

CONSULTATION PAPER

P016 - 2010
December 2010

Deposit Insurance and Policy Owners' Protection Schemes Bill

MAS

Monetary Authority of Singapore

PREFACE

As part of its regular review and to strengthen the protection of depositors and policy owners, MAS has proposed changes to the Deposit Insurance Scheme and the Policy Owners' Protection Scheme in Singapore to compensate depositors and policy owners respectively, in the event that their bank or insurer fails. MAS consulted the public on the key policy proposals in 2005, 2009 and 2010, and issued our responses to feedback received. Copies of these are available on MAS' website (www.mas.gov.sg).

2 This consultation paper sets out the proposed legislative amendments to the Deposit Insurance Act (Cap. 77A) that will give effect to the changes. A summary of the key legislative amendments is appended at Annex A for ease of reference. The Deposit Insurance Act will be re-enacted as the Deposit Insurance and Policy Owners' Protection Schemes Act.

3 MAS invites interested parties to forward their views and comments on the draft Deposit Insurance and Policy Owners' Protection Schemes Bill (Annex B), and draft amendments to regulations on deposit insurance (Annexes C and D). MAS expects these amendments to be finalised and to come into effect in early 2011. Electronic submission is encouraged. Please submit your written comments by 28 January 2011 to:

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Monetary Authority of Singapore
10 Shenton Way
MAS Building
Singapore 079117

Fax: (65) 6220 3973
Email: policy@mas.gov.sg

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

A INTRODUCTION

1 In regulating and supervising financial institutions, MAS seeks to maintain the stability of the financial system but does not aim to prevent the failure of any financial institution. While consumers should exercise discretion in their choice of financial institutions, products and services, MAS has established safety nets to safeguard the interests of consumers in the event that their bank or insurer fails.

2 The Deposit Insurance Scheme ("DI Scheme") was established in 2006 with the primary objective of protecting small depositors. Currently, the DI Scheme insures Singapore dollar deposits held by an individual or charity with a full bank or finance company up to an aggregate of S\$20,000 per depositor per DI Scheme member. As part of our regular review, MAS, together with the Singapore Deposit Insurance Corporation ("SDIC") which administers the DI Scheme, has proposed changes to enhance depositor protection.

3 MAS has also reviewed the existing framework for the Policy Owners' Protection Scheme ("PPF Scheme") to enhance protection for policy owners of life and general insurance policies¹. For cost efficiency and to leverage on existing resources, we are proposing for SDIC to take on the additional role of administering the PPF schemes.

4 The main enhancements to the DI and PPF Schemes, which have been consulted on², are summarised in Sections B and C, respectively.

B DEPOSIT INSURANCE SCHEME

Scope of Coverage

5 The revised DI Scheme will insure Singapore dollar deposits of non-bank depositors in general and the coverage limit will be raised from the current S\$20,000 to S\$50,000 per insured depositor per DI Scheme member. With these revisions, about 91% of depositors will be fully insured. This meets our objective of providing adequate coverage for small depositors, while preserving the incentives for large depositors to exercise market discipline on DI Scheme members, and keeping costs of the DI Scheme manageable.

¹ There are two funds under the Policy Owners' Protection Scheme, one for life insurance and another for general insurance.

² MAS consulted on the enhancements to the DI Scheme on 25 February 2010 and issued its response to the feedback received on 3 September 2010. The enhancements to the PPF Scheme were consulted on 15 December 2005 and 23 December 2009 and MAS' responses to the feedback received were issued on 1 August 2006 and 17 August 2010, respectively.

6 Monies placed by an individual with a DI Scheme member under the CPF Minimum Sum Scheme and the CPF Investment Scheme will be aggregated and insured for another S\$50,000. Trust and client accounts will be insured up to S\$50,000 per account.

Subsidiary Legislation

7 In administering the DI Scheme, SDIC has existing rules which require DI Scheme members to provide insured product disclosure to customers. DI Scheme members are also required to establish systems and processes which would allow insured depositors to be compensated quickly, in the event of a DI payout. While these are operational matters and there are no significant instances of non-compliance noted by SDIC, it is proposed that SDIC rules on disclosure and compensation payout readiness be moved into subsidiary legislation, to commensurate with the emphasis on these areas.

C POLICY OWNERS' PROTECTION SCHEME

Funding Approach

8 A pre-funded approach will be introduced for the PPF Scheme. Such an approach is the most equitable as a failed insurer would have contributed to the PPF Scheme prior to its failure. Having a pre-funded PPF Scheme will also enhance the credibility of the scheme, and expedite payouts in the event of default by an insurer.

Scope of Coverage

9 Currently, the Policy Owners' Protection Life Fund ("PPF Life Fund") covers all life insurance policies while the Policy Owners' Protection General Fund ("PPF General Fund") covers compulsory motor third party injury and work injury compensation insurance policies. The PPF Life and General Funds will be extended to cover accident and health ("A&H") policies, and additional personal lines³, respectively.

Level of Coverage

10 In addition, the PPF Life Fund presently covers 90% of all life policies while the PPF General Fund covers 100% of all compulsory insurance policies. No other caps apply.

11 The PPF Life Fund will be enhanced to cover 100% of protected liabilities to offer better protection to policy owners. However, to mitigate the risk of moral

³ Namely personal motor insurance, individual and group A&H insurance, personal property (structure and contents) insurance, foreign domestic maid insurance and personal travel insurance.

hazard, caps will be applied on the guaranteed benefits of the different types of policies covered under the fund as follows:

- Individual life policies: Cap of S\$500,000 for sum assured and S\$100,000 for surrender value per life assured per insurer.
- Individual term policies: Cap of S\$500,000 for sum assured per life assured per insurer.
- Individual annuities: Cap of S\$100,000 for commuted value of guaranteed benefits per life assured per insurer.
- Group term policies: Cap of S\$100,000 for sum assured per life assured per policy.
- Group endowment policies: Cap of S\$100,000 for sum assured and S\$50,000 for surrender value per life assured per policy.
- Group annuities: Cap of S\$100,000 for commuted value of guaranteed benefits per life assured per policy.

No caps will be applied to personal accident and A&H policies.

12 For consistency with the PPF Life Fund, the PPF General Fund will also provide 100% coverage. However, no caps will be applied as general insurance policies typically indemnify losses as they occur and payouts are made based on actual claims incurred.

Legislative Changes

13 The existing provisions for the PPF Scheme are currently under the Insurance Act (Cap. 142). These provisions will be repealed and new provisions will be introduced into the Deposit Insurance and Policy Owners' Protection Schemes Act.

KEY PROPOSED AMENDMENTS TO LEGISLATION

| S/N | Provision | Amendment |
|-----|-----------|-----------|
|-----|-----------|-----------|

| | Act | |
|---|------------|---|
| 1 | Section 2 | <p>Amends definition of “insured depositor” to refer to non-bank depositors in general.</p> <p>Amends definition of “deposit” to include deposits that have been pledged, charged or secured as collateral.</p> |
| 2 | Section 11 | Expands the range of instruments that the DI Fund may invest in to include any sukuk issued by the Singapore Sukuk Pte Ltd, or security issued by the Authority. |
| 3 | Section 22 | <p>Amends the compensation payout approach to one which is based on the gross amount of insured deposits (up to the DI coverage limit), without offsetting the depositor’s liabilities to the DI Scheme member.</p> <p>With the expansion of the scope of DI coverage to include business deposits, specify that deposits of a sole proprietor and his sole proprietorship(s) would be aggregated for the purpose of determining his entitlement to compensation.</p> <p>Amends the coverage for trust/client account to per account basis. Previously, deposits of the beneficiary in a trust/client account had to be aggregated with deposits under his own name.</p> <p>Streamlines the coverage for monies under the CPF Minimum Sum Scheme and CPF Investment Scheme under a common coverage limit.</p> |
| 4 | Section 26 | Provides for transition DI coverage in the event of merger, consolidation or acquisition involving DI Scheme members. |
| 5 | Section 27 | Provides that SDIC may make payment to the Public Trustee (to hold on trust for insured depositors) where it is unable to effect payment to insured depositors (e.g. incorrect address). |
| 6 | Section 29 | Supplements the powers that the liquidator currently has under insolvency law to recover the net amount owed by depositors to the failed DI Scheme member after DI compensation. |

KEY PROPOSED AMENDMENTS TO LEGISLATION

| S/N | Provision | Amendment |
|------------|---|--|
| 7 | Sections 30 and 34 | Provide for the establishment of the PPF Scheme and two separate PPF funds, one for life insurance and the other for general insurance. |
| 8 | Sections 31 to 33 | Set out the membership rules for the PPF Scheme. |
| 9 | Section 36 | Sets out the investment universe for the PPF Life and General Funds. |
| 10 | Section 46 | Sets out the events precipitating the use of the PPF Life and General Funds. |
| 11 | Section 47 | Sets out the entitlement to compensation to policy owners of life insurance policies insured under the PPF Scheme. |
| 12 | Section 48 | Sets out the entitlement to compensation to policy owners of general insurance policies insured under the PPF Scheme. |
| 13 | Section 57 | Expands the objects of SDIC to include administration of the PPF Scheme, and to contribute to stability of the financial system. |
| 14 | Section 64 | Provides for the Authority to make regulations on disclosure and compensation payout readiness. |
| 15 | First Schedule | Specifies the DI coverage limit, which will be raised to S\$50,000. |
| 16 | Second Schedule | Sets out the insured policies, protected liabilities and coverage thresholds under the PPF Scheme. |
| | DI Regulation | |
| 17 | Regulation 6 First Schedule Second Schedule | Allows DI Scheme members to include eligible assets against which deposits have been pledged, charged or secured as collateral, in determining its asset maintenance ratio. Expands the list of eligible assets for the purpose of meeting asset maintenance requirements, to include any sukuk issued by the Singapore Sukuk Pte Ltd, or security issued by the Authority. |

KEY PROPOSED AMENDMENTS TO LEGISLATION

| S/N | Provision | Amendment |
|---|------------------|--|
| 18 | Regulation 12-14 | Formalises SDIC rules on disclosure and compensation payout readiness in regulations. |
| 19 | Regulation 15 | Provides disclosure requirements where insured products ceased to be insured, or where a DI Scheme member ceases its membership. |
| 20 | Regulation 16 | Prescribes murabaha as an insured deposit. |
| 21 | Third Schedule | Lowers the premium rates payable by DI Scheme members. |
| DI (Composition of Offences) Regulations | | |
| 22 | Regulation 2 | Includes new offences that may be compounded. |

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

ANNEX B

Deposit Insurance and Policy Owners’ Protection Schemes Bill

Bill No. /2011.

Read the first time on 2011.

DEPOSIT INSURANCE AND POLICY OWNERS’ PROTECTION SCHEMES ACT 2011

(No. of 2011)

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**DISCLAIMER: THIS VERSION OF THE BILL IS IN DRAFT FORM AND IS
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ANNEX B

A BILL

intituled

An Act to reconstitute the Deposit Insurance Scheme for the purpose of providing limited compensation to insured depositors under certain circumstances, to establish a Policy Owners' Protection Scheme for the purpose of compensating (in part or whole) or otherwise assisting or protecting insured policy owners under certain circumstances, to repeal the Deposit Insurance Act (Chapter 77A of the 2006 Revised Edition) and for matters connected therewith.

Be it enacted by the President with the advice and consent of the Parliament of Singapore, as follows:

PART I
PRELIMINARY

Short title and commencement

1. This Act may be cited as the Deposit Insurance and Policy Owners' Protection Schemes Act 2011 and shall come into operation on such date as the Minister may, by notification in the *Gazette*, appoint.

Interpretation

2.—(1) In this Act, unless the context otherwise requires —

“accident and health policy” has the same meaning as in the First Schedule to the Insurance Act (Cap. 142);

“account with the electronic service”, in relation to any person, means a computer account within the electronic service which is assigned by the Authority to that person for the storage and retrieval of electronic records relating to that person;

“Agency” or “deposit insurance agency” means the company designated by the Minister under section 56 to be the deposit insurance and policy owners’ protection agency;

“appointed day” means the date of commencement of this Act;

“authentication code”, in relation to any person, means an identification or identifying code, a password or any other authentication method or procedure which is assigned to that person for the purposes of identifying and authenticating the access to and use of the electronic service by that person;

“Authority” means the Monetary Authority of Singapore established under section 3 of the Monetary Authority of Singapore Act (Cap. 186);

“bank” has the same meaning as in section 2(1) of the Banking Act (Cap. 19);

“book” includes any record, register, document or other record of information, and any account or accounting record, however compiled, recorded or stored, whether in written or printed form or on microfilm or in electronic form or otherwise;

“captive insurer” has the same meaning as in section 1A of the Insurance Act (Cap. 142);

“Chief Executive” means the Chief Executive of the Agency appointed under section 62 and includes any person acting in that capacity;

“claim event” means the contingency upon which the policy moneys are payable under an insured policy;

“client account”, in relation to an insured depositor, means an account maintained by the insured depositor with a Scheme member for the purpose of holding moneys held by the insured depositor for a client of the depositor, whether or not other moneys may be held in the account;

“commuted value” in relation to an annuity, means the present value, of the expected future payments to be made for a term dependent on the continuation of the life assured, or upon death or surrender of the life assured, as specified under the terms of the policy;

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

“compulsory insurance policy” means any policy of insurance which complies with the requirements of —

(a) the Motor Vehicles (Third-Party Risks and Compensation) Act (Cap. 189); or

(b) the Work Injury Compensation Act (Cap. 354);

“corporation” has the same meaning as in section 4(1) of the Companies Act;

“coupon deposit” means any sum of money, being part of the policy moneys which the insurer is obliged to pay to the policy owner at agreed intervals under the terms of any policy, excluding amounts due at maturity, which the policy owner instructs the insurer not to pay out to the policy owner but for those sums of money to be deposited with the insurer to earn interest at an agreed rate;

“CPFIS” means the Central Provident Fund Investment Scheme introduced by the Central Provident Fund Board under the Central Provident Fund (Investment Schemes) Regulations (Cap. 36, Rg 9);

“CPFMS” means the Central Provident Fund Minimum Sum Scheme introduced by the Central Provident Fund under the Central Provident Fund (Minimum Sum Scheme) Regulations (Cap. 36, Rg 16);

“deposit” means a sum of money paid on terms —

- 5 (a) under which it will be repaid, with or without interest or a premium, or with any consideration in money or money's worth, either on demand or at a time or in circumstances agreed by or on behalf of the person making the payment and the person receiving it; and
- (b) which are not referable to the provision of property or services;
- “deposit-taking business” has the same meaning as in section 4B of the Banking Act (Cap. 19);
- 10 “depositor” means any person who is entitled to repayment of a deposit, whether or not the deposit is made by him;
- “DI exempt member” means a full bank or finance company which has been exempted by the Authority under section 6 from the requirement to be a DI Scheme member;
- 15 “DI Fund” means the Deposit Insurance Fund reconstituted under section 9;
- “direct insurer” has the same meaning as in section 1A of the Insurance Act (Cap. 142);
- 20 “DI Scheme” means the Deposit Insurance Scheme reconstituted under section 4;
- “DI Scheme member” means a member of the DI Scheme;
- “electronic record” has the same meaning as in section 2 of the Electronic Transactions Act 2010 (Act 16 of 2010);
- 25 “electronic service” means the electronic service provided by the Authority under section 86;
- “excluded person” means —
- (a) any bank;
- (b) any person who carries on business activities outside of Singapore which, if conducted in Singapore, would require the person to be licensed under the Banking Act; and
- 30 (c) such other person or class of persons as the Authority may prescribe;
- “failed DI Scheme member” means a DI Scheme member in respect of which the Authority has determined that compensation shall be paid out of the DI Fund to the insured depositors of that DI Scheme member;
- 35

- 5 “failed PPF Scheme member” means a PPF Scheme member in respect of which the Authority has determined that compensation shall be paid out of the PPF Life Fund or PPF General Fund, as the case may be, or that the PPF Life Fund or PPF General Fund is to be utilised for the funding of a transfer or orderly running down of the business of that PPF Scheme member;
- “finance company” has the same meaning as in section 2 of the Finance Companies Act (Cap. 108);
- 10 “full bank” means any bank holding a licence granted by the Authority under the Banking Act (Cap. 19) which permits the bank to carry on the full range of banking business;
- “general business” and “life business” have the same meaning as in section 2 of the Insurance Act (Cap. 142), read with section 3(1B) of that Act;
- 15 “group policy” means any policy of insurance in respect of which the policy owner is not an individual;
- “guaranteed policy liabilities” in respect of insured policies, means the policy liabilities, relating to benefits guaranteed under the policies only, calculated in accordance with regulations prescribed pursuant to section 17 of the Insurance Act (Cap. 142) for the valuation of assets and liabilities in an insurance fund;
- 20 “health policy” means any accident and health policy which is not a personal accident policy;
- “individual policy” means a policy of insurance where the policy owner is an individual;
- 25 “insured deposit” has the meaning given to it in the First Schedule;
- “insured deposit base” has the meaning given to it in section 3;
- “insured depositor” means any person who is not an excluded person and is entitled to the repayment of any insured deposit, whether or not the insured deposit is made by him, and includes —
- 30 (a) in the case of a deposit held by a trustee under a trust, the trustee; and
- (b) for the avoidance of doubt, in the case of a deposit held by a depositor in a client account, the depositor;
- 35 “insured policy” means —
- (a) any life policy;
- (b) any accident and health policy;

(c) any compulsory insurance policy; or

(d) any specified personal line insurance policy which is a Singapore policy;

“insured policy owner” means the policy owner of an insured policy;

5 “life policy” has the same meaning as in First Schedule of the Insurance Act (Cap. 142);

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

10 “marine mutual insurance business” means the business of providing the insurance of liabilities under insurance policies on the basis of mutual insurance —

(a) upon goods, merchandise or property of any description transported on board vessel, including incidental transit before and after shipment;

15 (b) upon the freight of, or any other interest in or relating to, vessels;

(c) upon vessels, or upon machinery, tackle furniture or equipment of vessels;

20 (d) against damage arising out of or in connection with the use of vessels, including third-party risks;

(e) against risks incidental to the construction, repair or docking of vessels, including third-party risks; or

25 (f) against such other risks as the Authority considers to be connected with or incidental to marine adventures or any of the matters referred to in paragraphs (a) to (e);

“Maximum DI Coverage” has the meaning given to it in the First Schedule;

30 “non-voluntary group insurance policy” means a group policy to insure the lives of certain individuals which is not taken out at the request or discretion of any of the life assureds;

“officer” has the same meaning as in section 2(1) of the Banking Act (Cap. 19);

“parent bank” has the same meaning as in section 2(1) of the Banking Act;

35 “parent supervisory authority” has the same meaning as in section 2(1) of the Banking Act;

“personal accident policy” means an accident and health policy in respect of which accident and health benefits are paid out only —

(a) in the event of an injury to, or disability of, the life assured as a result of accident;

5 (b) on the death by accident of the life assured; or

(c) on the occurrence of a combination of the events referred to in paragraphs (a) and (b);

“PPF exempt member” means a relevant insurer which has been exempted by the Authority under section 32 from the requirement to be a PPF Scheme member;

“PPF General Fund” means the Policy Owners’ Protection General Fund established under section 34(1)(b);

“PPF Life Fund” means the Policy Owners’ Protection Life Fund established under section 34(1)(a);

15 “PPF Scheme” means the Policy Owners’ Protection Scheme established under section 30;

“PPF Scheme member” means a member of the PPF Scheme;

“premium year”, in relation to the determination and payment of premium contributions and levy, means such period as may be prescribed by the Authority as a premium year —

20 (a) under section 12(4), in respect of the premium contributions payable by DI Scheme members; or

(b) under section 37(4), in respect of the levy payable by PPF Scheme members;

25 “protected liabilities” has the meaning given to it in the Third Schedule;

“protection ratio” has the meaning given to it in the Fourth Schedule;

“quantification date” means —

(a) in relation to a DI Scheme member —

30 (i) the date on which the DI Scheme member is wound up; or

(ii) where a DI Scheme member is not wound up, the date on which the notice of payment of compensation is published in the Gazette under section 21(4);

35 (b) in relation to a PPF Scheme member —

- (i) the date on which the PPF Scheme member is wound up; or
- (ii) where a PPF Scheme member is not wound up, the date on which the notice of payment of compensation from the PPF Life Fund or PPF General Fund or notice that the PPF Life Fund or PPF General Fund is to be utilised for the funding of transfers or carrying on the orderly running down of the business of the failed Scheme member is published in the *Gazette* under section 46(4);

“relevant insured deposits” has the meaning given to it in section 3;

“relevant insurer” means —

- (a) a direct insurer registered to carry on life business (other than a captive insurer); or
- (b) a direct insurer registered to carry on general business (other than a captive insurer or specialist insurer);

“repealed Act” means the Deposit Insurance Act (Cap. 77A, 2006 Ed.) repealed by this Act;

“Rules” means any rules issued by the Agency under section 63;

“Singapore policy” has the same meaning as in the First Schedule to the Insurance Act (Cap. 142);

“specialist insurer” means —

- (a) an insurer which is registered under section 8 of the Insurance Act and which is permitted by its registration to carry on the business of issuing financial guarantee policies;
- (b) a credit and political risk insurer; or
- (c) an insurer registered under section 8 of the Insurance Act (Cap. 142) as a direct insurer to carry on general business and which is permitted to carry on marine mutual insurance business only;

“specified personal line insurance policy” means —

- (a) a policy of insurance which provides personal motor cover;
- (b) a policy of insurance which provides personal travel cover;
- (c) a policy of insurance which provides personal property (structure and contents) cover; or
- (d) a policy of insurance which provides cover in connection with the employment of a foreign domestic worker;

“Supplementary Retirement Scheme” has the same meaning as in section 2(1) of the Income Tax Act (Cap. 134);

“unclaimed moneys” means any policy moneys which, as a result of a contingency happening, has been ascertained by the failed PPF Scheme member to be due and payable under an insured policy before the quantification date but which has not been paid to or has been paid but not yet received by, the person entitled to payment of the policy moneys.

(2) For the purposes of the definition of “deposit”, money is paid on terms which are referable to the provision of property or services if, and only if, it is paid by way of advance or part payment under a contract for the sale, hire or other provision of property or services, and is repayable only in the event that the property or services is or are not in fact sold, hired or otherwise provided.

Meaning of “insured deposit base” and “relevant insured deposits”

3.—(1) In this Act, unless the context otherwise requires, “insured deposit base”, in relation to a DI Scheme member, means the aggregate of the amount of every relevant insured deposit of all the insured depositors of the DI Scheme member.

(2) For the purposes of subsection (1), “relevant insured deposits”, in relation to an insured depositor of a DI Scheme member, means —

(a) the aggregate of the amounts, not exceeding the Maximum DI Coverage, of insured deposits placed with the DI Scheme member which —

(i) are held by that insured depositor in its or his own right;

(ii) are held by that insured depositor in its or his own right jointly with one or more persons in a joint account;

(iii) where the insured depositor is a sole-proprietor, are held in the name of the sole-proprietorship; and

(iv) consist of moneys denominated in Singapore dollars placed with the failed DI Scheme member under the Supplementary Retirement Scheme;

(b) the amount held by that insured depositor as a trustee under a trust in an account opened with the DI Scheme member, not exceeding the Maximum DI Coverage;

(c) the amount held by that insured depositor in a client account opened with the DI Scheme member, not exceeding the Maximum DI Coverage; or

(d) any moneys, denominated in Singapore dollars, placed by that insured depositor with the Scheme member under the CPFIS and CPFMS, not exceeding the Maximum DI Coverage.

(3) For the purposes of subsection (2) —

5 (a) a reference to an insured deposit includes a reference to part of the insured deposit;

(b) where an insured depositor holds an insured deposit in his own right jointly with one or more persons in a joint account, each of the persons, whether or not he is an insured depositor, shall be
10 deemed to have an equal share in the insured deposit unless there is an express provision to the contrary in the books of the DI Scheme member.

PART II

DEPOSIT INSURANCE SCHEME

15 **Reconstitution of Deposit Insurance Scheme**

4. For the purposes of this Act, the Deposit Insurance Scheme shall continue and be reconstituted in accordance with this Act for the benefit of insured depositors in respect of their insured deposits placed with DI Scheme members.

20 **Membership of DI Scheme**

5.—(1) Every full bank or finance company which is not exempted under section 6 shall be a DI Scheme member so long as it holds a valid licence under the Banking Act (Cap. 19) or Finance Companies Act (Cap. 108), as the case may be.

25 (2) Every full bank or finance company, which holds a valid licence under the Banking Act or Finance Companies Act, as the case may be, immediately before the appointed day, shall be deemed to be a DI Scheme member from the appointed day.

(3) Every full bank or finance company, which is granted a licence
30 under the Banking Act or Finance Companies Act, as the case may be, on or after the appointed day, shall be a DI Scheme member from the date on which its licence is granted.

Exemption from DI Scheme membership

35 6.—(1) Any full bank or finance company may apply in writing to the Authority to be exempted from the requirement under section 5(1) to be a DI Scheme member.

(2) Upon an application by a full bank or finance company under subsection (1), the Authority may, subject to subsection (4), exempt the full bank or finance company from the requirement under section 5(1), and notice of every such exemption shall be published in the *Gazette*.

5 (3) The Authority may require the applicant to furnish the Authority with such information or documents as the Authority considers necessary in relation to the application.

(4) Without prejudice to the generality of subsection (2), the Authority shall, in determining whether to grant an exemption under subsection (2),
10 have regard to —

(a) the scope of deposit-taking business conducted by the applicant in Singapore;

(b) in the case of any applicant which is a full bank incorporated in a jurisdiction other than Singapore —

15 (i) whether the deposits accepted by its branches and offices located within Singapore are insured by a deposit insurance scheme, or any other scheme of a similar nature, established and maintained in the jurisdiction in which the full bank is incorporated (referred to in this section as the foreign
20 scheme); and

(ii) whether the scope and level of protection available to those deposits under the foreign scheme are not less than the scope and level of protection that would be available to the deposits under the DI Scheme if those deposits were insured
25 by the DI Scheme; and

(c) the business activities conducted by the applicant in Singapore and its obligations to customers.

(5) The Authority may, when granting any exemption under subsection (2), impose on the DI exempt member by notice in writing such
30 conditions (whether conditions precedent or conditions subsequent) or restrictions relating to the exemption as the Authority may think fit.

(6) The Authority may at any time —

(a) by notice in writing to a DI exempt member, add to, vary or
35 revoke any existing condition or restriction imposed by the Authority under subsection (5); or

(b) by notice in writing to every DI exempt member in a particular class of such DI exempt members impose such conditions or restrictions as the Authority may think fit on the class.

(7) Every DI exempt member shall comply with all the conditions and restrictions imposed on it under subsections (5) and (6).

(8) Without prejudice to section 7, any DI exempt member which contravenes subsection (7) shall be guilty of an offence and shall be liable on conviction to a fine not exceeding \$100,000 and, in the case of a continuing offence, to a further fine of \$10,000 for every day or part thereof during which the offence continues after conviction.

Withdrawal of exemption from DI Scheme

7.—(1) The Authority may withdraw the exemption granted to a DI exempt member under section 6(2) if —

(a) the DI exempt member fails to comply with any condition or restriction imposed in respect of the exemption under section 6(5) or (6); or

(b) the Authority considers it necessary to do so in the public interest.

(2) Before withdrawing any exemption granted to a DI exempt member under subsection (1), the Authority shall —

(a) give the DI exempt member notice in writing of its intention to do so; and

(b) in the notice referred to in paragraph (a), call upon the DI exempt member to show cause, within such time as may be specified in the notice, why the exemption should not be withdrawn.

(3) If the DI exempt member to whom a notice is given under subsection (2) —

(a) fails to show cause within the time specified in the notice or within such extended period of time as the Authority may allow in any particular case; or

(b) fails to show sufficient cause,

the Authority shall give notice in writing to the DI exempt member of the withdrawal of the exemption and the date on which such withdrawal is to take effect.

(4) Where a withdrawal of exemption becomes effective, the Authority shall publish a notice of the withdrawal in the *Gazette*.

Maintenance of assets in Singapore for DI Scheme members

8.—(1) The Authority may by regulations require any DI Scheme member, or any class of DI Scheme members, to maintain, in relation to its or their insured deposit base, such minimum amount of assets in

Singapore as may be specified in such regulations for meeting its or their liabilities in respect of insured deposits placed with the DI Scheme member.

5 (2) The Authority may make regulations which are necessary or expedient for carrying out the purposes of this section, including regulations for or with respect to —

(a) the circumstances under which, and the manner in which, the Authority may impose an asset maintenance requirement;

10 (b) the types of assets that are to be treated as assets maintained in Singapore and the minimum amount of assets for the purpose of an asset maintenance requirement; and

(c) the method for the valuation of assets maintained in Singapore.

15 (3) If the Authority is satisfied that a DI Scheme member has failed to comply with any asset maintenance requirement under subsection (1), the Authority may by notice in writing to the DI Scheme member, impose a financial penalty.

20 (4) The financial penalty shall be of an amount not exceeding the interest calculated per day on the deficiency in the amount of assets necessary to comply with the asset maintenance requirement, for every day or part thereof during which there is a deficiency.

(5) For the purposes of subsection (4), the interest shall be calculated at the rate of 10% above SIBOR.

(6) Before imposing a financial penalty on any DI Scheme member, the Authority shall —

25 (a) give the DI Scheme member notice in writing of its intention to do so, including the basis for its decision to impose the financial penalty; and

30 (b) in the notice referred to in paragraph (a), call upon the DI Scheme member to show cause within such time as may be specified in the notice why the financial penalty should not be imposed.

(7) If the DI Scheme member referred to in subsection (6) —

35 (a) fails to show cause within the time specified in the notice or within such extended period of time as the Authority may allow in any particular case; or

(b) fails to show sufficient cause,

the Authority shall give notice in writing to the DI Scheme member of the imposition of the financial penalty and the date by which the payment of the financial penalty must be made.

5 (8) Where a DI Scheme member is given a notice under subsection (7), the DI Scheme member shall pay the financial penalty to the Authority by the date of payment specified in the notice.

(9) Any financial penalty payable under this Act shall be recoverable as a debt due to the Authority by the DI Scheme member.

10 (10) Notwithstanding any provision in the Limitation Act (Cap. 163), an action to recover any financial penalty recoverable by virtue of this section shall not be brought after the expiration of 3 years from the date on which the cause of action accrued.

(11) Any financial penalty paid to or recovered by the Authority shall be paid into the DI Fund.

15 (12) Where the Authority has commenced any proceedings in a court to recover a financial penalty from a DI Scheme member, the Authority shall be entitled to claim costs on a full indemnity basis from that DI Scheme member.

20 (13) Any DI Scheme member which is aggrieved by a decision of the Authority to impose a financial penalty under subsection (3) may, within 30 days after the decision of the Authority, appeal in writing to the Minister whose decision shall be final and shall be given effect to by the Authority.

25 (14) In this section, “SIBOR” means the Singapore Interbank Offer Rate for such tenor and determined in such manner as may be prescribed by the Authority.

PART III

DEPOSIT INSURANCE FUND

Reconstitution of Deposit Insurance Fund

30 **9.**—(1) For the purposes of this Act, the Deposit Insurance Fund shall continue and be reconstituted in accordance with this Act.

(2) There shall be paid into the DI Fund —

- 35 (a) all premium contributions, additional premium contributions and late payment fees paid by DI Scheme members under this Act;
- (b) all moneys borrowed by the Agency for the purpose of performing its functions in respect of the DI Scheme under this Act;

- (c) all moneys recovered by the Agency from, or out of the assets of, failed DI Scheme members;
- (d) any interest, dividend and other income derived from the investment of the moneys in the DI Fund;
- 5 (e) all moneys paid to or recovered by the Authority as a financial penalty under section 8; and
- (f) all other moneys lawfully paid into the DI Fund.

(3) The DI Fund shall be used for the objects and purposes of the DI Scheme as provided in this Act.

10 (4) The DI Fund shall, subject to the directions of the Minister, be controlled and administered by the Agency, and shall be maintained by the Agency separately and apart from the PPF Life Fund and the PPF General Fund.

(5) For the avoidance of doubt, the DI Fund shall not be a fund of the
15 Agency or the Authority.

Withdrawal and application of moneys of DI Fund

10.—(1) In carrying out the objects and purposes of DI Scheme, the moneys in the DI Fund may be withdrawn and applied for all or any of the following purposes only:

- 20 (a) the payment of all expenses incurred in or incidental to —
 - (i) the reconstitution and maintenance of the DI Scheme;
 - (ii) the administration and management of the DI Fund;
 - (iii) the administration and management of the Agency and the performance of the duties and functions of the Agency in
25 respect of the DI Scheme under this Act; and
 - (iv) the conduct of any investigation by the Agency for the purpose of determining the entitlement of insured depositors to any compensation;
- 30 (b) the payment of any fees to agents appointed by the Agency for the purposes of carrying out any services in respect of the DI Scheme under this Act; and
- (c) the withdrawal of all other moneys authorised or determined to be paid out of the DI Fund in accordance with this Act.

35 (2) Notwithstanding subsection (1), the Authority may recover from the Agency out of the DI Fund all expenses incurred by the Authority in connection with the discharge of the functions and responsibilities of the Authority under sections 8, 13, 14 and 15 of this Act.

Investment of DI Fund

11.—(1) The Agency may invest any moneys in the DI Fund in all or any of the following:

- (a) any security issued by the Government or by the Authority;
 - 5 (b) Singapore dollar deposits placed with the Authority;
 - (c) any debenture or debt security issued by Singapore Sukuk Pte. Ltd.;
 - 10 (d) such other investments, with the objects of capital preservation and maintenance of liquidity, as may be approved by the Minister.
- (2) The Agency may delegate, subject to such conditions or restrictions as it thinks fit, all or any of its powers and functions under subsection (1) to any employee or agent as it may appoint.
- 15 (3) The Agency may pay to any person appointed under subsection (2) a reasonable fee for any service rendered in exercise of any power and function delegated to that person under that subsection.
- 20 (4) The Agency may continue to exercise any power conferred upon it or perform any function under subsection (1) notwithstanding the delegation of such power or function to an employee or agent under this section.

PART IV

PREMIUM CONTRIBUTIONS FOR DI SCHEME

Premium contributions payable by DI Scheme members

- 25 12.—(1) Every DI Scheme member shall pay a premium contribution for any premium year or part thereof in respect of the insured deposits placed with the DI Scheme member.
- (2) Subject to the provisions of this Act, the premium contribution shall be of such amount as may be computed by the Authority under section 13.
- 30 (3) The premium year shall be such period as may be prescribed in regulations under subsection (4).
- (4) The Authority may make regulations for the purpose of prescribing the premium year.

Determination of premium rates and premium contributions

13.—(1) The Authority shall assess and determine the premium rates for the purposes of computing the premium contributions payable by DI Scheme members.

5 (2) The Authority shall, on the basis of the premium rates determined under subsection (1) and the insured deposit base of a DI Scheme member, compute the amount of premium contribution payable by the DI Scheme member for any premium year or part thereof.

10 (3) For the purposes of assessing and determining the premium rates and computing the amounts of premium contributions payable, the Authority may make regulations for or in respect of all or any of the following matters:

- (a) the establishment of a system of classifying DI Scheme members into different categories;
- 15 (b) the criteria and procedure for determining the category in which a DI Scheme member is to be classified;
- (c) the prescribing of the premium rate applicable to each category of DI Scheme members;
- (d) the manner in which the premium rate for each category of DI Scheme members is to be determined;
- 20 (e) the prescribing of a minimum premium contribution payable by DI Scheme members;
- (f) the manner in which the amount of premium contribution for each category of DI Scheme members is to be determined;
- 25 (g) the computation of premium contribution on a pro rata basis where a full bank or finance company becomes a DI Scheme member, or is no longer exempted from the requirement to be a DI Scheme member, at any time during a premium year;
- (h) the size of the DI Fund;
- 30 (i) such other matters as the Authority considers necessary.

(4) Regulations made pursuant to or dealing with the matters referred to in subsection (3)(c) or (d) may provide for different premium rates for different categories of DI Scheme members.

35 (5) If the Authority wishes to amend or vary any regulations made under subsection (3), the Authority shall first conduct a joint review with the Agency and such regulations shall not be amended or varied without the concurrence of the Agency.

Notice of payment of premium contribution

14.—(1) Where the Authority has computed the amount of premium contribution payable by any DI Scheme member for any premium year or part thereof under section 13(2), the Authority shall notify the Agency accordingly.

(2) Upon receipt of the notification referred to in subsection (1), the Agency shall, within a reasonable time prior to the date on which the DI Scheme member is required to pay its premium contribution under the DI Scheme for that premium year or part thereof, give the DI Scheme member notice in writing of the amount of premium contribution payable and the date by which such premium contribution shall be paid.

Additional premium contributions where DI Fund insufficient to pay compensation

15.—(1) Where, in the opinion of the Authority, there are insufficient moneys in the DI Fund to pay any compensation due to insured depositors under this Act, the Authority may, with the concurrence of the Agency, determine —

- (a) that DI Scheme members shall be required to pay additional premium contributions for any premium year or part thereof; and
- (b) the premium rate or rates for the purposes of computing the additional premium contributions.

(2) Where a determination is made under subsection (1) —

- (a) the Authority shall, as soon as practicable —
 - (i) publish a notice in the *Gazette* of the requirement to pay additional premium contributions and the premium rate or rates for the purposes of computing the additional premium contributions referred to in subsection (1); and
 - (ii) compute the additional premium contributions payable by DI Scheme members for that premium year or part thereof and notify the Agency accordingly; and
- (b) the Agency shall, upon receipt of the notification referred to in paragraph (a)(ii), give notice in writing to every DI Scheme member of the additional premium contribution that that DI Scheme member is required to pay for that premium year or part thereof and the date by which the additional premium contribution shall be paid.

(3) Notwithstanding subsections (1) and (2), no DI Scheme member shall, without the prior approval of the Minister, be required to pay

additional premium contribution for any premium year exceeding 0.3% of the insured deposit base of that DI Scheme member.

5 (4) For the purposes of subsection (3), the insured deposit base of any DI Scheme member shall be determined on such date as may be prescribed by the Authority for computing the amounts of additional premium contributions payable by DI Scheme members.

Payment of premium contributions and late payment fees

10 **16.**—(1) Where any DI Scheme member is given notice in writing to pay any premium contribution under section 14(2) or any additional premium contribution under section 15(2) for any premium year or part thereof, the DI Scheme member shall pay to the Agency on or before the date of payment specified in the notice, the amount of premium contribution or additional premium contribution, as the case may be, that the DI Scheme member is required to pay for that premium year or part thereof.

(2) Subject to subsection (3), if a DI Scheme member fails to pay the premium contribution or additional premium contribution or any part thereof on or before the date of payment specified in the notice in contravention of subsection (1) —

20 (a) the Agency may, by notice in writing, impose on the DI Scheme member such late payment fee as the Agency may by Rules determine; and

25 (b) the DI Scheme member shall pay to the Agency such late payment fee together with the unpaid premium contribution or additional premium contribution, as the case may be, on or before the date of payment specified in the notice under paragraph (a).

30 (3) The late payment fee referred to in subsection (2) shall not exceed the amount of premium contribution or additional premium contribution, as the case may be, owing by the DI Scheme member.

(4) The amount of premium contribution or additional premium contribution owing by the DI Scheme member and the late payment fee shall be paid in such manner as may be specified in the Rules.

35 (5) Without prejudice to any other remedy, any premium contribution, additional premium contribution or late payment fee payable under this Act shall be recoverable as a debt due to the Agency by the DI Scheme member.

(6) Where the Agency has commenced any legal proceedings in a court in Singapore to recover any premium contribution, additional premium

contribution or a late payment fee from a DI Scheme member, the Agency shall be entitled to claim costs on a full indemnity basis from that DI Scheme member.

Power to refund or remit premium contributions, etc.

5 **17.** The Agency may, with the approval of the Minister, refund or remit in whole or in part any premium contribution or additional premium contribution paid or payable by any DI Scheme member under this Act.

Refund of premium contributions, etc., paid in excess

10 **18.**—(1) Where it appears to the Authority that a DI Scheme member has paid premium contribution or additional premium contribution in excess of the amount payable under this Act, the Authority shall notify the Agency accordingly.

15 (2) Upon receipt of the notification referred to in subsection (1), the Agency shall refund to the DI Scheme member the amount of premium contribution or additional premium contribution paid in excess.

Re-computation of premium contributions

19.—(1) Where it appears to the Authority that the premium contribution for any premium year or part thereof —

20 (a) computed by the Authority under section 13(2) and notified to the Agency under section 14(1); or

 (b) in respect of which a DI Scheme member has been required to pay under section 14(2) or has so paid,

25 is of an amount less than that which ought to have been computed, imposed or paid (referred to in this section as shortfall), the Authority may at any time before the end of the premium year immediately following the premium year during which there is a shortfall, re-compute such amount of premium contribution which ought to have been computed, imposed or paid, as the case may be, under this Act.

30 (2) Sections 14 and 16 shall apply, with the necessary modifications, to any amount of premium contribution re-computed under subsection (1) and the recovery of any shortfall in premium contribution upon a re-computation under that subsection as if the reference to premium contribution were a reference to the shortfall amount which is the difference between —

35 (a) the amount of premium contribution as re-computed; and

 (b) the amount of premium contribution that was originally computed, imposed or paid, as the case may be, under this Act.

Disclosure of information relating to premium contributions

20.—(1) Subject to subsections (2) and (3), no DI Scheme member or officer of any DI Scheme member shall disclose to any person —

- (a) the premium rate applicable to that DI Scheme member;
- 5 (b) the category in which that DI Scheme member is classified pursuant to section 13;
- (c) where the system of classifying DI Scheme members incorporates a rating of that DI Scheme member based on the assessment by the Authority of the risks arising from the activities of that DI Scheme member, the rating of that DI Scheme member; and
- 10 (d) any information which if disclosed, would enable any of the information referred to in paragraph (a), (b) or (c) to be identified or deduced.

15 (2) Notwithstanding subsection (1), a DI Scheme member or any officer of a DI Scheme member may disclose to —

- (a) any director or other officer of that DI Scheme member;
- (b) in the case where the DI Scheme member is a full bank, the head office, parent bank or parent supervisory authority of that DI Scheme member; or
- 20 (c) such other person or class of persons as the Authority may approve,

any of the matters referred to in subsection (1) where such disclosure is necessary for the performance of the duties of the person referred to in paragraph (a), (b) or (c), as the case may be.

25

(3) No person to whom any DI Scheme member or an officer of any DI Scheme member has disclosed information pursuant to subsection (2) shall disclose that information to any other person except as approved by the Authority.

30 (4) Any person who contravenes subsection (1) or (3) shall be guilty of an offence and shall be liable on conviction to a fine not exceeding \$125,000 or to imprisonment for a term not exceeding 3 years or to both.

PART V

COMPENSATION UNDER DI SCHEME

35 Occurrence of events precipitating payment of compensation

21.—(1) Where, on or after the appointed day —

(a) an order is made by a court in Singapore or elsewhere to wind up a DI Scheme member; or

(b) the Authority is of the opinion that a DI Scheme member is insolvent, unable or likely to become unable to meet its obligations, or about to suspend payments,

the Authority may determine that compensation shall be paid out of the DI Fund to the insured depositors of the DI Scheme member in accordance with this Act.

(2) Where the Authority determines that compensation shall be paid out of the DI Fund under subsection (1), the Authority shall immediately give notice in writing to the Agency of its determination.

(3) The notice in writing referred to in subsection (2) shall be in such form and contain such information as may be agreed between the Authority and the Agency.

(4) The Agency shall, as soon as practicable upon receiving the notice referred to in subsection (2), publish a notice in the *Gazette* stating that a payment of compensation shall be made out of the DI Fund.

Entitlement to compensation

22.—(1) Subject to section 23, where an insured depositor has one or more insured deposits placed with a failed DI Scheme member (other than any moneys, denominated in Singapore dollars, placed with the failed DI Scheme member under the CPFIS and CPFMS), which —

(a) the insured depositor holds in his own right;

(b) the insured depositor holds in his own right jointly with one or more other persons in a joint account;

(c) the insured depositor holds in the name of his sole-proprietorship; or

(d) consists of moneys denominated in Singapore dollars placed with the failed DI Scheme member under the Supplementary Retirement Scheme,

the insured depositor shall be entitled to compensation from the DI Fund computed on the basis of the aggregate amount, as at the quantification date, of such insured deposits falling within paragraphs (a), (b), (c) and (d), which shall not exceed the aggregate of such insured deposits or the Maximum DI Coverage, whichever is the lower.

(2) Where any insured depositor has one or more insured deposits placed with the failed DI Scheme member (other than moneys denominated in Singapore dollars, placed with the failed DI Scheme

member under the CPFIS and CPFMS) which the insured depositor holds as trustee under a trust or holds in a client account, the insured depositor shall be entitled, in respect of each of such accounts, to compensation from the DI Fund of an amount not exceeding the aggregate of such insured deposit in each of such accounts or the Maximum DI Coverage, whichever is the lower.

(3) Where any insured deposit of any insured depositor placed with the failed DI Scheme member consists of moneys, denominated in Singapore dollars, placed with the failed DI Scheme member under the CPFIS or CPFMS, such moneys shall not be aggregated with his other insured deposits placed with that failed DI Scheme member for the purposes of determining the amount of compensation that the insured depositor is entitled to, and the insured depositor shall be entitled, in respect of moneys, denominated in Singapore dollars, placed with the failed DI Scheme member under the CPFIS and CPFMS, to compensation from the DI Fund of an amount not exceeding such monies placed with the failed DI Scheme member or the Maximum DI Coverage, whichever is the lower.

(4) For the purposes of determining the amount of compensation which an insured depositor is entitled under this section, the liabilities, if any, that are owing from the insured depositor to the failed DI Scheme member shall be disregarded.

Deposits in own right and joint accounts

23.—(1) Where an insured depositor holds any insured deposit in his own right, the insured depositor is entitled, in respect of the insured deposit as at the quantification date, to compensation from the DI Fund.

(2) Where there are two or more insured depositors holding any insured deposit, each of those insured depositors is entitled, in respect of his share in the insured deposit as at the quantification date, to compensation from the DI Fund.

(3) For the purposes of determining the share of any insured depositor in an insured deposit under subsection (2), each insured depositor holding such insured deposit shall be deemed to have an equal share in the insured deposit unless there is an express provision to the contrary in the books of the failed DI Scheme member.

(4) For the avoidance of doubt —

(a) any insured deposit of a deceased person held in an estate account shall be treated as an insured deposit held by the deceased person in his own right; and

(b) subsection (3) does not affect any rights as between the persons holding such insured deposit themselves.

Restrictions on entitlement to compensation under DI Scheme

5 **24.** Where the Agency has paid an insured depositor the full amount of compensation payable to the insured depositor in respect of his insured deposits in accordance with this Act, no other person is entitled, in respect of those same insured deposits, to compensation under this Part.

Computation and method of payment of compensation under DI Scheme

10 **25.—**(1) The Agency shall compute the amount of compensation due to any insured depositor in respect of his insured deposits placed with a failed DI Scheme member in accordance with this Act.

15 (2) In determining the eligibility and entitlement of any insured depositor to compensation and computing the amount of compensation due to any insured depositor, the Agency is entitled to rely on the books of the failed DI Scheme member and any other books which, in the opinion of the Agency, are relevant for such computation.

 (3) Subject to subsection (4), the Agency shall pay the compensation in such form and manner as may be specified in the Rules.

20 (4) The Authority may make regulations for the purposes of payment of compensation by the Agency.

 (5) Without prejudice to the generality of subsection (4), such regulations may —

25 (a) specify the person to whom, or the account into which, payment of compensation is to be made for the benefit of any insured depositor who is entitled to compensation under this Act;

 (b) provide for the payment of compensation in respect of any insured depositor holding insured deposits in different accounts; and

30 (c) provide for the payment of compensation into an equivalent account with another DI Scheme member and for such compensation to be held in that account in a manner equivalent to the manner of holding of the original insured deposit.

Merger or consolidation of, or acquisition by DI Scheme members

35 **26.—**(1) Where —

(a) a DI Scheme member merges or consolidates with another DI Scheme member and there is a subsequent failure of the merged or consolidated DI Scheme member; or

5 (b) a DI Scheme member acquires the deposit-taking business of another DI Scheme member and there is a subsequent failure of the first-mentioned DI Scheme member,

any insured depositor, who has insured deposits placed with both of the original DI Scheme members immediately before the merger, consolidation or acquisition, as the case may be, shall for a period of one year after the date of the merger, consolidation or acquisition (referred to in this section as the additional cover period) be entitled to compensation in accordance with this Act as if the merger, consolidation or acquisition did not take place; and in respect of his insured deposits with each of the original DI Scheme members, shall be entitled to compensation of an amount not exceeding the Maximum DI Coverage or the amount of insured deposits placed with the relevant DI Scheme member, whichever is the lower.

(2) The Minister may extend the additional cover period for the insured deposits under subsection (1) —

20 (a) where the Minister is satisfied that it is in the interest of the insured depositors of any DI Scheme member or the public to do so; or

(b) to maintain financial stability in Singapore.

Subrogation

25 **27.**—(1) Upon payment out of the DI Fund of any compensation under this Act to, or for the benefit of, any insured depositor in respect of his insured deposit, the Agency shall be subrogated to the extent of such payment to all the rights and remedies of —

(a) the insured depositor;

30 (b) the person who received the compensation on behalf of the insured depositor;

(c) in the case where payment is made to an insured depositor who is a trustee, the trustee; or

35 (d) in the case where payment is made to an insured depositor who held the insured deposit in a client account, that insured depositor,

as the case may be, in respect of the insured deposit in priority over —

(i) the rights and remedies of the insured depositor or the person who received the compensation on behalf of the insured depositor, as the case may be, in relation to that insured deposit; and

5 (ii) the rights and remedies of any person who is subrogated, whether or not before the Agency's subrogation, to the rights and remedies of any of the persons referred to in paragraphs (a), (b), (c) and (d) in relation to that insured deposit,

10 and may maintain an action in respect of those rights and remedies in the name of the person referred to in paragraph (a), (b), (c) or (d), as the case may be, or in the name of the Agency, subject to subsection (2).

(2) Where the Agency maintains an action in respect of the rights and remedies in the name of the person referred to in subsection (1)(a), (b), (c) or (d), as the case may be, the following provisions shall apply:

15 (a) in the case where the failed DI Scheme member is not wound up, the Agency shall be entitled to recover the full amount of compensation claimed against the failed DI Scheme member, notwithstanding any liabilities owing by the insured depositor to the DI Scheme member; and

20 (b) in the case where the failed DI Scheme member is wound up, the insolvency rules relating to set-off shall not apply in relation to the rights and remedies of the insured depositor.

25 (3) For the purposes of subsection (1), where the Agency is unable to effect payment to an insured depositor (due to incorrect or outdated addresses, in respect of accounts which are dormant or any other reasons beyond the reasonable control of the Agency), the Agency shall be deemed to have made payment out of the DI Fund of compensation under this Act to, or for the benefit of, an insured depositor in respect of his insured deposit, if the Agency makes payment of the compensation to the
30 Public Trustee appointed under the Public Trustee Act (Cap. 260) to be held on trust for the insured depositor.

35 (4) The persons referred to in paragraphs (a), (b), (c) and (d) of subsection (1), or any person who is subrogated, whether or not before the Agency's subrogation, to the rights and remedies of those persons, shall not be entitled to receive any amount from, or out of, the assets of the failed DI Scheme member until the Agency has been reimbursed in full the amount of compensation paid to those persons and any expenses under subsection (5).

40 (5) Notwithstanding any provisions in the Companies Act (Cap. 50), the Agency shall be entitled —

- (a) in the case where the failed DI Scheme member is wound up, to be reimbursed out of the assets of the failed DI Scheme member for the expenses incurred in —
- (i) the payment of any compensation to insured depositors; and
 - 5 (ii) the lodging of any claim with the liquidator of the failed DI Scheme member for any compensation that has been paid out to insured depositors; or
- (b) in any other case, to be reimbursed by the failed DI Scheme member or the provisional liquidator of the failed DI Scheme member, as the case may be, for the expenses incurred in —
- 10 (i) the payment of any compensation to insured depositors; and
 - (ii) where a claim has been lodged with the provisional liquidator of the failed DI Scheme member for any compensation that has been paid out to insured depositors, the lodging of the claim.
- 15 (6) The Authority may by regulations, provide for the manner, process or method by which the Agency may exercise its rights to be subrogated to the rights and remedies as set out in subsection (1).

20 **Recovery of compensation paid in excess or wrongly paid under DI Scheme**

28.—(1) If —

- (a) any compensation paid to, or for the benefit of, an insured depositor out of the DI Fund is in excess of what ought to have been paid to the insured depositor under this Act; or
- 25 (b) any compensation is wrongly paid to any person,

the Agency may recover the amount paid in error or excess from the person who received the compensation.

30 (2) Without prejudice to any other remedy, any amount paid in error or excess to any person shall be recoverable as a debt due to the Agency by that person.

(3) Notwithstanding any provision in the Limitation Act (Cap. 163), an action to recover any amount paid in error or excess to any person recoverable by virtue of this section shall not be brought after the expiration of the period during which the action may be brought against the person under the Limitation Act or the date of completion of the winding up of the failed DI Scheme member, whichever is the later.

35

(4) Upon the recovery of any amount paid in error or excess from any person under this section (referred in this section as the recovered amount), the Agency shall do the following:

- 5 (a) in the case where the failed DI Scheme member is not wound up or where the winding up of the failed DI Scheme member has not completed and the Agency has not recovered or has not recovered in full from the failed DI Scheme member or its liquidator, as the case may be, the compensation which it paid out to the insured depositors, the Agency shall deduct from the recovered amount the shortfall in compensation and pay such deducted amount to the DI Fund, and pay the amount remaining from the recovered amount after the deduction, if any, to the failed DI Scheme member or its liquidator, as the case may be;
- 10
- 15 (b) in the case where the failed DI Scheme member is not wound up or where the winding up of the failed DI Scheme member has not completed and the Agency has recovered from the failed DI Scheme member or its liquidator, as the case may be, in full the compensation which it paid out to the insured depositors, the Agency shall pay the recovered amount to the failed DI Scheme member or its liquidator, as the case may be;
- 20
- 25 (c) in the case where the winding up of the failed DI Scheme member has completed and the Agency has not recovered or has not recovered in full from the liquidator the compensation which it paid out to the insured depositors, the Agency shall deduct from the recovered amount the shortfall in compensation and pay such deducted amount to the DI Fund, and pay the amount remaining from the recovered amount after the deduction, if any, to the Official Receiver to be placed to the credit of the Companies Liquidation Account; and
- 30 (d) in the case where the winding up of the failed DI Scheme member has completed and the Agency has recovered from the liquidator in full the compensation which it paid out to the insured depositors, the Agency shall pay the recovered amount to the Official Receiver to be placed to the credit of the Companies Liquidation Account.
- 35

(5) Section 322(3), (6), (7), (8) and (9) of the Companies Act (Cap. 50) shall apply, with necessary modifications, to the money paid to the Official Receiver under subsection (4)(c) and (d).

Powers of liquidator in respect of claims against insured depositor

- 40 **29.**—(1) Notwithstanding any written law or rule of law, where the Agency has paid compensation to an insured depositor out of the DI Fund

in accordance with this Act and such compensation is, or will be, accorded priority in the event of the winding up of the failed DI Scheme member under section 62 of the Banking Act (Cap. 19) or section 44A of the Finance Companies Act (Cap. 108), as the case may be, the liquidator
5 may bring legal proceedings in the name, and on behalf, of the failed DI Scheme member against the insured depositor or any person who received compensation on behalf of the insured depositor, to recover such moneys as may be necessary to put the failed DI Scheme member into the position it would have been as against the insured depositor, if —

- 10 (a) the Agency had not paid out any compensation or been accorded priority under section 62 of the Banking Act (Cap. 19) or section 44A of the Finance Companies Act (Cap. 108), as the case may be, in respect of the compensation paid to the insured depositor; and
- 15 (b) the liquidator had applied the same rules with regard to the respective rights of debts provable and the valuation of future and contingent liabilities as are in force for the time being under the law relating to bankruptcy in relation to the estates of persons adjudged bankrupt, as if the failed DI Scheme member were a
20 person so adjudged.

(2) Such moneys shall be recoverable as a debt due to the failed DI Scheme member by the insured depositor.

PART VI

POLICY OWNERS' PROTECTION SCHEME

25 **Policy Owners' Protection Scheme**

30 **30.** There shall be established a scheme to be called the Policy Owners' Protection Scheme for the purposes of compensating (in part or whole) or otherwise assisting or protecting insured policy owners in respect of their insured policies issued by PPF Scheme members and for securing the continuity of insurance for insured policy owners as far as reasonably practicable.

Membership of PPF Scheme

35 **31.**—(1) Every relevant insurer which is not exempted under section 32 shall be a PPF Scheme member so long as it is registered by the Authority to carry on insurance business under the Insurance Act (Cap. 142).

(2) Every relevant insurer which is registered to carry on insurance business under the Insurance Act (Cap. 142) immediately before the

appointed day, shall be deemed to be a PPF Scheme member from the appointed day.

(3) Every relevant insurer which is registered to carry on insurance business under the Insurance Act on or after the appointed day, shall be a PPF Scheme member from the date on which it is registered.

Exemption from PPF Scheme membership

32.—(1) Any relevant insurer may apply in writing to the Authority to be exempted from the requirement under section 31 to be a PPF Scheme member.

(2) Upon application by a relevant insurer under subsection (1), the Authority may, subject to subsection (4), exempt the relevant insurer referred to in subsection (1) from the requirement under section 31, and notice of such exemption shall be published in the *Gazette*.

(3) The Authority may require the applicant to furnish the Authority with such information or documents as the Authority considers necessary in relation to the application.

(4) Without prejudice to the generality of subsection (2), the Authority shall, in determining whether to grant an exemption under subsection (2), have regard to —

(a) the scope of insurance business conducted by the applicant in Singapore;

(b) in the case of any applicant which is a direct insurer registered to carry on general business, whether or not that applicant issues any insured policy;

(c) in the case of any applicant which is incorporated in a jurisdiction other than Singapore —

(i) whether the policies issued by that applicant's branches and offices located within Singapore are insured by a policy owners' protection fund scheme, or any other scheme of a similar nature, established and maintained in the jurisdiction in which that applicant is incorporated (referred to in this section as the foreign scheme); and

(ii) whether the scope and level of protection available to those policies under the foreign scheme are not less than the scope and level of protection that would be available to the policies under the PPF Scheme if those policies were insured by the PPF Scheme.

(5) The Authority may, when granting any exemption under subsection (2), impose on the PPF exempt member by notice in writing such

conditions (whether conditions precedent or conditions subsequent) or restrictions relating to the exemption as the Authority may think fit.

(6) The Authority may at any time —

5 (a) by notice in writing to a PPF exempt member, add to, vary or revoke any existing condition or restriction imposed by the Authority under subsection (5); or

(b) by notice in writing to every PPF exempt member in a particular class of such PPF exempt members impose such conditions or restrictions as the Authority may think fit on the class.

10 (7) Every PPF exempt member shall comply with all the conditions and restrictions imposed on it under subsections (5) and (6).

(8) Without prejudice to section 33, any PPF exempt member which contravenes subsection (7) shall be guilty of an offence and shall be liable on conviction to a fine not exceeding \$100,000 and, in the case of a
15 continuing offence, to a further fine of \$10,000 for every day or part thereof during which the offence continues after conviction.

Withdrawal of exemption from PPF Scheme

33.—(1) The Authority may withdraw the exemption granted to a PPF exempt member under section 32 if —

20 (a) the PPF exempt member fails to comply with any condition or restriction imposed in respect of the exemption under section 32(5) or (6); or

(b) the Authority considers it necessary to do so in the public interest.

(2) Before withdrawing any exemption under subsection (1), the
25 Authority shall —

(a) give the PPF exempt member notice in writing of its intention to do so; and

(b) in the notice referred to in paragraph (a), call upon the PPF
30 exempt member to show cause, within such time as may be specified in the notice, why the exemption should not be withdrawn.

(3) If the PPF exempt member to whom a notice is given under subsection (2) —

35 (a) fails to show cause within the time specified in the notice or within such extended period of time as the Authority may allow in any particular case; or

(b) fails to show sufficient cause,

the Authority shall give notice in writing to the PPF exempt member of the withdrawal of the exemption and the date on which such withdrawal of the exemption is to take effect.

5 (4) Where a withdrawal of exemption becomes effective, the Authority shall publish a notice of the withdrawal in the *Gazette*.

PART VII

POLICY OWNERS' PROTECTION LIFE FUND AND POLICY OWNERS' PROTECTION GENERAL FUND

10 **Establishment of Policy Owners' Protection Life Fund and Policy Owners' Protection General Fund**

34.—(1) There shall be established under the PPF Scheme two funds to be called —

15 (a) the Policy Owners' Protection Life Fund to cover insurance policies comprised in insurance funds established and maintained under section 17 of the Insurance Act (Cap. 142) by direct insurers registered to carry on life business; and

20 (b) the Policy Owners' Protection General Fund to cover insurance policies comprised in insurance funds established and maintained under section 17 of the Insurance Act by direct insurers registered to carry on general business,

which shall, subject to the directions of the Minister, be controlled and administered by the Agency designated by the Minister under section 56.

(2) There shall be paid into the PPF Life Fund —

25 (a) all levies, additional levies and late payment fees paid by PPF Scheme members under this Act in respect of the insured policies issued in the course of carrying on life business;

(b) all moneys borrowed by the Agency for the purpose of performing its functions under this Act in respect of the PPF Scheme for life business;

30 (c) all moneys recovered by the Agency from, or out of the assets of, failed PPF Scheme members under this Act in respect of the PPF Scheme for life business;

(d) any interest, dividend and other income derived from the investment of the moneys in the PPF Life Fund; and

35 (e) all other moneys lawfully paid into the PPF Life Fund.

(3) The PPF General Fund shall consist of —

- (a) all levy and late payment fees paid by PPF Scheme members under this Act in respect of the insured policies issued in the course of carrying on general business;
- 5 (b) all moneys borrowed by the Agency for the purpose of performing its functions under this Act in respect of the PPF Scheme for general business;
- (c) all moneys recovered by the Agency from, or out of the assets of, failed PPF Scheme members under this Act in respect of the PPF Scheme for general business;
- 10 (d) any interest, dividend and other income derived from the investment of the moneys in the PPF General Fund; and
- (e) all other moneys lawfully paid into the PPF General Fund.
- (4) The PPF Life Fund and PPF General Fund shall be used for the objects and purposes of the PPF Scheme as provided in this Act.
- 15 (5) The PPF Life Fund shall be maintained by the Agency separately and apart from the PPF General Fund and DI Fund.
- (6) For the avoidance of doubt, the PPF Life Fund and PPF General Fund shall not be funds of the Agency or the Authority.

20 **Withdrawal and application of moneys of PPF Life Fund and PPF General Fund**

- 35.—(1) In carrying out the objects and purposes of the PPF Scheme, the moneys in the PPF Life Fund and the PPF General Fund may be withdrawn and applied for all or any of the following purposes only:
- (a) all expenses incurred in or incidental to —
- 25 (i) the establishment and maintenance of the PPF Scheme;
- (ii) the administration and management of the PPF Life Fund and the PPF General Fund;
- (iii) the administration and management of the Agency and the performance of the duties and functions of the Agency pertaining to the PPF Scheme under this Act;
- 30 (iv) the conduct of any investigation by the Agency for the purpose of determining the entitlement of insured policy owners to any compensation;
- (v) the transfer of the whole or part of the insurance business of
- 35 a failed PPF Scheme member to another PPF Scheme member; and

(vi) the orderly running down of the insurance business of a failed PPF Scheme member;

(b) the payment of any fees to agents appointed by the Agency for the purposes of carrying out any services in respect of the PPF Scheme under this Act; and

(c) the withdrawal of all other moneys authorised or determined to be paid out of the PPF Life Fund and PPF General Fund in accordance with this Act.

(2) Notwithstanding subsection (1), the Authority may recover from the Agency out of the PPF Life Fund and the PPF General Fund, all expenses incurred by the Authority in the establishment of the Agency and all expenses incurred in connection with the discharge of the functions and responsibilities of the Authority under sections 38, 39 and 40 of this Act.

Investment of PPF Life Fund and PPF General Fund

36.—(1) The Agency may invest any moneys in the PPF Life Fund and the PPF General Fund in all or any of the following:

(a) any security issued by the Government or the Authority;

(b) Singapore dollar deposits placed with the Authority;

(c) any debenture or debt security issued by Singapore Sukuk Pte. Ltd.;

(d) such other investments, with the objects of capital preservation and maintenance of liquidity, as may be approved by the Minister.

(2) The Agency may delegate, on such conditions or restrictions as it thinks fit, all or any of its powers and functions under subsection (1) to any employee or agent as it may appoint.

(3) The Agency may pay to any person appointed under subsection (2) a reasonable fee for any service rendered in exercise of any power and function delegated to that person under that subsection.

(4) The Agency may continue to exercise any power conferred upon it or perform any function under subsection (1) notwithstanding the delegation of such power or function to an employee or agent under this section.

PART VIII

LEVIES FOR PPF SCHEME

Levy payable by PPF Scheme members

5 **37.**—(1) Every PPF Scheme member shall, from the effective date appointed under section 46(5), pay a levy for any premium year or part thereof in respect of the insured policies issued by the PPF Scheme member.

(2) Subject to the provisions of this Act, the levy shall be of such amount as may be computed by the Authority under section 38.

10 (3) The premium year for the PPF Scheme shall be such period as may be prescribed in regulations under subsection (4).

(4) The Authority may make regulations for the purpose of prescribing the premium year.

Determination of levy rate

15 **38.**—(1) The Authority shall assess and determine the levy rates for the purposes of computing the levies payable by PPF Scheme members.

(2) The Authority shall, on the basis of the levy rates determined under subsection (1) and —

20 (a) the aggregate protected liabilities of a PPF Scheme member, in respect of insured policies covered under the PPF Life Fund; or

(b) the gross premium income of a PPF Scheme member, in respect of insured policies covered under the PPF General Fund,

compute the amount of levies payable by the PPF Scheme member for any premium year or part thereof.

25 (3) For the purposes of assessing and determining the levy rates and computing the levies payable, the Authority may make regulations for or in respect of all or any of the following matters:

(a) the establishment of a system of classifying PPF Scheme members into different categories;

30 (b) the criteria and procedure for determining the category in which a PPF Scheme member is to be classified;

(c) the prescribing of the levy rate applicable to each category of PPF Scheme members;

35 (d) the manner in which the levy rate for each category of PPF Scheme members is to be determined;

- (e) the prescribing of a minimum levy payable by PPF Scheme members;
- (f) the manner in which the amount of levy for each category of PPF Scheme members is to be determined;
- 5 (g) the computation of levy payable on a pro rata basis where a life insurer or general insurer becomes a PPF Scheme member, or is no longer exempted from the requirement to be a PPF Scheme member, at any time during a premium year;
- (h) the size of the PPF Life Fund and the PPF General Fund;
- 10 (i) such other matters as the Authority considers necessary.

(4) Regulations made pursuant to or dealing with the matters referred to in subsection (3)(c) or (d) may provide for different levy rates for different categories of PPF Scheme members.

15 (5) If the Authority wishes to amend or vary any regulations made under subsection (3), the Authority shall first conduct a joint review with the Agency and such regulations shall not be amended or varied without the concurrence of the Agency.

(6) For the purposes of computing the levies payable, insured policies shall be classified into any of the categories in the Second Schedule.

20 **Notice of payment of levy**

39.—(1) Where the Authority has computed the amount of levy payable by any PPF Scheme member for any premium year or part thereof under section 38(2), the Authority shall notify the Agency accordingly.

25 (2) Upon receipt of the notification referred to in subsection (1), the Agency shall, within a reasonable time prior to the date on which the PPF Scheme member is required to pay its levy under the PPF Scheme for that premium year or part thereof, give the PPF Scheme member notice in writing of the amount of levy payable and the date by which such levy shall be paid.

30 **Additional levy where PPF Life Fund or PPF General Fund insufficient to pay compensation**

35 **40.**—(1) Where, in the opinion of the Authority, there are insufficient moneys in the PPF Life Fund or the PPF General Fund to pay any compensation due to insured policy owners, to fund the transfer of the insurance business or to carry on the orderly running down of the insurance business of any failed PPF Scheme member under this Act, the Authority may, with the concurrence of the Agency, determine —

- (a) that PPF Scheme members shall be required to pay additional levies for any premium year or part thereof; and
- (b) the levy rate or rates for the purposes of computing the additional levies.

5 (2) Where a determination is made under subsection (1) —

(a) the Authority shall, as soon as practicable —

(i) publish a notice in the *Gazette* of the requirement to pay additional levies and the levy rate or rates for the purposes of computing the additional levies referred to in subsection (1); and

10

(ii) compute the additional levies payable by PPF Scheme members for that premium year or part thereof and notify the Agency accordingly; and

(b) the Agency shall, upon receipt of the notification referred to in paragraph (a)(ii), give notice in writing to every PPF Scheme member of the additional levy that that PPF Scheme member is required to pay for that premium year or part thereof and the date by which the additional levy shall be paid.

15

(3) Notwithstanding subsection (1) and (2), no PPF Scheme member shall, without the prior approval of the Minister, be required to pay additional levy for any premium year exceeding xx% of the protected liabilities or gross premium income, as the case may be, of the PPF Scheme member.

20

(4) For the purposes of subsection (3), the insured policy base or gross premium income, as the case may be, of any PPF Scheme member shall be determined on the date prescribed by the Authority for computing the amounts of additional levy payable by PPF Scheme members.

25

Payment of levy and late payment fees

41.—(1) Where any PPF Scheme member is given notice in writing to pay any levy under section 39(2) or any additional levy under section 40(2) for any premium year or part thereof, the PPF Scheme member shall pay to the Agency —

30

(a) in the case of the levy, on or before the date of payment specified in the Rules; and

35

(b) in the case of the additional levy, on or before the date of payment specified in the notice under paragraph (a),

the amount of levy or additional levy, as the case may be, that the PPF Scheme member is required to pay for that premium year or part thereof.

(2) Subject to subsection (3), if a PPF Scheme member fails to pay the levy or additional levy or any part thereof in contravention of subsection (1) —

5 (a) the Agency may, by notice in writing, impose on the PPF Scheme member such late payment fee as the Agency may by Rules determine; and

(b) the PPF Scheme member shall pay to the Agency the late payment fee together with the unpaid levy or additional levy, as the case may be, on or before the date of payment specified in the notice.

(3) The late payment fee referred to in subsection (2) shall not exceed the amount of levy or additional levy, as the case may be, owing by the PPF Scheme member.

15 (4) The amount of levy or additional levy owing by the PPF Scheme member and the late payment fee shall be paid in such manner as may be specified in the Rules.

(5) Without prejudice to any other remedy, any levy, additional levy or late payment fee payable under this Act shall be recoverable as a debt due to the Agency by the PPF Scheme member.

20 (6) Where the Agency has commenced any legal proceedings in a court in Singapore to recover a levy, an additional levy or a late payment fee from a PPF Scheme member, the Agency shall be entitled to claim costs on a full indemnity basis from that PPF Scheme member.

Power to refund or remit levy, etc.

25 **42.** The Agency may, with the approval of the Minister, refund or remit in whole or in part any levy or additional levy paid or payable by any PPF Scheme member under this Act.

Refund of levy, etc., paid in excess

30 **43.—**(1) Where it appears to the Authority that a PPF Scheme member has paid any levy or additional levy in excess of the amount payable under this Act, the Authority shall notify the Agency accordingly.

(2) Upon receipt of the notification referred to in subsection (1), the Agency shall refund to the PPF Scheme member the amount of levy or additional levy paid in excess.

Re-computation of levy

35 **44.—**(1) Where it appears to the Authority that the levy for any premium year or part thereof —

(a) computed by the Authority under section 38(2) and notified to the Agency under section 39(1); or

(b) in respect of which a PPF Scheme member has been required to pay under section 39(2) or has so paid,

5 is of an amount less than that which ought to have been computed, imposed or paid, as the case may be, the Authority may within the same premium year re-compute such amount of levy which ought to have been computed, imposed or paid, as the case may be, under this Act.

(2) Sections 39 and 41 shall apply, with the necessary modifications, to any amount of levy re-computed under subsection (1) and the recovery of any shortfall in levy upon a re-computation under that subsection —

(a) as if the reference to levy were a reference to the shortfall levy which is the difference between —

(i) the amount of levy as re-computed; and

15 (ii) the amount of levy that was originally computed, imposed or paid, as the case may be, under this Act; and

(b) the reference in section 41(1)(a) to the date of payment specified in the Rules shall be read as a reference to the date of payment specified in the notice.

20 **Disclosure of information relating to levy**

45.—(1) Subject to subsections (2) and (3), no PPF Scheme member or officer of any PPF Scheme member shall disclose to any person —

(a) the levy rate applicable to the PPF Scheme member;

25 (b) the category in which the PPF Scheme member is classified pursuant to section 38;

(c) where the system of classifying a PPF Scheme member incorporates a rating of the PPF Scheme member based on the assessment by the Authority of the risks arising from the activities of the Scheme member, the rating of the PPF Scheme member; and

30 (d) any information which if disclosed, would enable any of the information referred to in paragraph (a), (b) or (c) to be identified or deduced.

(2) Notwithstanding subsection (1), a PPF Scheme member or an officer of a PPF Scheme member may disclose to —

(a) any director or officer of the PPF Scheme member;

(b) in the case where the PPF Scheme member is a branch, the head office, parent company or parent supervisory authority of the Scheme member;

5 (c) in the case where the PPF Scheme member is a company which is a subsidiary of a foreign company, the foreign company or the parent supervisory authority of the parent company; or

(d) such other person or class of persons as the Authority may approve,

10 any of the matters referred to in subsection (1) where such disclosure is necessary for the performance of the duties of the person referred to in paragraph (a), (b) or (c), as the case may be.

(3) No person to whom the PPF Scheme member or officer of the PPF Scheme member has disclosed information pursuant to subsection (2) shall disclose that information to any other person except as approved by
15 the Authority.

(4) Any person who contravenes subsection (1) or (3) shall be guilty of an offence and shall be liable on conviction to a fine not exceeding \$125,000 or to imprisonment for a term not exceeding 3 years or to both.

PART IX

20 COMPENSATION AND USE OF PPF LIFE FUND AND
PPF GENERAL FUND

Occurrence of events precipitating compensation or use of PPF Life Fund and PPF General Fund

46.—(1) Where, on or after the effective date —

25 (a) an order is made by a court in Singapore or elsewhere to wind up a PPF Scheme member;

(b) the Authority is of the opinion that a PPF Scheme member is insolvent, unable or likely to become unable to meet its obligations, or about to suspend payments; or

30 (c) the Authority is exercising or is likely to exercise, or has exercised its powers under Part IIIAA of the Insurance Act (Cap. 142),

the Authority may determine —

35 (i) that compensation shall be paid out of the PPF Life Fund or PPF General Fund to the policy owners of insured policies, in accordance with this Act; or

(ii) that the PPF Life Fund or the PPF General Fund be utilised for any or all of the following purposes:

(A) to fund, whether in whole or in part, the transfer of the whole or part of the business of the failed PPF Scheme member to another insurer;

(B) to carry on the orderly running down of the insurance business of the failed PPF Scheme member without taking in any new insurance business or renewing any existing policies (other than a policy which has a provision providing for guaranteed renewability).

(2) Where the Authority makes any determination referred to in subsection (1), the Authority shall immediately give notice in writing to the Agency of its determination.

(3) The notice in writing referred to in subsection (2) shall be in such form and contain such information as may be agreed between the Authority and the Agency.

(4) The Agency shall, as soon as practicable upon receiving the notice referred to in subsection (2), publish a notification in the *Gazette* stating that a payment of compensation shall be made out of the PPF Life Fund or the PPF General Fund, or that the PPF Life Fund or the PPF General Fund shall be utilised to fund the transfer or carry on the orderly running down of the insurance business of the failed PPF Scheme member, as the case may be.

(5) For the purposes of this Act, the Minister shall by notification in the *Gazette* appoint a date to be the effective date.

Entitlement to compensation for life business

47.—(1) Subject to subsection (2) and section 49, where an insured policy owner has one or more insured policies, falling within one of the categories of insured policies in the Second Schedule, issued by the failed PPF Scheme member covered under the PPF Life Fund, which —

(a) is issued to the insured policy owner; or

(b) is issued to the insured policy owner jointly with one or more other persons as joint policy owners,

the insured policy owner shall be entitled to compensation from the PPF Life Fund of one or more of the following amounts:

(i) in the case of a Category 1 insured policy, an amount equivalent to the product of the protection ratio referred to in paragraph 2(a)

of the Fourth Schedule and the amount of policy moneys payable in respect of that insured policy;

(ii) in the case of a Category 2 insured policy, an amount equivalent to —

5 (A) the product of the protection ratio for sum assured referred to in paragraph 2(b) of the Fourth Schedule and the sum assured guaranteed under that insured policy in the event that a claim event occurs before the quantification date; or

10 (B) the product of the protection ratio for surrender value referred to in paragraph 2(c) of the Fourth Schedule and the surrender value guaranteed under that insured policy in the event that the insured policy owner has given notice in writing to the failed PPF Scheme member to surrender the policy before the quantification date;

15 (iii) in the case of a Category 3 insured policy, an amount equivalent to the product of the protection ratio referred to in paragraph 2(d) of the Fourth Schedule and the amount of policy moneys guaranteed to be payable under the annuity by the failed PPF Scheme member;

20 (iv) in the case of a Category 4 insured policy, an amount equivalent to —

25 (A) the product of the protection ratio for sum assured referred to in paragraph 2(e)(i) of the Fourth Schedule and the sum assured guaranteed under that insured policy in the event that a claim event occurs before the quantification date; or

30 (B) the product of the protection ratio for surrender value referred to in paragraph 2(e)(ii) of the Fourth Schedule and the surrender value guaranteed under that insured policy in the event of a surrender before the quantification date, or the product of the protection ratio and the amount of policy moneys which are guaranteed to be payable in the case of an annuity.

35 (2) Where a claim event for an insured policy has occurred or where an insured policy has been terminated, on or before the quantification date, the amount of compensation referred to in subsection (1) shall be an amount after deducting any outstanding loan taken out against that insured policy.

Entitlement to compensation for general business

48.—(1) Subject to section 49, where an insured policy owner has one or more insured policies placed with a failed PPF Scheme member insured under the PPF General Fund, which —

- 5 (a) is issued to the insured policy owner;
- (b) is issued to the insured policy owner jointly with one or more other persons as joint policy owners,

the insured policy owner shall be entitled to compensation from the PPF General Fund of the aggregate amount of the protected liabilities in respect of all such policies.

10

Joint policies

49.—(1) Where there are 2 or more insured policy owners in respect of any insured policy, each of those insured policy owners is entitled, as at the quantification date, to compensation from the PPF Life Fund or PPF General Fund, as the case may be.

15

(2) For the purposes of determining the share of an insured policy owner in an insured policy under subsection (1), each insured policy owner holding such insured policy, shall be deemed to have an equal share in the insured policy unless there is an express provision to the contrary in the books of the failed PPF Scheme member.

20

(3) For the avoidance of doubt, subsection (2) does not affect any rights as between the insured policy owners themselves.

Restrictions on entitlement to compensation under PPF Scheme

50. Where the Agency has paid an insured policy owner the full amount of compensation payable to the insured policy owner in respect of his insured policies in accordance with this Act, no other person is entitled, in respect of those insured policies, to compensation under this Part.

25

Computation and method of payment of compensation under PPF Scheme

51.—(1) The Agency shall compute the amount of compensation due to an insured policy owner in respect of his insured policies placed with a failed PPF Scheme member in accordance with this Act.

30

(2) In determining the eligibility and entitlement of an insured policy owner to compensation and computing the amount of compensation due to an insured policy owner, the Agency is entitled to rely on the books of the failed PPF Scheme member and any other books which, in the opinion of the Agency, are relevant for such computation.

35

(3) Subject to subsection (4), the Agency shall pay the compensation in such form and manner as may be specified in the Rules.

(4) The Authority may make regulations for the purposes of payment of compensation by the Agency.

5 (5) Without prejudice to the generality of subsection (4), such regulations may —

(a) specify the person to whom, or the account into which, payment of compensation is to be made for the benefit of an insured policy owner who is entitled to compensation under this Act; and

10 (b) provide for the payment of compensation into an equivalent account with a financial institution and for such compensation to be held in that account in a manner equivalent to the manner of holding of the original insured policy.

Subrogation

15 **52.**—(1) On payment out of the PPF Life Fund or PPF General Fund of any compensation under this Act to, or for the benefit of, any insured policy owner in respect of his insured policy, the Agency shall be subrogated to the extent of such payment to all the rights and remedies of —

20 (a) the insured policy owner; or

(b) the person who received the compensation on behalf of the insured policy owner,

as the case may be, in respect of the insured policy in priority over —

25 (i) the rights and remedies of the insured policy owner or the person who received the compensation on behalf of the insured policy owner, as the case may be, in relation to that insured life policy or insured general policy; and

30 (ii) the rights and remedies of any person who is subrogated, whether or not before the Agency's subrogation, to the rights and remedies of any of the persons referred to in paragraphs (a) and (b) in relation to that insured life policy or insured general policy,

and may maintain an action in respect of those rights and remedies in the name of the person referred to in paragraph (a) and (b), as the case may be, or in the name of the Agency, subject to subsection (2).

35 (2) Where the Agency maintains an action in respect of the rights and remedies in the name of the person referred to in subsection (1)(a) or (b), as the case may be, the following provisions shall apply:

- 5 (a) in the case where the failed PPF Scheme member is not wound up, the Agency shall be entitled to recover the full amount of compensation claimed against the failed PPF Scheme member, notwithstanding any liabilities owing by the insured depositor to the PPF Scheme member; and
- (b) in the case where the failed PPF Scheme member is wound up, the insolvency rules relating to set-off shall not apply in relation to the rights and remedies of the insured policy owner.
- 10 (3) The persons referred to in paragraphs (a) and (b) of subsection (1), or any person who is subrogated, whether or not before the Agency's subrogation, to the rights and remedies of those persons, shall not be entitled to receive any amount from, or out of, the assets of the failed PPF Scheme member until the Agency has been reimbursed in full the amount of compensation paid to those persons.
- 15 (4) The Agency shall be entitled —
- (a) in the case where the failed PPF Scheme member is wound up, to be reimbursed out of the assets of the failed PPF Scheme member for the expenses incurred in —
- 20 (i) the payment of any compensation to insured policy owners; and
- (ii) the lodging of a claim with the liquidator of the failed PPF Scheme member for any compensation that has been paid out to insured policy owners; or
- (b) in any other case, to be reimbursed by the failed PPF Scheme member or the provisional liquidator of the failed PPF Scheme member, as the case may be, for the expenses incurred in —
- 25 (i) the payment of any compensation to insured policy owners; and
- (ii) the lodging of a claim with the provisional liquidator of the failed PPF Scheme member for any compensation that has been paid out to insured policy owners.
- 30

Recovery of compensation paid in excess or wrongly paid under PPF Scheme

53.—(1) If —

- 35 (a) any compensation paid to, or for the benefit of, an insured policy owner out of the PPF Life Fund or PPF General Fund is in excess of what ought to have been paid to the insured policy owner under this Act; or

(b) any compensation is wrongly paid to any person,

the Agency may recover the amount paid in error or excess from the person who received the compensation paid out by the Agency in such manner and within such period as specified by the Agency to that person.

5 (2) Without prejudice to any other remedy, any amount paid in error or excess to any person shall be recoverable as a debt due to the Agency by that person.

10 (3) Notwithstanding any provision in the Limitation Act (Cap. 163), an action to recover any amount paid in error or excess to any person recoverable by virtue of this section shall not be brought after the expiration of the period during which the action may be brought against the person under the Limitation Act or the date of completion of the winding up of the failed PPF Scheme member, whichever is the later.

15 (4) Upon the recovery of any amount paid in error or excess from any person under this section (referred in this section as the recovered amount), the Agency shall do the following:

20 (a) in the case where the failed PPF Scheme member is not wound up or where the winding up of the failed PPF Scheme member has not completed and the Agency has not recovered or has not recovered in full from the failed PPF Scheme member or its liquidator, as the case may be, the compensation which it paid out to the insured policy owners, the Agency shall deduct from the recovered amount the shortfall in compensation and pay such deducted amount to the PPF Life Fund or PPF General Fund, as the case may be, and pay the amount remaining from the recovered amount after the deduction, if any, to the failed PPF Scheme member or its liquidator, as the case may be;

30 (b) in the case where the failed PPF Scheme member is not wound up or where the winding up of the failed PPF Scheme member has not completed and the Agency has recovered from the failed PPF Scheme member or its liquidator, as the case may be, in full the compensation which it paid out to the insured policy owners, the Agency shall pay the recovered amount to the failed PPF Scheme member or its liquidator, as the case may be;

35 (c) in the case where the winding up of the failed PPF Scheme member has completed and the Agency has not recovered or has not recovered in full from the liquidator the compensation which it paid out to the insured policy owners from the liquidator, the Agency shall deduct from the recovered amount the shortfall in the compensation and pay such deducted amount to the PPF Life Fund or PPF General Fund, as the case may be, and pay the

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amount remaining from the recovered amount after the deduction, if any, to the Official Receiver to be placed to the credit of the Companies Liquidation Account; and

5 (d) in the case where the winding up of the failed PPF Scheme member has completed and the Agency has recovered from the liquidator in full the compensation which it paid out to the insured policy owners, the Agency shall pay the recovered amount to the Official Receiver to be placed to the credit of the Companies Liquidation Account.

10 (5) Section 322(3), (6), (7), (8) and (9) of the Companies Act (Cap. 50) shall apply, with necessary modifications, to the money paid to the Official Receiver under subsection (4)(c) and (d).

15 **Use of PPF Life Fund or PPF General Fund in transfer of insurance business or carrying on of orderly running down of insurance business**

54.—(1) In determining —

20 (a) whether the PPF Life Fund or the PPF General Fund is to be utilised to fund the transfer of the whole or part of the insurance business of the failed PPF Scheme member to another insurer or to carry on the orderly running down of the insurance business of the failed PPF Scheme member pursuant to section 46; and

(b) the amount of the PPF Life Fund or the PPF General to be utilised,

25 the Authority shall (without prejudice to any other factors that the Authority may consider relevant) have regard to —

30 (i) the cost of transferring the whole or part of the insurance business of the failed PPF Scheme member or the cost of carrying on the orderly running down, as the case may be, as compared to the cost of paying compensation to insured policy owners; and

(ii) the impact of not transferring the whole or part of the insurance business of the failed PPF Scheme member or not proceeding to carry on an orderly running down of the insurance business of the failed PPF Scheme member, as the case may be.

35 (2) For the purposes of subsection (1), the Authority shall, prior to notifying the Agency of its determination under section 46, obtain the approval of the Minister for the amount to be paid out of the PPF Life Fund or the PPF General Fund, as the case may be, by the Agency.

(3) Where the insurance business of a failed PPF Scheme member is transferred to another PPF Scheme member or it is determined that the insurance business will be orderly run down by the Agency or any person appointed to carry on such running down, the benefits that an insured policy owner is entitled to receive under his insured policy, in the event that the contingency upon which policy moneys are payable occurs after the transfer or during the orderly running down of the insurance business, shall be an amount not less than the protected liabilities in respect of his insured policy.

(4) For the purposes of subsection (3), the protected liabilities in respect of an insured policy of the insured policy owner shall be computed in accordance with the Third Schedule.

(5) The Agency shall be entitled to be reimbursed by the failed PPF Scheme member or the provisional liquidator of the failed PPF Scheme member, as the case may be, for the expenses incurred in —

(a) in the event of a transfer of the whole or part of the business from the failed PPF Scheme member to another PPF Scheme member, the costs and expenses of such transfer; and

(b) in the event of the orderly running down of the whole or part of the business of the failed PPF Scheme member, the costs and expenses of setting up the company to run off the policies and outsourcing the administration of the policies to a third party.

Powers of liquidator in respect of claims against insured policy owner

55.—(1) Notwithstanding any written law or rule of law, where the Agency has paid compensation to an insured policy owner out of the PPF Life Fund or PPF General Fund in accordance with this Act and such compensation is, or will be, accorded priority in the event of the winding up of the failed PPF Scheme member under section 49FR of the Insurance Act (Cap. 142), the liquidator may bring legal proceedings in the name, and on behalf, of the failed PPF Scheme member against the insured policy owner or any person who received compensation on behalf of the insured policy owner, to recover such moneys as may be necessary to put the failed PPF Scheme member into the position it would have been as against the insured policy owner, if —

(a) the Agency had not paid out any compensation or been accorded priority under section 49FR of the Insurance Act in respect of the compensation paid to the insured policy owner; and

(b) the liquidator had applied the same rules with regard to the respective rights of debts provable and the valuation of future and contingent liabilities as are in force for the time being under

the law relating to bankruptcy in relation to the estates of persons adjudged bankrupt, as if the failed PPF Scheme member were a person so adjudged.

- 5 (2) Such moneys shall be recoverable as a debt due to the failed PPF Scheme member by the insured policy owner.

PART X

DEPOSIT INSURANCE AND POLICY OWNERS' PROTECTION AGENCY

10 **Designation of company to be deposit insurance and policy owners' protection agency**

56. The Minister may, by notification in the *Gazette*, designate a company incorporated in Singapore to be the deposit insurance and policy owners' protection agency for the purposes of this Act.

Objects, functions and powers of Agency

15 **57.**—(1) Subject to the provisions of this Act, the objects of the Agency shall be —

- (a) to administer the DI Scheme and PPF Scheme in accordance with this Act;
- (b) to administer and manage the DI Fund, PPF Life Fund and PPF
20 General Fund in accordance with this Act;
- (c) to administer and manage the insurance business of a failed PPF Scheme member; and
- (d) to take such steps as may be directed by the Minister or after
25 consultation with the Authority, to contribute to the stability of the financial system.

(2) Without prejudice to the generality of subsection (1), the functions of the Agency shall include the following:

- (a) collect premium contributions and levies payable by DI Scheme members and PPF Scheme members under this Act;
- 30 (b) make payments of compensation in respect of insured deposits to insured depositors out of the DI Fund after the Agency has determined the eligibility and entitlement of the depositors;
- (c) make payments of compensation in respect of protected liabilities to insured policy owners out of the PPF Life Fund and
35 PPF General Fund after the Agency has determined the eligibility and entitlement of the policy owners;

- 5
- (d) make interim payments of compensation out of the DI Fund to insured depositors of such amounts as the Agency considers appropriate;
- (e) make interim payments of compensation out of the PPF Life Fund and PPF General Fund to insured policy owners of such amounts as the Agency considers appropriate;
- 10
- (f) where the transfer of the whole or part of the life business from a failed PPF Scheme member to another PPF Scheme member is reasonably practicable, make payment out of the PPF Life Fund to fund such transfer;
- (g) make payment out of the PPF Life Fund to —
- 15
- (i) fund the carrying on of the orderly running down of the insurance business of the failed PPF Scheme member;
- (ii) set up a company to hold the insured policies of the failed PPF Scheme member; and
- (iii) outsource the administration of the insured policies of the failed PPF Scheme member to a third party;
- 20
- (h) claim from the failed DI Scheme member for reimbursement of the amount of compensation paid to the insured depositors concerned out of the DI Fund, together with any interest accrued thereon;
- 25
- (i) claim from the failed PPF Scheme member for reimbursement of the amount of compensation paid to the insured policy owners concerned out of the PPF Life Fund and PPF General Fund, together with any interest accrued thereon;
- 30
- (j) claim payment from the liquidator or provisional liquidator of a failed DI Scheme member, out of the assets of the failed DI Scheme member, for reimbursement of the amount of compensation paid to the insured depositors concerned out of the DI Fund, together with any interest accrued thereon;
- 35
- (k) claim payment from the liquidator or provisional liquidator of a failed PPF Scheme member, out of the assets of the failed PPF Scheme member, for reimbursement of the amount of compensation paid to the insured policy owners concerned out of the PPF Life Fund or PPF General Fund, together with any interest accrued thereon;
- (l) educate the public on the DI Scheme and the PPF Scheme.

(3) The Agency shall have the power to do anything for the purpose of fulfilling its objects and discharging its functions under this Act or any

other written law, or which is incidental or conducive to the fulfilment of those objects and discharge of those functions.

Amendment to memorandum and articles of association of Agency

5 **58.**—(1) Notwithstanding any provision in the Companies Act (Cap. 50), the Agency shall not amend the memorandum and articles of association of the Agency without the prior approval of the Minister.

(2) Any amendment made to the memorandum and articles of association of the Agency without the prior approval of the Minister shall be void.

10 **Appointment of board of directors**

59.—(1) This section shall have effect notwithstanding any provision in the Companies Act and the memorandum and articles of association of the Agency.

(2) The board of directors of the Agency shall consist of —

- 15 (a) a Chairman who shall be appointed by the board; and
(b) not less than 4 but not more than 9 other directors.

(3) A director shall hold office for a term not exceeding 3 years and shall be eligible for reappointment.

20 (4) No person shall be appointed as or remain a director on the board of directors if he is a substantial shareholder, a director or an employee of —

- (a) any DI Scheme member or PPF Scheme member; or
(b) a related corporation of any DI Scheme member or PPF Scheme member.

(5) In this section —

25 “related corporation” has the same meaning as in section 4(1) of the Companies Act;

“substantial shareholder” has the same meaning as in section 81 of the Companies Act.

Board to be accountable to Minister

30 **60.** The board of directors shall be accountable to the Minister for its acts and decisions.

Salaries, fees and allowances payable to Chairman and directors

61. There shall be paid to the Chairman of the board of directors and directors of the Agency out of the DI Fund, PPF Life Fund and PPF

General Fund such salaries, fees and allowances as the Minister may, from time to time, determine upon the recommendation of the Agency.

Appointment of Chief Executive, officers and employees, etc.

5 **62.**—(1) The board of directors shall appoint a Chief Executive on such terms and conditions as the board may determine.

(2) The Chief Executive shall —

(a) be known by such designation as the board of directors may determine; and

10 (b) be responsible to the board of directors for the proper administration and management of the functions and affairs of the Agency in accordance with the policies and directions established by the board.

15 (3) The board of directors may appoint any other person to perform the duties of the Chief Executive whenever the Chief Executive is unable to perform his duties for any period because of absence from Singapore, illness or any other reason.

20 (4) The Agency may, from time to time, appoint and employ, on such terms and conditions as it may determine, such other officers, employees, consultants and agents as may be necessary for the effective performance of its functions.

Rules issued by Agency for DI Scheme and PPF Scheme

25 **63.**—(1) The Agency may issue, and in its discretion publish for information in the *Gazette* or in any other manner as it considers appropriate, Rules for any matter relating to any of its functions under this Act.

(2) Without prejudice to the generality of subsection (1), such Rules may provide for —

(a) the manner and method of collection of premium contributions, levies and late payment fees;

30 (b) the manner of disclosure by DI Scheme members as to whether their financial products are insured deposits;

(c) the manner of disclosure by PPF Scheme members as to whether their financial products are insured policies;

35 (d) the particulars to be recorded in, or in respect of, books kept by DI Scheme members for the purpose of computing the amount of insured deposits placed with the DI Scheme members, and the particulars to be recorded in, or in respect of, books kept by PPF

Scheme members for the purpose of confirming the insured policies issued by a PPF Scheme member;

- 5 (e) the manner in which compensation is to be paid to insured depositors from the DI Fund and insured policy owners from the PPF Life Fund and PPF General Fund; and
- (f) the collection from any DI Scheme member by the Agency of any information in relation to its insured deposits and insured depositors, for the purpose of computing the amount of compensation which is to be paid to the insured depositors; and
- 10 (g) the collection from any PPF Scheme member by the Agency of any information in relation to the insured policies and insured policy owners, for the purpose of computing the amount of compensation which is to be paid to the insured policy owners.

15 (3) The Agency may, at any time, amend or revoke the whole or part of any Rule issued under this section.

(4) Without limiting the operation of any other provision of this Act, the Rules shall bind the Agency, the DI Scheme members and the PPF Scheme members to the same extent as if the Rules had been contained in properly executed agreements on the part of the Agency and each DI Scheme member, or the Agency and each PPF Scheme member, as the case may be, to observe and comply with all the Rules.

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(5) For the avoidance of doubt, no person, other than the Agency, a DI Scheme member or a PPF Scheme member, shall have any right to enforce the observance of or compliance with any of the Rules where such Rule is relevant.

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(6) For the avoidance of doubt, any Rules issued under this section shall be deemed not to be subsidiary legislation.

(7) No Rule issued by the Agency shall be inconsistent with any regulation made by the Authority under this Act and any such Rule which is so inconsistent shall, to the extent of inconsistency, be void.

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Regulations on disclosure and operational preparedness by Authority

64.—(1) The Authority may, for the purposes of ensuring disclosure of relevant information by the DI Scheme members and PPF Scheme members to the Agency, depositors, policy owners, customers or potential customers of the DI Scheme members and PPF Scheme members, make regulations for or in respect of all or any of the following matters:

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- (a) the disclosure by DI Scheme members and PPF Scheme members as to whether their financial products are insured deposits or insured policies, as the case may be;

(b) the manner of disclosure of relevant information by DI Scheme members and PPF Scheme members when they cease to be Scheme members.

(2) The Authority may, for the purposes of ensuring the operational preparedness of the DI Scheme members and PPF Scheme members in the event of an occurrence of an event precipitating the use of the DI Fund, PPF Life Fund or PPF General Fund, as the case may be, make regulations for or in respect of all or any of the following matters:

(a) the necessary systems and processes that a DI Scheme member or PPF Scheme member shall have in place;

(b) the appointment of one or more independent persons to assess the operational preparedness of a DI Scheme member or PPF Scheme member;

(c) the employment of requisite personnel and qualified persons by a DI Scheme member or PPF Scheme member in respect of the proper functioning of the systems and processes.

(3) The regulations made under subsection (1) may provide that any contravention of any provision of the regulations shall be an offence punishable with a fine not exceeding \$125,000 or with imprisonment for a term not exceeding 3 years or both, and in the case of a continuing offence, the sum of \$12,500 for every day or part thereof during which the offence continues after conviction.

(4) The regulations made under subsection (2) may provide that any contravention of any provision of the regulations shall be an offence punishable with a fine not exceeding \$125,000, and in the case of a continuing offence, the sum of \$12,500 for every day or part thereof during which the offence continues after conviction.

Power of court to order observance of or compliance with Rules

65.—(1) Where any person who is bound to observe or comply with the Rules fails to do so, the High Court may, on the application of the Agency, a DI Scheme member or a PPF Scheme member, and after giving the first-mentioned person an opportunity to be heard, make an order directing the first-mentioned person to observe or comply with those Rules.

(2) This section is in addition to, and not in derogation of, any other remedy available to the Agency, the DI Scheme member or the PPF Scheme member.

PART XI
OFFENCES

Offences committed by bodies corporate

5 **66.**—(1) Where an offence under this Act committed by a body corporate is proved —

(a) to have been committed with the consent or connivance of an officer; or

(b) to be attributable to any neglect on his part,

10 the officer as well as the body corporate shall be guilty of the offence and shall be liable to be proceeded against and punished accordingly.

(2) Where the affairs of a body corporate are managed by its members, subsection (1) shall apply in relation to the acts and defaults of a member in connection with his functions of management as if he were a director of the body corporate.

15 (3) In this section, “officer”, in relation to a body corporate, means any director, member of the committee of management, chief executive, manager, secretary or other similar officer of the body corporate and includes any person purporting to act in any such capacity.

20 (4) The Authority may make regulations to provide for the application of any provision of this section, with such modifications as the Authority considers appropriate, to any body corporate formed or recognised under the law of a territory outside Singapore.

False statements regarding membership, insured deposits and insured policies

25 **67.**—(1) No person shall, knowingly or recklessly, make a false or misleading statement as to whether or not —

(a) any person is a DI Scheme member;

(b) any person is a PPF Scheme member;

(c) any deposit, or other financial product, is an insured deposit; or

30 (d) any policy is an insured policy.

(2) Any person who contravenes subsection (1) shall, notwithstanding that a contract does not come into being, be guilty of an offence and shall be liable on conviction to a fine not exceeding \$125,000 or to imprisonment for a term not exceeding 3 years or to both and, in the case of a continuing offence, to a further fine not exceeding \$12,500 for
35 every day or part thereof during which the offence continues after conviction.

Offence by officer

68.—(1) Any officer of a full bank, finance company or relevant insurer who fails to take all reasonable steps to secure —

- 5 (a) compliance by the full bank, finance company or relevant insurer, as the case may be, with any provision of this Act; or
- (b) the accuracy and correctness of any statement submitted to the Authority, Agency or such other person as may be required under this Act,

10 shall be guilty of an offence and shall be liable on conviction to a fine not exceeding \$125,000 or to imprisonment for a term not exceeding 3 years or to both.

(2) In any proceedings against a person under subsection (1), it shall be a defence for the person to prove that he had reasonable grounds for believing that another person was charged with the duty of securing compliance with the requirements of this Act, or with the duty of ensuring that those statements were accurate and correct, as the case may be, and that that person was competent, and in a position, to discharge that duty.

(3) A person shall not be sentenced to imprisonment for any offence under subsection (1) unless, in the opinion of the court, he committed the offence wilfully.

(4) Notwithstanding subsection (1), no officer shall be guilty of an offence where the contravention of any provision of this Act by a full bank, finance company or relevant insurer results in the imposition of only a financial penalty on the full bank, finance company or relevant insurer.

Duty not to furnish false information to Authority or Agency

69.—(1) Any person who furnishes the Authority or Agency with any information under or for the purposes of any provision of this Act shall use due care to ensure that the information is not false or misleading in any material particular.

(2) Subsection (1) applies only to a requirement in relation to which no other provision of this Act creates an offence in connection with the furnishing of information.

(3) Any person who contravenes subsection (1) shall be guilty of an offence and shall be liable on conviction to a fine not exceeding \$125,000 or to imprisonment for a term not exceeding 3 years or to both

General penalty

70. Any person who is guilty of an offence under this Act for which no penalty is expressly provided shall be liable on conviction to a fine not exceeding \$50,000 and, in the case of a continuing offence, to a further
5 fine not exceeding \$5,000 for every day or part thereof during which the offence continues after conviction.

Penalty for corporation

71.—(1) Subject to subsections (2) and (3), where a corporation or body
10 corporate is convicted of an offence under this Act, the penalty that the court may impose is a fine not exceeding 2 times the maximum amount that the court could, but for this subsection, impose as a fine for that offence.

(2) Subsection (1) shall not apply to —

- 15 (a) an offence under section 6(8); and
(b) offences under the subsidiary legislation made under this Act where it is expressly provided in the subsidiary legislation that subsection (1) shall not apply to those offences.

(3) Where an individual is convicted of an offence under this Act by
20 virtue of section 66, he shall be liable to the fine or imprisonment or both as prescribed for that offence and subsection (1) shall not apply.

Jurisdiction of District Court

72. Notwithstanding any provision to the contrary in the Criminal
25 Procedure Code (Cap. 68), a District Court shall have jurisdiction to try any offence under this Act and shall have power to impose the full penalty or punishment in respect of the offence.

Composition of offences

73.—(1) The Authority may, in its discretion, compound any offence
30 under this Act which is prescribed by regulations under subsection (3) as a compoundable offence by collecting from a person reasonably suspected of having committed the offence a sum of money not exceeding one half of the amount of the maximum fine that is prescribed for the offence.

(2) On payment of such sum of money, no further proceedings shall be taken against that person in respect of the offence.

35 (3) The Authority may make regulations to prescribe the offences which may be compounded.

(4) All sums collected under this section shall be paid to the Authority.

PART XII

FINANCIAL AND AUDIT PROVISIONS

Financial provisions with respect to DI Fund, PPF Life Fund and PPF General Fund

74. The financial provisions set out in the Fifth Schedule shall have effect with respect to all moneys in the DI Fund, the PPF Life Fund and the PPF General Fund, respectively.

Financial provisions with respect to Agency

75. The financial provisions set out in the Sixth Schedule shall have effect with respect to the Agency.

Annual report of Agency

76. The Agency shall, as soon as practicable after the end of each financial year, cause to be prepared and transmitted to the Minister a report dealing generally with the activities of the Agency during the preceding financial year and containing such information relating to the proceedings and policy of the Agency as the Minister may, from time to time, direct.

Annual estimates

77.—(1) The Agency shall, in every financial year, prepare or cause to be prepared annual estimates of income and expenditure of the DI Fund, PPF Life Fund, PPF General Fund and the Agency for the ensuing financial year and a supplementary estimate for any financial year.

(2) All annual estimates and supplementary estimates shall be presented to the Minister for his approval.

Reporting to Minister

78. If the auditor in the course of the performance of his duties as an auditor of the Agency or the DI Fund, PPF Life Fund or PPF General Fund is satisfied that —

- (a) there has been a serious contravention of any provisions of this Act or the Companies Act (Cap. 50) or that an offence involving fraud or dishonesty has been committed; or
- (b) serious irregularities have occurred, including irregularities that jeopardise the interests of insured depositors or insured policy owners,

the auditor shall immediately report the matter in writing to the Minister.

PART XIII

MISCELLANEOUS

Protection from personal liability

5 **79.** No liability shall be incurred by —

- (a) the Agency;
- (b) any director, officer, employee or agent of the Agency; or
- (c) any person acting under the direction of the Agency,

as result of anything done (including any statement made) or omitted to be
10 done with reasonable care and in good faith in —

- (i) the exercise or purported exercise of any power under this Act;
- (ii) the performance or purported performance of any function or
duty under this Act; or
- (iii) the execution or purported execution of this Act.

15 **Preservation of confidentiality**

80.—(1) No person who is or has been a member, a director, an officer,
an employee or an agent of the Agency shall disclose any information
relating to the affairs of the Agency or of any other person which has been
obtained by him in the performance of his duties or the exercise of his
20 functions unless such disclosure is made —

- (a) with the permission of the person from whom the information
was obtained or, where the information is the confidential
information of a third person, with the permission of that third
person;
- 25 (b) for the purpose of the performance of his duties or the exercise of
his functions under this Act;
- (c) in compliance with the requirement of any court or the
provisions of any written law; or
- 30 (d) for the purpose of assisting any public officer or officer of any
other statutory board in the investigation or prosecution of any
offence under any written law.

(2) No person who is or has been a member, a director, an officer, an
employee or an agent of the Agency shall, for his own personal benefit or
for the personal benefit of any other person, make use of any information,

whether directly or indirectly, which has been obtained by him in the performance of his duties or the exercise of his functions.

5 (3) For the purpose of this section, the reference to a person disclosing or making use of any information includes his permitting any other person to have any access to any record, document or other thing which is in his possession or under his control by virtue of his being or having been a member, a director, an officer, an employee or an agent of the Agency.

10 (4) Any person who contravenes subsection (1) or (2) shall be guilty of an offence and shall be liable on conviction to a fine not exceeding \$125,000 or to imprisonment for a term not exceeding 3 years or to both.

General exemption

81.—(1) The Minister may, by regulations, exempt any person or class of persons from all or any of the provisions of this Act, subject to such terms or conditions as may be prescribed.

15 (2) The Minister may, on application of any person, by notice in writing exempt the person from all or any of the provisions of this Act if the Minister considers it appropriate to do so in the circumstances of the case.

(3) An exemption under subsection (2) —

20 (a) may be granted subject to such terms or conditions as the Minister may specify by notice in writing;

(b) need not be published in the *Gazette*; and

(c) may be withdrawn at any time by the Minister if he considers it necessary in the public interest.

25 (4) Any person who contravenes any term or condition prescribed under subsection (1) or specified by the Minister under subsection (3)(a) shall be guilty of an offence.

Appointment of assistants

30 **82.**—(1) The Authority may, subject to such conditions or restrictions as it thinks fit, appoint any person to exercise any of its powers or perform any of its functions or duties under this Act, either generally or in any particular case, except the power to make subsidiary legislation.

(2) Any person appointed by the Authority under subsection (1) shall be deemed to be a public servant for the purposes of the Penal Code (Cap. 224).

Inspection of books of Scheme members

83.—(1) The Authority may from time to time inspect, under conditions of secrecy, the books of a DI Scheme member or PPF Scheme member for the purposes of this Act.

- 5 (2) For the purposes of an inspection under this section —
- 10 (a) the DI Scheme member or PPF Scheme member and any other person who is in possession of the books of the DI Scheme member or PPF Scheme member shall produce such books to the Authority and give such information or facilities as may be required by the Authority;
 - 15 (b) the DI Scheme member or PPF Scheme member shall procure that any other person who is in possession of its books produce its books to the Authority and give such information or facilities as may be required by the Authority; and
 - 20 (c) the Authority may —
 - (i) make copies of, or take possession of, any of such books;
 - (ii) use, or permit the use of, any of such books for the purposes of any proceedings under this Act; and
 - (iii) retain possession of any of such books for so long as is necessary —
 - 25 (A) for the purposes of exercising a power conferred by this section;
 - (B) for a decision to be made on whether or not proceedings should be commenced under this Act in relation to such books; or
 - (C) for such proceedings to be commenced and carried on.
- (3) No person shall be entitled, as against the Authority, to claim a lien on any of the books, but such a lien is not otherwise prejudiced.
- 30 (4) The Authority may require a person who produced any book to the Authority to explain, to the best of his knowledge and belief, any matter about the compilation of the book or to which the book relates.
- 35 (5) Any person who, without reasonable excuse, contravenes subsection (2) or a requirement of the Authority under subsection (4) shall be guilty of an offence and shall be liable on conviction to a fine not exceeding \$100,000 or to imprisonment for a term not exceeding 2 years or to both and, in the case of a continuing offence, to a further fine not exceeding \$10,000 for every day or part thereof during which the offence continues after conviction.

Provision of information and production of books

84.—(1) The Authority may, by notice in writing, require a DI Scheme member or PPF Scheme member to —

- (a) provide such information; or
- 5 (b) produce any book,

at such time and in such manner as the Authority may reasonably require for the proper discharge of its functions.

(2) Any information received from a DI Scheme member or PPF Scheme member under this section shall be treated as secret by the Authority.

(3) Nothing in subsection (2) shall preclude the Authority from disclosing the information if —

- (a) the information is already in the public domain;
- 15 (b) the information is disclosed in such a manner that the identity of an individual DI Scheme member or PPF Scheme member cannot be ascertained;
- (c) the DI Scheme member or PPF Scheme member consents to the disclosure; or
- 20 (d) disclosure of the information on individual DI Scheme members or PPF Scheme members is necessary for the Authority's performance of its functions or in the exercise of its powers.

(4) Any DI Scheme member or PPF Scheme member which fails to or neglects to furnish any information or produce any book required by the Authority under this section shall be guilty of an offence.

Service of documents, etc.

85.—(1) Any notice, order or document required or authorised by this Act to be served on any person may be served —

- 30 (a) by delivering it to the person or to some adult member or employee of his family or household at his last known place of residence;
- (b) by leaving it at his usual or last known place of residence or business in an envelope addressed to the person;
- (c) by sending it by registered post addressed to the person at his usual or last known place of residence or business; or
- 35 (d) in the case of a body corporate, firm or body of persons —

(i) by delivering it to the secretary or other like officer of the body corporate, firm or body of persons at its registered office or principal place of business; or

5 (ii) by sending it by registered post addressed to the body corporate, firm or body of persons at its registered office or principal place of business.

(2) Any notice, order or document sent by registered post to any person in accordance with subsection (1) shall be deemed to be duly served on the person at the time when the notice, order or document, as the case may be, would in the ordinary course of post be delivered.

(3) When proving service of the notice, order or document referred to in subsection (2), it shall be sufficient to prove that the envelope containing the notice, order or document, as the case may be, was properly addressed, stamped and posted by registered post.

15 **Electronic service**

86.—(1) The Authority may provide an electronic service for the service of any notice that is required or authorised by this Act to be served on any person.

20 (2) The Authority may use the electronic service to serve any notice on behalf of the Agency.

(3) For the purposes of the electronic service, the Authority may assign to any person —

(a) an authentication code; and

(b) an account with the electronic service.

25 (4) Notwithstanding section 85, where any person has given his consent for any notice to be served on him through the electronic service, the Authority may serve the notice on that person by transmitting an electronic record of the notice to that person's account with the electronic service.

30 (5) Where a person has given his consent for a notice to be served on him through the electronic service, the notice shall be deemed to have been served at the time when an electronic record of the notice enters his account with the electronic service.

35 (6) Notwithstanding any other written law, in any proceedings under this Act —

(a) an electronic record of any notice that was served, through the electronic service; or

(b) any copy or print-out of that electronic record,

shall be admissible as evidence of the facts stated or contained therein if that electronic record, copy or print-out —

- 5 (i) is certified by the Authority to contain all or any information served through the electronic service in accordance with this section; and
- (ii) is duly authenticated in the manner specified in subsection (8) or is otherwise authenticated in the manner provided in the Evidence Act (Cap. 97) for the authentication of computer output.

(7) For the avoidance of doubt —

- 10 (a) an electronic record of any notice that was served, through the electronic service; or
- (b) any copy or print-out of that electronic record,

shall not be inadmissible in evidence merely because the notice was served, without the delivery of any equivalent document or counterpart in paper form.

(8) For the purposes of this section, a certificate —

- (a) giving the particulars of —
 - (i) any person whose authentication code was used to serve the notice; and
 - 20 (ii) any person or device involved in the production or transmission of the electronic record of the notice, or the copy or print-out thereof;
- (b) identifying the nature of the electronic record or copy or print-out thereof; and
- 25 (c) purporting to be signed by the Authority or by a person occupying a responsible position in relation to the operation of the electronic service at the relevant time,

shall be sufficient evidence that the electronic record, copy or print-out has been duly authenticated, unless the court, in its discretion, calls for further evidence on this issue.

(9) Where the electronic record of any notice, or a copy or print-out of that electronic record, is admissible under subsection (6), it shall be presumed, until the contrary is proved, that the electronic record, copy or print-out accurately reproduces the contents of that document.

35 (10) The Authority may make regulations which are necessary or expedient for carrying out the purposes of this section, including regulations prescribing the procedure for the use of the electronic service,

including the procedure in circumstances where there is a breakdown or interruption of the electronic service.

Copies or extracts of books to be admitted in evidence

5 **87.**—(1) Subject to this section, a copy of or an extract from a book mentioned in this Act that is proved to be a true copy of the book or of the relevant part of the book is admissible in evidence as if it were the original book or the relevant part of the original book.

10 (2) For the purposes of subsection (1), evidence that a copy of or an extract from a book is a true copy of the book or of a part of the book may be given by a person who has compared the copy or extract with the book or the relevant part of the book and may be given orally or by an affidavit sworn, or by a declaration made, before a person authorised to take affidavits or statutory declarations.

Application of Companies Act

15 **88.** Nothing in this Act, with the exception of sections 58, 59, 60, 62 and 79, shall affect the operation of the Companies Act (Cap. 50) in relation to its application to a company that is designated as the deposit insurance and policy owners' protection agency under section 56.

Insurance Act not to apply in relation to certain parts

20 **89.** The provisions of the Insurance Act (Cap. 142) (except where expressly mentioned) shall not apply to the Agency and anything done by it under this Act.

Amendment of Schedules

25 **90.**—(1) The Minister may at any time, by order published in the *Gazette*, amend any Schedule.

(2) The Minister may, in any order made under subsection (1), make such incidental, consequential or supplementary provisions as may be necessary or expedient.

30 (3) Any order made under subsection (1) shall be presented to Parliament as soon as possible after publication in the *Gazette*.

Regulations

35 **91.**—(1) The Minister may, with the exception of those matters which may be prescribed by the Authority under this Act, make regulations for carrying out the purposes and provisions of this Act and for the due administration thereof.

(2) Except as otherwise expressly provided in this Act, regulations made under this Act may —

(a) be of general or specific application; and

(b) provide that a contravention thereof shall be punishable —

5 (i) in the case of an individual, with a fine not exceeding \$12,500 or with imprisonment for a term not exceeding 12 months or with both and in the case of a continuing offence, with a further fine not exceeding \$1,250 for every day or part thereof during which the offence continues after conviction; or

10 (ii) in the case of a company or body corporate, with a fine not exceeding \$25,000 and in the case of a continuing offence, with a further fine not exceeding \$2,500 for every day or part thereof during which the offence continues after conviction.

15

Repeal of Deposit Insurance Act

92. The Deposit Insurance Act (Cap. 77A) is repealed.

Savings and transitional provisions

20 **93.—**(1) Any exemption granted by the Authority under section 6(2) of the repealed Act immediately before the appointed day —

(a) shall continue and be deemed to have been granted under section 6(2) of this Act; and

25 (b) any condition to which the exemption was subject to immediately before that day shall continue and be deemed to have been imposed under section 6(2) of this Act.

(2) Any assets, investments or moneys which were part of the DI Fund established under section 9(1) of the repealed Act (whether held in the name of the DI Fund or otherwise) immediately before the appointed day, shall be deemed to be assets, investments and moneys forming part of the DI Fund reconstituted under section 9(1) of this Act.

30

(3) Any approval granted by the Minister under section 11 of the repealed Act in respect of the types of investments that the Agency may invest any money in the DI Fund, shall continue and be deemed to have been granted by the Minister under section 11 of this Act.

35 (4) Any director holding office at the company designated by the Minister under section 12 of the repealed Act to be the deposit insurance agency immediately before the appointed day, shall continue to hold

appointment as such at the company designated by the Minister under section 56 of this Act.

(5) The following provisions shall apply to the Chief Executive, other officers, employees, consultants and agents appointed as such by the company designated by the Minister under section 12 of the repealed Act to be the deposit insurance agency, pursuant to section 18 of that Act immediately before the appointed day:

(a) the Chief Executive, other officers, employees, consultants and agents shall continue to hold such appointments and be deemed to have been appointed as such under section 62 of this Act; and

(b) the terms and conditions to which their appointments were subject to immediately before the appointed day shall continue and be deemed to have been imposed under or pursuant to this Act.

(6) Any act or purported act of the Agency (including the entering into of an agreement by the Agency and including any act done on behalf of the Agency by an officer or agent of the Agency under any purported authority, whether express or implied, of the Agency) in respect of the PPF Scheme after the appointed day but before the memorandum and articles of association of the Agency have been amended shall not be invalid by reason only of the fact that the Agency was without capacity or power to do such act.

(7) For a period of 2 years after the appointed day, the Minister may, by regulations published in the *Gazette*, prescribe such provisions of a savings or transitional nature consequent on the enactment of this Act, as he may consider necessary or expedient.

(8) In this section, a reference to a provision of the repealed Act is a reference to that provision of that Act in force immediately before the appointed day.

FIRST SCHEDULE

Section 2

INSURED DEPOSIT AND MAXIMUM DI COVERAGE

In this Act —

“insured deposit” means —

(a) any of the following deposits in Singapore dollars, placed with any DI Scheme member in any of its branches in Singapore:

(i) a deposit in a savings account;

- (ii) a deposit in a fixed deposit account;
- (iii) a deposit in a current account,

including any accrued interest that has been credited to the relevant accounts for each of the deposits specified in sub-paragraphs (i) to (iii), regardless of whether such a deposit is pledged, charged or secured as collateral or whether such a deposit or part thereof is set aside in respect of any debt owing to the DI Scheme member and cannot be withdrawn until and unless the debt is repaid;

(b) any moneys denominated in Singapore dollars, placed with any DI Scheme member under the CPFIS, CPFMS or the Supplementary Retirement Scheme; and

(c) such product as may be prescribed by the Authority,

but does not include any structured deposit as defined in the Financial Advisers (Structured Deposits — Prescribed Investment Product and Exemption) Regulations (Cap. 110, Rg 7); and

“Maximum DI Coverage” means the amount of \$50,000.

SECOND SCHEDULE

Sections 38(6), 47 and 54

CATEGORIES OF INSURED POLICIES

Insured policies shall be classified into one of the following 4 categories:

- (a) Category 1 insured policies, comprising any of the following types of policies or riders:
 - (i) any individual accident and health policy;
 - (ii) any rider to an individual policy, with the exception of a term rider which accelerates the payment of part or all of the sum assured stated in the policy or provides for a payout of an additional sum of money over and above the sum assured stated in the policy upon occurrence of a claim event;
 - (iii) any group health policy;
 - (iv) any group personal accident policy;
 - (v) the accumulated values (including interest which has accrued on such values) of coupon deposits, advance premium payments and unclaimed moneys under all insured policies, where applicable;
- (b) Category 2 insured policies, comprising any of the following types of policies or riders:
 - (i) any individual policy or rider (other than a Category 1 or 3 insured policy);
 - (ii) any voluntary group term policy;
 - (iii) any voluntary group whole life policy;

(iv) any voluntary group endowment policy;

(v) any term rider which accelerates the payment of all or part of the sum assured stated in the policy or provides for a payout of an additional sum of money over and above the sum assured stated in the policy upon occurrence of a claim event,

except that any accident and health benefit (other than those benefits that accelerate the payment of part or all of the sum assured stated in the policy) payable under any such policy, shall be classified as a Category 1 insured policy;

(c) Category 3 insured policies, comprising any annuity where the policy owner is an individual and any voluntary group annuity policy;

(d) Category 4 insured policies, comprising any non-voluntary group term policy, non-voluntary group whole life policy, non-voluntary group endowment policy and non-voluntary group annuity policy.

THIRD SCHEDULE

Sections 38, 48 and 54 and Fourth Schedule

PROTECTED LIABILITIES

1. For the purposes of computing the levies payable by PPF Scheme members under section 38, the aggregate amount of the protected liabilities of a PPF Scheme member in respect of its insured policies covered under the PPF Life Fund shall be the aggregate of all the following amounts:

(a) in the case of Category 1 insured policies, an amount equivalent to the product of the protection ratio referred to in paragraph 2(a) of the Fourth Schedule and the guaranteed policy liabilities for each of such policies;

(b) in the case of Category 2 insured policies, an amount calculated in accordance with the following formula:

$$\frac{(A + B)}{2} \times C,$$

where —

“A” is the protection ratio for sum assured referred to in paragraph 2(b) of the Fourth Schedule;

“B” is the protection ratio for surrender value referred to in paragraph 2(c) of the Fourth Schedule; and

“C” is the guaranteed policy liabilities for each of such Category 2 insured policies;

(c) in the case of Category 3 insured policies, an amount equivalent to the product of the protection ratio referred to in paragraph 2(d) of the Fourth Schedule and the guaranteed policy liabilities for each of such policies;

(d) in the case of Category 4 insured policies —

- (i) where the insured policies are group term policies, group endowment policies or group whole life policies, an amount calculated in accordance with the following formula:

$$\frac{(D + E)}{2} \times F,$$

where —

“D” is the protection ratio for sum assured referred to in paragraph 2(e)(i) of the Fourth Schedule;

“E” is the protection ratio for surrender value referred to in paragraph 2(e)(ii) of the Fourth Schedule; and

“F” is the guaranteed policy liabilities for each of such group endowment or group whole life policies; and

- (ii) where the insured policies are group annuity policies, an amount equivalent to the product of the protection ratio for commuted value referred to in paragraph 2(e)(iii) of the Fourth Schedule and the guaranteed policy liabilities for each of such policies.

2. For the purposes of computing the compensation to be paid out to an insured policy owner from the PPF General Fund under section 48, the aggregate amount of the protected liabilities in respect of the insured policy owner’s insured policy issued by a failed PPF Scheme member shall be calculated in the following manner:

- (a) in the case of a compulsory insurance policy, the full amount of any liability of the failed PPF Scheme member under the insured policy, in respect of a sum payable to any person entitled to the benefit under the terms of any compulsory insurance policy, which arises from a liability of the policy owner that is subject to compulsory insurance, including the full amount of any such liability which becomes payable before, or within 30 days after, a winding up order is made against the failed PPF Scheme member where the failed PPF Scheme member is wound up;
- (b) in all other cases, the full amount of any liability of the failed PPF Scheme member to the insured policy owner under the terms of the insured policy, including the full amount of any such liability which becomes payable before, or within 30 days after, a winding up order is made against the failed PPF Scheme member where the failed PPF Scheme member is wound up.

3. For the purposes of determining the amount of benefits that an insured policy owner is entitled to receive from the PPF Life Fund in the event of a claim under his insured policy, which occurs after the transfer or during the orderly running down of the insurance business of the failed PPF Scheme member under section 54, the protected liabilities in respect of his insured policy shall be computed in the following manner:

- (a) in the case of a Category 1 insured policy, the product of the protection ratio referred to in paragraph 2(a) of the Fourth Schedule and the guaranteed policy liabilities for the policy;
- (b) in the case of a Category 2 insured policy, the policy liabilities valued in accordance with regulations prescribed pursuant to section 17 of the Insurance Act (Cap. 142) for the valuation of assets and liabilities in an insurance fund using —

- (i) the adjusted guaranteed sum assured, which is the product of the protection ratio for sum assured referred to in paragraph 2(b) of the Fourth Schedule and the sum assured guaranteed under the policy; and
 - (ii) the adjusted surrender value which is the product of the protection ratio for surrender value referred to in paragraph 2(c) of the Fourth Schedule and the surrender value guaranteed under the policy;
- (c) in the case of a Category 3 insured policy, the product of the protection ratio referred to in paragraph 2(d) of the Fourth Schedule and the guaranteed policy liabilities for the policy;
- (d) in the case of a Category 4 insured policy —
- (i) where the policy is a group term policy, group endowment policy or group whole life policy, the policy liabilities valued in accordance with regulations prescribed pursuant to section 17 of the Insurance Act for the valuation of assets and liabilities in an insurance fund using —
 - (A) the adjusted sum assured which is the product of the protection ratio for sum assured referred to in paragraph 2(e)(i) of the Fourth Schedule and the sum assured guaranteed under the policy; and
 - (B) the adjusted surrender value which is the product of the protection ratio for surrender value referred to in paragraph 2(e)(ii) of the Fourth Schedule and the surrender value guaranteed under the policy;
 - (ii) where the policy is a group annuity policy, the product of the protection ratio for commuted value referred to in paragraph 2(e)(iii) of the Fourth Schedule and the guaranteed policy liabilities for the policy.

FOURTH SCHEDULE

Section 2 and Third Schedule

PROTECTION RATIO

1. In this Schedule —
- “Maximum Annuity Sum” means the amount of \$100,000;
 - 5 “Maximum Group Sum Assured” means the amount of \$100,000;
 - “Maximum Group Surrender Value” means the amount of \$50,000;
 - “Maximum Sum Assured” means the amount of \$500,000;
 - “Maximum Surrender Value” means the amount of \$100,000.
2. For the purposes of section 47 and the Third Schedule, the protection ratio shall be
- 10 determined in the following manner:
- (a) in the case of Category 1 insured policies, 1;
 - (b) for the sum assured for Category 2 insured policies, in respect of each life assured —
 - 15 (i) the ratio of the Maximum Sum Assured to the aggregate amount of the sum assured on that life assured guaranteed under all such policies

(other than term riders which accelerate the payment of all or part of the sum assured stated in the policy), upon the occurrence of a claim event (including term riders which provide additional payout of sum assured upon the occurrence of a claim event); or

- 5 (ii) 1,
whichever is the lower;
- (c) for the surrender value for Category 2 insured policies, in respect of each life assured —
- 10 (i) the ratio of the Maximum Surrender Value to the aggregate amount of the surrender value guaranteed (in the event that the insured policy owner has given notice in writing to the failed PPF Scheme member to surrender the policy) under all such policies; or
- (ii) 1,
whichever is the lower;
- 15 (d) in the case of Category 3 insured policies, in respect of each life assured —
- (i) the ratio of the Maximum Annuity Sum to the aggregate amount of commuted value of benefits guaranteed under all such policies; or
- (ii) 1,
whichever is the lower;
- 20 (e) in the case of Category 4 insured policies, in respect of each life assured per policy —
- (i) for the sum assured under a group policy —
- (A) the ratio of the Maximum Group Sum Assured to the amount of sum assured under each group term, endowment policy or whole
- 25 life policy, as the case may be; or
- (B) 1,
whichever is the lower;
- (ii) for the surrender value under a group policy —
- (A) the ratio of the Maximum Group Surrender Value to the amount
- 30 of surrender value guaranteed for each group endowment or whole life policy, as the case may be; or
- (B) 1,
whichever is the lower;
- (iii) for the commuted value of group annuity —
- 35 (A) the ratio of the Maximum Annuity Sum to the amount of commuted value of guaranteed benefits for each group annuity policy; or

(B) 1,
whichever is the lower.

FIFTH SCHEDULE

Section 74

5 FINANCIAL PROVISIONS WITH RESPECT TO DI FUND,
PPF LIFE FUND AND PPF GENERAL FUND

Financial year

1.—(1) The financial year of the DI Fund shall begin on 1st April of every year and end on 31st March of the following year.

10 (2) The financial year of the PPF Life Fund and PPF General Fund shall begin on 1st April of every year and end on 31st March of the following year.

Accounts of DI Fund, PPF Life Fund and PPF General Fund

2. The Agency shall —

15 (a) keep or cause to be kept proper accounts and records of the transactions and affairs in respect of the DI Fund, PPF Life Fund and PPF General Fund; and

(b) after the close of each financial year prepare financial statements in respect of the DI Fund, PPF Life Fund and PPF General Fund for that year.

Auditor

20 3. The accounts shall be audited by the Auditor-General or such other auditor as may be appointed annually by the Agency in consultation with the Auditor-General.

Appointment of auditor

4. A person shall not be qualified for appointment as an auditor under paragraph 3 unless he is a public accountant who is registered or deemed to be registered under the Accountants Act (Cap. 2).

25 **Remuneration of auditor**

5. The remuneration of the auditor shall be paid out of the DI Fund, PPF Life Fund or PPF General Fund in such proportion as the Agency considers proper.

Duties of auditor

6. The auditor shall in his report state —

30 (a) whether the financial statements show fairly the financial transactions and the state of affairs of the DI Fund, PPF Life Fund and PPF General Fund, respectively;

35 (b) whether proper accounting and other records have been kept, including records of all assets of the DI Fund, PPF Life Fund and PPF General Fund, respectively, whether purchased, donated or otherwise;

- (c) whether the receipts, expenditure and investment of moneys by the DI Fund, PPF Life Fund and PPF General Fund, respectively during the financial year were in accordance with the provisions of this Act; and
- (d) such other matters arising from the audit as he considers necessary.

5 **Auditor's report**

7. The auditor shall, as soon as practicable after the accounts have been submitted for audit, send a report of his audit to the Agency. He shall also submit such periodical and special reports to the Minister and to the Agency as may appear to him to be necessary or as the Minister or the Agency may require.

10 **Powers of auditor**

8.—(1) The auditor or any person authorised by him shall be entitled at all reasonable times to full and free access to all accounting and other records relating, directly or indirectly, to the financial transactions of the DI Fund, PPF Life Fund and PPF General Fund, and may make copies of or extracts from any such accounting and other records.

15 (2) The auditor or any person authorised by him may require any person to furnish him with such information in the possession of that person or to which that person has access as the auditor considers necessary for the purposes of his functions under this Act.

Penalty for obstructing auditor

20 9. Any person who fails, without reasonable excuse, to comply with any requirement of the auditor under paragraph 8(2) or who otherwise hinders, obstructs or delays the auditor in the performance of his duties or the exercise of his powers shall be guilty of an offence and shall be liable on conviction to a fine not exceeding \$4,000.

Presentation of audited financial statements and auditor's report

25 10. The Agency shall, as soon as the financial statements have been audited in accordance with the provisions of this Act, submit a copy of the audited financial statements, together with a copy of the auditor's report, to the Minister.

Copy of auditor's report for Auditor-General

30 11. Where the Auditor-General is not the auditor of the DI Fund, PPF Life Fund or PPF General Fund, the Agency shall cause to be sent to the Auditor-General a copy of the audited financial statements and any report made by the auditor at the same time they are submitted to the Minister.

SIXTH SCHEDULE

Section 75

35 **FINANCIAL PROVISIONS WITH RESPECT TO AGENCY**

Financial year

1. The financial year of the Agency shall comprise such period as may be specified in the memorandum and articles of association of the Agency.

Accounts of Agency

2. The Agency shall keep proper accounts and records of its transactions and affairs and shall do all things necessary to ensure that all payments out of its moneys are properly authorised and correctly made and that adequate control is maintained over the assets of, or in the custody of, the Agency and over the expenditure incurred by the Agency.

Auditor

3. The accounts of the Agency shall be audited by the Auditor-General or such other auditor as may be appointed annually by the Agency in consultation with the Auditor-General.

Appointment of auditor

4. A person shall not be qualified for appointment as an auditor under paragraph 3 unless he is a public accountant who is registered or deemed to be registered under the Accountants Act (Cap. 2).

Remuneration of auditor

5. The remuneration of the auditor shall be paid out of the DI Fund, PPF Life Fund and PPF General Fund in such proportion as the Agency considers proper.

Annual financial statements

6. The Agency shall, as soon as practicable after the close of each financial year, prepare and submit financial statements in respect of that year to the auditor of the Agency.

Duties of auditor

7. The auditor shall in his report state —
- (a) whether the financial statements show fairly the financial transactions and the state of affairs of the Agency;
 - (b) whether proper accounting and other records have been kept, including records of all assets of the Agency, whether purchased, donated or otherwise;
 - (c) whether the receipts, expenditure and investment of moneys and the acquisition and disposal of assets by the Agency during the financial year were in accordance with the provisions of this Act; and
 - (d) such other matters arising from the audit as he considers necessary.

Auditor's report

8. The auditor shall, as soon as practicable after the accounts have been submitted for audit, send a report of his audit to the Agency. He shall also submit such periodical and special reports to the Minister and to the Agency as may appear to him to be necessary or as the Minister or the Agency may require.

Powers of auditor

9.—(1) The auditor or any person authorised by him shall be entitled at all reasonable times to full and free access to all accounting and other records relating, directly or

indirectly, to the financial transactions of the Agency and may make copies of or extracts from any such accounting and other records.

5 (2) The auditor or any person authorised by him may require any person to furnish him with such information in the possession of that person or to which that person has access as the auditor considers necessary for the purposes of his functions under this Act.

Penalty for obstructing auditor

10 10. Any person who fails, without reasonable excuse, to comply with any requirement of the auditor under paragraph 9(2) or who otherwise hinders, obstructs or delays the auditor in the performance of his duties or the exercise of his powers shall be guilty of an offence and shall be liable on conviction to a fine not exceeding \$4,000.

Presentation of audited financial statements and auditor's report

15 11. The Agency shall, as soon as the financial statements have been audited in accordance with the provisions of this Act, submit a copy of the audited financial statements, together with a copy of the auditor's report, to the Minister.

Copy of auditor's report for Auditor-General

12. Where the Auditor-General is not the auditor of the Agency, the Agency shall cause to be sent to the Auditor-General a copy of the audited financial statements and any report made by the auditor at the same time they are submitted to the Minister.

20

EXPLANATORY STATEMENT

This Bill seeks to —

- (a) reconstitute the Deposit Insurance Scheme for the purpose of providing limited compensation to insured depositors under certain circumstances;
- (b) establish a Policy Owners' Protection Scheme in Singapore for the purpose of compensating (in part or whole) or otherwise assisting or protecting insured policy owners under certain circumstances by —
 - (i) specifying that every relevant insurer shall be a member of the Policy Owners' Protection Scheme;
 - (ii) empowering the Minister to designate a company to be the Deposit Insurance and Policy Owners' Protection Agency ("Agency"); and
 - 25 (iii) setting out the insurance policy which would be insured, the person who would be compensated, the circumstances under which funds from the Policy Owners' Protection Funds may be used and the amount of compensation that would be available under the Policy Owners' Protection Scheme;
- (c) repeal the Deposit Insurance Act (Chapter 77A of the 2006 Revised Edition); and
- (d) provide for matters connected therewith.

PART I
PRELIMINARY

Part I (clauses 1 to 3) deals with preliminary matters.

Clause 1 relates to the short title and commencement.

Clause 2 defines certain terms used in the Bill.

Clause 3 defines the terms “insured deposit base” and “relevant insured deposits”.

PART II
DEPOSIT INSURANCE SCHEME

Part II (clauses 4 to 8) contains provisions relating to the continuation and reconstitution of the Deposit Insurance Scheme.

Clause 4 reconstitutes the Deposit Insurance Scheme.

Clause 5 requires every full bank and finance company to be a member of the Scheme.

Clause 6 provides that a full bank or finance company may apply to the Authority for specific exemption from being a DI Scheme member. The clause also provides that the Authority may impose such conditions or restrictions on a DI exempt member as it thinks fit. A DI exempt member which contravenes any condition or restriction imposed commits an offence.

Clause 7 provides that the Authority may withdraw any exemption granted to a DI exempt member after granting the DI exempt member an opportunity to be heard.

Clause 8 empowers the Authority to require a DI Scheme member to maintain assets in Singapore for the purposes of meeting liabilities in respect of insured deposits placed with the DI Scheme member. The clause provides that the Authority may make regulations for this purpose and may impose the payment of a financial penalty on a DI Scheme member who contravenes an asset maintenance requirement.

PART III
DEPOSIT INSURANCE FUND

Part III (clauses 9 to 11) relates to the continuation and reconstitution of the Deposit Insurance Fund.

Clause 9 provides that the Deposit Insurance Fund (“DI Fund”) shall continue and be reconstituted in accordance with the Bill. It also provides for what may be paid into the Deposit Insurance Fund and that the Deposit Insurance Fund shall, subject to the directions of the Minister, be controlled and administered by the company designated by the Minister under clause 56 to be the Agency.

Clause 10 provides for the withdrawal and expenditure of moneys of the DI Fund.

Clause 11 empowers the Agency to invest the moneys of the DI Fund in certain instruments. The clause provides that the Agency may delegate its powers and functions to invest the moneys of the DI Fund to such employee or agent as it may appoint.

PART IV
PREMIUMS FOR DI SCHEME

Part IV (clauses 12 to 20) relates to the payment of premium contributions by DI Scheme members, determination of premium rates and premium contributions, payment by DI Scheme members of the premium contributions payable and imposition of additional premium contributions under certain circumstances.

Clause 12 requires every DI Scheme member to pay a premium contribution of an amount computed by the Authority under clause 13, in respect of the insured deposits placed with the DI Scheme member.

Clause 13 empowers the Authority to assess and determine the premium rates for the purposes of computing the premium contributions. The clause provides that the Authority shall, on the basis of the premium rates and the insured deposit base of a DI Scheme member, compute the amount of premium contribution payable by the DI Scheme member. The clause further empowers the Authority to make regulations for the purposes of assessing and determining the premium rates and computing the premium contributions payable. Where the Authority wishes to make an amendment or a variation to these regulations, the clause provides that the Authority must first conduct a joint review with the Agency and the regulations shall not be amended or varied without the concurrence of the Agency.

Clause 14 states that the Authority shall notify the Agency the amount of premium contribution payable by a DI Scheme member and the Agency shall, in turn, notify the DI Scheme member.

Clause 15 provides that where, in the opinion of the Authority, the DI Fund is insufficient to pay any compensation due to insured depositors under the Bill, the Authority may, with the concurrence of the Agency, impose on DI Scheme members additional premium contributions for any premium year. The clause further provides that the prior approval of the Minister must be obtained for the imposition of an additional premium contribution exceeding 0.3% of the insured deposit base of the DI Scheme member.

Clause 16 provides for the payment of premium contributions and additional premium contributions to the Agency. The clause also empowers the Agency to impose on DI Scheme members late payment fees. The clause further provides that any unpaid premium contribution, additional premium contribution or late payment fee shall be recoverable as a debt due to the Agency by the DI Scheme member.

Clause 17 provides that the Agency may, with the approval of the Minister, refund or remit in whole or in part any premium contribution or additional premium contribution paid or payable by a DI Scheme member.

Clause 18 provides for the refund of any excess premium contribution or additional premium contribution paid by a DI Scheme member.

Clause 19 empowers the Authority to re-compute any premium contribution where the premium contribution which has been computed and notified to the Agency, imposed or paid is less than that which ought to have been computed, imposed or paid, as the case may be.

Clause 20 provides that no DI Scheme member or officer of any DI Scheme member shall disclose to any person certain specified information relating to premium contributions, including information which if disclosed, would enable a person to deduce such specified information. However, where disclosure is necessary for the

performance of the duties of a person referred to in sub-clause (2)(a), (b) or (c), the clause provides that the information may be disclosed to that person. The clause prohibits that person from disclosing the information to any other person except a person approved by the Authority.

PART V

COMPENSATION UNDER DI SCHEME

Part V (clauses 21 to 29) relates to the compensation that is to be paid to the insured depositor of a failed DI Scheme member.

Clause 21 stipulates the 2 events which can precipitate the payment of compensation out of the DI Fund to the insured depositors of a failed DI Scheme member. The clause further provides that where the Authority has determined that compensation shall be paid, the Authority shall immediately give notice in writing to the Agency.

Clause 22 provides for the entitlement of an insured depositor to compensation from the DI Fund.

Clause 23 deals with the entitlement of an insured depositor to compensation where he holds an insured deposit in his own right or in a joint account.

Clause 24 provides that where an insured depositor has been paid compensation in full for his insured deposits in accordance with the Bill, no other person is entitled to compensation in respect of the same deposits.

Clause 25 deals with the computation and method of payment of compensation under the DI Scheme.

Clause 26 provides that where a DI Scheme member merges or consolidates with another DI Scheme member and there is a subsequent failure of the merged or consolidated DI Scheme member or a DI Scheme member acquires the deposit-taking business of another DI Scheme member and the acquiring DI Scheme member subsequently fails, any insured depositor who has insured deposits placed with both of the original DI Scheme members will be entitled to compensation for a period of one year after the date of the merger, consolidation or acquisition, as though the merger, consolidation or acquisition had not occurred and shall be entitled to compensation, in respect of his deposits with each of the original DI Scheme members, of an amount not exceeding Maximum DI Coverage or the amount of the insured deposits placed with the original DI Scheme member, whichever is lower.

Clause 27 relates to the right of subrogation of the Agency.

Clause 28 provides for the recovery by the Agency of any compensation paid in error or excess.

Clause 29 provides for the liquidator to have additional powers against the insured depositor to commence legal proceeding to recover any monies as may be necessary to put the failed DI Scheme member into the position it would have been if the Agency had not paid out any compensation or been accorded priority under the Banking Act (Cap. 19) or the Finance Companies Act (Cap. 108) in respect of the compensation paid to the insured depositor and the liquidator had applied the same insolvency rules to set off mutual debts and liabilities owing between the failed DI Scheme member and the insured depositor.

PART VI

POLICY OWNERS' PROTECTION SCHEME

Part VI (clauses 30 to 33) contains provisions relating to the establishment of the Policy Owners' Protection Scheme.

Clause 30 establishes the Policy Owners' Protection Scheme.

Clause 31 requires every relevant insurer to be a member of the PPF Scheme.

Clause 32 provides that a relevant insurer may apply to the Authority for specific exemption from being a PPF Scheme member. The clause also provides that the Authority may impose such conditions or restrictions on a PPF exempt member as it thinks fit. A PPF exempt member which contravenes any condition or restriction imposed commits an offence.

Clause 33 provides that the Authority may withdraw any exemption granted to a PPF exempt member after granting the PPF exempt member an opportunity to be heard.

PART VII

POLICY OWNERS' PROTECTION LIFE FUND AND POLICY OWNERS' PROTECTION GENERAL FUND

Part VII (clauses 34 to 36) relates to the establishment of the Policy Owners' Protection Life Fund, with respect to life business, and Policy Owners' Protection General Fund, with respect to general business.

Clause 34 provides that the Policy Owners' Protection Funds shall, subject to the directions of the Minister, be controlled and administered by the company designated by the Minister under clause 56 to be the Agency.

Clause 35 provides for the withdrawal and expenditure of moneys of the PPF Life Fund and PPF General Fund.

Clause 36 empowers the Agency to invest the moneys of the PPF Life Fund and PPF General Fund in certain instruments. The clause provides that the Agency may delegate its powers and functions to invest the moneys of the Funds to such employee or agent as it may appoint.

PART VIII

LEVIES FOR PPF SCHEME

Part VIII (clauses 37 to 45) relates to the payment of levies by PPF Scheme members, determination of levy rates and computation of levies, payment by PPF Scheme members of the levies payable and imposition of additional levies under certain circumstances.

Clause 37 requires every PPF Scheme member to pay a levy of an amount computed by the Authority under clause 38, in respect of the insured policies issued by the PPF Scheme member.

Clause 38 empowers the Authority to assess and determine the levy rates for the purposes of computing the levies. The clause provides that the Authority shall, on the basis of the levy rates and the protected liabilities of the PPF Scheme member in respect of insured policies covered under the PPF Life Fund or gross premium income of the PPF Scheme member in respect of insured policies covered under the PPF General Fund, compute the amount of levies payable by the PPF Scheme member. The clause further empowers the Authority to make regulations for the purposes of assessing and

determining the levy rates and computing the levies payable. Where the Authority wishes to make an amendment or a variation to the regulations, the clause provides that the Authority must first conduct a joint review with the Agency and the regulations shall not be amended or varied without the concurrence of the Agency.

Clause 39 states that the Authority shall notify the Agency the amount of levy payable by a PPF Scheme member and the Agency shall, in turn, notify the PPF Scheme member.

Clause 40 provides that where, in the opinion of the Authority, the PPF Life Fund or PPF General Fund is insufficient to pay any compensation due to insured policy owners, to fund the transfer of the insurance business or to carry on the orderly running down of the insurance business of any failed Scheme member under the Bill, the Authority may, with the concurrence of the Agency, impose on PPF Scheme members additional levies for any premium year or part thereof. The clause further provides that the prior approval of the Minister must be obtained for the imposition of an additional premium contribution exceeding XX% of the protected liabilities of any PPF Scheme member.

Clause 41 provides for the payment of levies and additional levies to the Agency. The clause also empowers the Agency to impose on PPF Scheme members late payment fees. The clause further provides that any unpaid levies, additional levies or late payment fee shall be recoverable as a debt due to the Agency by the PPF Scheme member.

Clause 42 provides that the Agency may, with the approval of the Minister, refund or remit in whole or in part any levy or additional levy paid or payable by a PPF Scheme member.

Clause 43 provides for the refund of any excess levy or additional levy paid by a PPF Scheme member.

Clause 44 empowers the Authority to re-compute any levy where the levy which has been computed and notified to the Agency, imposed or paid is less than that which ought to have been computed, imposed or paid, as the case may be.

Clause 45 provides that no PPF Scheme member or officer of any PPF Scheme member shall disclose to any person certain specified information relating to levy, including information which if disclosed, would enable a person to deduce such specified information. However, where disclosure is necessary for the performance of the duties of a person referred to in sub-clause (2)(a), (b) or (c), the clause provides that the information may be disclosed to that person. The clause prohibits that person from disclosing the information to any other person except a person approved by the Authority.

PART IX

COMPENSATION AND USE OF PPF LIFE FUND AND PPF GENERAL FUND

Part IX (clauses 46 to 55) relates to the compensation that is to be paid to the insured policy owners of a failed PPF Scheme member and the use of the PPF Life Fund and PPF General Fund to fund the transfer of the whole or part of the insurance business or carry on the orderly running down of the insurance business of the failed PPF Scheme member.

Clause 46 stipulates the 3 events which can precipitate the use of the PPF Life Fund or PPF General Fund. The clause further provides that where the Authority has

determined that the PPF Life Fund or PPF General Fund is to be utilised, the Authority shall immediately give notice in writing to the Agency.

Clause 47 provides for the entitlement of an insured policy owner to compensation from the PPF Life Fund.

Clause 48 provides for the entitlement of an insured policy owner to compensation from the PPF General Fund.

Clause 49 deals with the entitlement of an insured policy owner to compensation where he holds an insured policy in his own right or jointly with another person.

Clause 50 provides that where an insured policy owner has been paid compensation in full for his insured policies in accordance with the Bill, no other person is entitled to compensation in respect of the same policy.

Clause 51 deals with the computation and method of payment of compensation for insured policies.

Clause 52 relates to the right of subrogation of the Agency.

Clause 53 provides for the recovery by the Agency of any compensation paid in error or excess.

Clause 54 deals with the use of PPF Life Fund or PPF General Fund to fund the transfer of the whole or part of the business of a failed PPF Scheme member to another insurer or to carry on the orderly running down of the insurance business of a failed PPF Scheme member.

Clause 55 provides for the liquidator to have additional powers against the insured policy owner to commence legal proceeding to recover any monies as may be necessary to put the failed PPF Scheme member into the position it would have been if the Agency had not paid out any compensation or been accorded priority under section 49FR of the Insurance Act (Cap. 142) in respect of the compensation paid to the insured policy owner and the liquidator had applied the same insolvency rules to set off mutual debts and liabilities owing between the failed PPF Scheme member and the insured policy owner.

PART X

DEPOSIT INSURANCE AND POLICY OWNERS' PROTECTION AGENCY

Part X (clauses 56 to 65) contains provisions relating to the designation of the deposit insurance and policy owners' protection agency, the objects and functions of the Agency and other general matters relating to the Agency.

Clause 56 empowers the Minister to designate a company incorporated in Singapore to be the deposit insurance and policy owners' protection agency for the purposes of the Bill.

Clause 57 sets out the objects and functions of the Agency, which include administering the DI Scheme and the PPF Scheme and administering and managing the DI Fund, the PPF Life Fund and the PPF General Fund. The clause also sets out the powers of the Agency.

Clause 58 provides that the memorandum and articles of association of the Agency shall not be amended without the prior approval of the Minister and that any such amendment without the prior approval of the Minister would be void.

Clause 59 provides for the appointment of the board of directors of the Agency.

Clause 60 states that the board of directors of the Agency shall be accountable to the Minister for its acts and decisions.

Clause 61 provides that the payment of salaries, fees and allowances to the Chairman and the directors of the Agency shall be made out of the DI Fund, PPF Life Fund and PPF General Fund.

Clause 62 empowers the board of directors of the Agency to appoint a Chief Executive.

Clause 63 provides that the Agency may issue and publish Rules for any matter relating to any of its functions under the Bill. The clause also provides that the Rules shall bind the Agency, the DI Scheme members and the PPF Scheme members to the same extent as if the Rules were contained in properly executed agreements between the Agency and each DI Scheme member or the Agency and each PPF Scheme member, as the case may be, to observe and comply with all the Rules.

Clause 64 empowers the Authority to make regulations to the DI and PPF Scheme members for the purpose of ensuring —

- (a) disclosure of relevant information to the Agency, depositors, policy owners, customers or potential customers of the DI Scheme member or PPF Scheme member, as the case may be; and
- (b) the operational preparedness of the DI Scheme members and PPF Scheme members in the event of an occurrence of an event precipitating the use of the DI Fund, PPF Life Fund or PPF General Fund.

Clause 65 provides that the High Court may, on the application of the Agency, a DI Scheme member or PPF Scheme member, order observance of or compliance with the Rules.

PART XI OFFENCES

Part XI (clauses 66 to 73) relates to offences under the Bill.

Clause 66 provides that where an offence under the Bill is committed by a body corporate with the consent or connivance of an officer or is attributable to any neglect on his part, that officer shall also be guilty of the offence.

Clause 67 makes it an offence for any person to knowingly or recklessly make a false or misleading statement as to whether or not any person is a DI Scheme member or a PPF Scheme member, any deposit or other financial product is an insured deposit or any policy is an insured policy.

Clause 68 makes it an offence for an officer of a full bank, finance company or relevant insurer to fail to take all reasonable steps to ensure that the provisions of the Bill are complied with and that statements submitted under the Bill are accurate and correct.

Clause 69 imposes a duty on persons who furnish the Authority or the Agency with any information under the Bill to ensure that the information is not false or misleading. This applies where no other provision of the Bill creates an offence in connection with the furnishing of information. Any person who contravenes the clause commits an offence.

Clause 70 provides for the penalties for offences under the Bill where no penalty is expressly provided.

Clause 71 allows a court to impose, on a corporation or body corporate that has been convicted of an offence under the Bill, up to 2 times the maximum fine that may otherwise be imposed but for the clause. Certain offences are, however, excluded from the application of the clause.

Clause 72 confers jurisdiction on a District Court to try any offence under the Bill and to impose the full penalty or punishment in respect of any such offence.

Clause 73 empowers the Authority to compound any offence under the Bill that is prescribed as a compoundable offence.

PART XII

FINANCIAL AND AUDIT PROVISIONS

Part XII (clauses 74 to 78) contains financial and audit provisions.

Clause 74 (read with the Fifth Schedule) sets out the financial provisions applicable to all moneys in the DI Fund, PPF Life Fund and PPF General Fund.

Clause 75 (read with the Sixth Schedule) sets out the financial provisions applicable to the Agency.

Clause 76 requires the Agency to prepare and submit an annual report to the Minister.

Clause 77 requires the Agency to prepare annual estimates and supplementary estimates of income and expenditure of the DI Fund, PPF Life Fund and PPF General Fund and the Agency for approval by the Minister.

Clause 78 requires the auditor of the Agency, the DI Fund, PPF Life Fund or PPF General Fund to report to the Minister certain matters or irregularities which he discovers while performing his duties as such auditor.

PART XIII

MISCELLANEOUS

Part XIII (clauses 79 to 93) contains a number of miscellaneous provisions.

Clause 79 confers on the Agency, any director, officer, employee or agent of the Agency, or any person acting under the direction of the Agency, protection from personal liability for anything which is done or omitted to be done in good faith in the exercise or purported exercise of any power under the Bill, performance or purported performance of any function or duty under the Bill, or execution or purported execution of the Bill.

Clause 80 provides for the preservation of confidentiality by any person who is or has been a member, a director, an officer, an employee or an agent of the Agency.

Clause 81 enables the Minister to exempt any person or class of persons from all or any of the provisions of the Bill.

Clause 82 empowers the Authority to appoint, subject to conditions or restrictions imposed by the Authority, any person to exercise its powers or perform its functions or duties under the Bill.

Clause 83 empowers the Authority to inspect, under conditions of secrecy, the books of a DI Scheme member or PPF Scheme member for the purposes of the Bill.

Clause 84 empowers the Authority to require a DI Scheme member or PPF Scheme member to provide information and to produce any book that the Authority may require for the proper discharge of its functions.

Clause 85 relates to the service of documents.

Clause 86 provides for an electronic service for the service of any notice by the Authority and makes an electronic record of any notice, or any copy or print-out thereof, admissible in court as evidence of the facts stated therein if certain conditions are satisfied.

Clause 87 provides that a copy of or an extract from a book mentioned in the Bill that is proved to be a true copy of the book or of the relevant part of the book is admissible in evidence as if it were the original.

Clause 88 relates to the application of the Companies Act (Cap. 50) to the Agency.

Clause 89 provides that the Insurance Act (Cap. 142), except where expressly mentioned, shall not apply to anything done by the Agency under the Bill.

Clause 90 empowers the Minister to amend any Schedule by order published in the *Gazette* and provides that the order is to be presented to Parliament after the publication.

Clause 91 empowers the Minister to make regulations for the carrying out of the purposes and the provisions of the Bill.

Clause 92 provides for the repeal of the Deposit Insurance Act (Cap. 77A).

Clause 93 provides for transitional and savings arrangements.

The First Schedule sets out the meaning of insured deposit and Maximum DI Coverage.

The Second Schedule sets out the categories of insured policies.

The Third Schedule sets out the computation of protected liabilities in respect of insured policies.

The Fourth Schedule sets out the computation of protection ratio in respect of insured policies.

The Fifth Schedule sets out the financial provisions with respect to the DI Fund, PPF Life Fund and PPF General Fund.

The Sixth Schedule sets out the financial provisions with respect to the Agency.

EXPENDITURE OF PUBLIC MONEY

This Bill will not involve the Government in any extra financial expenditure.

T:/WC:/DIPOPS Bill 2010.4 (NJ/FC 14.12.10)

No. S 000 –

**DEPOSIT INSURANCE AND POLICY OWNERS’
PROTECTION SCHEMES ACT
(ACT OF 2011)**

**DEPOSIT INSURANCE AND POLICY OWNERS’
PROTECTION SCHEMES (DEPOSIT INSURANCE)
REGULATIONS 2011**

ARRANGEMENT OF REGULATIONS

Regulation

1. Citation and commencement
2. Definitions
3. Premium year
4. Definition of SIBOR
5. Asset maintenance requirement for foreign banks
6. Computation of asset maintenance ratio
7. Determination of premium rates
8. Computation of premium contributions
9. Minimum premium contribution
10. Size of DI Fund
11. Payment of compensation from DI Fund
12. Compensation payout operational preparedness
13. Register of insured deposits
14. Disclosure statement for insured deposits
15. Disclosure by DI Scheme member upon cessation
16. Prescribed insured deposit

The Schedules

In exercise of the powers conferred by sections 8, 21, 22, 38, 64 and the First Schedule of the Deposit Insurance and Policy Owners’ Protection Schemes Act 2011, the Monetary Authority of Singapore hereby makes the following Regulations:

Citation and commencement

1. These Regulations may be cited as the Deposit Insurance and Policy Owners’ Protection Schemes (Deposit Insurance) Regulations 2011 and shall come into operation on [date].

Definitions

2. In these Regulations, unless the context otherwise requires —

- “Accounting Standards” has the same meaning as in section 4(1) of the Companies Act (Cap. 50);
- “advocate and solicitor” means an advocate and solicitor of the Supreme Court who has in force a practising certificate;
- “associated company” has the same meaning as the term “associate” defined in the Accounting Standards;
- “banking corporation” means —
- (a) any bank licensed by the Authority under the Banking Act (Cap. 19); or
 - (b) any entity licensed, registered, approved or otherwise regulated as a bank in the country of establishment;
- “classified”, in relation to a credit facility, means any credit facility which has been categorised by a DI Scheme member as “substandard”, “doubtful” or “loss” pursuant to any notice in writing issued by the Authority under any written law;
- “company” and “corporation” have the respective meanings as in section 4(1) of the Companies Act (Cap. 50);
- “counterparty related to the DI Scheme member” includes any holding company, subsidiary or associated company of the DI Scheme member, and any subsidiary or associated company of any holding company of the DI Scheme member;
- “credit facility” means —
- (a) the granting by a DI Scheme member of advances, loans and other facilities whereby a customer of the DI Scheme member has access to funds or financial guarantees; or
 - (b) the incurring by a DI Scheme member of other liabilities on behalf of a customer;
- “debt security” includes any debenture, bond or note;
- “eligible asset” means any of the assets listed in the First Schedule which may be included by a DI Scheme member for the purposes of computing the asset maintenance ratio under regulation 6;
- “eligible pledged asset” has the meaning given to it by regulation 6(3);
- “foreign bank” means a full bank which is incorporated in a jurisdiction other than Singapore and operating branches or offices located within Singapore;
- “holding company” and “subsidiary” have the respective meanings as in section 5 of the Companies Act;

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

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

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

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

“minimum cash balances” means the minimum cash balances maintained on deposit with the Authority by a bank as reserves against its deposit and other liabilities under section 39 of the Banking Act (Cap. 19);

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

“practising certificate” means a certificate issued by the Registrar under section 25 of the Legal Profession Act (Cap. 161);

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

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

Premium year

3. For the purposes of the definition of “premium year” in section 2(1) of the Act, the Authority hereby prescribes the premium year to be the period beginning on 1st April of any year and ending on 31st March of the following year.

Definition of SIBOR

4. For the purposes of the definition of “SIBOR” in section 8(14) of the Act, the Authority hereby prescribes “SIBOR” to be the 3-month Singapore Dollar Singapore Interbank Offer Rate as determined by the Association of Banks in Singapore.

Asset maintenance requirement for foreign banks

5.—(1) Every DI Scheme member which is a foreign bank shall maintain in relation to its insured deposit base, assets in Singapore

for meeting its liabilities in respect of insured deposits placed with it, in the manner specified in paragraph (2).

(2) For the purposes of paragraph (1), the foreign bank shall at all times maintain an asset maintenance ratio of not less than 1 as determined in accordance with regulation 6.

Computation of asset maintenance ratio

6.—(1) For the purposes of regulation 5(2) and subject to paragraphs (2), (3) and (4), the asset maintenance ratio shall be calculated in accordance with the following formula:

$$\text{Asset maintenance ratio} = \frac{\Sigma[A \times B]}{C}$$

where A is the value of any eligible asset or eligible pledged asset which —

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

B is the percentage applicable to a particular eligible asset or an eligible pledged asset specified in the second column of the First or Second Schedule, as the case may be; and

C is the insured deposit base of the DI Scheme member —

- (a) as at 31st December of the preceding year; or
- (b) in the case where the foreign bank becomes a DI Scheme member during the course of a premium year or an exemption from the requirement to be a DI Scheme member granted to the foreign bank is withdrawn during the course of a premium year, as at the date on which the foreign bank becomes a DI Scheme member.

(2) For the purposes of paragraph (1), the value of an eligible asset or eligible pledged asset shall be determined in the following manner:

- (a) the value of an eligible asset shall be its carrying value;
- (b) the value of an eligible pledged asset shall be its market value.

(3) For the purposes of paragraph (1), a Scheme member may include in the value of A, the value of an eligible asset against which a deposit has been pledged, charged or secured as collateral.

(4) For the purposes of paragraph (1), an eligible pledged asset shall comprise any of the following types of assets, in respect of which the DI Scheme member has granted, on such terms and conditions as may be agreed with the Agency, a security interest, other than a contingent security interest, in favour of the DI Fund:

- (a) any Singapore dollar note or coin kept in Singapore;
- (b) any Singapore Government Securities or debt securities issued by a statutory body in Singapore (including the Authority) and guaranteed by the Government;
- (c) any deposit placed with the Authority, after deducting any moneys due to the Authority;
- (d) any debenture or debt securities issued by the Singapore Sukuk Pte. Ltd.;
- (e) any debt securities issued by a statutory body in Singapore (including the Authority) which are not guaranteed by the Government;
- (f) any debt securities (other than those of a banking corporation or merchant bank) which have a long-term rating of investment grade;
- (g) any shares listed on a securities exchange and issued by a company (other than a banking corporation, a merchant bank or a counterparty related to the DI Scheme member) incorporated in Singapore; and
- (h) such shares listed on a securities exchange and issued by a company (other than a banking corporation, a merchant bank or a counterparty related to the DI Scheme member) established or incorporated outside Singapore as may be permitted by the Authority for inclusion in the computation of the asset maintenance ratio.

(5) For the purposes of paragraph (4), where the Agency appoints an advocate and solicitor to act on its behalf in any particular transaction with a DI Scheme member to create a security interest

over an eligible pledged asset, the Agency shall be entitled to claim costs on a full indemnity basis for the appointment of the advocate and solicitor from that DI Scheme member.

Determination of premium rates

7.—(1) For the purposes of determining the premium rates applicable to DI Scheme members for any premium year, all DI Scheme members shall be classified into the categories specified in the first column of the Table in the Third Schedule.

(2) The premium rate applicable to each category is specified in the second column of the Table in the Third Schedule.

(3) For the purposes of determining the category in which a foreign bank shall be classified, the Authority shall compute the asset maintenance ratio of the foreign bank.

(4) For the purposes of computing the asset maintenance ratio under paragraph (3), the Authority shall apply —

(a) in the case where —

(i) the foreign bank becomes a DI Scheme member during the course of a premium year; or

(ii) an exemption from the requirement to be a DI Scheme member granted to the foreign bank pursuant to section 6 of the Act is withdrawn during the course of a premium year,

the average of the numerator of the formula for computing the asset maintenance ratio set out in regulation 6 for the last 3 months before it becomes a DI Scheme member over the insured deposit base as at the date it becomes a DI Scheme member; or

(b) in any other case, the average of the numerator of the formula for computing the asset maintenance ratio set out in regulation 6 for the last 3 months of the preceding year over the insured deposit base as at 31st December of the preceding year.

(5) A DI Scheme member which is incorporated in Singapore shall be classified in the same category as a foreign bank with an asset maintenance ratio of more than 5.

Computation of premium contributions

8.—(1) Subject to regulation 9(1), the Authority shall calculate the amount of premium contribution payable by a DI Scheme member for any premium year as the product of the premium rate applicable to the DI Scheme member and the insured deposit base

of the DI Scheme member as at 31st December of the preceding year.

(2) Subject to regulation 9(2), where —

- (a) a full bank or finance company becomes a DI Scheme member during the course of a premium year; or
- (b) an exemption from the requirement to be a DI Scheme member granted to a full bank or finance company pursuant to section 6 of the Act is withdrawn during the course of a premium year,

the Authority shall impose on that full bank or finance company, as the case may be, a premium contribution which is pro-rated according to the number of months, or any part thereof, remaining for that premium year.

(3) For the purposes of calculating the premium contribution of a full bank or finance company referred to in paragraph (2), the Authority shall apply the insured deposit base of the full bank or finance company, as the case may be, as at the date on which the full bank or finance company becomes a DI Scheme member.

Minimum premium contribution

9.—(1) Subject to paragraphs (2) and (3), for any premium year, a DI Scheme member shall pay a minimum premium contribution of \$2,500.

(2) In the case where —

- (a) a full bank or finance company becomes a DI Scheme member during the course of a premium year; or
- (b) an exemption from the requirement to be a DI Scheme member granted to a full bank or finance company pursuant to section 6 of the Act is withdrawn during the course of a premium year,

the minimum premium contribution that that full bank or finance company, as the case may be, shall pay shall be pro-rated according to the number of months, or any part thereof, remaining for that premium year.

(3) Where the first premium year does not commence from 1st April, the minimum premium contribution that a DI Scheme member shall pay for the first premium year shall be pro-rated according to the number of months, or any part thereof, comprised in the first premium year.

Size of DI Fund

10.—(1) The target fund size of the DI Fund is 0.3% of the aggregate of the insured deposit base of every DI Scheme member.

(2) Without prejudice to any other factors that may be relevant in the determination of any variation to the premium rates, where the DI Fund achieves or exceeds the target fund size specified in paragraph (1), the Authority and the Agency may conduct a joint review of the premium rates.

Payment of compensation from DI Fund

11.—(1) Where an insured depositor is entitled to compensation in respect of moneys placed with a failed DI Scheme member under the CPFIS or CPFMS, the Agency may pay such compensation to the Central Provident Fund Board for the benefit of the insured depositor or into an equivalent account with another Scheme member in which the compensation is to be held in a manner equivalent to the manner of holding the original moneys.

(2) Where an insured depositor is entitled to compensation in respect of an insured deposit held under a trust, the Agency may pay such compensation —

- (a) directly to the insured depositor;
- (b) into an account in the name of the insured depositor opened with another DI Scheme member; or
- (c) into an equivalent trust account held with another DI Scheme member.

(3) Where an insured depositor is entitled to compensation in respect of an insured deposit held under a client account, the Agency may pay such compensation —

- (a) directly to the insured depositor;
- (b) into an account in the name of the insured depositor opened with another DI Scheme member; or
- (c) into an equivalent client account held with another DI Scheme member.

Compensation payout operational preparedness

12.—(1) Every DI Scheme member shall at all times have the capability to furnish to the Agency, in a secure manner, within such period and in such form and manner as may be specified by the Agency in the Rules, information which is necessary to enable the Agency to make any payment of compensation to insured depositors.

- (2) Every DI Scheme member shall —
- (a) participate in any periodic exercise conducted by the Agency for the purpose of assessing whether the DI Scheme member is sufficiently prepared in the event that the Authority determines that compensation is to be paid out of the DI Fund to the insured depositors of the DI Scheme member; and
 - (b) achieve the level of preparedness required by the Agency of all Scheme members as may be specified in the Rules.
- (3) Any DI Scheme member which —
- (a) merges or consolidates with another DI scheme member;
or
 - (b) acquires the deposit-taking business of another DI Scheme member,

shall, on the effective date of the merger, consolidation or acquisition, as the case may be, furnish to the Agency the information referred to in paragraph (1) in a secure manner and in such form and manner as may be specified by the Agency in the Rules.

(4) Upon receipt of a confirmation from the Agency that the information furnished under paragraph (3) is in order, the acquiring DI Scheme member or the merged or consolidated DI Scheme member, as the case may be, shall prepare and maintain records of every insured depositor of each of the DI Scheme members referred to in paragraph (3) (referred to in this regulation as the relevant DI Scheme member) who, immediately prior to the merger, consolidation or acquisition, as the case may be, had insured deposits with a relevant DI Scheme member and the aggregate of such insured deposits exceeds the effective Maximum DI Coverage.

(5) For the purposes of paragraph (4), the records shall be maintained for a period of one year from the date of the merger, consolidation or acquisition, as the case may be, or such other period as may be approved by the Minister pursuant to section 26 of the Act.

(6) The acquiring DI Scheme member or the merged or consolidated DI Scheme member, as the case may be, shall engage an external auditor to verify that the records referred to in paragraph (4) have been prepared and that the DI Scheme member has put in place proper procedures to ensure that the records are maintained in a secure manner.

(7) Any DI Scheme member which contravenes paragraphs (1), (2), (3), (4) or (6) shall be guilty of an offence and shall be liable on

conviction to a fine not exceeding \$250,000 and, in the case of a continuing offence, to a further fine of \$25,000 for every day or part thereof during which the offence continues after conviction

(8) In this regulation, “in a secure manner” in relation to any information, means that when dealing with the information, the DI Scheme member shall take due care and diligence by, including but not limited to, using methods like masking or encrypting when storing the information in an electronic medium, to ensure that the information shall not be easily accessible to other non-authorised parties.

Register of insured deposits

13.—(1) Every DI Scheme member shall maintain at all times, a register of all its financial products which are insured deposits (referred to in this regulation as the Register), in such form and manner as may be specified by the Rules.

(2) Every DI Scheme member shall, within 10 days from 1st April of each year, submit to the Agency a copy of the Register updated to 1st April of that year and an annex, in such form as may be specified in the Rules, setting out the product codes of each financial product, which is an insured deposit, in the Register (referred to in this regulation as the Annex).

(3) A DI Scheme member shall notify the Agency of any change to the Register or Annex within 10 days of such change.

(4) A DI Scheme member shall, upon reasonable request, make available to any person a copy of the Register (last submitted to the Agency, together with all notification of change since that submission where such change has not been incorporated into the Register) for inspection, at every place of business of the DI Scheme member where insured deposits are offered.

(5) Any DI Scheme member which contravenes paragraphs (1), (2), (3) or (4) shall be guilty of an offence and shall be liable on conviction to a fine not exceeding \$250,000 and, in the case of a continuing offence, to a further fine of \$25,000 for every day or part thereof during which the offence continues after conviction.

Disclosure statement for insured deposits

14.—(1) Every DI Scheme member shall, in respect of every insured deposit that it offers or holds for insured depositors, state clearly that the insured deposit is protected under the DI Scheme up to the limits prescribed in the Act in all marketing materials,

account opening forms and account statements for such deposits, whether in electronic, print or other form.

(2) Where the statement required under paragraph (1) is in written form, the statement shall be clear and legible.

(3) Any DI Scheme member which contravenes paragraph (1), shall be guilty of an offence and shall be liable on conviction to a fine not exceeding \$250,000 and, in the case of a continuing offence, to a further fine of \$25,000 for every day or part thereof during which the offence continues after conviction.

Disclosure by DI Scheme member upon cessation

15.—(1) Subject to paragraph (2), every DI Scheme member shall, if any of the following events occur, disclose in writing the occurrence of the event to every of its insured depositors, as soon as practicable:

- (a) that it will cease to be a DI Scheme member;
- (b) if any of its products which the DI Scheme member is, or has been, offering will cease to be an insured deposit under the Act; or
- (c) if any of its products which the DI Scheme member has classified as an insured deposit, will be reclassified as not being an insured deposit.

(2) A DI Scheme member may disclose the occurrence of any of the events specified in paragraph (1) after the event if it is not possible to do so prior to the occurrence of the event.

(3) A DI Scheme member which —

- (a) merges or consolidates with another DI Scheme member;
or
- (b) acquires the deposit-taking business of another DI Scheme member,

shall disclose the following to every insured depositor which has insured deposits with each of the original DI Scheme members:

- (i) the insured depositor shall, for a period of one year after the date of the merger, consolidation or acquisition, as the case may be, be entitled to compensation in accordance with the Act as if the merger, consolidation or acquisition, as the case may be, did not take place; and
- (ii) the insured depositor shall be entitled to compensation in respect of his insured deposits with each of the original DI Scheme members, of an amount being the Maximum DI

Coverage or the aggregate amount of insured deposits placed with the original DI Scheme member, whichever is the lower.

(4) Any DI Scheme member which contravenes paragraphs (1) or (3) shall be guilty of an offence and shall be liable on conviction to a fine not exceeding \$250,000 and, in the case of a continuing offence, to a further fine of \$25,000 for every day or part thereof during which the offence continues after conviction.

Prescribed insured deposit

16. For the purposes of the First Schedule of the Act, a sum of money paid by a person (the first-mentioned person) to a Scheme member or any other person as an agent of the first-mentioned person is prescribed as an insured deposit made by the first-mentioned person with the Scheme member, if it is paid under the following arrangement:

- (a) the payment is made to enable the Scheme member or the agent to purchase an asset on behalf of the first-mentioned person, being an asset that exists at the time of the purchase;
- (b) the Scheme member purchases the asset from the first-mentioned person at a price (the marked-up price) that is greater than the sum of money paid by the first-mentioned person, and sells the asset;
- (c) the first-mentioned person and the Scheme member respectively do not derive any gain or suffer any loss from any movement in the market value of the asset other than the difference between the marked-up price and the sum of money paid by the first-mentioned person; and
- (d) no part of the marked-up price is required to be paid by the Scheme member to the first-mentioned person until after the date of sale of the asset by the Scheme member.

FIRST SCHEDULE

Regulations 2 and 6

ELIGIBLE ASSETS

| <i>First column</i> | <i>Second column</i> |
|--|----------------------|
| <i>Type of Asset</i> | <i>Percentage</i> |
| 1. Any Singapore dollar note or coin kept in Singapore | 85% |
| 2. Any Singapore Government Securities | 85% |
| 3. Any deposit placed with the Authority, after deducting any moneys due to the Authority | 85% |
| 4. Any security issued by the Authority pursuant to the Monetary Authority of Singapore Act (Cap. 186) | 85% |
| 5. Any debt securities issued by the Singapore Sukuk Pte. Ltd. | 85% |
| 6. Any outstanding amount due to a Scheme member under a housing loan granted to a resident of Singapore which is denominated in Singapore dollars and not classified | 85% |
| 7. Any outstanding amount due to a Scheme member under a credit facility, other than a housing loan, granted to a resident of Singapore (other than a banking corporation or merchant bank) which is denominated in Singapore dollars and not classified | 70% |
| 8. Any immovable property in Singapore | 60% |

SECOND SCHEDULE

Regulation 6

ELIGIBLE PLEDGED ASSETS

| <i>First column</i> | <i>Second column</i> |
|--|----------------------|
| <i>Asset Category</i> | <i>Percentage</i> |
| 1. Any Singapore dollar note or coin kept in Singapore | 100% |
| 2. Any Singapore Government Securities or debt securities issued by a statutory body in Singapore (other than those of the Authority) and guaranteed by the Government | 100% |
| 3. Any security issued by the Authority pursuant to the Monetary Authority of Singapore Act (Cap. 186) | 100% |
| 4. Any debenture or debt securities issued by Singapore Sukuk Pte. Ltd. | 100% |
| 5. Any deposit placed with the Authority, after deducting any moneys due to the Authority | 100% |
| 6. Any debt securities issued by a statutory body in Singapore (other than those of the Authority) not guaranteed by the Government | 95% |
| 7. Any debt securities (other than those of a banking corporation or merchant bank) which have a long-term rating of investment grade | 90% |
| 8. Any shares listed on a securities exchange and issued by a company (other than a banking corporation, a merchant bank or a counterparty related to the DI Scheme member) which is incorporated in Singapore | 70% |
| 9. Any shares listed on a securities exchange and issued by a company (other than a banking corporation, a merchant bank or a counterparty related to the DI Scheme member) which is established or incorporated outside Singapore | 55% |

THIRD SCHEDULE

Regulation 7

TABLE – PREMIUM RATES APPLICABLE TO SCHEME MEMBERS

| <i>First column</i> | <i>Second column</i> |
|--|----------------------|
| <i>Category of DI Scheme members</i> | <i>Premium Rate</i> |
| 1. A DI Scheme member which is — (a) incorporated in Singapore; or (b) a foreign bank with an asset maintenance ratio of more than 5 | 0.02% |
| 2. A DI Scheme member which is a foreign bank with an asset maintenance ratio of more than 2 but not more than 5 | 0.03% |
| 3. A DI Scheme member which is a foreign bank with an asset maintenance ratio of 2 or less | 0.07% |

Made this day of 2011.

HENG SWEE KEAT
Managing Director,
Monetary Authority of Singapore.

[PPD06/2005; AG/LRRD/26/2002/10]

T:/WC:/DI and PPF Reg (NJ 26.11.10)

No. S 000 –

**DEPOSIT INSURANCE AND POLICY OWNERS’
PROTECTION SCHEMES ACT
(ACT OF 2011)**

**DEPOSIT INSURANCE AND POLICY OWNERS’
PROTECTION SCHEMES (DEPOSIT INSURANCE)
(COMPOSITION OF OFFENCES) REGULATIONS 2011**

ARRANGEMENT OF REGULATIONS

Regulation

1. Citation and commencement
2. Compoundable offences

In exercise of the powers conferred by 73 of the Deposit Insurance and Policy Owners’ Protection Schemes Act 2011, the Monetary Authority of Singapore hereby makes the following Regulations:

Citation and commencement

1. These Regulations may be cited as the Deposit Insurance and Policy Owners’ Protection Schemes (Deposit Insurance) (Composition of Offences) Regulations 2011 and shall come into operation on [date].

Compoundable offences

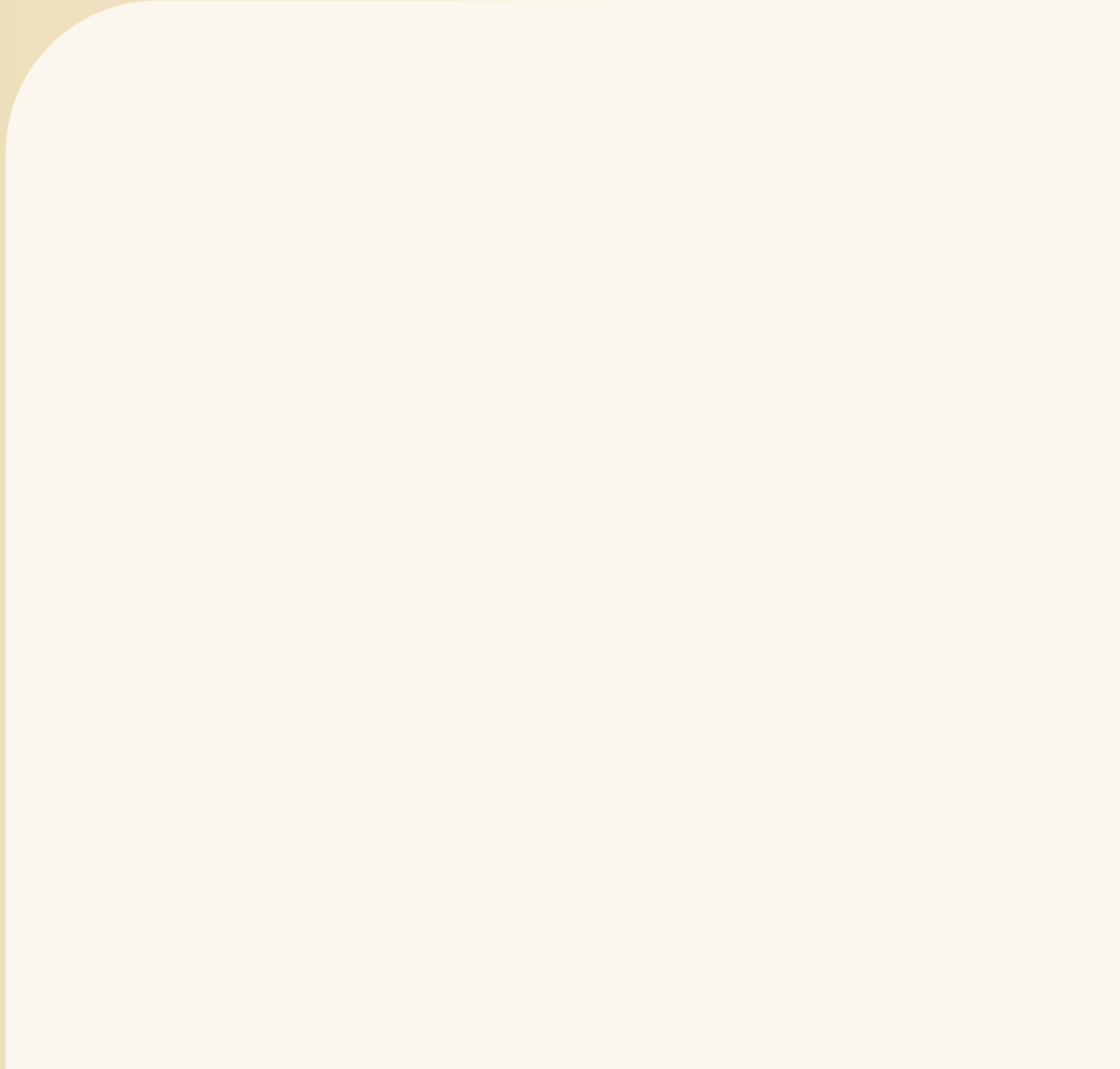
2. The following offences may be compounded by the Authority in accordance with section 73 of the Act:

- (a) an offence under the Act which is punishable with a fine only;
- (b) an offence under section 20, 68 (1) (b) or 69 of the Act;
- (c) an offence under subsection (1) (a) of section 68 of the Act, where the non-compliance referred to in that subsection constitutes a compoundable offence under paragraph (a) or (b) and
- (d) an offence under Regulation 12 (7), 13 (5), 14 (3) and 15 (4) of the Deposit Insurance and Policy Owners’ Protection Schemes (Deposit Insurance) Regulations 2011.

Made this day of 2011.

HENG SWEE KEAT
Managing Director,
Monetary Authority of Singapore.

[PPD06/2005; AG/LRRD/]



Monetary Authority of Singapore