification for the utilisation of HQLA;
- (b) set out the cause of the liquidity stress situation and ~~to~~ provide supporting documents, where available; and
- (c) detail the steps which it has taken and is going to take to resolve the liquidity stress situation,

to the Authority within one business day after the utilisation of its HQLA.

[\[MAS Notice 1015 \(Amendment\) 2022\]](#)

125 A Merchant Bank must also keep the Authority informed of material developments during the liquidity stress situation.

### ~~Frequency of calculation and reporting~~ Submission of liquidity returns

[\[MAS Notice 1015 \(Amendment\) 2022\]](#)

126 ~~Every~~<sup>A</sup> Merchant Bank must prepare the appropriate liquidity returns set out in Appendix 5 as at the last day of each month.

[\[MAS Notice 1015 \(Amendment\) 2022\]](#)



127 A Merchant Bank must submit to the Authority electronically through MASNET the ~~following~~ liquidity returns prepared in accordance with paragraph 126 and at the following time, as the case may be:

- (a) in the case of a Merchant Bank that is –
  - (i) referred to in paragraph 20, ~~or –~~
    - (A) not later than 14 days after the last day of each month, the Merchant Bank’s Group level returns, as the case may be; and
    - (B) not later than 20 days after the last day of each month, the Merchant Bank’s Singapore Operations level returns, which excludes the Merchant Bank’s subsidiaries and overseas branches; or
  - (ii) approved under paragraph 5 to comply with Part II – LCR on a country-level group basis –
    - (A) not later than 14 days after the last day of each month, the Merchant Bank’s ~~Group level or~~ country-level group level returns, as the case may be; and
    - (B) not later than 20 days after the last day of each month, the Merchant Bank’s entity-~~l~~ level returns;
- (b) in the case of a Merchant Bank ~~that~~which does not fall under sub-paragraph (a), the Merchant Bank’s entity-~~l~~ level returns not later than 14 days after the last day of each month.

[MAS Notice 1015 (Amendment) 2022]

128 Despite paragraph 127, if the day on which a Merchant Bank has to submit any return is not a business day, the Merchant Bank may submit the return on the next business day.

#### **Effective date and savings provisions**

129 This Notice takes effect on 1 July 2021 (“effective date”).

130 Any approval –

- (a) granted under paragraphs 3, 4, 27 and 34 of MAS Notice 1015 dated 16 December 2015 and last revised on 22 January 2020; and

(b) in force immediately before the effective date,

is treated as an approval granted under paragraphs 4, 5, 31 and 39 respectively, and is subject to all conditions which the approval was subject to immediately before the effective date.

**Exclusion as Qualifying Liabilities**

1 Subject to paragraph 2 of this Appendix, a Merchant Bank may exclude a bill of exchange as its Qualifying Liabilities if –

- (a) the bill of exchange is denominated in Singapore dollars. Where the underlying transaction referred to the bill of exchange is denominated in a foreign currency, the bill must be substituted for the first time into a Singapore dollar usance bill;
- (b) the bill of exchange relates to a trade transaction and reference to such a transaction appears on the face of the bill. The trade transaction must be in respect of imports into or exports from, Singapore and includes trade transactions between foreign exporters and foreign importers arranged by companies in Singapore. The Merchant Bank must verify that the first discounting bank or first discounting Merchant Bank has ascertained that the bill of exchange is in fact related to trade transactions by examining the appropriate documents and obtaining written declarations from their customers that they have not sought or obtained other means of financing; and
- (c) the outstanding period to maturity of the bill of exchange is 3 months or less.

2 Despite paragraph 1 of this Appendix, a Merchant Bank must not exclude the following bills of exchange from its Qualifying Liabilities:

- (a) any bill which originates from a “switch transaction” where the transaction is solely between a foreign exporter and a foreign importer and the foreign currency trade bill is “switched” into a Singapore dollar bill and financed here;
- (b) any bill which is a bill drawn for a trade transaction in Singapore where all parties are in Singapore;
- (c) any bill which is a bill relating to services;
- (d) any bill which relates to a trade transaction where the supporting invoice has been paid by the customer prior to presentation of the bill to the first discounting bank or first discounting Merchant Bank for discounting;
- (e) any bill which is overdue or been extended beyond the maturity date and a new bill has been drawn to substitute or roll-over the matured bill, regardless

of whether the original bill had 3 months or less to maturity at the time it was discounted by the first discounting bank or first discounting Merchant Bank;

- (f) any bill which is drawn for imports where the importer is also receiving credit from the seller for the same period, as the imports would effectively be financed by the seller and not from proceeds of the bill.

**Qualification Bill of Exchange eligible as Approved Liquid Assets**

[MAS Notice 1015 (Amendment) 2022]

1 A Merchant Bank that purchases a bill of exchange denominated in Singapore dollars from ~~another~~ bank in Singapore or another Merchant Bank may include such a bill as ~~liquid assets~~ Liquid Assets if –

- (a) the bill has been endorsed by one or more banks in Singapore or Merchant Banks;
- (b) the ~~purchasing~~ Merchant Bank has obtained a written confirmation from the first discounting bank or first discounting Merchant Bank that –
  - (i) the first discounting bank or first discounting Merchant Bank ~~had~~ has taken necessary and sufficient steps to ascertain that the bills are in fact related to trade transactions as evidenced on the bills;
  - (ii) the bill does not originate from a “switch transaction” where the transaction is solely between a foreign exporter and a foreign importer and the foreign currency trade bill is “switched” into a Singapore dollar bill and financed in Singapore;
  - (iii) the bill is not drawn for a trade transaction in Singapore where all parties are in Singapore;
  - (iv) the bill does not relate to services;
  - (v) the bill does not relate to a trade transaction where the supporting invoice has been paid by the customer prior to presentation of the bill to the first discounting bank or first discounting Merchant Bank for discounting;
  - (vi) the bill has not become overdue or been extended beyond the maturity date and no new bill has been drawn to substitute or roll-over the matured bill, regardless of whether the original bill had 3 months or less to maturity at the time it was discounted by the first discounting bank or first discounting Merchant Bank; and
  - (vii) the bill is not drawn for imports where the importer is also receiving credit from the seller for the same period (as the imports would

effectively be financed by the seller and not from proceeds of the bills);  
and

- (c) the outstanding period to maturity of the bill is 3 months or less. A bill originally drawn for more than 3 months is only eligible as ~~liquid asset~~ Liquid Asset when there is 3 months or less to maturity.

[MAS Notice 1015 (Amendment) 2022]

## Credit Ratings and Relevant Values

Description	Moody's <u>Investors Services</u>	<del>S&amp;P</del> <u>Standard &amp; Poor's Ratings Services</u>	Fitch <u>Ratings</u>	Percentage
Long-Term Issue Ratings	Aaa	AAA	AAA	90%
	Aa1	AA+	AA+	
	Aa2	AA	AA	
	Aa3	AA-	AA-	
	A1	A+	A+	80%
	A2	A	A	
A3	A-	A-		
	Baa1	BBB+	BBB+	70%
	Baa2	BBB	BBB	

Description	Moody's <u>Investors Services</u>	<del>S&amp;P</del> <u>Standard &amp; Poor's Ratings Services</u>	Fitch <u>Ratings</u>	Percentage
Short-Term Issue Ratings	P-1	A-1	F-1	90%
	P-2	A-2	F-2	80%
	P-3	A-3	F-3	70%

[MAS Notice 1015 (Amendment) 2022]

~~1. If more than one rating is available, a Merchant Bank must use the lowest rating. Where a particular debt issue is assigned both long term and short term ratings, a Merchant Bank must apply the lower percentage. For the purposes of determining the eligibility of a debt security or sukuk as a Liquid Asset under paragraph 8(g)(ii) of the Notice and determining the percentage to be applied when computing the amount of Liquid Assets held by a Merchant Bank on a maintenance day under paragraph 9(b)(iii) of the Notice, –~~

- ~~(a) where there are 2 credit ratings for a particular issue of the debt security or sukuk, the Merchant Bank must use the poorer credit rating for that particular issue of the debt security or sukuk;~~
- ~~(b) where there are more than 2 credit ratings for a particular issue of the debt security or sukuk, the Merchant Bank must use either the poorest credit rating or the higher of the 2 poorest credit ratings for that particular issue of the debt security or sukuk; and~~

(c) where there are both long-term issue ratings and short-term issue ratings for a particular issue of the debt security or sukuk, the Merchant Bank must use the issue rating which map into the lower percentage for that particular issue of the debt security or sukuk.

[MAS Notice 1015 (Amendment) 2022]



### Schedules for Computation and Maintenance of MLA Requirements

For a 5-day business week –

Computation Day	Maintenance Day
Monday	Wednesday
Tuesday	Thursday
Wednesday	Friday, Saturday and Sunday
Thursday	next Monday
Friday	next Tuesday
next Monday	next Wednesday
next Tuesday	next Thursday
... ..	... ..

#### Example 1: If Thursday is a public holiday

Computation Day	Maintenance Day
Monday	Wednesday and Thursday
Tuesday	Friday, Saturday and Sunday
Wednesday	next Monday
Friday	next Tuesday
next Monday	next Wednesday
next Tuesday	next Thursday
... ..	... ..

#### Example 2: If Friday is a public holiday

Computation Day	Maintenance Day
Monday	Wednesday
Tuesday	Thursday, Friday, Saturday and Sunday
Wednesday	next Monday
Thursday	next Tuesday
next Monday	next Wednesday
next Tuesday	next Thursday
... ..	... ..

**Example 3: If next Monday is a public holiday**

Computation Day	Maintenance Day
Monday	Wednesday
Tuesday	Thursday
Wednesday	Friday, Saturday, Sunday and next Monday
Thursday	next Tuesday
Friday	next Wednesday
next Tuesday	next Thursday
next Wednesday	next Friday
... ..	... ..

**Example 4: If next Tuesday is a public holiday**

Computation Day	Maintenance Day
Monday	Wednesday
Tuesday	Thursday
Wednesday	Friday, Saturday and Sunday
Thursday	next Monday and Tuesday
Friday	next Wednesday
next Monday	next Thursday
next Wednesday	next Friday
... ..	... ..

**Example 5: If next Wednesday is a public holiday**

Computation Day	Maintenance Day
Monday	Wednesday
Tuesday	Thursday
Wednesday	Friday, Saturday and Sunday
Thursday	next Monday
Friday	next Tuesday and Wednesday
next Monday	next Thursday
next Tuesday	next Friday, Saturday and Sunday
next Thursday	Monday, a fortnight later
... ..	... ..

## Submission Requirements

### Summary of forms

	Title
Form 1 Section 1	Assets and Liabilities by Currency
Form 1 Section 2	Top 20 individual depositors
Form 1 Section 3	Top 20 corporate depositors
Form 1 Section 4	Top 20 interbank lenders
Form 2 Section 1A	Liquidity Coverage Ratio
Form 2 Section 1B	Minimum Liquid Assets
Form 2 Section 2	Contractual cash flow for on and off-balance sheet items
Form 2 Section 3	Contractual residual maturity of on and off-balance sheet items
Form 2 Section 4	Behavioural cash flow of on and off-balance sheet items
Form 2 Section 5	Available unencumbered liquid assets

1 A Merchant Bank must submit ~~1~~<sup>a</sup> copy of Form 1, ~~but~~<sup>and</sup> as many copies of Form 2 as there are significant currencies on ~~an entity level and a Group level or~~<sup>entity level or Singapore Operations level, if any. As the case may be.</sup> The Merchant Bank may, ~~in consultation~~<sup>with the Authority's approval</sup>, determine an alternate methodology to determine its significant currencies if the default methodology ~~in paragraph 2 of the Notice, which is based on whether the aggregate liabilities of the Merchant Bank denominated in the currency as at the end of the month amounts to 5% or more of the Merchant Bank's total liabilities,~~ does not properly reflect the funding structure of the Merchant Bank. The forms to submit are given in the table below.

[\[MAS Notice 1015 \(Amendment\) 2022\]](#)

### Country-level compliance

[\[MAS Notice 1015 \(Amendment\) 2022\]](#)

2 ~~As per~~<sup>In accordance with</sup> paragraph 5 of the Notice, a Merchant Bank on the LCR framework may elect to comply with ~~the Part II – LCR~~ on a country-level group basis, by consolidating the balance sheets of related corporations of the Merchant Bank that are banks in Singapore or Merchant Banks. Each Merchant Bank within the country-level group must submit the same set of forms as if they were complying with ~~the Part II – LCR~~ on an ~~individual~~<sup>entity</sup> level.

[\[MAS Notice 1015 \(Amendment\) 2022\]](#)

3 Each Merchant Bank within a country-level group must select an entity to perform the country-level submission, and this choice has to be made known to the Authority. The ~~country level submission Merchant Bank~~ must follow the same steps as ~~per the individual entity level submission for the country-level~~ submission, ~~but~~except that the Merchant Bank must indicate the details of the entities in the country-level group ~~must be indicated~~ in Section 1 of both Form 1 and Form 2.

[MAS Notice 1015 (Amendment) 2022]

FI type	Forms to submit
<p>D-SIB Merchant Bank</p> <p><u>Individual/Group submission</u> <u>Group level / Country-level group level submission (where applicable, as the case may be)</u> <u>and</u> <u>Entity level / Singapore Operations level submission (as the case may be)</u></p>	<ul style="list-style-type: none"> <li>• Form 1 <ul style="list-style-type: none"> <li>○ All sections</li> </ul> </li> <li>• Form 2 (All Currency) <ul style="list-style-type: none"> <li>○ Section 1A</li> <li>○ Section 2</li> <li>○ Section 3</li> <li>○ Section 4</li> <li>○ Section 5</li> </ul> </li> <li>• Form 2 (Singapore Dollar) <ul style="list-style-type: none"> <li>○ Section 1A</li> <li>○ Section 2</li> <li>○ Section 3</li> <li>○ Section 4</li> <li>○ Section 5</li> </ul> </li> </ul>
<p>D-SIB Merchant Bank (Currency X is a significant currency)</p> <p><u>Individual/Group submission</u> <u>Group level / Country-level group level submission (where applicable, as the case may be)</u> <u>and</u> <u>Entity level / Singapore Operations level submission (as the case may be)</u></p>	<ul style="list-style-type: none"> <li>• Form 1 <ul style="list-style-type: none"> <li>○ All sections</li> </ul> </li> <li>• Form 2 (All Currency) <ul style="list-style-type: none"> <li>○ Section 1A</li> <li>○ Section 2</li> <li>○ Section 3</li> <li>○ Section 4</li> <li>○ Section 5</li> </ul> </li> <li>• Form 2 (Singapore Dollar) <ul style="list-style-type: none"> <li>○ Section 1A</li> <li>○ Section 2</li> <li>○ Section 3</li> <li>○ Section 4</li> <li>○ Section 5</li> </ul> </li> <li>• Form 2 (Currency X) <ul style="list-style-type: none"> <li>○ Section 1A</li> <li>○ Section 2</li> <li>○ Section 3</li> <li>○ Section 4</li> <li>○ Section 5</li> </ul> </li> </ul>

FI type	Forms to submit
<p>Non-D-SIB Merchant Bank <u>that must comply with or has chosen to comply with Part II – LCR</u></p> <p><del>Individual/Group submission</del> <u>Group level / Country-level group level submission (where applicable, as the case may be)</u> <u>and Entity level / Singapore Operations level submission (as the case may be)</u></p> <p><del>Merchant Bank is on LCR framework</del></p>	<ul style="list-style-type: none"> <li>• Form 1 <ul style="list-style-type: none"> <li>○ All sections</li> </ul> </li> <li>• Form 2 (All Currency) <ul style="list-style-type: none"> <li>○ Section 1A</li> <li>○ Section 2</li> <li>○ Section 3</li> <li>○ Section 5</li> </ul> </li> <li>• Form 2 (Singapore Dollar) <ul style="list-style-type: none"> <li>○ Section 1A</li> <li>○ Section 2</li> <li>○ Section 3</li> <li>○ Section 5</li> </ul> </li> </ul>
<p>Non-D-SIB Merchant Bank <u>that must comply with or has chosen to comply with Part II – LCR</u> (Currency X is a significant currency)</p> <p><del>Individual/Group submission</del> <u>Group level / Country-level group level submission (where applicable, as the case may be)</u> <u>and Entity level / Singapore Operations level submission (as the case may be)</u></p> <p><del>Merchant Bank is on LCR framework</del></p>	<ul style="list-style-type: none"> <li>• Form 1 <ul style="list-style-type: none"> <li>○ All sections</li> </ul> </li> <li>• Form 2 (All Currency) <ul style="list-style-type: none"> <li>○ Section 1A</li> <li>○ Section 2</li> <li>○ Section 3</li> <li>○ Section 5</li> </ul> </li> <li>• Form 2 (Singapore Dollar) <ul style="list-style-type: none"> <li>○ Section 1A</li> <li>○ Section 2</li> <li>○ Section 3</li> <li>○ Section 5</li> </ul> </li> <li>• Form 2 (Currency X) <ul style="list-style-type: none"> <li>○ Section 1A</li> <li>○ Section 2</li> <li>○ Section 3</li> <li>○ Section 5</li> </ul> </li> </ul>

FI type	Forms to submit
<p>Non-D-SIB Merchant Bank <u>that has chosen to comply with Part I – MLA</u></p> <p><u>Entity level Individual</u> submission</p> <p><del>Merchant Bank is on MLA framework</del></p>	<ul style="list-style-type: none"> <li>• Form 1 <ul style="list-style-type: none"> <li>○ All sections</li> </ul> </li> <li>• Form 2 (All Currency) <ul style="list-style-type: none"> <li>○ Section 1B (All Currency section for <del>part-Part</del> <u>Part 3</u>)</li> <li>○ Section 2</li> <li>○ Section 3</li> <li>○ Section 5</li> </ul> </li> <li>• Form 2 (Singapore Dollar) <ul style="list-style-type: none"> <li>○ Section 1B (Singapore Dollar section for <del>part-Part</del> <u>Part 3</u>)</li> <li>○ Section 2</li> <li>○ Section 3</li> <li>○ Section 5</li> </ul> </li> </ul>
<p>Non-D-SIB Merchant Bank <u>that has chosen to comply with Part I – MLA</u> (Currency X is a significant currency)</p> <p><u>Entity level Individual</u> submission</p> <p><del>Merchant Bank is on MLA framework</del></p>	<ul style="list-style-type: none"> <li>• Form 1 <ul style="list-style-type: none"> <li>○ All sections</li> </ul> </li> <li>• Form 2 (All Currency) <ul style="list-style-type: none"> <li>○ Section 1B (All Currency section for <del>part-Part</del> <u>Part 3</u>)</li> <li>○ Section 2</li> <li>○ Section 3</li> <li>○ Section 5</li> </ul> </li> <li>• Form 2 (Singapore Dollar) <ul style="list-style-type: none"> <li>○ Section 1B (Singapore Dollar section for <del>part-Part</del> <u>Part 3</u>)</li> <li>○ Section 2</li> <li>○ Section 3</li> <li>○ Section 5</li> </ul> </li> <li>• Form 2 (Currency X) <ul style="list-style-type: none"> <li>○ Section 2</li> <li>○ Section 3</li> <li>○ Section 5</li> </ul> </li> </ul>

[MAS Notice 1015 (Amendment) 2022]

**Calculation-Computation of the cap on Level 2 HQLA with regard to short-term securities financing transactions**

[\[MAS Notice 1015 \(Amendment\) 2022\]](#)

1 A Merchant Bank must apply the method described in this Appendix for ~~the calculation~~its computation of the cap on Level 2A, Level 2B and Level 2B(II) HQLA with regard to short-term securities financing transactions.

[\[MAS Notice 1015 \(Amendment\) 2022\]](#)

2 As stated in paragraph 32 of the Notice, ~~the~~A Merchant Bank must, in ~~the calculation~~its computation of the 40% cap on Level 2 HQLA, take into account the impact on the stock of HQLA of the amounts of Level 1 and Level 2 HQLA involved in secured funding, secured lending and collateral swap transactions maturing within the 30-day LCR horizon. ~~The~~The Merchant Bank must ensure that the maximum amount of adjusted Level 2 HQLA in the stock of HQLA ~~must be~~is equal to two-thirds of the adjusted amount of Level 1 HQLA after haircuts have been applied. ~~The~~The Merchant Bank must ensure that ~~calculation~~its computation of the 40% cap on Level 2 HQLA ~~must take~~takes into account any reduction in eligible Level 2B HQLA on account of the 15% cap on Level 2B HQLA.

[\[MAS Notice 1015 \(Amendment\) 2022\]](#)

3 ~~The~~A Merchant Bank must, in ~~the calculation~~its computation of the 15% cap on Level 2B HQLA, take into account the impact on the stock of HQLA of the amounts of HQLA involved in secured funding, secured lending and collateral swap transactions maturing within the 30-day LCR horizon. ~~The~~The Merchant Bank must ensure that the maximum amount of adjusted Level 2B HQLA in the stock of HQLA ~~must be~~is equal to 15/85 of the sum of the adjusted amounts of Level 1 and Level 2A HQLA, or, in cases where the 40% cap is binding, up to a maximum of 1/4 of the adjusted amount of Level 1 HQLA, both after haircuts have been applied.

[\[MAS Notice 1015 \(Amendment\) 2022\]](#)

4 ~~The~~A Merchant Bank must, in ~~the calculation~~its computation of the 5% cap on Level 2B(II) HQLA, take into account the impact on the stock of HQLA of the amounts of HQLA involved in secured funding, secured lending and collateral swap transactions maturing within the 30-day LCR horizon. ~~The~~The Merchant Bank must ensure that the maximum amount of adjusted Level 2B(II) HQLA in the stock of HQLA ~~must be~~is equal to 5/95 of the sum of the adjusted amounts of Level 1, Level 2A and Level 2B(I) HQLA, or in cases where the 15% cap is binding, up to a maximum of 5/85 of the adjusted amount of Level 1 and Level 2A HQLA, or



in cases where the 40% cap is binding, up to a maximum of 5/60 of the adjusted amount of Level 1 and, after haircuts have been applied.

[\[MAS Notice 1015 \(Amendment\) 2022\]](#)

5 The adjusted amount of Level 1, Level 2A, Level 2B(I) and Level 2B(II) HQLA is defined as the amount of Level 1, Level 2A, Level 2B(I) and Level 2B(II) HQLA that would result after unwinding secured funding, secured lending and collateral swap transactions maturing within the 30-day LCR horizon involving the exchange of any HQLA for any Level 1, Level 2A, Level 2B(I) and Level 2B(II) HQLA (including cash) that meet, or would meet if held unencumbered, the operational requirements for HQLA set out in paragraph 28 of the Notice. Relevant haircuts would be applied prior to ~~calculation~~ the computation of the caps on Level 2 HQLA, Level 2B HQLA and Level 2B(II) HQLA set out in paragraphs 2, ~~3 and~~ to 4 of this Appendix respectively.

[\[MAS Notice 1015 \(Amendment\) 2022\]](#)

6 A reference to “unadjusted” in this Appendix refers to the value of the relevant category of HQLA, after accounting for the haircuts as specified in paragraph 30 of the Notice and before accounting for the exchange of assets in secured funding, secured lending and collateral swap transactions maturing within the 30-day LCR horizon.

[\[MAS Notice 1015 \(Amendment\) 2022\]](#)

7 A reference to “adjusted” in this Appendix refers to the value of the relevant category of HQLA, after accounting for the haircuts as specified in paragraph 30 of the Notice and the exchange of assets in secured funding, secured lending and collateral swap transactions maturing within the 30-day LCR horizon.

[\[MAS Notice 1015 \(Amendment\) 2022\]](#)

8 The formula for the ~~calculation~~ computation of HQLA is as follows:

HQLA = Unadjusted Level 1 HQLA + Unadjusted Level 2A HQLA + Unadjusted Level 2B(I) HQLA + Unadjusted Level 2B(II) HQLA – Adjustment for 5% Level 2B(II) HQLA cap – Adjustment for 15% Level 2B HQLA cap – Adjustment for 40% Level 2 HQLA cap,

where –

- (a) Adjustment for 5% Level 2B(II) HQLA cap = MAX (Adjusted Level 2B(II) HQLA – (5/95)\*(Adjusted Level 1 HQLA + Adjusted Level 2A HQLA + Adjusted Level 2B(I) HQLA), Adjusted Level 2B(II) HQLA – (5/85)\*(Adjusted Level 1 HQLA + Adjusted Level 2A HQLA), Adjusted Level 2B(II) HQLA – (5/60)\*Adjusted Level 1 HQLA, 0);

- (b) Adjustment for 15% Level 2B HQLA cap = MAX ((Adjusted Level 2B(I) HQLA+ Adjusted Level 2B(II) HQLA – Adjustment for 5% Level 2B(II) HQLA cap) – (15/85)\*(Adjusted Level 1 HQLA + Adjusted Level 2A HQLA), Adjusted Level 2B(I) HQLA+ Adjusted Level 2B(II) HQLA – Adjustment for 5% Level 2B(II) HQLA cap – (15/60)\*Adjusted Level 1 HQLA,0); and
- (c) Adjustment for 40% Level 2 HQLA cap = MAX ((Adjusted Level 2A HQLA + Adjusted Level 2B(I) HQLA + Adjusted Level 2B(II) HQLA – Adjustment for 5% Level 2B(II) HQLA cap – Adjustment for 15% Level 2B(I) HQLA cap) – (2/3)\*Adjusted Level 1 HQLA,0).

[MAS Notice 1015 (Amendment) 2022]

HQLA haircuts, cash outflow and cash inflow rates

[MAS Notice 1015 (Amendment) 2022]

Item	Rate
<b>HQLA</b>	
<b>A. Level 1 HQLA:</b>	
<ul style="list-style-type: none"> <li>- Notes and coins</li> <li>- Qualifying marketable securities from sovereigns, central banks, PSEs, and multilateral development banks</li> <li>- Qualifying central bank reserves</li> <li>- Domestic sovereign or central bank debt for non-0% risk-weighted sovereigns</li> </ul>	100%
<b>B. Level 2 HQLA (maximum of 40% of HQLA):</b>	
<b>Level 2A HQLA</b>	
<ul style="list-style-type: none"> <li>- Sovereign, central bank, multilateral development banks, and PSE assets qualifying for <u>a 20% risk weightingweight</u></li> <li>- Qualifying corporate debt securities rated AA- or higher</li> <li>- Qualifying covered bonds rated AA- or higher</li> </ul>	85%
<b>Level 2B HQLA (maximum of 15% of HQLA)</b>	
<b>Level 2B(I) HQLA</b>	
<ul style="list-style-type: none"> <li>- Qualifying corporate debt securities rated at least A-</li> </ul>	50%
<b>Level 2B(II) HQLA (maximum of 5% of HQLA)</b>	
<ul style="list-style-type: none"> <li>- Qualifying corporate debt securities rated between BBB+ and BBB-</li> </ul>	50%
<ul style="list-style-type: none"> <li>- Qualifying sovereign, central bank and PSE debt securities rated at least BBB-</li> </ul>	50%
<ul style="list-style-type: none"> <li>- Qualifying Ordinary shares, excluding preference shares and treasury shares</li> </ul>	50%
<ul style="list-style-type: none"> <li>- Qualifying RMBS</li> </ul>	75%
<b>Total value of HQLA</b>	

Item	Rate
<b>Cash Outflows</b>	
<b>A. Retail deposits:</b>	
Demand deposits and term deposits (less than 30 days maturity)	
- Stable deposits (fully insured by <del>the Singapore Deposit Insurance Corporation Limited</del> —SDIC)	5%
- Stable deposits (fully insured by <del>other</del> effective government deposit insurance <del>schemes</del> <u>schemes in foreign countries or jurisdictions</u> )	To follow <del>host</del> foreign country's or jurisdiction's rate
- Less stable <del>retail</del> deposits	10%
Term deposits with residual maturity greater than 30 days	0%
<b>B. Unsecured wholesale funding:</b>	
Demand and term deposits (less than 30 days maturity) provided by small business customers:	
- Stable deposits	<u>3%/5%</u>
- Less stable deposits	10%
Operational deposits generated by clearing, custody and cash management <del>activities</del> <u>services</u> :	25%
- Portion covered by deposit insurance	<u>3%/5%</u>
<del>Cooperative banks in</del> <u>Qualifying deposits provided by members of an institutional network (qualifying deposits with the centralised institution of cooperative banks)</u>	25%
Non-financial corporates, sovereigns, central banks, multilateral development banks, and PSEs	40%
- If the entire amount fully covered by deposit insurance scheme	20%
Other legal entity customers not included above	100%
Retail/ <del>Small Business Customer and small business customer</del> deposits in <del>other</del> <u>foreign</u> countries or jurisdictions	To follow <del>host</del> foreign country's or jurisdiction's rate
<b>C. Secured funding:</b>	
- Secured funding transactions with central bank counterparty or backed by Level 1 HQLA with any counterparty	0%
- Secured funding transactions backed by Level 2A HQLA, with any counterparty	15%
- Secured funding transactions backed by <del>non</del> <u>assets other than</u> Level 1 or <del>non</del> Level 2A HQLA, with domestic sovereigns, multilateral development banks, or domestic PSEs with <u>a</u> risk weight of 20% or lower <del>as a counterparty under paragraphs 7.3.16 and 7.3.17 of MAS Notice 637</del>	25%
- Backed by RMBS eligible for inclusion in Level 2B <u>HQLA</u>	25%

- Backed by other Level 2B HQLA	50%
- All other secured funding transactions	100%

Item	Rate
<b>D. Additional requirements:</b>	
Liquidity needs (e.g. collateral calls) related to financing transactions, derivatives and other contracts	3 notch downgrade
Market valuation changes on derivatives transactions (largest absolute net 30-day collateral flows realised during the preceding 24 months)	Look back approach
Valuation changes on <del>non-Level 1</del> posted collateral <u>that are not Level 1 HQLA</u> securing derivatives	20%
Excess collateral held by a Merchant Bank related to derivative transactions that could contractually be called at any time by its counterparty	100%
Liquidity needs related to collateral contractually due from the Merchant Bank on derivatives transactions	100%
Increased liquidity needs related to derivative transactions that allow collateral substitution to assets that are not HQLA	100%
ABCP, SIVs, conduits, SPVs, etc.:	
- Liabilities from maturing ABCP, SIVs, SPVs, etc. (applied to maturing amounts and returnable assets)	100%
- Asset Backed Securities (including covered bonds) applied to maturing amounts	100%
<del>Currently undrawn</del> <u>Undrawn</u> committed credit and liquidity facilities provided to:	
- Retail and small business customers	5%
- Non-financial <del>corporate</del> <u>corporates</u> , sovereigns and central banks, multilateral development banks, and PSEs	10% for credit, 30% for liquidity
- <del>Bank</del> <u>Banks, and Merchant Banks</u> , subject to prudential supervision	40%
- Other financial institutions (include securities firms, insurance companies)	40% for credit, 100% for liquidity
- Other legal entity customers, credit and liquidity facilities	100%
Other contingent funding liabilities (such as guarantees, letters of credit, revocable credit and liquidity facilities, etc.)	
- Trade finance	3%
- Customers' short positions covered by other customers' collateral	50%
- Others	100% of expected amount unless otherwise stated
Any additional contractual outflows	100%
Net derivatives cash outflows	100%
Any other contractual cash outflows	100%
<b>Total <u>expected</u> cash outflows</b>	

Item	Rate
<b>Cash Inflows</b>	
Maturing secured lending transactions backed by the following collateral:	
- Level 1 HQLA	0%
- Level 2A HQLA	15%
- Level 2B HQLA (eligible RMBS)	25%
- Level 2B HQLA (Others)	50%
Margin loans backed by assets that are not HQLA	50%
Maturing reverse repurchase or securities borrowing arrangements backed by assets that are not HQLA	100%
Credit or liquidity facilities provided to the Merchant Bank	0%
Operational deposits held at other financial institutions (include deposits held at <del>centralised</del> <u>central</u> institution <u>or a specialised service provider</u> of <u>an institutional</u> network of <del>co-operative</del> <u>cooperative</u> banks)	0%
Other <u>cash</u> inflows by counterparty:	
- Amount to be received from retail customers	50%
- Amount to be received from wholesale customers other than financial institutions and central banks, from transactions other than those listed in above inflow categories	50%
- Amount to be received from financial institutions and central banks, from transactions others than those listed in above inflow categories	100%
Net derivatives cash inflows	100%
Other contractual cash inflows not included above	0%
<b>Total <u>expected</u> cash inflows</b>	
<b>Total net cash outflows = Total <u>expected</u> cash outflows minus min [total <u>expected</u> cash inflows, 75% of <u>gross total expected cash outflows</u>]</b>	
<b>LCR = HQLA / Total net cash outflows</b>	

[MAS Notice 1015 (Amendment) 2022]

## Principles for Sound Liquidity Risk Management ~~and Supervision~~

[MAS Notice 1015 (Amendment) 2022]

1 The guidelines referred to in ~~footnote 1~~footnotes 7E and 8A of the Notice are as follows:

- (a) a Merchant Bank should actively monitor and control liquidity risk exposures and funding needs at the level of individual legal entities, foreign branches and subsidiaries, and the banking group as a whole, taking into account legal, regulatory and operational limitations to the transferability of liquidity;
- (b) ~~where applicable, a~~where a Merchant Bank has a branch or subsidiary<sup>47</sup> in a foreign country or jurisdiction, the Merchant Bank should have processes in place to capture all existing liquidity transfer restrictions to the extent practicable, and to monitor the rules and regulations in the foreign countries or jurisdictions ~~in which the banking group operates~~ and assess their liquidity implications for the banking group as a whole;
- (c) a Merchant Bank should conduct their own stress tests to assess the level of liquidity they should hold, and construct their own scenarios that could cause difficulties for their specific business activities. Such internal stress tests should incorporate time horizons longer than 30 days. A Merchant Bank that has been notified by the Authority that it is a D-SIBs/SIB should share the results of these additional stress tests with ~~supervisor~~the Authority;
- (d) a Merchant Bank should monitor the legal entity and physical location where collateral is held and how it may be mobilised in a timely manner. Specifically, it should have a policy in place that identifies legal entities, geographical locations, currencies and specific custodial or bank accounts where liquid assets are held;
- (e) a Merchant Bank should actively manage its intraday liquidity positions and risks to meet payment and settlement obligations on a timely basis under both normal and stressed conditions and thus contribute to the smooth functioning of payment and settlement systems;

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<sup>47</sup> To avoid doubt, this includes a branch of the subsidiary.

[MAS Notice 1015 (Amendment) 2022]



- (f) a Merchant Bank should meet their liquidity needs in each currency and maintain liquid assets consistent with the distribution of their liquidity needs by currency. The Merchant Bank should be able to use the liquid assets to generate liquidity in the currency and in the country or jurisdiction in which the net cash outflows arise. In managing foreign exchange liquidity risk, the Merchant Bank should take into account the risk that its ability to swap currencies and access the relevant foreign exchange markets may erode rapidly under stressed conditions. ~~A~~The Merchant Bank should be aware that sudden, adverse exchange rate movements could sharply widen existing mismatched positions and alter the effectiveness of any foreign exchange hedges in place;
- (g) a Merchant Bank should ensure that liquid assets held are well diversified within the asset classes themselves (except for sovereign debt ~~of the Merchant Bank's home~~from Singapore or from a foreign country or jurisdiction ~~or from where the Merchant Bank has a branch or subsidiary~~<sup>48</sup> that is approved, licensed, registered or otherwise regulated by a bank regulatory agency in the foreign country or jurisdiction ~~in which the Merchant Bank operates to carry on banking business under the laws of the foreign country or jurisdiction~~, central bank reserves, central bank debt securities, and cash). The Merchant Bank should have policies and limits in place in order to avoid concentration with respect to asset types, issue and issuer types, and currency (consistent with the distribution of net cash outflows by currency) within asset classes;
- (h) a Merchant Bank should monitor the concentration of expected cash inflows across wholesale customers in the context of the Merchant Bank's liquidity management in order to limit overreliance on the arrival of expected cash inflows from one or a limited number of wholesale customers.

[MAS Notice 1015 (Amendment) 2022]

2 In this Appendix, "liquid assets" means, ~~in relation to a Merchant Bank that must comply with~~ –

- (a) in relation to a Merchant Bank that has chosen to comply with Part I – MLA of the Notice, ~~assets approved under~~ any Liquid Asset as defined in paragraph ~~8~~7 of the Notice; and

<sup>48</sup> To avoid doubt, this includes a branch of the subsidiary.

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- (b) in relation to a Merchant Bank that must comply with or has chosen to comply with Part II – LCR of the Notice, ~~assets approved under any high quality liquid asset or HQLA as defined in~~ paragraph ~~2519~~ of the Notice.

[MAS Notice 1015 (Amendment) 2022]

**\* Notes on History of Amendments**

1. MAS Notice 1015 (Amendment) 2021 dated 27 September 2021 with effect from 28 September 2021.
2. MAS Notice 1015 (Amendment) 2022 dated 24 June 2022 with effect from 1 July 2022.