CONSULTATION PAPER

P014-2015
August 2015

Removing the DBU-ACU Divide – Implementation Issues
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1 Preface

1.1 Currently, all banks in Singapore have to maintain two accounting units – the Domestic Banking Unit ("DBU") and the Asian Currency Unit ("ACU"). Transactions in Singapore dollars can be booked only in the DBU, whereas transactions in foreign currencies are typically booked in the ACU.

1.2 In June 2015, MAS announced that it will remove the DBU-ACU divide.¹ This means that banks will no longer need to maintain two separate accounting units. This consultation paper sets out the proposed consequential amendments to regulatory requirements following the removal of the DBU-ACU divide.

1.3 We seek your feedback on the proposals.

Please note that all feedback received will be published and attributed to the respective respondents unless they expressly request MAS not to do so. As such, if you would like (i) your whole submission or part of it, or (ii) your identity, or both, to be kept confidential, please expressly state so in your submission to MAS. In addition, MAS reserves the right not to publish any submission received where MAS considers it not in the public interest to do so, such as where the submission appears to be libellous or offensive.

1.4 Please send us your written comments by 30 September 2015 to –

Prudential Policy Department
Monetary Authority of Singapore
10 Shenton Way, MAS Building
Singapore 079117
Fax: (65) 6220 3973
Email: policy@mas.gov.sg

1.5 Electronic submission is encouraged. We would appreciate that you use this suggested format [link to consultation feedback submission document] for your submission to ease our collation efforts.

¹ Keynote Address by Mr Tharman Shanmugaratnam, Deputy Prime Minister and Chairman, Monetary Authority of Singapore, at the Association of Banks in Singapore (ABS) Annual Dinner on 30 June 2015 [link].
2 Regulatory Requirements that Refer to the DBU-ACU Divide

2.1 The DBU-ACU divide has been a key feature of Singapore’s banking regulatory landscape. Many of our prudential limits are calibrated based on this divide. The key regulatory provisions that refer to the DBU-ACU divide are:

(a) Priority of specified liabilities in insolvency (section 62(1) of the Banking Act (“BA”));
(b) Asset maintenance requirements (MAS Notice 640);
(c) Anti-commingling limits (regulations 23F and 23G of the Banking Regulations);
(d) Equity investments limit (section 31 of the BA) and immovable property limit (section 33 of the BA); and
(e) Concentration limits (MAS Notice 639).

Details of the proposed consequential amendments to the aforesaid regulatory requirements are elaborated in the rest of the consultation paper.

2.2 In addition, banks are required to submit regulatory returns based on the DBU and ACU (MAS Notice 610 – Submission of Statistics and Returns). MAS is working separately with the industry on the proposed amendments to these returns.
3 Ranking of Specified Liabilities in Insolvency

3.1 Section 62(1) of the BA specifies the priority ranking of the liabilities of a bank in Singapore, in the event of a winding up of a bank. Section 62(1) currently ranks the liabilities of a bank in the following order:

(i) Premium contributions due and payable by the bank under the Deposit Insurance and Policy Owners’ Protection Schemes Act (“DI premiums”);

(ii) Liabilities incurred by the bank in respect of insured deposits, up to the amount of compensation paid or payable out of the Deposit Insurance Fund by the Agency under the Deposit Insurance and Policy Owners’ Protection Schemes Act (“insured deposits”) in respect of the insured deposits;

(iii) Deposit liabilities incurred by the bank with non-bank customers other than those in paragraphs (ii) and (iv) (i.e. uninsured non-bank deposits in the DBU); and

(iv) Deposit liabilities incurred by the bank with non-bank customers when operating an ACU.

3.2 With the removal of the DBU-ACU divide, MAS proposes amending the BA to rank uninsured non-bank deposits (i.e. sub-paragraphs 3.1(iii) and (iv)) in insolvency by the currency denomination of the deposits instead. This approach would be a natural replacement of the current priority ranking since the DBU and ACU are broadly differentiated by currency.2 The proposed priority ranking is as follows:

(i) DI premiums;
(ii) Insured deposits;
(iii) Uninsured Singapore dollar non-bank deposits; and
(iv) Uninsured foreign currency non-bank deposits

| Question 1. | MAS seeks comments on the proposal to amend section 62(1) of the BA to rank uninsured non-bank deposits in insolvency by the currency denomination of the deposits. |

The proposed amendments to section 62(1) of the BA are in Annex C. The consequential amendments to regulations 29 and 30 of the Banking Regulations are in Annex D.

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2 Singapore dollar deposits can be booked only in the DBU.
4 Asset Maintenance (“AM”) Requirements

4.1 The AM requirements, currently set out in MAS Notice 640 ("Minimum Asset Maintenance Requirements"), are applied based on the amount of DBU non-bank deposits held by a bank. With the removal of the DBU-ACU divide, MAS proposes to apply the AM requirements by currency denomination instead. This means that the current asset maintenance ratios\(^3\) applied on DBU non-bank deposits will henceforth be applied on Singapore dollar non-bank deposits instead. This proposal is aligned with the suggested approach to the priority ranking of specified liabilities in insolvency set out above (see Section 3).

4.2 There will be no change to the list of eligible assets. Eligible assets are selected on the basis of their quality and recoverability, and independent of the DBU-ACU divide.

Question 2. MAS seeks comments on the proposal to amend MAS Notice 640 to apply the AM requirements by currency denomination.

The proposed amendments to MAS Notice 640 are in Annex E.

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\(^3\) This formula is set out in MAS Notice 640. It is the value of eligible assets divided by the deposit liabilities incurred by the bank with non-bank customers, other than deposit liabilities incurred by non-bank customers when operating an ACU.
5 Anti-commingling Limits

5.1 Regulations 23F and 23G of the Banking Regulations specify the anti-commingling limits applicable to banks (see Table 1). The limits are expressed as a proportion of a bank in Singapore’s capital funds. The definition of “capital funds” set out in MAS Notice 601 (“Capital funds, Net Head Office Funds and Head Office Capital Funds”) is based on the DBU-ACU divide.

5.2 The anti-commingling policy remains relevant – it aims to limit the reputational risks arising from banks engaging in non-financial businesses and ensure that bank management focuses its attention on core banking business. Therefore, MAS will continue to apply the anti-commingling limits to all banks.

5.3 However, with the removal of the DBU-ACU divide, the computation of the limit will need to be revised, as the concept of capital funds will no longer apply for banks incorporated outside Singapore. MAS proposes to revise the methodology for computing the limits for all banks to be based on total assets instead of capital funds. An asset-based limit is a reasonable measure of a bank’s investments in non-financial businesses, and will help ensure that the bank’s interests in non-financial businesses do not become a substantial part of its total assets. The proposed revised limits, as described in Table 1, are calibrated at lower absolute levels than the current limits, as banks’ total assets are significantly larger than their capital funds.

Table 1: Proposed anti-commingling limits under regulations 23F and 23G of the Banking Regulations

<table>
<thead>
<tr>
<th>Current</th>
<th>Proposed</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Regulation 23F (Prescribed private equity or venture capital (“PEVC”) business):</strong>&lt;br&gt;Bank incorporated in Singapore: Total net book value of PEVC business cannot exceed 10% of the bank’s capital funds.</td>
<td>Total net book value of a bank’s PEVC business cannot exceed 2% of its total assets i.e. ( \frac{\text{Total net book asset value}}{\text{Total assets of the bank in Singapore}} \leq 2% )</td>
</tr>
<tr>
<td>Bank incorporated outside Singapore: Total net book value of PEVC business (in the DBU) cannot exceed 10% of the bank’s capital funds.</td>
<td></td>
</tr>
</tbody>
</table>
Current Proposed

Regulation 23G (Prescribed related or complementary business):

Aggregate Size\(^4\) of related or complementary business cannot exceed 15% of a bank’s capital funds.

If a bank carries on businesses under both regulations 23F and 23G, the bank is required to limit the Aggregate Size of all such businesses to 20% of its capital funds.

Aggregate Size of related or complementary business cannot exceed 2% of a bank’s total assets i.e.

\[
\frac{\text{Aggregate Size}}{\text{Total assets of the bank in Singapore}} \leq 2\%
\]

If a bank carries on businesses under both regulations 23F and 23G, the bank is required to limit the Aggregate Size of all such businesses to 4% of its total assets.

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Question 3. MAS seeks comments on the proposed asset-based anti-commingling limits, as detailed in Table 1, for all banks.

The proposed amendments to regulations 23F and 23G of the Banking Regulations and MAS Notice 601 are in Annexes D and F, respectively.

Consequential amendments to MAS Notice 630 (“Private Equity and Venture Capital Investments”) and Guidelines on Banking Regulations 23G and 7A are in Annexes G and H, respectively.

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\(^4\) Aggregate Size means the total balance sheet asset value, total revenue or total exposures (whichever is the highest of the 3) or such other measure of the size of the businesses as MAS may specify.
6 Equity Investments and Immovable Property Limits

6.1 Banks are currently subject to limits on equity investments and immovable property under sections 31 and 33 of the BA, respectively. Both limits are also applied to banks on a consolidated basis under MAS Notice 625 (“Compliance with Sections 31 and 33 on a Consolidated Basis”).

6.2 The limits under sections 31 and 33 apply only to the DBU of a bank incorporated outside Singapore. With the removal of the DBU-ACU divide and the capital funds concept for banks incorporated outside Singapore, MAS proposes not to apply general limits on equity investments and immovable property to banks incorporated outside Singapore. Nonetheless, where appropriate, MAS may impose limits on investments in equity and/or immovable property for an individual bank or a class of banks incorporated outside Singapore for supervisory or prudential reasons.

Question 4. MAS seeks comments on the proposed removal of the general limits on equity investments and immovable property, under sections 31 and 33 of the BA, for banks incorporated outside Singapore. MAS will however retain the discretion to impose such limits for supervisory or prudential reasons.

The proposed amendments to sections 31 and 33 of the BA, and MAS Notice 625 are in Annexes C and I, respectively.

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5 Section 31 of the BA limits a bank’s equity investment in a single company to 2% of its capital funds. Section 33 of the BA limits a bank’s interests in or rights over immovable property (wherever situated) to 20% of its capital funds.

6 All banks will still be required to report their equity investments and interests in or rights over immovable property under MAS Notice 609 (“Auditors’ Reports and Additional Information to be Submitted with Annual Accounts”).

7 MAS will separately be reviewing the appropriateness of setting a limit on a bank’s interests in or rights over immovable property in Singapore.
7 Concentration Limits

7.1 MAS Notice 639 (“Exposures to Single Counterparty Groups”) applies various concentration limits on banks. With the removal of the DBU-ACU divide and the capital funds concept for banks incorporated outside Singapore, MAS proposes not to apply certain concentration limits in MAS Notice 639 to banks incorporated outside Singapore. The removal of the concentration limits recognises that global regulators have agreed on a common framework to control large exposures to a single party. Therefore, there is no need for MAS to impose additional limits on banks incorporated outside of Singapore. MAS will continue to leverage on home consolidated supervisors to monitor and control such risks at the bank group level.

7.2 MAS also proposes to remove the limits on unsecured credit facilities to director groups for all banks. The risks of conflicts of interest would be better managed through sound processes and risk management controls. Table 2 provides a summary of the proposals for the application of existing limits under MAS Notice 639.

Table 2: Summary of Proposals for the Application of Limits under MAS Notice 639

<table>
<thead>
<tr>
<th>Limit (relevant paragraphs under MAS Notice 639)</th>
<th>Proposal</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Large Exposures Limit</strong>¹⁰ (paragraphs 6(a) and 7(a)):</td>
<td>Applicable to banks incorporated in Singapore</td>
</tr>
<tr>
<td>A bank’s aggregate exposure to a single counterparty group cannot exceed 25% of its eligible capital (for a bank incorporated in Singapore) or capital funds (for a bank incorporated outside Singapore)¹¹.</td>
<td></td>
</tr>
<tr>
<td><strong>Substantial Exposures Limit</strong>¹² (paragraphs 6(b) and 7(b)):</td>
<td></td>
</tr>
<tr>
<td>The aggregate of the exposures of a bank exceeding 10% of its eligible total capital or capital funds (as the case may be) cannot exceed 50% of the bank’s total exposures.</td>
<td></td>
</tr>
</tbody>
</table>

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¹ The Basel Committee on Banking Supervision had set out a Supervisory framework for measuring and controlling large exposures – final standard [link].

⁵ MAS’ credit risk guidelines require all loans to be granted on an arm’s length basis.

¹⁰ This is applied both on a solo and group level.

¹¹ The definition of “capital funds” used in MAS Notice 639 is that set out in MAS Notice 601.

¹² This is applied on both a solo and group level. The limit does not apply to a bank outside Singapore whose total Singapore dollar credit facilities to its non-bank customers do not exceed $100 million.
<table>
<thead>
<tr>
<th>Limit</th>
<th>Proposal</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Limits for Investments in Index or Investment Fund</strong> (paragraph 16):</td>
<td></td>
</tr>
<tr>
<td>The aggregate of a bank’s exposures arising from investments in any index or investment fund cannot exceed 2% of the bank’s eligible total capital or capital funds (as the case may be).</td>
<td></td>
</tr>
<tr>
<td><strong>Limits on Unsecured Credit Facilities to Director Groups</strong> (paragraphs 14(a) and (b))¹³:</td>
<td>Not applicable to all banks</td>
</tr>
<tr>
<td>- Aggregate unsecured credit facilities¹⁴ granted to any director group (other than persons in limb (d)(i) of the definition of “director group”)¹⁵ cannot exceed $5,000.</td>
<td></td>
</tr>
<tr>
<td>- Aggregate unsecured credit facilities¹⁶ to all persons defined in limb (d)(i) of the definition of “director group” cannot exceed $5,000, unless the giving of the additional unsecured credit facilities over the limit has been approved by the board of directors of the bank¹⁷. In such a case, aggregate unsecured credit facilities to the director group cannot exceed 2% of the bank’s eligible total capital or capital funds (as the case may be).</td>
<td></td>
</tr>
</tbody>
</table>

¹³ These limits are applied on a solo and group basis.
¹⁴ Other than credit cards and charge cards.
¹⁵ “Director Group” is defined in the Fifth Schedule to the Banking Act.
¹⁶ Other than credit cards and charge cards.
¹⁷ Or such persons as may be authorised by the board to approve such credit facilities.
| Question 5. | MAS seeks views on the proposed removal of the large exposure limit, substantial exposures limit, and limits for investments in index or investment funds, under MAS Notice 639, for banks incorporated outside Singapore. MAS also seeks comments on the removal of the limits on unsecured credit facilities to director groups under MAS Notice 639 for all banks.  

The proposed amendments to MAS Notice 639 are in Annex J.

Amendments are also proposed to MAS Notice 639A (“Exposures and Credit Facilities to Related Persons”) such that banks will no longer need to prepare separate statements for DBU and ACU operations, and can submit a single statement. See Annex K. |

8 Proposed amendments to other regulatory requirements that refer to the DBU-ACU divide

8.1 The removal of the DBU-ACU divide will also necessitate consequential amendments to other regulatory requirements that refer to the divide. These are:

(i) Section 62A of the BA – see Annex C;
(ii) Section 77 of the BA – to be repealed in its entirety;
(iii) MAS Notice 759 (“Collection of Statistical Returns for Credit Cards”) – see Annex L;
(iv) MAS Notice 760 (“Collection of Statistical Returns for Unsecured Credit Facilities”) – see Annex M;
(v) Asian Currency Unit Terms and Conditions – to be cancelled in its entirety;
(vi) Guidelines for Operation of Wholesale Banks – see Annex N; and
(vii) Guidelines for Operation of Offshore Banks – see Annex O.

**Question 6.** MAS seeks comments on the proposed amendments to the other regulatory requirements that refer to the DBU-ACU divide.
9 Implementation Timeline

9.1 The removal of the DBU-ACU divide will require amendments to the BA and other regulatory instruments. In addition, banks will need to make changes to their systems to effect these changes.

9.2 MAS proposes to give banks two years from the time MAS issues the revised regulatory requirements to implement these changes. During this period, banks will be required to comply with the prevailing rules and guidelines in force.

Question 7. MAS seeks comments on the proposed implementation timeline of the removal of the DBU-ACU divide and the attendant changes required as a result.
Annex A: Summary of List of Questions

Question 1. MAS seeks comments on the proposal to amend section 62(1) of the BA to rank uninsured non-bank deposits in insolvency by the currency denomination of the deposits. ................................................................. 5

Question 2. MAS seeks comments on the proposal to amend MAS Notice 640 to apply the AM requirements by currency denomination. ..................................... 6

Question 3. MAS seeks comments on the proposed asset-based anti-commingling limits, as detailed in Table 1, for all banks. ................................................................. 8

Question 4. MAS seeks comments on the proposed removal of the general limits on equity investments and immovable property, under sections 31 and 33 of the BA, for banks incorporated outside Singapore. MAS will however retain the discretion to impose such limits for supervisory or prudential reasons................. 9

Question 5. MAS seeks views on the proposed removal of the large exposure limit, substantial exposures limit, and limits for investments in index or investment funds, under MAS Notice 639, for banks incorporated outside Singapore. MAS also seeks comments on the removal of the limits on unsecured credit facilities to director groups under MAS Notice 639 for all banks. ................. 12

Question 6. MAS seeks comments on the proposed amendments to the other regulatory requirements that refer to the DBU-ACU divide........................................ 13

Question 7. MAS seeks comments on the proposed implementation timeline of the removal of the DBU-ACU divide and the attendant changes required as a result............................................................................................................. 14
## Annex B: Summary of List of Legislative and other Instruments to be Amended

<table>
<thead>
<tr>
<th>No.</th>
<th>Type of Instrument</th>
<th>Remarks</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Banking Act – sections 31, 33, 62, 62A and 77</td>
<td>See Annex C</td>
</tr>
<tr>
<td>2</td>
<td>Banking Regulations – regulations 23F, 23G, 29 and 30</td>
<td>See Annex D</td>
</tr>
<tr>
<td>3</td>
<td>MAS Notice 601 (“Capital funds, Net Head Office Funds and Head Office Capital Funds”)</td>
<td>See Annex F</td>
</tr>
<tr>
<td>4</td>
<td>MAS Notice 625 (“Compliance with Sections 31 and 33 on a Consolidated Basis”)</td>
<td>See Annex I</td>
</tr>
<tr>
<td>5</td>
<td>MAS Notice 630 (“Private Equity and Venture Capital Investments”)</td>
<td>See Annex G</td>
</tr>
<tr>
<td>6</td>
<td>MAS Notice 639 (“Exposures to Single Counterparty Groups”)</td>
<td>See Annex J</td>
</tr>
<tr>
<td>7</td>
<td>MAS Notice 639A (“Exposures and Credit Facilities to Related Persons”)</td>
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<td>10</td>
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</tr>
<tr>
<td>14</td>
<td>Guidelines for Operation of Offshore Banks</td>
<td>See Annex O</td>
</tr>
</tbody>
</table>
Annex C: Proposed Amendments to Sections 31, 33, 62, 62A and 77 of the Banking Act

BANKING ACT
(CHAPTER 19)

Part V PROHIBITED BUSINESS

Limit on equity investments

31.—(1) No bank incorporated in Singapore shall acquire or hold any equity investment in a single company, the value of which exceeds in the aggregate 2% of the capital funds of the bank or such other percentage as the Authority may prescribe.

(1A) The Authority may, having regard to the risks arising from the acquisition or holding of any equity investment in a single company by a bank in Singapore incorporated outside Singapore or a class of banks in Singapore incorporated outside Singapore, and such other factors as the Authority considers relevant, —

(a) by notice in writing to the bank; or

(b) by regulations to the class of banks,

impose limits on the acquisition or holding of any such investment by the bank or class of banks, as the case may be.

(2) This section shall not apply to —

(a) any interest held by way of security for the purposes of a transaction entered into in the ordinary course of the business of the bank in Singapore;

(b) any shareholding or interest acquired or held by a bank in Singapore in the course of satisfaction of debts due to it which is disposed of at the earliest suitable opportunity; or

(c) any major stake approved under section 32.

(3) The Authority may, by regulations —

(a) provide for the manner of valuation of investments for the purposes of compliance with this section; and

(b) exclude the operation of this section in respect of any investment or class of investments which may be held by any bank, subject to such conditions as may be prescribed.
(4) Any bank in Singapore which contravenes this section or fails to comply with any condition imposed or prescribed under this section 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 not exceeding $10,000 for every day or part thereof during which the offence continues after conviction.

(5) In this section, “equity investment” means any beneficial interest in the share capital of a company, and such other investment, interest or right as may be prescribed.

Immovable property

33.—(1) No bank incorporated in Singapore shall acquire or hold interests in or rights over immovable property, wherever situated, the value of which exceeds in the aggregate 20% of the capital funds of the bank or such other percentage as the Authority may prescribe.

(1A) The Authority may, having regard to the risks arising from the acquisition or holding of any interest in or right over immovable property or a class of immovable property by a bank in Singapore incorporated outside Singapore or a class of banks in Singapore incorporated outside Singapore, and such other factors as the Authority considers relevant,—

(a) by notice in writing to the bank; or

(b) by regulations to the class of banks,

impose limits on the acquisition or holding of any such interest in or right over immovable property or a class of immovable property by the bank or class of banks, as the case may be.

(2) For the purposes of determining the aggregate value of the interest in or right over immovable property referred to in subsections (1) and (1A), there shall be excluded such portion of the value as may be attributable to the following:

(a) any interest in or right over immovable property or any part thereof used for the purpose of conducting the business of the bank in Singapore or housing or providing amenities for its officers;

(b) any interest in or right over immovable property held by way of security for the purposes of a transaction entered into in the ordinary course of the business of the bank in Singapore;

(c) any interest in or right over immovable property held by way of enforcement of such security referred to in paragraph (b), provided that it is disposed of at the earliest suitable opportunity; and

(d) such other interest in or right over immovable property as the Authority may prescribe.
(3) The Authority may make regulations to provide for the manner of valuation or apportionment of immovable property for the purposes of this section.

(4) Any bank in Singapore which contravenes subsection (1) of this section 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.

Part IX MISCELLANEOUS

Priority of specified liabilities inter se

62.—(1) Notwithstanding the provisions of any written law or rule of law relating to the winding up of companies, in the event of a winding up of a bank, the following liabilities in Singapore of the bank shall, amongst themselves, rank in the following order of priority:

(a) firstly, any premium contributions due and payable by the bank under the Deposit Insurance and Policy Owners’ Protection Schemes Act 2011;

(b) secondly, liabilities incurred by the bank in respect of insured deposits, up to the amount of compensation paid or payable out of the DI Fund by the Agency under the Deposit Insurance and Policy Owners’ Protection Schemes Act 2011 in respect of such insured deposits;

(c) thirdly, Singapore dollar deposit liabilities incurred by the bank with non-bank customers other than those specified in paragraphs (b) and (d);

(d) fourthly, deposit liabilities incurred by the bank with non-bank customers other than those specified in paragraphs (b) and (c) when operating an Asian Currency Unit approved under section 77.

(2) The liabilities in each class specified in subsection (1) shall —

(a) rank in the order specified therein but as between liabilities of the same class shall rank equally between themselves; and

(b) be paid in full unless the assets of the bank are insufficient to meet them in which case they shall abate in equal proportions between themselves.

(3) For the purposes of section 61 and this section, —

“deposit liabilities” of in relation to a bank means the liabilities of the bank in respect of —

(a) sums of money paid to the bank on terms —
(i) under which they will be repaid, with or without interest or at 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 persons making the payments and the bank; and

(ii) which are not referable to the provision of property or services or to the giving of security; and

(b) such other product as may be prescribed,

but does not include —

(i) in the case of a bank incorporated in Singapore, liabilities of the bank arising from loans —

(A) granted by creditors whose claims are fully subordinated to the claims of all un-subordinated creditors; and

(B) the terms of which comply with the criteria for the treatment of the liabilities as capital in the computation of the bank’s capital adequacy ratio under section 10, whether or not the entire amount of such liabilities is treated as capital in the computation; and

(ii) liabilities of the bank in respect of such other product as may be prescribed.

“Singapore dollar deposit liabilities” means, in relation to a bank, the deposit liabilities of the bank which –

(a) are incurred in Singapore dollars; or

(b) will be discharged in Singapore dollars.

(4) For the purposes of subsection (3)(a)(ii), money is paid on terms which are referable to the provision of property or services or to the giving of security if, and only if —

(a) 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;

(b) it is paid by way of security for the performance of a contract or by way of security in respect of loss which may result from the non-performance of the contract; or

(c) it is paid by way of security for the delivery up or return of any property, whether in a particular state of repair or otherwise.
(4A) For the avoidance of doubt, any liability of a bank excluded from the definition of “deposit liabilities of a bank” in subsection (3) shall rank pari passu with all other unsecured liabilities of the bank.

(5) In this section, “Agency”, “DI Fund” and “insured deposit” have the same respective meanings as in section 2(1) of the Deposit Insurance and Policy Owners’ Protection Schemes Act 2011.

Priorities for set-off in winding up of bank

62A.—(1) Notwithstanding any written law or rule of law relating to the winding up of companies, in the event of the winding up of a bank in Singapore, a liquidator shall first set-off each of a depositor’s liabilities to the bank (whether or not incurred in the Asian Currency Unit of the bank) against any Singapore dollar deposit of the depositor placed with the bank other than with the Asian Currency Unit of the bank.

(2) For the purposes of this section—

“deposit” has the same meaning as in section 4B(4) but includes the items listed in section 4B(6);

“Singapore dollar deposit” means a deposit where-

(a) the sum of money paid to the bank is denominated in Singapore dollars; or

(b) the sum of money will be repaid in Singapore dollars.

Authority to approve operation of an Asian Currency Unit

77. To be repealed.—(1) No person shall establish and operate an Asian Currency Unit without first obtaining the approval of the Authority.

(2) The operation of an Asian Currency Unit shall be subject to such terms and conditions as the Authority may from time to time determine.

(3) Every person who operates an Asian Currency Unit by virtue of this section shall be subject to the provisions of this Act except those that are specified in subsection (4).

(4) If the person referred to in subsection (3) is—

(a) a merchant bank (whether incorporated in or outside Singapore) approved under section 28 of the Monetary Authority of Singapore Act (Cap. 186); or a corporation incorporated outside Singapore, it shall not be subject to—

(i) any requirement imposed under section 29(1) in relation to any person or group of persons specified in paragraphs (a) and (b) of that provision; and
(ii) sections 31, 33, 38 and 39; or

(b) a corporation incorporated in Singapore (other than a merchant bank specified in paragraph (a)), it shall not be subject to sections 38 and 39.

(5) In this section, “Asian Currency Unit” means an operational unit that has been approved by the Authority to operate in the Asian Dollar Market subject to such conditions as the Authority may determine.
Annex D: Proposed Amendments to Banking Regulations - Regulations 23F, 23G, 29 and 30

BANKING REGULATIONS

Part IX
PRESCRIBED BUSINESSES

Prescribed private equity or venture capital business

23F.—(1) For the purposes of section 30(1)(d) of the Act and subject to paragraphs (3) and (4), a business (not being a business referred to in section 30(1)(a), (b) or (c) of the Act) which —

(a) is carried on by a company or the trustee of a trust; and

(b) satisfies the requirement in paragraph (2),

is prescribed as a business that any bank in Singapore may carry on, or with whom a bank in Singapore may enter into any partnership, joint venture or any other arrangement to carry on, whether in Singapore or elsewhere.

(2) The business referred to in paragraph (1) is one which the bank in Singapore has determined to have potential for high growth or value creation.

(3) The reference to a company or trustee of a trust in paragraph (1) excludes a company or trustee which —

(a) is not carrying on any substantial business or not in operation;

(b) is carrying on the business of engaging in property-related activities; or

(c) is carrying on the business of factoring, leasing equipment or otherwise purchasing debt obligations from others.

(4) Subject to paragraph (5), the bank in Singapore shall, when carrying on a business prescribed in paragraph (1), limit its total net book value of all such businesses —

(a) where the bank is incorporated in Singapore, to —

(i) 102% of its capital funds total assets or such other percentage as the Authority may approve in any particular case; and
(ii) 102% of the capital funds-total assets of its banking group or such other percentage as the Authority may approve in any particular case (where applicable); and

(b) where the bank is incorporated outside Singapore, to 102% of its capital funds total assets or such other percentage as the Authority may approve in any particular case.

(5) The limits prescribed in paragraph (4)(b) shall not apply to any business prescribed in paragraph (1) and carried on in the operation of an Asian Currency Unit by a bank incorporated outside Singapore.

(6) In this regulation, unless the context otherwise requires —

“Asian Currency Unit” has the same meaning as in section 77(5) of the Act;

“banking group”, in relation to a bank incorporated in Singapore, means the bank incorporated in Singapore, its subsidiaries, and all other entities treated as part of the bank’s group of companies for accounting purposes according to Accounting Standards;

“capital funds” —

(a) in relation to a bank incorporated in Singapore, means the capital of the bank that is used for the purposes of calculating the bank’s capital adequacy ratio under section 10 of the Act;

(b) in relation to the banking group of a bank incorporated in Singapore, means the capital of the banking group that is used for the purposes of calculating the banking group’s capital adequacy ratio under section 10 of the Act; or

(c) in relation to a bank incorporated outside Singapore, means such net head office funds and such other liabilities as the Authority may, by notice in writing, specify.

Prescribed related or complementary business

23G.—(1) For the purposes of section 30(1)(d) of the Act and subject to paragraphs (2) to (8), a business which fulfils the following criteria is prescribed as a business that any bank in Singapore may carry on, or enter into any partnership, joint venture or any other arrangement with any person to carry on:

(a) the business is related or complementary to any of the core financial business which is carried on by the bank;
(b) the business is being carried on by a regulated financial institution in any jurisdiction and is permitted —

(i) under the laws of that jurisdiction; and

(ii) by the supervisory authority of that regulated financial institution;

(c) the business is permitted to be carried on by the bank —

(i) under the laws of the home jurisdiction of the bank; and

(ii) by the parent supervisory authority of the bank;

(d) the business is not any other business prescribed for the purposes of section 30(1)(d) of the Act or approved under section 30(1)(e) of the Act; and

(e) the business is not any of the following types of business:

(i) property development, not including the property-related businesses prescribed in regulation 21;

(ii) manufacturing or selling of consumer goods;

(iii) provision of hotel and resort facilities;

(iv) property management of properties not held by the bank or any of its major stake companies;

(v) owning, operating or investing in facilities for the extraction, transportation, storage or distribution of commodities; and

(vi) owning, operating or investing in facilities for processing, refining or otherwise altering commodities.

(2) A bank in Singapore may carry on any business prescribed in paragraph (1) if, and only if —

(a) the bank has appropriate policies and procedures, including well-defined risk management policies on financial and non-financial exposures and risk concentrations, and staff with the expertise to manage the business;

(b) where the bank is a bank incorporated outside Singapore or is a foreign-owned bank incorporated in Singapore with no experience in carrying on the business in its head office or parent bank, it has obtained the prior written approval of its head office or parent bank (as the case may be), and its parent supervisory authority, to carry on the business; and
(c) any equity investment in a company acquired or held by the bank arising from the business —

(i) is not intended to be held by the bank for more than 7 years; or

(ii) is not intended to be held by the bank for the purpose of allowing the bank to participate in or make any management decisions for the company,

unless the company is a wholly-owned subsidiary of the bank acquired or held primarily for the purpose of segregating risks that arises from the carrying on of the business so as to prevent such risks from affecting the financial soundness and stability of the bank.

(3) A bank in Singapore shall, when carrying on any business prescribed in paragraph (1), limit the Aggregate Size of all such businesses —

(a) where the bank is incorporated in Singapore, to —

(i) 152% of its capital funds total assets or such other percentage as the Authority may approve in any particular case (where applicable); and

(ii) 152% of the capital funds total assets of its banking group or such other percentage as the Authority may approve in any particular case (where applicable); and

(b) where the bank is incorporated outside Singapore, to 152% of its capital funds total assets or such other percentage as the Authority may approve in any particular case (where applicable).

(4) A bank in Singapore shall, when carrying on any business prescribed in paragraph (1) as well as any business prescribed in regulation 23F(1), limit the Aggregate Size of all such businesses —

(a) where the bank is incorporated in Singapore, to —

(i) 204% of its capital funds total assets or such other percentage as the Authority may approve in any particular case (where applicable); and

(ii) 204% of the capital funds total assets of its banking group or such other percentage as the Authority may approve in any particular case (where applicable); and

(b) where the bank is incorporated outside Singapore, to 204% of its capital funds total assets or such other percentage as the Authority may approve in any particular case (where applicable).
(5) A bank in Singapore shall provide reports to the Authority in accordance with the requirements specified in the Fourth Schedule, and provide such other information as the Authority may require in relation to any business prescribed in paragraph (1) that is carried on by the bank.

(6) A bank in Singapore that carries on any business prescribed in paragraph (1) shall comply with such other conditions or restrictions that the Authority may impose, from time to time, by notice in writing in relation to its carrying on of such business.

(7) If the Authority, having regard to the specific circumstances of a bank in Singapore (including whether the internal controls of the bank are sufficiently robust to effectively monitor and manage the risks of the bank), or in the event that any of the conditions or requirements in paragraphs (1) to (6) are not satisfied by the bank at any point in time, issues to the bank a written declaration that paragraph (1) shall no longer apply to the bank in relation to any business specified in the declaration from a specified date, then paragraph (1) shall not apply to the bank from the specified date with respect to that specified business.

(8) The Authority may, at any time where it considers it to be necessary in the circumstances, by notice in writing require a bank in Singapore to carry on any business prescribed in paragraph (1) in a wholly-owned subsidiary of the bank.

(9) In this regulation, unless the context otherwise requires —

“Aggregate Size” means the total balance sheet assets value, total revenue or total exposures (whichever is the highest of the 3) or such other measure of the size of the businesses as the Authority may specify by notice in writing;

“banking group”, in relation to a bank incorporated in Singapore, means the bank incorporated in Singapore, its subsidiaries, and all other entities treated as part of the bank’s group of companies for accounting purposes according to Accounting Standards;

“capital funds” —

(a) in relation to a bank incorporated in Singapore, means the capital of the bank that is used for the purposes of calculating its capital adequacy ratio under section 10 of the Act;

(b) in relation to the banking group of a bank incorporated in Singapore, means the capital of the banking group that is used for the purposes of calculating the banking group’s capital adequacy ratio under section 10 of the Act; or
in relation to a bank incorporated outside Singapore, means such net head office funds and such other liabilities as the Authority may, by notice in writing, specify.

“core financial business”, in relation to a bank, means the core business activities that the bank carries out based on its particular business model which are either —

(a) businesses referred to in section 30(1)(a), (b) and (c) of the Act; or

(b) businesses prescribed under section 30(1)(d) of the Act which are similar to the businesses referred to in section 30(1)(a), (b) and (c) of the Act in terms of economic substance and risks;

“equity investment” has the same meaning as in section 31(5) of the Act;

“holding company” has the same meaning as in section 5 of the Companies Act (Cap. 50);

“home jurisdiction”, in relation to a bank, means the jurisdiction under the laws of which the parent supervisory authority of the bank is responsible for supervising the bank, or has consolidated supervision authority over the bank, as the case may be;

“regulated financial institution”, in relation to any jurisdiction, means a financial institution that is licensed, registered, approved or otherwise regulated in that jurisdiction;

“supervisory authority” —

(a) in relation to a financial institution, the ultimate holding financial institution of which is a financial institution incorporated, formed or established in Singapore, means the Authority; or

(b) in relation to a financial institution, the ultimate holding financial institution of which is a financial institution incorporated, formed or established in a jurisdiction outside Singapore, means the supervisory authority which is responsible, under the laws of that jurisdiction, for supervising the ultimate holding financial institution;

“ultimate holding financial institution”, in relation to a financial institution, means —

(a) if the ultimate holding company of the financial institution is a financial institution, the ultimate holding company; or
(b) in any other case, a holding company of the financial institution that is a financial institution and that is not itself a subsidiary of any other financial institution.

PART XII
DEPOSIT LIABILITIES OF BANK

Liabilities which are included in deposit liabilities of bank

29. For the purposes of section 62(3)(b) of the Act, “deposit liabilities” of a bank include the liabilities of a bank to a person under the following arrangement:

(a) the person pays a sum of money to his agent or the bank for the purpose of making his funds available to the bank and to enable his agent or the bank to purchase an asset on his behalf, being an asset that exists at the time of the purchase;

(b) the bank purchases the asset from the person at a price (the marked-up price) that is greater than the sum of money paid by the person, and sells the asset;

(c) the person and the bank, 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 person (which represents the return to the person for making his funds available to the bank); and

(d) no part of the marked-up price is required to be paid by the bank to the person until after the date of sale of the asset by the bank.

Liabilities which are not included in deposit liabilities of bank

30. For the purposes of section 62(3)(ii) of the Act, “deposit liabilities” of a bank do not include the liabilities of a bank in respect of a sum of money paid to the bank by or on behalf of any person in consideration for the issue to him by the bank of bonds or NCDs
Annex E: Proposed Amendments to MAS Notice 640

MAS 640

6 June 2007
*Last revised on 13 April 2011 DD MM 20XX

NOTICE TO BANKS
BANKING ACT, CAP 19

MINIMUM ASSET MAINTENANCE REQUIREMENTS

1. This Notice is issued pursuant to section 40(1) of the Banking Act (Cap. 19) [the “Act”] and applies to all foreign banks.

Definitions

2. For the purposes of this Notice—

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

   “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 Act; or

   (b) any entity licensed, registered, approved or otherwise regulated as a bank in the country of establishment;

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

   “chief executive” has the same meaning as in paragraph 2 of MAS Notice 622A;

   “classified”, in relation to a credit facility or a debt security, means any credit facility or debt facility, as the case may be, which has been categorised by a bank as “substandard”, “doubtful” or “loss” pursuant to any notice in writing issued by the Authority under any written law;

   “company” and “corporation” have the same respective meanings as in section 4(1) of the Companies Act (Cap. 50);
“counterparty related to the bank” includes any holding company, subsidiary or associated company of the bank, and any subsidiary or associated company of any holding company of the bank;

“debt security” includes any debenture, bond or note;

“deposit liabilities” has the same meaning as in section 62(3) of the Act;

[MAS Notice 640 (Amendment) 20XX]

“eligible asset” means any of the assets listed in Annex 1 which may be included by a bank in Singapore for the purposes of the asset maintenance requirements under paragraphs 4, 6 and 7;

“foreign bank” means any foreign full bank, foreign offshore bank or foreign wholesale bank;

“foreign full bank” means a bank which is –

(a) incorporated in a jurisdiction other than Singapore;

(b) operating branches or offices located within Singapore; and

(c) holding a licence granted by the Authority under the Act which permits the bank to carry on the full range of banking business;

“foreign offshore bank” means a bank which is –

(a) incorporated in a jurisdiction other than Singapore;

(b) operating branches or offices located within Singapore; and

(c) holding a licence granted by the Authority under the Act, the conditions of which require the bank to comply with such guidelines as may be issued by the Authority in relation to the operation of offshore banks;

“foreign wholesale bank” means a bank which is –

(a) incorporated in a jurisdiction other than Singapore;

(b) operating branches or offices located within Singapore; and

(c) holding a licence granted by the Authority under the Act, the conditions of which require the bank to comply with such guidelines as may be issued by the Authority in relation to the operation of wholesale banks;
“holding company” and “subsidiary” have the same respective meanings as in section 5 of the Companies Act (Cap. 50);

“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 1;

“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) Baa3 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 Act;

“minimum liquid assets” means the minimum amount or amounts of liquid assets held by a bank under section 38 of the Act;

“resident in Singapore” has the same meaning as in Appendix 1 to MAS Notice 610.

“Scheme member” has the same meaning as in section 2 of the Deposit Insurance Act 2005;

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

“Singapore dollar deposit liabilities” has the same meaning as in section 62(3) of the Act;

[MAS Notice 640 (Amendment) 20XX]

“Singapore Government Securities” means any debt securities issued by the Government under any written law.

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1 Includes refinancing.
The expressions used in this Notice shall, except where expressly defined in this Notice or where the context otherwise requires, have the same meaning as in the Act.

Asset Maintenance Requirement for Foreign Banks

Subject to paragraph 5, a foreign offshore bank shall maintain eligible assets of not less than $5 million in Singapore at all times.

Where a foreign offshore bank has eligible assets which are used to meet any requirements in relation to minimum liquid assets or minimum cash balances, the bank—

(a) may deduct such eligible assets from the $5 million requirement in paragraph 4; and

(b) in such a case, need only maintain eligible assets for the balance sum for the purposes of section 40 of the Act.

A foreign full bank shall maintain in Singapore at all times—

(a) an asset maintenance ratio of not less than 0.35; or

(b) eligible assets of $5 million,

whichever will result in a higher amount of eligible assets in Singapore.

A foreign wholesale bank shall maintain in Singapore at all times—

(a) an asset maintenance ratio of not less than 0.15; or

(b) eligible assets of $5 million,

whichever will result in a higher amount of eligible assets in Singapore.

Computation of Eligible Assets

For the purposes of paragraphs 4, 6(b) and 7(b), the eligible assets shall be calculated in accordance with the following formula:

Value of eligible assets, $V = \sum[A \times B]$

Where

(a) is reflected as an asset in the books of the foreign bank 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 arrangements with, or investments in, a counterparty related to the bank; and

(d) is not used to meet any requirements in relation to minimum liquid assets or minimum cash balances; and

B is the percentage applicable to a particular eligible asset specified in the second column of Annex 1.

9 For the purposes of this paragraph, an eligible asset shall be valued at its carrying value.

**Computation of Asset Maintenance Ratio**

10 For the purposes of paragraphs 6(a) and 7(a), the asset maintenance ratio shall be calculated in accordance with the following formula:

\[
\text{Asset maintenance ratio} = \frac{V}{C}
\]

Where V is the value of eligible assets calculated under paragraph 8; and

C is the liabilities of the bank, which shall comprise the aggregate amount of all Singapore dollar deposit liabilities (including accrued interests) incurred by the bank with non-bank customers, other than deposit liabilities incurred by the bank with non-bank customers when operating an Asian Currency Unit approved under section 77 of the Act, computed on a gross basis as at—

(i) 31 December of the preceding year or the end of two preceding quarters, as the bank may in its discretion adopt; or

(ii) in the case where a foreign bank is licensed by the Authority during the course of a financial year, as at the date on which the foreign bank commences banking business.

[MAS Notice 640 (Amendment) 20XX]

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2 For example, deposit liabilities as at 31 December will be the basis for compliance for the period 1 April to 30 June. Similarly, 31 March will be the reference date for the maintenance period 1 July to 30 September, and so on.

3 Once a bank has adopted a particular approach in computing its deposit liabilities, the bank shall not change its approach except with the prior approval of the Authority.
In computing its asset maintenance ratio—

(a) a bank may exclude from the value of C the following deposit liabilities:

(i) any deposit liability incurred in respect of any deposit pledged, charged or secured as collateral for a debt which is an eligible asset as specified in the first column of Annex 1, and where the amount outstanding under the debt is less than the amount of deposit, the deposit liability in respect of the part of the deposit equivalent to the amount outstanding; and

(ii) any deposit liability incurred in respect of any deposit or part thereof, set aside for a debt which is an eligible asset specified in the first column of Annex 1, where—

(A) there is a contractual set-off agreement between the bank and the customer; and

(B) the deposit or part thereof which has been set aside cannot be withdrawn by the customer unless and until the debt is fully paid up,

and where the amount outstanding under the debt is less than the deposit or part thereof which has been set aside, the deposit liability in respect of the part of the deposit equivalent to the amount outstanding; and

(b) where the bank has excluded any deposit liability set out in sub-paragraph (a) from the value of C, the bank shall exclude a value equivalent to the excluded deposit liability from the value of V.

[MAS Notice 640 (Amendment) 20XX]

Subject to paragraph 8, where a foreign full bank is a Scheme member, assets (including eligible pledged assets as defined under the Deposit Insurance Regulations 2006) maintained under regulation 5 of those Regulations may be used to meet the asset maintenance requirements under paragraph 6.

Submission of Quarterly Reports

A foreign bank shall submit to the Authority a report signed by its chief executive or its chief financial officer in Singapore, in the format provided at Annex 2 of this Notice, not later than 15 days from 31 March, 30 June, 30 September and 31 December respectively.
**Effective Date**

14 Subject to paragraph 15, this Notice shall take effect on 11 June 2007.

15 A foreign bank carrying on banking business immediately before 31 March 2007 shall continue to comply with the requirements set out in the repealed section 40 of the Act, and comply with this Notice with effect from 1 October 2007.

*Notes on history of amendments*

1 MAS Notice 640 (Amendment) 2009 with effect from 7 May 2009.
2 MAS Notice 640 (Amendment) 2011 with effect from 13 April 2011.
3 MAS Notice 640 (Amendment) 20XX with effect from DD MM 20XX.
## Annex 1

### ELIGIBLE ASSETS

<table>
<thead>
<tr>
<th>First column</th>
<th>Second column</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Type of Asset</strong></td>
<td><strong>Percentage</strong></td>
</tr>
<tr>
<td>1</td>
<td>Any note or coin kept in Singapore</td>
</tr>
<tr>
<td>2</td>
<td>Any deposit placed with the Authority, after deducting any moneys due to the Authority&lt;sup&gt;1&lt;/sup&gt;</td>
</tr>
<tr>
<td>2A</td>
<td>Any debt securities issued by the Authority under the Monetary Authority of Singapore Act (Cap. 186)&lt;sup&gt;1A&lt;/sup&gt;</td>
</tr>
<tr>
<td>3</td>
<td>Any Singapore Government Securities&lt;sup&gt;2&lt;/sup&gt;</td>
</tr>
<tr>
<td>3A</td>
<td>Any sukuk issued by Singapore Sukuk Pte Ltd&lt;sup&gt;3&lt;/sup&gt; –</td>
</tr>
<tr>
<td>(i)</td>
<td>which is denominated in Singapore dollars;</td>
</tr>
<tr>
<td>(ii)</td>
<td>that has its certificate kept in Singapore in the case of securities transferable by delivery, or that has its register kept in Singapore in the case of securities transferable by registration; and</td>
</tr>
<tr>
<td>(iii)</td>
<td>not held through a clearing and depository system, custodian or any intermediary incorporated outside Singapore</td>
</tr>
</tbody>
</table>

<sup>1</sup> For reverse repurchase agreements, banks may only recognise as eligible assets, the SGS or sukuk held by the bank under such agreements, and not the corresponding amount due from the Authority.

<sup>1A</sup> Excluding those hold under repurchase agreements or pledged to third parties.

<sup>2</sup> Excluding those hold under repurchase agreements or pledged to third parties.

<sup>3</sup> Excluding those hold under repurchase agreements or pledged to third parties.
### Consultation Paper on Removing the DBU-ACU Divide – Implementation Issues

#### 4(a) Any debt security – $85\%$
- (i) which is issued by a statutory board in Singapore (other than the Authority);  
  [MAS Notice 640 (Amendment) 2011]
- (ii) which is denominated in Singapore dollars;
- (iii) that has its certificate kept in Singapore in the case of securities transferable by delivery, or that has its register kept in Singapore in the case of securities transferable by registration;
- (iv) not held through a clearing and depository system, custodian or any intermediary incorporated outside Singapore; and
- (v) guaranteed by the Government

#### 4(b) Any debt security – $80\%$
- (i) which is issued by a statutory board in Singapore (other than the Authority);  
  [MAS Notice 640 (Amendment) 2011]
- (ii) which is denominated in Singapore dollars;
- (iii) that has its certificate kept in Singapore in the case of securities transferable by delivery, or that has its register kept in Singapore in the case of securities transferable by registration;
- (iv) not held through a clearing and depository system, custodian or any intermediary incorporated outside Singapore; and
- (v) not guaranteed by the Government

#### 5(a) Any debt security (other than a sukuk under item 3A) – $75\%$
- (i) which is issued by a company resident in Singapore (other than a banking corporation or a merchant bank);
- (ii) which is denominated in Singapore dollars;
- (iii) which is not classified;
- (iv) that has its certificate kept in Singapore in the case of securities transferable by delivery, or that has its register kept in Singapore in the case of securities transferable by registration;
- (v) not held through a clearing and depository system, custodian or any intermediary incorporated outside Singapore; and
- (vi) which has a rating of investment grade

  [MAS Notice 640 (Amendment) 2009]
5(b) Any debt security — 60%
   (i) which is issued by a company resident in Singapore (other than a banking corporation or a merchant bank);
   (ii) which is denominated in Singapore dollars;
   (iii) which is not classified;
   (iv) that has its certificate kept in Singapore in the case of securities transferable by delivery, or that has its register kept in Singapore in the case of securities transferable by registration;
   (v) not held through a clearing and depository system, custodian or any intermediary incorporated outside Singapore; and
   (vi) which is below investment grade or unrated

6 Any share listed on a securities exchange and issued by a company (other than a banking corporation or a merchant bank) where — 55%
   (a) in the case of a company incorporated outside Singapore:
       (i) the shares are transferable by delivery;
       (ii) the share certificates are kept in Singapore; and
       (iii) the shares are not held through a clearing and depository system, custodian or any intermediary incorporated outside Singapore; and
   (b) in the case of a company incorporated in Singapore, the shares are not held through a clearing and depository system, custodian or any intermediary outside Singapore

7(a) Any outstanding amount due to the bank under a housing loan granted to an individual resident in Singapore which is denominated in Singapore dollars and is not classified 85%

7(b) Any outstanding amount due to the bank under a credit facility (other than a housing loan under item 7(a)) granted to an individual or company (other than a banking corporation or a merchant bank), where:
   (i) the borrower is resident in Singapore;
   (ii) the debt is denominated in Singapore dollars; and
   (iii) the debt is not classified 70%
<table>
<thead>
<tr>
<th></th>
<th>Description</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>8</td>
<td>Any bill of exchange accepted by an individual or a company (other than a banking corporation or a merchant bank) resident in Singapore, which –</td>
<td>60%</td>
</tr>
<tr>
<td></td>
<td>(a) is denominated in Singapore dollars;</td>
<td></td>
</tr>
<tr>
<td></td>
<td>(b) is not classified;</td>
<td></td>
</tr>
<tr>
<td></td>
<td>(c) is kept in Singapore; and</td>
<td></td>
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<tr>
<td></td>
<td>(d) fulfills the conditions in Appendix 3 to MAS Notice 613</td>
<td></td>
</tr>
<tr>
<td></td>
<td>(MAS Notice 640 (Amendment) 2009)</td>
<td></td>
</tr>
<tr>
<td>9</td>
<td>Any interest in or right over immovable property in Singapore, including any interest in or right over immovable property or any part thereof used for the purpose of conducting the business of the bank or housing or providing amenities for its officers</td>
<td>60%</td>
</tr>
</tbody>
</table>
Asset Maintenance Requirement Quarterly Return  
( Name of Bank )  
at close of business on (month/year)

<table>
<thead>
<tr>
<th>Part I: Eligible Assets/Pledged Assets</th>
<th>Eligible Assets Singapore Dollars ‘000</th>
<th>Eligible Pledged Assets Singapore Dollars ‘000</th>
</tr>
</thead>
<tbody>
<tr>
<td>Asset Category</td>
<td>Asset Value (i)</td>
<td>Adjustment Factor (ii)</td>
</tr>
<tr>
<td>Notes and coins</td>
<td></td>
<td>85%</td>
</tr>
<tr>
<td>Amounts due from MAS (net)</td>
<td></td>
<td>85%</td>
</tr>
<tr>
<td>Debt securities issued by the Authority</td>
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<td>85%</td>
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<td>Singapore Government Securities</td>
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<td>85%</td>
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<tr>
<td>Securities of Singapore Sukuk Pte Ltd</td>
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<td>85%</td>
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<tr>
<td>Debt securities issued by a statutory board in Singapore (other than the Authority)</td>
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<tr>
<td>Guaranteed by the Government</td>
<td></td>
<td>85%</td>
</tr>
<tr>
<td>Not guaranteed by the Government</td>
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<td>80%</td>
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<tr>
<td>Debt securities issued by a company resident in Singapore (a) Investment grade</td>
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<tr>
<td>Below investment grade or unrated</td>
<td></td>
<td>60%</td>
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<td>Shares issued by companies</td>
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<tr>
<td>Incorporated in Singapore</td>
<td></td>
<td>55%</td>
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<tr>
<td>Incorporated outside Singapore</td>
<td></td>
<td>55%</td>
</tr>
<tr>
<td>Outstanding amount of credit facilities granted</td>
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<tr>
<td>Housing loans to individuals</td>
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<td>85%</td>
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</tbody>
</table>
## Part II: Asset Maintenance Ratio

<table>
<thead>
<tr>
<th>Item</th>
<th>Singapore Dollars '000</th>
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</thead>
<tbody>
<tr>
<td><strong>Asset Maintenance Ratio</strong></td>
<td></td>
</tr>
<tr>
<td>(a) Singapore dollar non-bank deposit liabilities incurred with non-bank customers in the DBU (as at __________)</td>
<td>[please specify date of deposit liabilities]</td>
</tr>
<tr>
<td>(b) Total adjusted value of eligible assets/pledged assets [from Part I]</td>
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<tr>
<td>(c) Asset maintenance ration [=(b)/(a)]</td>
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</tbody>
</table>

* Eligible pledged assets are as defined under the Deposit Insurance Regulations 2006.

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Name of Chief Executive/Chief Financial Officer

Signature

Date
Annex F: Proposed Amendments to MAS Notice 601

MAS 601

6 June 2007
Last revised on DD MM 20XX*

NOTICE TO BANKS
BANKING ACT, CAP 19

(MAS Notice 601 dated 18 July 2001 is cancelled with effect from 11 June 2007.)

CAPITAL FUNDS, NET HEAD OFFICE FUNDS AND HEAD OFFICE CAPITAL FUNDS

1 This Notice is issued pursuant to sections 2 and 9 of the Banking Act (Cap. 19) [“the Act”].

Definition

2 [deleted by MAS Notice 601 (Amendment) 20XX] In this Notice, “DBU operations”, in relation to a bank, means any operations of the bank in Singapore, other than operations of an Asian Currency Unit approved under section 77 of the Act.

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

Definition of Capital Funds

4 For the purposes of sub-paragraph (a) of the definition of “capital funds” in section 2(1) of the Act, the following are to be excluded as “capital funds”:

(a) revaluation reserves;

(b) unrealised fair value gains or losses on revaluation of available-for-sale (“AFS”) equity securities;

(c) unrealised fair value gains or losses on revaluation of AFS debt securities and AFS loans; and

(d) cumulative fair value gains or losses on cashflow hedges of financial instruments that are measured at amortised cost.
For the purposes of sub-paragraph (b) of the definition of "capital funds" in section 2(1) of the Act—

(a) the term "net head office funds" means the net liability of the DBU operations of the bank to the bank's head office, other branches outside Singapore, and its Asian Currency Unit in Singapore, deduction having been made for any loss appearing in the books of the DBU operations and the operations of the Asian Currency Unit;

(b) the expression "such other liabilities" means the reserves and profits appearing in the books of the DBU operations of the bank in Singapore, other than reserves which are due to the writing down of the value of assets, provision for depreciation of fixed assets, reserves maintained for specific purposes and shall exclude—

(i) unrealised fair value gains or losses on revaluation of available-for-sale ("AFS") equity securities;

(ii) unrealised fair value gains or losses on revaluation of AFS debt securities and AFS loans; and

(iii) cumulative fair value gains or losses on cashflow hedges of financial instruments that are measured at amortised cost.

Definition of Head Office Capital Funds

For the purposes of the definition of "head office capital funds" in section 9(96) of the Act, the term "published reserves" shall exclude any revaluation reserves.

[MAS Notice 601 (Amendment) 20XX]

This Notice shall take effect on 11 June 2007.

* Notes on history of amendments

1 MAS Notice 601 (Amendment) 20XX with effect from DD MM 20XX.
Annex G: Proposed Amendments to MAS Notice 630

MAS 630

5 July 2010
Last revised on DD MM 20XX*

NOTICE TO BANKS
BANKING ACT, CAP 19

Private Equity and Venture Capital Investments

1 Overview

1.1 This Notice is issued pursuant to section 55 of the Banking Act (cap. 19) and shall apply to all banks in Singapore which hold private equity and venture capital investments (“PE/VC investments”).

1.2 In the case of a bank incorporated outside Singapore, the treatment of PE/VC investments for capital adequacy purposes would be a matter for its parent supervisory authority. However, a branch in Singapore of a bank incorporated outside Singapore shall comply with all requirements on PE/VC investments as set out in this Notice.

2 Scope of Notice

Definitions

2.1 In this Notice—

“direct PE/VC investment” in relation to a bank, means any PE/VC investment which is acquired directly by the bank or not held by the bank through a fund or a trust structure;

“indirect PE/VC investment” in relation to a bank, means any PE/VC investment other than a direct PE/VC investment;

“investee” means any company or trust in which a bank has made a PE/VC investment;

“PE/VC investments” in relation to a bank, means —

(a) an acquisition or holding of a major stake in any company excluded from the operation of section 32 by virtue of regulation 7 of the Banking Regulations 2001;
(b) an acquisition or holding of any beneficial interest exceeding 10% of units or other equivalent measures in a trust;

(c) control over more than 10% of the voting power in a trust;

(d) any interest in a trust, where the trustee of the trust is accustomed or under an obligation, whether formal or informal, to act in accordance with the bank’s directions, instructions or wishes, or where the bank is in a position to determine the policy of the trust;

(e) an acquisition or holding of any partnership capital or other similar interest exceeding 10% in an entity (other than a company or trust);

(f) an acquisition or holding of convertible debentures issued by an entity, where if such debentures are converted to shares, the aggregate value of shares held exceeds 10% of the entity’s share capital;

(g) an acquisition or holding of warrants or options on shares issued or granted by an entity, where if such warrants or options are exercised, the aggregate value of shares held exceeds 10% of the entity’s share capital; or

(h) an acquisition or holding of debentures or credit facilities, where these are held concurrently with any acquisition, holding or interest specified in the preceding sub-paragraphs(a), (b), (c), (d), (e), (f) or (g)¹

(thereinafter referred to as “Investment”),

(i) which the bank has determined to have potential for high growth or value creation; and

(ii) which is acquired in the manner set out in paragraph 2.2 below;

but does not include an Investment which is –

(A) not carrying on any substantial business or is not in operation;

(B) carrying on the business of engaging in property related activities (as defined in the Banking Regulations 2001); or

¹The requirements in this Notice do not apply where the investment is initially by way of debentures and credit facilities alone. However, if subsequent investments within paragraphs (a), (b), (c), (d), (e), (f) or (g) are acquired, then the requirements of this Notice will apply to both the subsequent investments as well as the debentures and credit facilities.
(C) carrying on the business of factoring, leasing equipment or otherwise purchasing debt obligations from others.

“related party”, in relation to a bank, includes its head office, any of its branches, or any of its related companies.

Types of Investments

2.2 A bank shall acquire an Investment using one or more of the following methods:

(a) the financing of the Investment’s growth or expansion, funding research and development activities, operational improvements, or engaging new management;

(b) delisting the Investment from a securities exchange;

(c) corporate restructuring such as a reorganisation, merger, consolidation, recapitalisation, buy-out, buy-in, joint venture, spinoff, or equity carve-out; or

(d) such other method which the bank has determined to be common in the industry for acquiring such Investments.

Related Companies

2.3 Where a company –

(a) is the holding company of another company;

(b) is a subsidiary of another company; or

(c) is a subsidiary of the holding company of another company,

that first-mentioned company and that other company shall be deemed to be related to each other.

2.4 In the case of a company which has a board of directors and a share capital, the definition of “subsidiary” and “holding company” shall be as set out at section 5 of the Companies Act (Cap 50) where all references to “corporation” shall be replaced with “company”.

2.5 In the case of any other company, a company shall be a “subsidiary” of another company if the latter company is in a position to determine or govern the financial and operating policies of the first-mentioned company; and a company shall be a “holding company” of another company if the first-mentioned company is in a position to determine or govern the financial and operating policies of the latter company.
2.6 The expressions used in this Notice, shall, except where defined in this Notice or where the context otherwise requires, have the same meanings as in the Banking Act (the “Act”) and in the Banking Regulations.

3 Capital Treatment

The capital requirements for the PE/VC investments of a bank incorporated in Singapore are as set out in MAS Notice 637.

4 Duration of PEVC Investments

4.1 Subject to paragraph 4.3, a bank shall not hold any direct PE/VC investment for a period exceeding 7 years from the date of its first investment in the investee.

4.2 Subject to paragraph 4.4, a bank shall not hold any indirect PE/VC investment—

(a) where such investee is managed by the bank or a related party, for a period exceeding 7 years from the date of its first investment in the investee;

(b) where such investee is not managed by the bank or a related party, for a period exceeding 12 years from the date of its first investment in the investee;

(c) where such investee is managed by the bank or a related party, and

(i) the bank’s investment in the investee is less than 50% of the total size of the investee after five years from the date of its first investment in the investee; or

(ii) each underlying PE/VC investment invested through the investee is held for a period not exceeding 7 years,

for a period exceeding 12 years from the date of its first investment in the investee.

4.3 A bank shall not hold any direct PE/VC investment, where the date of first investment in the investee was made prior to 5 July 2010, for a period exceeding 10 years from the date of its first investment in the investee.

4.4 A bank shall not hold any indirect PE/VC investment, where the date of first investment in the investee was made prior to 5 July 2010, and —

(a) where such investee is managed by the bank or a related party, for a period exceeding 10 years from the date of its first investment in the investee; or
(b) where such investee is not managed by the bank or a related party, for a period exceeding 15 years from the date of its first investment in the investee.

4.5 A bank incorporated in Singapore shall deduct the net book value of any PE/VC investment which is held beyond the relevant holding period as set out in paragraphs 4.1, 4.2, 4.3, and 4.4 from the bank’s capital funds².

[MAS Notice 630 (Amendment) 20XX]

5 Valuation of PEVC Investments

Unless otherwise directed by the Authority, every bank in Singapore shall undertake regular reviews of all its directly held PE/VC investments to ascertain their net book values after provisioning for permanent diminution in the values of the PE/VC investments. Such reviews shall be conducted by a person who is independent of the officers involved in the process of making the PE/VC investment, and the PE/VC investments shall be valued prudently.

6 Involvement in Management

6.1 Subject to paragraph 6.3, a bank may not take part in the day-to-day management of an investee.

6.2 A director or an employee of the bank may only serve as a non-executive director of an investee. Only an employee of the bank who is employed primarily to carry out the activities of the PE/VC business unit may be involved in strategic issues or issues which are typically discussed at Board-level. Such involvement shall not pertain to the day-to-day operations of the investee, or pertain to areas where involvement may give rise to conflicts of interests in the investee’s transactions with the bank.

6.3 A bank may only advise and take part in the day-to-day management of an investee under circumstances which are in the opinion of the Authority, extenuating circumstances, such as the need for prompt action in the event of a stress situation, for example, the loss of the investee’s senior management or the impending bankruptcy of the investee, but such participation in management shall not exceed 6 months, except with the prior written approval of the Authority. A bank shall provide the Authority with relevant details as to the extent of and the reasons for the involvement in management of the investee within 3 months thereof of such involvement.

² A bank incorporated in Singapore shall deduct the book value of any PE/VC investment which is held beyond the relevant holding period from the bank’s capital funds in accordance with MAS Notice 637. The Authority is prepared to consider exempting PE/VC investments held beyond the relevant holding periods from being deducted from the bank’s capital funds only under exceptional circumstances.
7 Risk Management Framework

A bank in Singapore shall have in place documentation setting out its risk management policy for its PE/VC investments. This policy shall include the bank's policies on types of investments, risk identification and mitigation, pre-specified investment limits (including single investment limits, industry investment limits, geographical limits and limits based on the stage of investment), due diligence, investment approval, post-investment monitoring, accounting and valuation, exit strategies and other relevant procedures and processes.

8 Qualification of Persons Engaged in PE/VC Investment Activities

8.1 As investing in a PE/VC investment requires skill, experience and judgment on the part of an individual, a bank shall employ professionals with relevant work experience and knowledge to manage its PE/VC investments.

8.2 A bank shall have in place a written policy for assessing the qualifications of employees entrusted to handle PE/VC investments and managers in investees not managed by a related party into which they have invested.

9 PEVC Investment Approval

9.1 A bank shall have in place a stringent internal assessment and approval process for each PE/VC investment. A bank shall keep detailed records of all PE/VC investments assessed and approved. These shall include for each PEVC investment, the following:
   (a) an investment assessment stating the objective of the PEVC investment;
   (b) the performance benchmarks set, including the target internal rates of return and the expected holding period; and
   (c) the exit strategy for the PEVC investment.

10 Subsidiarisation

10.1 The Authority encourages banks to carry out their PE/VC investment business through a separately incorporated subsidiary to separate the bank's PE/VC investment business from its other financial businesses. It is recommended that PE/VC investment functions be retained within the bank only if such PEVC investment is an indirect PE/VC investment made solely in an investee that is not managed by the bank or a related party.

10.2 In any case, every bank shall ensure that each PE/VC investment is identifiable and that separate records for each PE/VC investment are kept for internal monitoring purposes.
11 Reporting Requirements

11.1 Every bank in Singapore shall submit to the Authority a copy of its risk management policy and a copy of its policy for assessing the qualifications of PE/VC managers (as set out in paragraphs 7 and 8) within 90 days of the effective date of this Notice, in respect of existing PE/VC investments (where such policies have not been previously submitted to the Authority).

11.2 A bank in Singapore which intends to acquire or hold a PE/VC investment after this Notice comes into effect shall establish the relevant policies and submit copies of such policies to the Authority prior to the acquisition of PE/VC investments. In all cases, the bank shall notify the Authority in writing of any material changes in these policies as and when they occur.

11.3 Every bank in Singapore shall submit to the Authority information on its PE/VC investments, as at 30th June and 31st December of each year, in accordance with the format specified in Annex A, no later than the 30th of the following month. A bank shall submit to MAS information on its PE/VC investments held beyond the relevant holding periods, where the net book value has been deducted from capital, as at 31st December of each year, in accordance with the format specified in Annex B, no later than the 30th of the following month.

12 Effective Date

This Notice shall take effect on 5 July 2010.

* Notes on History of Amendments

1. MAS Notice 630 (Amendment) 20XX with effect from DD MM 20XX.
### ANNEX A

#### BANKS' SCHEDULE FOR PRIVATE EQUITY/VENTURE CAPITAL INVESTMENTS

<table>
<thead>
<tr>
<th>(1) Investing company or firm</th>
<th>(2) Investee company or firm</th>
<th>(3) Type of business</th>
<th>(4) Date of First Investment</th>
<th>(5) Value of shareholding over investee’s capital (%)</th>
<th>(6) Value of debt instruments and credit facilities ($’000)</th>
<th>(7) Net book value of investment ($’000)</th>
<th>(8) Net book value as percentage of capital funds total assets</th>
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<td>(a) Bank (%) (b) Group (%)</td>
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Instructions

Please complete the above table to facilitate MAS' monitoring of the bank's private equity and venture capital investments. Please indicate if the figures given are audited.

Item (1) - This refers to the name of the bank or its subsidiary.

Item (2) - This refers the name of the investee company or firm.

Item (3) - This refers to the industry, in which the investee company is conducting its business e.g. Consumer products/services, Communications, Electronics, Energy, Manufacturing, Medical/biotechnology, Information Technology.

Item (4) - This refers to the date of the initial PE/VC investment.

Item (5) - This refers to the value of the PE/VC investment as a percentage of the capital of the investee company or firm.

Item (6) - This refers to the value of the debt instruments and the credit facilities extended to the investee company or firm.

Item (7) - This refers to the net book value of the PE/VC investment.

Item (8) (a) - This refers to the net book value of the PE/VC investment expressed as a percentage of the capital funds total assets at the solo level.

Item (8) (b) - This refers to the net book value of the PE/VC investment expressed as a percentage of the capital funds total assets at the group level.

[MAS Notice 630 (Amendment) 20XX]
**ANNEX B**

**BANKS’ SCHEDULE OF PE/VC INVESTMENTS HELD PAST PERMITTED HOLDING PERIODS**

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As at dd/mm/yyyy

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<th>(3) Type of business</th>
<th>(4) Date of first investment</th>
<th>(5) Date of end of permitted holding period</th>
<th>(6) Expected date of full divestment</th>
<th>(7) Value of shareholding over investee’s capital (%)</th>
<th>(8) Value of debt instruments and credit facilities ($’000)</th>
<th>(9) Net book value of investment ($’000)</th>
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MONETARY AUTHORITY OF SINGAPORE
**Instructions**

Please complete the above table to facilitate MAS' monitoring of the bank's private equity and venture capital investments that are held past permitted holding periods. Please indicate if the figures given are audited.

**Item (1)** - This refers to the name of the bank or its subsidiary.

**Item (2)** - This refers the name of the investee company or firm.

**Item (3)** - This refers to the industry, in which the investee company is conducting its business e.g. Consumer products/services, Communications, Electronics, Energy, Manufacturing, Medical/biotechnology, Information Technology.

**Item (4)** - This refers to the date of the initial PE/VC investment.

**Item (5)** - This refers to the date of the end of the permitted holding period for the PE/VC investment.

**Item (6)** - This refers to the date when the PE/VC investment is expected to be fully divested.

**Item (7)** - This refers to the value of the PE/VC investment as a percentage of the capital of the investee company or firm.

**Item (8)** - This refers to the value of the debt instruments and the credit facilities extended to the investee company or firm.

**Item (9)** - This refers to the net book value of the PE/VC investment.
Annex H: Proposed Amendments to Guidelines on Banking Regulations 23G and 7A

1 INTRODUCTION

1.1 Regulation 23G of the Banking Regulations ("regulation 23G") extends the flexibility given to banks in Singapore to carry on businesses which are related or complementary to the bank’s core financial business but do not clearly satisfy the legal criteria of being financial or incidental to financial business under section 30 of the Banking Act ("s.30"). Regulation 23G allows a bank to carry on such businesses without the need for prior prescription by class or specific approval on a case by case basis from the Monetary Authority of Singapore ("MAS"), subject to certain conditions, limits and requirements. Regulation 7A of the Banking Regulations ("regulation 7A") excludes a wholly-owned subsidiary of the bank carrying on businesses under regulation 23G from the operation of section 32 of the Banking Act provided the subsidiary is for the purpose of segregating risks arising from carrying on those businesses. These guidelines seek to clarify MAS’ policy on how banks should carry on their operations under regulation 23G and regulation 7A.

1.2 Section 2 of these guidelines sets out guidance on how regulation 23G and regulation 7A should be applied. In particular, it clarifies MAS’ position on how the conditions, limits and requirements should be met.

1.3 One of the requirements in regulation 23G is that the bank must be satisfied that it has the appropriate policies and procedures to carry on these businesses, including well-defined risk management policies on both financial and non-financial exposures and risk concentrations, and staff with the expertise to manage the businesses under regulation 23G. At the minimum, MAS expects a bank to have regard to the MAS Guidelines on Risk Management when formulating its policies and procedures for businesses carried on under regulation 23G. Section 3 of these guidelines sets out MAS’ additional supervisory expectations of the bank when it uses regulations 23G and 7A.

1.4 Section 4 of these guidelines clarifies the approvals that are required from MAS and the process banks should go through with the introduction of regulations 23G and 7A.

1.5 The Banking Regulations and Guidelines only apply to banks licensed under the Banking Act (Cap 19). Nothing in these guidelines modify or detract from the requirements set out in the Banking Act, Banking Regulations, and written directions issued pursuant to the Banking Act. Financial institutions should seek their own legal advice when applying the Banking Act and Banking Regulations.
2 GUIDANCE ON REGULATIONS 23G AND 7A

2.1 Regulation 23G allows banks to carry on businesses that do not fall within s.30(1)(a) to (c) of the Banking Act, subject to certain conditions, limits and requirements. Regulation 7A excludes wholly-owned subsidiaries carrying on businesses under regulation 23G from the operation of section 32, provided these subsidiaries are for the purpose of segregating risks arising from carrying on those businesses. This section clarifies MAS’ policy on the application of these conditions, limits and requirements.

Types of Businesses

2.2 Regulation 23G widens the permissible businesses beyond those that are strictly financial and incidental to financial, and allow businesses which are more broadly related or complementary to the core financial business of the bank. These businesses should support the bank’s financial businesses and should not be unrelated to the core financial business of the bank. It is insufficient that the business is profitable for the bank – the bank has to show a connection between the businesses and the core financial business of the bank.

2.3 Whether a business is considered related or complementary to the core financial business of a bank depends in part on the business model of the bank. A business related or complementary to the core financial business of one bank may not necessarily be considered related or complementary to the core financial business of another bank. For instance, businesses considered related or complementary to an investment bank’s core financial business may not be considered related or complementary to a commercial retail bank’s core financial business.

2.4 The businesses must already be carried on by a regulated financial institution in any jurisdiction, and permitted under the laws of that jurisdiction and by the supervisory authority of the financial institution. This is to ensure that the businesses carried on under regulation 23G are related or complementary to financial business and are carried out by financial institutions internationally. The businesses also have to be allowed by the parent supervisory authority of the bank, under the laws of the home jurisdiction of the bank. MAS will not allow a bank to carry on a business that the bank’s parent supervisory authority prohibits under the laws of the bank’s home jurisdiction. The bank should maintain the relevant supporting documentation that its parent supervisory authority permits the bank to carry on the business and that such business is permitted to be carried on by the bank under the laws of the home jurisdiction of the bank.

2.5 Finally, regulation 23G does not apply to businesses which are already specifically prescribed under section 30(1)(d) or approved under section 30(1)(e) of the Banking Act. Thus, regulation 23G does not apply to private equity and venture capital (“PE/VC”) investments and those Islamic banking transactions which are prescribed in regulations issued pursuant to section 30(1)(d). Businesses which have been approved under section 30(1)(e) of the Banking Act will continue to be subject to the conditions of approval.
granted earlier. Other specific limits in the Banking Act, such as the section 33 limit on investments in immovable property will continue to apply.

Safeguards

2.6 Regulation 23G also imposes safeguards in the form of pre-requisites a bank must fulfill. The bank must meet all these prerequisites before commencing new businesses under regulation 23G.

2.7 In order to ensure that the bank has assessed that all the conditions and prerequisites are met, MAS requires the bank to develop an approval framework for businesses to be carried on under regulation 23G, and to submit this approval framework to MAS before the bank commences any business under regulation 23G. This framework should detail the governance, internal approval processes and the parameters for businesses carried on under regulation 23G. It should also clearly set out criteria and parameters for the Board and senior management to assess whether a business meets the conditions and pre-requisites under regulation 23G. This approval framework is subject to additional expectations set out in Section 3 of these guidelines.

2.8 Where a bank is a bank incorporated outside Singapore or a foreign-owned bank incorporated in Singapore (“foreign bank”) seeks to carry on a new business in Singapore with no previous experience in carrying on the business in its head office or parent bank, it has to obtain the prior written approval of its head office or parent bank (as the case may be), as well as its parent supervisory authority’s prior written approval to carry on the business. This is to ensure that there is oversight by the head office or parent bank and parent supervisory authority over the foreign bank branch’s or subsidiary’s carrying on of this new business in Singapore.

2.9 Regulation 23G should not be used for any long term equity investment which is intended to be held by the bank for the purpose of allowing the bank to participate in or make any management decisions for the company, unless the company is a wholly-owned subsidiary of the bank held mainly for the purpose of segregating the risks arising from carrying on the businesses under regulation 23G from affecting the bank, in particular the financial soundness and stability of the bank. This is to prevent the bank from taking on excessive conglomerate risks by using regulation 23G to take long-term strategic stakes in non-financial companies. We would generally consider an investment that is intended to be held for a period longer than seven years to be an investment held in the “long term”.

Subsidiaries under Regulation 7A

2.10 The exception to the restriction in paragraph 2.9 is the direct holding of a wholly-owned subsidiary by the bank for the purpose of segregating risks arising from businesses which may be carried on under regulation 23G from affecting the bank, in particular the financial soundness and stability of the bank. The bank may hold and control a wholly-owned subsidiary under regulation 23G, provided that the bank demonstrates that this
business would otherwise be done directly by the bank under regulation 23G, and is being carried out using a subsidiary because the bank wishes to segregate the risks arising from carrying on the business. The bank must assess that carrying on the business through a subsidiary would segregate the risks better than carrying on the business on its own balance-sheet. Where the Authority assesses prudential merits to do so, it may also require a bank to carry on the businesses carried on under regulation 23G in a regulation 7A subsidiary rather than within the bank. Regulation 7A excludes from the operation of section 32 any wholly owned subsidiary of the bank held mainly for the purpose of segregating risks arising from carrying on a business prescribed in regulation 23G(1), so that the bank does not need to seek prior approval from MAS to hold a major stake in such a subsidiary. The subsidiary’s business should be carried on in accordance with all the other conditions of regulation 23G and be subject to all the limits and requirements. Such a subsidiary should not be used to make equity investments in other entities. The bank is subject to all other prudential rules applicable in respect of such a subsidiary, including the limit of 2% of the bank’s capital funds on an equity investment in a single company under section 31 of the Banking Act. MAS and any person appointed by MAS must be allowed, at any time, under a written agreement entered into between the bank and the subsidiary, to request for any information from the subsidiary and to inspect the books of the subsidiary. Subsidiaries can only be established or operate in overseas jurisdictions where MAS or its appointee can be guaranteed full access to such information. Where the wholly-owned subsidiary is an overseas regulated financial institution, the bank should be satisfied from its own due diligence or having taken professional advice that the Authority and any person appointed by the Authority shall not be prohibited from requesting any information from, or inspecting the books of, the wholly-owned subsidiary. Further, the bank is subject to additional limits and reporting requirements, set out in paragraphs 2.11 to 2.14, and additional expectations, set out in Section 3 of these guidelines, in respect of such a subsidiary.

Limits and Reporting Requirements

2.11 Regulation 23G limits the Aggregate Size of the following three measures—total balance sheet asset value, total revenue, or total exposures—of all businesses carried on by a bank under regulation 23G to 152% of the bank’s capital funds total assets at bank and bank group level. These three measures include all businesses carried on under regulation 23G, regardless of whether the business is booked in the bank’s DBU or ACU. This condition mitigates the direct financial risk of the investment in such businesses. As stated in paragraph 2.5, a bank is not allowed to include under regulation 23G other businesses which are specifically prescribed under section 30(1)(d), such as

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1 The equity investment limit under section 31 of the Banking Act is not applicable to a bank incorporated outside Singapore.

2 Aggregate Size is defined under regulation 23G(9) as the highest of total assets, total revenue or total exposures, or such other measure of the size of the businesses as MAS may specify by notice in writing. We would expect the bank to include any guarantee, indemnity, letter of comfort or any such letter imposing similar obligations on the bank in support of the subsidiary as an exposure.
PE/VC investments. In addition, where a bank carries on any business prescribed under regulations 23F and 23G, the Aggregate Size of all businesses carried on under regulations 23F and 23G is limited to is a combined cap of 204% of the bank’s capital funds total assets at bank and bank group level for businesses being carried on under regulation 23G and PE/VC investments. For a subsidiary under regulation 7A, the bank is required to include the Aggregate Size of the following three measures—total balance sheet asset value, total revenue, or total exposures—and of the subsidiary for the calculation of whether the 152% and 204% limits have been met.

2.12 MAS may also impose other limits, conditions or restrictions on a case-by-case basis, should these be appropriate. These limits, conditions or restrictions can apply to specific banks, in relation to the businesses of the bank carried on under regulation 23G.

2.13 The bank is required to provide quarterly reports to MAS on the scale and the scope of businesses carried on under regulation 23G, the risks involved, and the capabilities of the bank to manage these risks and such other information as the Authority may require in relation to the business including the requirements specified in the Fourth Schedule. The quarterly reporting will enable MAS to maintain oversight over the businesses being carried on under regulation 23G and the bank’s risk management practices. The quarterly report shall be submitted to MAS no later than the last day of the month immediately following the end of each quarter. The first quarterly report is to be submitted no later than 30 April 2011.

2.14 The minimum information banks are required to submit to the Authority has been set out in the Fourth Schedule of the Banking Regulations, and includes the following items:

For the quarterly reporting (to be submitted no later than the last day of the month immediately following the end of each quarter of a year):

(i) Balance sheet value, revenue numbers, and exposures of businesses prescribed in regulation 23G(1) carried on by the bank;
(ii) Utilisation of the regulatory limits prescribed in regulation 23G(3) and (4);
(iii) Key internal risk metrics, in addition to the regulatory limits prescribed in regulation 23G(3) and (4); and
(iv) Business activities of every wholly-owned subsidiary of the bank excluded from the operation of section 32 of the Act under regulation 7A.

For the annual reporting (to be submitted no later than the last day of the month immediately following the end of the bank’s financial year, and at such other times as the bank considers necessary):

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3 Under regulation 23EF, PE/VC investments are subject to a cap of 102% of the bank’s capital funds total assets at bank and bank group level.

4 This is as defined in the Fifth Schedule of the Banking Act. We would expect the bank to include any guarantee, indemnity, letter of comfort or any such letter imposing similar obligations on the bank in support of the subsidiary as an exposure.
(i) External audit reports on the businesses prescribed in regulation 23G(1) carried on by the bank and the risk management of such businesses; and
(ii) Stress test results of such businesses.

and the following for quarterly reporting (to be submitted no later than the last day of the month immediately following the end of each quarter of a year), where applicable:

(i) For every new businesses prescribed in regulation 23G(1) carried on by the bank, an assessment of the impact of the new business on the risk profile of the bank, and key risk mitigation and contingency plans;
(ii) Changes in corporate governance structure and business activities of any wholly-owned subsidiary of the bank excluded from the operation of section 32 of the Act under regulation 7A;
(iii) Provision by the bank of any guarantee or letter of comfort to any of the wholly-owned subsidiaries of the bank excluded from the operation of section 32 of the Act under regulation 7A;
(iv) Changes in the bank’s investment in, and exposure to, any of the wholly-owned subsidiaries of the bank excluded from the operation of section 32 of the Act under regulation 7A; and
(v) Any supervisory, legal, reputational or other significant matters relating to any of the wholly-owned subsidiaries of the bank excluded from the operation of section 32 of the Act under regulation 7A.

Internal audit reports on new businesses carried on under regulation 23G and the risk management of such businesses should be submitted no later than the last day of the month immediately following the end of the first year that the business is carried on.

Powers to Exclude Application of Regulation 23G

2.15 MAS has the power to issue a declaration to a bank to exclude the application of regulation 23G on a case-by-case basis. Based on its assessment of the specific circumstances of a bank, MAS may direct the bank to stop a business or a class of businesses under regulation 23G by issuing a written declaration that regulation 23G shall no longer apply to the bank in relation to any business specified in the declaration. Such circumstances could include, but are not limited to, situations where the risk management and internal controls of the bank are not sufficiently robust to effectively monitor and manage the risks, or where any of the conditions or limits is no longer satisfied. This power to exclude the application of regulation 23G may be applied to specific banks, to specific businesses within a bank, or to specific types of businesses. MAS will have regard to the specific circumstances to determine a period in which the bank has to comply with the declaration to stop that business.
3 SUPERVISORY EXPECTATIONS

I INTERNAL APPROVAL FRAMEWORK

3.1 As stated in paragraph 2.7, MAS requires the bank's Board of Directors and senior management to establish a clear internal approval framework to be submitted to MAS for information prior to any use of regulation 23G. The approval framework should also outline the risk management processes and procedures for the use of regulation 23G approved by the bank's Board and senior management. MAS expects the bank's internal auditors to test, on a regular basis whether the bank's decisions to carry on certain businesses under regulation 23G comply with the requirements set out in the regulation.

3.2 Given the risks of these new businesses, MAS expects the Board and senior management to approve proposals for these businesses under regulation 23G. The approval framework should establish whether the Board and senior management would need to approve every business under regulation 23G, or businesses above certain predetermined thresholds. For example, if the bank's Board is located outside Singapore, the framework may provide that the bank’s Chief Executive Officer and senior management in Singapore may approve businesses under a certain threshold.

3.3 If approval thresholds are established, the Board and senior management should approve these thresholds and review the validity of these thresholds regularly. In setting these approval thresholds, the bank should take into account not only the balance-sheet size of the business, but also other measures such as the bank’s revenue or potential exposure – including exposure to reputational risk – of the business proposed to be carried on under regulation 23G (please see also paragraph 3.6). Businesses carried on under Regulation 23G may have risk factors that are not covered in a standard new product approval process (“NPAP”). Hence the bank may only submit its NPAP as the required internal approval framework where it has ascertained that the NPAP satisfies the requirements for such a framework as set out in Sections 2 and 3.

II RISK MANAGEMENT PROCESSES

3.4 In addition to the internal approval framework, MAS expects the bank to demonstrate managerial expertise, and establish comprehensive and appropriate risk management processes and procedures for businesses carried on under regulation 23G. These include policies for monitoring, measuring, and controlling the credit, market, settlement, reputational, legal, and operational risks involved. The policies should also describe critical internal control elements, such as reporting lines, escalation procedures, and the frequency and scope of internal and external audits of the businesses. MAS expects internal audit to provide to the bank’s Board and senior management periodic key performance indicator tracking reports and any additional measures tracked as part of the bank’s change in business review process.

3.5 MAS emphasizes that the new businesses under regulation 23G may expose the bank to significantly different types of risks from those that the bank traditionally takes
on. As such, it is critical that banks carrying on such businesses have appropriate arrangements in place to manage the different types of exposures and the resulting range of risks.

Risk Limits and Monitoring

3.6 MAS has prescribed in regulation 23G a regulatory limit of 152% of the bank’s capital funds to total assets (at both the solo and bank group levels) for businesses carried on under regulation 23G, and a combined regulatory limit for businesses carried on under regulation 23G and PE/VC investments of 204% of the bank’s capital funds to total assets (at both the solo and bank group levels). In addition to these regulatory limits, MAS expects the bank to set additional risk metrics and trigger limits that are appropriate to each business carried on under regulation 23G. These internal metrics and limits should convey accurately and comprehensively all material risk types – not only financial but also non-financial risk such as operational, legal, reputational and other risks – to the bank of businesses carried on under regulation 23G. Risks from the business both on- and off-balance-sheet should be accounted for and monitored.

3.7 The bank should ensure that its risk management methodology with regard to these new businesses is robust. For instance, if non-financial assets are held by the bank under regulation 23G, the bank should ensure that it has a robust methodology for valuing the assets and assessing the non-financial risks from the businesses, such as any third party liability risks and uninsurable risks, in order to accurately capture both the financial and non-financial risks. MAS expects the business carried on under regulation 23G to have undergone a rigorous new product approval process. The bank should also consider an external audit on its risk management methodology for the new business.

3.8 MAS also expects the bank to conduct regular stress tests on businesses carried on under regulation 23G. These should be performed at least annually. The bank should identify potential stress scenarios or events that could adversely impact the bank arising from these new businesses. The stress tests should be sufficiently granular to examine the effects of shocks across all relevant risk factors from these new businesses and any potential inter-relations with other businesses of the bank that could be affected. The bank should not only consider financial risk to measures like asset value, exposure and revenue but also non-financial risk. The bank is also expected to put in place mitigating techniques and contingency plans against material risks identified from these stress tests.

3.9 There may be cases where the bank is carrying on a business under regulation 23G, but has booked the business in its Head Office or a related entity outside Singapore with profits and losses attributed back to the bank. Although the transactions do not appear on the bank’s balance-sheet, the bank should account for the actual risk it is effectively taking on, through appropriate risk metrics. Where the bank has engaged in the business on a risk-sharing basis with its Head Office or related entity, the risk-sharing agreement should be clearly documented. If the bank is able to demonstrate that it or its subsidiaries and downstream affiliates will not be liable for any losses arising from the
business, an application to the Authority may be made for consideration under section 30(1)(e) of the Banking Act.

III INDEPENDENT REVIEW

3.10 The bank’s internal auditors are expected to conduct an end-to-end audit of the risk management process and internal controls within 1 year of the commencement of the new business, and regularly thereafter. The bank should also engage an external auditor to audit, on an annual basis, the businesses carried on under regulation 23G, including the robustness of the bank’s internal approval framework, valuation methodology for non-financial assets, and risk management processes. Where circumstances warrant, MAS may specifically request external audits of the bank’s control processes over the businesses carried on under regulation 23G.

IV REPORTING TO MAS ON BUSINESSES CARRIED ON UNDER REGULATION 23G

3.11 On an ongoing basis, the bank is required under regulation 23G to submit quarterly reports to MAS on the scale and scope of its businesses carried on under the regulation, the risks involved in such business and the capabilities of the bank to manage such risks. MAS has set out in the Fourth Schedule to the Banking Regulations the minimum information banks are required to submit to MAS. Given the diversity of businesses that may be carried on under regulation 23G, MAS expects the bank to supplement this minimum list of information with all pertinent information in its reporting. For avoidance of doubt, the reports are to be submitted only if the bank is carrying on the business under regulation 23G.

3.12 Notwithstanding this regular reporting, the bank is expected to inform MAS promptly of pertinent issues and concerns encountered in businesses carried on under regulation 23G that have a material impact on the bank, as and when these occur. This includes issues and concerns relating to subsidiaries under regulation 7A, such as any changes that have a material impact on the subsidiaries’ risk profile.
4 APPROVALS FROM MAS WITH THE INTRODUCTION OF REGULATIONS 23G AND 7A

I APPROVALS UNDER S.30(1)(E) OF BANKING ACT

4.1 With the introduction of regulation 23G, if the bank seeks to carry on a business that may not be clearly financial, the bank should first assess for itself whether the business meets the conditions and pre-requisites of regulation 23G. If the business meets the conditions and pre-requisites of regulation 23G, the bank can carry on the business up to the regulatory limit under regulation 23G without MAS’ prior approval.

4.2 While the bank may still approach MAS for case-by-case approval of businesses under section 30(1)(e), MAS expects the bank to assess that the proposed business meets the conditions and pre-requisites under regulation 23G first, as MAS is unlikely to approve businesses that do not qualify for regulation 23G under section 30(1)(e). For such businesses which the bank has assessed to qualify for regulation 23G, the bank may proceed to carry on the business under regulation 23G while seeking approval under section 30(1)(e) from MAS.

4.3 Where the bank applies for case-by-case approval for a business under section 30(1)(e) from MAS, when granting approval MAS may require the bank to count the business towards the regulation 23G regulatory limit as a condition of approval. If MAS does not grant approval and the bank is already carrying on the business under regulation 23G, MAS may direct the bank to stop the business altogether if MAS assesses that the business does not qualify for regulation 23G. Where MAS has directed the bank to stop a business or a class of business under regulation 23G by issuing a declaration, MAS will have regard to the specific circumstances to determine a period in which the bank has to comply with as stated in the declaration to stop that business.

II APPROVALS UNDER SECTION 32 OF BANKING ACT

4.4 Banks continue to be required to seek section 32 approval for major stakes in companies, except where the bank wishes to hold a wholly-owned subsidiary to carry on a business that the bank has already assessed to qualify for regulation 23G, which the bank would otherwise engage in directly, for the purpose of segregating the risks arising from carrying on the new business. Such subsidiaries are excluded from the operation of section 32 under regulation 7A, so banks do not need to seek prior approval to hold a major stake in such subsidiaries.

5 The exception has also been set out earlier in paragraph 2.10.
III PROCESS

4.5 Diagram A outlines the process a bank should go through when it seeks to carry on a new business that may qualify for regulation 23G.

Diagram A: Flowchart of Regulation 23G Process

* The parts of the process where the bank can make its own assessment and need not approach MAS are shaded.
Annex I: Proposed Amendments to MAS Notice 625

MAS 625

22 October 2004
Last revised on 6 June 2007

NOTICE TO BANKS
BANKING ACT, CAP 19

(MAS 625 dated 11 November 2002 is cancelled with effect from 22 November 2004)

COMPLIANCE WITH SECTIONS 31 AND 33 ON A CONSOLIDATED BASIS

1 This notice is issued pursuant to section 36(2) of the Banking Act (Cap 19) [“the Act”] and applies to all banks incorporated in Singapore.

Definitions

2 The expressions used in this Notice shall, except where expressly defined in Appendix I to this Notice or where the context otherwise requires, have the same respective meanings as in the Act.

3 Every bank incorporated in Singapore shall, for the purposes of compliance on a consolidated basis with sections 31 and 33 of the Act, aggregate its assets, liabilities, profits or losses with the assets, liabilities, profits or losses of all or any of its related corporations and companies in which the bank has a major stake as defined in section 32(7) of the Act in accordance with the Appendices to this Notice.

4 This Notice takes effect on 22 November 2004. MAS Notice 625 dated 11 November 2002 is cancelled with effect from 22 November 2004.

* Notes on History of Amendments
1. MAS Notice 625 (Amendment) 2007 with effect from 11 June 2007.
2. MAS Notice 625 (Amendment) 20XX with effect from DD MM 20XX.
Appendix I

Definitions of Terms used in Appendices III and IV

1 In Appendices III and IV, unless the context otherwise requires –

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

(b) “adjusted group funds”, in relation to a bank incorporated outside Singapore, means the amount of capital funds specified in the consolidated accounts of the bank group (prepared in accordance with the Accounting Standards), and any minority interest arising from accounting consolidation of subsidiaries;

[MAS Notice 625 (Amendment) 2007]

(c) [deleted by MAS Notice 625 (Amendment) 2007]

(d) “bank group”, in relation to a bank incorporated in Singapore means the bank, its subsidiaries, and any other company treated as part of the bank’s group of companies according to Accounting Standards;

[MAS Notice 625 (Amendment) 2007]

[MAS Notice 625 (Amendment) 20XX]

(da) “eligible total capital”, in relation to a bank incorporated in Singapore, has the same meaning as “Eligible Total Capital” in MAS Notice 637, on a standalone (“Solo”) level;

(db) “eligible total capital”, in relation to a bank group, has the same meaning as “Eligible Total Capital” in MAS Notice 637, on a consolidated (“Group”) level; and

[MAS Notice 625 (Amendment) 2007]

[MAS Notice 625 (Amendment) 20XX]

(e) “subsidiary”, in relation to a bank incorporated in Singapore, has the same meaning as in the Companies Act (Cap.50);

2 [deleted by MAS Notice 625 (Amendment) 20XX]In relation to a bank incorporated outside Singapore, a reference to a “subsidiary” of the bank is a reference to a company that is a subsidiary of the bank and which is reflected as an investment in the books of the bank in Singapore in relation to its operations in Singapore.

[MAS Notice 625 (Amendment) 2007]
Appendix II

[deleted by MAS Notice 625 (Amendment) 2007]
Aggregation for the purpose of compliance on a consolidated basis with section 31 of the Banking Act

1 A bank incorporated in Singapore shall not acquire or hold, either directly or through any subsidiary of the bank or any other company treated as part of the bank’s group of companies according to Accounting Standards, any equity investment in a company which exceeds in the aggregate 2% of, in the case of a bank incorporated in Singapore, the eligible total capital of the bank group and in the case of a bank incorporated outside Singapore, the adjusted group funds of the bank, or such other percentage as the Authority may prescribe pursuant to section 31(1) of the Act in respect of an equity investment held by the bank.

[MAS Notice 625 (Amendment) 2007]  
[MAS Notice 625 (Amendment) 20XX]

2 For the purpose of complying with paragraph 1, a bank incorporated in Singapore shall aggregate the value of equity investment in a company acquired or held by the bank with the value of equity investment in the company that is acquired or held by the subsidiaries of the bank and any other company treated as part of the bank’s group of companies according to Accounting Standards.

[MAS Notice 625 (Amendment) 2007]  
[MAS Notice 625 (Amendment) 20XX]

3 [deleted by MAS Notice 625 (Amendment) 2007]

4 For the purpose of computing the value of equity investments in paragraph 1, a bank incorporated in Singapore shall exclude the value of—

[MAS Notice 625 (Amendment) 20XX]

(a) any interest held by way of security for the purposes of a transaction entered into in the ordinary course of the business of the bank or the subsidiary of the bank or any other company treated as part of the bank’s group of companies according to Accounting Standards, as the case may be;

[MAS Notice 625 (Amendment) 2007]

(b) any shareholding or interest acquired or held by the bank or any subsidiary of the bank or any other company treated as part of the bank’s group of companies according to Accounting Standards, in the course of satisfaction of debts due to the bank or the subsidiary of the bank or any other company treated as part of the bank’s group of companies according to Accounting Standards.
Standards, as the case may be, and which is disposed of at the earliest suitable opportunity;

[MAS Notice 625 (Amendment) 2007]

(c) any major stake approved under section 32 of the Act;

(d) any equity investment acquired or held by the bank in Singapore exempted from section 31(1) of the Act under the Banking Regulations (Rg 66B); and

[MAS Notice 625 (Amendment) 2007]
[MAS Notice 625 (Amendment) 20XX]

(e) any equity investment acquired or held by any subsidiary or any other company treated as part of the bank’s group of companies according to Accounting Standards, under the same conditions or circumstances as any equity investment acquired or held by the bank in Singapore which is exempted from section 31(1) under the Banking Regulations (Rg 6B).

[MAS Notice 625 (Amendment) 2007]
[MAS Notice 625 (Amendment) 20XX]

5 [deleted by MAS Notice 625 (Amendment) 2007]

6 In this Appendix, “equity investment” has the same meaning as in section 31 of the Act.
Appendix IV

Aggregation for the purpose of compliance on a consolidated basis with section 33 of the Banking Act

1. A bank incorporated in Singapore shall not acquire or hold, directly or through a subsidiary of the bank or any other company treated as part of the bank’s group of companies according to Accounting Standards, interests in or rights over immovable property, wherever situated, the value of which exceeds in the aggregate 20% of—in the case of a bank incorporated in Singapore, the eligible total capital of the bank; and in the case of a bank incorporated outside Singapore, the adjusted group funds of the bank, or such other percentage as the Authority may prescribe pursuant to section 33(1) of the Banking Act in respect of any interest or right over immovable property held by bank.

2. For the purpose of complying with paragraph 1, a bank incorporated in Singapore shall aggregate the value of a bank’s interest in or rights over immovable property with the value of the interests in or rights over immovable property that is acquired or held by the bank’s subsidiaries and any other company treated as part of the bank’s group of companies according to Accounting Standards.

3. [deleted by MAS Notice 625 (Amendment) 2007]

4. For the purpose of computing the value of the interests in or rights over immovable property in paragraph 1, a bank incorporated in Singapore shall exclude the value of any interest in or right over immovable property that is acquired or held by a bank or any subsidiary of the bank or any other company treated as part of the bank’s group of companies according to Accounting Standards, as the case may be, that is attributable to the following:

(a) any interest in or right over immovable property or any part thereof used for the purpose of conducting the business of the bank or any subsidiary of the bank or any other company treated as part of the bank’s group of companies according to Accounting Standards or housing or providing amenities for its officers;

[MAS Notice 625 (Amendment) 2007]
(b) any interest in or right over immovable property that is held by way of security for the purposes of a transaction entered into in the ordinary course of the business of the bank or any subsidiary of the bank or any other company treated as part of the bank’s group of companies according to Accounting Standards;

[MAS Notice 625 (Amendment) 2007]

(c) any interest in or right over immovable property held by way of enforcement of a security referred to in paragraph 4(b), provided that it is disposed of by the bank or the subsidiary of the bank or any other company treated as part of the bank’s group of companies according to Accounting Standards, as the case may be, at the earliest suitable opportunity; and

[MAS Notice 625 (Amendment) 2007]

(d) any interest in or right over immovable property or any part thereof held for the benefit of persons other than the bank or any subsidiary of the bank or any other company treated as part of the bank’s group of companies according to Accounting Standards pursuant to an obligation imposed under any written law, rule of law, contract or order of court.

[MAS Notice 625 (Amendment) 2007]

5 [deleted by MAS Notice 625 (Amendment) 2007]
Annex J: Proposed Amendments to MAS Notice 639

MAS 639

6 June 2007
* Last revised on 17 February 2014

NOTICE TO BANKS
BANKING ACT, CAP 19

Exposures to Single Counterparty Groups

Introduction

1. This Notice is issued pursuant to section 29(1) of the Banking Act (Cap.19) [“the Act”] and applies to all banks incorporated in Singapore.

2. It sets out the limits on a bank’s exposures of a bank incorporated in Singapore to a single counterparty group, the types of exposures to be included in or excluded from those limits, the basis for computation of exposures, the approach for aggregating exposures to counterparties that pose a single risk to the bank, the recognition of credit risk mitigation and aggregating of exposures at the bank group level.

Definitions

3. For the purposes of this Notice —

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

“associated company” has the same meaning as “associate” under the Accounting Standards;

“bank group”, in relation to a bank incorporated in Singapore, means a-the bank in Singapore, its subsidiaries and any other company treated as part of the bank’s group of companies according to Accounting Standards and in the case of a bank
incorporated outside Singapore, only where such subsidiary or company is reflected as an investment in the books of the bank in Singapore in relation to its operations in Singapore;

[MAS Notice 639 (Amendment) 20XX]

“capital funds”, in relation to a bank incorporated outside Singapore or its bank group, means the net head office funds of the bank and such other liabilities as defined in MAS Notice 601;

“DBU operations”, in relation to a bank, means any operations of the bank in Singapore, other than operations of the Asian Currency Unit;

“eligible total capital”, in relation to a bank incorporated in Singapore, has the same meaning as “Eligible Total Capital” in MAS Notice 637, on a standalone (“Solo”) level;

“eligible total capital”, in relation to a bank group, has the same meaning as “Eligible Total Capital” in MAS Notice 637, on a consolidated (“Group”) level;

“entity” means any individual, corporation, association or body of persons, whether corporate or unincorporated, sole-proprietorship, partnership or limited liability partnership as defined under Limited Liability Partnership Act 2004;

“exempt exposure” means any exposure set out in Appendix 1;

“financially dependent” has the same meaning as in regulation 24(3) of the Banking Regulations (Rg 5)¹;

“financial assistance” includes the making of a loan, the giving of a guarantee, the provision of security, the release of an obligation and the release of a debt;

¹ The Authority takes the view that entities falling within the following situations are likely to be financially dependent on each other:

(a) where one entity derives 50% or more of its operating revenues from another entity;
(b) where two or more entities have given cross-guarantees for each other’s liabilities;
(c) an individual and his family members except where the individual and the family members have resources of their own to meet their obligations without depending on each other and credit facilities granted are not for the use of other family members;
(d) partners or participants of a partnership, joint venture or other common enterprise, except where the partners or participants have resources of their own to meet their obligations without depending on each other and credit facilities granted are not for the use of other partners or participants.
“netting” means bilateral netting, including —

(a) netting by novation, where obligations between two counterparties to deliver a given amount on a given date under a netting transaction are automatically amalgamated with all other obligations under other netting transactions to deliver on the same value date, thereby extinguishing former netting transactions with a single legally binding new transaction; and

(b) close-out netting, which applies where some or all of the ongoing netting transactions between two counterparties are terminated due to the default of either counterparty or upon the occurrence of a termination event as defined in the netting agreement, whereupon the values of such transactions are combined and reduced to a single payable sum;

“netting agreement” means any agreement which effects netting between two counterparties, or any other arrangement to effect netting, which does not contain a walkaway clause;

“netting transaction” refers to any off-balance sheet derivative transaction of a bank incorporated in Singapore covered under a netting agreement, including:

(a) any interest rate contract;

(b) any exchange rate or gold contract;

(c) any contract based on individual equities or equity indices, precious metals or commodities; and

(d) any credit derivative transaction;

[MAS Notice 639 (Amendment) 20XX]

“PSE” or “public sector entities” means:

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

(b) an administrative body or non-commercial undertaking responsible to, or owned by, a central government, regional government or local authority, which performs regulatory or non-commercial functions;

(c) a statutory board in Singapore (other than the Authority); or
(d) a town council in Singapore established pursuant to the Town Councils Act (Cap 392A);  

[MAS Notice 639 (Amendment) 2009]

“Rating Agency” means Standard and Poor’s, Moody’s or Fitch Ratings;

“single counterparty group” means any counterparty, a director group, a financial group, a substantial shareholder group or any third party single counterparty group;

“subsidiary”, in relation to a bank incorporated outside Singapore, has the same meaning as section 5 of the Companies Act, except that the control of, or holding of shares in, any corporation by the bank in Singapore, is by way of investments reflected in the books of the bank in Singapore in respect of its operations in Singapore;

“third party single counterparty group” means any group of persons prescribed under regulation 24(1)(b) of the Banking Regulations;

“walkaway clause” means any provision which permits a party to a netting agreement that is not in default to make limited payments or no payments at all, to a defaulting party under the same netting agreement, even if the party that is in default is a net creditor under the netting agreement but does not include any provision which provides for an enforceable set-off arrangement.

4. The expressions used in this Notice, shall, except where defined in this Notice or where the context otherwise requires, have the same meanings as in the Act and in the Banking Regulations.

5. Subject to paragraph 2(c) of Appendix 3, where a bank incorporated in Singapore is required to comply with any requirements in this Notice involving its eligible total capital, it shall use its eligible total capital figures submitted to the Authority under MAS Notice 637 as at the end of the quarter falling two quarters ago².

[MAS Notice 639 (Amendment) 2014]

² For example, eligible total capital as at 31st December will be the basis for section 29 compliance for the period 1st April to 30th June.
Large Exposures and Substantial Exposures Limits to Single Counterparty Group

Solo Level

6. Subject to paragraphs 8–9 and 28, a bank incorporated in Singapore shall not permit —

(a) the aggregate of its exposures to a single counterparty group to exceed —

(i) in the case of a bank incorporated in Singapore, 25% or such other percentage of its eligible total capital as may be approved by the Authority; or

(ii) in the case of a bank incorporated outside Singapore, 25% or such other percentage of its capital funds as may be approved by the Authority,

(hereinafter referred to as “large exposures limit”); and

(b) the aggregate of exposures exceeding 10% of its eligible total capital or capital funds, as the case may be, to any single counterparty group, to exceed 50% or such other percentage of its total exposures as may be approved by the Authority (hereinafter referred to as “substantial exposures limit”).

Group Level

7. Subject to paragraphs 8–9 and 28, a bank incorporated in Singapore shall aggregate its exposures to a single counterparty group (other than the exposures to the

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3 While the Authority may raise the limits for a bank incorporated in Singapore or bank group, as the case may be, on a case-by-case basis, it will not ordinarily approve any application for higher exposure limits unless the application is supported by strong justification.

4 [deleted by MAS Notice 639 (Amendment) 20XX]For a bank incorporated outside Singapore, the large exposures and substantial exposures limits do not apply to the substantial shareholder group.

5 For an entity that belongs to more than one single counterparty group, a bank (or bank group) should include its exposure to that entity in each of the single counterparty group for the purpose of the large exposures limit. Where a bank’s (or bank group’s) exposure to more than one of these single counterparty groups constitute a substantial exposure, the bank’s (or bank group’s) exposure to the entity in common, need only be accounted for once, for the purpose of the substantial exposures limit.
financial group of the bank), with the exposures of its subsidiaries and the exposures of all other companies treated as part of the bank group to the same counterparty group and shall not permit —

(a) the aggregate of the exposures of the bank group to the single counterparty group to exceed —

(i) in the case of a bank incorporated in Singapore, 25% or such other percentage of the eligible total capital of the bank group as may be approved by the Authority; or

(ii) in the case of a bank incorporated outside Singapore, 25% or such other percentage of the capital funds of the bank group as may be approved by the Authority,

(hereinafter referred to as “large exposures limit”); and

(b) the aggregate of the exposures of a bank group exceeding 10% of the eligible total capital or capital funds, as the case may be, to any single counterparty group, to exceed 50% or such other percentage of its bank group’s total exposures as may be approved by the Authority (hereinafter referred to as “substantial exposures limit”).

[MAS Notice 639 (Amendment) 20XX]

8. Notwithstanding that an entity may not be included in a director group, a financial group, a substantial shareholder group or any third party single counterparty group, a bank incorporated in Singapore shall aggregate the exposures of one or more entities with that of a director group, a financial group, a substantial shareholder group or any third party single counterparty group, as the case may be, if there are reasons for the bank to regard these exposures as connected in such a way so as to pose a single risk to the bank. The Authority may also require a bank incorporated in Singapore to aggregate any of its exposures, where the Authority is of the view that these exposures pose a single risk to the bank.

[MAS Notice 639 (Amendment) 20XX]

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A subsidiary of the bank may include an insurer or asset management company which holds assets in its insurance or investors’ funds. Exposures to counterparties arising from such assets held for the benefit of any third party (other than the bank or any other company in the bank group) shall be excluded from the large exposures and substantial exposures limits.
9. The substantial exposures limit, at both the bank standalone and bank group level, shall not apply to a bank incorporated outside Singapore whose total Singapore dollar credit facilities to its non-bank customers do not exceed $100 million.

Exclusion from Large Exposures and Substantial Exposures Limits

10. For the purpose of complying with the large exposures and substantial exposures limits at the bank standalone or bank group level in paragraphs 6 and 7, a bank incorporated in Singapore when aggregating its exposures or the exposures of the bank group, as the case may be, —

   (a) may exclude one or more exempt exposures; and

   (b) need not aggregate exposures to an entity or a sub-group of entities in a third party single counterparty group or substantial shareholder group with the other entities of the group if the entity or sub-group of entities, as the case may be, fulfill the criteria for disaggregating exposures of financially independent entities set out in Appendix 2.

11. Any entity or sub-group of entities disaggregated from a third party single counterparty group or substantial shareholder group shall be treated by a bank incorporated in Singapore as a single counterparty group for the purposes of complying with paragraphs 6 and 7.

Submission of Quarterly Reports

12. Any bank incorporated in Singapore which has, or whose subsidiary or any other company treated as part of the bank group has, any existing transaction with one or more entities in a sub-group of entities within a third party single counterparty group or substantial shareholder group which has been disaggregated pursuant to paragraph 10(b) and would otherwise be in breach of the large exposures limit or substantial exposures limit if not for paragraph 10(b), shall furnish to the Authority, not later than 15 days from 31st March, 30th June, 30th September and 31st December, or such other period as the Authority may approve, a report containing —

   (a) a list of all the entities involved in the transaction and all other external group entities, highlighting the identity of the controlling entity; and

   (b) the exposures of the bank and every entity in the bank group, to each entity in the sub-group and every other external group entity (as defined in Appendix 2).
13. A bank incorporated in Singapore, may exclude an exposure from its aggregate exposures or the aggregate exposures of the bank group, as the case may be, to a single counterparty group if the exposure has been deducted from its eligible total capital at the bank standalone or bank group level.\(^7\)

**Limits on Unsecured Credit Facilities at Solo or Group Level**

14. Subject to paragraphs 15 and 29, a bank incorporated in Singapore shall not —

\[(a)\] [deleted by MAS Notice 639 (Amendment) 20XX] subject to paragraph \((b)\), permit its aggregate unsecured credit facilities (other than credit card and charge card facilities)\(^8\) and the aggregate unsecured credit facilities of its bank group (other than credit card and charge card facilities) to any director group (other than persons in limb \((d)(i)\) of the definition of “director group”) to exceed $5,000;

\[(b)\] [deleted by MAS Notice 639 (Amendment) 20XX] permit its aggregate unsecured credit facilities (other than credit card and charge card facilities) and the aggregate unsecured credit facilities of its bank group (other than credit card and charge card facilities) to all the persons defined in limb \((d)(i)\) of the definition of director group to exceed $5,000, unless the giving of the additional unsecured credit facilities over the limit has been approved by the board of directors of the bank or such other persons as may be authorised by the board to approve such unsecured credit facilities\(^9\); in such a case, its aggregate unsecured credit facilities (other than credit card and charge card facilities) and the aggregate unsecured credit facilities of its bank group (other than credit card and charge card facilities) to any director group shall not exceed

\[(i)\] in the case of a bank incorporated in Singapore, 2% of the eligible total capital of the bank or the bank group, as the case may be; or

\[(ii)\] in the case of a bank incorporated outside Singapore, 2% of the capital funds of the bank or the bank group, as the case may be; and

\(^7\) For example, a bank incorporated in Singapore may exclude from the computation of its aggregate exposures, its capital investments in a company or its securitisation exposures where these are deducted from eligible total capital for purposes of computation of regulatory capital.

\(^8\) [deleted by MAS Notice 639 (Amendment) 20XX] Credit card and charge card facilities are subject to the requirements in the Banking (Credit Card and Charge Card) regulations.

\(^9\) [deleted by MAS Notice 639 (Amendment) 2009]
(c) grant, whether on its own or collectively with any entity in the bank group, to any of its officers (other than a director) or employees, or any other person who receives remuneration from the bank (other than for professional services rendered to the bank or any company connected with the bank as defined in regulation 24(3) of the Banking Regulations (Rg 5)), any unsecured credit facility which in the aggregate and outstanding at any one time exceeds one year’s emoluments of that officer, employee or person.

[MAS Notice 639 (Amendment) 20XX]

15. [deleted by MAS Notice 639 (Amendment) 20XX] For the purposes of complying with paragraph 14, a bank need not include any unsecured credit facility granted to any entity within the director group which is—

(a) an entity carrying on banking business (whether in Singapore or elsewhere) or merchant bank approved under section 28 of the Monetary Authority of Singapore Act (Cap 186); and

(b) a related corporation of the first-mentioned bank,

provided that in the case of a bank incorporated in Singapore, the bank may only exclude such an unsecured credit facility to its subsidiary if the residual maturity of the credit facility does not exceed one year.

{MAS Notice 639 (Amendment) 2009]

Limits for Investments in Index or Investment Fund11.

16. A bank incorporated in Singapore shall not permit the aggregate of its exposures arising from investments in any index or investment fund to exceed —

(a) in the case of a bank incorporated in Singapore, 2% or such other percentage of the eligible total capital of the bank as may be approved by the Authority; or

(b) in the case of a bank incorporated outside Singapore, 2% or such other percentage of the capital funds of the bank as may be approved by the Authority.

10 [deleted by MAS Notice 639 (Amendment) 20XX] “Emoluments”, in relation to an individual, means the salary and bonuses of the individual in the previous year but does not include any allowances.

11 “Investment funds” includes a collective investment scheme and any closed-end fund, as defined in section 2 of the Securities and Futures Act (Cap 286).
A bank incorporated in Singapore shall monitor its unsecured exposures to each substantial shareholder group exceeding 5% of its eligible total capital, on a Solo and Group level, and submit a report of such exposures to its board of directors on a quarterly basis.

Measurement of Exposures

A bank incorporated in Singapore shall apply the basis for computation of exposures set out in Appendix 3.

In view of potential changes to the shareholding structure of a counterparty and its financial relationship with other entities, a bank incorporated in Singapore should review the profile of its counterparties at least once every 12 months, but in any case, a review shall be conducted by the bank no later than 15 months from the last review.

Use of Credit Ratings by Rating Agencies

Where there are two credit ratings for any particular counterparty, a bank incorporated in Singapore shall use the poorer credit rating for that counterparty. Where there are more than two credit ratings for any particular counterparty, the bank shall use the higher of the two poorest ratings.

The Authority expects a bank incorporated in Singapore to monitor more closely, developments affecting its counterparties with larger exposures particularly those with exposures that are close to the limits set out in this Notice.
Application of Certain Credit Risk Mitigation Techniques

Bilateral Netting of Exposures for Off-balance Sheet Derivatives Transactions

21. A bank incorporated in Singapore which meets the requirements set out in MAS Notice 637 for recognising bilateral netting in respect of netting transactions entered into with a counterparty covered under a netting agreement, shall be deemed to have met the conditions for the purposes of computing its exposures from off-balance sheet derivatives transactions with the same counterparty on a net basis, for determining exposures to any counterparty under this Notice.

[MAS Notice 639 (Amendment) 2009]

22. A bank incorporated outside Singapore that is covered under netting agreements signed at its head office with any counterparty shall, if it intends to compute exposures from off-balance sheet derivatives transactions with that counterparty on a net basis for the purpose of this Notice,—

(a) provide the Authority with written notification from its head office when it begins recognising netting for the purposes of this Notice, and such notification shall confirm that—

(i) there are systems and processes in place at the head office to track gross and net exposures to each netting counterparty, including those of the Singapore branch;

(ii) the head office is subject to a large exposures regime in its home jurisdiction that is broadly equivalent to those set by the Authority, and which is applied to its exposures on a global basis including exposures of the bank in Singapore;

(iii) the head office complies with the rules relating to the recognition of bilateral netting for the purposes of capital adequacy set by its home supervisory authority;

(iv) there is a legally enforceable, valid and effective master netting agreement in place which would cover the exposures of the bank in Singapore to each netting counterparty; and

(b) maintain records and documents confirming the bank’s compliance with

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13 For the avoidance of doubt, a bank incorporated in Singapore needs to meet all the conditions except those found in section 6 of Annex 7N to MAS Notice 637 if it intends to recognise bilateral netting for the purposes of this Notice.

[MAS Notice 639 (Amendment) 2009]
the conditions in sub-paragraph (a) and to make these available upon MAS’ request.

(c) comply with any other conditions that MAS may impose on a case-by-case basis.

23. [deleted by MAS Notice 639 (Amendment) 20XX] A bank incorporated outside Singapore that is covered under a netting agreement which deals only with transactions between the bank in Singapore and any counterparty shall, if it intends to compute exposures from off-balance sheet derivatives transactions on a net basis for the purpose of this Notice,—

(a) provide the Authority with written notification from its head office when it begins recognising netting for the purposes of this Notice and such notification shall confirm that—

(i) there are systems and processes in place at the head office to track gross and net exposures to each netting counterparty, including those of the Singapore branch;

the head office is subject to a large exposures regime in its home jurisdiction that is broadly equivalent to those set by the Authority, and which is applied to its exposures on a global basis including exposures of the bank in Singapore;

there is a legally enforceable, valid and effective master netting agreement in place which would cover the exposures of the bank in Singapore to each netting counterparty;

(iv) the netting arrangements meet the relevant conditions in Appendix 4;

and

(b) maintain records and documents confirming the bank’s compliance with the conditions in sub-paragraph (a) and to make these available upon MAS’ request;

(c) comply with any other conditions that MAS may impose on a case-by-case basis.

24. [deleted by MAS Notice 639 (Amendment) 20XX] For the purposes of determining the net exposure from off-balance sheet derivatives transactions to a counterparty, a bank incorporated outside Singapore which satisfies the requirements in paragraph 22 or 23, as the case may be, may offset its exposures in its operation of an Asian Currency Unit approved under section 77 of the Act (“ACU”) with those in its DBU operations (“referred to as combined exposure”) to that counterparty prior to determining the net amount.
25. [deleted by MAS Notice 639 (Amendment) 20XX] Where the combined exposures of a bank which satisfies the requirements in paragraph 23 to a counterparty is higher than the gross exposure to the same counterparty in its DBU operations, the bank may use the lower amount in determining its net exposure from off-balance sheet derivatives transactions to that counterparty.

26. [deleted by MAS Notice 639 (Amendment) 20XX] For the purposes of paragraphs 22 and 23, the written notification shall be signed by an executive officer of an independent internal function\(^{14}\) of the bank’s head office or an executive officer of the external auditors of the head-office.

27. If the Authority is of the view that a bank incorporated in Singapore is unable to comply with the minimum requirements set out in paragraphs 21 to 26 for the purpose of recognising the netting of its off-balance sheet derivatives transactions under section 29 of the Act, the bank shall immediately cease computing exposures on a net basis. [MAS Notice 639 (Amendment) 20XX]

Exposures Secured Against Collateral

28. For the purposes of complying with the large exposures and substantial exposures limits, a bank incorporated in Singapore may offset from the gross exposure, the portion of the exposure which is secured against qualifying collateral, to compute its resulting exposure to a counterparty. The list of qualifying collateral and conditions to be fulfilled before the collateral may be used for offsetting purposes, are set out at Appendix 5. [MAS Notice 639 (Amendment) 20XX]

29. A bank incorporated in Singapore may also offset any collateral\(^{15}\) satisfying the conditions set out in paragraph 2 of Appendix 5, for the purpose of — [MAS Notice 639 (Amendment) 20XX]

(a) complying with the unsecured credit facilities limits in paragraph 14, or

(b) monitoring any unsecured exposure to a substantial shareholder group exceeding 5% of the bank’s eligible total capital.\(^{16}\)

\(^{14}\) For example, the bank’s internal audit function.

\(^{15}\) Acceptable collateral includes any cash deposit, property and any marketable debt or equity security (other than any security issued by the counterparty, a related corporation of the counterparty, or any entity in the substantial shareholder group or financial group of the bank) but does not include any guarantee or letter of credit.
30. Where the gross exposure and collateral are denominated in different currencies, the value of the collateral shall be subject to a haircut based on the figures for “FX” set out in Table 1 of Appendix 3.

Substitution of Exposures

31. Subject to paragraphs 32 to 40, for the purpose of complying with the large exposures and substantial exposures limits, a bank incorporated in Singapore that has obtained credit protection may substitute its exposure to any counterparty, with its exposure to the provider of credit protection.

[MAS Notice 639 (Amendment) 20XX]

32. A bank incorporated in Singapore may substitute its exposures to a counterparty with that of the provider of credit protection if the provider of credit protection satisfies the following criteria:

(a) the provider of credit protection shall have a minimum credit rating of “A-” (or its equivalent) at the inception of the credit protection and at least a credit rating of “BBB-” (or its equivalent) over the tenor of the credit protection;

(b) the provider of credit protection shall be rated equal to or better than, the counterparty;

(c) the provider of credit protection shall not be the head office of the bank or parent bank, the bank’s sister branches, subsidiaries and associated companies, any holding company of the bank, the subsidiaries and associated companies of any holding company of the bank or any entity in the substantial shareholder group or financial group of the bank (collectively referred to as “related parties”), unless the following conditions are met, whereupon the bank may record an exposure to the ultimate third party provider of credit protection —

(i) the credit protection is obtained from a third party provider of credit protection by a related party of the bank incorporated in Singapore on its behalf;

16 [deleted by MAS Notice 639 (Amendment) 20XX] This is applicable only to banks incorporated in Singapore.
(ii) there is documentary evidence indicating that the credit protection covers the relevant exposures of the bank incorporated in Singapore; and

(iii) relevant records and documents are made available to the Authority upon request; and

(iv) [deleted by MAS Notice 639 (Amendment) 20XX] in the case of a bank incorporated outside Singapore, the bank shall provide a written confirmation from its head office that the bank is subject to a large exposures regime in its home jurisdiction that is broadly equivalent to those set by the Authority, and which is applied to its exposures on a global basis including the exposures of the bank in Singapore; and

(d) the ultimate provider of credit protection shall not be financially dependent on the counterparty and vice versa.

[MAS Notice 639 (Amendment) 20XX]

33. A bank incorporated in Singapore may only substitute an exposure to a counterparty which is covered by any of the following types of credit protection with an exposure to the provider of credit protection —

(a) any guarantee which satisfies the conditions at Appendix 6A; and

(b) any single name credit default swap, total return swap or first-to-default credit derivative providing credit protection equivalent to a guarantee, which satisfies the conditions at Appendix 6B.

[MAS Notice 639 (Amendment) 20XX]

34. A bank incorporated in Singapore that has obtained credit protection via an instrument set out in paragraph 33 may substitute its exposure to a counterparty with its exposure to the provider of credit protection if there is no mismatch in the currency or maturity of the credit protection with the underlying exposure.

[MAS Notice 639 (Amendment) 20XX]

35. Where a maturity mismatch exists such that the residual maturity of the credit protection is shorter than that of the underlying exposure, a bank incorporated in Singapore may substitute its exposure to a counterparty with its exposure to the provider of credit protection subject to the haircuts described in Appendix 7 if the following conditions are met —

[MAS Notice 639 (Amendment) 20XX]
36. Where a mismatch exists between the currencies in which the credit protection and the underlying exposure are denominated, a bank incorporated in Singapore may substitute its exposure to a counterparty with its exposure to the provider of credit protection subject to a haircut of 8% of the notional value of the credit protection.

37. In the case where there are both currency and maturity mismatches between the exposure of a bank incorporated in Singapore to its counterparty and the credit protection, the haircut for currency mismatches shall be cumulatively added to the haircut for maturity mismatches.

38. For the purposes of paragraph 33, a bank incorporated in Singapore shall recognise protection for only one asset in a first-to-default credit derivative basket over the entire tenor of the credit derivative. A bank incorporated in Singapore shall recognise a first-to-default credit derivative only if the credit derivative contract is terminated upon the occurrence of a specified credit event. In the event of a default, where the defaulted name under a first-to-default credit derivative is not the counterparty of the bank for whom protection has been bought, the bank shall record the full amount of its exposure to the underlying counterparty upon the termination of the credit derivative contract.\(^{17}\)

39. The resulting exposure of a bank incorporated in Singapore to the provider of credit protection shall be aggregated with the bank’s other exposures to this same counterparty, for the purpose of compliance with the limits set out in this Notice.

40. Where the provider of credit protection is an entity to whom exposures of a bank incorporated in Singapore are exempt exposures under sub-paragraphs (a), (b), (d), (e) and (f) of Appendix 1, the bank may treat any exposure acquired indirectly by the bank as a result of substitution of exposures through credit risk mitigation as an exempt exposure.

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\(^{17}\) A bank shall not recognise a second-to-default and other nth-to-default credit derivatives as eligible credit risk mitigation instruments for the purposes of section 29.
Operation of Asian Currency Unit

41. [deleted by MAS Notice 639 (Amendment) 20XX] A bank incorporated outside Singapore need not comply with the requirements in this Notice (other than paragraph 14) in respect of exposures and credit facilities from its operation of an Asian Currency Unit.

Effective Date and Transitional Provisions

42. Subject to paragraph 43, this Notice shall take effect on 11th June 2007. MAS Notice 623 dated 11th November 2002 and MAS Notice 629 dated 4th January 2006 is hereby cancelled with effect from 11th June 2007.

43. A bank incorporated in Singapore carrying on banking business immediately before 31st March 2007 shall continue to comply with the requirements set out in MAS Notices 623, 625 and 629 relating to the repealed section 29 of the Act until 30th March 2009 or unless the bank has elected to comply with the new section 29 of the Act pursuant to section 67 of the Banking (Amendment) Act 2007 (Act 1 of 2007), whichever is the earlier. Where the bank incorporated in Singapore has so elected, the bank shall comply with this Notice from the date of election specified in the notice of election.

44. Notwithstanding paragraph 42, a bank incorporated in Singapore need only commence furnishing the relevant reports required under paragraphs 12 and 17, for the quarter ending 30 June 2009.

* Notes on history of amendments
1. MAS Notice 639 (Amendment) 2009 with effect from 31 December 2009.
2. MAS Notice 639 (Amendment) 2014 with effect from 17 February 2014.
3. MAS Notice 639 (Amendment) 20XX with effect from DD MM 20XX
Appendix 1

Exempt Exposures

For the purposes of this Notice, the following exposures are exempt exposures:

(a) an exposure to the Singapore Government\(^{18}\) and to the Authority;

(b) an exposure to a central bank\(^{19}\) or a central government of a sovereign country that is rated “AAA” (or its equivalent);

(c) an exposure of an overseas branch or subsidiary of a bank incorporated in Singapore, to the central bank or central government of the jurisdiction where the branch or subsidiary is located, where:

(i) the exposure is to meet the statutory liquidity and reserves requirement or other statutory requirements imposed by the central bank in that jurisdiction; or

(ii) the exposure is denominated in the local currency of the jurisdiction and its original maturity is not greater than three months. The amount to be exempted is limited to the amount of local currency denominated liabilities of the branch or subsidiary concerned;

(d) an exposure to any public sector entity rated “AAA” (or its equivalent);

(e) an exposure to the following multilateral development banks (“MDBs”):

(i) the African Development Bank;

(ii) the Asian Development Bank;

(iii) the Caribbean Development Bank;

(iv) the Council of Europe Development Bank;

(v) the European Bank for Reconstruction and Development;

(vi) the European Investment Bank;

\(^{18}\) For the avoidance of doubt, an exposure to a statutory board in Singapore is not considered an exposure to the Singapore Government.

\(^{19}\) This includes any entity which performs the role of a central bank.
(vii) the European Investment Fund;

(viii) the Inter-American Development Bank;

(viia) the International Finance Facility for Immunisation;

(ix) the Islamic Development Bank;

(x) the Nordic Investment Bank; and

(xi) the World Bank Group,

[MAS Notice 639 (Amendment) 2009]

(f) an exposure to the Bank for International Settlements, the International Monetary Fund, the European Central Bank and the European Community;

[MAS Notice 639 (Amendment) 2014]

(g) an exposure guaranteed by or hedged by a credit derivative where the provider of credit protection is any entity listed in sub-paragraph (a), (b), (d), (e), and (f) above, which fulfills the conditions in Appendix 6A or 6B, as the case may be;

(h) an exposure to a bank, whether or not licensed in Singapore, except that in the case of an exposure of a bank incorporated in Singapore to a subsidiary which is a bank, whether in Singapore or elsewhere, the residual maturity of the exposure shall not exceed one year;

(i) an exposure to a merchant bank approved under section 28 of the Monetary Authority of Singapore Act (Cap 186) which is a related corporation of the bank licensed in Singapore (“merchant bank subsidiary”), except that in the case of an exposure of a bank incorporated in Singapore to its merchant bank subsidiary, the residual maturity of the exposure shall not exceed one year;

(j) [deleted by MAS Notice 639 (Amendment) 20XX] an exposure of a bank incorporated outside Singapore to its head office or any other branch or subsidiary of its head office arising from a central risk management function performed by the head office, branch or subsidiary, subject to the bank—
(i) providing the Authority with written notification from its head office confirming that:

(A) all fair value losses are undertaken by the head office or other entities of the bank group as the case may be; and

(B) the head office is subject to a large exposures regime in its home jurisdiction that is broadly equivalent to those set by the Authority, and which is applied to its exposures on a global basis including exposures of the branch in Singapore;

(ii) maintaining relevant records and documents evidencing the subparagraph (j)(i)(A), and making these available upon request by the Authority; and

(k) an exposure to a counterparty arising from the clearing or settlement of any transaction, where the bank has fulfilled its obligation under the transaction but the counterparty has not, up to two business days from the date of settlement; and

(l) an exposure arising from granting intra-day facilities to or entering into an overnight repurchase or reverse repurchase transaction with a counterparty.

[deleted by MAS Notice 639 (Amendment) 20XX] The written notification shall be signed off by an executive officer from an independent internal function of the head office such as Internal Audit or an executive officer from the external auditors of the head office.
Appendix 2

Criteria for Disaggregating Exposures to Financially Independent Entities in a Third Party Single Counterparty Group or Substantial Shareholder Group

1. Where the controlling entity is not a foreign government or foreign central bank, the exposures of a bank incorporated in Singapore to an entity or a sub-group of entities in a third party single counterparty group or substantial shareholder group (referred to as “Group”) can be disaggregated from the exposures of the bank to the Group, where all the following requirements are met:

   (a) the entity or each entity in the sub-group, as the case may be, has sufficient financial resources (either on its own or together with the financial resources provided by the other entities in the sub-group) to fully service its liabilities, and does not depend on any other entity in the Group that does not fall within the sub-group (“external group entity”) for financial assistance in meeting its liabilities;  

   (b) the entity or each entity in the sub-group, as the case may be, is not dependent on by any external group entity for financial assistance in meeting the external group entity’s liabilities; 

   (c) proceeds received by the entity or each entity in the sub-group, as the case may be, from the credit facilities granted by the bank are only used by the entity or other entities in the sub-group for the operations of the entity or other entities in the sub-group, as the case may be, and are not transferred to any external group entity;

20A In the case of a loan provided by a shareholder (“shareholder loan”) to an entity to be disaggregated, the accounting treatment may be used as a guide in determining whether the shareholder and the entity are financially independent. Where the shareholder loan was accounted for as debt (e.g. amount due to shareholder/amount due from entity), they would not be financially independent. On the other hand, where the shareholder loan was accounted for as equity (e.g. cost of investment in subsidiary/associated company), a bank incorporated in Singapore may treat the shareholder and the entity as financially independent, unless there are reasons to suggest otherwise (such as the injection of capital to support a financially weak entity).

[MA Notice 639 (Amendment) 2009]  

[MA Notice 639 (Amendment) 20XX]
(d) the entity or each of the entities in the sub-group, as the case may be, does not receive the proceeds of any credit facilities, whether in whole or in part, obtained by any external group entity from the bank;

(e) the entity or each of the entities in the sub-group, as the case may be, is not dependent on any external group entity, whether singly or in aggregate with other external group entities, for more than 50% of its operating revenues;

(f) the entity or each of the entities in the sub-group, as the case may be, is not dependent on by any external group entity, either singly or in aggregate with other entities in the sub-group, for more than 50% of the external group entity’s operating revenues;

(g) the entity or each of the entities in the sub-group, as the case may be, does not use any name, logo or trade mark in a manner which indicates or represents that the entity is related to or associated with any external group entity;

(h) none of the names, logos or trademarks of the entity or any of the entities in the sub-group is used by any external group entity in a manner which indicates or represents that the external group entity is related to or associated with the entity or any of the entities in the sub-group;

(i) a majority of the directors of the entity or each of the entities in the sub-group, as the case may be, do not fall within any of the following categories:

   (i) the controlling person;

   (ii) family members of the controlling person;

   (iii) employees of the controlling person;

   (iv) concurrently directors of the controlling person;

   (v) employees of any other external group entity.

Where the entity or sub-group of entities is held by one or more intermediate holding companies (an intermediate holding company being a company which primary purpose is to own or hold shares in other companies), this criteria need not be satisfied for the purposes of determining whether the entity or sub-group of entities may be disaggregated from the intermediate holding company or companies, as the case may be.

[MAS Notice 639 (Amendment) 2009]
(j) no external group entity that is a controlling person or family member of such a controlling person, is an executive officer or chairman of the board of directors of the entity or any of the entities in the sub-group;

(k) no chief executive officer of any external group entity that is a controlling person is an executive officer or chairman of the board of directors of the entity or any of the entities in the sub-group; and

(l) apart from being in the Group, the entity or each of the entities in the sub-group, as the case may be, and any external group entity are not financially dependent on each other.

[MAS Notice 639 (Amendment) 20XX]

2. Where the controlling person is a foreign government or foreign central bank, the exposures of an entity or a sub-group of entities in a Group can be disaggregated from the exposures of the Group where the criteria in 1(a) to (f), and (l) are met.
Appendix 3

Basis of Computation of Exposures

1. For the purpose of compliance with the exposure limits set out in this Notice, a bank incorporated in Singapore shall record an exposure arising from:

   (a) an actual outstanding position or claim against a single counterparty group, including:

      (i) any loan or advance granted;
      (ii) any bills purchased or any discounted bills held;
      (iii) any linked spot and forward purchases of securities that function economically like a secured loan\(^1\);
      (iv) any debt securities purchased or sold\(^2\);
      (v) any financial derivative purchased or sold over-the-counter\(^3\);
      (vi) any margin held with any exchange, clearing house or other counterparty.

   A bank incorporated in Singapore shall measure these exposures based on their carrying value, i.e. the same measurement basis that has been applied to the exposures in the preparation of the bank’s financial statements. The same measurement basis is to be used consistently and in a manner which complies with the requirements of the Singapore Financial Reporting Standards. The same measurement basis shall be

\(^1\) For a repurchase transaction, a bank incorporated in Singapore shall recognise an exposure to the issuer based on the carrying value of security. For a reverse repurchase transaction, a bank incorporated in Singapore shall recognise an exposure to the counterparty, equivalent to the amount due from the counterparty which may be offset by the value of any security if these are qualifying collateral.

\(^2\) This refers to exposures from pre-settlement risk (marked-to-market gain) and settlement risk.

\(^3\) This refers to the marked-to-market gain and potential future exposure (please see paragraph (f)).
applied to both the numerator and denominator in computing large exposures and substantial exposures;

(b) any contingent liability or commitment arising from the normal course of business as a result of utilisation of limits available or drawing down of undrawn advised facilities which the bank has committed to provide, including:

(i) any undrawn credit facilities;

(ii) any direct credit substitutes such as guarantees issued by the bank, bills accepted but not held by the bank;

(iii) any transaction related contingent items such as standby letters of credit, performance bonds, bid bonds or warranties;

(iv) any short-term self-liquidating trade related credits such as documentary credit collateralised by underlying shipments.

A bank incorporated in Singapore shall measure these contingent liabilities and commitments based on the facility limit that has been granted to the counterparty, excluding any amount that has been utilised or drawn down;

(c) any assets whose value depends on an issuer performing its obligations, or whose value otherwise depends on that issuer’s financial soundness, including securities, warrants and options.

A bank incorporated in Singapore shall record an exposure to the issuer of the security based on its carrying value i.e. the same measurement basis that has been applied to the exposures in the preparation of the bank’s financial statements, provided that the same measurement basis is used consistently and in a manner which complies with the requirements of the Singapore Financial Reporting Standards.

Where the issuer is a foreign government, a bank incorporated in Singapore may net long and short positions arising from the purchase and sale of securities issued by the government across different series and maturities for the purpose of computing its exposure to that government, where these are exposures in the bank’s trading book;

(d) any outstanding claims on a special purpose vehicle (“SPV”) as part of a securitisation transaction, including on-balance sheet exposure to securities issued e.g. asset-backed securities, mortgage-backed securities and collateralised debt obligations, and off-balance sheet exposures e.g. through credit enhancements, liquidity facilities, interest rate or currency swaps or credit derivatives, regardless of whether it was retained by the
bank at, or repurchased by the bank after, the origination of the securitisation.

(i) subject to sub-paragraph (ii), a bank incorporated in Singapore shall record an exposure to the issuer of each of the underlying assets based on the relative size of the issuers’ contribution to the pool of securitised assets;

(ii) where the exposure to the SPV does not exceed, in the case of a bank incorporated in Singapore, 2% of the bank’s eligible total capital of a bank incorporated in Singapore or in the case of a bank incorporated outside Singapore, 2% of its capital funds, the bank may record the exposure as an exposure to the SPV;

(iii) a bank incorporated in Singapore may count an exposure to the SPV in place of the underlying assets under extenuating circumstances where the bank is unable to look through the SPV to its underlying assets. Where this occurs, the bank shall document the reason(s) for its inability to look through the SPV. Such documentation shall be made available for review by the Authority at all times;

(e) any commitments due to underwriting.

(i) In the case of securities underwriting, a bank incorporated in Singapore shall record an amount equivalent to the commitment limit multiplied by 20% as an exposure to the issuer of the securities underwritten. On the earlier of the issue date or eight weeks from the date of launch of the issue, the amount of securities that has not been sold shall be counted as an exposure to the issuer;

(ii) In the case of notes issuance facilities and revolving underwriting facilities, a bank incorporated in Singapore shall record an amount equivalent to the facility limit multiplied by 50% as an exposure to the issuer;

(f) any potential future exposure over the remaining life for over-the-counter off-balance-sheet items. The potential future exposure for these items shall be computed by applying an add-on factor to the effective notional principal amount as set out in the table below.
Table 1: Add-on for Potential Future Exposure

<table>
<thead>
<tr>
<th>Residual Maturity</th>
<th>Interest Rate</th>
<th>FX &amp; Gold</th>
<th>Equity</th>
<th>Precious Metals (Except Gold)</th>
<th>Other Commodities</th>
</tr>
</thead>
<tbody>
<tr>
<td>One year or less</td>
<td>0.0%</td>
<td>1.0%</td>
<td>6.0%</td>
<td>7.0%</td>
<td>10.0%</td>
</tr>
<tr>
<td>Over one year to five years</td>
<td>0.5%</td>
<td>5.0%</td>
<td>8.0%</td>
<td>7.0%</td>
<td>12.0%</td>
</tr>
<tr>
<td>Over five years</td>
<td>1.5%</td>
<td>7.5%</td>
<td>10.0%</td>
<td>8.0%</td>
<td>15.0%</td>
</tr>
</tbody>
</table>

The Authority may allow a bank incorporated in Singapore to use its internal models to derive appropriate add-ons if these models have been —

(i) accepted, approved or validated by its home supervisory authority for managing large exposures or for capital adequacy purposes; or

(ii) approved or validated by the Authority for capital adequacy purposes.

[MAS Notice 639 (Amendment) 20XX]

Exclusions

2. A bank may exclude the following from the computation of exposures:

(a) unadvised or uncommitted facilities and internal limits. For uncommitted facilities, a bank incorporated in Singapore should obtain a legal opinion that its facility documentation confers upon the bank an unconditional right to refuse drawdown. The Authority expects all banks incorporated in Singapore to have proper procedures in place to enable them to exercise their rights to decline drawdown requests for uncommitted facilities.

(b) accrued interest, accrued expenses and fees outstanding. Nevertheless, a bank incorporated in Singapore may include these items if they wish to do so, or if such sums are material.

(c) in the case of a bank incorporated in Singapore, computing the aggregate of its exposures of a bank incorporated in Singapore to its financial group, the amount of capital investments referred to in paragraph 6.1.3(p)(iii) of MAS Notice 637, provided that those capital investments\(^2\) are

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\(^2\) For avoidance of doubt, the amounts excluded from the computation of the eligible total capital of the bank shall be the capital investments referred to in paragraph 6.1.3(p)(iii) of MAS Notice 637, as at the end of the quarter falling two quarters ago.
correspondingly excluded from the computation of the eligible total capital of the bank, for the purpose of computing the large exposures limit.

[MAS Notice 639 (Amendment) 2014]
[MAS Notice 639 (Amendment) 20XX]
Conditions Applicable to a Bank Incorporated Outside Singapore for Netting Arrangements

1 Introduction

1.1 This Appendix sets out the conditions applicable to a bank incorporated outside Singapore which is covered under a netting agreement dealing only with transactions between the bank in Singapore and a counterparty, and which intends to recognise bilateral netting in respect of netting transactions entered into with the counterparty for the purposes of computing its exposures to a single counterparty group under this Notice.

2 Conditions

2.1 Subject to this paragraph and paragraphs 3 and 4, a bank may recognise the netted exposures in respect of any netting transaction for the purposes of computing its exposures to a single counterparty group under this Notice only when the bank—

(a) has entered into a valid, effective and enforceable netting agreement necessary to effect the netting with a counterparty;

(b) has obtained a written independent legal opinion confirming that the netting agreement is valid, effective and enforceable for each of the following jurisdictions, where applicable:

(i) the jurisdiction in which the counterparty is incorporated or established;

(ii) if the head office or a foreign branch of the counterparty has entered or will be entering into the netting transaction, the jurisdiction in which the head office or branch of the counterparty, as the case may be, is located;

(iii) the jurisdiction whose law governs the netting agreement; and

(iv) the jurisdiction whose law governs any netting transaction subject to the netting agreement if different from subparagraph (iii), referred to as “relevant jurisdictions”) and which satisfies the requirements set out in paragraph 3; and
The Authority provides to the Authority a summary listing of the source and date of each legal opinion obtained for the purposes of paragraph 2.1(b), stating in each case, whether such legal opinion was commissioned specifically by the bank, by the bank collectively with any other party, or by some other third party. The summary listing should be provided at least once every 12 months, but in any case shall be provided no later than 15 months from the previous submission.

2.2 The bank may be required by the Authority to provide copies of or access to, the netting agreement and the legal opinions obtained for the purposes of paragraph 2.1(b).

3 Legal Opinions obtained for purposes of paragraph 2.1(b)

3.1 A legal opinion may —

(a) be in the form of a memorandum of law and addressed directly to the bank or the sponsors of a particular netting agreement or form of netting agreement; or

(b) be the product of a number of parties (including the bank) pooling together to seek a collective opinion on a particular netting agreement.

3.2 Each legal opinion shall confirm that in an event of default as defined under the netting agreement, including liquidation, bankruptcy or other similar circumstance of either the counterparty or the bank, the courts and administrative authorities of the relevant jurisdiction will find that the bank’s claims and obligations pursuant to the relevant netting transactions would be limited to a net sum calculated in accordance with the netting agreement under the law of the relevant jurisdiction.

3.3 In addition, each legal opinion should —

This can be prepared by either the external or internal legal adviser of the bank.

The Authority would normally consider independent legal opinions commissioned and collated by the International Swaps and Derivatives Association (ISDA) as meeting the conditions set out in paragraphs 3.1 to 3.6 of this Appendix.

This includes a court-appointed administrator and an administrator appointed by a regulatory authority.

This is not intended to be an exhaustive list of all the matters that should be covered in a legal opinion obtained for the purposes of paragraph 2.1(b).
(a) highlight the material clauses in the netting agreement that provides for the netting ("material netting clauses");

(b) confirm that the unenforceability or illegality of any clause (other than a material netting clause) in the netting agreement is unlikely to undermine the material netting clauses referred to in sub-paragraph (a) above;

(c) state the circumstances under which the netting agreement may be relied upon including:

   (i) the legal form of, or activities conducted by, the counterparty; and

   (ii) whether certain counterparties (such as a bank, an insurance company or a local authority) may be subject to special rules relating to insolvency as a result of the legal form of, or activities conducted by, the counterparties;

(d) state whether the netting or other default provisions in the netting agreement are enforceable or enforceable differently (and if so, the extent of the differences) in a non-liquidation event, such as administration, judicial management, receivership, voluntary arrangement and a scheme of arrangement;

(e) state to what extent, if at all, the netting needs to be reflected in the records of the counterparties in order for it to be valid, effective and enforceable;

(f) state whether a court or other relevant administrative authority in the jurisdiction covered by the legal opinion would uphold the rate chosen for the conversion of foreign currency obligations for the purpose of calculating the close-out amount and whether there are any statutory or other applicable rules that may affect this aspect of the netting agreement;

(g) state whether under the law of the jurisdiction covered by the legal opinion, it is necessary for the enforceability of the netting that all netting transactions be regarded as part of a single agreement, and if so, whether there is anything in the close-out methodology which may be held to be inconsistent with the treatment of all netting transactions as part of a single agreement and the effect it may have on the netting;

(h) state whether there is any reason to believe that the netting agreement would be unenforceable because of the law of another jurisdiction;

(i) state whether there is any preference specified in the netting agreement for automatic rather than optional close-out, and if so, whether such preference would affect the enforceability of the netting agreement;
3.4 The Authority is aware that it may not be possible for a bank to obtain a legal opinion that provides a definitive view on the validity, effectiveness and enforceability of the netting agreement without certain assumptions or qualifications. The presence per se of assumptions and qualifications within the legal opinion will not render the legal opinion unsatisfactory for the purposes of this Notice. However, the assumptions underlying the legal opinion shall not be unduly restrictive. They shall be specific, of a factual nature and be adequately explained within the legal opinion. Likewise, where qualifications are made, these shall be specific and their effect shall be adequately explained within the legal opinion. A bank shall examine and assess the assumptions and qualifications in the legal opinion.

3.5 If the bank determines that—

(a) the absence of any of the information listed in paragraph 3.3; or
(b) any of the assumptions or qualifications in the legal opinion,

gives rise to reasonable doubt as to the validity, effectiveness or enforceability of the netting agreement, the bank shall not recognise netting in respect of the netting transactions covered under the netting agreement for the purposes of computing its exposures to a single counterparty group under this Notice.

3.6 In this regard, where there is more than one relevant jurisdiction in relation to a netting agreement, the bank shall not recognise netting in respect of any netting transaction for the purposes of computing its exposures to a single counterparty group under this Notice if the bank has any reasonable doubt, based on its own evaluation of the legal opinions, as to whether the netting agreement is valid, effective and enforceable in any relevant jurisdiction considering the potential for conflicts of laws and whether action may be taken by insolvency officials in other jurisdictions.

3.7 The bank shall review each legal opinion and obtain updates thereto, either in the form of a fresh legal opinion or a letter from an external firm of lawyers confirming that the opinion on the validity, effectiveness and enforceability of the netting agreement remains unchanged. Each legal opinion should be reviewed at least once every 12 months, but in any case shall be reviewed no later than 15 months from the previous review. The bank shall also document the sources of the legal opinions, and the expertise of the persons giving the legal opinions.
3.8 Notwithstanding paragraph 2.1(b), where any relevant jurisdiction does not recognise netting or recognises netting only in a limited form, the bank shall report netting transactions for which that jurisdiction is a relevant jurisdiction on a gross basis under this Notice. All other transactions under the same netting agreement may be reported on a net basis.

[MAS Notice 639 (Amendment) 2009]

3.9 The bank shall alert the Authority when it becomes aware of any relevant jurisdiction that does not recognise netting or recognises netting only in a limited form (whether as to certain products or with counterparties of certain legal forms or counterparties performing certain activities).

3.10 Where a bank is aware that a supervisory authority of the counterparty of the bank (whether the supervisory authority is the home or host supervisor) is not satisfied that a netting agreement is legally valid, effective or enforceable under the law of the jurisdiction of that supervisory authority, the bank shall not recognise netting in respect of any netting transaction covered by such netting agreement for the purposes of computing its exposures to a single counterparty group under this Notice, notwithstanding any legal opinion obtained by the bank.

4 Policies, Systems and Controls

4.1 A bank that recognises netting in respect of any netting transaction for the purposes of computing its exposures to a single counterparty group under this Notice shall have in place a netting policy that sets out, as a minimum, the following:

(a) the person(s) responsible for setting and reviewing policy on netting;

(b) the frequency of review of the netting policy;

(c) the person(s) responsible for approving the application of a netting agreement to any netting transaction (including determining whether the netting agreement is covered by an existing legal opinion or whether separate legal opinions are required);

(d) how the bank monitors legal developments affecting its netting agreements and the need to obtain additional legal opinions;

(e) what the bank is to include in its netting agreements to ensure that its interests, rights and obligations are duly reflected;

(f) the processes for determining and reporting net exposures to individual counterparties.

4.2 The bank shall also have in place adequate systems and controls to monitor the netting transactions, including systems and controls to ensure that—
(a) only netting transactions entered into by the bank with a counterparty that is covered by a netting agreement are netted for the purposes of computing its exposures to a single counterparty group under this Notice;

(b) net exposures to individual counterparties are accurately determined and reported;  

(c) documentary evidence of the netting transactions subject to netting are appropriately safeguarded and the bank is able to produce such documentary evidence, if required by the Authority;

[MAS Notice 639 (Amendment) 2009]

(d) the legal opinions are not superseded by subsequent changes in the laws of the relevant jurisdictions. The following shall be duly documented and should be updated at least once every 12 months, but in any case, shall be updated no later than 15 months from the previous update:

(i) the types of counterparties and netting transactions covered by each netting agreement; and

(ii) the relevant jurisdictions for each netting agreement to which the bank is a party. The bank shall note any jurisdiction for which any doubt may exist as to the legal validity, effectiveness or enforceability of netting and what action the bank has taken as a result;

(e) counterparty limits are monitored in terms of such net exposures; and

(f) potential roll-off exposures, which occur upon maturity of short-dated obligations that are netted against longer dated claims, are monitored.

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29 A bank should have systems in place that are capable of aggregating net exposures to each counterparty on a global basis including against each branch of the counterparty.
Appendix 5

Recognition of Collateral

1. “Qualifying collateral” means any cash deposit pledged, charged or secured as collateral and any security issued by entities listed in sub-paragraphs (a), (b), (d), (e) and (f) of Appendix 1.

2. A bank incorporated in Singapore shall ensure the following conditions are fulfilled before offsetting collateral in its computation of exposures:

   (a) all collateral arrangements shall be properly documented, and the bank shall take all steps necessary to fulfill statutory and contractual requirements to ensure that it is able to enforce its security interest;

   (b) the bank shall have proper internal legal procedures relating to the liquidation of collateral upon the default of the counterparty, with a view towards timely liquidation;

   (c) if the securities are held by a custodian, the bank shall satisfy itself that there is adequate segregation between the collateral instruments and the custodian’s own assets;

   (d) the market value of the collateral shall be readily determinable or marked to market on a regular basis; and

   (e) the value of the collateral shall not have a material positive correlation with the credit quality of the counterparty.

[MAS Notice 639 (Amendment) 20XX]
Appendix 6A

Requirements for Recognition of Guarantees

1 A bank incorporated in Singapore shall ensure that the following conditions are met before it recognises a guarantee:

(a) the guarantee shall be an explicitly documented obligation assumed by the guarantor;

(b) all documentation used for the guarantee shall be binding on all parties and legally enforceable in all relevant jurisdictions;  

(c) the guarantee shall represent a direct claim on the guarantor;

(d) the extent of the credit protection cover is clearly defined and incontrovertible;

(e) other than in the event of non-payment by the bank of money due in respect of the guarantee, if applicable, there is an irrevocable obligation on the part of the guarantor to pay out a pre-determined amount upon the occurrence of a credit event, as defined under the guarantee;

(f) the guarantee shall not contain any clause, the fulfillment of which is outside the direct control of the bank, that—

(i) would allow the guarantor to unilaterally cancel the guarantee;  

(ii) would increase the effective cost of the guarantee as a result of deteriorating credit quality in the hedged exposure;  

(iii) could prevent the guarantor from being obliged to pay out in a timely manner in the event that the counterparty fails to make any payment(s) due; or

30 Such documentation shall be subject to sufficient legal review. Further reviews should be required as necessary to ensure continuing enforceability of legal documentation in relevant jurisdictions, such as the jurisdiction whose law governs the credit protection agreement and the jurisdiction whose law governs any transaction covered under the credit protection agreement.

31 This does not include any guarantee with a cancellation clause where it is provided that any obligation incurred or transaction entered into prior to any cancellation, unilateral or otherwise, continues to be guaranteed by the guarantor. When the exposure is no longer covered by the guarantee, the bank shall record an exposure to the counterparty.
(iv) could allow, where applicable, the maturity of the guarantee agreed ex-ante to be reduced ex-post by the guarantor;

(g) the bank shall be able in a timely manner pursue the guarantor for any monies outstanding under the documentation governing the transaction between the bank and the counterparty (referred to hereafter as “Documentation”) on the default of, or non-payment by, the counterparty;

(h) the guarantee shall cover all types of payments that the counterparty is expected to make under the Documentation, except where the exposure is an exempt exposure or in the case of accrued interest, accrued expenses or fees outstanding, where these are deemed immaterial; and

[MAS Notice 639 (Amendment) 20XX]

2 Where the amount of credit protection afforded by the guarantee is less than the amount of the underlying exposure, and the secured and unsecured portions of the underlying exposure are of equal seniority i.e. a bank incorporated in Singapore and the guarantor share losses on a pro-rata basis, the bank may recognise an exposure to the guarantor for the portion of the original exposure that is hedged.

[MAS Notice 639 (Amendment) 20XX]

32 The guarantee payments may be in the form of the guarantor making a lump sum payment of all monies to the bank or the guarantor assuming the future payment obligations of the counterparty covered by the guarantee, as specified in the relevant documentation governing the guarantee.
Appendix 6B

Requirements for Recognition of Credit Derivatives

1. A bank incorporated in Singapore shall ensure that the following conditions are met before it recognises any credit derivative:

[MAS Notice 639 (Amendment) 20XX]

(a) the terms and conditions of any credit protection obtained via a credit derivative shall be set out in writing by both the bank and the provider of credit protection;

(b) all documentation used for credit derivatives shall be binding on all parties and legally enforceable in all relevant jurisdictions;\(^{33}\)

(c) the credit derivative shall represent a direct claim on the provider of credit protection;

(d) the extent of the credit protection cover is clearly defined and incontrovertible;

(e) other than in the event of non-payment by a buyer of credit protection of money due in respect of the credit derivative, there is an irrevocable obligation on the part of the provider of the credit protection to pay out a pre-determined amount upon the occurrence of a credit event, as defined under the credit protection contract;

(f) the credit derivative contract shall not contain any clause, the fulfillment of which is outside the direct control of the bank, that:

(i) would allow the provider of credit protection to unilaterally cancel the credit protection cover;

(ii) would increase the effective cost of the credit protection cover as a result of deteriorating credit quality in the hedged exposure;

\(^{33}\) Such documentation shall be subject to sufficient legal review. Further reviews should be required as necessary to ensure continuing enforceability of legal documentation in relevant jurisdictions such as the jurisdiction whose law governs the credit protection agreement and the jurisdiction whose law governs any transaction subject to the credit protection agreement.
(iii) could prevent the provider of credit protection from being obliged to pay out in a timely manner in the event that the counterparty fails to make any payment due, or

(iv) could allow, where applicable, the maturity of the credit protection agreed ex-ante to be reduced ex-post by the provider of credit protection;

(g) the credit events specified by the contracting parties shall at a minimum cover:

(i) failure to pay the amounts due under terms of the underlying exposure that are in effect at the time of such failure (with a grace period that is closely in line with the grace period in the underlying exposure);

(ii) bankruptcy, insolvency or inability of the counterparty to pay its debts, or its failure or admission in writing of its inability generally to pay its debts as they become due, and analogous events;

(iii) restructuring of the underlying obligation involving forgiveness or postponement of principal, interest or fees that results in a credit loss event (i.e. charge-off, specific provision or other similar debit to the profit and loss account); and

(h) in the event when only the restructuring of the underlying exposure is not specified as a credit event in the contract, partial recognition of the credit derivative under a substitution approach will be allowed. If the credit protection cover provided by the credit derivative is less than or equal to the amount of the underlying exposure, only 60% of the amount of the hedge can be attributed to the provider of credit protection while the residual exposure is attributed to the counterparty for the purposes of section 29. If the amount of the credit derivative is larger than that of the underlying exposure, the amount of eligible hedge is capped at 60% of the amount of the underlying exposure;

34 This does not preclude an obligation by the buyer of credit protection to satisfy requirements relating to providing a Notice of Publicly Available Information, as is the case for the triggering of credit protection under standard Credit Default Swap contracts.

35 The Authority would normally consider the requirements in paragraph (g) to have been met even if the requirements are not specifically set out so long as the obligations of the provider of credit protection covered under the credit derivative contract would include those requirements.
(i) the credit derivative shall not terminate prior to the maturity of the underlying exposure or expiration of any grace period required for a default on the underlying exposure to occur as a result of a failure to pay;

(j) the maturity of the underlying exposure and the maturity of the credit derivative shall both be defined conservatively;

(k) a robust valuation process to estimate loss reliably shall be put in place in order to estimate loss reliably for credit derivatives that allow for cash settlement. There shall be a clearly specified period for obtaining post-credit event valuations of the underlying obligation;

(l) where the right or ability of the bank to transfer the underlying exposure to the provider of credit protection is required for settlement, the terms of the underlying exposure shall provide that any required consent to such transfer may not be unreasonably withheld;

(m) the identity of the parties responsible for determining whether a credit event has occurred shall be clearly defined. This determination shall not be the sole responsibility of the provider of credit protection. The protection buying bank shall have the right or ability to inform the protection seller of the occurrence of a credit event;

(n) the underlying obligation and the reference obligation specified in the credit derivative contract for the purpose of determining the cash settlement value or the deliverable obligation or for the purpose of determining whether a credit event has occurred may be different only if:-

---

36 The effective maturity of the underlying shall be gauged as the longest possible remaining time before the counterparty is scheduled to fulfill its obligation, taking into account any applicable grace period. For the credit derivative, embedded options which may reduce the term of the credit derivative shall be taken into account so that the shortest possible effective maturity is used. Where a call is at the discretion of the protection seller, the maturity will always be at the first call date. If the call is at the discretion of the protection buying bank but the terms of the arrangement at origination of the credit derivative contain a positive incentive (e.g. there is a step-up in cost in conjunction with a call feature) for the bank to call the transaction before contractual maturity, the remaining time to the first call date will be deemed to be the effective maturity.

37 The Authority would normally consider the cash settlement methodology provided in the ISDA Credit Derivatives Definitions as satisfying this requirement.
(i) the reference obligation ranks \textit{pari passu} with or is junior to the underlying obligation; and

(ii) the underlying obligation and reference obligation share the same obligor (i.e. the same legal entity) and legally enforceable cross-default or cross-acceleration clauses are in place; and

\[\text{[MAS Notice 639 (Amendment) 2009]}\]

(o) there is no material positive correlation between the creditworthiness of the provider of credit protection and the counterparty.

\[\text{[MAS Notice 639 (Amendment) 20XX]}\]

2 Where the amount of the credit protection afforded by the credit derivative is less than the amount of the underlying exposure, and the secured and unsecured portions of the underlying exposure are of equal seniority, a bank incorporated in Singapore may recognise an exposure to the provider of credit protection for the portion of the original exposure that is hedged.

\[\text{[MAS Notice 639 (Amendment) 20XX]}\]
Appendix 7

**Applicable Haircut for Maturity Mismatch between a Purchased Credit Derivative and the Underlying Exposure**

Haircuts shall be estimated via the following method:

$$Pa = P \times \frac{(t - 0.25)}{(T - 0.25)}$$

where:

- $Pa$ = value of the credit protection adjusted for maturity mismatch
- $P$ = value of the credit protection adjusted for any haircuts
- $t$ = $\min(T, \text{residual maturity of the credit protection arrangement})$ expressed in years
- $T = \min(5, \text{residual maturity of the exposure}^{38})$ expressed in years

[MAO Notice 639 (Amendment) 2009]

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38 In the case of a basket of exposures with different maturities, a bank shall use the longest maturity of any of the exposures as the maturity of all the exposures being hedged.

[MAO Notice 639 (Amendment) 2009]
Annex K: Proposed Amendments to MAS Notice 639A

MAS 639A

6 June 2007
Last revised on DD MM 20XX*

NOTICE TO BANKS
BANKING ACT, CAP. 19

(MAS 611 dated 11 Nov 2002 is cancelled with effect from 11 June 2007.)

EXPOSURES AND CREDIT FACILITIES TO RELATED CONCERNS

1 This Notice is issued pursuant to sections 27(1) and 55 of the Banking Act (Cap. 19) [“the Act”].

Definition

2 In this Notice—

“DBU operations”, in relation to a bank, means any operations of the bank in Singapore, other than operations of an Asian Currency Unit approved under section 77 of the Act;

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

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

Statement under section 27(1) of the Act

4 The statement to be prepared by a bank under section 27(1) of the Act in respect of each quarter of the year shall be in the form set out in Appendix I. The explanatory Notes for completing the statement are set out at Appendix II.

Maintenance of detailed records of individual exposures

5 Notwithstanding paragraph 4, every bank should maintain detailed records of individual exposures to each related person listed in section 27(1) of the Act.

MAS Notice 639A (Amendment) 20XX
Aggregation with subsidiaries

6 Every bank incorporated in Singapore which is not a subsidiary of another bank incorporated in Singapore shall prepare an additional statement in the form set out in Appendix I, aggregating its exposures and credit facilities to each group of persons listed in section 27(1) of the Act with that of all its subsidiaries and any other company treated as part of the bank’s group of companies according to Accounting Standards.

Effective Date and Transitional Provision

7 Subject to paragraph 8, this Notice shall take effect on 11 June 2007. MAS Notice 611 dated 11 November 2002 is cancelled with effect from 11 June 2007.

8 A bank in Singapore carrying on banking business immediately before 31 March 2007 shall continue to comply with the requirements set out in MAS Notice 611 relating to the repealed section 27 of the Act until 30 March 2009, or unless the bank has elected to comply with the new section 27 of the Act pursuant to section 67 of the Banking (Amendment) Act 2007 (Act 1 of 2007), whichever is the earlier. Where the bank in Singapore has so elected, the bank shall comply with this Notice from the date of election specified in the notice of election.

*Endnotes on History of Amendments
(1) MAS Notice 611 dated 11 November 2002 is cancelled with effect from 11 June 2007.
(2) MAS Notice 639A dated 6 June 2007 with effect from 11 June 2007.
(3) MAS Notice 639A (Amendment) 20XX dated DD/MM/YY 20XX takes effect from DD MM ¥20XX.
Name of Bank: ______________________________________________

Statement of exposures and credit facilities to be reported under Section 27(1) of the Banking Act (Cap 19) as at ________________

(Please provide the details of the reported exposure in the “Additional information” section.)

<table>
<thead>
<tr>
<th>Relationship to Bank</th>
<th>Exposure Limits (S$)</th>
<th>Total Gross Exposure Amounts (S$)</th>
<th>Total Net Exposure Amounts (S$)</th>
<th>Total Gross Exposure Amounts of which are Credit Facilities (S$)</th>
<th>Total Credit Facilities which are Unsecured (S$)</th>
<th>Policies and Procedures Remarks</th>
<th>Remarks</th>
</tr>
</thead>
<tbody>
<tr>
<td>a) The director groups of bank</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>b) Firms or limited liability partnerships of which the bank is a partner, manager, agent, guarantor or surety</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>c) Companies of which any of the directors of the bank is a director or agent</td>
<td></td>
<td></td>
<td></td>
<td></td>
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<td></td>
<td></td>
</tr>
<tr>
<td>d) Companies of which the bank or any of its</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Relationship to Bank Total</td>
<td>Exposure Limits (S$)</td>
<td>Total Gross Exposure Amounts (S$)</td>
<td>Total Net Exposure Amounts (S$)</td>
<td>Total Gross Exposure Amounts of which are Credit Facilities (S$)</td>
<td>Total Credit Facilities which are Unsecured (S$)</td>
<td>Policies and Procedures Remarks</td>
<td>Remarks</td>
</tr>
<tr>
<td>----------------------------</td>
<td>----------------------</td>
<td>----------------------------------</td>
<td>---------------------------------</td>
<td>---------------------------------------------------------------</td>
<td>-----------------------------------------------</td>
<td>---------------------------------</td>
<td>---------</td>
</tr>
<tr>
<td>officers (other than directors), employees or other persons who receive remuneration from the bank (other than for professional services rendered to the bank) is a director, executive officer, agent, guarantor or surety</td>
<td></td>
<td></td>
<td></td>
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<td></td>
</tr>
<tr>
<td>e) Officers, employees or other persons who receive remuneration from the bank (other than for professional services rendered to the bank) in</td>
<td></td>
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<td></td>
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<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Relationship to Bank Total</td>
<td>Exposure Limits (S$)</td>
<td>Total Gross Exposure Amounts (S$)</td>
<td>Total Net Exposure Amounts (S$)</td>
<td>Total Gross Exposure Amounts of which are Credit Facilities (S$)</td>
<td>Total Credit Facilities which are Unsecured (S$)</td>
<td>Policies and Procedures Remarks</td>
<td>Remarks</td>
</tr>
<tr>
<td>---------------------------</td>
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<td>--------------------------------------------------</td>
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</tr>
<tr>
<td>excess of one year’s emoluments of the officer, employee or person</td>
<td></td>
<td></td>
<td></td>
<td></td>
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<td></td>
</tr>
<tr>
<td>f) In the case of a bank incorporated in Singapore, the substantial shareholder groups of the bank</td>
<td></td>
<td></td>
<td></td>
<td></td>
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<td></td>
<td></td>
</tr>
<tr>
<td>g) The financial group of the bank</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>h) Related corporations of the bank</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>i) Individuals in whom, or any firm, limited liability partnership or</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Relationship to Bank Total</td>
<td>Exposure Limits (S$)</td>
<td>Total Gross Exposure Amounts (S$)</td>
<td>Total Net Exposure Amounts (S$)</td>
<td>Total Gross Exposure Amounts of which are Credit Facilities (S$)</td>
<td>Total Credit Facilities which are Unsecured (S$)</td>
<td>Policies and Procedures Remarks</td>
<td>Remarks</td>
</tr>
<tr>
<td>---------------------------</td>
<td>---------------------</td>
<td>-------------------------------</td>
<td>-------------------------------</td>
<td>-------------------------------------------------</td>
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<td>-----------------------------</td>
<td>---------</td>
</tr>
<tr>
<td>company in which, any of the directors of the bank has an interest, directly or indirectly, as declared under section 28 other than the credit facilities or exposures particulars of which have already been supplied under section 27(1)</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>
Additional Information

Name of Manager: _______________________________
Designation of Manager: ___________________________
Date of submission to HO/ reading at Board of Directors Meeting: ___________________
Date of preparation: ______________________________
Date of submission to MAS: _________________________
EXPLANATORY NOTES FOR COMPLETION OF STATEMENT OF EXPOSURES AND CREDIT FACILITIES TO BE REPORTED UNDER SECTION 27(1) OF THE BANKING ACT (CAP 19)

1. A bank shall report all its exposures and credit facilities in Singapore dollars. Where any of the bank’s credit exposures or credit facilities is denominated in whole or in part in a currency other than Singapore dollars (for the purposes of this paragraph, a “foreign currency”), the bank shall covert the amount denominated in foreign currency into Singapore dollars using the bank’s internal currency conversion rates. Where the transaction does not involve Singapore dollars, the bank shall convert the foreign currency amount to Singapore dollars using the currency conversion rates at the Authority’s Internet website at http://mas.gov.sg (under Statistics Room – Financial Databases).

2. A bank shall segregate all exposures and credit facilities booked in respect of its DBU operations from those booked in respect of the Asian Currency Unit approved under section 77 of the Act and prepare separate statements for its DBU operations and its ACU operations.

2 Unless otherwise stated in this Notice, a bank shall report exposures and credit facilities for each relationship under column 1 of Appendix I (“relationship”) in the manner such exposures and credit facilities are computed for the purposes of complying with the limits set out in MAS Notice 639, i.e., taking into account any credit risk mitigation techniques or exclusions.

3. Where an exposure or credit facility to a counterparty falls into more than one relationship, a bank shall report such exposures and credit facilities under each relationship accordingly. The bank shall provide details of such exposures and credit facilities under the “Additional Information” section.

4. For an entity that is grouped into one or more director groups or substantial shareholder groups, a bank shall only report its exposure to that entity once for each relationship.

5. If there are no exposures and credit facilities to be reported under section 27 of the Banking Act, a “Nil” return shall be submitted.

6. “Total gross exposure amounts” and “total net exposure amounts” under columns 3 and 4 of Appendix I refer to the exposure amounts before and after the application of any credit risk mitigation techniques in the manner set out in MAS Notice 639, respectively.
“Gross exposure amounts of which are credit facilities” and “credit facilities which are unsecured” under columns 5 and 6 of Appendix I refer to the amounts before and after offsetting the portion of the credit facilities secured against acceptable collateral in the manner set out in MAS Notice 639, respectively.

Under the “policies and procedures” column, a bank shall indicate “Yes” or “No” accordingly, depending on whether it has any approved policies or procedures governing each relationship listed under column 1 of Appendix I. If yes, the bank shall also indicate “Yes” or “No” under the “remarks” column as to whether the reported exposures and credit facilities are in compliance with the approved policies or procedures. Reasons for any exceptions to approved policies or procedures shall be disclosed under the “Additional Information” section.
Annex L: Proposed Amendments to MAS Notice 759

MAS Notice 759

29 November 2013
Last revised on DD MM 20XX*

NOTICE TO CREDIT CARD ISSUERS
BANKING ACT, CAP 19

COLLECTION OF STATISTICAL RETURNS FOR CREDIT CARDS

Introduction

1 This Notice is issued pursuant to section 57D of the Banking Act (Cap 19) [“the Act”] and regulation 19 of the Banking (Credit Card and Charge Card) Regulations 2013 [“the Regulations”] and applies to all card issuers in Singapore.

Definition

2 In this Notice—

“ACU operations” in relation to a card issuer which is a bank in Singapore, means the operation of an Asian Currency Unit approved under section 77 of the Act;

“DBU operations” in relation to a card issuer which is a bank in Singapore means operations other than ACU operations;

“unsecured credit facility” means any fully unsecured or partially secured non-card credit facility.

[MAS Notice 759 (Amendment) 20XX]

3 The expressions used in this Notice shall, except where defined in this Notice or where the context otherwise requires, have the same meanings as in the Act and the Regulations.
Returns under section 57D of the Act and regulation 19 of the Regulations

4 Subject to paragraph 5, every card issuer shall prepare returns in respect of each quarter of the year in the form set out in Appendix I and in accordance with the accompanying Notes for Completion for compiling the returns therein.

5 A card issuer whose total amount of credit card receivables owed to it by its cardholders is less than $5 million may elect to submit its returns in the form set out in Appendix II, in accordance with the Notes for Completion for compiling the returns therein. A card issuer which has filed a return under paragraph 4 may not subsequently file returns under this paragraph.

6 A card issuer shall furnish to the Authority the returns required under paragraph 4 or 5, as the case may be no later than 30 days following the end of each quarter.

Commencement

7 A card issuer shall, with the exception of the items set out in paragraph 8 below, commence furnishing returns under paragraph 6 in the form set out in Appendix I or II from the quarter ending on 31 December 2014.

8 A card issuer shall commence furnishing returns for the following items from the quarter ending on 30 September 2015:
   a) Part V of Appendix I; and
   b) Items 4, 5 and 6 of Table A of Appendix II.

9 MAS Notice 759 dated 7 April 2009 is cancelled with effect from 1 October 2014.

* Endnotes on History of Amendments
(1) MAS Notice 759 dated 7 April 2009 with effect from 1 July 2009.
(2) MAS Notice 759 dated 7 April 2009 is cancelled with effect from 1 October 2014.
(3) MAS Notice 759 dated 29 November 2013 with effect from 1 October 2014.
(4) MAS Notice 759 (Amendment) 20XX with effect from DD MM 20XX.
APPENDIX I: STATISTICS COLLECTION TEMPLATE

THE MONETARY AUTHORITY OF SINGAPORE
Quarterly Statement of Credit Card/Charge Card Facilities

Reporting Organisation: ________________________________
MM/YYYY: ______________

1. This return is to be completed in accordance with the relevant Notes for Completion.

2. Number items are to be reported in full and value items in thousands of Singapore dollars (unless otherwise stated), rounded to two decimal places.

3. This return is applicable to any credit card, charge card or unsecured credit facility linked to a debit card which is reflected in the books of a card issuer's in relation to its ACU or DBU operations in Singapore. Foreign currency credit facilities are to be converted to Singapore dollars using month-end exchange rates.

   [MAS Notice 759 (Amendment) 20XX]

4. Credit cards and charge cards referred to in sections 57G(a) and (c) of the Act shall not be reported in this Appendix I.

General Definitions:

Charge card

Means any article, whether in physical or electronic form, of a kind commonly known as charge card intended for use in purchasing goods or services and
(a) linked to a non-revolving credit facility; and
(b) where the full amount of any credit utilised has to be settled by a specified date; whether or not the card is valid for immediate use.

Credit card

Means any article, whether in physical or electronic form, of a kind commonly known as credit card intended for use in purchasing goods or services and
(a) linked to a revolving credit facility (other than a deposit account with overdraft facilities); and
(b) where the full amount of any credit utilised may be settled in full by a specified date or in part, with the unpaid balance subject to interest charges; whether or not the card is valid for immediate use.
### Debit card
Means an article, whether in physical or electronic form, that enables the holder to access funds in a deposit account with a financial institution and that may be used for the purchasing of goods and services (e.g. ATM cards).

### Transfer balances
Means any existing balances that have been transferred from other financial institutions by a cardholder.

### Part I: General Data

**Notes for Completion of Part I**

<table>
<thead>
<tr>
<th>Reporting entity</th>
<th>Means any credit card or charge card issuer. For the avoidance of doubt, credit cards and charge cards referred to in section 57G(b) of the Act shall be reported under this Part.</th>
</tr>
</thead>
<tbody>
<tr>
<td>Credit card</td>
<td>A Reporting entity shall include statistics on co-branded cards that it has issued under this column. The Reporting entity shall aggregate any unsecured credit facility linked to a debit card, where the individual is personally liable, with credit card facilities under the ‘credit card’ column.</td>
</tr>
<tr>
<td>Value</td>
<td>Means the aggregate of the amount of transactions attributable to the use of credit cards or charge cards for the 3 months in the reporting quarter.</td>
</tr>
<tr>
<td>S’porean &amp; PR</td>
<td>Only personal credit cards and charge cards (i.e. cards not applied for the use of any business purpose) issued to Singaporeans and Permanent Residents (“PRs”) shall be reported under this column.</td>
</tr>
<tr>
<td>Others</td>
<td>Credit cards and charge cards issued to foreigners business cards, corporate cards, and corporate purchasing cards shall be reported under this column.</td>
</tr>
</tbody>
</table>
### Table I - General Data I

<table>
<thead>
<tr>
<th></th>
<th>S’porean &amp; PR</th>
<th>Others</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Credit card</td>
<td>Charge card</td>
<td>Credit card</td>
</tr>
<tr>
<td></td>
<td>Value (S$ ′000)</td>
<td></td>
<td></td>
</tr>
<tr>
<td>1</td>
<td>Billings of Reporting entity’s cardholders in Singapore</td>
<td></td>
<td></td>
</tr>
<tr>
<td>2</td>
<td>Billings of Reporting entity’s cardholders outside Singapore</td>
<td></td>
<td></td>
</tr>
<tr>
<td>3</td>
<td>Billings of foreign cardholders in Singapore</td>
<td></td>
<td></td>
</tr>
<tr>
<td>4</td>
<td>Net profit/loss from credit card and charge card operations in Singapore for the reporting quarter, before tax</td>
<td></td>
<td></td>
</tr>
<tr>
<td>4a</td>
<td>Gross interest earnings before tax</td>
<td></td>
<td></td>
</tr>
<tr>
<td>4b</td>
<td>Membership fees</td>
<td></td>
<td></td>
</tr>
<tr>
<td>4c</td>
<td>Merchant fees and net interchange income</td>
<td></td>
<td></td>
</tr>
<tr>
<td>4d</td>
<td>Exchange gains/losses</td>
<td></td>
<td></td>
</tr>
<tr>
<td>4e</td>
<td>Other income</td>
<td></td>
<td></td>
</tr>
<tr>
<td>4f</td>
<td>Fraud losses net of recovery</td>
<td></td>
<td></td>
</tr>
<tr>
<td>4g</td>
<td>Bad debts written off</td>
<td></td>
<td></td>
</tr>
<tr>
<td>4h</td>
<td>Other expenses</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

#### Notes for Completion of Table I: General Data I

<table>
<thead>
<tr>
<th>Item</th>
<th>Description</th>
<th>Notes for Completion</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Billings of the Reporting entity’s cardholders in Singapore</td>
<td>The total billings of a Reporting entity’s cardholders for the entire quarter shall be reported, and not the total billings as at the end of the quarter. Any instalment amount which is billed to a customer’s credit card account shall be included and reported. Interest and other charges shall be excluded.</td>
</tr>
<tr>
<td>3</td>
<td>Billings of foreign cardholders in Singapore</td>
<td>Refers to spending of foreign cardholders (i.e. holders of cards issued by card-issuing companies outside Singapore) in Singapore, settled by charge/credit cards.</td>
</tr>
</tbody>
</table>
Item 4
Net profit/loss from credit card and charge card operations in Singapore for the reporting quarter, before tax

Notes for Completion:
The values for credit cards and charge cards are to be aggregated. This is net of expenses incurred, but before deduction of tax. The sum of rows 4a to 4h must be equivalent to item 4.

Item 4a
Gross interest earnings before tax

Notes for Completion:
This shall be reported before any interest expense (e.g. funding cost) is deducted.

Item 4e
Other income

Notes for Completion:
This refers to other income earned from the credit card and charge card operations in Singapore that are not reported under rows 4a – 4d.

Item 4h
Other expenses

Notes for Completion:
This refers to other expenses incurred by the credit card and charge card operations in Singapore that are not reported under rows 4f – 4g.

Table 2: General Data II

<table>
<thead>
<tr>
<th>GENERAL DATA II</th>
<th>Credit card</th>
<th>Charge card</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>S'porean &amp; PR</td>
<td>Others</td>
</tr>
<tr>
<td>1 Number of principal cards</td>
<td></td>
<td></td>
</tr>
<tr>
<td>2 Number of principal cardholders</td>
<td></td>
<td></td>
</tr>
<tr>
<td>3 Number of supplementary cardholders</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Notes for Completion of Table 2: General Data II

Item 1
Number of principal cards

Notes for Completion:
The number of cards, including debit cards linked to an unsecured credit facility, that a Reporting entity has issued to its principal cardholders.

Supplementary cards shall not be included.

All cards which are available for further use by cardholders, notwithstanding that there may not be outstanding balances thereon or that they have not been drawn on for some time, shall be reported. Cards which are not available for
<table>
<thead>
<tr>
<th>Item</th>
<th>Description</th>
<th>Notes for Completion</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
<td>further use shall still be reported if there are outstanding balances thereon (unless they are written off). For the avoidance of doubt, cards which are not available for further use and which have no outstanding balances shall not be reported.</td>
</tr>
<tr>
<td></td>
<td></td>
<td>If two cards are issued to an individual, a count of two shall be included in this field.</td>
</tr>
</tbody>
</table>
| 2    | Number of principal cardholders | For the purpose of this return, a Reporting entity shall consider an individual as a single cardholder, irrespective of the number of cards or unsecured facilities linked to debit cards he holds. Where an individual hold both a credit card and a charge card as main cardholder, he shall be reported as a single statistic in the ‘credit card’ column and shall not be reported in the ‘charge card’ column. An individual who holds an unsecured credit facility linked to a debit card shall be reported in the ‘credit card’ column and not in the ‘charge card’ column. Cardholders who hold cards that are available for further use, notwithstanding that there may not be outstanding balances thereon or that it has not been drawn on for some time, shall be reported. Cardholders who hold cards which are not available for further use shall still be reported if there are outstanding balances thereon (unless they are written off). For the avoidance of doubt, cardholders who hold only cards which are not available for further use and which have no outstanding balances shall not be reported. Where an individual holds both a principal card and a supplementary card (under another principal cardholder), he shall be reported in both ‘Number of principal cardholders’ and ‘Number of supplementary cardholders’.
<table>
<thead>
<tr>
<th>Item</th>
<th>Description</th>
<th>Notes for Completion</th>
</tr>
</thead>
<tbody>
<tr>
<td>3</td>
<td>Number of supplementary cardholders</td>
<td>For the purpose of this return, a Reporting entity shall consider an individual as a single supplementary cardholder, irrespective of the number of supplementary cards or unsecured facilities linked to debit cards he holds. Where an individual holds both a supplementary credit card and a supplementary charge card, he shall be reported as a single statistic in the ‘credit card’ column and not in the ‘charge card’ column.</td>
</tr>
</tbody>
</table>

**Part II: Unsecured Credit Facilities Linked to Debit Cards**

**Notes for Completion of Part II**

- **Reporting entity**: Means any credit card or charge card issuer. A Reporting entity shall report an unsecured credit facilities linked to a debit card, where the individual is personally liable, under this part.

- **Number**: Means the number of individuals as at the end of the quarter, and not the aggregate of the number of individuals in the 3 months in the quarter. For the purpose of this Part, a Reporting entity shall consider an individual as a single statistic, irrespective of the number of unsecured credit facilities he holds.

- **Value**: Means the value as at the end of the reporting quarter, and not the aggregate of the 3 months’ value, unless specifically stated otherwise.

- **S’porean & PR**: Only Singaporeans and PRs who are granted unsecured credit facilities linked to debit cards shall be reported.
Table 3: Unsecured Credit Facilities Linked to Debit Cards

<table>
<thead>
<tr>
<th></th>
<th>UNSECURED CREDIT FACILITIES LINKED TO DEBIT CARDS</th>
<th>S'porean &amp; PR Total</th>
<th>S'porean &amp; PR Total</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Number of individuals with unsecured credit facilities linked to debit cards</td>
<td></td>
<td></td>
</tr>
<tr>
<td>1</td>
<td>Total credit facilities extended under unsecured credit facilities linked to debit cards</td>
<td></td>
<td></td>
</tr>
<tr>
<td>2</td>
<td>Total outstanding balance of unsecured credit facilities linked to debit cards</td>
<td></td>
<td></td>
</tr>
<tr>
<td>3a</td>
<td>‘Free credit’ balance</td>
<td></td>
<td></td>
</tr>
<tr>
<td>3b</td>
<td>Interest-bearing balances by age</td>
<td></td>
<td></td>
</tr>
<tr>
<td>3b(i)</td>
<td>Less than 30 days</td>
<td></td>
<td></td>
</tr>
<tr>
<td>3b(ii)</td>
<td>30 – 59 days</td>
<td></td>
<td></td>
</tr>
<tr>
<td>3b(iii)</td>
<td>60 – 89 days</td>
<td></td>
<td></td>
</tr>
<tr>
<td>3b(iv)</td>
<td>90 – 119 days</td>
<td></td>
<td></td>
</tr>
<tr>
<td>3b(v)</td>
<td>120+ days</td>
<td></td>
<td></td>
</tr>
<tr>
<td>3c</td>
<td>Interest and other charges</td>
<td></td>
<td></td>
</tr>
<tr>
<td>4</td>
<td>Unsecured credit facilities linked to debit cards not repaid at due date</td>
<td></td>
<td></td>
</tr>
<tr>
<td>4a</td>
<td>Less than 30 days</td>
<td></td>
<td></td>
</tr>
<tr>
<td>4b</td>
<td>30-59 days past due</td>
<td></td>
<td></td>
</tr>
<tr>
<td>4c</td>
<td>60-89 days past due</td>
<td></td>
<td></td>
</tr>
<tr>
<td>4d</td>
<td>90-179 days past due</td>
<td></td>
<td></td>
</tr>
<tr>
<td>4e</td>
<td>180+ days past due</td>
<td></td>
<td></td>
</tr>
<tr>
<td>4f</td>
<td>Of which: Interest and other charges</td>
<td></td>
<td></td>
</tr>
<tr>
<td>5</td>
<td>Delinquent credit facilities</td>
<td></td>
<td></td>
</tr>
<tr>
<td>6</td>
<td>Bad debts written off during the quarter</td>
<td></td>
<td></td>
</tr>
<tr>
<td>7</td>
<td>Action initiated by Reporting entity against cardholders</td>
<td></td>
<td></td>
</tr>
<tr>
<td>7a</td>
<td>Restructuring action</td>
<td></td>
<td></td>
</tr>
<tr>
<td>7b</td>
<td>Collection action</td>
<td></td>
<td></td>
</tr>
<tr>
<td>7c</td>
<td>Legal action</td>
<td></td>
<td></td>
</tr>
<tr>
<td>7d</td>
<td>Others</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Delinquent Credit Facility Grading Policy:
### Notes for Completion of Table 3: Unsecured Credit Facilities Linked to Debit Cards

<table>
<thead>
<tr>
<th>Item</th>
<th>Description</th>
<th>Notes for Completion</th>
</tr>
</thead>
</table>
| 2    | Total credit facilities extended under unsecured credit facilities linked to debit cards | Means the sum of:  
- total amount of credit extended under unsecured credit facilities linked to debit cards that are available for further use as at the end of the quarter and includes any undrawn facilities; and  
- total outstanding balance of unsecured credit facilities linked to debit cards which are not available for further use but which have outstanding balances thereon (unless they are written off).  
For the avoidance of doubt, unsecured credit facilities linked to debit cards which are not available for further use and which have no outstanding balances shall not be reported. |
| 3    | Total outstanding balance of unsecured credit facilities linked to debit cards | Means the aggregate amount outstanding and payable to the Reporting entity due to unsecured credit facilities linked to debit cards, including free credit balance and interest-bearing balance, but does not include any credit facility that has been written off or any unsecured credit facilities not repaid at due date. |
| 3a   | ‘Free credit’ balance | Refers to balances that are not subject to interest charges.  
For instalments, the total outstanding instalment amount including the first billing shall be classified under ‘free credit balance’ if the total outstanding instalment amount, including the first billing, is not subject to interest charges.  
The total outstanding instalment amount shall be run down each month when the individual pays his monthly instalments.  
Transfer balances shall be included under ‘free credit balance’ if the transfer balance is not subject to interest charges. |
<table>
<thead>
<tr>
<th>Item</th>
<th>Description</th>
<th>Notes for Completion</th>
</tr>
</thead>
<tbody>
<tr>
<td>3b</td>
<td>Interest-bearing balances by age</td>
<td>Means balances that are subject to interest charges, but do not include the balances accumulated by: (i) individuals who did not make the minimum payment; and (ii) individuals with over-limit amounts which are past due date. For instalments, the total outstanding instalment amount shall be classified under ‘interest-bearing balances’ if any part of the total outstanding instalment amount is subject to interest charges. The total outstanding instalment amount shall be run down each month when the individual pays his monthly instalments. Transfer balances shall be included under ‘interest-bearing balances by age’ if any part of the transfer balance is subject to interest charges. Interest and other charges (e.g. late payment charges) shall be excluded from the ‘Value’ figures for item 3b, 3b(i) – (v). Where an individual owes both ‘free credit balance’ and ‘interest-bearing balances’, he shall be reported under ‘Interest-bearing balances by age’.</td>
</tr>
</tbody>
</table>
| 3b(i)-(v) | Interest-bearing balances by age | Age refers to the consecutive number of days up to the end of the reporting quarter during which any part of the individual’s outstanding balance attracts interest.  
(i) Less than 30 days  
(ii) 30 – 59 days  
(iii) 60 – 89 days  
(iv) 90 – 119 days  
(v) 120+ days |  
Where an individual has multiple unsecured |

1 For example, an individual first charges $1,000 to his unsecured credit facility linked to a debit card on 5 February. The amount charged attracts interest from 6 February. By end March, the ‘age’ of his interest bearing balance would be 54 days (no. of days between 6 Feb (inclusive) and 31 March (inclusive)).
<table>
<thead>
<tr>
<th>Item</th>
<th>Description</th>
<th>Notes for Completion</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>credit facilities linked to debit cards with different interest-bearing periods, the individual and the balances on all his unsecured credit facilities linked to debit cards shall be reported under the ‘Number’ and ‘Value’ column respectively, in the single row which reflects the age of the unsecured credit facility with the longest interest-bearing period.</td>
<td></td>
</tr>
<tr>
<td>3c</td>
<td>Interest and other charges</td>
<td>Means any bank charges, fees, interest charges and late payment charges.</td>
</tr>
<tr>
<td>4</td>
<td>Unsecured credit facilities not repaid at due date</td>
<td>This shall include individuals who fail to make the minimum payment by the payment due date or who have over-limit amounts which are past due. Once the required payment is not paid at due date, the entire amount outstanding, and not just the required amount that was not made, shall be included in the value figures. This shall not include any overdue credit facility where a Reporting entity has negotiated for a change in repayment terms with the individual and payments are still being made in accordance with the repayment terms (“restructured credit facility”). However, where the individual defaults again in subsequent quarters, such credit facility shall be re-included in the returns for that quarter as if the credit facility were not a restructured credit facility.²</td>
</tr>
<tr>
<td>4a</td>
<td>Unsecured credit facilities not repaid at due date</td>
<td>The number of days shall be computed based on the consecutive number of days up to the end of the reporting quarter that an unsecured credit</td>
</tr>
<tr>
<td>4e</td>
<td>(a) Less than 30 days</td>
<td></td>
</tr>
</tbody>
</table>

² For example, where a balance that was 30 days past due had been restructured, and the restructured balance was subsequently defaulted on again 90 days later, such a balance will be considered to be in arrears for 90+30 =120 days, and therefore placed in the “90-179 days past due” row.
### Item Description Notes for Completion

<table>
<thead>
<tr>
<th>Item</th>
<th>Description</th>
<th>Notes for Completion</th>
</tr>
</thead>
<tbody>
<tr>
<td>(b)</td>
<td>30-59 days past due</td>
<td>facility linked to any debit card is past due.</td>
</tr>
<tr>
<td>(c)</td>
<td>60-89 days past due</td>
<td>Where an individual has multiple credit facilities linked to debit cards with varying days past due, the individual and the balances on all his unsecured credit facilities linked to debit cards shall be reported under the ‘Number’ and ‘Value’ column respectively, in the single row which reflects the past due period of the unsecured credit facility with the most number of days past due. Interest and other charges shall be included in the value figures.</td>
</tr>
<tr>
<td>(d)</td>
<td>90-179 days past due</td>
<td></td>
</tr>
<tr>
<td>(e)</td>
<td>180+ days past due</td>
<td></td>
</tr>
</tbody>
</table>

4f Of which: Interest and other charges  
Means any bank charges, fees, interest charges and late payment charges included in the amounts reported under item 4.

5 Delinquent credit facilities  
Means any credit facility which is classified as delinquent by a Reporting entity. The internal definition of delinquent credit facilities is to be reported in the ‘Delinquent Credit Facility Grading Policy’ section. The number of individuals with delinquent credit facilities shall be reported, and not the number of delinquent credit facilities. Interest and other charges shall be included in the value figures.

6 Bad debts written off  
Means all bad debts written off in accordance with the write off policy for bad debts of a Reporting entity for the reporting quarter. Interest and other charges shall be included in the value figures.

7a-7d Action initiated by Reporting entity against cardholder  
Means any action taken against an individual with overdue credit facilities as at the end of the quarter. Any credit facility which has been written off shall not be reported.

When a Reporting entity has taken multiple
actions against such an individual, the relevant credit facility shall be recorded under the latest stage of action. The Reporting entity shall categorise the type of action taken against the individual as follows:

a) ‘Restructuring action’ means any action taken by the Reporting entity to negotiate for a change in repayment terms for any overdue credit facility with an individual, and such credit facility is still being repaid in accordance with the new repayment terms, and includes individuals reported under items 1a and 2a of Table 7 who also have overdue credit facilities;

b) ‘Collection action’ means any formal action taken by the Reporting entity against an individual of an overdue credit facility, for example, the sending of demand letters, but does not include any restructured credit facility;

c) ‘Legal action’ means the assignment of any overdue credit facility to external lawyers or external debt collectors;

d) ‘Others’ mean any other action which is not a collection action, legal action or restructuring action.

Interest and other charges shall be included in the value figures.

A Reporting entity shall submit to the Authority its policy for grading delinquent credit facilities.

Part III: Credit Cards

Notes for Completion of Part III

Reporting entity Means any credit card issuer.

3 For instance, a Reporting entity that has taken both collection action and legal action against a defaulter shall record the details of that credit facility under the ‘legal action’ row only.
Credit cards and charge cards referred to in section 57G(b) of the Act shall be reported under Table 5B.

Individuals who hold cards issued under Regulation 14(5)(b) or (6) shall be reported in Table 5A. Where an individual holds both credit cards issued under Regulation 14(5)(b) or (6) and credit cards not issued under Regulation 14(5)(b) or (6), he shall be reported under Table 5A and not under Table 4.

Credit card holders who are not reported in Tables 5A or 5B shall be reported in Table 4.

Credit card

A Reporting entity shall include statistics on co-branded cards that it has issued.

S’porean & PR

Only Singaporeans and PRs who are issued personal credit cards, and the amounts attributable to their personal credit cards shall be reported under S’porean & PR – ‘Number’ and S’porean & PR - ‘Value’ respectively. Cardholders who hold credit cards which are available for further use, notwithstanding that there may not be outstanding balances thereon or that they have not been drawn on for some time, shall be reported. Cardholders who hold cards which are not available for further use shall still be reported if there are outstanding balances thereon (unless they are written off). For the avoidance of doubt, cardholders who hold only cards which are not available for further use and which have no outstanding balances shall not be reported.

Others

Foreigners who are issued any credit card (including any personal card, business card, corporate card, or corporate purchasing card) and Singaporeans and PRs who are issued business cards, corporate cards, and corporate purchasing cards, and the amounts attributable to such cards, shall be reported under Others – ‘Number’ and Others – ‘Value’ respectively.

Number

Means the number of cardholders as at the end of the quarter, and not the aggregate of the number of cardholders in the 3 months in the quarter.

For the purpose of this Part, a Reporting entity shall consider an individual as a single cardholder, irrespective of the number of credit cards he holds.
Only individuals holding principal cards (i.e. not supplementary cards only) shall be included.

Value Means the value as at the end of the quarter, and not the aggregate of the 3 months’ value, unless otherwise stated.

Amounts attributable to unsecured credit facilities drawn down through debit cards, which are reported in Part II shall not be reported under this Part.

Table 4: Credit Cards

<table>
<thead>
<tr>
<th>CREDIT CARDS</th>
<th>S’porean &amp; PR</th>
<th>Others</th>
<th>S’porean &amp; PR</th>
<th>Others</th>
</tr>
</thead>
<tbody>
<tr>
<td>Number</td>
<td>Value (S$ ’000)</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>1 Number of individuals with credit cards</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>2 Total credit facilities extended to cardholders</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>3 Total outstanding balance of credit cardholders</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>3a ‘Free credit’ balance</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>3b Rollover balance by age</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>3b(i) Less than 30 days</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>3b(ii) 30-59 days</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>3b(iii) 60-89 days</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>3b(iv) 90-119 days</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>3b(v) 120+ days</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>3c Of which: Interest and other charges</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>4 Average total rollover balance for the quarter</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>5 Total instalment charges not due</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>6 Total rollover balance of credit card held by Singaporeans and PRs</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>7 Normalised rollover balance of credit cards held by Singaporeans and PRs</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>7a At median</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>7b At 90th percentile</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>7c At 95th percentile</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>8 Credit cardholders who do not meet minimum payment</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>
### Delinquent Credit Facility Grading Policy:

### Notes for Completion of Table 4: Credit Cards

<table>
<thead>
<tr>
<th>Item</th>
<th>Description</th>
<th>Notes for Completion</th>
</tr>
</thead>
<tbody>
<tr>
<td>2</td>
<td>Total credit facilities extended to cardholders</td>
<td>Means the sum of:</td>
</tr>
<tr>
<td></td>
<td></td>
<td>- total amount of credit extended on credit cards that are available for further use as at the end of the quarter and includes any undrawn facilities; and</td>
</tr>
<tr>
<td></td>
<td></td>
<td>- total outstanding balance of credit cards which are not available for further use but which have outstanding balances thereon (unless they are written off).</td>
</tr>
<tr>
<td></td>
<td></td>
<td>For the avoidance of doubt, credit cards which are not available for further use and which have no outstanding balances shall not be reported.</td>
</tr>
</tbody>
</table>
Unsecured credit facilities linked to debit cards shall be reported in Table 3, and not Table 4.

Means the aggregate amount outstanding and payable to a Reporting entity due to credit cards, including ‘free credit’ balance and rollover balance, but does not include any credit card facility that has been written off.

Refers to balances that are not subject to interest charges.

For instalments, the total outstanding instalment amount, including the first billing, shall be classified under ‘free credit balance’ if the total outstanding instalment amount, including the first billing, is not subject to interest charges.

The total outstanding instalment amount shall be run down each month when the cardholder pays his monthly instalments.\(^4\)

Transfer balances shall be included under ‘free credit balance’ if the transfer balance is not subject to interest charges.

Means balances that are subject to interest charges and includes any required minimum payment not settled by due date, interest and other charges.

For instalments, the total outstanding instalment amount shall be classified under ‘rollover balance by age’.

\(^4\) Illustration: A cardholder purchases an item worth $12,000 under a 1-year interest-free instalment plan offered by Company A whereby no interest will be charged if the cardholder pays each month’s instalment by the due date. In the first month January, he is billed $1,000. The due date is 5 February. At end-January, the $1,000 is reflected under “billings of Reporting entity’s cardholders in Singapore” and an outstanding $12,000 (of which $1,000 is billed but not yet due/settled) at end-January under “Free Credit’ balance’. In the second month, February, he pays the first instalment of $1,000 on 5 February and is again billed $1,000, which is reflected under "billings of Reporting entity’s cardholders in Singapore” and an outstanding $11,000 is reflected under ‘Free Credit’ balance’. In the third month, March, he pays the monthly instalment of $1,000 by the due date and is again billed $1,000. For the purpose of the March reporting to MAS, a Reporting entity is to record the $1,000 billings in March together with the $2,000 billings in January & February, i.e. a total of $3,000 under “billings of Reporting entity’s cardholders in Singapore” (in Table 1). An outstanding amount of $10,000 ($12,000 - $1,000 - $1,000) is to be reflected under ‘free credit balance’ in the March reporting to MAS.
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CONSULTATION PAPER ON REMOVING THE DBU-ACU DIVIDE – IMPLEMENTATION ISSUES

<table>
<thead>
<tr>
<th>Item</th>
<th>Description</th>
<th>Notes for Completion</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
<td>age’ if any part of the total outstanding instalment amount is subject to interest charges.</td>
</tr>
<tr>
<td></td>
<td></td>
<td>The total outstanding instalment amount shall be run down each month when the cardholder pays his monthly instalments.5</td>
</tr>
<tr>
<td></td>
<td></td>
<td>When an instalment becomes past due, the total outstanding instalment amount which attracts interest shall be reported under ‘rollover balance by age’ and ‘credit cardholders who do not meet minimum payment requirement’.</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Transfer balances shall be included under ‘rollover balance by age’ if any part of the transfer balance is subject to interest charges.</td>
</tr>
<tr>
<td></td>
<td></td>
<td>When instalments on transfer balances become past due, the amount shall be reported under ‘rollover balance by age’ and ‘cardholders who do not meet minimum payment requirement’.</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Where an individual owes both ‘free credit’ balance and rollover balance, he shall be reported under ‘rollover balance by age’.</td>
</tr>
</tbody>
</table>

3b(i)- (v)  **Rollover balance by age**

(i) Less than 30 days

(ii) 30-59 days

(iii) 60-89 days

Age refers to the consecutive number of days up to the end of the reporting quarter during which any part of the individual’s total outstanding balance attracts interest.6

5 Illustration: A cardholder purchases an item worth $12,000 in January under a 1-year interest-free instalment plan offered by Company A whereby no interest will be charged on the instalment and outstanding amounts if the cardholder pays each month’s instalment by the due date. The cardholder has no other amounts outstanding on his card. The due date is the 5th of each month. The cardholder duly pays the first four monthly instalment of $1,000 in February, March, April and May. However, in the sixth month, June, he missed paying the fifth instalment of $1,000 by the due date and is billed $1,000 for the sixth instalment. As he has missed paying the fifth instalment by the due date, the outstanding amount of $8,000 will be charged interest. When reporting for end-June, the amount to be reflected under “billings of Reporting entity’s cardholders in Singapore” is $3,000 (billings for April, May & June) and the outstanding amount of $8,000 ($12,000 – 4 x $1,000) is to be reflected under ‘rollover balance by age’, ‘rollover balances by age (Less 30 days)’ and ‘credit cardholders who do not meet minimum payment requirement’.

6 For example, a cardholder first charges $1,000 to his credit card in January. The payment due date is 5 February. As at end January, $1,000 shall be reflected under ‘free credit balance’. In February, he pays $100 by 5 February and charges another $500 on 10 February. The due date is 5 March. As he did not pay
<table>
<thead>
<tr>
<th>Item</th>
<th>Description</th>
<th>Notes for Completion</th>
</tr>
</thead>
<tbody>
<tr>
<td>(iv)</td>
<td>90-119 days</td>
<td>Where an individual holds multiple cards with different rollover periods, the individual and the balances on all his cards shall be reported under the ‘Number’ and ‘Value’ column respectively, in the single row which reflects the rollover age of the card with the longest rollover period.</td>
</tr>
<tr>
<td>(v)</td>
<td>120+ days</td>
<td></td>
</tr>
<tr>
<td>3c</td>
<td>Of which: Interest and other charges</td>
<td>Means any bank charges, fees, interest charges and late payment charges included under item 3b.</td>
</tr>
<tr>
<td>4</td>
<td>Average total rollover balance for the quarter</td>
<td>Means the sum of rollover balances incurred by cardholders for each of the three months of the quarter, divided by three. Interest and other charges shall be included in the value figures.</td>
</tr>
<tr>
<td>5</td>
<td>Total instalment charges not due</td>
<td>Means any balances on a purchase made under an instalment plan that have not been charged to a cardholder. Interest and other charges (if charged) shall be included in the value figures.</td>
</tr>
<tr>
<td>6</td>
<td>Total rollover balance of credit cards held by Singaporeans and PRs</td>
<td>Means any balances held by Singaporeans and PRs which are subject to interest charges. Unlike the ‘rollover balance by age’ row, interest and other charges are to be excluded when reporting for this category.</td>
</tr>
</tbody>
</table>

the January’s bill in full, he is charged interest. As at end February, $1,400 ($1,000 - $100 + $500) shall be reflected under ‘Rollover balance by age’ and ‘Rollover balance by age – Less than 30 days’ (based on the number of days between 5 Feb (exclusive) and 28 Feb (inclusive)). In March, he pays $100 by 5 March and charges another $500 on 10 March. The due date is 5 April. As at end March, $1,800 ($1,400 - $100 + $500) shall be reflected under ‘Rollover balance by age’ and ‘Rollover balance by age – 30 – 59 days’. The cardholder has rolled over since 5 February. By end March, he would have rolled over 54 days (no. of days between 5 Feb (exclusive) and 31 March (inclusive)).

For example, a cardholder having a rollover for 95 days on one card and a rollover for 35 days on the other shall be recorded as a single statistic in the “90-119 days” column.
<table>
<thead>
<tr>
<th>Item</th>
<th>Description</th>
<th>Notes for Completion</th>
</tr>
</thead>
<tbody>
<tr>
<td>7a-</td>
<td>Normalised rollover balance of credit cards held by Singaporeans and PRs</td>
<td>A Reporting entity shall normalise the “total rollover balance of credit cards held by Singaporeans and PRs” relative to the cardholder’s monthly income (i.e. dividing the rollover balance by the cardholder’s monthly income), based on the latest available income information that the Reporting entity has. Such normalised rollover balances of individuals shall be ranked from the least (0th percentile) to the most (100th percentile). The 90th and 95th percentile is the amount of normalised rollover balance that the 90th and 95th percentile owes respectively. Cardholders without any rollover balance shall be excluded.</td>
</tr>
<tr>
<td>7c</td>
<td></td>
<td></td>
</tr>
<tr>
<td>8</td>
<td>Credit cardholders who do not meet minimum payment requirement</td>
<td>Once minimum payment is not made, the entire amount outstanding on that card, and not just the minimum payment amount that is not made, shall be included in the value figures. This shall not include any overdue credit facility where a Reporting entity has negotiated for a change in repayment terms with the cardholder and payments are still being made in accordance with the repayment terms (“restructured credit facility”). However, where the cardholder defaults again in subsequent quarters, such credit facility shall be re-included in the returns for that quarter, as if the credit facility were not a restructured credit facility. Any credit facility which has been written off need not be reported.</td>
</tr>
<tr>
<td>8a-</td>
<td>Credit cardholders who do not meet minimum payment requirement</td>
<td>Interest and other charges (e.g. late payment charges) shall be reported separately in “Interest and other charges” (item 8f). The number of days shall be computed based on the consecutive number of days up to the end of the quarter.</td>
</tr>
<tr>
<td>8e</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

---

8 For instance, balances that had been 30 days past due, but had been restructured, and subsequently defaulted again 90 days later will be considered to be in arrears for 90+30 =120 days, and therefore placed in the “90 - 179 days” row.
<table>
<thead>
<tr>
<th>Item</th>
<th>Description</th>
<th>Notes for Completion</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>requirement</td>
<td>reporting quarter that an individual did not pay the minimum payments due.(^9)</td>
</tr>
<tr>
<td></td>
<td>(a) Less than 30 days</td>
<td></td>
</tr>
<tr>
<td></td>
<td>(b) 30-59 days past due</td>
<td>Where an individual has multiple credit cards with varying days past due, the individual and the balances on all his cards shall be reported under the ‘Number’ and ‘Value’ columns respectively, in the single row which reflects the past due age of the card with the most number of days past due. (^{9}) Interest and other charges (e.g. late payment charges) shall be reported separately in “Interest and other charges” (item 8f).</td>
</tr>
<tr>
<td></td>
<td>(c) 60-89 days past due</td>
<td></td>
</tr>
<tr>
<td></td>
<td>(d) 90-179 days past due</td>
<td></td>
</tr>
<tr>
<td></td>
<td>(e) 180+ days past due</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Delinquent credit facilities</td>
<td>Means any credit facility which is classified as delinquent by a Reporting entity. The internal definition of delinquent credit facility is to be reported in the ‘Delinquent Credit Facility Grading Policy’ section. When reporting the number of delinquent credit facilities, the number of cardholders is required, and not the number of cards. Interest and other charges shall be included in the value figures.</td>
</tr>
<tr>
<td></td>
<td>Bad debts written off during the quarter</td>
<td>Means all bad debts written off in accordance with the write off policy for bad debts of a Reporting entity for the reporting quarter. Interest and other charges shall be included in the value figures.</td>
</tr>
<tr>
<td></td>
<td>Action initiated by Reporting entity against cardholders</td>
<td>Means any action taken against a cardholder who has not made the minimum payment as at the end of the quarter. Any credit facility which has been written off shall not be reported.</td>
</tr>
</tbody>
</table>

\(^9\) For example, a cardholder is required to pay at least the minimum payment on the 5\(^{th}\) of every month, starting from January. He failed to pay in January, February and March. For the quarter ending March, he shall be considered 60 -89 days past due (as he has been past due since 6 January). In April, he pays a portion (but not the full amount) of the minimum payment on 5 April. By end April, he shall be considered 90 – 179 days past due (as he has not made full payment of the minimum payments since 6 January).
<table>
<thead>
<tr>
<th>Item</th>
<th>Description</th>
<th>Notes for Completion</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
<td>Where a Reporting entity has taken multiple actions against such a cardholder, the relevant credit facility shall be recorded under the latest stage of action. The Reporting entity shall categorise the type of action taken against the cardholder as follows:</td>
</tr>
<tr>
<td></td>
<td></td>
<td>a) ‘Restructuring action’ means any action taken by the Reporting entity to negotiate for a change in repayment terms for any overdue credit facility with a cardholder, and such credit facility is still being repaid in accordance with the new repayment terms, and includes individuals reported under items 1a or 2a of Table 7 who also have not made the minimum payment;</td>
</tr>
<tr>
<td></td>
<td></td>
<td>b) ‘Collection action’ means any formal action taken by the Reporting entity against a cardholder of an overdue credit facility, for example, the sending of demand letters, but does not include any restructured credit facility;</td>
</tr>
<tr>
<td></td>
<td></td>
<td>c) ‘Legal action’ means the assignment of any overdue credit facility to external lawyers or external debt collectors;</td>
</tr>
<tr>
<td></td>
<td></td>
<td>d) ‘Others’ means any other action which is not a collection action, legal action or restructuring action.</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Interest and other charges (if charged) shall be included in the value figures.</td>
</tr>
</tbody>
</table>

**Delinquent credit facility grading policy**

A Reporting entity shall submit to the Authority its policy for grading delinquent credit facilities.
Table 5A: Exempted Credit Cards & Charge Cards issued under Regulation 14(5)(b) or (6)

<table>
<thead>
<tr>
<th></th>
<th>S’porean &amp; PR</th>
<th>Others</th>
<th>Value (S$’000)</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>2</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>2a</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>2b</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>2c</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>3</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>3a</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>3b</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>3c</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>3d</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>4</td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Table 5B: Micro credit cards & charge cards

<table>
<thead>
<tr>
<th></th>
<th>Issued to individuals below 21 years of age</th>
<th>Issued to individuals at least 21 years of age</th>
<th>Value (S$’000)</th>
</tr>
</thead>
<tbody>
<tr>
<td>5</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>6</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>6a</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>6b</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>6c</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>7</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>7a</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>7b</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>7c</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>7d</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>8</td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>
## Notes of Completion of Tables 5A & 5B

<table>
<thead>
<tr>
<th>Item</th>
<th>Description</th>
<th>Notes for Completion</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Total number of individuals with cards issued under Regulation 14(5)(b) or (6)</td>
<td>Means total number of Singaporeans and PRs who hold any credit card or charge card issued on the basis of the cardholder earning at least S$120,000 a year, or owning total net personal assets exceeding S$2 million, where a Reporting entity is exempted from the maximum or overall credit limit requirement in respect of such individuals. Individuals who hold cards issued under Regulation 14(5)(b) or (6) are to be reported in Table 5A. Where an individual holds both credit/charge cards issued under Regulation 14(5)(b) or (6) and credit/charge cards not issued under Regulation 14(5)(b) or (6), he shall be reported under Table 5A and not under Table 4.</td>
</tr>
<tr>
<td>2</td>
<td>Total outstanding balance of individuals with cards issued under Regulation 14(5)(b) or (6)</td>
<td>Means the aggregate amount outstanding on credit cards and charge cards and payable to a Reporting entity by individuals who are issued credit cards or charge cards under Regulation 14(5)(b) or (6) but does not include any credit card facility which has been written off.</td>
</tr>
<tr>
<td>2a</td>
<td>‘Free credit’ balance</td>
<td>Refers to balances that are not subject to interest charges. For instalments, the total outstanding instalment amount including the first billing shall be classified under ‘free credit balance’ if the total outstanding instalment amount, including the first billing, is not subject to interest charges. The total outstanding instalment amount shall be run down each month when the cardholder pays his monthly instalments. Transfer balances shall be included under ‘free credit balance’ if the transfer balance is not subject to interest charges.</td>
</tr>
<tr>
<td>2b</td>
<td>Rollover balance</td>
<td>Means balances that are subject to interest and includes any required minimum payment not settled by due date, interest and other charges. For instalments, the total outstanding instalment amount shall be classified under ‘rollover balance’ if any part of the</td>
</tr>
<tr>
<td>Item</td>
<td>Description</td>
<td>Notes for Completion</td>
</tr>
<tr>
<td>------</td>
<td>-------------</td>
<td>----------------------</td>
</tr>
<tr>
<td></td>
<td></td>
<td>total outstanding instalment amount is subject to interest charges.</td>
</tr>
<tr>
<td></td>
<td></td>
<td>The total outstanding instalment amount shall be run down each month when the cardholder pays his monthly instalments.</td>
</tr>
<tr>
<td></td>
<td></td>
<td>When an instalment becomes past due, the total outstanding instalment amount shall be reported under ‘rollover balance’ and ‘cardholders who do not meet minimum payment requirement’.</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Transfer balances shall be included under ‘rollover balance’ if any part of the transfer balance is subject to interest charges.</td>
</tr>
<tr>
<td></td>
<td></td>
<td>When instalments on transfer balances become past due, the amount shall be reported under ‘rollover balance’ and ‘cardholders who do not meet minimum payment requirement’.</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Where an individual owes both free credit balance and rollover balance, the individual and the balances on all his cards shall be reported under ‘rollover balance’ – Number and ‘rollover balance’ – ‘Value’ respectively.</td>
</tr>
<tr>
<td>2c</td>
<td>Of which: Interest and other charges</td>
<td>Means any bank charges, fees, interest charges and late payment charges included under item 2b.</td>
</tr>
<tr>
<td>5</td>
<td>Total number of individuals with micro credit cards &amp; charge cards</td>
<td>Means individuals who hold solely credit cards or charge cards referred to in section S7G(b) of the Act (and no other cards).</td>
</tr>
<tr>
<td>6</td>
<td>Total outstanding balance of micro credit cards and charge cards</td>
<td>Means the aggregate amount outstanding on credit cards and charge cards payable to the Reporting entity by individuals who hold solely micro credit cards and charge cards (and no other cards) but does not include any micro credit card or charge card facility which has been written off.</td>
</tr>
</tbody>
</table>
| 6a   | ‘Free credit’ balance | Refers to balances that are not subject to interest charges. For instalments, the total outstanding instalment amount including the first billing shall be classified under ‘free
### Item Description | Notes for Completion
--- | ---
| credit balance’ if the total outstanding instalment amount, including the first billing, is not subject to interest charges. | The total outstanding instalment amount shall be run down each month when the cardholder pays his monthly instalments.
| Transfer balances shall be included under ‘free credit balance’ if the transfer balance is not subject to interest charges. | Rollover balance | Means balances that are subject to interest and includes any required minimum payment not settled by due date, interest and other charges.
| For instalments, the total outstanding instalment amount shall be classified under ‘rollover balance’ if any part of the total outstanding instalment amount is subject to interest charges. | The total outstanding instalment amount shall be run down each month when the cardholder pays his monthly instalments.
| When an instalment becomes past due, the total outstanding instalment amount shall be reported under ‘rollover balance’ and ‘micro credit cardholders or charge cardholders who do not meet minimum payment requirement’. | Transfer balances shall be included under ‘rollover balance’ if any part of the transfer balance is subject to interest charges.
| When instalments on transfer balances become past due, the amount shall be reported under ‘rollover balance’ and ‘micro credit cardholders and charge cardholders who do not meet minimum payment requirement’. | Where an individual owes both free credit balance and rollover balance, he shall be reported under ‘rollover balance’. | Of which: Interest and | Means any bank charges, fees, interest charges and late
### Item Description Notes for Completion

<table>
<thead>
<tr>
<th>Item</th>
<th>Description</th>
<th>Notes for Completion</th>
</tr>
</thead>
<tbody>
<tr>
<td>other charges</td>
<td></td>
<td>payment charges included under item 7b.</td>
</tr>
<tr>
<td>Delinquent</td>
<td>credit facility grading policy</td>
<td>A Reporting entity shall submit to the Authority its policy for grading delinquent credit facilities.</td>
</tr>
</tbody>
</table>

### Part IV: Charge Cards

#### Notes for Completion of Part IV

**Reporting entity**

Means any charge card issuer.

Charge cards referred to in section 57G(b) of the Act shall be reported under Table 5B and not under this Part.

Individuals who hold cards issued under Regulation 14(5)(b) or (6) shall be reported in Table 5A. Where an individual holds both charge cards issued under Regulation 14(5)(b) or (6) and charge cards not issued under Regulation 14(5)(b) or (6), he shall be reported under Table 5A and not under Table 6.

Charge card holders who are not reported in Tables 5A or 5B shall be reported in Table 6.

**S’porean & PR**

Only Singaporeans and PRs who are issued personal charge cards, and the amounts attributable to their personal charge cards shall be reported under S’porean & PR – ‘Number’ and S’porean & PR – ‘Value’ respectively. Cardholders who hold charge cards which are available for further use, notwithstanding that there may not be outstanding balances thereon or that they have not been drawn on for some time, shall be reported. Cardholders who hold cards which are not available for further use shall still be reported if there are outstanding balances thereon (unless they are written off). For the avoidance of doubt, cardholders who hold only cards which are not available for further use and which have no outstanding balances shall not be reported.

**Number**

Means the number of cardholders as at the end of
the quarter, and not the aggregate of the number of cardholders in the 3 months in the quarter.

For the purpose of this Part, a Reporting entity shall consider an individual as a single cardholder, irrespective of the number of charge cards he holds.

Only individuals holding principal cards shall be included, and not individuals holding supplementary cards only.

Value

Means the value as at the end of the reporting quarter and not the aggregate of the 3 months’ value, unless otherwise stated.

<table>
<thead>
<tr>
<th>Table 6: Charge Cards</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>CHARGE CARDS</strong></td>
</tr>
<tr>
<td>Number</td>
</tr>
<tr>
<td>1</td>
</tr>
<tr>
<td>2</td>
</tr>
<tr>
<td>2a</td>
</tr>
<tr>
<td>2b</td>
</tr>
<tr>
<td>2b(i)</td>
</tr>
<tr>
<td>2b(ii)</td>
</tr>
<tr>
<td>2b(iii)</td>
</tr>
<tr>
<td>2b(iv)</td>
</tr>
<tr>
<td>2b(v)</td>
</tr>
<tr>
<td>2c</td>
</tr>
<tr>
<td>3</td>
</tr>
<tr>
<td>4</td>
</tr>
<tr>
<td>5</td>
</tr>
<tr>
<td>5a</td>
</tr>
<tr>
<td>5b</td>
</tr>
<tr>
<td>5c</td>
</tr>
<tr>
<td>5d</td>
</tr>
</tbody>
</table>
### Notes for Completion of Table 6: Charge Cards

<table>
<thead>
<tr>
<th>Item</th>
<th>Description</th>
<th>Notes for Completion</th>
</tr>
</thead>
<tbody>
<tr>
<td>2</td>
<td>Total outstanding balance of charge cardholders</td>
<td>Means the aggregate amount outstanding and payable to a Reporting entity due to charge cards, including ‘free credit’ balance and unsettled charges of previous months, but does not include any credit facility which has been written off.</td>
</tr>
<tr>
<td>2a</td>
<td>‘Free credit’ balance</td>
<td>Refers to balance that are not subject to interest or late payment charges. For instalments, the total outstanding instalment amount, including the first billing, shall be classified under ‘free credit balance’ if the total outstanding instalment amount, including the first billing, is not subject to interest or late payment charges. The total outstanding instalment amount shall be run down each month when the individual pays his monthly instalments. Transfer balances shall be included under ‘free credit balance’ if the transfer balance is not subject to interest or late payment charges.</td>
</tr>
<tr>
<td>2b</td>
<td>Unsettled charges of previous month</td>
<td>Means the amounts outstanding from previous months that are subject to interest (if charged) or late payment charges. For instalments, the total outstanding instalment amount shall be classified under ‘Unsettled charges of previous month’ if any part of the total outstanding instalment amount is subject to interest (if charged) or late payment charges. The total outstanding instalment amount shall be run down each month when the cardholder</td>
</tr>
</tbody>
</table>

---

**Delinquent Credit Facility Grading Policy:**
### Notes for Completion

- Person pays his monthly instalments.

Transfer balances shall be included under ‘Unsettled charges of previous month’ if any part of the transfer balance is subject to interest (if charged) or late payment charges.

Where an individual owes both free credit balance and unsettled charges of previous month, the individual and the balances on all his cards shall be reported under ‘Unsettled charges of previous month’ – ‘Number’ and ‘Unsettled charges of previous month’ – ‘Value’ respectively. This shall not include any overdue credit facility where the Reporting entity has negotiated for a change in repayment terms with the cardholder and payments are still being made in accordance with the repayment terms. However, where the cardholder defaults again in subsequent quarters, the figure shall be re-included in the return for that quarter.

Any credit facility which has been written off shall not be reported.

Interest (if charged) and other charges (e.g. late payment charges) shall be reported separately in ‘Interest and other charges’ (item 2c).

#### 2b(i) Unsettled charges of previous month

- (i) Less than 30 days past due
- (ii) 30-59 days past due
- (iii) 60-89 days past due
- (iv) 90-179 days past due
- (v) 180+ days past due

The number of days shall be computed based on the consecutive number of days up to the end of the reporting quarter that a charge card is overdue.

Where an individual has multiple cards with varying days past due, the individual and the balances on all his charge cards shall be reported under the ‘Number’ and ‘Value’ column respectively, in the single row which reflects the past due age of the charge card with the most number of days past due.

#### 2c Interest and other charges

Means any bank charges, fees, interest charges
<table>
<thead>
<tr>
<th>Item</th>
<th>Description</th>
<th>Notes for Completion</th>
</tr>
</thead>
<tbody>
<tr>
<td>3</td>
<td>Delinquent credit facilities</td>
<td>Means any credit facility which is classified as delinquent by a Reporting entity. The internal definition of delinquent credit facilities is to be reported in the ‘Delinquent Credit Facility Grading Policy’ section. When reporting the number of delinquent credit facilities, the number of cardholders is required, and not the number of cards. Interest (if charged) and other charges shall be included in the value figures.</td>
</tr>
<tr>
<td>4</td>
<td>Bad debts written off during the quarter</td>
<td>Means all bad debts written off in accordance with the write off policy for bad debts of a Reporting entity. Interest (if charged) and other charges shall be included in the value figures.</td>
</tr>
</tbody>
</table>
| 5a–5d| Action initiated by Reporting entity against cardholders | Means any action taken against a cardholder who has not made the required payment as at the end of the quarter. Any credit facility which has been written off shall not be reported. When a Reporting entity has taken multiple actions against such a cardholder, the relevant credit facility shall be recorded under the latest stage of action. The Reporting entity shall categorise the type of action taken against the cardholder as follows:  

a) ‘Restructuring action’ means any action taken by the Reporting entity to negotiate for a change in repayment terms for any overdue credit facility with a cardholder, and such credit facility is still being repaid in accordance with the new repayment terms and includes individuals reported under items 1a and 2a of Table 7 who have not made the required payment;  

b) ‘Collection action’ means any formal action |

MONETARY AUTHORITY OF SINGAPORE
taken by the Reporting entity against a cardholder of an overdue credit facility, for example, the sending of demand letters, but does not include any restructured credit facility;

(c) ‘Legal action’ means the assignment of any overdue credit facility to external lawyers or external debt collectors;

d) ‘Others’ mean any other action which is not a collection action, legal action or restructuring action.

Interest and other charges (if charged) shall be included in the value figures.

Delinquent credit facility grading policy

A Reporting entity shall submit to the Authority, its policy for grading delinquent credit facilities.

Part V: Individuals who are 60 days or more past due or whose cumulative total outstanding unsecured amounts exceed their annual income for 3 months or more

Notes for Completion of Part V

Individuals and amounts reported under this Part shall not be reported in Table 5 or Table A of MAS Notice 760.

Table 7

<table>
<thead>
<tr>
<th>Item</th>
<th>Description</th>
<th>Notes for Completion</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Suspension for being 60 days or more past due</td>
<td>A Reporting entity shall submit to the Authority, its policy for grading delinquent credit facilities.</td>
</tr>
<tr>
<td>1a</td>
<td>Restructuring action</td>
<td></td>
</tr>
<tr>
<td>2</td>
<td>Suspension due to cumulative total outstanding unsecured amounts exceeding annual income for 3 months or more</td>
<td></td>
</tr>
<tr>
<td>2a</td>
<td>Restructuring action</td>
<td></td>
</tr>
<tr>
<td>3</td>
<td>Monthly income of individuals whose cumulative total</td>
<td></td>
</tr>
</tbody>
</table>

CREDIT CARDS, CHARGE CARDS & UNSECURED CREDIT FACILITIES LINKED TO DEBIT CARDS

S’porean & PR

<table>
<thead>
<tr>
<th>Number</th>
<th>Value ($’000)</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td></td>
</tr>
<tr>
<td>1a</td>
<td></td>
</tr>
<tr>
<td>2</td>
<td></td>
</tr>
<tr>
<td>2a</td>
<td></td>
</tr>
<tr>
<td>3</td>
<td></td>
</tr>
</tbody>
</table>
### CREDIT CARDS, CHARGE CARDS & UNSECURED CREDIT FACILITIES LINKED TO DEBIT CARDS

<table>
<thead>
<tr>
<th>Item</th>
<th>Description</th>
<th>Notes for Completion</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Suspension for being 60 days or more past due</td>
<td>‘Number’ means the total number of Singaporeans and PRs who, pursuant to Regulation 16 or paragraph 16 of MAS Notice 635, are not permitted to charge further amounts to any credit card, charge card, or unsecured credit facility linked to debit card issued to them by the Reporting entity. Where an individual is suspended pursuant to both (i) Regulation 16 or paragraph 16 of MAS Notice 635 and (ii) Regulation 17 or paragraph 17 of MAS Notice 635, he shall be reported under item 1 and not item 2. ‘Value’ refers to the total outstanding unsecured amount owed by individuals reported under item 1 – ‘Number’. Interest and other charges shall be included in the value figures.</td>
</tr>
<tr>
<td>1a</td>
<td>Restructuring action</td>
<td>‘Number’ means the total number of Singaporeans and PRs reported under item 1 whose credit facilities have been negotiated for a change in repayment terms, and where such credit facilities are still being repaid in accordance with the new repayment terms. ‘Value’ means the total outstanding unsecured amounts owed by individuals reported under item 1a – ‘Number’. Interest and other charges shall be included in the value figures.</td>
</tr>
<tr>
<td>Item</td>
<td>Description</td>
<td>Notes for Completion</td>
</tr>
<tr>
<td>------</td>
<td>-------------</td>
<td>----------------------</td>
</tr>
<tr>
<td>2</td>
<td>Suspension due to cumulative total outstanding unsecured amounts exceeding annual income for 3 months or more</td>
<td>‘Number’ means the total number of Singaporeans and PRs who, pursuant to Regulation 17 or paragraph 17 of MAS Notice 635, are not permitted to charge further amounts to any credit card, charge card, or unsecured credit facility linked to debit card issued to them by the Reporting entity. For the avoidance of doubt, this shall not include individuals reported under item 5. ‘Value’ refers to the total outstanding unsecured amount owed by such individuals reported under item 2 – ‘Number’. Interest and other charges shall be included in the value figures.</td>
</tr>
<tr>
<td>2a</td>
<td>Restructuring action</td>
<td>‘Number’ means the total number of Singaporeans and PRs reported under item 2 whose credit facilities have been negotiated for a change in repayment terms, and where such credit facilities are still being repaid in accordance with the new repayment terms. ‘Value’ means the total outstanding unsecured amounts owed by individuals reported under item 2a – ‘Number’. Interest and other charges shall be included in the value figures.</td>
</tr>
<tr>
<td>3</td>
<td>Monthly income of individuals whose cumulative total outstanding unsecured amounts exceed their annual income for 3 months or more</td>
<td>Means the sum of the monthly income (based on the latest available income information that the Reporting entity has) of individuals reported in items 2 and 5.</td>
</tr>
<tr>
<td>4</td>
<td>Median cumulative total outstanding unsecured amount to income ratio</td>
<td>Means the median obtained from ranking the quotient of A divided by B where — A refers to the cumulative total outstanding unsecured amount (based on the latest available information that the Reporting entity has obtained from a credit bureau) of an individual reported in item 2 or 5; and</td>
</tr>
<tr>
<td>Item</td>
<td>Description</td>
<td>Notes for Completion</td>
</tr>
<tr>
<td>------</td>
<td>--------------------------------------------------</td>
<td>-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------</td>
</tr>
<tr>
<td></td>
<td>B refers to the monthly income (based on the latest available income information that the Reporting entity has) of the same individual.</td>
<td></td>
</tr>
<tr>
<td>5</td>
<td>Placed on the transitional arrangement</td>
<td>‘Number’ means the total number of Singaporeans and PRs whose respective cumulative total outstanding unsecured amounts has exceeded their respective annual income for 3 months or more, but who are still able to charge to at least one credit card, charge card, or unsecured credit facility linked to debit card because they satisfy the conditions set out in Regulation 23 or paragraph 22 of MAS Notice 635.</td>
</tr>
<tr>
<td></td>
<td>‘Value’ refers to the total outstanding unsecured amounts owed by individuals reported in item 5 – ‘Number’. Interest and other charges shall be included in the value figures.</td>
<td></td>
</tr>
</tbody>
</table>
APPENDIX II: STATISTICS COLLECTION TEMPLATE FOR CARD ISSUERS WITH TOTAL OUTSTANDING BALANCE OF LESS THAN $5 MILLION

THE MONETARY AUTHORITY OF SINGAPORE

The Banking Act, Cap 19
Quarterly Statement of Credit Card/Charge Card Facilities

Reporting Organisation: _________________________________
MM/YYYY: ______________

1. This return is to be completed in accordance with the attached Notes for Completion.

2. Number items are to be reported in full and value items in thousands of Singapore dollars (unless otherwise stated), rounded to three decimal places.

3. This return is applicable to any credit card, charge card or unsecured credit facility linked to a debit card which is reflected in the books of a card issuer's in relation to its ACU or DBU operations in Singapore. Foreign currency credit facilities are to be converted to Singapore dollars using month-end exchange rates.

   [MAS Notice 759 (Amendment) 20XX]

4. Credit cards and charge cards referred to in sections 57G(a) and (c) of the Act shall not be reported in this Appendix II.

General Definitions

Charge card

Means any article, whether in physical or electronic form, of a kind commonly known as charge card intended for use in purchasing goods or services and
(a) linked to a non-revolving credit facility; and
(b) where the full amount of any credit utilised has to be settled by a specified date, whether or not the card is valid for immediate use.

Credit card

Means any article, whether in physical or electronic form, of a kind commonly known as credit card intended for use in purchasing goods or services and
(a) linked to a revolving credit facility (other than a deposit account with overdraft facilities); and
(b) where the full amount of any credit utilised may be settled in full by a specified date or in part, with the unpaid balance subject to interest charges,
whether or not the card is valid for immediate use.

<table>
<thead>
<tr>
<th>Item</th>
<th>Description</th>
<th>Notes for Completion</th>
</tr>
</thead>
<tbody>
<tr>
<td>Credit cards/charge cards</td>
<td>A card issuer shall include statistics on co-branded cards that it has issued. Credit cards or charge cards which fall under section 57G of the Act shall not be reported under this Part.</td>
<td></td>
</tr>
<tr>
<td>Value</td>
<td>Means the value as at the end of the reporting quarter and not the aggregate of the 3 months’ value, unless specifically stated otherwise.</td>
<td></td>
</tr>
<tr>
<td>1 Total outstanding balance</td>
<td>Means the aggregate amount outstanding and payable to a card issuer due to credit cards, charge cards and unsecured credit facilities linked debit cards, including interest and other administrative charges but does not include any credit facility that has been written off.</td>
<td></td>
</tr>
<tr>
<td>2 Facilities not repaid at due date</td>
<td>This shall include individuals who fail to make the required payment by the payment due date. Once the required payment is not repaid at due date, the entire amount outstanding, and not just the required amount that was not made, shall be included in the value figures. This shall not include any overdue credit facility where a card issuer has negotiated for a change in repayment terms with the individual and payments are still being made in accordance with the repayment terms. However, where the individual defaults again in subsequent quarters, the figure shall be included once more in the return for that quarter. Any credit facility which has been written</td>
<td></td>
</tr>
<tr>
<td>Item</td>
<td>Description</td>
<td>Notes for Completion</td>
</tr>
<tr>
<td>------</td>
<td>-------------</td>
<td>----------------------</td>
</tr>
<tr>
<td>2a-</td>
<td>Facilities not repaid at due date</td>
<td>off shall not be reported.</td>
</tr>
<tr>
<td>2c</td>
<td>(a) Less than 30 days past due</td>
<td>Interest and other charges shall be included in the value figures. The number of days shall be computed based on the consecutive number of days up to the end of the reporting quarter that an individual is past due. Where an individual has multiple credit facilities with varying days past due, the balances on all his credit facilities shall be reported in the single row which reflects the past due age of the credit facility with the most number of days past due. Interest and other charges shall be included in the value figures.</td>
</tr>
<tr>
<td></td>
<td>(b) 30-89 days past due</td>
<td></td>
</tr>
<tr>
<td></td>
<td>(c) 90+ days past due</td>
<td></td>
</tr>
<tr>
<td>3</td>
<td>Bad debts written off during the quarter</td>
<td>Means all bad debts written off in accordance with the write off policy for bad debts of a Reporting entity for the reporting quarter. Interest and other charges shall be included in the value figures.</td>
</tr>
<tr>
<td>4</td>
<td>Suspension for being 60 days or more past due</td>
<td>Means the total outstanding unsecured amount owed by Singaporeans and PRs who, pursuant to Regulation 16 or paragraph 16 of MAS Notice 635, are not permitted to charge further amounts to any credit card, charge card, or unsecured credit facilities linked to debit cards issued to them by the Reporting entity. Interest and other charges shall be included in the value figures. Amounts reported under this item shall not be reported in Table 5 or Table A of MAS Notice 760.</td>
</tr>
<tr>
<td>Item</td>
<td>Description</td>
<td>Notes for Completion</td>
</tr>
<tr>
<td>------</td>
<td>-------------</td>
<td>----------------------</td>
</tr>
<tr>
<td>5</td>
<td>Suspension due to cumulative total outstanding unsecured amounts exceeding annual income for 3 months or more</td>
<td>Means the total outstanding unsecured amount owed by Singaporeans and PRs who, pursuant to Regulation 17 or paragraph 17 of MAS Notice 635, are not permitted to charge further amounts to any credit card, charge card, or unsecured credit facility linked to debit card issued to them by the Reporting entity. Interest and other charges shall be included in the value figures. Amounts reported under this item shall not be reported in Table 5 or Table A of MAS Notice 760.</td>
</tr>
<tr>
<td>6</td>
<td>Placed on the transitional arrangement</td>
<td>Means the total outstanding unsecured amount owed by Singaporeans and PRs whose respective cumulative total outstanding unsecured amount across all financial institutions has exceeded their respective annual income for 3 months or more, but who are still able to charge to at least one credit card, charge card, or unsecured credit facility linked to debit card because they satisfy the conditions set out in Regulation 23 or paragraph 22 of MAS Notice 635. Bank charges, fees, interest charges, later payment charges other charges shall be included in the value figures. Amounts reported under this item shall not be reported in Table 5 or Table A of MAS Notice 760.</td>
</tr>
</tbody>
</table>
Table A

<table>
<thead>
<tr>
<th></th>
<th>Credit Cards/Charge Cards</th>
<th>Value (S$ ’000)</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Total outstanding balance</td>
<td></td>
</tr>
<tr>
<td>2</td>
<td>Facilities not repaid at due date</td>
<td></td>
</tr>
<tr>
<td>2a</td>
<td>Less than 30 days past due</td>
<td></td>
</tr>
<tr>
<td>2b</td>
<td>30-89 days past due</td>
<td></td>
</tr>
<tr>
<td>2c</td>
<td>90+ days past due</td>
<td></td>
</tr>
<tr>
<td>3</td>
<td>Bad debts written off during the quarter</td>
<td></td>
</tr>
<tr>
<td>4</td>
<td>Suspension for being 60 days or more past due</td>
<td></td>
</tr>
<tr>
<td>5</td>
<td>Suspension due to cumulative total outstanding unsecured amounts exceeding annual income for 3 months or more</td>
<td></td>
</tr>
<tr>
<td>6</td>
<td>Placed on the transitional arrangement</td>
<td></td>
</tr>
</tbody>
</table>
Annex M: Proposed Amendments to MAS Notice 760

MAS Notice 760

29 November 2013
Last revised on DD MM 20XX*

NOTICE TO BANKS
BANKING ACT, CAP 19

COLLECTION OF STATISTICAL RETURNS FOR UNSECURED CREDIT FACILITIES

Introduction

1 This Notice is issued pursuant to section 55 of the Banking Act (Cap 19) [“the Act”] and applies to all banks in Singapore.

Definition

2 In this Notice—

“ACU operations” in relation to a bank in Singapore, means the operation of an Asian Currency Unit approved under section 77 of the Act;

“DBU operations” in relation to a bank in Singapore means operations other than ACU operations;

“debit card” means an article, whether in physical or electronic form, that enables the holder to access funds in a deposit account with a financial institution and that may be used for the purchasing of goods and services (e.g. ATM cards);

“restructured loan” means any overdue loan where a bank has negotiated for a change in repayment terms with the borrower and payments are still being made in accordance with the repayment terms;

“unsecured credit facility” means any fully unsecured or partially secured non-card credit facility.

[MAS Notice 760 (Amendment) 20XX]

3 The expressions used in this Notice shall, except where defined in this Notice or where the context otherwise requires, have the same meanings as in the Act, the
Banking (Credit Card and Charge Card) Regulations 2013 [“the Regulations”] and MAS Notice 635.

Returns under section 55 (2) (r) of the Act

4 Subject to paragraph 5, every bank in Singapore shall prepare returns on their unsecured credit facility portfolio in respect of each quarter of the year in the form set out in Appendix I and in accordance with the accompanying Notes for Completion for compiling the returns therein.

5 A bank in Singapore whose total amount of unsecured credit facilities receivables (other than receivables from unsecured credit facilities linked to debit cards, and receivables from credit facilities referred to in paragraph 7(1) of MAS Notice 635) owed to it by its customers is less than S$5 million may elect to submit its returns in the form set out in Appendix II and in accordance with the accompanying Notes for compiling the returns therein. A bank in Singapore which has filed a return under paragraph 4 may not subsequently file returns under this paragraph.

6 A bank in Singapore shall furnish to the Authority, the returns required under paragraph 4 or 5, as the case may be no later than 30 days following the end of each quarter.

Commencement

7 A bank in Singapore shall, with the exception of the items set out in paragraph 8 below, commence furnishing returns under paragraph 6 in the form set out in Appendix I or II, from the quarter ending on 31 December 2014.

8 A bank in Singapore shall commence furnishing returns for the following items from the quarter ending 30 September 2015:
   a) Table 5 of Appendix I; and
   b) Items 4, 5 and 6 of Table A of Appendix II.

9 MAS Notice 760 dated 7 April 2009 is cancelled with effect from 1 October 2014.

* Endnotes on History of Amendments
(1) MAS Notice 760 dated 7 April 2009 with effect from 1 July 2009.
(2) MAS Notice 760 dated 7 April 2009 is cancelled with effect from 1 October 2014.
(3) MAS Notice 760 dated 29 November 2013 with effect from 1 October 2014.
(4) MAS Notice 760 (Amendment) 20XX with effect from DD MM 20XX.
APPENDIX I: STATISTICS COLLECTION TEMPLATE

THE MONETARY AUTHORITY OF SINGAPORE

The Banking Act, Cap 19 (Section 55)
Quarterly Statement of Unsecured Credit Facilities

Reporting Organisation: ________________________________
MM/YYYY: __________

1. This return is to be completed in accordance with the attached Notes for Completion.

2. Number items are to be reported in full and value items in thousands of Singapore dollars (unless otherwise stated), rounded to two decimal places. Unless specifically stated otherwise, value shall mean the value as at the end of the reporting quarter and shall not mean the aggregate of the 3 months’ value.

3. This statistical return is applicable to any unsecured credit facility which is reflected in the books of a bank in Singapore in relation to its operations in Singapore booked in either a bank's ACU or DBU operations. Where the template asks for a value, foreign currency loans are to be converted to Singapore dollars using end-month exchange rates.

[MAS Notice 760 (Amendment) 20XX]

Part I: Point Data

1. A bank in Singapore shall report all unsecured credit facilities granted pursuant to paragraph 14(2)(b) of MAS Notice 635 in Table 2 (and not Table 1). The bank shall report all its other unsecured credit facilities in Table 1.

2. If a bank provides a joint borrowing account where one of the joint borrowers is in the $20,000-$29,999 income band and the others are in the higher income band, it shall report the value for the entire loan in the $20,000 - $29,999 income band.

Notes for Completion for Part I

<table>
<thead>
<tr>
<th>Description</th>
<th>Notes for Completion</th>
</tr>
</thead>
<tbody>
<tr>
<td>Unsecured credit facility</td>
<td>For purposes of this Part, only figures from unsecured credit facilities granted to individuals (other than those granted through unsecured credit facilities linked to debit cards and unsecured credit facilities referred to in paragraph 7(1) of MAS Notice 635) shall be reported.</td>
</tr>
</tbody>
</table>
All unsecured credit facilities which are available for further use by borrowers, notwithstanding that there may not be outstanding balances or that they have not been drawn on for some time, shall be reported. Credit facilities which are not available for further use shall still be reported if there are outstanding balances thereon (unless they are written off). For the avoidance of doubt, credit facilities which are not available for further use and which have no outstanding balances shall not be reported.

Where an individual holds both unsecured credit facilities granted under paragraph 14(2)(b) and unsecured credit facilities not granted under paragraph 14(2)(b), he shall be reported under Table 2 and not under Table 1.

Table 1

<table>
<thead>
<tr>
<th>Description</th>
<th>Individuals whose annual income is $20,000-$29,999*</th>
<th>Individuals whose annual income is $30,000 and above*</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Number</td>
<td>Value (S$' 000)</td>
</tr>
<tr>
<td>Total</td>
<td>SC/PR</td>
<td>Total SC/PR</td>
</tr>
<tr>
<td>1 Number of individuals with unsecured credit facilities</td>
<td></td>
<td></td>
</tr>
<tr>
<td>2 Total credit facilities extended to individuals with unsecured credit facilities</td>
<td></td>
<td></td>
</tr>
<tr>
<td>3 Total outstanding balance of unsecured credit facilities in Singapore</td>
<td></td>
<td></td>
</tr>
<tr>
<td>3a ‘Free credit’ balance</td>
<td></td>
<td></td>
</tr>
<tr>
<td>3b Interest bearing balances by age</td>
<td></td>
<td></td>
</tr>
<tr>
<td>3b(i) Less than 30</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>
### CONSULTATION PAPER ON REMOVING THE DBU-ACU DIVIDE – IMPLEMENTATION ISSUES

<table>
<thead>
<tr>
<th>Description</th>
<th>Number</th>
<th>Value (S$’000)</th>
<th>Description</th>
<th>Number</th>
<th>Value (S$’000)</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Individuals whose annual income is $20,000-$29,999</strong>*</td>
<td></td>
<td></td>
<td><strong>Individuals whose annual income is $30,000 and above</strong>*</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Total days</td>
<td></td>
<td></td>
<td>Total days</td>
<td></td>
<td></td>
</tr>
<tr>
<td>3b(ii) 30-59 days</td>
<td></td>
<td></td>
<td>3b(iii) 60-89 days</td>
<td></td>
<td></td>
</tr>
<tr>
<td>3b(iv) 90-119 days</td>
<td></td>
<td></td>
<td>3b(v) 120+ days</td>
<td></td>
<td></td>
</tr>
<tr>
<td>3c Interest and other charges</td>
<td></td>
<td></td>
<td>4 Unsecured credit facilities not repaid at due date</td>
<td></td>
<td></td>
</tr>
<tr>
<td>4a Less than 30 days past due</td>
<td></td>
<td></td>
<td>4b 30-59 days past due</td>
<td></td>
<td></td>
</tr>
<tr>
<td>4c 60-89 days past due</td>
<td></td>
<td></td>
<td>4d 90-179 days past due</td>
<td></td>
<td></td>
</tr>
<tr>
<td>4d 180+ days past due</td>
<td></td>
<td></td>
<td>4f Of which: Interest and other charges</td>
<td></td>
<td></td>
</tr>
<tr>
<td>5 Action initiated by bank against borrowers</td>
<td></td>
<td></td>
<td>5a Restructuring action</td>
<td></td>
<td></td>
</tr>
<tr>
<td>5b Collection action</td>
<td></td>
<td></td>
<td>5c Legal action</td>
<td></td>
<td></td>
</tr>
<tr>
<td>5d Others</td>
<td></td>
<td></td>
<td>6 Bad debts written off during the quarter</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

* based on latest available income information from the customer held by the bank
### Write Off Policy:

**Notes for Completion of Table 1**

<table>
<thead>
<tr>
<th>Item</th>
<th>Description</th>
<th>Notes for Completion</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Number of individuals with unsecured credit facilities</td>
<td>For individuals only holding joint borrowing accounts, all the individuals shall be counted towards the total number of individuals. For example, if 3 individuals are joint borrowers, and 2 of the individuals have no other individual account and the last individual has his own individual account, a bank shall report the number of individuals as 3. Where an individual holds multiple unsecured credit facilities, he shall be reported as a single statistic.</td>
</tr>
<tr>
<td>2</td>
<td>Total credit facilities extended to individuals with unsecured credit facilities</td>
<td>Means the sum of: • total amount of credit extended on unsecured credit facilities that are available for further use as at the end of the quarter and includes any undrawn facilities; and • total outstanding balance of unsecured credit facilities which are not available for further use but which have outstanding balances thereon (unless they are written off). For the avoidance of doubt, unsecured credit facilities which are not available for further use and which have no outstanding balances shall not be reported.</td>
</tr>
<tr>
<td>3</td>
<td>Total outstanding balance of unsecured credit facilities in Singapore</td>
<td>Means the aggregate amount outstanding on unsecured credit facilities and payable to a bank, including free credit balance and interest-bearing balance, but does not include amounts outstanding on any unsecured credit facility which has been written off or any unsecured credit facilities not repaid at due date.</td>
</tr>
<tr>
<td>Item</td>
<td>Description</td>
<td>Notes for Completion</td>
</tr>
<tr>
<td>------</td>
<td>------------------------------------</td>
<td>-----------------------------------------------------------------------------------------------------------------------------------------------------</td>
</tr>
<tr>
<td>3a</td>
<td>‘Free credit’ balance</td>
<td>Refers to balances that are not subject to interest charges. For instalments, the total outstanding instalment amount including the first billing shall be classified under ‘free credit balance’ if the total outstanding instalment amount, including the first billing, is not subject to interest charges. The total outstanding instalment amount shall be run down each month when the individual pays his monthly instalments. Transfer balances shall be included under ‘free credit balance’ if the transfer balance is not subject to interest charges.</td>
</tr>
<tr>
<td>3b</td>
<td>Interest-bearing balances by age</td>
<td>Means balances that are subject to interest charges but do not include the balances accumulated by: (i) individuals who did not make the minimum payment; and (ii) individuals with over-limit amounts which are past due date. For instalments, the total outstanding instalment amount shall be classified under ‘interest-bearing balances’ if any part of the total outstanding instalment amount is subject to interest charges. The total outstanding instalment amount shall be run down each month when the individual pays his monthly instalments. Transfer balances shall be included under ‘interest-bearing balance by age’ if any part of the transfer balance is subject to interest charges. Interest and other charges shall be excluded from the value figures. Where an individual owes both ‘free credit balance’ and ‘interest-bearing balances’, he shall be reported under ‘interest-bearing balances by age’.</td>
</tr>
</tbody>
</table>
### Item 3b(i)- (v)
#### Interest-bearing balances by age

<table>
<thead>
<tr>
<th>Description</th>
<th>Notes for Completion</th>
</tr>
</thead>
<tbody>
<tr>
<td>(vi) Less than 30 days</td>
<td>Age refers to the consecutive number of days up to the end of the reporting quarter, during which any part of the individual’s outstanding balance on unsecured credit facilities attracts interest.1</td>
</tr>
<tr>
<td>(vii) 30 – 59 days</td>
<td>Where an individual has multiple unsecured credit facilities with different interest-bearing periods, the individual and the balances on all his unsecured credit facilities shall be reported in the single row which reflects the age of the unsecured credit facility with the longest interest-bearing period.2</td>
</tr>
<tr>
<td>(viii) 60 – 89 days</td>
<td></td>
</tr>
<tr>
<td>(ix) 90 – 119 days</td>
<td></td>
</tr>
<tr>
<td>(x) 120+ days</td>
<td></td>
</tr>
</tbody>
</table>

1 For example, an individual first charges $1,000 to his unsecured credit facility on 5 February. The amount charged attracts interest from 6 February. By end March, the ‘age’ of his interest bearing balance would be 54 days (no. of days between 6 Feb (inclusive) and 31 March (inclusive)).

2 For example, a borrower having a credit facility with an interest-bearing age of 12 days and another facility with an interest-bearing age of 80 days shall be recorded in the “60 – 89 days” row.

3 For example, where an unsecured credit facility that had been 30 days past due had been restructured, and the unsecured credit facility was subsequently defaulted again 90 days later, such an unsecured credit facility will be considered to be in arrears for 90+30 =120 days, and therefore placed in the “90-179 days” row.

### Item 3c
#### Interest and other charges

- Means any bank charges, interest charges and late payment charges.

### Item 4
#### Unsecured credit facilities not repaid at due date

- This shall include individuals who did not make the minimum payment by the payment due date or who have over-limit amounts which are past due date. Once the required payment is not paid by the due date, the entire amount outstanding on that unsecured credit facility, and not just the required amount that was not made, shall be included in the value figures. Only the extended and drawn down amount shall be reported.

- This shall not include any restructured loan. However, where the borrower defaults again in subsequent quarters, such loan shall be re-included in the return for that quarter as if the credit facility were not a restructured loan.3
### Item 4a – 5d

<table>
<thead>
<tr>
<th>Item</th>
<th>Description</th>
</tr>
</thead>
<tbody>
<tr>
<td>4a – 4e</td>
<td>Unsecured credit facilities not repaid at due date</td>
</tr>
<tr>
<td>(a)</td>
<td>Less than 30 days past due</td>
</tr>
<tr>
<td>(b)</td>
<td>30-59 days past due</td>
</tr>
<tr>
<td>(c)</td>
<td>60-89 days past due</td>
</tr>
<tr>
<td>(d)</td>
<td>90-179 days past due</td>
</tr>
<tr>
<td>(e)</td>
<td>180+ days past due</td>
</tr>
</tbody>
</table>

**Notes for Completion**

- **Any unsecured credit facility which has been written off need not be reported.**
- **Interest and other charges shall be included in the value figures.**
- **The number of days past due shall be computed based on the consecutive number of days up to the end of the reporting quarter that an unsecured credit facility is past due.**
- **Where an individual has multiple credit facilities with varying days past due, the individual and the balances on all his unsecured credit facilities shall be reported, under the ‘Number’ and ‘Value’ columns respectively, in the single row which reflects the past due period of the unsecured credit facility with the most number of days past due.**
- **Interest and other charges shall be included in the value figures.**
- **Means any bank charges, fees, interest charges and late payment charges included in the amounts reported under item 4.**

**Example:**

For example, an individual is required to pay at least the minimum payment on the 5th of every month, starting from January. He failed to pay in January, February and March. For the quarter ending March, he shall be considered 60 - 89 days past due (as he has been past due since 6 January). In April, he pays a portion (but not the full amount) of the minimum payment on 5 April. By end April, he shall be considered 90 – 179 days past due (as he has not made full payment of the minimum payments since 6 January).

**Example:**

For example, a borrower having a credit facility 40 days in arrears and another facility 80 days in arrears shall be recorded in the “60-89 days past due” row.

---

*Note:* Any unsecured credit facility which has been written off need not be reported.

Interest and other charges shall be included in the value figures.

The number of days past due shall be computed based on the consecutive number of days up to the end of the reporting quarter that an unsecured credit facility is past due.

Where an individual has multiple credit facilities with varying days past due, the individual and the balances on all his unsecured credit facilities shall be reported, under the ‘Number’ and ‘Value’ columns respectively, in the single row which reflects the past due period of the unsecured credit facility with the most number of days past due.

Interest and other charges shall be included in the value figures.

Means any bank charges, fees, interest charges and late payment charges included in the amounts reported under item 4.

Means any action taken against a borrower with overdue credit facilities as at end of the quarter. Any credit facility which has been written off shall not be reported.

When a bank has taken multiple actions against such a borrower, the relevant credit facility shall be recorded under the latest stage of action. The bank shall categorise the type of action taken against the borrower as follows:

---

*Note:* Any unsecured credit facility which has been written off need not be reported.

Interest and other charges shall be included in the value figures.

The number of days past due shall be computed based on the consecutive number of days up to the end of the reporting quarter that an unsecured credit facility is past due.

Where an individual has multiple credit facilities with varying days past due, the individual and the balances on all his unsecured credit facilities shall be reported, under the ‘Number’ and ‘Value’ columns respectively, in the single row which reflects the past due period of the unsecured credit facility with the most number of days past due.

Interest and other charges shall be included in the value figures.

Means any bank charges, fees, interest charges and late payment charges included in the amounts reported under item 4.

Means any action taken against a borrower with overdue credit facilities as at end of the quarter. Any credit facility which has been written off shall not be reported.

When a bank has taken multiple actions against such a borrower, the relevant credit facility shall be recorded under the latest stage of action. The bank shall categorise the type of action taken against the borrower as follows:
(a) ‘Restructuring action’ means any action taken by the bank to negotiate for a change in repayment terms for any overdue credit facility with a borrower, and such credit facility is still being repaid in accordance with the new repayment terms, and includes individuals reported under items 1a and 2a of Table 5 who also have overdue credit facilities;

(b) ‘Collection action’ means any formal action taken by the bank against a borrower of an overdue credit facility, for example, the sending of demand letters but does not include any restructured loan;

(c) ‘Legal action’ means the assignment of any overdue credit facility to external lawyers or external debt collectors;

(d) ‘Others’ means any other action which is not a collection action, legal action or restructuring action.

Interest and other charges shall be included in the value figures.

6 Bad debts written off during the quarter

Means all bad debts written off in accordance with the write off policy for bad debts of a bank for the reporting quarter.

Interest and other charges shall be included in the value figures.

Write off policy

A bank shall submit to the Authority, its policy for writing off bad debts.

<table>
<thead>
<tr>
<th>Item</th>
<th>Description</th>
<th>Notes for Completion</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Do not meet minimum payment requirement</td>
<td></td>
</tr>
<tr>
<td>1a</td>
<td>Less than 30 days past due</td>
<td></td>
</tr>
<tr>
<td>1b</td>
<td>30-89 days past due</td>
<td></td>
</tr>
<tr>
<td>1c</td>
<td>90+ days past due</td>
<td></td>
</tr>
<tr>
<td>2</td>
<td>Have their accounts written off</td>
<td></td>
</tr>
</tbody>
</table>

Table 2

<table>
<thead>
<tr>
<th>Individuals issued unsecured credit facilities under paragraph 14(2)(b) of MAS Notice 635 who</th>
<th>Number</th>
</tr>
</thead>
<tbody>
<tr>
<td>1 Do not meet minimum payment requirement</td>
<td></td>
</tr>
<tr>
<td>1a Less than 30 days past due</td>
<td></td>
</tr>
<tr>
<td>1b 30-89 days past due</td>
<td></td>
</tr>
<tr>
<td>1c 90+ days past due</td>
<td></td>
</tr>
<tr>
<td>2 Have their accounts written off</td>
<td></td>
</tr>
</tbody>
</table>
Notes for Completion of Table 2

<table>
<thead>
<tr>
<th>Item</th>
<th>Description</th>
<th>Notes for Completion</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Do not meet minimum payment requirement</td>
<td>Refers to the number of Singaporeans and PRs who are granted unsecured credit facilities under paragraph 14(2)(b) of MAS Notice 635 and who did not make the minimum payment by the payment due date or who have over-limit amounts which are past due date.</td>
</tr>
<tr>
<td>1a – 1c</td>
<td>Do not meet minimum payment requirement</td>
<td>The number of days shall be computed based on the consecutive number of days up to the end of the reporting quarter that an individual did not pay the minimum payments due. Where an individual has multiple credit facilities with varying days past due, the individual shall be reported in the single row which reflects the past due age of the credit facility with the most number of days past due.</td>
</tr>
<tr>
<td>2</td>
<td>Have their accounts written off</td>
<td>Refers to the number of Singaporeans and PRs who are granted unsecured credit facilities under paragraph 14(2)(b) of MAS Notice 635 and who have at least one unsecured credit facility written off in the reporting quarter.</td>
</tr>
</tbody>
</table>

Part II: Vintage Data For Unsecured Credit Facilities Excluding Credit Cards

1 A bank shall only report figures from unsecured credit facilities granted to individuals (other than those granted through unsecured credit facilities linked to debit cards and unsecured credit facilities referred to in paragraph 7(1) of MAS Notice 635).

2 The bank shall categorise its loans according to their calendar month of origination.

3 If the bank provides a joint borrowing account where one of the joint borrowers is in the $20,000 - $29,999 income band and the others are in the higher income band, it shall report the loan in the $20,000 - $29,999 income band.

4 For the purpose of table 3, the approved amount, regardless of whether the facility is drawn down, shall be reported. For table 4, only facilities that have been drawn down amount shall be reported.
### Table 3

<table>
<thead>
<tr>
<th></th>
<th>For individuals with annual income $20,000-$29,999</th>
<th>For individuals with annual income $30,000 and above</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Total Number</td>
<td>Number 30+dp</td>
</tr>
<tr>
<td>Loans originating:</td>
<td></td>
<td></td>
</tr>
<tr>
<td>1 Less than 3 mths ago</td>
<td></td>
<td></td>
</tr>
<tr>
<td>2 At least 3 mths ago but less than 6 mths ago</td>
<td></td>
<td></td>
</tr>
<tr>
<td>3 At least 6 mths ago but less than 9 mths ago</td>
<td></td>
<td></td>
</tr>
<tr>
<td>4 At least 9 mths ago but less than 12 mths ago</td>
<td></td>
<td></td>
</tr>
<tr>
<td>5 At least 12 mths ago but less than 18 mths ago</td>
<td></td>
<td></td>
</tr>
<tr>
<td>6 At least 18 mths ago but less than 24 mths ago</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>
Notes for Completion of Table 3

Total Number
Means the total number of loans that were approved, regardless of whether they have been drawn upon. The loans shall be reported in the corresponding month in accordance to the approval month.\(^6\)

Unlike Table 1, ‘number’ is calculated by the number of loans approved as opposed to the number of borrowers.

Number 30+dpd
Means the number of loans which were approved during the relevant months which are 30 or more days past due as of the reporting quarter\(^7\), for that particular income band.

A loan is considered as 30+dpd as long as one of the payments is 30 or more days past its payment date, or if the loan remains in excess of the approved limit for 30 or more days.

Any loan which has been written off and any restructured loan shall not be included. If any payment is missed in respect of a restructured loan, the bank shall re-include that loan in this category.

Total Value
Means the total value of loans that were approved, regardless of whether it is drawn upon. The loans shall be reported in the corresponding month in accordance to the approval month.

Interest and other charges shall be included in the value figures.

Value 30+dpd
Means the value of loans that were approved during the relevant months, regardless of whether it is drawn upon, which are 30 or more days past due as of the reporting quarter, for that particular income band.

A loan is considered as 30+dpd as long as one of the payments is 30 or more days past its payment date or if the loan remains in excess of the approved limit for 30 or more days.

A bank shall record the value of the entire loan which had been

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\(^6\) For a loan of $10,000, which is approved in January, and out of which, $2,000 is drawn down in May, $10,000 be reported in the “at least 3 mths ago but less than 6 mths ago” column for the reporting as at the end of June.

\(^7\) As an example, the Q3 2009 return is supposed to be a snapshot of the bank’s portfolio as of 30 September 2009. Therefore the reporting month is September 2009.
approved, notwithstanding that the amount that is actually 30 or more days past its payment date may only be a portion of this amount.

Interest and other charges shall be included in the value figures.

Any loan which has been written off and any restructured loan shall not be included. If any payment is missed in respect of a restructured loan, the bank shall re-include that loan in this category.

Table 4

<table>
<thead>
<tr>
<th>Loans originating:</th>
<th>For individuals with annual income $20,000-$29,999</th>
<th>For individuals with annual income $30,000 and above</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Total Number</td>
<td>Number 30+dp</td>
</tr>
<tr>
<td>1 Less than 3 mths ago</td>
<td></td>
<td></td>
</tr>
<tr>
<td>2 At least 3 mths ago but less than 6 mths ago</td>
<td></td>
<td></td>
</tr>
<tr>
<td>3 At least 6 mths ago but less than 9 mths ago</td>
<td></td>
<td></td>
</tr>
<tr>
<td>4 At least 9 mths ago but less than 12 mths ago</td>
<td></td>
<td></td>
</tr>
<tr>
<td>5 At least 12 mths ago but less than 18 mths ago</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>
## Notes for Completion of Table 4

<table>
<thead>
<tr>
<th>Income Band</th>
<th>Total Number</th>
<th>Number 30+dpd</th>
<th>Total Value</th>
<th>Value 30+dpd</th>
</tr>
</thead>
<tbody>
<tr>
<td>$20,000-$29,999</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>$30,000 and above</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

### Total Number

Means the total number of loans that were drawn down. The loans shall be reported in the corresponding month in accordance to the approval month.\(^8\)

Unlike Table 1, ‘number’ is calculated by the number of loans approved as opposed to the number of borrowers.

### Number 30+dpd

Means the number of loans out of the Total Number which are 30 or more days past due as of the reporting quarter, for that particular income band.\(^9\)

A loan is considered as 30+dpd as long as one of the payments is 30 or more days past its payment date, or if the loan remains in excess of the approved limit for 30 or more days.

Any loan which has been written off and any restructured loan shall not be included. If any payment is missed in respect of a restructured loan, the bank shall re-include that loan in this category.

### Total Value

Means the total value of loans that were drawn down. The loans shall be reported in the corresponding month in accordance to approval month.

Interest and other charges shall be included in the value figures.

### Value 30+dpd

Means the value of loans out of the Total Value, which are 30 or more days past due as of the reporting quarter, for that particular income

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\(^8\) For a loan of $10,000, which is approved in January, and out of which, $2,000 is drawn down in May, only $2,000 shall be reported in the “at least 3 mths ago but less than 6 mths ago” column for the reporting as at the end of June.

\(^9\) As an example, the Q3 2009 return is supposed to be a snapshot of the bank’s portfolio as of 30 September 2009. Therefore the reporting month is September 2009.
band.

A loan is considered as 30+dpd as long as one of the payments is 30 or more days past its payment date or if the loan remains in excess of the approved limit for 30 or more days.

A bank shall record the value of the loan which had been drawn down, notwithstanding that the amount that is actually 30 or more days past its payment date may only be a portion of this amount. Interest and other charges shall be included in the value figures.

Any loan which has been written off and any restructured loan shall not be included. If any payment is missed in respect of a restructured loan, the bank shall re-include that loan in this category.
Part III: Individuals who are 60 days or more past due or whose cumulative total outstanding unsecured amounts exceed their annual income for 3 months or more

<table>
<thead>
<tr>
<th>Table 5</th>
<th>S’porean &amp; PR whose annual income is $20,000 - $29,999*</th>
<th>S’porean &amp; PR whose annual income is $30,000 and above*</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Number</td>
<td>Value ($’000)</td>
</tr>
<tr>
<td>1</td>
<td>Suspension for being 60 days or more past due</td>
<td></td>
</tr>
<tr>
<td>1a</td>
<td>Restructuring action</td>
<td></td>
</tr>
<tr>
<td>2</td>
<td>Suspension due to cumulative total outstanding unsecured amounts exceeding annual income for 3 months or more</td>
<td></td>
</tr>
<tr>
<td>2a</td>
<td>Restructuring action</td>
<td></td>
</tr>
<tr>
<td>3</td>
<td>Monthly income of individuals whose cumulative total outstanding unsecured amounts exceed their annual income for 3 months or more</td>
<td></td>
</tr>
<tr>
<td>4</td>
<td>Median cumulative total outstanding unsecured amount to income ratio</td>
<td></td>
</tr>
<tr>
<td>5</td>
<td>Placed on the transitional arrangement</td>
<td></td>
</tr>
</tbody>
</table>

Notes for Completion of Table 5

Individuals and amounts reported under Part V or Table A of MAS Notice 759 shall not be reported in Table 5.

<table>
<thead>
<tr>
<th>Item</th>
<th>Description</th>
<th>Notes for Completion</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Suspension for being</td>
<td>‘Number’ means the total number of Singaporeans</td>
</tr>
</tbody>
</table>
**CONSULTATION PAPER ON REMOVING THE DBU-ACU DIVIDE – IMPLEMENTATION ISSUES**

<table>
<thead>
<tr>
<th>Item</th>
<th>Description</th>
<th>Notes for Completion</th>
</tr>
</thead>
<tbody>
<tr>
<td>60 days or more past due</td>
<td>and PRs (including individuals who are granted unsecured credit facilities under paragraph 14(2)(b) of MAS Notice 635) who, pursuant to paragraph 16 of MAS Notice 635, are not permitted to charge further amounts to any unsecured credit facility issued to them by the bank.</td>
<td>Where an individual is suspended pursuant to both paragraphs 16 and 17 of MAS Notice 635, he shall be reported under item 1 and not item 2. ‘Value’ refers to the total outstanding unsecured amount owed by individuals reported under item 1 – ‘Number’. Interest and other charges shall be included in the value figures.</td>
</tr>
<tr>
<td>1a Restructuring action</td>
<td>‘Number’ means the total number of Singaporeans and PRs reported under item 1 whose credit facilities have been negotiated for a change in repayment terms, and where such credit facilities are still being repaid in accordance with the new repayment terms.</td>
<td>‘Value’ means the total outstanding unsecured amounts owed by individuals reported under item 1 – ‘Number’. Interest and other charges shall be included in the value figures.</td>
</tr>
<tr>
<td>2 Suspension due to cumulative total outstanding unsecured amounts exceeding annual income for 3 months or more</td>
<td>‘Number’ means the total number of Singaporeans and PRs who, pursuant to paragraph 17 of MAS Notice 635, are not permitted to charge further amounts to any unsecured credit facility issued to them by the bank. For the avoidance of doubt, this shall not include individuals reported under item 5.</td>
<td>‘Value’ refers to the total outstanding unsecured amount owed by such individuals reported under item 2 – ‘Number’. Interest and other charges shall be included in the value figures.</td>
</tr>
<tr>
<td>2a Restructuring action</td>
<td>‘Number’ means the total number of Singaporeans and PRs reported under item 2 whose credit facilities have been negotiated for a change in repayment terms, and where such credit facilities are still being repaid in accordance with the new repayment terms.</td>
<td></td>
</tr>
<tr>
<td>Item</td>
<td>Description</td>
<td>Notes for Completion</td>
</tr>
<tr>
<td>------</td>
<td>-------------</td>
<td>----------------------</td>
</tr>
<tr>
<td>3</td>
<td>Monthly income of individuals whose cumulative total outstanding unsecured amounts exceed their annual income for 3 months or more</td>
<td>‘Value’ means the total outstanding unsecured amounts owed by individuals reported under item 2a – ‘Number’. Interest and other charges shall be included in the value figures.</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Means the sum of the monthly income (based on the latest available income information that the bank has) of individuals reported in items 2 and 5.</td>
</tr>
<tr>
<td>4</td>
<td>Median cumulative total outstanding unsecured amount to income ratio</td>
<td>‘Value’ refers to the total outstanding unsecured amounts owed by individuals reported in item 5 – ‘Number’. Interest and other charges shall be included in the value figures.</td>
</tr>
<tr>
<td>5</td>
<td>Placed on the transitional arrangement</td>
<td>‘Value’ means the total number of Singaporeans and PRs whose respective cumulative total outstanding unsecured amounts has exceeded their respective annual income for 3 months or more, but who are still able to charge to at least one unsecured credit facility because they satisfy the conditions set out in paragraph 22 of MAS Notice 635.</td>
</tr>
</tbody>
</table>

Means the median obtained from ranking the quotient of A divided by B where —

A refers to the cumulative total outstanding unsecured amount (based on the latest available information that the bank has obtained from a credit bureau) of an individual reported in item 2 or 5; and

B refers to the monthly income (based on the latest available income information that the bank has) of the same individual.
Part IV: Unsecured Credit Facilities not subject to regulatory limits

Table 6

<table>
<thead>
<tr>
<th>Item</th>
<th>Description</th>
<th>Number</th>
<th>Value (S’000)</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Number of individuals with unsecured credit facilities not subject to regulatory limits</td>
<td></td>
<td></td>
</tr>
<tr>
<td>2</td>
<td>Total outstanding balance of unsecured credit facilities not subject to regulatory limits</td>
<td></td>
<td></td>
</tr>
<tr>
<td>3</td>
<td>Unsecured credit facilities not subject to regulatory limits and which are not repaid at due date</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Notes for Completion of Table 6

<table>
<thead>
<tr>
<th>Item</th>
<th>Description</th>
<th>Notes for Completion</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Number of individuals with unsecured credit facilities not subject to regulatory limits</td>
<td>Means the number of individuals granted unsecured credit facilities referred to in paragraphs 7(1)(a) – (c) and 7(1)(e) – (i) of MAS Notice 635.</td>
</tr>
<tr>
<td>2</td>
<td>Total outstanding balance of unsecured credit facilities not subject to regulatory limits</td>
<td>Means the aggregate amount outstanding and payable to the bank due to unsecured credit facilities referred to in paragraphs 7(1)(a) – (c) and 7(1)(e) – (i) of MAS Notice 635.</td>
</tr>
<tr>
<td>3</td>
<td>Unsecured credit facilities not subject to regulatory limits and which are not repaid at due date</td>
<td>This shall include individuals who did not make the minimum payment by the payment due date or who have over-limit amounts which are past due date on unsecured credit facilities referred to in paragraphs 7(1)(a) – (c) and 7(1)(e) – (i) of MAS Notice 635. Once the required payment is not repaid at due date, the entire amount outstanding on that unsecured credit facility, and not just the required amount that was not made, shall be included in the value figures. Only the extended and drawn down amount shall be reported. This shall not include any restructured loan. However, where the borrower defaults again in subsequent quarters, such loan shall be re-included in the return for that quarter as if the credit facility were not a</td>
</tr>
<tr>
<td>Item</td>
<td>Description</td>
<td>Notes for Completion</td>
</tr>
<tr>
<td>------</td>
<td>-------------</td>
<td>----------------------</td>
</tr>
<tr>
<td></td>
<td>restructured loan.</td>
<td>Any unsecured credit facility which has been written off need not be reported.</td>
</tr>
<tr>
<td></td>
<td>Interest and other charges shall be included in the value figures.</td>
<td></td>
</tr>
</tbody>
</table>
APPENDIX II: STATISTICS COLLECTION TEMPLATE FOR BANKS WITH TOTAL OUTSTANDING BALANCE OF LESS THAN S$5 MILLION

THE MONETARY AUTHORITY OF SINGAPORE
The Banking Act, Cap 19 (Section 55)
Quarterly Statement of Unsecured Credit Facilities

Reporting Organisation: ________________________________
MM/YYYY: ____________________

1. This return is to be completed in accordance with the attached Notes for Completion.

2. Number items are to be reported in full and value items in thousands of Singapore dollars (unless otherwise stated), rounded to two decimal places. Unless specifically stated otherwise, value shall mean the value as at the end of the reporting quarter and shall not mean the aggregate of the 3 months’ value.

3. This statistical return is applicable to any unsecured credit facility which is reflected in the books of a bank in Singapore in relation to its operations in Singapore booked in either a bank’s ACU or DBU operations. Where the template asks for a value, foreign currency loans are to be converted to Singapore dollars using end-month exchange rates.

[MAS Notice 760 (Amendment) 20XX]

Table A

<table>
<thead>
<tr>
<th>Description</th>
<th>Unsecured Credit Facility Value (S$ ‘000)</th>
</tr>
</thead>
<tbody>
<tr>
<td>1 Total outstanding balance</td>
<td></td>
</tr>
<tr>
<td>2 Facilities not repaid at due date</td>
<td></td>
</tr>
<tr>
<td>2a Less than 30 days past due</td>
<td></td>
</tr>
<tr>
<td>2b 30-89 days past due</td>
<td></td>
</tr>
<tr>
<td>2c 90+ days past due</td>
<td></td>
</tr>
<tr>
<td>3 Bad debts written off during the quarter</td>
<td></td>
</tr>
<tr>
<td>4 Suspension for being 60 days or more past due</td>
<td></td>
</tr>
<tr>
<td>5 Suspension due to cumulative total outstanding unsecured amounts exceeding annual income for 3 months or more</td>
<td></td>
</tr>
<tr>
<td>6 Placed on the transitional arrangement</td>
<td></td>
</tr>
</tbody>
</table>
### Notes for Completion of Table A

<table>
<thead>
<tr>
<th>Item</th>
<th>Description</th>
<th>Notes for Completion</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Unsecured credit facility</td>
<td>Only figures from unsecured credit facilities granted to individuals (other than those granted through unsecured credit facilities linked to debit cards and unsecured credit facilities referred to in paragraphs 7(1) of MAS Notice 635) shall be reported. All unsecured credit facilities which are available for further use by borrowers, notwithstanding that there may not be outstanding balances or that they have not been drawn on for some time, shall be reported. Credit facilities which are not available for further use shall still be reported if there are outstanding balances thereon (unless they are written off). For the avoidance of doubt, credit facilities which are not available for further use and which have no outstanding balances shall not be reported.</td>
</tr>
<tr>
<td>1</td>
<td>Total outstanding balance</td>
<td>Means the aggregate amount outstanding and payable to a bank due to unsecured credit facilities, including interest and other administrative charges but does not include any unsecured credit facility which has been written off or any unsecured credit facilities not repaid at due date.</td>
</tr>
<tr>
<td>2</td>
<td>Facilities not repaid at due date</td>
<td>This shall include individuals who did not make the minimum payment by the payment due date or who have over-limit amounts which are past due date. Once the required payment is not repaid at due date, the entire amount outstanding on that unsecured credit facility, and not just the required amount that was not made, shall be included in the value figures. Only the extended and drawn down amount shall be reported. This shall not include any restructured loan. However, where the borrower defaults again in subsequent quarters, such loan shall be re-included in the return for that quarter as if the credit facility were not a restructured loan. Any unsecured credit facility which has been</td>
</tr>
</tbody>
</table>
written off need not be reported.

Interest and other charges shall be included in the value figures.

2a – 2c Facilities not repaid at due date
(a) Less than 30 days past due
(b) 30-89 days past due
(c) 90+ days past due

The number of days past due shall be computed based on the consecutive number of days up to the end of the reporting quarter that an unsecured credit facility is past due.

Where an individual has multiple credit facilities with varying days past due, the balances on all his unsecured credit facilities shall be reported in the single row which reflects the past due period of the unsecured credit facility with the most number of days past due.

Interest, fees, bank charges, late payment charges and other charges shall be included in the value figures.

3 Bad debts written off during the quarter

Means all bad debts written off in accordance with the write off policy for bad debts of a bank in Singapore.

Interest and other charges shall be included in the value figures.

4 Suspension for being 60 days or more past due

Means the total outstanding unsecured amount owed by Singaporeans and PRs who, pursuant to paragraph 16 of MAS Notice 635, are not permitted to charge further amounts to any unsecured credit facility issued to them by the bank.

Where an individual is suspended pursuant to both paragraphs 16 and 17 of MAS Notice 635, he shall be reported under item 4 and not item 5.

Interest and other charges shall be included in the value figures.

Amounts reported under Part V or item 4 of Table A of MAS Notice 759 shall not be included in the value figures.
5 Suspension due to cumulative total outstanding unsecured amounts exceeding annual income for 3 months or more

Means the total outstanding unsecured amount owed by Singaporeans and PRs who, pursuant to paragraph 17 of MAS Notice 635, are not permitted to charge further amounts to any unsecured credit facility issued to them by the bank.

Interest and other charges shall be included in the value figures.

Amounts reported under Part V or item 5 of Table A of MAS Notice 759 shall not be included in the value figures.

6 Placed on the transitional arrangement

Means the total outstanding unsecured amount owed by Singaporeans and PRs whose respective cumulative total outstanding unsecured amount has exceeded their respective annual income for 3 months or more, but who are still able to charge to at least one unsecured credit facility because they satisfy the conditions set out in paragraph 22 of MAS Notice 635.

Interest and other charges shall be included in the value figures.

Amounts reported under Part V or item 6 of Table A of MAS Notice 759 shall not be included in the value figures.
Annex N: Proposed Amendments to Guidelines for Operation of Wholesale Banks

Guidelines for Operation of Wholesale Banks
(last revised on 31 July 2008 DD MM 20XX)

1. A wholesale bank may transact any banking business with approved financial institutions.

2. A wholesale bank may transact banking business with persons that are not approved financial institutions, subject to the following restrictions -

   (a) **it shall** not operate savings accounts denominated in Singapore dollars, except with the prior approval of MAS;

   (b) [Deleted on 31 July 2008]

   (c) **it may accept fixed deposits but in respect of Singapore dollar fixed deposits, the initial deposit shall not be** less than S$250,000 and the outstanding deposits (including interest) **shall not be** less than this sum at all times except on termination of the account or the withdrawal of all deposits standing to the credit of the depositor; and

   (d) **it may operate current accounts, but in respect of current accounts denominated in Singapore dollars where the customer is a natural person and a resident of in Singapore, the current account shall not be interest-bearing, except with the prior approval of MAS.**

3. Subject to paragraph 4, a wholesale bank may issue, in Singapore, bonds and negotiable certificates of deposit, provided that -

   (a) the bonds or negotiable certificates of deposit are to be denominated in foreign currency; or

   (b) where the bonds or negotiable certificates of deposit are denominated in Singapore dollars, they **shall** -

      (i) have an original maturity period of not less than 12 months;

      (ii) be issued in a denomination of not less than S$200,000; or

      (iii) be issued to **sophisticated accredited** investors or their nominees.
4. Where paragraph 3(b)(iii) applies, and the bonds or negotiable certificates of deposit are issued in circumstances such that the wholesale bank reasonably expects or foresees that the bonds or negotiable certificates of deposit (as the case may be) will not be held at all times by persons who are sophisticated accredited investors, there shall be contained the wholesale bank should in any prospectus and any profile statement in respect of its issue or where such documents are not required in respect of its issue, in an information memorandum to be issued, circulated or distributed in respect of its issue, the following additional information -

(a) a statement that the wholesale bank, as issuer of the bonds or negotiable certificates of deposit, is subject to restrictions on the acceptance of deposits in Singapore dollars;

(b) a statement that the bond or negotiable certificate of deposit does not constitute or evidence a debt repayable by the bank on demand to the holder of the bond or negotiable certificate of deposit (as the case may be);

(c) a statement of the terms and conditions under which the holder of the bond—or negotiable certificate of deposit may recover the principal sum from the bank as issuer; and

(d) a statement that the value of the bond or negotiable certificate of deposit, if sold on the secondary market, is subject to market conditions prevailing at the time of the sale.

5. A wholesale bank shall maintain only one place of business in Singapore.

6. These guidelines are subject to any additional requirements that may be imposed, including in particular, MAS Notices 619 and 757, and the Asian Currency Unit Terms and Conditions of Operation.

76. In these Guidelines, unless the context otherwise requires, the definitions set out in the Annex shall apply.
ANNEX
LIST OF DEFINITIONS

“accredited investor” has the same meaning as in Section 2 of the Banking Regulations (Cap. 19, RG 5).

1. “approved financial institution” means a bank, finance company, merchant bank, or insurer licensed, approved or registered in Singapore.

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

2. “residents of Singapore” has the same meaning as in MAS Notice 610.

(a) a person whose main centre of interests is in Singapore or whose main source of income is derived from Singapore or whose period of residence in Singapore exceeds one year;

(b) a person who has been granted permanent residency in Singapore;

(c) a company or other body whose permanent or registered address is in Singapore (including a branch or subsidiary located within Singapore of overseas-registered companies or foreign institutions);

(d) a member of the diplomatic, consular or military staff of a Singapore embassy, consulate, official mission or establishment of the Singapore armed forces, stationed outside Singapore; or

(e) an agent or agency located abroad acting on behalf of or for the account of a resident of Singapore.

“non-resident of Singapore” means any person who is not a resident of Singapore, and includes, for the avoidance of doubt—

(a) a person whose permanent or registered address is outside Singapore (including an overseas resident using a bank in Singapore or a Singapore address as an accommodation address, and a tourist, traveller or person exercising employment abroad or gaining his earnings from activities and investments abroad);

(b) a company or other body whose permanent or registered address is outside Singapore (including an overseas branch or subsidiary of Singapore-registered companies or institutions);
(c) a member of the diplomatic, consular or military staff of a foreign embassy, consulate, official mission or an establishment of a foreign armed forces, stationed in Singapore;

(d) an establishment of a foreign government or foreign public authority, stationed in Singapore; and

(e) an agent or agency located in Singapore not being a permanent establishment acting on behalf of or for the account of a non-resident of Singapore.

3. "sophisticated investor", in relation to a bank issuing bonds or negotiable certificates of deposit, means a person—

(a) in the case of a natural person, whose total net personal assets, at the time of the issue, exceeds S$2 million or its equivalent in foreign currency, or whose income in the 12 months preceding the issue, is not less than S$300,000 or its equivalent in foreign currency;

(b) in the case of a corporation, whose total net assets exceeds S$10 million or its equivalent in foreign currency, as determined by the last audited balance sheet of the corporation; or

(c) who is an officer or close relative of an officer of the bank.
Annex O: Proposed Amendments to Guidelines for Operation of Offshore Banks

Guidelines for Operation of Offshore Banks
(last revised on 31 July 2008 DD MM 20XX)

1. An offshore bank may transact any banking business with approved financial institutions.

2. An offshore bank may transact banking business with persons that are not approved financial institutions, subject to the following restrictions:

   (a) If such persons are residents of in Singapore-

      (i) the bank shall not operate savings accounts or accept fixed deposits denominated in Singapore dollars;

      (ii) [Deleted on 31 July 2008]

      (iii) the bank may operate current accounts, but in respect of current accounts denominated in Singapore dollars, these shall only be offered-

            (A) in connection with credit facilities granted to or other business dealings with the customer; or

            (B) to a customer who has an existing banking relationship with the bank’s head office or any overseas branch;

      and provided always that if the customer is a natural person, the Singapore dollar current account shall not be interest-bearing; and

      (iv) the aggregate amount outstanding from credit facilities denominated in Singapore dollars granted to residents of in Singapore that are not approved financial institutions (but excluding credit facilities granted to the bank’s employees) shall not exceed S$500 million at any one time, except with the prior approval of MAS.

   (b) If such persons are not non-residents of in Singapore-

      (i) the bank shall not operate savings accounts denominated in Singapore dollars;
(ii) it may accept fixed deposits but in respect of Singapore dollar fixed deposits, the initial deposit shall not be less than S$250,000 and the outstanding deposits (including interest) shall not be less than this sum at all times except on termination of the account or the withdrawal of all deposits standing to the credit of the depositor; and

(iii) [Deleted on 31 July 2008]

3. Subject to paragraph 4, an offshore bank may issue, in Singapore, bonds and negotiable certificates of deposit, provided that-

(a) the bonds or negotiable certificates of deposit are to be denominated in foreign currency; or

(b) where the bonds or negotiable certificates of deposit are denominated in Singapore dollars, they shall-

(i) have an original maturity period of not less than 12 months;

(ii) be issued in a denomination of not less than S$200,000; or

(iii) be issued to sophisticated accredited investors or their nominees.

4. Where paragraph 3(b)(iii) applies, and the bonds or negotiable certificates of deposit are issued in circumstances such that the offshore bank reasonably expects or foresees that the bonds or negotiable certificates of deposit (as the case may be) will not be held at all times by persons who are sophisticated accredited investors, the offshore bank should include in any prospectus and any profile statement in respect of its issue or where such documents are not required in respect of its issue, an information memorandum to be issued, circulated or distributed in respect of its issue, the following additional information –

(a) a statement that the offshore bank, as issuer of the bonds or negotiable certificates of deposit, is subject to restrictions on the acceptance of deposits in Singapore dollars;

(b) a statement that the bond or negotiable certificate of deposit does not constitute or evidence a debt repayable by the bank on demand to the holder of the bond or negotiable certificate of deposit (as the case may be);

(c) a statement of the terms and conditions under which the holder of the bond or negotiable certificate of deposit may recover the principal sum from the bank as issuer; and

(d) a statement that the value of the bond or negotiable certificate of deposit, if sold on the secondary market, is subject to market conditions prevailing at the time of the sale.
5. An offshore bank may enter into foreign exchange and currency swaps. However, an offshore bank shall not enter into any transaction or series of transactions (whether these be swaps or other types of financial instruments) that will enable it to receive, directly or indirectly, what is in effect a deposit of Singapore dollar funds, in deliberate circumvention of the restrictions otherwise set out in these Guidelines.

6. An offshore bank shall maintain only one place of business in Singapore.

7. These guidelines are subject to any additional requirements that may be imposed, including in particular, MAS Notices 619 and 757, and the Asian Currency Unit Terms and Conditions of Operation.

8. In these Guidelines, unless the context otherwise requires, the definitions set out in the Annex shall apply.
ANNEX
LIST OF DEFINITIONS

“accredited investor” has the same meaning as in Section 2 of the Banking Regulations (Cap. 19, RG 5).

1. “approved financial institution” means a bank, finance company, merchant bank, or insurer licensed, approved or registered in Singapore.

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

2. “residents of Singapore” has the same meaning as defined in Notice 610, means

   (b) a person whose main centre of interests is in Singapore or whose main source of income is derived from Singapore or whose period of residence in Singapore exceeds one year;

   (b) a person who has been granted permanent residency in Singapore;

   (c) a company or other body whose permanent or registered address is in Singapore (including a branch or subsidiary located within Singapore of overseas-registered companies or foreign institutions);

   (d) a member of the diplomatic, consular or military staff of a Singapore embassy, consulate, official mission or establishment of the Singapore armed forces, stationed outside Singapore; or

   (e) an agent or agency located abroad acting on behalf of or for the account of a resident of Singapore.

“non-resident of Singapore” means any person who is not a resident of Singapore, and includes, for the avoidance of doubt—

   (a) a person whose permanent or registered address is outside Singapore (including an overseas resident using a bank in Singapore or a Singapore address as an accommodation address, and a tourist, traveller or person exercising employment abroad or gaining his earnings from activities and investments abroad);

   (b) a company or other body whose permanent or registered address is outside Singapore (including an overseas branch or subsidiary of Singapore-registered companies or institutions).
(c) a member of the diplomatic, consular or military staff of a foreign embassy, consulate, official mission or an establishment of a foreign armed forces, stationed in Singapore;

(d) an establishment of a foreign government or foreign public authority, stationed in Singapore; and

(e) an agent or agency located in Singapore not being a permanent establishment acting on behalf of or for the account of a non-resident of Singapore.

3. 'sophisticated investor', in relation to a bank issuing bonds or negotiable certificates of deposit, means a person—

(a) in the case of an individual, whose net personal assets, at the time of the issue, exceeds S$2 million (or its equivalent in foreign currency), or whose income in the 12 months preceding the issue, is not less than S$300,000 (or its equivalent in foreign currency);

(b) in the case of a corporation, whose net assets exceed S$10 million (or its equivalent in foreign currency), as determined by the last audited balance sheet of the corporation; or

(c) who is an officer or close relative of an officer of the bank.
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CONSULTATION PAPER ON REMOVING THE DBU-ACU DIVIDE – IMPLEMENTATION ISSUES

MONETARY AUTHORITY OF SINGAPORE