

CONSULTATION PAPER

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Proposed Paid-up Capital Requirements for Wholesale Banks

MAS

Monetary Authority of Singapore

PREFACE

Currently, a minimum paid-up capital requirement of S\$1.5 billion applies to all locally incorporated banks. Locally incorporated banks tended to be Singapore-based, engaging in a full range of banking activities including significant retail banking operations. In this consultation paper, MAS proposes to establish a lower minimum paid-up capital requirement on locally incorporated wholesale banks which do not accept retail deposits.

2 MAS invites interested parties to forward their views and comments on the proposals made in this paper. Electronic submission is encouraged. Please submit your written comments by 7 December 2007 to:

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Email: policy@mas.gov.sg

3 Please note that all submissions received may be made public unless confidentiality is specifically requested for whole or part of the submission.

1 BACKGROUND

1.1 Banks in Singapore may operate as Singapore-incorporated companies or as branches of companies incorporated in another jurisdiction. Most foreign banks in Singapore are in the latter category. This allows the foreign bank to leverage on its capital and financial standing on a global basis, and is advantageous to the conduct of wholesale business. Locally incorporated banks tended to be Singapore-based, engaging in the full range of banking activities with significant retail operations. The Banking Act requires a minimum paid-up capital for locally incorporated banks of S\$1.5 billion. This requirement helps to foster well-capitalised and larger banks which are active in the domestic retail market.

1.2 MAS has received feedback from some foreign banks that there is commercial interest in incorporating wholesale bank subsidiaries in Singapore, but they will not be able to meet the S\$1.5 billion minimum paid-up capital requirement for local incorporation.

2 PROPOSED MINIMUM PAID-UP CAPITAL REQUIREMENT FOR WHOLESALe BANKS

2.1 MAS has considered the feedback and whilst we consider the S\$1.5 billion minimum paid-up capital requirement still appropriate for locally incorporated full banks which are able to access the retail market, we are prepared to impose a lower paid-up capital requirement on locally incorporated wholesale banks which are restricted from accepting deposits from retail customers.

2.2 We propose a minimum paid-up capital requirement of S\$15 million for locally incorporated wholesale banks. For locally incorporated wholesale banks intending to establish branches or subsidiaries outside Singapore, we consider it appropriate that such wholesale banks should have sufficient scale of activities, financial resources and management capacity to effectively manage and oversee their foreign operations. For such entities, we will require a minimum paid-up capital of S\$100 million.

2.3 With this change, new wholesale banks setting up in Singapore can choose between establishing here as a branch or as a locally incorporated subsidiary meeting the new paid-up capital requirements. Existing wholesale

banks operating as branches will also have the option of incorporating locally under the new rules.

Proposal

The minimum paid-up capital of locally incorporated wholesale banks shall be:

- a. S\$15 million, for all locally incorporated wholesale banks;
- b. S\$100 million, for locally incorporated wholesale banks with branches or subsidiaries outside of Singapore.

2.4 All locally incorporated wholesale banks will be subject to risk based capital requirements according to MAS capital rules (i.e. MAS Notice 637 and 628), and will have to comply with all regulatory requirements for locally incorporated banks under the Banking Act and relevant MAS Regulations and Notices. In addition to regulatory minimum requirements, all banks in Singapore, including new locally incorporated wholesale banks will also be subject to prudential requirements that are commensurate with their risk profiles.

3 IMPLEMENTATION

3.1 MAS proposes to implement the minimum paid-up capital requirements for wholesale banks by way of prescription under banking regulations. Please see attached draft Banking (Amendment No. 2) Regulations 2007 for reference.

ANNEX A: DRAFT BANKING (AMENDMENT) REGULATIONS

DISCLAIMER: THIS VERSION OF THE REGULATION IS IN DRAFT FORM AND IS SUBJECT TO CHANGE

No. S 000 –

**BANKING ACT
(CHAPTER 19)**

BANKING (AMENDMENT NO. 2) REGULATIONS 2007

In exercise of the powers conferred by sections 9(1)(a) and 78(1) of the Banking Act, the Monetary Authority of Singapore hereby makes the following Regulations:

Citation and commencement

1. These Regulations may be cited as the Banking (Amendment No. 2) Regulations 2007 and shall come into operation on 2007.

New Part IIA

2. The Banking Regulations (Rg 5) are amended by inserting, immediately after regulation 6, the following Part:

“PART IIA

MINIMUM CAPITAL REQUIREMENTS

Minimum capital requirements for wholesale banks

6A.—(1) For the purposes of section 9(1)(a) of the Act, the paid-up capital of a bank holding a wholesale banking licence which is incorporated in Singapore shall be —

- (a) in the case where the bank carries on or intends to carry on business outside Singapore, not less than \$100 million; and
- (b) in any other case, not less than \$15 million.

(2) In this regulation, “wholesale banking licence” means a licence to transact banking business, the conditions of which require the holder of that licence to comply with such guidelines as may be issued by the

Authority in relation to the operation of wholesale banks; and includes a “restricted banking licence” granted by the Authority before 29th June 2001.”.

[G.N. No. S 622/2005; S 170/2006; S 325/2006; S 238/2007]

Made this day of 2007.

HENG SWEE KEAT
*Managing Director,
Monetary Authority of Singapore.*



Monetary Authority of Singapore