

CONSULTATION PAPER

P002 - 2017

7 February 2017

Amendments to Banking Regulations and Banking (Corporate Governance) Regulations

MAS

Monetary Authority of Singapore

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1 Preface

1.1 In February 2016, Parliament passed the Banking (Amendment) Act 2016 (the “B(A) Act”) to strengthen prudential safeguards and depositor protection and enhance corporate governance and risk management controls of banks. MAS is now consulting on proposed amendments to the Banking Regulations and Banking (Corporate Governance) Regulations, which are necessary to support the amendments in the B(A) Act. Besides amendments arising from the B(A) Act, the proposals in this consultation paper also include certain administrative amendments. Key changes are discussed in section 2, while a summary of other significant amendments is set out in [Annex B](#).

1.2 MAS invites interested parties to provide their views and comments on the proposals in this paper.

Please note that all submissions received will be published and attributed to the respective respondents unless they expressly request MAS not to do so. As such, if respondents would like (i) their whole submission or part of it, or (ii) their identity, or both, to be kept confidential, please expressly state so in the 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.

1.3 Please submit written comments by 10 March 2017 to –

Prudential Policy Department
Monetary Authority of Singapore
10 Shenton Way, MAS Building
Singapore 079117
Fax: (65) 62203973
Email: prudential_policy_dept@mas.gov.sg

1.4 Electronic submission is encouraged. We would appreciate that you use this [suggested format](#) for your submission to ease our collation efforts.

2 Proposed Amendments

2.1 In conjunction with the changes introduced in the B(A) Act, MAS will be making amendments to the Banking Regulations to require banks to seek MAS' approval prior to establishing or relocating any place of business to conduct money-changing or remittance business. MAS will also be issuing a new regulation on the risk management of banks.

Requirement to seek MAS' approval for places of business conducting money-changing or remittance business

2.2 Under section 12 of the Banking Act, banks are required to seek MAS' approval to establish or change a location at which they conduct banking business. The B(A) Act extends this requirement to specific non-banking businesses which MAS may prescribe.

2.3 MAS proposes to prescribe money-changing and remittance businesses in regulation 23H as non-banking business that will be subject to the section 12 approval requirement. This will enable MAS to ensure that banks have in place appropriate risk management controls, for example to address money laundering and terrorism financing risks, prior to granting approval to allow banks to commence such businesses in these locations.

2.4 As long as the bank does not transact any banking business at such locations, the approved places of business will not be counted towards the numerical quota on places of business which the bank may be subject to under MAS Notice 603.

Question 1. MAS seeks comments on the proposal to prescribe money-changing and remittance businesses for the purposes of section 12 of the Banking Act.

New regulation on risk management

2.5 The B(A) Act amends section 78 of the Banking Act to empower MAS to prescribe regulations in respect of the risk management of banks. This enables MAS to set out minimum risk management control standards and penalise a bank for not having risk management controls that are commensurate with the nature, scale and complexity of its business.

2.6 In this regard, MAS proposes to introduce a new provision, regulation 34, in the Banking Regulations to reinforce banks' risk management practices and controls. The regulation is drafted in line with similar provisions in the Securities and Futures (Licensing and Conduct of Business) Regulations and the Financial Advisers Regulations. It complements MAS' guidelines on risk management, which can be found at the following

web address: <http://www.mas.gov.sg/regulations-and-financial-stability/regulatory-and-supervisory-framework/risk-management.aspx>

Question 2. MAS seeks comments on the proposed regulation on banks' risk management.

2.7 A list of other significant amendments is set out in Annex B. The full text of the proposed amendments to the Banking Regulations and the Banking (Corporate Governance) Regulations are set out in Annex C and Annex D respectively.

Question 3. MAS seeks comments on the remaining proposed amendments to the Banking Regulations and Banking (Corporate Governance) Regulations.

Annex A

LIST OF QUESTIONS

Question 1. MAS seeks comments on the proposal to prescribe money-changing and remittance businesses for the purposes of section 12 of the Banking Act. 4

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Annex B

LIST OF SIGNIFICANT AMENDMENTS

Regulation	Proposed Amendments
Banking Regulations	
2	<p>To include a definition of “hotel”. This clarifies that any building or premises meeting the definition of “hotel” will be excluded from the definitions of “property corporation” and “property-related activities”.</p> <p>To require banks to obtain documentation to evidence that an immovable property situated in Singapore is for occupation by a person acquiring or holding the immovable property, for occupation by the person’s family member or for use as premises for any business carried on by the person.</p>
12 to 19	<p>Consequential amendments to the Banking Regulations following amendment to section 32 of the Banking Act to require banks to seek MAS’ approval for their major stakes in non-companies such as co-operative societies and trusts.</p>
23H (new)	<p>To require banks to seek MAS’ approval to establish or relocate places of business to conduct money-changing or remittance business.</p>
32 (new)	<p>To require banks incorporated outside Singapore to seek MAS’ approval for the appointment of the head of treasury of their Singapore operations. This requirement was previously set out in Notice 753.</p> <p>When the amendments to the Banking Regulations are effected, Notice 753 will be concurrently amended to remove the duplicate requirement. MAS will enact a transitional provision for all heads of treasury currently approved under Notice 753 such that no new approval is required.</p>
33 (new)	<p>To set out the definition of “subsidiary” for the purposes of banks’ reporting requirements under the new section 48AA of the Banking Act.</p>
34 (new)	<p>New regulation to reinforce the risk management practices and controls of banks.</p>
35 (new)	<p>New regulation to include “senior management group” as a class of persons for which a bank must prepare quarterly statements under section 27 of the Banking Act showing all its credit facilities and exposures to, and all its transactions with, such persons.</p>

Regulation	Proposed Amendments
Banking (Corporate Governance) Regulations	
2, 3, 8, 21 and 39	Consequential amendments to the Banking (Corporate Governance) Regulations following amendment to section 32 of the Banking Act to require banks to seek MAS' approval for their major stakes in non-companies such as co-operative societies and trusts.
18	<p>To require banks incorporated in Singapore to seek MAS' approval for the appointment of their head of treasury. Please also refer to the proposal above on regulation 32 of the Banking Regulations.</p> <p>The requirements to obtain MAS' approval for appointment of directors (including the chairman), chief executive officer and deputy chief executive officer will be deleted as these requirements will be set out in the Banking Act.</p>
18A	To delete as the provisions will be set out in the Banking Act.

ANNEX C

**DRAFT AMENDMENTS TO THE
BANKING REGULATIONS**

**DISCLAIMER: THIS VERSION OF AMENDMENTS IS IN DRAFT FORM AND
SUBJECT TO CHANGE. IT IS ALSO SUBJECT TO REVIEW BY THE
ATTORNEY-GENERAL'S CHAMBERS.**

BANKING ACT
([CHAPTER 19](#), SECTIONS 4A, 4B, [12](#), [27\(1\)](#), [30\(1\)\(d\)](#), [32\(5\)](#), [33\(2\)\(d\)](#), [35\(1\)](#) AND
[\(2\)\(e\)](#), 47(10), [48AA](#), [53A](#) AND 78(1) AND (3))

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[18th July 2001]

PART I
PRELIMINARY

Citation

1. These Regulations may be cited as the [Banking Regulations](#).

Definitions

2. In these Regulations, unless the context otherwise requires —

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

“accredited investor” means —

- (a) an individual, a trustee or a person within the meaning of section 4A(1)(a)(i), (iii) or (iv), respectively, of the Securities and Futures Act (Cap. 289);
- (b) a corporation with net assets or net group assets exceeding \$10 million in value (or its equivalent in a foreign currency) or such other amount as the Authority may prescribe under section 4A(1)(a)(ii) of the Securities and Futures Act in place of the first amount, as determined by —
 - (i) the most recent audited balance-sheet of the corporation (whether on an individual or on a group basis); or
 - (ii) where the corporation is not required to prepare audited accounts regularly under the [Companies Act \(Cap. 50\)](#), a balance-sheet of the corporation (whether on an individual or on a group basis) certified by the corporation as giving a true and fair view of the state of affairs of the corporation and its group (where applicable) as of the date of the balance-sheet, which date shall be within the preceding 12 months; or
- (c) a corporation which acts as a trustee for the customers of a person carrying on the business of fund management with total assets under management exceeding \$10 million in value (or its equivalent in a foreign currency);

[“certificate of statutory completion”](#) has the same meaning as in [section 2 of the Building Control Act \(Cap. 29\)](#);

“credit derivative” means any swap, option or other financial derivative the purpose of which is to secure a profit or avoid a loss by reference to the performance by a third party of certain specified obligations or to the change in creditworthiness of the third party;

“customer”, in relation to a merchant bank, includes the Authority or any monetary authority or central bank of any other country or territory, but does not include any company which carries on merchant banking business, investment banking business or banking business, or such other financial institution as may be designated by the Authority by notice in writing;

“customer information”, in relation to a merchant bank, means —

- (a) any information relating to, or any particulars of, an account of a customer of the merchant bank, whether the account is in respect of a loan, investment or any other type of transaction, but does not include any information that is not referable to any named customer or group of named customers; or
- (b) deposit information;

“deposit information”, in relation to a merchant bank, means any information relating to —

- (a) any deposit of a customer of the merchant bank;
- (b) funds of a customer under management by the merchant bank; or
- (c) any safe deposit box maintained by, or any safe custody arrangements made by, a customer with the merchant bank,

but does not include any information that is not referable to any named person or group of named persons;

[“family member”, in relation to an individual, means the individual’s spouse, parent or child;](#)

“fund management” has the same meaning as in Part II of the Second Schedule to the Securities and Futures Act (Cap. 289);

“funds of a customer under management” means any funds or assets of a customer (whether of the merchant bank or any financial institution) placed with that merchant bank for the purpose of management or investment;

“group”, in relation to a corporation, means a group within the meaning of the Accounting Standards, of which the corporation is a part;

[“hotel” has the same meaning as in section 2 of the Hotels Act \(Cap. 127\);](#)

“liabilities”, in relation to the policies of an insurance fund maintained by an insurer, means such liabilities and expenses of the insurer as are attributable

-
- to the business to which the insurance fund relates, but excludes any levy payable by that insurer under section 46 of the [Insurance Act \(Cap. 142\)](#);
- “market day”, in relation to a share traded on a securities exchange, means any day which the securities exchange is open for trading of shares;
- ~~“merchant bank” means a merchant bank approved as a financial institution under section 28 of the [Monetary Authority of Singapore Act \(Cap. 186\)](#);~~
- “NCD” means negotiable certificate of deposit;
- “overseas bank” means a company incorporated, formed or established outside Singapore which carries on banking business only outside Singapore and is not licensed under the [Act](#);
- “place of booking”, in relation to a bond or an NCD issue, means the jurisdiction in which the branch or office of the issuer which is issuing the bond or NCD, as the case may be, is located;
- “prohibited business” has the same meaning as in [section 32\(7\) of the Act](#);
- “property corporation” means any body corporate where —
- (a) more than 50% of the total turnover of the body corporate is derived from property-related activities; or
 - (b) more than 50% of the total assets of the body corporate comprises interests in or rights over immovable property situate in Singapore, other than such immovable property or any part thereof which is used —
 - (i) as premises for the conduct of any business carried on by the body corporate;
 - (ii) for the business of a hotel ~~or hostel~~; or
 - (iii) for community, charity or educational purposes;
- “property-related activities” means —
- (a) the construction of or the causing of the construction of any building on, over or under land in Singapore for the purpose of sale by the person carrying out or causing such construction, of any right or interest in the land which would be appurtenant to such building, other than a building or part thereof constructed for use —
 - (i) for the business of a hotel ~~or hostel~~; or
 - (ii) for community, charity or educational purposes;
 - (b) the acquisition or holding of any interest in or right over immovable property situate in Singapore for the purposes of rental, or for the

purposes of securing a profit from its sale, other than such immovable property or part thereof —

- (i) used or to be used by the person acquiring or holding the immovable property for occupation by himself or ~~members of his~~ family member or as premises for any business carried on by him~~;~~, such usage to be determined by –

(A) in the case where the immovable property is for occupation by the person –

(I) where the immovable property has not received a certificate of statutory completion or temporary occupation permit at the time of application for the credit facility, a written declaration made by the person that the property is for his occupation, and upon the immovable property receiving a certificate of statutory completion or temporary occupation permit, the owner occupation status reflected on the Inland Revenue Authority of Singapore’s website at www.iras.gov.sg under “myTaxPortal” or where myTaxPortal is not applicable to the person, such other documentary evidence which reflects the owner occupation status of the person; or

(II) where the immovable property has received a certificate of statutory completion or temporary occupation permit at the time of application for the credit facility, the owner occupation status reflected on the Inland Revenue Authority of Singapore’s website at www.iras.gov.sg under “myTaxPortal” or where myTaxPortal is not applicable to the person, such other documentary evidence which reflects the owner occupation status of the person;

(B) in the case where the immovable property is for occupation by the person’s family member –

(I) where the immovable property has not received a certificate of statutory completion or temporary occupation permit at the time of application for the credit facility, a written declaration made by the person that the property is for the occupation of his family member, and upon the immovable property receiving a certificate of statutory completion or temporary occupation permit, a copy of the identity card of the family member issued under the National Registration Act (Cap. 201) reflecting the address of the family

- member as that of the immovable property or in the case where the family member does not have such an identity card, such other documentary evidence reflecting the address of the family member as that of the immovable property; or
- (II) where the immovable property has received a certificate of statutory completion or temporary occupation permit at the time of application for the credit facility, a copy of the identity card of the family member issued under the National Registration Act (Cap. 201), reflecting the address of the family member as that of the immovable property or in the case where the family member does not have such an identity card, such other documentary evidence reflecting the address of the family member as that of the immovable property; or
- (C) where the immovable property is for use as premises for any business carried on by the person –
- (I) where the immovable property has not received a certificate of statutory completion or temporary occupation permit at the time of application for the credit facility, a written declaration by the person that the immovable property is to be used for such purpose, and upon the immovable property receiving a certificate of statutory completion or temporary occupation permit, documentary evidence to show that the property is used for such purpose, such as documents from the Accounting and Corporate Regulatory Authority established under the Accounting and Corporate Regulatory Authority Act (Cap. 2A) indicating the name of the person as shareholder or owner and the registered address of the business; or
- (II) where the immovable property has received a certificate of statutory completion or temporary occupation permit at the time of application for the credit facility, documentary evidence to show that the property is used for such purpose, such as documents from the Accounting and Corporate Regulatory Authority established under the Accounting and Corporate Regulatory Authority Act (Cap. 2A) indicating the name of the person as shareholder or owner and the registered address of the business;

- (ii) used or to be used for the business of a hotel ~~or hostel~~; or
- (iii) used or to be used for community, charity or educational purposes;
- (c) the financing of any activity referred to in [sub-paragraph \(a\)](#) or [\(b\)](#);
- (d) the making of loans to any property corporation;
- (e) the acquisition or holding as beneficial owner of shares or debentures issued by any property corporation; and
- (f) the acquisition or holding as beneficial owner of debentures the payment of principal or interest on which is contingent, directly or indirectly, on the turnover, profits or cashflow from any activity under [sub-paragraph \(a\)](#), [\(b\)](#), [\(c\)](#), [\(d\)](#) or [\(e\)](#);

“property sector exposure”, in relation to a bank in Singapore, means the aggregate of —

- (a) amounts outstanding to the bank under credit facilities granted to any property corporation or to any related corporation of a property corporation for use by the property corporation;
- (b) amounts outstanding to the bank under credit facilities granted to any person other than a property corporation —
 - (i) in the case where such person is a corporation, for the purpose of financing or facilitating the property-related activities of that person or its related corporations; and
 - (ii) in any other case, for the purpose of financing or facilitating the property-related activities of that person;
- (c) amounts of debentures beneficially held by the bank and issued by any property corporation;
- (d) amounts of debentures beneficially held by the bank and issued by any person other than a property corporation, where the payment of principal or interest is contingent, whether in whole or in part, on the turnover, profits or cashflow from any property-related activity;
- (e) amounts paid by the bank for securities transferred to it pursuant to a repurchase transaction between the bank and a property corporation, on terms that require the future transfer of equivalent securities by the bank to the property corporation;
- (f) amounts of contingent liabilities incurred by the bank —
 - (i) in respect of any obligation of a property corporation; or
 - (ii) in respect of any obligation of any other person, where such obligation is undertaken in connection with property-related activities;

- (g) where the bank has entered into any agreement (including a credit derivative agreement) with any other party under which the other party would secure a benefit or avoid a loss where there is —
- (i) a failure by a property corporation to perform its obligations;
 - (ii) a decline in the creditworthiness of a property corporation; or
 - (iii) a failure by any person other than a property corporation to perform its obligations where such obligations are undertaken in connection with property-related activities,
- the highest amount of such benefit or loss as may be secured or avoided, as the case may be, except to the extent that such amount constitutes part of any amounts under [sub-paragraph \(f\)](#); and
- (h) amounts payable to the bank by any property corporation under a bill of exchange or promissory note,

but does not include any amounts in respect of —

- (A) credit facilities granted to the Government or to any statutory board;
- (B) Singapore Government Securities or bonds issued by any statutory board;
- (C) debentures held pursuant to an agreement entered into by the bank for the underwriting of an issue of such debentures, for a period not exceeding 8 weeks from the date of the launch of the issue;
- (D) loans, debentures or other assets forming the subject matter of a securitisation transaction where the criteria determined by the Authority for effecting a clean sale of assets by the bank have been complied with; or
- (E) any instrument or transaction described in [sub-paragraphs \(a\) to \(h\)](#) to the extent that the bank would be indemnified or otherwise protected from losses that may be incurred by it under that instrument or transaction pursuant to a guarantee issued by any other bank or any credit derivative entered into by the bank with any person other than a property corporation;

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

~~“subsidiary” has the same meaning as in section 5 of the [Companies Act \(Cap. 50\)](#);~~

~~“temporary occupation permit” has the same meaning as in section 2 of the [Building Control Act \(Cap. 29\)](#);~~

“total eligible assets”, in relation to a bank in Singapore, means the aggregate of —

- (a) amounts outstanding to the bank under credit facilities granted to any person other than a bank or an overseas bank;
- (b) amounts of debentures beneficially held by the bank and issued by any other person who is not a bank or an overseas bank;
- (c) amounts paid by the bank for securities transferred to it pursuant to a repurchase transaction between the bank and any other party who is not a bank or an overseas bank, on terms that require the future transfer of equivalent securities by the bank to the other party;
- (d) amounts of contingent liabilities incurred by the bank —
 - (i) in respect of any obligation of a property corporation; or
 - (ii) in respect of any obligation of any other person, where such obligation is undertaken in connection with property-related activities;
- (e) where the bank has entered into any agreement (including a credit derivative agreement) with any other party under which the other party would secure a benefit or avoid a loss where there is —
 - (i) a failure by a property corporation to perform its obligations;
 - (ii) a decline in the creditworthiness of a property corporation; or
 - (iii) a failure by any person other than a property corporation to perform its obligations where such obligations are undertaken in connection with property-related activities,the highest amount of such benefit or loss as may be secured or avoided, as the case may be, except to the extent that such amount constitutes part of any amounts under [sub-paragraph \(d\)](#); and
- (f) amounts payable to the bank by any person, other than a bank or an overseas bank, under a bill of exchange or promissory note,

but does not include any amounts in respect of —

- (A) in the case of a bank incorporated in Singapore, any instrument or transaction described in [sub-paragraphs \(a\)](#) to [\(f\)](#) not forming part of the bank's business in Singapore, except to the extent that such instrument or transaction forms part of the property sector exposure of the bank; or
- (B) in the case of a bank incorporated outside Singapore, any instrument or transaction described in [sub-paragraphs \(a\)](#) to [\(f\)](#) not forming part of the bank's business in Singapore.

PART II

CONTROL OF DEPOSIT-TAKING ACTIVITIES

Exemption from section 4A(1) of Act

3. [Section 4A \(1\)](#) of the [Act](#) shall not apply to —
- (a) any holder of a capital markets services licence under the Securities and Futures Act (Cap. 289) if, and only if, the acceptance of the deposit is solely incidental to the carrying on of the business for which the licence was granted;
 - (b) any advocate and solicitor, foreign lawyer who is registered under the [Legal Profession Act \(Cap. 161\)](#), law corporation or Joint Law Venture which is approved under [that Act](#), if, and only if, the acceptance of the deposit is solely incidental to the practice of his or its legal practice; and
 - (c) any insurer registered under the [Insurance Act \(Cap. 142\)](#) if, and only if, the acceptance of the deposit is solely incidental to the carrying on of the business for which the insurer was registered.

Exemption from section 4A(1) and (2) of Act

3A.—(1) Subject to [paragraph \(3\)](#), [section 4A\(1\) of the Act](#) shall not apply to any foreign entity in respect of any deposit accepted in Singapore, on behalf of the foreign entity by its agent bank, from any accredited investor in Singapore.

(2) Subject to [paragraph \(3\)](#), [section 4A\(2\) of the Act](#) shall not apply to any agent bank of a foreign entity in respect of —

- (a) any offer or invitation to make any deposit, or to enter or offer to enter into any agreement to make any deposit, with the foreign entity; or
- (b) any advertisement containing such offer or invitation,

where such offer, invitation or advertisement is made or issued to accredited investors in Singapore by the agent bank on behalf of the foreign entity.

(3) An agent bank which accepts or solicits deposits from an accredited investor on behalf of a foreign entity in the circumstances specified in [paragraph \(1\)](#) or [\(2\)](#) shall provide the following information to the accredited investor, in writing, when soliciting or accepting any deposit from the accredited investor:

- (a) the name of the foreign entity;
- (b) the jurisdiction where the deposit account would be opened;
- (c) the class of licence or registration, or the type of approval or other instrument of regulation, that the foreign entity holds or has obtained in the jurisdiction where the deposit account would be opened;
- (d) a statement to the effect that the class of licence or registration, or the type of approval or other instrument of regulation, permits the foreign entity to

accept deposits in the jurisdiction where the deposit account would be opened; and

- (e) a statement to the effect that the deposit account would not be subject to the supervisory oversight of the Authority but that of the relevant supervisory authority in the jurisdiction where the deposit account would be opened and maintained.

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

“agent bank”, in relation to a foreign entity, means a bank in Singapore or merchant bank which is a branch or subsidiary of the foreign entity;

“foreign entity” means any corporation established or incorporated outside Singapore that is licensed, registered, approved or otherwise regulated to carry on banking business under the laws of the jurisdiction in which it is established or incorporated.

Application of section 4A(2) of Act

4. For the purposes of [section 4A\(2\) of the Act](#), in determining whether an offer, invitation or advertisement is made or issued to the public or any section of the public in Singapore, regard shall be had to the following considerations:

- (a) whether the offer, invitation or advertisement contains any information specifically relevant to Singapore;
- (b) whether the offer, invitation or advertisement is published in any newspaper, magazine, journal or other periodical publication, or in any broadcast media, which is principally for circulation or reception in Singapore;
- (c) whether the offer, invitation or advertisement contains a prominent notice that no deposit shall be accepted from persons in Singapore, and whether such notice is viewed with or before the advertisement;
- (d) whether reasonable steps are taken to guard against acceptance of deposits from persons in Singapore; or
- (e) whether the offer, invitation or advertisement, directly or indirectly, states that deposits in Singapore currency shall be accepted.

Prescribed deposit

4A. For the purposes of [section 4B\(4\)\(b\) of the Act](#), a sum of money paid by a person (“A”) to another person (“B”) or any other person as an agent of A is prescribed as a deposit made by A with B, if it is paid for the purpose of making funds of A available to B and under the following arrangement:

- (a) the payment is made to enable B or the agent to purchase an asset on behalf of A, being an asset that exists at the time of the purchase;
- (b) B purchases the asset from A at a price (the marked-up price) that is greater than the sum of money paid by A, and sells the asset;
- (c) A and B, 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 A (which represents the return to A for making funds available to B); and
- (d) no part of the marked-up price is required to be paid by B to A until after the date of sale of the asset by the B.

Application of section 4B(6)(e) of Act

5. Subject to [regulation 6](#), for the purposes of [section 4B\(4\) of the Act](#), “deposit” does not include —

- (a) a sum paid by or on behalf of any person in consideration for the issue to him by the recipient of —
 - (i) bonds or NCDs denominated in any foreign currency;
 - (ii) bonds or NCDs denominated in Singapore dollars with an original maturity period of not less than 12 months; or
 - (iii) bonds or NCDs denominated in Singapore dollars with an original maturity period of less than 12 months and issued with a denomination of not less than \$200,000;
- (b) a sum paid by or on behalf of any person whose total net personal assets exceed \$2 million or its equivalent in foreign currency at the time of the payment, or whose income in the preceding 12 months is not less than \$300,000 or its equivalent in foreign currency at the time of the payment, in consideration for the issue to him by the recipient of bonds or NCDs denominated in Singapore dollars with an original maturity period of less than 12 months;
- (c) a sum paid by or on behalf of a company whose total net assets exceed \$10 million in value or its equivalent in foreign currency as determined by the last audited balance-sheet of the company in consideration for the issue to the company, by the recipient, of bonds or NCDs denominated in Singapore dollars with an original maturity period of less than 12 months;
- (d) a sum paid by or on behalf of an officer of the recipient, a close relative of an officer of the recipient or a close relative of the recipient (if the recipient is a natural person), in consideration for the issue to the payer by the

recipient, of bonds or NCDs denominated in Singapore dollars with an original maturity of less than 12 months;

- (e) a sum paid by or on behalf of any person in consideration of the issue to him of Singapore Government Securities; or
- (f) a sum paid by or on behalf of any person in consideration of the issue to him of bonds issued by any statutory board.

Prescribed international financial institution

5A. The following institutions are prescribed as international financial institutions for the purposes of [section 5\(2\)\(g\) of the Act](#):

- (a) African Development Bank;
- (b) Asian Development Bank;
- (c) Bank for International Settlements;
- (d) Caribbean Development Bank;
- (e) Council of Europe Development Bank;
- (f) European Bank for Reconstruction and Development;
- (g) European Central Bank;
- (h) European Investment Bank;
- (i) Inter-American Development Bank;
- (j) Islamic Development Bank;
- (k) Nordic Investment Bank; and
- (l) World Bank Group.

Additional disclosure requirements for exemption under [regulation 5](#)

6.—(1) Without prejudice to any disclosure requirements under any other written law, for the purposes of qualifying for the exemption under [regulation 5](#), bonds or NCDs denominated in Singapore dollars which are issued with a denomination of less than \$200,000, shall have contained —

- (a) in any prospectus and any profile statement in respect of its issue; or
- (b) 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 additional information set out in [paragraph \(2\)](#).

- (2) The additional information required to be disclosed under [paragraph \(1\)](#) are —
- (a) a statement of the place of booking of the issue;
 - (b) where the name of the issuer contains the word “bank”, “finance” or any of its derivatives in any language and —
 - (i) the place of booking of the issue is not Singapore; or
 - (ii) the issuer is not regulated or authorised by the Authority under any written law,
a statement that the branch or office of the issuer at which the issue is booked is not subject to regulation or supervision in Singapore;
 - (c) where repayment under the bond or NCD is secured (whether by mortgage, charge, guarantee or other means), a statement of the nature of the security, the name of the mortgagor, chargor or guarantor, as the case may be, and whether such person is regulated or authorised by the Authority under any written law; and
 - (d) where repayment under the bond or NCD is not secured (whether by mortgage, charge, guarantee or other means), a statement that repayment is not secured by any means.

PART IIA

MINIMUM CAPITAL REQUIREMENTS

Minimum capital requirements for wholesale banks

6A.—(1) For the purposes of [section 9\(1\)\(a\) of the Act](#), the paid-up capital of a bank holding a wholesale banking licence which is incorporated in Singapore shall be not less than \$100 million.

(2) In this regulation, “wholesale banking licence” means a licence to transact banking business, the conditions of which require the holder of that licence to comply with such guidelines as may be issued by the Authority in relation to the operation of wholesale banks; and includes a “restricted banking licence” granted by the Authority before 29th June 2001.

PART IIB

EXCLUSION OF LIMITS ON EQUITY INVESTMENTS

Exclusion from operation of [section 31](#) of Act for stabilising action during offer

6B.—(1) Section 31 of the [Act](#) shall not apply, during the specified period, in respect of any equity investment in a single company acquired or held by any bank in Singapore

when acting as a stabilising bank in relation to an offer of securities issued by the company, where —

- (a) an over-allotment option has been made giving the bank the right to purchase a number of securities equivalent to the number of securities over-allotted —
 - (i) in a case where more than one tranche of securities is offered at different prices, at or below the issue price for each tranche; or
 - (ii) in any other case, at or below the issue price; and
- (b) the total number of securities subscribed for or purchased by the bank as a result of its stabilising action does not exceed the number of securities over-allotted.

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

“closing date” has the same meaning as in regulation 2 of the [Securities and Futures \(Market Conduct\) \(Exemptions\) Regulations 2006](#) (G.N. No. S 148/2006);

“dealer” means a person who is the holder of a capital markets services licence under the Securities and Futures Act (Cap. 289) to deal in securities, and includes a person who is licensed, approved, authorised or otherwise regulated under the laws, codes or other requirements of any foreign jurisdiction in respect of dealing in securities;

“issue price”, in relation to securities being offered under an offer, means the price at which the securities are being offered for subscription or purchase;

“issuer” has the same meaning as in regulation 2 of the [Securities and Futures \(Market Conduct\) \(Exemptions\) Regulations 2006](#);

“offer” has the same meaning as in regulation 2 of the [Securities and Futures \(Market Conduct\) \(Exemptions\) Regulations 2006](#);

“over-allotment” has the same meaning as in regulation 2 of the [Securities and Futures \(Market Conduct\) \(Exemptions\) Regulations 2006](#);

“overseas securities exchange” has the same meaning as in section 2 of the Securities and Futures Act;

“relevant securities” has the same meaning as in regulation 2 of the [Securities and Futures \(Market Conduct\) \(Exemptions\) Regulations 2006](#);

“securities” and “securities exchange” have the same meanings as in section 2 of the Securities and Futures Act;

“specified period” means a period of 30 calendar days —

- (a) from the date of commencement of dealing in the stabilised securities on a securities exchange; or
- (b) where the stabilised securities are listed on both a securities exchange and an overseas securities exchange, from the earlier of the dates of commencement of dealing in the stabilised securities on these exchanges;

“stabilised securities”, in relation to any stabilising action, means the securities in respect of which the stabilising action has been, is being or will be taken, as the case may be;

“stabilising action”, in relation to an offer, means the action taken in Singapore or elsewhere by a stabilising bank, or by a dealer on behalf of the stabilising bank, to buy, or to offer or agree to buy, any relevant securities on the securities market, in order to stabilise or maintain the market price of such securities in Singapore or elsewhere;

“stabilising bank”, in relation to an offer, means a bank in Singapore —

- (a) which is appointed in writing by the issuer of an offer to take any stabilising action in respect of the offer; and
- (b) whose appointment under [paragraph \(a\)](#) is notified to the securities exchange on which the relevant securities are or are intended to be listed before the closing date of the offer.

PART III

EXCLUSION OF CERTAIN INVESTMENTS AND WHOLLY-OWNED SUBSIDIARIES

Exclusion of certain companies from operation of section 32 of Act

7.—(1) The Authority hereby excludes, from the operation of section 32 of the [Act](#) —

- (a) any company which carries on a business prescribed in [regulation 23F\(1\)](#) (whether as its principal business or otherwise); or
- (b) any other company whose principal business is that of investing in any company referred to in [sub-paragraph \(a\)](#).

(2) The exclusion in [paragraph \(1\)](#) shall not apply to a company which is —

- (a) not carrying on any substantial business or not in operation;
- (b) carrying on the business of engaging in property-related activities;

- (c) carrying on the business of factoring, leasing equipment or otherwise purchasing debt obligations from others; or
- (d) a company or within a class of companies, specified by the Authority by notice in writing by reference to a bank or a class of banks.

Exclusion of wholly-owned subsidiaries of bank held primarily for segregating risks arising from carrying on business prescribed in [regulation 23G](#)

7A.—(1) Subject to [paragraph \(2\)](#), the Authority hereby excludes from the operation of section 32 of the [Act](#) any wholly-owned subsidiary of a bank in Singapore acquired or held primarily for the purpose of segregating risks that arises from the carrying on of any business prescribed in [regulation 23G\(1\)](#) so as to prevent such risks from affecting the financial soundness and stability of the bank.

(2) The exclusion under [paragraph \(1\)](#) of any wholly-owned subsidiary of a bank in Singapore from the operation of section 32 of the [Act](#) applies if, and only if —

- (a) the bank has an agreement with the wholly-owned subsidiary to allow the Authority and any person appointed by the Authority, at any time, to obtain any information from the wholly-owned subsidiary and to inspect the books of the wholly-owned subsidiary;
- (b) where the wholly-owned subsidiary is a financial institution regulated by an overseas regulatory authority, the bank is satisfied, from its own due diligence or from having taken professional advice, that the Authority and any person appointed by the Authority are not prohibited from obtaining any information from, or inspecting the books of, the wholly-owned subsidiary; and
- (c) the bank ensures that the wholly-owned subsidiary of the bank carries on its business in a manner that satisfies such conditions relating to the operations or activities of the wholly-owned subsidiary as the Authority may impose, from time to time, by notice in writing.

(3) For the purpose of this regulation, a company is a wholly-owned subsidiary of a bank if none of the members of the company, or none of the persons holding any ownership interest in the company, is a person other than the bank.

PART IV

PROPERTY SECTOR EXPOSURE

Property sector exposure limit

8.—(1) The property sector exposure of a bank in Singapore shall not exceed 35% of the total eligible assets of that bank.

(2) Notwithstanding [paragraph \(1\)](#), the Authority may, if it considers appropriate in the particular circumstances of a bank in Singapore, require the property sector exposure of that bank not to exceed such other percentage as it may determine, for such period and subject to such conditions as it may determine.

(3) Any bank which contravenes this regulation 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.

Submission of returns

9. Every bank in Singapore shall, within 10 days from 31st March, 30th June, 30th September and 31st December of each year, submit a return to the Authority on its property sector exposure in the form set out in [the First Schedule](#).

PART V

APPLICATION OF ~~SECRECY~~[CUSTOMER PRIVACY](#) PROVISIONS TO MERCHANT BANKS

Application of section 47 of, and Third Schedule to, Act to merchant banks

10. The provisions of [section 47 of the Act](#) and the Third Schedule to the [Act](#) as modified and set out in the Second and Third Schedules to these Regulations respectively, shall apply to every merchant bank.

PART VI

EXCLUSION OF NON-BENEFICIAL INTERESTS IN OR RIGHTS OVER IMMOVABLE PROPERTY

Exclusion of non-beneficial interests in or rights over immovable property from section 33 of Act

11. For the purposes of determining the aggregate value of the interest in or right over immovable property referred to in [section 33\(1\) of the Act](#), there shall be excluded such portion of the value of any interest in or right over immovable property or any part thereof held for the benefit of persons other than the bank pursuant to an obligation imposed under any written law, rule of law, contract or order of court.

PART VII

COMPUTATION OF MAJOR STAKES

Meaning of “affiliated entity”

12.—(1) In this Part and [Part VIII](#), “affiliated entity”, in relation to a bank, means —

-
- (a) any subsidiary of the bank;
 - (b) any company entity in which the bank and its subsidiaries hold in the aggregate a beneficial interest in not less than 20% of the share capital or such other equivalent measure corresponding to ownership;
 - (c) any company entity in which the bank and its subsidiaries control in the aggregate not less than 20% of the voting power or such equivalent measure corresponding to a right to vote; or
 - (d) any other company entity where the directors management of the company are entity 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 company entity; or
 - (e) any subsidiary of a companyan entity, referred to in sub-paragraph (b), (c) or (d).

(2) Notwithstanding paragraph (1)(a), (b), (c) or (e), any beneficial interest in the share capital or such other equivalent measure corresponding to ownership of, or control of voting power or such other equivalent measure corresponding to a right to vote in, a companyan entity that is —

- (a) acquired by a bank or any entity referred to in paragraph (1) (referred to in this paragraph as the relevant entity) pursuant to an arrangement with a person who has a trading account with the relevant entity, and transferred to the trading account of that person within 2 market days from the date of acquisition; or
- (b) acquired or held by the relevant entity in the course of satisfaction of debts due to it and disposed of at the earliest suitable opportunity,

shall be excluded for the purpose of determining whether the company entity is an affiliated entity of the bank.

(3) Notwithstanding paragraph (1)(c), any control of voting power in a company or such other equivalent measure corresponding to a right to vote in an entity that is held by the bank or its subsidiary —

- (a) for the benefit of any person other than the bank or its subsidiary, or any other affiliated entity of the bank (referred to in this paragraph as the beneficiary) pursuant to an obligation imposed under any written law, rule of law, contract or order of court; and
- (b) used or exercised by the bank or its subsidiary primarily for the benefit of the beneficiary,

shall be excluded for the purpose of determining whether the [company entity](#) is an affiliated entity of the bank, unless —

- (i) the control of voting power [or such other equivalent measure corresponding to a right to vote](#) in the [company entity](#) is held by a bank's subsidiary that is an insurer registered under the [Insurance Act \(Cap. 142\)](#), through —
 - (A) any insurance fund established and maintained under the [Insurance Act](#) for its general business;
 - (B) any insurance fund established and maintained under the [Insurance Act \(Cap. 142\)](#) for its non- participating policies;
 - (C) any insurance fund established and maintained under the [Insurance Act](#) for its participating policies, and which relates to assets held other than for the purpose of meeting the liabilities in respect of the policies of the insurance fund; or
 - (D) any insurance fund established and maintained under the [Insurance Act](#) for its investment-linked policies, and which relates to assets held other than for the purpose of meeting those liabilities in respect of the policies of the insurance fund, the values of which are dependent on the value of the underlying assets; or
- (ii) the Authority (having regard to the specific circumstances of the case including whether the bank or its subsidiaries has investment and voting policies that comply with guidelines issued by the Authority) is of the opinion that the control of voting power ~~in the company~~ [or such other equivalent measure corresponding to a right to vote in the entity](#) is in fact not being used or exercised primarily for the benefit of the beneficiary, and the Authority issues a declaration by notice in writing to the bank that such control of voting power ~~in the company~~ [or such other equivalent measure corresponding to a right to vote in the entity](#) shall, with effect from the date of the declaration, be included for the purpose of determining whether that [company entity](#) is an affiliated entity of the bank.

(4) Notwithstanding [paragraph \(1\)\(e\)](#), where an ~~entity~~ [company](#) referred to in [paragraph \(1\)\(b\)](#), or [\(c\)](#) is not an affiliated entity of the bank by virtue of [paragraph \(2\)](#) or [\(3\)](#), its subsidiary shall correspondingly not be regarded as an affiliated entity of the bank.

Holding by affiliated entity deemed to be holding by bank

13.—(1) In determining whether a bank holds a major stake in ~~a company~~ [an entity](#) as defined in [section 32\(7\) of the Act](#) —

- (a) any beneficial interest in the share capital ~~of a company~~ [or such other equivalent measure corresponding to ownership of an entity](#) held by an

affiliated entity of the bank shall be deemed to be a beneficial interest in that share capital or other equivalent measure corresponding to ownership held by that bank;

- (b) any control of voting power or such other equivalent measure corresponding to a right to vote in ~~a company~~an entity held by an affiliated entity of the bank shall be deemed to be a control of such voting power or such other equivalent measure corresponding to a right to vote held by that bank; and
- (c) any interest in ~~a company~~an entity (where the ~~directors~~management of the ~~company~~entity are 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 ~~company~~entity) held by an affiliated entity of the bank shall be deemed to be an interest held by that bank.

(2) Paragraph (1) shall not apply to any beneficial interest in the share capital or such other equivalent measure corresponding to ownership of, control of voting power or such other equivalent measure corresponding to a right to vote or interest in, ~~a company~~an entity that is acquired or held by an affiliated entity and transferred or disposed of by the affiliated entity in the manner referred to in regulation 12(2)(a) or (b).

(3) Paragraph (1)(b), or (c) shall not apply to any control of voting power or such other equivalent measure corresponding to a right to vote or interest in ~~a company~~an entity that is held by an affiliated entity of a bank —

- (a) for the benefit of any person other than the affiliated entity, the bank or any other affiliated entity of the bank (referred to in this paragraph as the beneficiary), pursuant to an obligation imposed under any written law, rule of law, contract or order of court; and
- (b) used or exercised by that affiliated entity primarily for the benefit of the beneficiary,

unless —

- (i) that affiliated entity is an insurer registered under the Insurance Act (Cap. 142), and it holds the control of voting power or such other measure corresponding to a right to vote or interest in the ~~company~~entity through any of the insurance funds specified in regulation 12(3)(i)(A) to (D); or
- (ii) the Authority (having regard to the specific circumstances of the case including whether the affiliated entity has investment and voting policies that comply with guidelines issued by the Authority) is of the opinion that the control of voting power or such other equivalent measure corresponding to a right to vote or interest in the ~~company~~entity is in fact not being used

or exercised primarily for the benefit of the beneficiary, and the Authority issues a declaration by notice in writing to the bank that [paragraph \(1\)\(b\)](#), or [\(c\)](#), as the case may be, shall, with effect from the date of the declaration apply to the control of voting power or [such other equivalent measure corresponding to a right to vote or](#) interest in the [company entity](#) held by that affiliated entity.

Affiliated entity over which the bank has no effective control

14.—(1) Where [a companyan entity](#) falls within the definition of “affiliated entity” under [regulation 12\(1\)\(a\)](#), [\(b\)](#), [\(c\)](#), or [\(e\)](#), but not [regulation 12\(1\)\(d\)](#), and the Authority is satisfied that —

- (a) the affiliated entity is not under the effective control of the bank; and
- (b) the bank is not exposed to any material risk by virtue of that affiliated entity’s beneficial interest in the share capital [or such other equivalent measure corresponding to ownership](#) of, control of voting power or [such other equivalent measure corresponding to a right to vote or](#) interest in, other [companies, entities](#),

the Authority may, by notice in writing to the bank, declare that [regulation 13\(1\)](#) shall not apply to any beneficial interest in the share capital [or such other equivalent measure corresponding to ownership](#) of, control of voting power in or [such other equivalent measure corresponding to a right to vote or](#) interest in, any [company entity](#) held by that affiliated entity, and in such event, [regulation 13\(1\)](#) shall not apply accordingly with effect from the date specified in the declaration, until such time as the declaration is revoked.

(2) The Authority may upon making a declaration under [paragraph \(1\)](#) and from time to time, impose such conditions as the Authority considers appropriate, [which the Authority may add to, vary or revoke at any time](#), and if any of the conditions are not complied with at any time, the Authority may revoke the declaration by notice in writing to the bank.

(3) Without prejudice to [paragraph \(2\)](#), the Authority may, by notice in writing to a bank, revoke a declaration made under [paragraph \(1\)](#) if the Authority is satisfied that —

- (a) the affiliated entity has come under the effective control of the bank; or
- (b) the bank has become exposed to material risk by virtue of that affiliated entity’s beneficial interest in the share capital [or such other equivalent measure corresponding to ownership](#) of, control of voting power or [such other equivalent measure corresponding to a right to vote or](#) interest in, other [companies, entities](#),

and in such event, [regulation 13\(1\)](#) shall apply to that affiliated entity accordingly with effect from the date specified in the notice of revocation.

(4) Without prejudice to [paragraph \(3\)](#), a declaration under [paragraph \(1\)](#) shall automatically be revoked if and when the affiliated entity falls within the definition of “affiliated entity” under [regulation 12\(1\)\(d\)](#), whether or not that affiliated entity continues to fall within the definition of “affiliated entity” under [regulation 12\(1\)\(a\), \(b\) \(c\) or \(e\)](#).

PART VIII

LIMITATION OF MUTUAL SHAREHOLDINGS

Definitions of this Part

15. In this Part —

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

“qualified major stake [companyentity](#)”, in relation to a bank, means an affiliated entity of the bank in which the bank is deemed, by virtue of [section 32\(7\) of the Act](#) and [Part VII](#) of these Regulations, to hold a major stake;

~~“share”, in relation to a bank or the financial holding company of a bank, means a share in the share capital of the bank or the financial holding company of the bank, as the case may be, and includes an interest in such a share.~~

Limitation of mutual shareholdings

16.—(1) No qualified major stake [companyentity](#) of a bank incorporated in Singapore shall acquire or hold shares in the bank which has the effect of enabling it, whether alone or jointly with other qualified major stake [companiesentities](#) of the bank, to control more than 2% of the voting power in the bank.

(2) No qualified major stake [companyentity](#) of a bank incorporated in Singapore shall acquire or hold shares in any holding company of the bank which has the effect of enabling it, whether alone or jointly with other qualified major stake [companiesentities](#) of the bank, to control more than 2% of the voting power in the holding company.

(3) No qualified major stake [companyentity](#) of a bank incorporated in Singapore shall acquire or hold shares in the bank and any of the holding companies of the bank which has the effect of enabling it, whether alone or jointly with other qualified major stake [companiesentities](#) of the bank, to control —

- (a) any percentage of the voting power in the bank; and
- (b) any percentage of the voting power in any of the holding companies of the bank,

such that the sum total of the percentages referred to in [sub-paragraphs \(a\)](#) and [\(b\)](#) (notwithstanding that they are percentages of voting powers in different companies) exceeds 2.

(4) No bank incorporated in Singapore shall cause or knowingly permit any of its qualified major stake [companies/entities](#) to acquire or hold shares in the bank or any holding company of the bank in contravention of [paragraphs \(1\), \(2\)](#) or [\(3\)](#).

(5) For the purposes of determining whether there is a contravention of [paragraph \(1\), \(2\), \(3\)](#) or [\(4\)](#), any control of voting power in a bank or any holding company of the bank that is held by a qualified major stake [company/entity](#) of that bank —

- (a) for the benefit of any person other than the qualified major stake [company/entity](#) or any other qualified major stake [company/entity](#) of that bank (referred to in this paragraph as the beneficiary), pursuant to an obligation imposed under any written law, rule of law, contract or order of court; and
- (b) used or exercised by the qualified major stake [company/entity](#) for the benefit of the beneficiary,

shall be disregarded, unless —

- (i) the qualified major stake [company/entity](#) is an insurer registered under the [Insurance Act \(Cap. 142\)](#), and the control of voting power is held by it through any of the insurance funds specified in regulation 12(3)(i)(A) to (D); or
- (ii) the Authority (having regard to the specific circumstances of the case including whether the qualified major stake [company/entity](#) has investment and voting policies that comply with guidelines issued by the Authority) is of the opinion that the control of voting power in the bank or holding company of the bank is in fact not being used or exercised primarily for the benefit of the beneficiary, and the Authority issues a declaration by notice in writing to the qualified major stake [company/entity](#) that such control of voting power in the bank or holding company of the bank shall, with effect from the date of the declaration, be included for the purpose of determining whether there is a contravention of [paragraph \(1\), \(2\), \(3\)](#) or [\(4\)](#).

Qualified major stake company over which the bank has no effective control

17.—(1) Where a qualified major stake [company/entity](#) falls within the definition of “affiliated entity” of a bank under [regulation 12\(1\)\(a\), \(b\), \(c\), or \(e\)](#) but not [regulation 12\(1\)\(d\)](#), and the Authority is satisfied that —

- (a) the [company/entity](#) is not under the effective control of the bank; and

- (b) the bank is not exposed to any material risk by virtue of that company's beneficial interest in the share capital or such other equivalent measure corresponding to ownership of, control of voting power or such other equivalent measure corresponding to a right to vote or interest in, other companies,

the Authority may, by notice in writing to the bank, declare that any shares held by that company in the bank or any holding company of the bank, shall be excluded for the purpose of determining whether there is a contravention of regulation 16(1), (2), (3) or (4) and in such event, the exclusion shall take effect from the date specified in the declaration until such time as the declaration is revoked.

(2) The Authority may upon making a declaration under paragraph (1) and from time to time, impose such conditions as the Authority considers appropriate, which the Authority may add to, vary or revoke at any time, and if any of the conditions are not complied with at any time, the Authority may revoke the declaration by notice in writing to the bank.

(3) Without prejudice to paragraph (2), the Authority may, by notice in writing to a bank, revoke a declaration made under paragraph (1) if the Authority is satisfied that —

- (a) the company has come under the effective control of the bank; or
- (b) the bank has become exposed to material risk by virtue of that company's beneficial interest in the share capital or such other equivalent measure corresponding to ownership of, control of voting power or such other equivalent measure corresponding to a right to vote or interest in other companies,

and in such event, any shares held by that company in the bank or any holding company of the bank shall, with effect from the date specified in the notice of revocation, be included for the purpose of determining whether there is a contravention of regulation 16(1), (2), (3) or (4).

(4) Without prejudice to paragraph (3), a declaration under paragraph (1) shall automatically be revoked if and when the company falls within the definition of “affiliated entity” under regulation 12(1)(d), whether or not the company continues to fall within the definition of “affiliated entity” under regulation 12(1)(a), (b), (c), or (e).

Offences, penalties and defences

18.—(1) Any person who contravenes regulation 16 shall be guilty of an offence and shall be liable on conviction to a fine not exceeding \$25,000 and, in the case of a continuing offence, to a further fine of \$2,500 for every day or part thereof during which the offence continues after conviction.

(2) A qualified major stake [companyentity](#) of a bank shall not be guilty of an offence in respect of a contravention of [regulation 16\(1\)](#), [\(2\)](#) or [\(3\)](#) if the qualified major stake [companyentity](#) proves that —

- (a) it became a qualified major stake [companyentity](#) of the bank by virtue of, or the contravention resulted from, circumstances beyond its control; or
- (b) it had, at the time of its acquisition or holding of shares in the bank or any holding company of the bank, reasonable grounds for believing that such acquisition or holding would not result in a contravention of [regulation 16\(1\)](#), [\(2\)](#) or [\(3\)](#), as the case may be,

and it had, within 14 days of becoming aware of the contravention, notified the Authority in writing of the contravention and taken such action as directed by the Authority within such time as may be determined by the Authority.

(3) A bank shall not be guilty of an offence in respect of a contravention of [regulation 16\(4\)](#) if the bank proves that —

- (a) the contravention resulted from circumstances beyond its control; or
- (b) it did not know and had no reason to suspect that there was an acquisition or holding of shares in itself or any of its holding companies by its qualified major stake [companyentity](#) or [companiesentities](#) which would result in it being in contravention of [regulation 16\(4\)](#),

and it had, within 14 days of becoming aware of the contravention, notified the Authority in writing of that contravention, and taken such action as directed by the Authority within such time as may be determined by the Authority.

(4) Except as provided in [paragraphs \(2\)](#) and [\(3\)](#), it shall not be a defence for a person charged with an offence in respect of a contravention of [regulation 16](#) to prove that the person did not intend to or did not knowingly contravene [regulation 16](#).

Grace period for mutual shareholdings

19.—(1) Where a qualified major stake [companyentity](#) of a bank would, but for this paragraph, be guilty of an offence under [regulation 18\(1\)](#) by virtue of its shareholding in the bank or any of the bank's holding companies immediately before 5th May 2004, it shall not be so liable under that regulation until 17th July 2006 provided that it does not do any act that causes an increase in such shareholding.

(2) Where a bank would, but for this paragraph, be guilty of an offence under [regulation 18\(1\)](#) by virtue of its qualified major stake [company'sentity's](#) shareholding in itself or any of its holding companies immediately before 5th May 2004, it shall not be so liable under that regulation until 17th July 2006 provided that it does not cause or permit its qualified major stake [companyentity](#) to do any act that causes an increase in such shareholding.

PART IX
PRESCRIBED BUSINESSES

Definitions of this Part

20. In this Part —

“asset” includes any commodity as defined in section 2 of the [Commodity Trading Act \(Cap. 48A\)](#);

“building” means any immovable property that has undergone development as defined in section 3 of the [Planning Act \(Cap. 232\)](#);

“foreclosed property”, in relation to a bank in Singapore or major stake [company entity](#), means the whole or any part of any residential, commercial or industrial land or building that has been acquired by the bank or [company entity](#), as the case may be, acting in its capacity as the mortgagee of the whole or that part of the land or building, as the case may be, pursuant to an action for foreclosure;

“investment property”, in relation to a bank in Singapore or major stake [company entity](#), means the whole or any part of any residential, commercial or industrial land or building that has been acquired or is held by the bank or [company entity](#), as the case may be, as an investment;

“land” means any immovable property that has not undergone development as defined in section 3 of the [Planning Act \(Cap. 232\)](#);

“major stake [company entity](#)”, in relation to a bank in Singapore, means a [company entity](#) in which the bank has acquired or holds a major stake with the prior approval of the Authority under [section 32\(1\) of the Act](#);

“property enhancement” means —

- (a) in relation to a building, the carrying out of any works for the refurbishment, improvement or alteration of, or addition to, the building which —
 - (i) do not amount to demolition or reconstruction of the building; and
 - (ii) do not vary the gross floor area of the building by more than 20%; and
- (b) in relation to any part of a building, the carrying out of any works for the refurbishment, improvement or alteration of, or addition to, that part of the building which —
 - (i) do not amount to demolition or reconstruction of that part of the building; and

- (ii) do not vary the gross floor area of that part of the building by more than 20%;

“property management”, in relation to the whole or any part of any land or building, means the maintenance and management of the whole or that part of the land or building, as the case may be, and includes the procurement of security services and lease and tenancy administration in relation to the whole or that part of the land or building, as the case may be, but does not include property enhancement.

Prescribed property-related businesses

21. For the purposes of [section 30\(1\)\(d\) of the Act](#), the Authority hereby prescribes the following property-related businesses as businesses that any bank in Singapore may carry on, or enter into any partnership, joint venture or other arrangement with any person to carry on:

- (a) the business of providing property management services in relation to —
 - (i) any investment property that has been acquired or is held by the bank or any major stake [companyentity](#) of the bank;
 - (ii) any foreclosed property that has been acquired by the bank or any major stake [companyentity](#) of the bank; or
 - (iii) the whole or any part of any building that is occupied and used —
 - (A) by the bank for the carrying on of any business or class of business referred to in [section 30\(1\) of the Act](#); or
 - (B) by any major stake [companyentity](#) of the bank for the carrying on of that [company's](#) business;
- (b) the business of managing and coordinating property enhancement works in relation to —
 - (i) any property referred to in [sub-paragraph \(a\)\(i\)](#) or [\(ii\)](#) that is a building; or
 - (ii) any building referred to in [sub-paragraph \(a\)\(iii\)](#).

Prescribed alternative financing business

22.—(1) For the purposes of [section 30\(1\)\(d\) of the Act](#), and subject to [paragraph \(2\)](#), the business of purchasing and selling assets is prescribed as a business that any bank in Singapore may carry on, or enter into any partnership, joint venture or other arrangement with any person to carry on, if such business is carried on under the following arrangement:

-
- (a) the bank, at the request of and for the purpose of financing the purchase of each of those assets by a customer, purchases the asset from the seller in circumstances where the asset is existing at the time of the purchase;
 - (b) the bank sells the asset to the customer;
 - (c) the customer is under a legal obligation to the bank to take delivery of the asset;
 - (d) the amount payable by the customer for the asset (the marked-up price) is greater than the amount paid by the bank for the asset (the original price), and the difference between the marked-up price and original price is the profit or return to the bank for providing such financing to the customer;
 - (e) the bank does not derive any gain or suffer any loss from any movement in the market value of the asset other than as part of the profit or return referred to in [sub-paragraph \(d\)](#); and
 - (f) the marked-up price or any part thereof is not required to be paid until after the date of the sale.
- (2) The bank shall notify the Authority of its —
- (a) intention to commence the business referred to in [paragraph \(1\)](#); or
 - (b) commencement of such business within 14 days after the commencement of such business.

Prescribed purchase and sale business

23.—(1) For the purposes of [section 30\(1\)\(d\) of the Act](#), and subject to [paragraph \(2\)](#), the business of purchasing and selling assets is prescribed as a business that any bank in Singapore may carry on, or enter into any partnership, joint venture or other arrangement with any person to carry on, if such business is carried on under the following arrangement:

- (a) for the purpose of making funds of a customer available to a bank, the customer appoints the bank or any other person as agent, to purchase on his behalf, an asset for an amount of money (the original price), in circumstances where the asset is existing at the time of the purchase;
- (b) [*Deleted by S 18/2009 wef 19/01/2009*]
- (c) the bank purchases the asset from the customer at a price (the marked-up price) that is greater than the original price, and sells the asset or appoints the customer, or any other person as an agent of the bank, to sell the asset on its behalf;
- (d) the bank and customer, 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 original price (which represents the profit or return to the customer for making funds available to the bank); and

- (e) the marked-up price or any part thereof is not required to be paid by the bank to the customer until after the date of sale of the asset by the bank.

(2) The bank shall notify the Authority of its —

- (a) intention to commence the business referred to in [paragraph \(1\)](#); or
- (b) commencement of such business within 14 days after the commencement of such business.

Prescribed inter-bank purchase and sale business

23A.—(1) For the purposes of [section 30\(1\)\(d\) of the Act](#), and subject to [paragraph \(3\)](#), the business of purchasing and selling assets is prescribed as a business that any bank in Singapore may carry on, or enter into any partnership, joint venture or other arrangement with any person to carry on, if such business is carried on under the following arrangement:

- (a) for the purpose of making funds of the bank (“A”) available to another bank or merchant bank (“B”), A purchases, or appoints B or any other person as an agent of A to purchase on its behalf, an asset for an amount of money (the original price), in circumstances where the asset is existing at the time of the purchase;
- (b) B purchases the asset from A at a price (the marked-up price) that is greater than the original price, and sells the asset, or appoints A, or any other person as an agent of B, to sell the asset on its behalf;
- (c) A and B, 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 original price (which represents the profit or return to A for making funds available to B); and
- (d) the marked-up price or any part thereof is not required to be paid by B to A until after the date of sale of the asset by B.

(2) For the purposes of [section 30\(1\)\(d\) of the Act](#), and subject to [paragraph \(3\)](#), the arrangement set out in [paragraph \(1\)](#), in circumstances where the roles of A and B are reversed, is prescribed as a business that any bank in Singapore may carry on or enter into any partnership, joint venture or other arrangement with any person to carry on.

(3) The bank shall notify the Authority of its —

- (a) intention to commence the business referred to in [paragraph \(1\)](#); or

- (b) commencement of such business within 14 days after the commencement of such business.

Prescribed leasing business

23B.—(1) For the purposes of [section 30\(1\)\(d\) of the Act](#), and subject to [paragraph \(2\)](#), the business of leasing assets (whether in the form of movable or immovable property) is prescribed as a business that any bank in Singapore may carry on, or enter into any partnership, joint venture or other arrangement with any person to carry on, if such business is carried on under the following arrangement:

- (a) the bank, or the bank's agent, purchases an asset at the request of a customer for an amount of money (the original price) for the purposes of financing the use or purchase, or both, of the asset by the customer;
- (b) the bank, or the bank's agent, leases the asset to the customer;
- (c) in a case where the asset is not in existence at the time the bank, or the bank's agent, leases the asset to the customer, an amount of money (the advance payment) may be paid by the customer to the bank, or the bank's agent, for the subsequent use of the asset;
- (d) an amount of money (the rental) is paid by the customer to the bank, or the bank's agent, for the lease of the asset;
- (e) the bank, or the bank's agent, appoints the customer, or a third party, to take on the obligations in connection with the use of the asset, including its maintenance and insurance;
- (f) in the event of an early termination of the lease, the customer, or a third party, shall purchase the asset from the bank, or the bank's agent, at a price determined at the start of the lease (the early termination price);
- (g) upon expiry of the lease —
- (i) where the aggregate of all rental and advance payments made under the lease is greater than the original price, the bank, or the bank's agent, shall, whether with or without consideration, transfer the ownership of the asset to the customer or a third party;
- (ii) where the aggregate of all rental and advance payments made under the lease is equal to or less than the original price, the customer or a third party shall purchase the asset from the bank, or the bank's agent, at a sale price determined at the start of the lease (the sale price), which amount shall be consideration for the transfer of the asset;
- (h) the total amount payable by the customer and such third party referred to in either [sub-paragraph \(f\)](#) or [\(g\)](#), if any, for the asset comprising —

- (i) the advance payment;
 - (ii) the rental; and
 - (iii) the sale price or early termination price,
is greater than the original price, and the difference between the total amount payable and original price is the profit or return to the bank for providing such financing to the customer;
 - (i) the bank, or the bank's agent, does not derive any gain or suffer any loss from any movement in the market value of the asset, including total loss of the asset, other than as part of the profit or return referred to in [sub-paragraph \(h\)](#).
- (2) The bank shall notify the Authority of its —
- (a) intention to commence the business referred to in [paragraph \(1\)](#); or
 - (b) commencement of such business within 14 days after the commencement of such business.

Prescribed joint purchase and periodic sale business

23C.—(1) For the purposes of [section 30\(1\)\(d\) of the Act](#), and subject to [paragraph \(2\)](#), the business of jointly purchasing and selling (on a periodic basis) assets (whether in the form of movable or immovable property) is prescribed as a business that any bank in Singapore may carry on, or enter into any partnership, joint venture or other arrangement with any person, if such business is carried on under the following arrangement:

- (a) the bank, or the bank's agent, jointly purchases an asset with the customer at the request of the customer and contributes an amount of money towards the purchase price (the contribution) for the purposes of financing the use or purchase, or both, of the asset by the customer;
- (b) the bank, or the bank's agent —
 - (i) sells a portion of its share of the asset on a periodic basis to the customer for an amount of money determined at the start of the arrangement (the redemption); and
 - (ii) leases the unsold portion of its share of the asset to the customer for an amount of money determined at the start of the arrangement (the rental);
- (c) in a case where the asset is not in existence at the time of the joint purchase and the bank, or the bank's agent, leases the unsold portion of its share of the asset to the customer, an amount of money (the advance payment) may

be paid by the customer to the bank, or the bank's agent, for the subsequent use of that portion of the asset;

- (d) the bank, or the bank's agent, appoints the customer, or a third party, to take on the obligations in connection with the use of the asset, including its maintenance and insurance;
- (e) in the event of an early termination of the arrangement, the customer shall purchase from the bank, or the bank's agent, the remainder of the unsold portion of the bank's, or the bank's agent's, share of the asset at a price determined at the start of the arrangement (the early termination price);
- (f) upon expiry of the arrangement, the customer shall have purchased from the bank, or the bank's agent, the whole of the bank's, or the bank's agent's, share of the asset and obtained full ownership of the asset;
- (g) the total amount payable by the customer for the asset comprising —
 - (i) the advance payment;
 - (ii) the redemption;
 - (iii) the rental; and
 - (iv) the early termination price,is greater than the contribution, and the difference between the total amount payable and the contribution is the profit or return to the bank for providing such financing to the customer;
- (h) the bank, or the bank's agent, does not derive any gain or suffer any loss from any movement in the market value of the asset, including total loss of the asset, other than as part of the profit or return referred to in [sub-paragraph \(g\)](#), except in circumstances provided in [sub-paragraph \(i\)](#); and
- (i) in a case where the customer is unable to pay the bank, or the bank's agent, the early termination price, the bank, or the bank's agent, may sell the asset to a third party at a price lower than the outstanding amount payable by the customer.

(2) The bank shall notify the Authority of its —

- (a) intention to commence the business referred to in [paragraph \(1\)](#); or
- (b) commencement of such business within 14 days after the commencement of such arrangement.

Prescribed purchase and sale business at spot price

23D.—(1) For the purposes of [section 30\(1\)\(d\) of the Act](#), and subject to [paragraph \(2\)](#), the business of purchasing and selling assets at spot price is prescribed as a business that any bank in Singapore may carry on, or enter into any partnership, joint venture or other arrangement with any person to carry on, if such business is carried on under the following arrangement:

- (a) for the purposes of effecting payment resulting from the carrying on of any business by the bank under [section 30\(1\)\(a\), \(b\) or \(c\) of the Act](#) —
 - (i) the bank undertakes to purchase an asset from a customer (bank purchase undertaking);
 - (ii) the customer undertakes to purchase an asset from the bank (customer purchase undertaking);
 - (iii) the bank undertakes to sell an asset to a customer (bank sale undertaking); or
 - (iv) the customer undertakes to sell an asset to the bank (customer sale undertaking),
for an amount of money determined at the time the undertaking is given by the bank or the customer, as the case may be (the agreed price);
- (b) where the bank purchase undertaking is exercised by the customer, or the customer sale undertaking is exercised by the bank, the bank will purchase the asset from the customer at the agreed price in circumstances where the asset is existing at the time of the purchase, and immediately sells the asset to a third party at spot price;
- (c) where the customer purchase undertaking is exercised by the bank, or the bank sale undertaking is exercised by the customer, the bank will purchase the asset from a third party at spot price in circumstances where the asset is existing at the time of the purchase, and immediately sells the asset to the customer at the agreed price;
- (d) the bank does not take physical delivery of the asset; and
- (e) the bank does not derive any gain or suffer any loss from any movement in the market value of the asset other than the difference between the spot price and the agreed price.

(2) The bank shall notify the Authority of its —

- (a) intention to commence the business referred to in [paragraph \(1\)](#); or
- (b) commencement of such business within 14 days after the commencement of such business.

Prescribed procurement business

23E.—(1) For the purposes of [section 30\(1\)\(d\) of the Act](#), and subject to [paragraph \(2\)](#), the business of procuring and selling assets (whether in the form of movable or immovable property) is prescribed as a business that any bank in Singapore may carry on, or enter into any partnership, joint venture or other arrangement with any person to carry on, if such business is carried on under the following arrangement:

- (a) the bank, or the bank’s agent, at the request of the customer and for the purposes of financing the procurement and the use or purchase, or both, of an asset by the customer, commissions the customer to construct the asset in accordance with the customer’s specifications for an amount of money (the purchase price);
- (b) contemporaneously with the commissioning referred to in [sub-paragraph \(a\)](#) —
 - (i) the bank, or the bank’s agent, and the customer enter into an arrangement prescribed under [regulation 23B](#) where the asset is not in existence at the time the asset is leased to the customer (the lease arrangement); or
 - (ii) the customer gives an undertaking to the bank, or the bank’s agent, to purchase the asset from the bank, or the bank’s agent, immediately after the transfer of the ownership of the asset to the bank, or the bank’s agent, by the customer under [sub-paragraph \(e\)\(i\)](#) (the purchase undertaking);
- (c) the customer procures the construction of the asset by a third party;
- (d) the bank, or the bank’s agent, makes payment of the purchase price to the customer on a periodic basis (the progress payment);
- (e) one of the following takes place:
 - (i) the customer transfers the ownership of the asset to the bank, or the bank’s agent, on a mutually agreed date on or after the completion of the construction of the asset by the third party;
 - (ii) the customer refunds all progress payments to the bank, or the bank’s agent, and the lease arrangement or the purchase undertaking, as the case may be, is cancelled; or
 - (iii) the bank, or the bank’s agent, agrees to the substitution of the asset that is the subject of the lease arrangement or the purchase undertaking with a comparable asset, and the customer transfers the ownership of the comparable asset to the bank, or the bank’s agent, on a mutually agreed date;
- (f) the bank, or the bank’s agent, does not take physical delivery of the asset or the comparable asset;

- (g) at the end of the arrangement, the bank, or the bank's agent, transfers ownership of the asset, or of the comparable asset, to the customer pursuant to the lease arrangement or the purchase undertaking, except in the circumstances referred to in [sub-paragraph \(e\)\(ii\)](#);
 - (h) the amount payable by the customer for the asset, or the comparable asset, is greater than the purchase price, and the difference between the total amount payable and the purchase price is the profit or return to the bank for providing such financing to the customer; and
 - (i) the bank, or the bank's agent, does not derive any gain or suffer any loss from any movement in the market value of the asset, including from the total loss of the asset, other than the profit or return referred to in [sub-paragraph \(h\)](#).
- (2) The bank shall notify the Authority of its —
- (a) intention to commence the business referred to in [paragraph \(1\)](#); or
 - (b) commencement of such business within 14 days after the commencement of such business.

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) 10% of its capital funds or such other percentage as the Authority may approve in any particular case; and
 - (ii) 10% of the capital funds 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 10% of its capital funds 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.

[\[S 370/2010 wef 05/07/2010\]](#)

(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 requirements](#) 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 requirements](#) 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) 15% of its capital funds or such other percentage as the Authority may approve in any particular case (where applicable); and
 - (ii) 15% of the capital funds 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 15% of its capital funds 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) 20% of its capital funds or such other percentage as the Authority may approve in any particular case (where applicable); and
 - (ii) 20% of the capital funds 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 20% of its capital funds 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 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 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 requirements](#) 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 requirements](#) 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.

“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.

[Application of section 12 of Act](#)

[23H.—\(1\) For the purpose of section 12\(2\)\(c\) of the Act, the following are prescribed as businesses for which section 12\(1\) shall apply —](#)

[\(a\) money-changing business; and](#)

[\(b\) remittance business.](#)

[\(2\) In this regulation, “money-changing business” and “remittance business” have the respective meanings assigned to them in the Money-changing and Remittance Businesses Act \(Cap. 187\).](#)

PART X

EXPOSURES AND CREDIT FACILITIES

Prescribed persons

24.—(1) For the purposes of [section 29\(1\)\(d\) of the Act](#), the Authority may, by notice in writing to a bank or a class of banks, impose requirements for the purpose of limiting the exposure of the bank or the class of banks to the following:

(a) any officer (other than a director) or employee of the bank or other person who receives remuneration from the bank other than for services rendered to the bank or any company connected with the bank; and

(b) a group of persons —

(i) who are financially dependent on one another; or

(ii) where one person (referred to in this regulation as the controlling person) controls every other person in that group,

and where at least one of the persons is a counterparty to the bank.

(2) For the purposes of [paragraph \(1\)\(a\)](#), a company is connected with a bank if —

(a) it is treated as part of the bank’s group of companies for accounting purposes according to Accounting Standards; and

(b) in the case of a bank incorporated outside Singapore, it is also reflected as an investment in the books of the bank in Singapore in relation to its operations in Singapore.

(3) For the purposes of [paragraph \(1\)\(b\)\(i\)](#), a person A is financially dependent on another person B if by virtue of a contractual or other relationship between them, A will or is likely to be unable to meet A’s financial obligations if B is unable to meet B’s financial obligations.

(4) For the purposes of [paragraph \(1\)\(b\)\(ii\)](#), a person is controlled by the controlling person if the person is —

(a) a person in which the controlling person holds more than half of the total number of issued shares, whether legally or beneficially;

- (b) a person in which the controlling person controls more than half of the voting power;
- (c) a person in which the controlling person controls the composition of the board of directors;
- (d) a subsidiary of a person described in [sub-paragraph \(a\)](#), [\(b\)](#) or [\(c\)](#); or
- (e) a person the policies of which the controlling person is in a position to determine.

(5) Any reference in this regulation to the controlling person shall, if he is an individual, include a reference to his family member.

[\(6\) For the purposes of sub-paragraph \(4\)\(c\), a person is deemed to control the composition of the board of another person if the first person has any power, exercisable by him without the consent or concurrence of any other person, to appoint or remove all or a majority of the directors \(or their equivalent\) of the board.](#)

Valuation of equity investments

24A. For the purposes of section 31 of the [Act](#) in relation to a bank incorporated in Singapore, the valuation of any equity investment in a single company shall be —

- (a) in the case where revaluation gains with respect to the equity investment are permitted by the Authority to be included in the computation of the bank's capital funds, the sum of the cost of the equity investment and 45% of revaluation gains with respect to the equity investment; and
- (b) in any other case, the cost of the equity investment less revaluation losses and diminution in value with respect to the equity investment, if any.

Valuation of immovable property

24B. For the purposes of section 33 of the [Act](#) in relation to a bank incorporated in Singapore, the valuation of immovable property shall be —

- (a) in the case where revaluation gains with respect to immovable property are permitted by the Authority to be included in the computation of the bank's capital funds, the sum of the cost of the immovable property and 45% of revaluation gains with respect to the immovable property; and
- (b) in any other case, the cost of the immovable property less revaluation losses and diminution in value with respect to the immovable property, if any.

PART XI

TRANSFER OF BUSINESS AND SHARES AND RESTRUCTURING OF BANK

Particulars to be published

25. For the purposes of [section 55C\(2\)\(d\) of the Act](#), the transferor shall publish the following particulars:

- (a) the names of the transferor and the transferee;
- (b) a summary of the transfer, including a description of the nature and the effect of the transfer; and
- (c) the addresses of the respective offices of the transferor and transferee at which, and the period during which, the report referred to in [section 55C\(2\)\(a\) of the Act](#) would be kept for inspection by any person who may be affected by the transfer.

Information to be specified in certificate of transfer of business

26. For the purposes of [section 55F\(2\) of the Act](#), the certificate of transfer shall specify the following information:

- (a) the names of the transferor and transferee;
- (b) whether the transfer is of the whole or part of the business of the transferor, and if it is part of the business, a description of the part of the business to be transferred; and
- (c) details of the determination made by the Authority for the transfer.

Information to be specified in certificate of transfer of shares

27. For the purposes of [section 55J\(2\) of the Act](#), the certificate of transfer shall specify the following information:

- (a) the names of the transferor and transferee;
- (b) the class and number of shares to be transferred; and
- (c) details of the determination made by the Authority for the transfer.

Information to be specified in certificate of restructuring

28. For the purposes of [section 55M\(2\) of the Act](#), the certificate of transfer shall specify the following information:

- (a) the amount by which the share capital of the bank is to be reduced and the number of shares that are to be cancelled, or the names of the subscribers (if any) and the number of shares to be issued to each of them, or both, as the case may be; and
- (b) details of the determination made by the Authority for the restructuring.

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.

PART XIII
[COMPOUNDABLE OFFENCES](#)
[MISCELLANEOUS](#)

Compoundable offences

31. The following offences may be compounded by the Authority in accordance with section 69 of the [Act](#):

- (a) any offence under the [Act](#) or any regulations made thereunder which is punishable with a fine only;
- (b) any offence under [section 4\(2\)](#), 4A(4), 5(3), [17\(2\)](#), [18\(3\)\(a\)](#), 28(7), 50(7) or (8), 52(2)(a), 54A(9)(a), 55N(2)(a) or 57(7) of the [Act](#); and

- (c) any offence under subsection (1) of section 66 of the Act, where the non-compliance by the bank referred to in that subsection constitutes a compoundable offence under sub-paragraph (a) or (b).

Requirement for bank incorporated outside Singapore to obtain approval of Authority for appointments **Approval for appointments by bank incorporated outside Singapore**

32.—(1) For the purposes of section 53A(2)(b) of the Act, the appointment of the head of Treasury is prescribed as a person for whom a bank incorporated outside Singapore must obtain the prior approval of the Authority.

(2) For the purposes of this regulation, “head of Treasury”, in relation to a bank incorporated outside Singapore, means any person, by whatever name described, who—

- (a) is in direct employment of, or acting for, or by arrangement with, the bank; and
- (b) is principally responsible for the management and conduct of the treasury operations of the bank in Singapore.

Definition of “subsidiary” in section 48AA of Act

33.—(1) For the purposes of section 48AA(5) of the Act, an entity (referred to in this regulation as the first entity) is treated as a subsidiary of another entity (referred to in this regulation as the holding entity) if —

- (a) the holding entity —
- (i) controls the composition of the board of directors or its equivalent (referred to in this regulation as the board) of the first entity; or
- (ii) controls more than half of the voting power of the first entity; or
- (b) the first entity is a subsidiary entity of another entity which is a subsidiary of the holding entity.

(2) For the purposes of paragraph (1)(a)(i), the holding entity is deemed to control the composition of the first entity’s board if the holding entity has any power, exercisable without the consent or concurrence of any other person, to appoint or remove all or a majority of the directors (or their equivalent) of the board.

(3) The holding entity referred to in paragraph (2) is treated as having the power mentioned in that paragraph if –

- (a) a person cannot be appointed as a director or equivalent of the first entity’s board without the exercise in his or her favour by the holding entity of that power; or

(b) a person's appointment as a director or equivalent of the first entity's board follows necessarily from his or her being a director or other officer, or the equivalent of a director or other officer, of the holding entity.

(4) In determining whether an entity is a subsidiary of another entity under paragraph (1)—

(a) any power exercisable over the first entity by the other entity in a fiduciary capacity is not to be treated as exercisable by the other entity;

(b) subject to sub-paragraphs (c) and (d), any power exercisable over the first entity —

(i) by a nominee for the other entity (except where the other entity is concerned only in a fiduciary capacity); or

(ii) by a subsidiary of the other entity or a nominee for the subsidiary (except where the subsidiary is concerned only in a fiduciary capacity), is to be treated as exercisable over the first entity by the other entity;

(c) any power exercisable over the first entity by any person by virtue of the provisions of any debentures of the first entity or of a trust deed for securing any issue of such debentures are to be disregarded; and

(d) any power exercisable over the first entity by, or by a nominee for, the other entity or its subsidiary entity (not being power exercisable over the first entity as mentioned in sub-paragraph (c)) is not to be treated as exercisable by the other entity if –

(i) the ordinary business of the other entity or its subsidiary (as the case may be) includes the lending of money; and

(ii) the power is exercisable only as security for the purposes of a transaction entered into in the ordinary course of that business.

(5) For the purposes of these Regulations, the Depository referred to in section 5(5) of the Companies Act is not to be treated as a holding entity of an entity by reason only of the shares it holds in that entity as a bare trustee.

Risk management of bank

34.—(1) A bank shall, in a manner that is commensurate with the nature, scale and complexity of its business –

(a) implement, and ensure compliance with, effective written policies on all operational areas of the bank, including the bank's financial policies, accounting and internal controls, and internal auditing;

(b) put in place compliance function and arrangements including specifying the roles and responsibilities of officers and employees of the bank in

- helping to ensure its compliance with all applicable laws, codes of conduct and standards of good practice, and reduce the bank's risk of incurring legal or regulatory sanctions that may be imposed by the Authority or any other public authority, financial loss, and reputational damage;
- (c) identify, address and monitor the risks associated with the business activities of the bank;
 - (d) ensure that the business activities of the bank are subject to adequate compliance checks and internal audit;
 - (e) ensure that the internal audit of the bank includes inquiring into the bank's compliance with all relevant laws and rules governing the bank's operations;
 - (f) ensure that there are sound risk management processes and operating procedures that integrate prudent risk limits with appropriate risk management systems for identifying, measuring, evaluating, monitoring, reporting and controlling risks;
 - (g) set out in writing the limits of the discretionary powers of each officer, committee, sub-committee or other group of persons of the bank empowered to commit the bank to any financial undertaking or to expose the bank to any business risk (such as financial, operational or reputational risk);
 - (h) keep a written record of the steps taken by the bank to monitor compliance with its policies, its accounting and operating procedures, and the limits on discretionary powers;
 - (i) ensure the accuracy, correctness and completeness of any report, book or statement submitted by the bank to the Authority; and
 - (j) ensure effective controls and segregation of duties to mitigate potential conflicts of interest that may arise from the operations of the bank.

(2) Any bank which contravenes paragraph (1) shall be guilty of an offence and shall be liable on conviction to a fine not exceeding \$250,000 and, in the case of a continuing offence, to a further fine of \$25,000 for every day or part thereof during which the offence continues after conviction.

Statement of credit facilities and exposures of bank to prescribed person

35.—(1) For the purposes of section 27(1)(j) of the Act, any person in a senior management group of the bank is prescribed as a person for which a bank in Singapore must prepare a statement in respect of each quarter of a year, showing as at the end of that quarter all the credit facilities from, all the exposures of the bank to, and all the transactions of the bank with, that person.

(2) In this regulation —

“senior management” —

- (a) in relation to a bank incorporated in Singapore, means a senior officer of the bank or any branches of the bank located outside Singapore, in relation to whom conflicts of interest with the bank or any of its branches may arise, for example, the chief executive officer, deputy chief executive officer, chief financial officer, chief operating officer, chief risk officer, business heads and employees with significant credit approval responsibilities, and the senior officer’s family members;
- (b) in relation to a bank incorporated outside Singapore, means a senior officer of the branch of the bank located within Singapore, in relation to whom conflicts of interest with the branch may arise, for example, the chief executive officer, deputy chief executive officer, chief financial officer, chief operating officer, chief risk officer, business heads and employees with significant credit approval responsibilities, and the senior officer’s family members;

“senior management group”, in relation to a bank in Singapore, means a group of persons comprising —

- (a) any senior management of the bank;
- (b) every firm or limited liability partnership in which the senior management is a partner, a manager, an agent, a guarantor or a surety;
- (c) every individual of whom, and every company of which, the senior management is a guarantor or surety; and
- (d) every company in which the senior management —
 - (i) is an executive officer;
 - (ii) owns more than half of the total number of issued shares, whether legally or beneficially;
 - (iii) controls more than half of the voting power; or
 - (iv) controls the composition of the board,

but does not include any person who falls within a director group of the bank.

(3) For the purpose of the definition of “senior management group”, a senior management of a bank is deemed to control the composition of the board of a company if he has any power, exercisable by him without the consent or concurrence of any other person, to appoint or remove all or a majority of the directors (or their equivalent) of the company.

FIRST SCHEDULE

[Regulation 9](#)

QUARTERLY REPORTING FOR SECTION 35, BANKING ACT

Name of Bank: -----

Section 35 Limit (DBU + ACU) as at ----- (month and year)

		All figures to nearest S\$'000
Item	Section 35 Numerator	
1.	Loans to Property Corporations	
2.	Section 35 Loans to Non Property-related Corporations	
3.	Section 35 Loans to Individuals	
4.	Property Related Debt Instruments	
5.	Guarantees to Borrower of Section 35 Loans	
6.	Performance Bonds and Qualifying Certificate Guarantees	
7.	Other Property Related Contingent Liabilities	
	Total of Section 35 Numerator (A)	
	Section 35 Denominator	
8.	Total Non-bank Loans	
9.	Total Non-bank Debt Instruments	
10.	Total Contingent Liabilities (items 5 +6 +7)	
	Total of Section 35 Denominator (B)	
	Section 35 Ratio i.e. (A)/(B)	%
	Other Figures	
11.	Owner-Occupied Housing Loans	

SECOND SCHEDULE

[Regulation 10](#)

[SECRECYCUSTOMER PRIVACY](#) PROVISIONS APPLICABLE TO MERCHANT BANKS

1. Customer information shall not, in any way, be disclosed by a merchant bank in Singapore or any of its officers to any other person except as expressly provided in this Schedule or [the Third Schedule](#).

2. A merchant bank in Singapore or any of its officers may, for such purpose as may be specified in the first column of [the Third Schedule](#), disclose customer information to such persons or class of

persons as may be specified in the second column of that Schedule, and in compliance with such conditions as may be specified in the third column of that Schedule.

3. Where customer information is likely to be disclosed in any proceedings referred to in item 3 or 4 of [Part I of the Third Schedule](#), the court may, either of its own motion, or on the application of any party to the proceedings or the customer to which the customer information relates —

- (a) direct that the proceedings be held in camera; and
- (b) make such further orders as the court may consider necessary to ensure the confidentiality of the customer information.

4. Where an order has been made by a court under [paragraph 3](#), any person who, contrary to such an order, publishes any information that is likely to lead to the identification of any party to the proceedings shall be guilty of an offence and shall be liable on conviction to a fine not exceeding \$125,000.

5. Any person (including, where the person is a body corporate, an officer of the body corporate) who receives customer information referred to in [Part II of the Third Schedule](#) shall not, at any time, disclose the customer information or any part thereof to any other person, except as authorised under that Schedule or if required to do so by an order of court.

6. Any person who contravenes [paragraph 1](#) or [5](#) shall be guilty of an offence and shall be liable on conviction —

- (a) in the case of an individual, to a fine not exceeding \$125,000 or to imprisonment for a term not exceeding 3 years or to both; or
- (b) in any other case, to a fine not exceeding \$250,000.

7. In this Schedule and in [the Third Schedule](#), unless the context otherwise requires —

- (a) where disclosure of customer information is authorised under [the Third Schedule](#) to be made to any person which is a body corporate, customer information may be disclosed to such officers of the body corporate as may be necessary for the purpose for which the disclosure is authorised under that Schedule; and
- (b) the obligation of any officer or other person who receives customer information referred to in [Part II of the Third Schedule](#) shall continue after the termination or cessation of his appointment, employment, engagement or other capacity or office in which he had received customer information.

8. For the avoidance of doubt, nothing in this Schedule or [the Third Schedule](#) shall be construed to prevent a merchant bank from entering into an express agreement with a customer of that merchant bank for a higher degree of confidentiality than that prescribed in this Schedule or [the Third Schedule](#).

9. Where, in the course of an inspection or an investigation or the carrying out of the Authority's function of supervising the financial condition of any merchant bank, the Authority incidentally obtains customer information and such information is not necessary for the supervision or regulation of the bank by the Authority, then, such information shall be treated as secret by the Authority.

THIRD SCHEDULE

[Regulation 10](#) and Second Schedule

EXCEPTIONS TO ~~SECRECY~~[CUSTOMER PRIVACY](#) OBLIGATION OF MERCHANT BANKS

PART I

FURTHER DISCLOSURE NOT PROHIBITED

<i>First column</i>	<i>Second column</i>	<i>Third column</i>
<i>Purpose for which customer information may be disclosed</i>	<i>Persons to whom information may be disclosed</i>	<i>Conditions</i>
1. Disclosure is permitted in writing by the customer or, if he is deceased, his appointed personal representative.	Any person as permitted by the customer or, if he is deceased, his appointed personal representative.	
2. Disclosure is solely in connection with an application for a grant of probate or letters of administration in respect of a deceased customer's estate.	Any person whom the merchant bank in good faith believes is entitled to the grant of probate or letters of administration.	
3. Disclosure is solely in connection with — (a) where the customer is an individual, the bankruptcy of the customer; or (b) where the customer is a body corporate, the winding up of the customer.	All persons to whom the disclosure is necessary for the purpose specified in the first column.	<i>Note: Court may order the proceedings to be held in camera [see paragraphs 3 and 4 of the Second Schedule].</i>
4. Disclosure is solely with a view to the institution of, or solely in connection with, the conduct of proceedings — (a) between the merchant bank and the customer or his surety relating to the transaction of the customer; (b) between the merchant bank and 2 or more parties making adverse claims to money in an account of the customer where the merchant bank seeks relief by way of interpleader; or (c) between the merchant bank and one or more parties in respect of property, whether movable or immovable, in or over which some right or interest has been conferred or alleged to have been	All persons to whom the disclosure is necessary for the purpose specified in the first column.	<i>Note: Court may order the proceedings to be held in camera [see paragraphs 3 and 4 of the Second Schedule].</i>

<p>conferred on the merchant bank by the customer or his surety.</p>		
<p>5. Disclosure is necessary for —</p> <p>(a) compliance with an order or a request made under any specified written law to furnish information, for the purposes of an investigation or a prosecution, of an offence alleged or suspected to have been committed under any written law; or</p> <p>(b) the making of a complaint or report under any specified written law for an offence alleged or suspected to have been committed under any written law.</p>	<p>Any police officer or public officer duly authorised under the specified written law to carry out the investigation or prosecution or to receive the complaint or report, or any court.</p>	
<p>6. Disclosure is necessary for compliance with a garnishee order served on the merchant bank attaching moneys in the account of the customer.</p>	<p>All persons to whom the disclosure is required to be made under the garnishee order.</p>	
<p>7. Disclosure is necessary for compliance with an order of the Supreme Court or a Judge thereof pursuant to the powers conferred under Part IV of the Evidence Act (Cap. 97).</p>	<p>All persons to whom the disclosure is required to be made under the court order.</p>	
<p>8. Where the merchant bank is a merchant bank incorporated outside Singapore or a foreign-owned merchant bank incorporated in Singapore, the disclosure is strictly necessary for compliance with a request made by its parent supervisory authority.</p>	<p>The parent supervisory authority of the merchant bank incorporated outside Singapore or the foreign-owned merchant bank incorporated in Singapore, as the case may be.</p>	<p>(a) No deposit information shall be disclosed to the parent supervisory authority.</p> <p>(b) The parent supervisory authority is prohibited by the laws applicable to it from disclosing the customer information obtained by it to any person unless compelled to do so by the laws or courts of the country or territory where it is established.</p>

<p>9. Disclosure is in compliance with any notice or directive issued by the Authority to merchant banks under section 28 of the Monetary Authority of Singapore Act (Cap. 186).</p>	<p>The Authority or any person authorised or appointed by the Authority.</p>	
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Part II

FURTHER DISCLOSURE PROHIBITED

<i>First column</i>	<i>Second column</i>	<i>Third column</i>
<i>Purpose for which customer information may be disclosed</i>	<i>Persons to whom information may be disclosed</i>	<i>Conditions</i>
<p>1. Disclosure is solely in connection with the performance of duties as an officer or a professional adviser of the merchant bank.</p>	<p>Any —</p> <ul style="list-style-type: none"> (a) officer of the merchant bank in Singapore; (b) officer designated in writing by the head office of the merchant bank in Singapore, or in the case of a foreign-owned merchant bank incorporated in Singapore, its parent bank; (c) lawyer, consultant or other professional adviser appointed or engaged by the merchant bank in Singapore under a contract for service; (d) auditor appointed or engaged by the merchant bank in Singapore, the head office of the merchant bank in Singapore or, in the case of a foreign-owned merchant bank incorporated in Singapore, its parent bank, under a contract for service. 	<p>No disclosure shall be made to any auditor referred to in paragraph (d), other than an auditor appointed or engaged by the merchant bank in Singapore, unless the auditor has given to the merchant bank a written undertaking that he will not disclose any customer information obtained by him in the course of the performance of audit to any person except the head office of the merchant bank in Singapore or, in the case of a foreign-owned merchant bank incorporated in Singapore, its parent bank.</p>
<p>2. Disclosure is solely in connection with the conduct of internal audit of the merchant bank or the performance of risk management.</p>	<p>In the case of —</p> <ul style="list-style-type: none"> (a) a merchant bank incorporated outside Singapore — <ul style="list-style-type: none"> (i) the head office or parent bank of the merchant bank; 	

	<p>(ii) any branch of the merchant bank outside Singapore designated in writing by the head office of the merchant bank; or</p> <p>(iii) any related corporation of the merchant bank designated in writing by the head office of the merchant bank;</p> <p>(b) a merchant bank incorporated in Singapore, not being a foreign-owned merchant bank incorporated in Singapore —</p> <p>(i) the parent bank; or</p> <p>(ii) any related corporation of the merchant bank designated in writing by the head office of the merchant bank; or</p>	
	<p>(c) a foreign-owned merchant bank incorporated in Singapore —</p> <p>(i) the parent bank; or</p> <p>(ii) any related corporation of the merchant bank designated in writing by the parent bank.</p>	
<p>3. Disclosure is solely in connection with the performance of operational functions of the merchant bank where such operational functions have been out-sourced.</p>	<p>Any person including the head office of the merchant bank or any branch thereof outside Singapore which is engaged by the merchant bank to perform the out-sourced functions.</p>	<p>If any out-sourced function is to be performed outside Singapore, the disclosure shall be subject to such conditions as may be specified in a notice issued by the Authority or otherwise imposed by the Authority.</p>
<p>4. Disclosure is solely in connection with —</p> <p>(a) the merger or proposed merger of the merchant bank with another company; or</p> <p>(b) any acquisition or issue, or proposed acquisition or issue, of any part of the share capital of the merchant bank,</p>	<p>Any person participating or otherwise involved in the merger, acquisition or issue, or proposed merger, acquisition or issue, including any of his lawyers or other professional advisers (whether or not the merger or acquisition is subsequently entered into or completed).</p>	

<p>whether or not the merger or acquisition is subsequently entered into or completed.</p>		
<p><u>4A. Disclosure is solely in connection with the transfer or proposed transfer of the business of the merchant bank to a company under section 30AAG of the Monetary Authority of Singapore Act (Cap. 186), whether or not the transfer is subsequently carried out or completed.</u></p>	<p><u>Any —</u></p> <p><u>(a) transferor or transferee, defined in section 30AA of the Monetary Authority of Singapore Act;</u></p> <p><u>(b) person affected by the transfer;</u></p> <p><u>(c) professional adviser appointed by any person referred to in paragraph (a) or (b); or</u></p> <p><u>(d) independent assessor appointed by the Authority under section 30AAG of the Monetary Authority of Singapore Act.</u></p>	
<p><u>4B. Disclosure is solely in connection with the transfer or proposed transfer of the business of the merchant bank to a company under Division 2 of Part IVB of the Monetary Authority of Singapore Act (Cap. 186), whether or not the transfer is subsequently carried out or completed.</u></p>	<p><u>Any —</u></p> <p><u>(a) transferor or transferee, defined in section 30AAR of the Monetary Authority of Singapore Act;</u></p> <p><u>(b) person affected by the transfer;</u></p> <p><u>(c) professional adviser appointed by any person referred to in paragraph (a) or (b); or</u></p> <p><u>(d) independent assessor appointed by the Authority under section 30AAS of the Monetary Authority of Singapore Act.</u></p>	
<p><u>4C. Disclosure is solely in connection with the transfer or proposed transfer of the shares in the merchant bank under Division 3 of Part IVB of the Monetary Authority of Singapore Act (Cap. 186), whether or not the transfer is subsequently carried out or completed.</u></p>	<p><u>Any —</u></p> <p><u>(a) transferor or transferee, defined in section 30AAV of the Monetary Authority of Singapore Act;</u></p> <p><u>(b) professional adviser appointed by the transferor or transferee; or</u></p> <p><u>(c) independent assessor appointed by the Authority under section 30AAW of the</u></p>	

	<u>Monetary Authority of Singapore Act.</u>	
<u>4D. Disclosure is solely in connection with the restructuring or proposed restructuring of the share capital of the merchant bank under Division 4 of Part IVB of the Monetary Authority of Singapore Act (Cap. 186), whether or not the restructuring is carried out or completed.</u>	<p><u>Any —</u></p> <p><u>(a) shareholder of the bank;</u></p> <p><u>(b) subscriber defined in section 30AAY of the Monetary Authority of Singapore Act;</u></p> <p><u>(c) professional adviser appointed by the bank or any person referred to in paragraph (a) or (b); or</u></p> <p><u>(d) independent assessor appointed by the Authority under section 30AAZ of the Monetary Authority of Singapore Act.</u></p>	
5. Disclosure is solely in connection with the restructure, transfer or sale, or proposed restructure, transfer or sale, of credit facilities (whether or not the restructure, transfer or sale is subsequently entered into or completed).	Any transferee, purchaser or any other person participating or otherwise involved in the restructure, transfer or sale, or proposed restructure, transfer or sale, including any of his lawyers or other professional advisers (whether or not the restructure, transfer or sale is subsequently entered into or completed).	No customer information, other than information relating to the relevant credit facilities, shall be disclosed.
6. Disclosure is strictly necessary — (a) for the collation, synthesis or processing of customer information by the credit bureau for the purposes of the assessment of the credit-worthiness of the customers of merchant banks; or (b) for the assessment, by other members of the credit bureau specified in the second column, of the credit-worthiness of the customers of merchant banks.	<p>Any —</p> <p>(a) credit bureau of which the merchant bank is a member;</p> <p>(b) other member of the credit bureau that is —</p> <p>(i) a bank or merchant bank; or</p> <p>(ii) a person, or a person belonging to a class of persons, recognised by the Authority, by notification in the Gazette, as authorised to receive the information,</p> <p>where that member receives such information from the credit bureau.</p>	<p>(a) No deposit information shall be disclosed.</p> <p>(b) The disclosure by any credit bureau to any person referred to in <u>paragraph (b)</u> of the second column shall be subject to such conditions as may be specified in a notice issued by the Authority or otherwise imposed by the Authority.</p>

<p>7. Disclosure is strictly necessary for the assessment of the creditworthiness of the customer in connection with or relating to a bona fide commercial transaction or a prospective commercial transaction.</p>	<p>Any bank or other merchant bank in Singapore.</p>	<p>No customer information, other than information of a general nature and not related to the details of the customer's account with the merchant bank, shall be disclosed.</p>
<p>8. Disclosure is solely in connection with the promotion, to customers of the merchant bank in Singapore, of financial products and services made available in Singapore by any financial institution specified in the second column.</p>	<p>Any financial institution in Singapore which is licensed or otherwise regulated by the Authority.</p>	<p>No customer information, other than the customer's name, identity, address, and contact number shall be disclosed.</p>

Part III

DEFINITIONS

In this Schedule, unless the context otherwise requires —

“appointed personal representative”, in relation to a deceased person, means a person appointed as executor or administrator of the estate of the deceased person;

“credit bureau” means a credit bureau recognised as such by the Authority by notification in the *Gazette* for the purposes of this Schedule;

“foreign-owned merchant bank incorporated in Singapore” means a merchant bank incorporated in Singapore, the parent bank of which is incorporated, formed or established outside Singapore;

“lawyer” means an advocate and solicitor of the Supreme Court of Singapore, or any person who is duly authorised or registered to practise law in a country or territory other than Singapore by a foreign authority having the function conferred by law of authorising or registering persons to practise law in that country or territory;

“parent bank”, in relation to a merchant bank, means a financial institution which is able to exercise a significant influence over the direction and management of the merchant bank or which has a controlling interest in the merchant bank;

“parent supervisory authority” means —

(a) in relation to a merchant bank incorporated outside Singapore, thea supervisory authority which is responsible, under the laws of the country or territory where the merchant bank or its parent bank is incorporated, formed or established, for supervising the merchant bank or its parent bank, as the case may be; or

(b) in relation to a foreign-owned merchant bank incorporated in Singapore, thea supervisory authority which has consolidated supervision authority over the merchant bank;

“public officer” includes any officer of any statutory board;

“specified written law” means the [Companies Act \(Cap. 50\)](#), the Criminal Procedure Code (Cap. 68), the [Goods and Services Tax Act \(Cap. 117A\)](#), the [Income Tax Act \(Cap. 134\)](#), the [Internal Security Act \(Cap. 143\)](#), the [Kidnapping Act \(Cap. 151\)](#) and the [Prevention of Corruption Act \(Cap. 241\)](#);

“surety”, in relation to a customer of a merchant bank, includes any person who has given the merchant bank security for the liability of the customer by way of a mortgage or a charge.

FOURTH SCHEDULE

[Regulation 23G\(5\)](#)

REQUIREMENTS FOR REPORTS TO BE SUBMITTED TO AUTHORITY

1. A bank in Singapore shall submit, no later than the last day of the month immediately following the end of each quarter of a year, [or such later date as may be approved in writing by the Authority](#), the following information in relation to that quarter:

- (a) balance sheet value, revenue numbers, and exposures of all businesses prescribed in [regulation 23G\(1\)](#) carried on by the bank;
- (b) utilisation of the regulatory limits prescribed in [regulation 23G\(3\)](#) and [\(4\)](#);
- (c) key internal risk metrics, in addition to the regulatory limits prescribed in [regulation 23G\(3\)](#) and [\(4\)](#); and
- (d) the business activities of every wholly-owned subsidiary of the bank excluded from the operation of section 32 of the [Act](#) under [regulation 7A](#).

2. A bank in Singapore shall submit, no later than the last day of the month immediately following the end of each of its financial year [or such later date as may be approved in writing by the Authority](#), and at such other times as the bank considers necessary, the following information:

- (a) external audit reports on the businesses prescribed in [regulation 23G\(1\)](#) carried on by the bank and the risk management of such businesses; and
- (b) stress test results of such businesses.

3. A bank in Singapore shall submit, no later than the last day of the month immediately following the end of each quarter of a year [or such later date as may be approved in writing by the Authority](#), the following in relation to that quarter, where applicable:

- (a) for every new business 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;
- (b) changes in the corporate governance structure and business activities of any of the wholly-owned subsidiaries of the bank excluded from the operation of section 32 of the [Act](#) under [regulation 7A](#);
- (c) 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](#);
- (d) 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
- (e) 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](#).

4. A bank in Singapore shall submit an internal audit report on every business prescribed in [regulation 23G\(1\)](#) carried on by the bank, and on the risk management of such business —

- (a) no later than the last day of the month immediately following the end of its first year carrying on such business [or such later date as may be approved in writing by the Authority](#); and
- (b) no later than the last day of the month immediately following the end of each quarter of every subsequent year [or such later date as may be approved in writing by the Authority](#), where such report has been prepared.

ANNEX D

**DRAFT AMENDMENTS TO THE
BANKING (CORPORATE GOVERNANCE) REGULATIONS**

**DISCLAIMER: THIS VERSION OF AMENDMENTS IS IN DRAFT FORM AND
SUBJECT TO CHANGE. IT IS ALSO SUBJECT TO REVIEW BY THE
ATTORNEY-GENERAL'S CHAMBERS.**

No. S 583

BANKING ACT

(CHAPTER 19)

BANKING (CORPORATE GOVERNANCE) REGULATIONS 2005

In exercise of the powers conferred by section 78 of the [Banking Act](#), the Monetary Authority of Singapore hereby makes the following Regulations:

PART I

PRELIMINARY

Citation and commencement

1. [These Regulations](#) may be cited as the [Banking \(Corporate Governance\) Regulations 2005](#) and shall come into operation on 8th September 2005.

Definitions

2.—(1) In these Regulations, unless the context otherwise requires —

“affiliate” —

- (a) in relation to a substantial shareholder of a bank in Singapore, means any company which is an associate of the substantial shareholder, other than —
 - (i) the bank, if it is a bank incorporated in Singapore, and any [company entity](#) in which the bank holds a major stake;
 - (ii) where the bank is the subsidiary of another bank incorporated in Singapore (referred to in this paragraph as the parent bank), the parent bank and any [company entity](#) in which the parent bank holds a major stake; or
 - (iii) where the bank is the subsidiary of a financial holding company, the financial holding company and any company in which the financial holding company holds a major stake; and
- (b) in relation to a substantial shareholder of a financial holding company, means any company which is an associate of the substantial shareholder, other than —
 - (i) the financial holding company and any company in which the financial holding company holds a major stake; or
 - (ii) where the financial holding company is the subsidiary of another financial holding company, the second-mentioned financial

holding company and any company in which the second-mentioned holding company holds a major stake;

“associate”, in relation to a substantial shareholder, means —

- (a) any corporation in which the substantial shareholder controls the composition of the board of directors;
- (b) any corporation in which the substantial shareholder controls more than half of the voting power;
- (c) any corporation in which the substantial shareholder holds more than half of the issued share capital;
- (d) any corporation which is a subsidiary of any other corporation which is an associate by virtue of [paragraph \(a\)](#), [\(b\)](#) or [\(c\)](#);
- (e) any corporation in which the substantial shareholder or any other corporation which is an associate by virtue of [paragraph \(a\)](#), [\(b\)](#), [\(c\)](#) or [\(d\)](#) has, or the substantial shareholder and such other corporation together have, an interest in shares entitling the beneficial owners thereof the right to cast, whether by proxy or in person, not less than 20% but not more than 50% of the total votes able to be cast at a general meeting of the first-mentioned corporation; or
- (f) any corporation (not being a corporation which is an associate by virtue of [paragraph \(a\)](#), [\(b\)](#), [\(c\)](#), [\(d\)](#) or [\(e\)](#)) the policies of which the substantial shareholder or any other corporation which is an associate by virtue of [paragraph \(a\)](#), [\(b\)](#), [\(c\)](#), [\(d\)](#) or [\(e\)](#) is, or the substantial shareholder together with such other corporation are, able to control or influence materially;

“Audit Committee” means an Audit Committee referred to in [regulation 17](#) or [34](#), as the case may be;

“board committee” —

- (a) in relation to a bank incorporated in Singapore, means any of the committees specified in [regulation 11\(1\)](#) and the Executive Committee referred to in [regulation 10](#); and
- (b) in relation to a relevant financial holding company, means any of the committees specified in [regulation 28\(1\)](#) and the Executive Committee referred to in [regulation 27](#);

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“chief executive officer”, in relation to a company, means any person, by whatever name described, who —

- (a) is in the direct employment of, or acting for or by arrangement with, the company; and

(b) is principally responsible for the management and conduct of the business of the company;

“executive director” means a director who is concurrently an executive officer and “non-executive director” shall be construed accordingly;

“executive officer”, in relation to a company, means any person, by whatever name described, who —

- (a) is in the direct employment of, or acting for or by arrangement with, the company; and
- (b) is concerned with or takes part in the management of the company on a day-to-day basis;

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

“foreign-owned bank incorporated in Singapore” means a bank incorporated in Singapore which is a subsidiary of another corporation incorporated or otherwise established outside Singapore;

“immediate family”, in relation to an individual, means the individual’s spouse, child, adopted child, step-child, parent, step-parent, brother, step-brother, sister or step-sister;

“immediate subsidiary” means a subsidiary as defined under section 5(1)(a) of the Companies Act;

“independent director”, in relation to a bank in Singapore or a financial holding company, means a director who —

- (a) is independent from any management and business relationship with the bank or financial holding company, as the case may be;
- (b) is independent from any substantial shareholder of the bank or financial holding company, as the case may be; and
- (c) has not served on the board of the bank or financial holding company, as the case may be, for a continuous period of 9 years or longer;

[\[S 754/2010 wef 09/12/2010\]](#)

“limited liability partnership” has the same meaning as in section 2(1) of the Limited Liability Partnerships Act 2005 (Act 5 of 2005);

[“major stake” has the same meaning as in section 32\(7\) of the Banking Act \(Cap. 19\);](#)

“major stake financial [company entity](#)” means any [company entity](#) in which a bank incorporated in Singapore acquires or holds a major stake and which is a financial institution approved, licensed, registered or otherwise regulated by the Authority;

“Nominating Committee” means a Nominating Committee referred to in [regulation 12](#) or [29](#), as the case may be;

“permanent resident” means any individual who is not subject to any restriction as to his period of residence in Singapore imposed under the provisions of any written law relating to immigration for the time being in force;

“relevant financial holding company” means a financial holding company which is a related corporation of a bank incorporated in Singapore;

“Remuneration Committee” means a Remuneration Committee referred to in [regulation 16](#) or [33](#), as the case may be;

“Risk Management Committee” means a Risk Management Committee referred to in [regulation 17A](#) or [34A](#), as the case may be;

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

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

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(2) In these Regulations, in relation to a company which may dispense with the holding of annual general meetings under section 175A of the Companies Act —

- (a) a reference to the doing of anything at an annual general meeting shall, in the case of such a company, be read as a reference to the doing of that thing by way of a resolution by written means in accordance with the Companies Act; and
- (b) a reference to the date of an annual general meeting of such a company shall, unless the meeting is held, be read as a reference to the date of expiry of the period within which the meeting is required by law to be held.

Major stake

3. In these Regulations, unless the context otherwise requires —

- (a) any reference to [a companyan entity](#) in which a bank holds a major stake is a reference to [a companyan entity](#) in which a bank has a major stake as defined in [section 32\(7\) of the Act](#); and
- (b) any reference to a company in which a financial holding company (referred to in this regulation and [regulations 4](#) and [5](#) as the relevant major

stakeholder) holds a major stake is a reference to a company in which the relevant major stakeholder has —

- (i) any beneficial interest exceeding 10% ~~in~~of the ~~share capital total~~ number of issued shares;
- (ii) control over more than 10% of the voting power; or
- (iii) any interest, where the directors of the company are accustomed or under an obligation, whether formal or informal, to act in accordance with the directions, instructions or wishes of the relevant major stakeholder, or where the relevant major stakeholder is in a position to determine the policy of the company.

Meaning of “affiliated entity” in relation to relevant major stakeholder

4. In regulation 5, “affiliated entity”, in relation to a relevant major stakeholder, means —

- (a) any subsidiary of the relevant major stakeholder;
- (b) any company in which the relevant major stakeholder and its subsidiaries hold in the aggregate a beneficial interest in not less than 20% of the share capital;
- (c) any company in which the relevant major stakeholder and its subsidiaries control in the aggregate not less than 20% of the voting power;
- (d) any company, other than a company referred to in paragraph (a), (b) or (c), where the directors of the company are accustomed or under an obligation, whether formal or informal, to act in accordance with the relevant major stakeholder’s directions, instructions or wishes, or where the relevant major stakeholder is in a position to determine the policy of the company; or
- (e) any subsidiary of a company referred to in paragraph (b), (c) or (d).

Holding by affiliated entity deemed to be holding by relevant major stakeholder

5. In determining whether a relevant major stakeholder holds a major stake in a company under regulation 3(b) —

- (a) any beneficial interest in the share capital of the company held by an affiliated entity of the relevant major stakeholder shall be deemed to be a beneficial interest in that share capital held by that relevant major stakeholder;
- (b) any control of voting power in the company held by an affiliated entity of the relevant major stakeholder shall be deemed to be a control of such voting power held by that relevant major stakeholder; and
- (c) where the directors of the company are accustomed or under an obligation, whether formal or informal, to act in accordance with the directions,

instructions or wishes of the relevant major stakeholder, or where the relevant major stakeholder is in a position to determine the policy of the company, any interest in the company held by the affiliated entity of the relevant major stakeholder shall be deemed to be an interest held by that relevant major stakeholder.

PART II REQUIREMENTS FOR BANKS

Independence from management and business relationships

6.—(1) In these Regulations, subject to [regulation 8](#), a director shall be considered to be independent from management and business relationships with a bank incorporated in Singapore if —

- (a) the director has no management relationship with the bank or any of its subsidiaries; and
- (b) the director has no business relationship with the bank or any of its subsidiaries, or with any officer of the bank,

that could interfere, or be reasonably regarded as interfering, with the exercise of the director's independent business judgment with regard to the interests of the bank.

(2) Without prejudice to [paragraph \(1\)\(a\)](#), a director shall not be considered to be independent from management relationships with a bank incorporated in Singapore or any of its subsidiaries if —

- (a) he is employed by the bank or any of its subsidiaries, or has been so employed at any time during the current financial year or any of the preceding 3 financial years of the bank or any of its subsidiaries;
- (b) any member of his immediate family —
 - (i) is employed by the bank or any of its subsidiaries as an executive officer whose compensation is determined by the Remuneration Committee of the bank or any of its subsidiaries; or
 - (ii) has been so employed at any time during the current financial year or any of the preceding 3 financial years of the bank or any of its subsidiaries; or
- (c) he is accustomed or under an obligation, whether formal or informal, to act in accordance with the directions, instructions or wishes of the management of the bank or any of its subsidiaries.

(3) Without prejudice to [paragraph \(1\)\(b\)](#) but subject to [regulation 8](#), a director shall not be considered to be independent from business relationships with a bank incorporated in Singapore or any of its subsidiaries if —

- (a) he is a director, a substantial shareholder or an executive officer of any corporation, or a partner of a firm or a limited liability partnership or a sole proprietor, where such corporation, firm, limited liability partnership or sole proprietor carries on business for purposes of profit to which the bank or any of its subsidiaries has made, or from which the bank or any of its subsidiaries has received, payments in the current or immediately preceding financial year; or
- (b) he is receiving or has received any compensation from the bank or from any of the bank's subsidiaries, other than compensation received for his services as a director or as an employee, at any time during the current or immediately preceding financial year of the bank.

Independence from substantial shareholder

7.—(1) In these Regulations, subject to [regulation 8](#), a director of a company shall be considered to be independent from a substantial shareholder of the company or of any other company, as the case may be, if he is not that substantial shareholder and is not connected to that substantial shareholder.

(2) Notwithstanding [paragraph \(1\)](#), a director of a bank incorporated in Singapore which is —

- (a) the immediate subsidiary of another bank incorporated in Singapore (referred to in this paragraph as the parent bank); or
- (b) the sole subsidiary of a financial holding company which does not carry on any business other than the holding of the bank,

shall, if he is not a substantial shareholder of the bank incorporated in Singapore, the parent bank or the financial holding company, as the case may be, and is not connected to —

- (i) a substantial shareholder of the bank (other than the parent bank or financial holding company); or
- (ii) a substantial shareholder of the parent bank or financial holding company, as the case may be,

be treated as if he were independent from the substantial shareholder of the bank incorporated in Singapore for the purposes of [regulations 9\(1\), 10, 12\(1\), 16\(1\), 17\(1\) and 17A\(1\)](#).

(3) For the purposes of [paragraph \(1\)](#), a person is connected to a substantial shareholder if he is —

- (a) in the case where the substantial shareholder is an individual —
 - (i) a member of the immediate family of the substantial shareholder;
 - (ii) employed by the substantial shareholder;

- (iii) employed by an affiliate of the substantial shareholder;
 - (iv) an executive director of an affiliate of the substantial shareholder;
 - (v) a non-executive director of an affiliate of the substantial shareholder;
 - (vi) a partner of a firm or a limited liability partnership of which the substantial shareholder is also a partner; or
 - (vii) accustomed or under an obligation, whether formal or informal, to act in accordance with the directions, instructions or wishes of the substantial shareholder; or
- (b) in the case where the substantial shareholder is a corporation —
- (i) employed by the substantial shareholder;
 - (ii) employed by an affiliate of the substantial shareholder;
 - (iii) a director of the substantial shareholder;
 - (iv) an executive director of an affiliate of the substantial shareholder;
 - (v) a non-executive director of an affiliate of the substantial shareholder;
 - (vi) a partner of a firm or a limited liability partnership of which the substantial shareholder is also a partner; or
 - (vii) accustomed or under an obligation, whether formal or informal, to act in accordance with the directions, instructions or wishes of the substantial shareholder.

Determination by Nominating Committee

8.—(1) The Nominating Committee of a bank incorporated in Singapore or major stake financial [company entity](#), as the case may be, may determine —

- (a) that a director of the bank who is —
 - (i) not considered independent from business relationships with the bank under [regulation 6\(3\)\(a\)](#) or [\(b\)](#); or
 - (ii) not considered independent from a substantial shareholder of the bank because of the relationship specified in [regulation 7\(3\)\(a\)\(v\)](#) or [\(b\)\(v\)](#); or
- (b) for the purposes of [regulation 21\(3\)](#), that a director of a major stake financial [company entity](#), in which the bank acquires or holds a major stake, who is not considered independent from a substantial shareholder of the bank or the financial holding company of the bank because of the relationship specified in [regulation 7\(3\)\(a\)\(v\)](#) or [\(b\)\(v\)](#),

shall nonetheless be considered independent from business relationships with the bank, or independent from a substantial shareholder of the bank or a substantial shareholder of the financial holding company of the bank, as the case may be, if the Nominating

Committee is satisfied that the director's independent business judgment and ability to act in the interests of the bank will not be impeded, despite the relationships specified in that regulation.

(2) If —

- (a) at any time, the Authority is not satisfied that a director is independent notwithstanding any determination of the Nominating Committee made under [paragraph \(1\)](#); and
- (b) the lack of independence of that director would result in a failure to comply with any of the requirements under [regulation 9\(1\)](#), [10](#), [12\(1\)](#), [16\(1\)](#), [17\(1\)](#) or [17A\(1\)](#) in the case of a bank, or the requirements under [regulation 21\(1\)](#) in the case of a major stake financial [companyentity](#),

the Authority shall —

- (i) direct the bank to rectify the composition of the board of directors or any relevant committee in accordance with the requirements under [regulation 9\(1\)](#), [10](#), [12\(1\)](#), [16\(1\)](#), [17\(1\)](#) or [17A\(1\)](#), as the case may be, within such time, and subject to such conditions or restrictions, as the Authority may specify; or
- (ii) direct the major stake financial [companyentity](#) to rectify the composition of the board of directors in accordance with the requirements under [regulation 21\(1\)](#), within such time, and subject to such conditions and restrictions, as the Authority may specify,

as the case may be.

[S 754/2010 wef 09/12/2010]

(3) Where the Authority has given a direction to a bank under [paragraph \(2\)](#), the requirements under [regulation 9\(1\)](#), [10](#), [12\(1\)](#), [16\(1\)](#), [17\(1\)](#) or [17A\(1\)](#), as the case may be, shall not apply to the bank during the period between the time the Authority makes the direction and the time by which the bank is required to rectify the composition of the board of directors or any relevant committee in accordance with the direction.

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(4) Where the Authority has given a direction to a major stake financial [companyentity](#) under [paragraph \(2\)](#), the requirements under [regulation 21\(1\)](#) shall not apply to the major stake financial [companyentity](#) during the period between the time the Authority makes the direction and the time by which the major stake financial [companyentity](#) is required to rectify the composition of the board of directors in accordance with the direction.

Board of directors

9.—(1) Subject to [paragraphs \(2\)](#), [\(3\)](#) and [\(4\)](#) and [regulations 8\(3\)](#) and [22](#), a bank incorporated in Singapore shall have a board of directors comprising —

(a) in the case of a foreign-owned bank incorporated in Singapore, at least one-third of directors who are Singapore citizens or permanent residents or, in any other case, at least a majority of directors who are Singapore citizens or permanent residents; and

(b) at least a majority of directors who are independent directors.

[S 754/2010 wef 09/12/2010]

(2) Where a single substantial shareholder holds 50% or more of the share capital or the voting power in a bank incorporated in Singapore, [paragraph \(1\)\(b\)](#) shall not apply to the bank only if the bank has a board of directors comprising —

(a) at least a majority of directors who are independent from management and business relationships with the bank; and

(b) at least one-third of directors who are independent directors.

[S 754/2010 wef 09/12/2010]

(3) If a member of the board of directors resigns or ceases to be a member of the board of directors for any other reason, the bank shall —

(a) notify the Authority of the event within 14 days after the occurrence of the event; and

(b) on or before its next annual general meeting, appoint such number of new directors as may be necessary to rectify the composition of the board of directors in accordance with the requirements prescribed under [paragraph \(1\)](#).

[S 754/2010 wef 09/12/2010]

(4) Notwithstanding [paragraph \(3\)](#), the Authority may, upon being notified under [paragraph \(3\)\(a\)](#), direct the bank to rectify the composition of the board of directors in accordance with the requirements under [paragraph \(1\)](#) within such time before the next annual general meeting of the bank and subject to such conditions or restrictions as the Authority may specify, and the bank shall comply with that direction.

(5) The board of directors shall maintain records of all its meetings.

(6) Any bank which contravenes [paragraph \(1\)](#) shall be guilty of an offence and shall be liable on conviction to a fine not exceeding \$25,000 and, in the case of a continuing offence, to a further fine not exceeding \$2,500 for every day or part thereof during which the offence continues after conviction.

(6A) Any bank which contravenes [paragraph \(3\)\(a\)](#) shall be guilty of an offence and shall be liable on conviction to a fine not exceeding \$25,000.

[S 754/2010 wef 09/12/2010]

(7) Any bank which fails to comply with any condition or restriction imposed by the Authority under [paragraph \(4\)](#) shall be guilty of an offence and shall be liable on conviction to a fine not exceeding \$25,000.

Executive Committee

10. Where the board of directors of a bank incorporated in Singapore has delegated any of its powers for the oversight of the bank to an executive committee or any other committee by whatever name described (referred to in this Part as an Executive Committee), consisting of such directors as the board of directors thinks fit, [regulation 9](#) (other than [regulation 9\(1\)\(a\)](#)) shall apply, with the necessary modifications, to the bank in respect of the Executive Committee as if the Executive Committee were a board of directors.

Committees of board of directors

11.—(1) Subject to [paragraph \(2\)](#), a bank incorporated in Singapore shall have —

- (a) a Nominating Committee;
- (b) a Remuneration Committee;
- (c) an Audit Committee; and
- (d) a Risk Management Committee.

[S 754/2010 wef 09/12/2010]

(1A) A bank incorporated in Singapore shall ensure that every member of each Committee referred to in [paragraph \(1\)](#) shall have unfettered access to information which the bank is in possession of or has access to, for the purposes of carrying out the responsibilities of the Committee concerned.

[S 754/2010 wef 09/12/2010]

(2) A bank incorporated in Singapore which is a subsidiary of any other bank or any insurer, whether or not licensed or registered in Singapore, need not have a Nominating Committee, a Remuneration Committee or a Risk Management Committee, subject to the following conditions:

- (a) the board of directors of the first-mentioned bank performs for the first-mentioned bank all the functions of the Nominating Committee, the Remuneration Committee or the Risk Management Committee, as the case may be, set out in these Regulations; and
- (b) the first-mentioned bank informs the Authority in writing that the functions of the Nominating Committee, the Remuneration Committee or the Risk Management Committee, as the case may be, are performed by its board of directors.

[S 754/2010 wef 09/12/2010]

(3) Any bank which contravenes [paragraph \(1\)](#) or [\(1A\)](#) shall be guilty of an offence and shall be liable on conviction to a fine not exceeding \$25,000 and, in the case of a continuing offence, to a further fine not exceeding \$2,500 for every day or part thereof during which the offence continues after conviction.

[S 754/2010 wef 09/12/2010]

Nominating Committee

12.—(1) Subject to [paragraphs \(2\) and \(4\)](#) and [regulations 8\(3\) and 22](#), a bank incorporated in Singapore shall have a Nominating Committee comprising —

- (a) in the case of a foreign-owned bank incorporated in Singapore, at least 3 but not exceeding 5 members of the board of directors or, in any other case, 5 members of the board of directors, or such greater number (not exceeding 7) of members of the board of directors as the Authority may approve; and
- (b) at least a majority of directors (including the chairman of the Nominating Committee) who are independent directors.

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(2) Where a single substantial shareholder holds 50% or more of the share capital or the voting power in a bank incorporated in Singapore, [paragraph \(1\)\(b\)](#) shall not apply to the bank only if the bank has a Nominating Committee comprising —

- (a) at least a majority of directors who are independent from management and business relationships with the bank; and
- (b) at least one-third of directors (including the chairman of the Nominating Committee) who are independent directors.

[S 754/2010 wef 09/12/2010]

(3) Every member of the Nominating Committee shall be appointed to hold office until the next annual general meeting following that member's appointment, and shall be eligible for re-appointment.

(4) If a member of the Nominating Committee resigns, ceases to be a director or for any other reason ceases to be a member of the Nominating Committee —

- (a) the bank shall notify the Authority of the event within 14 days after the occurrence of the event; and
- (b) if this results in a breach of any requirement under [paragraph \(1\)](#), the board of directors shall, within 3 months after that event, appoint such number of new members as may be necessary to rectify the composition of the Nominating Committee in accordance with that requirement.

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(4A) Where before 9th December 2010, a bank incorporated in Singapore has appointed, as the chairman of its Nominating Committee, any person who is not independent from any substantial shareholder of the bank or who has served on the board of the bank for a continuous period of 9 years or longer, the bank shall not be prohibited from re-appointing that person as chairman of the Nominating Committee immediately upon the expiry of the earlier term of appointment.

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(5) Any bank which contravenes [paragraph \(1\)](#) shall be guilty of an offence and shall be liable on conviction to a fine not exceeding \$25,000 and, in the case of a continuing offence, to a further fine not exceeding \$2,500 for every day or part thereof during which the offence continues after conviction.

(6) Any bank which contravenes [paragraph \(4\)\(a\)](#) shall be guilty of an offence and shall be liable on conviction to a fine not exceeding \$25,000.

[\[S 754/2010 wef 09/12/2010\]](#)

Responsibilities of Nominating Committee

13.—(1) The Nominating Committee of a bank incorporated in Singapore shall identify the candidates and review all nominations for the appointment of —

(a) each director;

(b) each member of each board committee;

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(c) the chief executive officer and deputy chief executive officer;

[\[S 754/2010 wef 09/12/2010\]](#)

(d) the chief financial officer; and

[\[S 754/2010 wef 09/12/2010\]](#)

(e) the chief risk officer,

[\[S 754/2010 wef 09/12/2010\]](#)

of the bank.

[\[S 754/2010 wef 09/12/2010\]](#)

(2) Subject to [paragraph \(3\)](#), the Nominating Committee shall determine the criteria to be applied in identifying a candidate or reviewing a nomination for the purposes of this Part.

(3) The criteria to be applied in identifying a candidate or reviewing a nomination for the purposes of this Part shall include the following:

(a) the appointment of the candidate or nominee will not result in non-compliance with the requirements under [regulations 9\(1\), 10, 12\(1\), 16\(1\), 17\(1\)](#) and [17A\(1\)](#); and

(b) the candidate or nominee is a fit and proper person for the office and is qualified for the office, taking into account the candidate's or nominee's track record, age, experience, capabilities, skills and such other relevant factors as may be determined by the Nominating Committee.

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(3A) The Nominating Committee shall review the reasons provided by each of the persons referred to in [paragraph \(1\)](#) for his resignation from his appointment in the bank.

[\[S 754/2010 wef 09/12/2010\]](#)

(4) The Nominating Committee shall maintain records of all its meetings.

Determination of independence of directors and assessment of qualification

14.—(1) Where a person is proposed to be appointed as a director, prior to his appointment, the Nominating Committee —

- (a) shall determine —
 - (i) whether he is independent from management and business relationships with the bank; and
 - (ii) whether he is independent from any substantial shareholder of the bank,using the criteria set out in [regulation 6](#) or [7](#), as the case may be, and, where applicable, in accordance with [regulation 8](#); and
- (b) shall maintain a record of its determination.

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(2) Prior to every annual general meeting of a bank incorporated in Singapore, the Nominating Committee —

- (a) shall determine —
 - (i) whether each existing director is independent from management and business relationships with the bank; and
 - (ii) whether each existing director is independent from any substantial shareholder of the bank,using the criteria set out in [regulation 6](#) or [7](#), as the case may be, and, where applicable, in accordance with [regulation 8](#);
- (aa) shall review and assess whether each existing director remains qualified for the office using the criteria set out in [regulation 13\(3\)](#); and
- (b) shall maintain a record of its determination and its assessment, respectively.

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Furnishing information to Authority

15.—(1) A bank incorporated in Singapore shall, after its Nominating Committee has concluded its deliberations in respect of the matters under [regulations 13](#) and [14](#) and the board of directors has concurred with the Nominating Committee —

- (a) notify the Authority in writing of the particulars of the persons proposed to be appointed to the positions referred to in [regulation 13\(1\)\(a\)](#) and [\(b\)](#), including whether the requirements for independence in [regulations 6](#) and [7](#) are satisfied;
- (aa) notify the Authority in writing of the review and assessment of each existing director referred to in [regulation 14\(2\)\(aa\)](#);

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- (b) in the case where the Nominating Committee has made a determination under [regulation 8](#), provide the Authority with the Nominating Committee's explanation of its decision as to why the director should be considered independent; and
- (c) furnish to the Authority such other information as the Authority may require.

[S 754/2010 wef 09/12/2010]

(2) Any bank which contravenes [paragraph \(1\)](#) shall be guilty of an offence and shall be liable on conviction to a fine not exceeding \$25,000 and, in the case of a continuing offence, to a further fine not exceeding \$2,500 for every day or part thereof during which the offence continues after conviction.

Remuneration Committee

16.—(1) Subject to [paragraphs \(2\), \(5\) and \(6\)](#) and [regulations 8\(3\) and 22](#), a bank incorporated in Singapore shall have a Remuneration Committee comprising —

- (a) at least 3 members of the board of directors of the bank; and
- (b) at least a majority of directors (including the chairman of the Remuneration Committee) who are independent directors.

[S 754/2010 wef 09/12/2010]

(2) Where a single substantial shareholder holds 50% or more of the share capital or the voting power in a bank incorporated in Singapore, [paragraph \(1\)\(b\)](#) shall not apply to the bank only if the bank has a Remuneration Committee comprising —

- (a) at least a majority of directors who are independent from management and business relationships with the bank; and
- (b) at least one-third of directors (including the chairman of the Remuneration Committee) who are independent directors.

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(3) In addition to such other responsibilities as may be determined by the board of directors of a bank incorporated in Singapore, the Remuneration Committee of the bank shall be responsible for —

- (a) recommending a framework for determining the remuneration of the directors of the bank;
- (b) recommending a framework for determining the remuneration of the executive officers of the bank which shall include the following elements and factors in the design and operation of the framework:
 - (i) the remuneration package of each executive officer of the bank —
 - (A) shall be aligned to the specific job functions undertaken by the executive officer and where the executive officer undertakes any of the bank's control job functions, the remuneration

- package of that executive officer shall be determined independently of the business functions of the bank;
- (B) shall take into account input from the bank’s control job functions as may be relevant to the specific job function undertaken by the executive officer;
 - (C) shall be aligned with the risks that the bank undertakes in its business that is relevant to the specific job function undertaken by the executive officer;
 - (D) shall be sensitive to the time horizon of risks that the bank is exposed to which includes ensuring that variable compensation payments shall not be finalised over short periods of time when risks are realised over long periods of time;
 - (E) shall, in relation to the quantum of bonus payable to the executive officer, be linked to his personal performance, the performance of his specific job function as a whole and the overall performance of the bank; and
 - (F) shall, in relation to the rationale for the mix of cash, equity and other forms of incentives, be justified; and
- (ii) the size of the bonus pool of the bank shall be linked to the overall performance of the bank;
- (c) recommending the remuneration of each director and executive officer of the bank based on the frameworks referred to in [sub-paragraphs \(a\)](#) and [\(b\)](#), respectively; and
 - (d) reviewing, at least once in each year, the remuneration practices of the bank to ensure that they are aligned with the recommendations made in accordance with [sub-paragraphs \(a\)](#), [\(b\)](#) and [\(c\)](#).

[\[S 754/2010 wef 09/12/2010\]](#)

(3A) In [paragraph \(3\)](#) —

“business functions” means the job functions in the bank that conduct risk-taking activities in relation to the business of the bank;

“control job functions” means the following job functions:

- (a) risk control and management;
- (b) finance;
- (c) compliance;
- (d) internal audit;
- (e) human resources; and
- (f) risk control related back office operations.

[\[S 754/2010 wef 09/12/2010\]](#)

(4) The Remuneration Committee shall maintain records of all its meetings.

(5) If a member of the Remuneration Committee resigns, ceases to be a director or for any other reason ceases to be a member of the Remuneration Committee —

- (a) the bank shall notify the Authority of the event within 14 days after the occurrence of the event; and
- (b) if this results in a breach of any requirement under [paragraph \(1\)](#), the board of directors shall, within 3 months after that event, appoint such number of new members as may be necessary to rectify the composition of the Remuneration Committee in accordance with that requirement.

[S 754/2010 wef 09/12/2010]

(6) Where before 9th December 2010, a bank incorporated in Singapore has appointed, as the chairman of its Remuneration Committee, any person who is not an independent director, the bank shall not be prohibited from re-appointing that person as chairman of the Remuneration Committee immediately upon the expiry of the earlier term of appointment.

[S 754/2010 wef 09/12/2010]

(7) Any bank which contravenes [paragraph \(1\)](#) shall be guilty of an offence and shall be liable on conviction to a fine not exceeding \$25,000 and, in the case of a continuing offence, to a further fine not exceeding \$2,500 for every day or part thereof during which the offence continues after conviction.

(8) Any bank which contravenes [paragraph \(5\)\(a\)](#) shall be guilty of an offence and shall be liable on conviction to a fine not exceeding \$25,000.

[S 754/2010 wef 09/12/2010]

Audit Committee

17.—(1) Subject to [paragraph \(4\)](#) and [regulations 8\(3\)](#) and [22](#), a bank incorporated in Singapore shall have an Audit Committee comprising —

- (a) at least 3 members of the board of directors of the bank all of whom are independent from management and business relationships with the bank; and
- (b) at least a majority of directors (including the chairman of the Audit Committee) who are independent directors.

(2) The Audit Committee shall, in addition to such other responsibilities as may be determined by the board of directors or provided under written law, be responsible for the adequacy of the external and internal audit functions of the bank, including reviewing the scope and results of audits carried out in respect of the operations of the bank and the independence and objectivity of the bank's external auditors.

(3) The Audit Committee shall maintain records of all its meetings.

(4) If a member of the Audit Committee resigns, ceases to be a director or for any other reason ceases to be a member of the Audit Committee —

- (a) the bank shall notify the Authority of the event within 14 days after the occurrence of the event; and
- (b) if this results in a breach of any requirement under [paragraph \(1\)](#), the board of directors shall, within 3 months after that event, appoint such number of new members as may be necessary to rectify the composition of the Audit Committee in accordance with that requirement.

[S 754/2010 wef 09/12/2010]

(5) Any bank which contravenes [paragraph \(1\)](#) shall be guilty of an offence and shall be liable on conviction to a fine not exceeding \$25,000 and, in the case of a continuing offence, to a further fine not exceeding \$2,500 for every day or part thereof during which the offence continues after conviction.

(6) Any bank which contravenes [paragraph \(4\)\(a\)](#) shall be guilty of an offence and shall be liable on conviction to a fine not exceeding \$25,000.

[S 754/2010 wef 09/12/2010]

Risk Management Committee

17A.—(1) Subject to [paragraph \(4\)](#) and [regulations 8\(3\)](#) and [22](#), a bank incorporated in Singapore shall have a Risk Management Committee comprising —

- (a) at least 3 members of the board of directors of the bank; and
- (b) at least a majority of directors (including the chairman of the Risk Management Committee) who are non-executive directors.

[S 754/2010 wef 09/12/2010]

(2) The Risk Management Committee shall, in addition to such other responsibilities as may be determined by the board of directors, be responsible for overseeing —

- (a) the establishment and the operation of an independent risk management system for managing risks on an enterprise-wide basis; and
- (b) the adequacy of the risk management function of the bank, including ensuring that it is sufficiently resourced to monitor risk by the various risk categories and that it has appropriate independent reporting lines.

[S 754/2010 wef 09/12/2010]

(3) The Risk Management Committee shall maintain records of all its meetings.

[S 754/2010 wef 09/12/2010]

(4) If a member of the Risk Management Committee resigns, ceases to be a director or for any other reason ceases to be a member of the Risk Management Committee —

- (a) the bank shall notify the Authority of the event within 14 days after the occurrence of the event; and

- (b) if this results in a breach of any requirement under [paragraph \(1\)](#), the board of directors shall, within 3 months after that event, appoint such number of new members as may be necessary to rectify the composition of the Risk Management Committee in accordance with that requirement.

[S 754/2010 wef 09/12/2010]

(5) Any bank which contravenes [paragraph \(1\)](#) shall be guilty of an offence and shall be liable on conviction to a fine not exceeding \$25,000 and, in the case of a continuing offence, to a further fine not exceeding \$2,500 for every day or part thereof during which the offence continues after conviction.

[S 754/2010 wef 09/12/2010]

(6) Any bank which contravenes [paragraph \(4\)\(a\)](#) shall be guilty of an offence and shall be liable on conviction to a fine not exceeding \$25,000.

[S 754/2010 wef 09/12/2010]

Approval of Authority

18.—(1) [For the purposes of section 53A\(1\)\(d\) of the Act, the following persons are prescribed as persons for whom a A-bank incorporated in Singapore shall—must obtain the prior approval of the Authority for the appointment of the following persons:](#)

- (a) ~~[\[Deleted by S XX wef XX\]all directors and each such appointment shall be for a term not exceeding 3 years;](#)~~

[S 754/2010 wef 09/12/2010]

- (b) ~~[\[Deleted by S XX wef XX\]the chairman of the board of directors;](#)~~

[S 754/2010 wef 09/12/2010]

- (c) the members of the Nominating Committee;

[S 754/2010 wef 09/12/2010]

- (d) ~~[\[Deleted by S XX wef XX\]the chief executive officer and deputy chief executive officer;](#)~~

[S 754/2010 wef 09/12/2010]

- (e) the chief financial officer; ~~and~~

[S 754/2010 wef 09/12/2010]

- (f) the chief risk officer; ~~and-~~

[S 754/2010 wef 09/12/2010]

- ~~[\(g\) the head of Treasury.](#)~~

~~[\(2\) Without prejudice to any other matter that the Authority may consider relevant, the Authority shall, in determining whether to grant its approval under paragraph \(1\), have regard to whether the person is a fit and proper person to hold the office.](#)~~

(2A) For the purposes of [paragraph \(1\)\(f\)](#), a bank incorporated in Singapore which has appointed any person as its chief risk officer immediately before 9th December 2010 shall be deemed to have obtained the prior approval of the Authority for that appointment —

- (a) for a period of 3 months from the date on which the bank holds or is required by law to hold its annual general meeting for the year 2011; or
- (b) if, before the expiry of the period referred to in sub-paragraph (a), the bank applies for the approval of the Authority for that appointment, until the date on which the approval is given or the application for approval is refused,

whichever is later.

[S 754/2010 wef 09/12/2010]

~~(3) Any bank which contravenes paragraph (1) shall be guilty of an offence and shall be liable on conviction to a fine not exceeding \$25,000 and, in the case of a continuing offence, to a further fine not exceeding \$2,500 for every day or part thereof during which the offence continues after conviction. For the purposes of this regulation —~~

~~“head of Treasury”, in relation to a bank incorporated in Singapore, means any person, by whatever name described, who —~~

- ~~(a) is in the direct employment of, or acting for, or by arrangement with, the bank; and~~
- ~~(b) is principally responsible for the management and conduct of the treasury operations of the bank.~~

Removal of principal officers

~~18A. [Deleted by S XX wef XX—(1) Where—~~

~~(a) the Authority is satisfied that a chief executive officer, deputy chief executive officer, chief financial officer or chief risk officer of a bank incorporated in Singapore (referred to in this regulation as officer)—~~

- ~~(i) has wilfully contravened or wilfully caused the bank to contravene any provision of the Act;~~
- ~~(ii) has, without reasonable excuse, failed to secure the compliance of the bank with any provision of the Act; or~~
- ~~(iii) has failed to discharge any of the duties of his office; or~~

~~(b) such officer has had —~~

- ~~(i) execution against him in respect of a judgment debt returned unsatisfied in whole or in part; or~~
- ~~(ii) a prohibition order under section 59 of the Financial Advisers Act (Cap. 110), section 35V of the Insurance Act (Cap. 142) or section 95 of the Securities and Futures Act (Cap. 289) made against him that remains in force,~~

~~the Authority may, if it thinks it necessary in the public interest or for the protection of depositors of the bank, by notice in writing to the bank, direct the bank to remove the~~

~~officer from office or employment within such period as may be specified in the notice, and the bank shall comply with the notice.~~

~~*[S 239/2007 wef 11/06/2007]
[S 754/2010 wef 09/12/2010]*~~

~~(2) Before directing a bank to remove the officer under paragraph (1), the Authority shall —~~

- ~~(a) give the bank and the officer notice in writing of its intention to do so; and~~
- ~~(b) in the notice referred to in sub-paragraph (a), call upon the bank and the officer to show cause within such time as may be specified in the notice why the officer should not be removed.~~

~~*[S 239/2007 wef 11/06/2007]*~~

~~(3) If the bank and the officer referred to in paragraph (1) —~~

- ~~(a) fail to show cause within the time specified in a notice issued under paragraph (2) or within such extended period of time as the Authority may allow; or~~
- ~~(b) fail to show sufficient cause,~~

~~the Authority may direct the bank to remove the officer under paragraph (1).~~

~~*[S 239/2007 wef 11/06/2007]*~~

~~(4) Any bank which, or any officer of a bank who, is aggrieved by a direction of the Authority under paragraph (1) may, within 30 days after the direction, appeal in writing to the Minister whose decision shall be final.~~

~~*[S 239/2007 wef 11/06/2007]
[S 754/2010 wef 09/12/2010]*~~

~~(5) Any bank which fails to comply with a notice issued under paragraph (1) shall be guilty of an offence and shall be liable on conviction to a fine not exceeding \$25,000 and, in the case of a continuing offence, to a further fine not exceeding \$2,500 for every day or part thereof during which the offence continues after conviction.~~

~~*[S 239/2007 wef 11/06/2007]*~~

Executive officers

19.—(1) A bank incorporated in Singapore shall not appoint any person as its executive officer while that person is concurrently —

- (a) employed by a substantial shareholder of the bank (other than, in the case where the bank is a subsidiary of another bank incorporated in Singapore (referred to in this regulation as the parent bank), the parent bank or, in the case where the bank is a subsidiary of a financial holding company, the financial holding company);
- (b) an executive officer of an affiliate of a substantial shareholder of the bank;

- (c) where the bank is a subsidiary of a parent bank, employed by a substantial shareholder of the parent bank or an affiliate of the substantial shareholder of the parent bank; or
- (d) where the bank is a subsidiary of a financial holding company, employed by a substantial shareholder of the financial holding company or an affiliate of the substantial shareholder of the financial holding company.

(2) Any bank which contravenes [paragraph \(1\)](#) shall be guilty of an offence and shall be liable on conviction to a fine not exceeding \$25,000 and, in the case of a continuing offence, to a further fine not exceeding \$2,500 for every day or part thereof during which the offence continues after conviction.

Separation of roles

20.—(1) Subject to [paragraph \(2\)](#), a bank incorporated in Singapore shall not appoint any of the following persons as the chairman of its board of directors:

- (a) any of its executive directors;
- (b) any person who is a member of the immediate family of the chief executive officer of the bank.

[S 754/2010 wef 09/12/2010]

(2) Where before 9th December 2010, a bank incorporated in Singapore has appointed, as the chairman of its board of directors, a person who is a member of the immediate family of the chief executive officer of the bank, the bank shall not be prohibited from re-appointing that person as the chairman of its board of directors —

- (a) for the period from 9th December 2010 until the date on which the bank holds or is required by law to hold its annual general meeting for the year 2011; and
- (b) for the period between every subsequent annual general meetings thereafter subject to the prior written approval of the Authority and such conditions as the Authority may impose.

[S 754/2010 wef 09/12/2010]

(2A) The Authority may, at any time, by notice in writing to a bank incorporated in Singapore, vary any condition imposed under [paragraph \(2\)\(b\)](#), or impose such further condition as it thinks fit, and the bank shall comply with such conditions.

[S 754/2010 wef 09/12/2010]

(3) Any bank which contravenes [paragraph \(1\)](#) or fails to comply with any condition imposed under [paragraph \(2\)\(b\)](#) or [\(2A\)](#) shall be guilty of an offence and shall be liable on conviction to a fine not exceeding \$25,000 and, in the case of a continuing offence, to a further fine not exceeding \$2,500 for every day or part thereof during which the offence continues after conviction.

[S 754/2010 wef 09/12/2010]

Corporate governance requirements applicable to major stake financial companyentity

21.—(1) Subject to [paragraph \(2\)](#) and [regulation 8\(4\)](#), a major stake financial companyentity shall have a board of directors, the majority of whom —

- (a) where the bank is a subsidiary of another bank incorporated in Singapore (referred to in this regulation as the parent bank), are independent from the substantial shareholders of the bank (other than the parent bank) and the substantial shareholders of the parent bank;
- (b) where the bank is a subsidiary of a financial holding company, are independent from the substantial shareholders of the bank (other than the financial holding company) and the substantial shareholders of the financial holding company; or
- (c) in any other case, are independent from all substantial shareholders of the bank.

(2) Where a single substantial shareholder holds 50% or more of the share capital or the voting power in a major stake financial companyentity, [paragraph \(1\)](#) shall not apply to the major stake financial companyentity in respect of the independence of its directors from that substantial shareholder.

(3) The Nominating Committee of a major stake financial companyentity or, where the companyentity does not have a Nominating Committee, the Nominating Committee of the bank which has a major stake in the companyentity (referred to in this regulation as the relevant Nominating Committee) shall determine —

- (a) where a person is proposed to be appointed as a director of a major stake financial companyentity, prior to the person's appointment; or
- (b) in the case of an existing director of a major stake financial companyentity, prior to every annual general meeting of the major stake financial companyentity,

whether the person or director is independent of a substantial shareholder of the bank, parent bank or financial holding company, as the case may be, using the criteria set out in [regulation 7](#) and, where applicable, in accordance with [regulation 8](#).

(4) A major stake financial companyentity shall not, without the prior approval of the Authority, appoint any person as its executive officer while that person is concurrently —

- (a) employed by a substantial shareholder of a bank which holds a major stake in the companyentity (other than, in the case where the bank is a subsidiary of a parent bank, the parent bank or, in the case where the bank is a subsidiary of a financial holding company, the financial holding company);
- (b) an executive officer of an affiliate of a substantial shareholder of the bank;

- (c) where the bank is a subsidiary of a parent bank, employed by a substantial shareholder of the parent bank or an affiliate of the substantial shareholder of the parent bank; or
- (d) where the bank is a subsidiary of a financial holding company, employed by a substantial shareholder of the financial holding company or an affiliate of a substantial shareholder of the financial holding company.

(5) Any major stake financial [company entity](#) which contravenes [paragraph \(1\)](#) or [\(4\)](#) shall be guilty of an offence and shall be liable on conviction to a fine not exceeding \$25,000 and, in the case of a continuing offence, to a further fine not exceeding \$2,500 for every day or part thereof during which the offence continues after conviction.

Exceptions for purposes of this Part

22.—(1) Subject to [paragraphs \(2\)](#) and [\(3\)](#), the requirements under [regulations 9\(1\)](#), [10](#), [12\(1\)](#), [16\(1\)](#), [17\(1\)](#) and [17A\(1\)](#) shall not apply in relation to a bank incorporated in Singapore —

- (a) where —
 - (i) there is a change in the status of a director under [regulation 6](#) or [7](#) during the period between the date immediately after the date of the director's appointment and the date immediately before the next annual general meeting of the bank; and
 - (ii) the bank could not reasonably have known of that change on or before the date of the director's appointment; or
- (b) where —
 - (i) there is a change in the status of a director under [regulation 6](#) or [7](#) during the period between the date immediately after an annual general meeting of the bank and the date immediately before the next annual general meeting of the bank (other than the period referred to in [sub-paragraph \(a\)\(i\)](#)); and
 - (ii) the bank could not reasonably have known of that change on or before the date of the first-mentioned annual general meeting.

[\[S 754/2010 wef 09/12/2010\]](#)

(2) [Paragraph \(1\)](#) shall not apply unless, in the circumstances referred to in [paragraph \(1\)\(a\)\(i\)](#) or [\(b\)\(i\)](#), the bank, within 14 days after becoming aware of the change in the status of the director, notifies the Authority of the change and, subject to [paragraph \(3\)](#) —

- (a) in respect of any requirement under [regulation 9\(1\)](#), at the next annual general meeting, appoints such number of new directors as may be necessary to rectify the composition of the board of directors in accordance with that requirement; or

- (b) in respect of any requirement under [regulation 10](#), [12\(1\)](#), [16\(1\)](#), [17\(1\)](#) or [17A\(1\)](#), within 3 months after notifying the Authority of the change of status of the director, appoints such number of new members as may be necessary to rectify the composition of the relevant committee in accordance with that requirement.

[S 754/2010 wef 09/12/2010]

(3) Notwithstanding [paragraph \(2\)](#), the Authority may, upon being notified of a change in the status of a director under [paragraph \(2\)](#), direct the bank —

- (a) to appoint such number of new directors as may be necessary to rectify the composition of the board of directors in accordance with the requirements under [regulation 9\(1\)](#) within such time before the next annual general meeting of the bank and subject to such conditions or restrictions as the Authority may specify; or
- (b) to appoint such number of new members as may be necessary to rectify the composition of the relevant committee in accordance with the requirements under [regulation 10](#), [12\(1\)](#), [16\(1\)](#), [17\(1\)](#) or [17A\(1\)](#), as the case may be, within such time before the expiration of 3 months from the date the bank notifies the Authority of the change and subject to such conditions or restrictions as the Authority may specify,

and the bank shall comply with that direction.

[S 754/2010 wef 09/12/2010]

(4) Any bank which fails to comply with any condition or restriction imposed by the Authority under [paragraph \(3\)](#) shall be guilty of an offence and shall be liable on conviction to a fine not exceeding \$25,000.

PART III

REQUIREMENTS FOR RELEVANT FINANCIAL HOLDING COMPANIES

Independence from management and business relationships

23.—(1) In these Regulations, subject to [regulation 25](#), a director shall be considered to be independent from management and business relationships with a relevant financial holding company if —

- (a) the director has no management relationship with the relevant financial holding company or any of its subsidiaries; and
- (b) the director has no business relationship with the relevant financial holding company or any of its subsidiaries, or with any officer of the relevant financial holding company,

that could interfere, or be reasonably regarded as interfering, with the exercise of the director's independent business judgment with regard to the interests of the relevant financial holding company.

(2) Without prejudice to [paragraph \(1\)\(a\)](#), a director shall not be considered to be independent from management relationships with a relevant financial holding company or any of its subsidiaries if —

- (a) he is employed by the relevant financial holding company or any of its subsidiaries, or has been so employed at any time during the current financial year or any of the preceding 3 financial years of the relevant financial holding company or any of its subsidiaries;
- (b) a member of his immediate family —
 - (i) is employed by the relevant financial holding company or any of its subsidiaries as an executive officer whose compensation is determined by the Remuneration Committee of the relevant financial holding company or any of its subsidiaries; or
 - (ii) has been so employed at any time during the current financial year or any of the preceding 3 financial years of the relevant financial holding company or any of its subsidiaries; or
- (c) he is accustomed or under an obligation, whether formal or informal, to act in accordance with the directions, instructions or wishes of the management of the relevant financial holding company or any of its subsidiaries.

(3) Without prejudice to [paragraph \(1\)\(b\)](#) but subject to [regulation 25](#), a director shall not be considered to be independent from business relationships with the relevant financial holding company or any of its subsidiaries if —

- (a) he is a director, a substantial shareholder or an executive officer of any corporation, or a partner of a firm or a limited liability partnership or a sole proprietor, where such corporation, firm, limited liability partnership or sole proprietor carries on business for purposes of profit to which the relevant financial holding company or any of its subsidiaries has made, or from which the relevant financial holding company or any of its subsidiaries has received, payments in the current or immediately preceding financial year; or
- (b) he is receiving or has received, any compensation from the relevant financial holding company or from any of the relevant financial holding company's subsidiaries, other than compensation received for his services as a director or as an employee, at any time during the current or immediately preceding financial year of the relevant financial holding company.

Independence from substantial shareholder

24.—(1) In these Regulations, subject to [regulation 25](#), a director of a relevant financial holding company shall be considered to be independent from a substantial shareholder of the relevant financial holding company if he is not that substantial shareholder and is not connected to that substantial shareholder.

(2) Notwithstanding [paragraph \(1\)](#), a director of a relevant financial holding company incorporated in Singapore which is the sole subsidiary of another relevant financial holding company which does not carry on any business other than the holding of the first-mentioned relevant financial holding company (referred to in this paragraph as the parent financial holding company) shall, if he —

- (a) is not a substantial shareholder of the relevant financial holding company or the parent financial holding company; and
- (b) is not connected to a substantial shareholder of the relevant financial holding company (other than the parent financial holding company) or a substantial shareholder of the parent financial holding company,

be treated as if he were independent from the substantial shareholder of the relevant financial holding company for the purposes of regulations 26(1), 27, [29\(1\)](#), [33\(1\)](#), [34\(1\)](#) and [34A\(1\)](#).

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(3) For the purposes of [paragraph \(1\)](#), a person is connected to a substantial shareholder if he is —

- (a) in the case where the substantial shareholder is an individual —
 - (i) a member of the immediate family of the substantial shareholder;
 - (ii) employed by the substantial shareholder;
 - (iii) employed by an affiliate of the substantial shareholder;
 - (iv) an executive director of an affiliate of the substantial shareholder;
 - (v) a non-executive director of an affiliate of the substantial shareholder;
 - (vi) a partner of a firm or a limited liability partnership of which the substantial shareholder is also a partner; or
 - (vii) accustomed or under an obligation, whether formal or informal, to act in accordance with the directions, instructions or wishes of the substantial shareholder; or
- (b) in the case where the substantial shareholder is a corporation —
 - (i) employed by the substantial shareholder;
 - (ii) employed by an affiliate of the substantial shareholder;
 - (iii) a director of the substantial shareholder;
 - (iv) an executive director of an affiliate of the substantial shareholder;
 - (v) a non-executive director of an affiliate of the substantial shareholder;

- (vi) a partner of a firm or a limited liability partnership of which the substantial shareholder is also a partner; or
- (vii) accustomed or under an obligation, whether formal or informal, to act in accordance with the directions, instructions or wishes of the substantial shareholder.

Determination by Nominating Committee

25.—(1) The Nominating Committee may determine that a director of a relevant financial holding company who is —

- (a) not considered independent from business relationships with a relevant financial holding company under [regulation 23\(3\)\(a\)](#) or [\(b\)](#); or
- (b) not considered independent from a substantial shareholder of a relevant financial holding company because of the relationship specified in regulation 24(3)(a)(v) or [\(b\)\(v\)](#),

shall nonetheless be considered independent from business relationships with the relevant financial holding company, or independent from a substantial shareholder of the relevant financial holding company, as the case may be, if the Nominating Committee is satisfied that the director's independent business judgment and ability to act in the interests of the relevant financial holding company will not be impeded, despite the relationship specified in that regulation.

(2) If —

- (a) at any time, the Authority is not satisfied that a director is independent notwithstanding any determination of the Nominating Committee made under [paragraph \(1\)](#); and
- (b) the lack of independence of that director would result in a failure by the relevant financial holding company to comply with any of the requirements under [regulation 26\(1\)](#), [27](#), [29\(1\)](#), [33\(1\)](#), [34\(1\)](#) or [34A\(1\)](#),

the Authority shall direct the relevant financial holding company to rectify the composition of the board of directors or any relevant committee in accordance with the requirements under [regulation 26\(1\)](#), [27](#), [29\(1\)](#), [33\(1\)](#), [34\(1\)](#) or [34A\(1\)](#), as the case may be, within such time, and subject to such conditions or restrictions, as the Authority may specify.

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(3) Where the Authority has given a direction to a relevant financial holding company under [paragraph \(2\)](#), the requirements under [regulation 26\(1\)](#), [27](#), [29\(1\)](#), [33\(1\)](#), [34\(1\)](#) or [34A\(1\)](#), as the case may be, shall not apply to the relevant financial holding company during the period between the time the Authority makes the direction and the time by which the relevant financial holding company is required to rectify the composition of the board of directors or any relevant committee in accordance with the direction.

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Board of directors

26.—(1) Subject to paragraphs (2), [\(3\)](#) and [\(4\)](#) and [regulations 25\(3\)](#) and [38](#), a relevant financial holding company shall have a board of directors comprising —

- (a) in the case of a foreign-owned relevant financial holding company, at least one-third of directors who are Singapore citizens or permanent residents or, in any other case, at least a majority of directors who are Singapore citizens or permanent residents; and
- (b) at least a majority of directors who are independent directors.

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(2) *[Deleted by S 754/2010 wef 09/12/2010]*

(3) If a member of the board of directors resigns or ceases to be a member of the board of directors for any other reason, the relevant financial holding company shall —

- (a) notify the Authority of the event within 14 days after the occurrence of the event; and
- (b) on or before its next annual general meeting, appoint such number of new directors as may be necessary to rectify the composition of the board of directors in accordance with the requirements under [paragraph \(1\)](#).

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(4) Notwithstanding [paragraph \(3\)](#), the Authority may, upon being notified under [paragraph \(3\)\(a\)](#), direct the relevant financial holding company to rectify the composition of the board of directors in accordance with the requirements under [paragraph \(1\)](#) within such time before the next annual general meeting of the relevant financial holding company and subject to such conditions or restrictions as the Authority may specify, and the relevant financial holding company shall comply with that direction.

(5) The board of directors shall maintain records of all its meetings.

(6) Any relevant financial holding company which contravenes [paragraph \(1\)](#) shall be guilty of an offence and shall be liable on conviction to a fine not exceeding \$25,000 and, in the case of a continuing offence, to a further fine not exceeding \$2,500 for every day or part thereof during which the offence continues after conviction.

(7) Any relevant financial holding company which fails to comply with any condition or restriction imposed by the Authority under [paragraph \(4\)](#) shall be guilty of an offence and shall be liable on conviction to a fine not exceeding \$25,000.

(8) Any relevant financial holding company which contravenes [paragraph \(3\)\(a\)](#) shall be guilty of an offence and shall be liable on conviction to a fine not exceeding \$25,000.

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Executive Committee

27. Where the board of directors of a relevant financial holding company has delegated any of its powers for the oversight of the relevant financial holding company to an executive committee or any other committee by whatever name described (referred to in this Part as an Executive Committee), consisting of such directors as the board of directors thinks fit, [regulation 26](#) (other than [regulation 26\(1\)\(a\)](#)) shall apply, with the necessary modifications, to the relevant financial holding company in respect of the Executive Committee as if the Executive Committee were a board of directors.

Committees of board of directors

28.—(1) A relevant financial holding company shall have —

- (a) a Nominating Committee;
- (b) a Remuneration Committee;
- (c) an Audit Committee; and
- (d) a Risk Management Committee.

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(1A) A relevant financial holding company shall ensure that every member of each Committee referred to in [paragraph \(1\)](#) shall have unfettered access to information which the relevant financial holding company is in possession of or has access to, for the purposes of carrying out the responsibilities of the Committee concerned.

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(2) Any relevant financial holding company which contravenes [paragraph \(1\)](#) or [\(1A\)](#) shall be guilty of an offence and shall be liable on conviction to a fine not exceeding \$25,000 and, in the case of a continuing offence, to a further fine not exceeding \$2,500 for every day or part thereof during which the offence continues after conviction.

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Nominating Committee

29.—(1) Subject to paragraphs (2) and [\(4\)](#) and [regulations 25\(3\)](#) and [38](#), a relevant financial holding company shall have a Nominating Committee comprising —

- (a) in the case of a foreign-owned relevant financial holding company, at least 3 but not exceeding 5 members of the board of directors or, in any other case, 5 members of the board of directors, or such greater number (not exceeding 7) of members of the board of directors as the Authority may approve; and
- (b) at least a majority of directors (including the chairman of the Nominating Committee) who are independent directors.

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(2) *[Deleted by S 754/2010 wef 09/12/2010]*

(3) Every member of the Nominating Committee shall be appointed to hold office until the next annual general meeting following that member's appointment, and shall be eligible for re-appointment.

(4) If a member of the Nominating Committee resigns, ceases to be a director or for any other reason ceases to be a member of the Nominating Committee —

- (a) the relevant financial holding company shall notify the Authority of the event within 14 days after the occurrence of the event; and
- (b) if this results in a breach of any requirement under [paragraph \(1\)](#), the board of directors shall, within 3 months after that event, appoint such number of new members as may be necessary to rectify the composition of the Nominating Committee in accordance with that requirement.

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(5) Any relevant financial holding company which contravenes [paragraph \(1\)](#) shall be guilty of an offence and shall be liable on conviction to a fine not exceeding \$25,000 and, in the case of a continuing offence, to a further fine not exceeding \$2,500 for every day or part thereof during which the offence continues after conviction.

(6) Any relevant financial holding company which contravenes [paragraph \(4\)\(a\)](#) shall be guilty of an offence and shall be liable on conviction to a fine not exceeding \$25,000.

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Responsibilities of Nominating Committee

30.—(1) The Nominating Committee of a relevant financial holding company shall identify the candidates and review all nominations for the appointment of —

- (a) each director;
- (b) each member of each board committee;
- (c) the chief executive officer and deputy chief executive officer;
- (d) the chief financial officer; and
- (e) the chief risk officer,

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of the relevant financial holding company.

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(2) Subject to [paragraph \(3\)](#), the Nominating Committee shall determine the criteria to be applied in identifying a candidate or reviewing a nomination for the purposes of this Part.

(3) The criteria to be applied in identifying a candidate or reviewing a nomination for the purposes of this Part shall include the following:

- (a) the appointment of the candidate or nominee will not result in non-compliance with the requirements under [regulations 26\(1\), 27, 29\(1\), 33\(1\), 34\(1\)](#) and [34A\(1\)](#); and
- (b) the candidate or nominee is a fit and proper person for the office and is qualified for the office, taking into account the candidate's or nominee's track record, age, experience, capabilities, skills and such other relevant factors as may be determined by the Nominating Committee.

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(3A) The Nominating Committee shall review the reasons provided by each of the persons referred to in [paragraph \(1\)](#) for his resignation from his appointment in the relevant financial holding company.

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(4) The Nominating Committee shall maintain records of all its meetings.

Determination of independence of directors and assessment of qualification

31.—(1) Where a person is proposed to be appointed as a director, prior to his appointment, the Nominating Committee —

- (a) shall determine —
 - (i) whether he is independent from management and business relationships with the relevant financial holding company; and
 - (ii) whether he is independent from any substantial shareholder of the relevant financial holding company,

using the criteria set out in [regulation 23](#) or [24](#), as the case may be, and, where applicable, in accordance with [regulation 25](#);

- (aa) shall review and assess whether each existing director remains qualified for the office using the criteria set out in [regulation 30\(3\)](#); and
- (b) shall maintain a record of its determination.

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(2) Prior to every annual general meeting of a relevant financial holding company, the Nominating Committee —

- (a) shall determine —

- (i) whether each existing director of the relevant financial holding company is independent from management and business relationships with the relevant financial holding company; and
 - (ii) whether each existing director of the relevant financial holding company is independent from any substantial shareholder of the relevant financial holding company,
- using the criteria set out in [regulation 23](#) or [24](#), as the case may be, and, where applicable, in accordance with [regulation 25](#);
- (b) shall maintain a record of its determination and its assessment, respectively.

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Furnishing information to Authority

32.—(1) A relevant financial holding company shall, after its Nominating Committee has concluded its deliberations in respect of the matters under [regulations 30](#) and [31](#) and the board of directors has concurred with the Nominating Committee —

- (a) notify the Authority in writing of the particulars of the persons proposed to be appointed to the positions referred to in [regulation 30\(1\)\(a\)](#) and [\(b\)](#), including whether the requirements for independence in [regulations 23](#) and [24](#) are satisfied;
- (aa) notify the Authority in writing of the review and assessment of each existing director referred to in [regulation 31\(2\)\(aa\)](#);
- (b) in the case where the Nominating Committee has made a determination under [regulation 25](#), provide the Authority with the Nominating Committee's explanation of its decision as to why the director should be considered independent; and
- (c) furnish to the Authority such other information as the Authority may require.

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(2) Any relevant financial holding company which contravenes [paragraph \(1\)](#) shall be guilty of an offence and shall be liable on conviction to a fine not exceeding \$25,000 and, in the case of a continuing offence, to a further fine not exceeding \$2,500 for every day or part thereof during which the offence continues after conviction.

Remuneration Committee

33.—(1) Subject to paragraphs (2) and [\(5\)](#) and [regulations 25\(3\)](#) and [38](#), a relevant financial holding company shall have a Remuneration Committee comprising —

- (a) at least 3 members of the board of directors of the relevant financial holding company; and

- (b) at least a majority of directors (including the chairman of the Remuneration Committee) who are independent directors.

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(2) *[Deleted by S 754/2010 wef 09/12/2010]*

(3) In addition to such other responsibilities as may be determined by the board of directors of the relevant financial holding company, the Remuneration Committee of the relevant financial holding company shall be responsible for —

- (a) recommending a framework for determining the remuneration of the directors of the relevant financial holding company;
- (b) recommending a framework for determining the remuneration of the executive officers of the relevant financial holding company which include the following elements and factors in the design and operation of the framework:
- (i) the remuneration package of each executive officer of the relevant financial holding company —
- (A) shall be aligned to the specific job functions undertaken by the executive officer and where the executive officer undertakes any of the relevant financial holding company's control job functions, the remuneration package of that executive officer shall be determined independently of the business functions of the relevant financial holding company;
- (B) shall take into account input from the relevant financial holding company's control job functions as may be relevant to the specific job function undertaken by the executive officer;
- (C) shall be aligned with the risks that the relevant financial holding company undertakes in its business that is relevant to the specific job function undertaken by the executive officer;
- (D) shall be sensitive to the time horizon of risks that the relevant financial holding company is exposed to which includes ensuring that variable compensation payments shall not be finalised over short periods of time when risks are realised over long periods of time;
- (E) shall, in relation to the quantum of bonus payable to the executive officer, be linked to his personal performance, the performance of his specific job function as a whole and the overall performance of the relevant financial holding company; and
- (F) shall, in relation to the rationale for the mix of cash, equity and other forms of incentives, be justified; and

- (ii) the size of the bonus pool of the relevant financial holding company shall be linked to the overall performance of the relevant financial holding company;
- (c) recommending the remuneration of each director and executive officer of the relevant financial holding company based on the frameworks referred to in [sub-paragraphs \(a\)](#) and [\(b\)](#), respectively; and
- (d) reviewing, at least once in each year, the remuneration practices of the relevant financial holding company to ensure that they are aligned with the recommendations made in accordance with [sub-paragraphs \(a\)](#), [\(b\)](#) and [\(c\)](#).

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(3A) In [paragraph \(3\)](#) —

“business functions” means the job functions in the relevant financial holding company that conduct risk-taking activities in relation to the business of the relevant financial holding company;

“control job functions” means the following job functions:

- (a) risk control and management;
- (b) finance;
- (c) compliance;
- (d) internal audit;
- (e) human resources; and
- (f) risk control related back office operations.

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(4) The Remuneration Committee shall maintain records of all its meetings.

(5) If a member of the Remuneration Committee resigns, ceases to be a director or for any other reason ceases to be a member of the Remuneration Committee —

- (a) the relevant financial holding company shall notify the Authority of the event within 14 days after the occurrence of the event; and
- (b) if this results in a breach of any requirement under [paragraph \(1\)](#), the board of directors shall, within 3 months after that event, appoint such number of new members as may be necessary to rectify the composition of the Remuneration Committee in accordance with that requirement.

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(5A) Where before 9th December 2010, a relevant financial holding company has appointed, as the chairman of its Remuneration Committee, any person who is not independent from any substantial shareholder of the relevant financial holding company or who has served on the board of the relevant financial holding company for a continuous period of 9 years or longer, the relevant financial holding company shall not

be prohibited from re-appointing that person as chairman of the Remuneration Committee immediately upon the expiry of the earlier term of appointment.

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(6) Any relevant financial holding company which contravenes [paragraph \(1\)](#) shall be guilty of an offence and shall be liable on conviction to a fine not exceeding \$25,000 and, in the case of a continuing offence, to a further fine not exceeding \$2,500 for every day or part thereof during which the offence continues after conviction.

(7) Any relevant financial holding company which contravenes [paragraph \(5\)\(a\)](#) shall be guilty of an offence and shall be liable on conviction to a fine not exceeding \$25,000.

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Audit Committee

34.—(1) Subject to [paragraph \(4\)](#) and [regulations 25\(3\)](#) and [38](#), a relevant financial holding company shall have an Audit Committee comprising —

- (a) at least 3 members of the board of directors of the relevant financial holding company all of whom are independent from management and business relationships with the relevant financial holding company; and
- (b) at least a majority of directors (including the chairman of the Audit Committee) who are independent directors.

(2) The Audit Committee shall, in addition to such other responsibilities as may be determined by the board of directors or provided under written law, be responsible for the adequacy of the external and internal audit functions of the relevant financial holding company, including reviewing the scope and results of audits carried out in respect of the operations of the relevant financial holding company and the independence and objectivity of the relevant financial holding company's external auditors.

(3) The Audit Committee shall maintain records of all its meetings.

(4) If a member of the Audit Committee resigns, ceases to be a director or for any other reason ceases to be a member of the Audit Committee —

- (a) the relevant financial holding company shall notify the Authority of the event within 14 days after the occurrence of the event; and
- (b) if this results in a breach of any requirement under [paragraph \(1\)](#), the board of directors shall, within 3 months after that event, appoint such number of new members as may be necessary to rectify the composition of the Audit Committee in accordance with that requirement.

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(5) Any relevant financial holding company which contravenes [paragraph \(1\)](#) shall be guilty of an offence and shall be liable on conviction to a fine not exceeding \$25,000

and, in the case of a continuing offence, to a further fine not exceeding \$2,500 for every day or part thereof during which the offence continues after conviction.

(6) Any relevant financial holding company which contravenes [paragraph \(4\)\(a\)](#) shall be guilty of an offence and shall be liable on conviction to a fine not exceeding \$25,000.

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Risk Management Committee

34A.—(1) Subject to [paragraph \(4\)](#) and [regulations 25\(3\)](#) and [38](#), a relevant financial holding company shall have a Risk Management Committee comprising —

- (a) at least 3 members of the board of directors of the relevant financial holding company; and
- (b) at least a majority of directors (including the chairman of the Risk Management Committee) who are non-executive directors.

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(2) The Risk Management Committee shall, in addition to such other responsibilities as may be determined by the board of directors, be responsible for overseeing —

- (a) the establishment and the operation of an independent risk management system for managing risks on an enterprise-wide basis; and
- (b) the adequacy of the risk management function of the relevant financial holding company, including ensuring that it is sufficiently resourced to monitor risk by the various risk categories and that it has appropriate independent reporting lines.

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(3) The Risk Management Committee shall maintain records of all its meetings.

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(4) If a member of the Risk Management Committee resigns, ceases to be a director or for any other reason ceases to be a member of the Risk Management Committee —

- (a) the relevant financial holding company shall notify the Authority of the event within 14 days after the occurrence of the event; and
- (b) if this results in a breach of any requirement under [paragraph \(1\)](#), the board of directors shall, within 3 months after that event, appoint such number of new members as may be necessary to rectify the composition of the Risk Management Committee in accordance with that requirement.

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(5) Any relevant financial holding company which contravenes [paragraph \(1\)](#) shall be guilty of an offence and shall be liable on conviction to a fine not exceeding \$25,000 and, in the case of a continuing offence, to a further fine not exceeding \$2,500 for every day or part thereof during which the offence continues after conviction.

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(6) Any relevant financial holding company which contravenes [paragraph \(4\)\(a\)](#) shall be guilty of an offence and shall be liable on conviction to a fine not exceeding \$25,000.

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Approval of Authority

35.—(1) A relevant financial holding company shall obtain the prior approval of the Authority for the appointment of the following persons:

(a) all directors and each such appointment shall be for a term not exceeding 3 years;

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(b) the chairman of the board of directors;

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(c) the members of the Nominating Committee;

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(d) the chief executive officer and deputy chief executive officer;

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(e) the chief financial officer; and

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(f) the chief risk officer.

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(2) Without prejudice to any other matter that the Authority may consider relevant, the Authority shall, in determining whether to grant its approval under [paragraph \(1\)](#), have regard to whether the person is a fit and proper person to hold the office.

(2A) For the purposes of [paragraph \(1\)\(f\)](#), a relevant financial holding company which has appointed any person as its chief risk officer immediately before 9th December 2010 shall be deemed to have obtained the prior approval of the Authority for that appointment —

(a) for a period of 3 months from the date on which the relevant financial holding company holds or is required by law to hold its annual general meeting for the year 2011; or

(b) if, before the expiry of the period referred to in [sub-paragraph \(a\)](#), the relevant financial holding company applies for the approval of the Authority for that appointment, until the date on which the approval is given or the application for approval is refused,

whichever is later.

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(3) Any relevant financial holding company which contravenes [paragraph \(1\)](#) shall be guilty of an offence and shall be liable on conviction to a fine not exceeding \$25,000

and, in the case of a continuing offence, to a further fine not exceeding \$2,500 for every day or part thereof during which the offence continues after conviction.

Removal of principal officers

35A.—(1) Where —

- (a) the Authority is satisfied that a chief executive officer, deputy chief executive officer, chief financial officer or chief risk officer of a relevant financial holding company (referred to in this regulation as officer) —
 - (i) has wilfully contravened or wilfully caused the relevant financial holding company to contravene any provision of these Regulations;
 - (ii) has, without reasonable excuse, failed to secure the compliance of the relevant financial holding company with any provision of these Regulations; or
 - (iii) has failed to discharge any of the duties of his office; or
- (b) such officer has had —
 - (i) execution against him in respect of a judgment debt returned unsatisfied in whole or in part; or
 - (ii) a prohibition order under [section 59 of the Financial Advisers Act \(Cap. 110\)](#), [section 35V of the Insurance Act \(Cap. 142\)](#) or [section 95 of the Securities and Futures Act \(Cap. 289\)](#) made against him that remains in force,

the Authority may, if it thinks it necessary in the public interest, by notice in writing to the relevant financial holding company, direct the relevant financial holding company to remove the officer from office or employment within such period as may be specified in the notice, and the relevant financial holding company shall comply with the notice.

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(2) Before directing a relevant financial holding company to remove the officer under [paragraph \(1\)](#), the Authority shall —

- (a) give the relevant financial holding company and the officer notice in writing of its intention to do so; and
- (b) in the notice referred to in [sub-paragraph \(a\)](#), call upon the relevant financial holding company and the officer to show cause within such time as may be specified in the notice why the officer should not be removed.

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(3) If the relevant financial holding company and the officer referred to in [paragraph \(1\)](#) —

- (a) fail to show cause within the time specified in a notice issued under [paragraph \(2\)](#) or within such extended period of time as the Authority may allow; or

(b) fail to show sufficient cause,

the Authority may direct the relevant financial holding company to remove the officer under [paragraph \(1\)](#).

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(4) Any relevant financial holding company which, or any officer of a relevant financial holding company who, is aggrieved by a direction of the Authority under [paragraph \(1\)](#) may, within 30 days after the direction, appeal in writing to the Minister whose decision shall be final.

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(5) Any relevant financial holding company which fails to comply with a notice issued under [paragraph \(1\)](#) shall be guilty of an offence and shall be liable on conviction to a fine not exceeding \$25,000 and, in the case of a continuing offence, to a further fine not exceeding \$2,500 for every day or part thereof during which the offence continues after conviction.

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Executive officers

36.—(1) A relevant financial holding company shall not appoint any person as its executive officer while that person is concurrently —

- (a) employed by a substantial shareholder of the relevant financial holding company (other than a financial holding company of the relevant financial holding company);
- (b) an executive officer of an affiliate of a substantial shareholder of the relevant financial holding company; or
- (c) where the relevant financial holding company is a subsidiary of another financial holding company, employed by a substantial shareholder of the second-mentioned financial holding company or an affiliate of a substantial shareholder of the second-mentioned financial holding company.

(2) Any relevant financial holding company which contravenes [paragraph \(1\)](#) shall be guilty of an offence and shall be liable on conviction to a fine not exceeding \$25,000 and, in the case of a continuing offence, to a further fine not exceeding \$2,500 for every day or part thereof during which the offence continues after conviction.

Separation of roles

37.—(1) A relevant financial holding company shall not appoint any of the following persons as the chairman of its board of directors:

- (a) any of its executive directors;
- (b) any person who is a member of the immediate family of the chief executive officer of the relevant financial holding company.

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(2) Any relevant financial holding company which contravenes [paragraph \(1\)](#) shall be guilty of an offence and shall be liable on conviction to a fine not exceeding \$25,000 and, in the case of a continuing offence, to a further fine not exceeding \$2,500 for every day or part thereof during which the offence continues after conviction.

Exceptions for purposes of this Part

38.—(1) Subject to [paragraphs \(2\)](#) and [\(3\)](#), the requirements under [regulations 26\(1\)](#), [27](#), [29\(1\)](#), [33\(1\)](#), [34\(1\)](#) and [34A\(1\)](#) shall not apply in relation to a relevant financial holding company —

(a) where —

- (i) there is a change in the status of a director under [regulation 23](#) or [24](#) during the period between the date immediately after the date of the director's appointment and the date immediately before the next annual general meeting of the relevant financial holding company; and
- (ii) the relevant financial holding company could not reasonably have known of that change on or before the date of the director's appointment; or

(b) where —

- (i) there is a change in the status of a director under [regulation 23](#) or [24](#) during the period between the date immediately after an annual general meeting of the relevant financial holding company and the date immediately before the next annual general meeting of the relevant financial holding company (other than the period referred to in [sub-paragraph \(a\)\(i\)](#)); and
- (ii) the relevant financial holding company could not reasonably have known of that change on or before the date of the first-mentioned annual general meeting.

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(2) [Paragraph \(1\)](#) shall not apply unless, in the circumstances referred to in paragraph (1)(a)(i) or (b)(i), the relevant financial holding company, within 14 days after becoming aware of the change in the status of the director, notifies the Authority of the change and, subject to [paragraph \(3\)](#) —

- (a) in respect of any requirement under [regulation 26\(1\)](#), at the next annual general meeting, appoints such number of new directors as may be necessary to rectify the composition of the board of directors in accordance with that requirement; or
- (b) in respect of any requirement under [regulation 27](#), [29\(1\)](#), [33\(1\)](#), [34\(1\)](#) or [34A\(1\)](#), within 3 months after notifying the Authority of the change of status of the director, appoints such number of new members as may be

necessary to rectify the composition of the relevant committee in accordance with that requirement.

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(3) Notwithstanding [paragraph \(2\)](#), the Authority may, upon being notified of a change in the status of a director under [paragraph \(2\)](#), direct the relevant financial holding company —

- (a) to appoint such number of new directors as may be necessary to rectify the composition of the board of directors in accordance with the requirements prescribed under [regulation 26\(1\)](#) within such time before the next annual general meeting of the relevant financial holding company and subject to such conditions or restrictions as the Authority may specify; or
- (b) to appoint such number of new members as may be necessary to rectify the composition of the relevant committee in accordance with the requirements prescribed under [regulation 27](#), [29\(1\)](#), [33\(1\)](#), [34\(1\)](#) or [34A\(1\)](#), as the case may be, within such time before the expiration of 3 months from the date the relevant financial holding company notifies the Authority of the change and subject to such conditions or restrictions as the Authority may specify,

and the relevant financial holding company shall comply with that direction.

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(4) Any relevant financial holding company which fails to comply with any condition or restriction imposed by the Authority under [paragraph \(3\)](#) shall be guilty of an offence and shall be liable on conviction to a fine not exceeding \$25,000.

PART IV EXEMPTION

Exemption

39.—(1) The Authority may, on the application of any bank incorporated in Singapore, financial holding company or major stake financial [company entity](#) (each referred to in this regulation as the applicant), by notice in writing exempt the applicant from all or any of the provisions of these Regulations, subject to such conditions as the Authority may determine, if the Authority considers it appropriate to do so in the circumstances of the case.

(2) Any applicant which fails to comply with any condition imposed by the Authority under [paragraph \(1\)](#) shall be guilty of an offence and shall be liable on conviction to a fine not exceeding \$25,000.

(3) An exemption granted under [paragraph \(1\)](#) may be withdrawn by the Authority at any time.

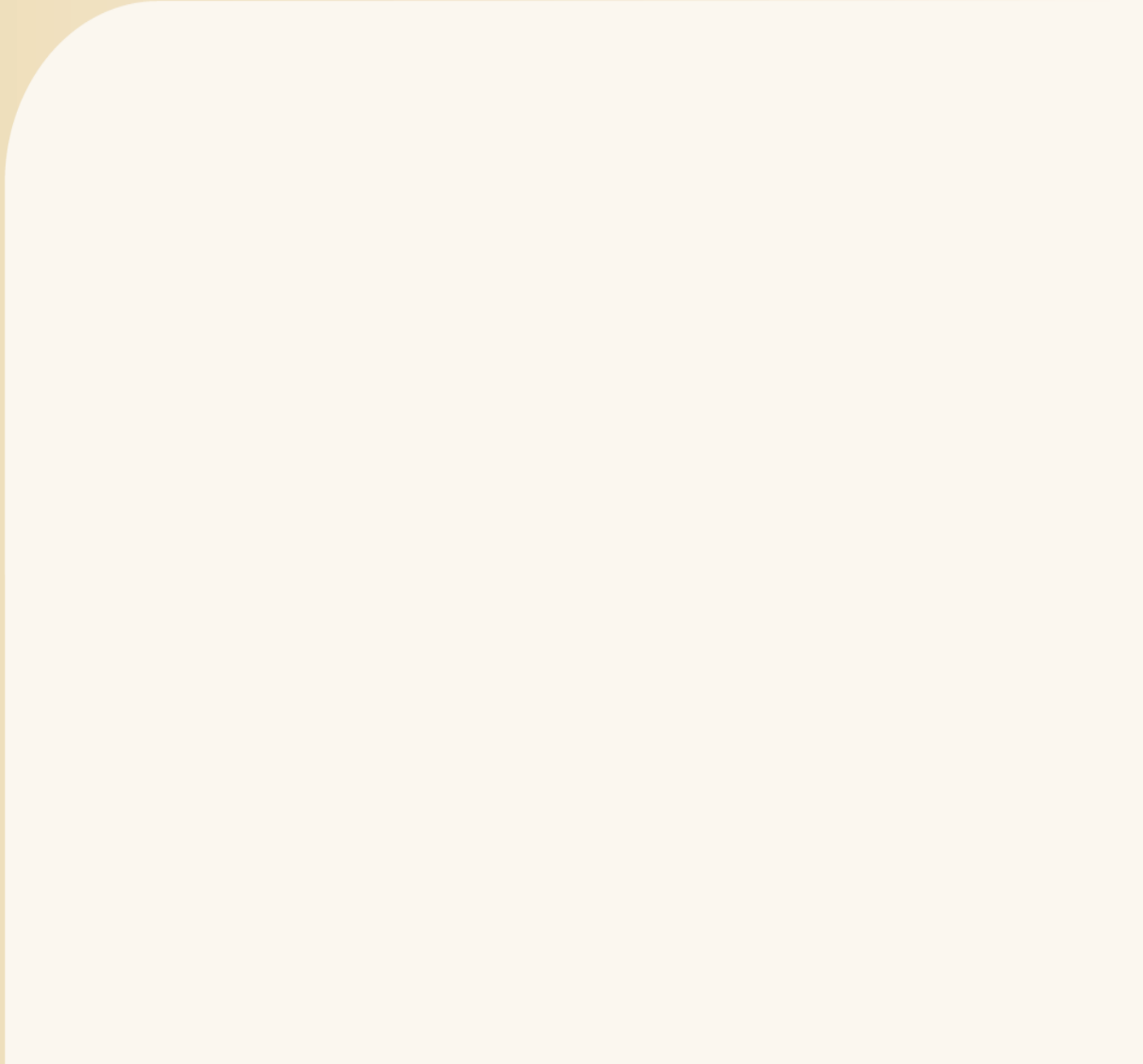
PART V

40. *[Deleted by S 754/2010 wef 09/12/2010]*

Made this 5th day of September 2005.

HENG SWEE KEAT
Managing Director,
Monetary Authority of Singapore.

[FSG BK 022/2002 PT3; AG/LEG/SL/19/2003/1 Vol. 4]



Monetary Authority of Singapore

RESPONSE TO CONSULTATION PAPER

Please note that all submissions received will be published and attributed to the respective respondents unless they expressly request MAS not to do so. As such, if respondents would like (i) their whole submission or part of it, or (ii) their identity, or both, to be kept confidential, please expressly state so in the 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.

Consultation topic:	Proposed Amendments to the Banking Regulations and Banking (Corporate Governance) Regulations
Name¹/Organisation: <small>¹if responding in a personal capacity</small>	
Contact number for any clarifications:	
Email address for any clarifications:	
Confidentiality	
I wish to keep the following confidential:	<i>(Please indicate any parts of your submission you would like to be kept confidential, or if you would like your identity to be kept confidential. Your contact information will not be published.)</i>

General comments:

Question 1: MAS seeks comments on the proposal to prescribe money-changing and remittance businesses for the purposes of section 12 of the Banking Act.

<Please fill in your response in the blank space below the question.>

Question 2: MAS seeks comments on the proposed regulation on banks' risk management.

Question 3: MAS seeks comments on the remaining proposed amendments to the Banking Regulations and Banking (Corporate Governance) Regulations.