



RESPONSE TO FEEDBACK RECEIVED—CONSULTATION ON PROPOSED EXEMPTION FROM SECTION 31 OF THE BANKING ACT FOR STABILISING ACTIVITIES

1 Introduction

1.1 In May 2008, Monetary Authority of Singapore (MAS) conducted a public consultation on the proposed exemption from Section 31 of the Banking Act for equity shares purchased by banks in the course of price stabilisation activities. MAS would like to thank respondents for their comments.

1.2 MAS has carefully considered the feedback received. Comments of wider interest, together with MAS' responses, are set out below. The final legislation effecting the amendments will be issued in due course.

2 Proposal—An exemption from Section 31 of the Banking Act for banks' purchase of shares in the course of price stabilisation activities under the Securities and Futures (Market Conduct) (Exemptions) Regulations, provided that—

(a) the total number of shares purchased by the stabilising entity does not exceed the number of shares over-allotted; and

(b) the stabilising entity has a Green Shoe option to purchase a number of shares equivalent to the number of shares over-allotted, at or below the issue price for each share.

Feedback

2.1 A respondent proposed that the exemption be extended to shares acquired by banks acting as managers to new issues of securities or public secondary offers, as a consequence of commitments by the banks to hard underwrite the issue/offer of the shares. The respondent explained that such commitments would require the bank to subscribe to the shares not subscribed by investors,

and therefore the bank may breach the 2% equity limit under Section 31 of the Banking Act.

MAS' Response

2.2 MAS expects banks to have adequate procedures in place to manage their underwriting commitments, and such requests for exemption should be on a highly exceptional basis. However, MAS is prepared to consider exemptions from Section 31 of the Banking Act, on a case by case basis, for holdings arising from underwriting commitments for a limited period.

MONETARY AUTHORITY OF SINGAPORE

18 June 2008