

RESPONSE TO FEEDBACK RECEIVED

30 June 2021

Proposed Amendments to Regulations, Notices and Guidelines Arising from the Banking (Amendment) Act 2020 and Other Changes

MAS

Monetary Authority of Singapore

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1 Preface

1.1 On 2 December 2020, MAS consulted on the proposed amendments to Regulations, Notices and Guidelines arising from the Banking (Amendment) Act 2020 (BAA 2020) and other changes (Consultation). As explained in the Consultation, MAS had previously consulted on the policy proposals behind the proposed amendments. We also commenced sections of the BAA 2020 that are legislatively and operationally straightforward, and do not require further consultation, on 1 October 2020. The remaining sections of the BAA 2020 will commence on 1 July 2021.

1.2 MAS has received feedback from 14 respondents, representing 20 banks and merchant banks. MAS thanks all respondents for their feedback.

1.3 MAS has carefully considered the feedback received and where appropriate, has incorporated them into the revised drafts of the relevant Regulations, Notices and Guidelines (see Annex A for the list of amended, cancelled and new instruments from 1 July 2021). Feedback of wider interest, together with MAS' responses, are set out below. Responses not directly related to the proposed amendments in the Consultation will be addressed individually to the relevant respondent.

2 Amendments arising from the BAA 2020

Clarifications on Asset Maintenance (AM) and Adjusted Capital Funds (ACF) Requirements and ACU Limit after the removal of the DBU-ACU Divide

2.1 Three respondents have sought clarification on AM requirements, including AM requirements for non-Singapore dollar deposit liabilities, and the regulatory instrument that will be used to impose AM requirements on merchant banks. One respondent also sought clarity on the ACF requirements and ACU limit.

MAS' Response

2.2 With the removal of the DBU-ACU divide, the AM requirements currently imposed in respect of deposit liabilities incurred by a bank in Singapore with non-bank customers in the DBU or ACU will instead be imposed in respect of deposit liabilities incurred by the bank with non-bank customers which are incurred in Singapore dollars (SGD) and foreign currencies (FCY) respectively. Please refer to table below for an illustration of the changes to the applicable AM requirements.

Current		After removal of DBU-ACU divide	
<u>AM requirements applicable to the DBU</u>	<u>AM requirements applicable to the ACU</u>	<u>AM requirements applicable to SGD deposits</u>	<u>AM requirements applicable to all FCY deposits</u>
Applies to the following deposits in the DBU: i) SGD deposits ii) FCY deposits	Applies to FCY deposits in the ACU	Applies to all SGD deposits	Applies to all FCY deposits

2.3 There will be no change to the computation of eligible assets, including the applicable composition and haircuts, for the purposes of AM requirements. There will also be no change to the current computation and maintenance cycles after the removal of the DBU-ACU divide. Submissions will continue to be required to be made on a fortnightly basis, and there will not be any changes to the AM returns except for the changes described in paragraph 2.2.

2.4 There will be no change to the ACF computation methodology, other than the removal of references made to the terms “DBU” and “ACU”. The reporting template for the revised MAS Notice 610/1003, published in August 2020, provides guidance on the ACF computation methodology after the removal of the DBU-ACU divide.

2.5 As explained in MAS’ response to the consultation on *Removing the DBU-ACU Divide—Implementation Issues* published in February 2017, the ACU limit will no longer apply after the removal of the DBU-ACU divide. MAS may however impose specific requirements where necessary.

Review of the Anti-Commingling Framework

2.6 Several respondents have sought clarifications on regulations relating to MAS’ review of the anti-commingling framework in 2017. The broad rationale and regulatory expectations for the proposals as explained in the consultation paper, *Review of Anti-Commingling Framework for Banks* published in September 2017, and its related Response to

Feedback Received on the Review of Anti-Commingling Framework for Banks¹ (“Anti-Commingling Consultation Response”) published in November 2020, remain relevant. The paragraphs below address feedback on the specific regulations. Please refer to Annex B for MAS’ responses to other feedback in relation to the regulations related to the anti-commingling framework.

Exemptions from section 5A of Banking Act

2.7 In paragraph 4.5 of the Anti-Commingling Consultation Response, MAS had clarified that board deliberation and approval is needed where a locally-incorporated bank uses or places its name, logo or trademark without MAS’ approval, in relation to any event that is sponsored by the bank. Four respondents asked whether the requirement for board approval would be included in the revised Banking Regulations.

MAS’ Response

2.8 MAS will amend the Banking Regulations to make clear that MAS will only allow a locally-incorporated bank to use or place its name, logo or trade mark without MAS’ approval, in relation to any event that is sponsored by the bank, where it is subject to approval by its board.

2.9 An approval from the board of directors of a bank incorporated in Singapore that has been obtained before the commencement of the revised Banking Regulations shall continue to have effect. However, if there are substantive changes to the use of the name, logo or trade mark and such use no longer falls within the scope of the approval previously obtained from the board of directors, the bank should obtain a fresh approval from the board in accordance to the bank’s governance policies .

Prescribed related or complementary business

2.10 Subject to certain conditions, the revised Banking Regulations prescribe, among others, the business of operating an online location where consumer goods or services are sold to consumers, 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 (referred to in this paragraph as “permitted non-financial business”).

¹ The Consultation Paper and MAS Response to Feedback are available at this link: <https://www.mas.gov.sg/publications/consultations/2017/consultation-paper-on-review-of-anti-commingling-framework-for-banks>.

2.11 Four respondents asked whether a bank's branch could be used to facilitate the sale of consumer goods or services under the proposed regulations 23G(1)(a) and (b).

MAS' Response

2.12 Banks operating an online location for consumer goods or services may have electronic devices available in their branches to allow the bank's customers to access the online location. Banks should engage MAS on their plans to make use of the bank's branches for this purpose. As the sale of consumer goods or services allowed under the revised regulations 23G(1)(a) and (b) of the Banking Regulations takes place on online locations, the use of the bank's branches should be limited and no sale of consumer goods or services is allowed in them.

Prescribed related or complementary business that is non-revenue generating, etc.

2.13 Five respondents sought clarification on the scope of businesses that can be conducted under the proposed regulation 23G(2)². One respondent also sought clarification on the type of businesses referred to in the proposed regulation 23G(2)(b).

MAS' Response

2.14 A business referred to in the revised regulation 23H(1) must meet the requirements set out in the new regulation 23H(1)(a) to (c). Such business is expected to be low risk and is not subject to the revised regulations 23G(2) to (6). For avoidance of doubt, any revenue earned from the bank's core financial businesses arising indirectly from a business referred to in the new regulation 23H(1) does not constitute revenue from the business referred to in the new regulation 23H(1).

2.15 A business that is incidental to a business referred to in the new regulation 23H(1) of the Banking Regulations must also meet the requirements set out in the new regulation 23H(1)(a) to (c). As such, MAS has not included the proposed regulation 23G(2)(b) in the revised Banking Regulations.

² This is regulation 23H in the revised Banking Regulations.

Saving provision for businesses carried on under Regulation 23G before 1 July 2021

2.16 The proposed regulation 23G(4)³ allows banks that conduct any business prescribed in the existing regulation 23G immediately before 1 July 2021 to continue undertaking such businesses, subject to conditions. One respondent sought clarification on whether the conditions set out in the new regulation 23I would apply to a business that falls within the scope of the existing regulation 23G immediately before 1 July 2021 and the new regulation 23H(1).

MAS' Response

2.17 A bank that is conducting a business prescribed in the existing regulation 23G immediately before 1 July 2021 can continue to carry on said business under the new regulation 23I, subject to the requirements set out in the regulation. However, if said business also meets the requirements in the new regulation 23H, the bank can carry on the business under the new regulation 23H and will therefore not need to satisfy the requirements in the new regulation 23I.

Regulatory Instruments for Merchant Banks

2.18 One respondent sought confirmation that regulatory instruments for merchant banks will be issued separately from that for banks and will not be consolidated with parallel instruments for banks.

MAS' Response

2.19 Current Directives and Notices applicable to merchant banks will be cancelled and re-issued under the relevant provisions in the new Part VIIB of the Banking Act (Cap. 19), which sets out a new licensing framework for merchant banks. The regulatory requirements applicable to merchant banks will not be incorporated into existing instruments applicable to banks, with the exception of regulations 3A and 36 of the Banking Regulations. Merchant banks may refer to regulations 3A and 36 on the exemptions from the restriction on deposit-taking business and soliciting deposits and the types of offences that may be compounded by the Authority, respectively.

Submission of returns under regulation 9 of the Banking Regulations

2.20 Pursuant to regulation 9 of the Banking Regulations, banks are required to submit returns to MAS on their property sector exposure in the form set out in the First Schedule of

³ This is regulation 23I in the revised Banking Regulations.

the Banking Regulations (the “property sector exposure returns”) within 10 days from the end of each quarter. In the Consultation, MAS had proposed to amend regulation 9 so that the property sector exposure returns must be submitted within 14 days from the end of each quarter, to align with the reporting timeline in paragraph 5(a) of the revised MAS Notice 610 that will take effect from 1 July 2021.

2.21 Two respondents sought clarification on whether banks are allowed to submit the property sector exposure returns on the next business day if the deadline does not fall on a business day. One bank proposed for the submission deadline of the property sector exposure returns to be 15 days, instead of 14 days, from the end of each quarter. One respondent sought confirmation that the “Total property sector exposure denominator (B)” referred to in the First Schedule to the Banking Regulations includes non-property sector exposures.

MAS’ Response

2.22 The proposed submission deadline of 14 days for property sector exposure returns will remain aligned with that of paragraph 5(a) of the revised MAS Notice 610 that will take effect from 1 July 2021, and both submissions can be prepared in conjunction to ensure that the figures are consistent between them. For example, under regulation 9 of the Banking Regulations, the deadline for the submission of returns on property sector exposure as at 30 June 2021 will be 14 July 2021.

2.23 If the day on which a bank has to submit a property sector exposure return is not a business day, the bank may submit the property sector exposure return on the next business day. This approach is aligned with other returns required to be submitted to MAS, such as the returns required to be submitted under MAS Notice 610. We will reflect this in the Banking Regulations and the Banking (Merchant Banks) Regulations.

2.24 In computing the “Total of property sector exposure denominator (B)” referred to in the First Schedule to the Banking Regulations, for the purposes of computing the property sector exposure ratio, the bank must aggregate the figures in rows 8, 9 and 10⁴ in the reporting template in the First Schedule to the Banking Regulations, which include non-property sector exposures.

⁴ These rows refer to the total non-bank loans, total non-bank debt instruments, and total contingent liabilities respectively.

3 Amendments to compound offences in relation to privacy of customer information

Scope of privacy and confidentiality requirements under section 47 of the Banking Act

3.1 One respondent asked whether the proposal to prescribe the offences under section 47 of the Banking Act as compoundable by MAS would mean that privacy and confidentiality requirements as set out in section 47 of the Banking Act will also apply to persons to whom information may be disclosed under Part II of the Third Schedule of the BA.

MAS' Response

3.2 To clarify, section 47(5) of the Banking Act prevents a 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 from disclosing customer information to any other person, except as authorised under the Third Schedule or if required to do so by an order of court. This applies in respect of customer information held by banks and merchant banks, and the proposed amendments will not change this position.

Determination of a breach and applicable penalties

3.3 One respondent sought clarification on whether there would be changes to the timelines and information required for client data breach incident reporting, as well as the considerations in determining whether to compound offences for breaches and the applicable penalties.

3.4 The respondent also asked what would be considered a disclosure of customer information or protected information in breach of section 47 of the Banking Act or section 49 of the Trust Companies Act (Cap. 336) respectively.

MAS' Response

3.5 MAS is reviewing the reporting requirements for breaches of section 47 of the Banking Act and section 49 of the Trust Companies Act.

3.6 In responding to a breach of section 47(1) of the Banking Act or section 49(1) of the Trust Companies Act, MAS may take into consideration the circumstances surrounding the breach, such as the severity of the breach in terms of its impact and likelihood of harm to the customer and the financial industry, as well as the robustness of internal controls at the financial institution. Relevant mitigating and aggravating factors may be considered on a case-by-case basis in determining the severity of the action to be taken.

3.7 Section 47 of the Banking Act prohibits a bank in Singapore, any of its officers or third parties⁵ from disclosing customer information as defined in section 40A of the Banking Act. Similarly, section 49 of the Trust Companies Act prohibits a licensed trust company, any of its officers or third parties⁶ from disclosing protected information, as referred to in section 49(1) of the Trust Companies Act. MAS takes the view that a breach of section 47 of the Banking Act or section 49 of the Trust Companies Act may occur where the relevant parties either actively made the disclosure or permitted a state of affairs to arise which led to the disclosure. For example, a bank may be regarded as breaching section 47(1) of the Banking Act if it disclosed customer information which confirms that an individual is a customer of a bank, to recipients that are not authorised to receive such information (referred to in this paragraph as “unauthorised recipients”). By way of another example, a bank may also breach section 47 of the BA if it makes an unauthorised disclosure of customer information, even if the unauthorised recipient cannot be identified.

⁵ These are persons who receive customer information pursuant to exceptions set out in Part II of the Third Schedule of the Banking Act, such as auditors appointed or engaged by the bank under a contract of service, or a licensed credit bureau.

⁶ These are persons who receive protected information pursuant to exceptions set out in Part II of the Third Schedule to the Trust Companies Act, such as auditors or other professional advisers appointed or engaged by the licensed trust company under a contract of service.

Annex A: List of amended, cancelled and new instruments

Subsidiary Legislation issued	
1.	Banking (Amendment) Act 2020 (Commencement) Notification 2021
2.	Banking (Amendment) Regulations 2021
3.	Banking (Merchant Banks) Regulations 2021
4.	Banking (Licence Fees) (Amendment) Notification 2021
5.	Banking (Credit and Charge Card) (Amendment) Regulations 2021
6.	Deposit Insurance and Policy Owners' Protection Schemes (Deposit Insurance) (Amendment) Regulations 2021
7.	Monetary Authority of Singapore (Merchant Banks – Annual Fees) (Cancellation) Notification 2021
8.	Monetary Authority of Singapore (Resolution of Financial Institutions) (Amendment) Regulations 2021
9.	Monetary Authority of Singapore (Control of Financial Institutions) (Amendment) Regulations 2021
10.	Monetary Authority of Singapore (Prescribed Financial Institutions under Section 40A) (Amendment) Regulations 2021
11.	Payment Services (Amendment) Regulations 2021
12.	Financial Advisers (Exemption from Sections 25 to 29 and 36) (Amendment) Regulations 2021
13.	Financial Advisers (Amendment) Regulations 2021
14.	Financial Advisers (Structured Deposits – Prescribed Investment Product and Exemption) (Amendment) Regulations 2021
15.	Securities and Futures (Clearing of Derivatives Contracts) (Amendment) Regulations 2021
16.	Securities and Futures (Trading of Derivatives Contracts) (Amendment) Regulations 2021
17.	Securities and Futures (Licensing and Conduct of Business) (Amendment No. 2) Regulations 2021
18.	Securities and Futures (Market Conduct) (Exemption for Stabilising Action in respect of Dealings in Bonds) (Miscellaneous Amendments) Regulations 2021
19.	Securities and Futures (Offers of Investments) (Collective Investment Schemes) (Amendment) Regulations 2021
20.	Securities and Futures (Offers of Investments) (Securities and Securities-based Derivatives Contracts) (Amendment) Regulations 2021
21.	Securities and Futures (Exemption from Subdivisions (2) and (3) of Division 1 of Part XIII) (Amendment) Regulations 2021
22.	Securities and Futures (Revocation of Exemptions) Regulations 2021
23.	Trust Companies (Amendment) Regulations 2021
MAS Notices amended	
24.	MAS Notice 109 – Lending of Singapore Dollar to Non-Resident Financial Institutions
25.	MAS Notice 133 – Valuation and Capital Framework for Insurers

26.	MAS Notice 211 – Minimum and Best Practice Training and Competency Standards for Direct General Insurers
27.	MAS Notice 307 – Investment-Linked Policies
28.	MAS Notice 314 – Prevention of Money Laundering and Countering the Financing of Terrorism – Direct Life Insurers
29.	MAS Notice IA/PP-N03.1 – Insurance Deposits
30.	MAS Notice SFA04-N02 – Prevention of Money Laundering and Countering the Financing of Terrorism - CMI's
31.	MAS Notice FAA-N06 – Prevention of Money Laundering and Countering the Financing of Terrorism – Financial Advisers
32.	MAS Notice PSN01 – Prevention of Money Laundering and Countering the Financing of Terrorism – Specified Payment Services
33.	MAS Notice PSN02 – Prevention of Money Laundering and Countering the Financing of Terrorism – Digital Payment Token Service
34.	MAS Notice PSN10 – Prevention of Money Laundering and Countering the Financing of Terrorism – Exempt Payment Service Providers
35.	MAS Notice TCA-N03 – Prevention of Money Laundering and Countering the Financing of Terrorism – Trust Companies
36.	MAS Notice VCC-N01 – Prevention of Money Laundering and Countering the Financing of Terrorism – Variable Capital Companies
37.	MAS Notice FAA-N11 – Dual Currency Investments
38.	MAS Notice SFA 03AA-N01 – Prevention of Money Laundering and Countering the Financing of Terrorism – The Depository
39.	MAS Notice SFA 13-N01 – Prevention of Money Laundering and Countering the Financing of Terrorism – Approved Trustees
40.	MAS Notice SFA 04-N04 – Lending of Singapore Dollar to Non-Resident Financial Institutions for Holders of Capital Markets Services Licence
41.	MAS Notice SFA 04-N13 – Risk Based Capital Adequacy Requirements for Holders of Capital Markets Services Licences
42.	MAS Notice 601 – Capital Funds and Head Office Capital Funds
43.	MAS Notice 625 – Compliance with Sections 31 and 33 on a Consolidated Basis
44.	MAS Notice 626 – Prevention of Money Laundering and Countering the Financing of Terrorism – Banks
45.	MAS Notice 626A – Prevention of Money Laundering and Countering the Financing of Terrorism – Credit Card or Charge Card Licensees
46.	MAS Notice 630 – Private Equity and Venture Capital Investments
47.	MAS Notice 631 – Meaning of Customer under Section 40A
48.	MAS Notice 636 – Negotiable Certificates of Deposit
49.	MAS Notice 640 – Minimum Asset Maintenance Requirements
50.	MAS Notice 757 – Lending of Singapore Dollar to Non-Resident Financial Institutions
51.	MAS Notice 759 – Collection of Statistical Returns for Credit Cards
52.	MAS Notice 760 – Collection of Statistical Returns for Unsecured Credit Facilities

53.	MAS Notice 816 – Lending of Singapore Dollar to Non-Resident Financial Institutions
54.	MAS Notice 824 – Prevention of Money Laundering and Countering the Financing of Terrorism – Finance Companies
55.	MAS Notice 1014 – Prevention of Money Laundering and Countering the Financing of Terrorism – Merchant Banks
MAS Notices applicable to MBs which have been cancelled¹ and reissued	
56.	MAS Notice 1001 – Definition of Capital Funds and Net Head Office Funds
57.	MAS Notice 1002 – Auditors' Reports and Additional Information to be Submitted with Annual Accounts
58.	MAS Notice 1004 – Exposures and Credit Facilities to Merchant Bank Related Concerns
59.	MAS Notice 1005 – Credit Files, Grading and Provisioning
60.	MAS Notice 1005A – Credit Files, Grading and Provisioning – COVID-19
61.	MAS Notice 1007 – Appointment of External Auditors
62.	MAS Notice 1012 – Credit Facilities to a Counterparty or Group of Counterparties
63.	MAS Notice 1013 – Disclosure in Financial Statements
64.	MAS Notice 1015 – Minimum Liquid Assets and Liquidity Coverage Ratio
65.	MAS Notice 1102 – Appointment of Head of Treasury and Register of Dealers
66.	MAS Notice 1104 – Weekly Report on S\$ Transactions
67.	MAS Notice 1105 – Lending of Singapore Dollar to Non-Resident Financial Institutions
68.	MAS Notice 1106 – Residential Property Loans
69.	MAS Notice 1106A – Residential Property Loans – Fact Sheet
70.	MAS Notice 1106B – Residential Property Loans
71.	MAS Notice 1107 – Bridging Loans for the Purchase of Immovable Properties
72.	MAS Notice 1108 – Banking Secrecy – Conditions for Outsourcing
73.	MAS Notice 1109 – Unsecured Credit Facilities to Individuals
74.	MAS Notice 1110 – Negotiable Certificates of Deposit
75.	MAS Notice 1111 – Risk Based Capital Adequacy Requirements for Merchant Banks Incorporated in Singapore
76.	MAS Notice 1113 – Motor Vehicle Loans
77.	MAS Notice 1114 – Technology Risk Management
78.	MAS Notice 1115 – Computation of Total Debt Servicing Ratio for Property Loans
79.	MAS Notice 1115A – Computation of Total Debt Servicing Ratio for Property Loans

¹ Cancelled under the MAS Notices 1001, 1002, 1004, 1005, 1005A, 1007, 1011, 1012, 1013, 1015, 1102, 1104, 1105, 1106, 1106A, 1106B, 1107, 1109, 1110, 1111, 1113, 1114, 1115, 1115A, 1116, 1117, 1118 and MAS Directives 1, 2, 3, 4, 5, 6, 7, 8, 10, 11, 13, 14, 15, 16, 17, 18, 19, 20, 21, 22, 23, 24, 25, 26, 27, 28, 29, 30, 31, 32, 33 (Cancellation) 2021. MAS Notice 1108 is cancelled under MAS Notice 1108 (Cancellation) 2021.

80.	MAS Notice 1116 – Foreign Exchange Conversion in China via the Renminbi Clearing Bank for the Settlement of Eligible Cross-Border Trade
81.	MAS Notice 1118 – Cyber Hygiene
Instruments applicable to MBs which have been cancelled	
82.	MAS Notice 1011 – Appointment of Chief Executives ¹
83.	MAS Notice 1117 – Collection of Statistical Returns for Renminbi Business Activities ¹
84.	All MB Directives ¹
85.	Asian Currency Unit Terms and Conditions of Operation ²
86.	Guidelines for Operation of “Merchant” Banks ³
New MAS Notices issued	
87.	MAS Notice 657 – Privacy of Customer Information – Conditions for Disclosure of Customer Information by Auditors
88.	MAS Notice 1016 – Loss Allowance for Expected Credit Losses on Credit Exposures
89.	MAS Notice 1017 – Privacy of Customer Information – Conditions for Disclosure of Customer Information by Auditors
90.	MAS Notice 1018 – Private Equity and Venture Capital Investments
91.	MAS Notice 1019 – Meaning of Customer under Section 40A as applied by Section 55ZJ(1)
92.	MAS Notice 1120 – Reporting of Suspicious Activities and Incidents of Fraud
Guidelines and other instruments amended	
93.	Guidelines for Operation of Wholesale Banks
94.	Guidelines on Definition of a “Deposit”
95.	Guidelines on the Application of Banking Regulations to Islamic Banking
96.	Guidelines on Structured Deposits
97.	Guidelines on Fit and Proper Criteria
98.	Guidelines on Risk Management Practices - Board and Senior Management
99.	Guidelines on Margin Requirements for Non-Centrally Cleared OTC derivatives
100.	Guidelines on Risk Mitigation Requirements for Non-Centrally Cleared Over-the-Counter Derivative Contracts
101.	Guidelines on Criteria for the Registration of an Insurance Broker
102.	Code on Collective Investment Schemes
103.	Form 26 - Notice of Commencement of Business / Additional Financial Advisory Services by Persons Exempt from Holding a Financial Adviser's Licence under Section 23(1)(a), (b), (c), (d), and (e)
104.	Form 27 - Notice of Change of Particulars by Persons Exempt from Holding a Financial Adviser's Licence under section 23(1)(a), (b), (c), (d), and (e)

² Cancelled under the Asian Currency Unit Terms and Conditions of Operation (Cancellation) 2021.

³ Cancelled under the Guidelines for Operation of “Merchant” Banks (Cancellation) 2021.

105.	FAQs on Financial Advisers Act, Financial Advisers Regulations, Notices and Guidelines
106.	FAQs on the Securities and Futures (Reporting of Derivatives Contracts) Regulations 2013
107.	FAQs - Notice on Technology Risk Management
108.	FAQs – Notice on Cyber Hygiene

Annex B: MAS' Response to Other Questions

Respondent Feedback	MAS' Response
<p>Five respondents asked whether MAS will adopt the same approach in interpreting "incidental" as used in the proposed regulation 23G of the Banking Regulations, and as used in section 30(1)(c) of the Banking Act.</p>	<p>MAS will adopt the same approach in determining whether an activity is considered "incidental" to another for the purposes of section 30(1)(c) of the Banking Act and revised regulation 23G of the Banking Regulations.</p> <p>A business is considered "incidental" to a permissible non-financial business if the business is necessary to ensure that the permissible non-financial business can be conducted satisfactorily. Banks should assess each arrangement on a case-by-case basis to determine if a business is incidental to a business under the revised regulation 23G(1) of the Banking Regulations (referred to in this row as a "permissible non-financial business") or a business under section 30(1)(a) or (b) (referred to in this row as a financial business") that the bank is conducting. Banks should engage MAS accordingly if its case-specific assessment is unclear.</p>
<p>Two respondents also sought clarification on whether referral arrangements that fall within the scope of the proposed regulation 23G(1)(h), where the underlying referred service is conducted by another financial institution, could be considered a business under section 30(1)(a), (b) or (c) of the Banking Act.</p>	<p>The business of "referring potential buyers to a seller of goods and services" should be distinguished from the underlying good or service that is the subject of the referrals. A referral business, where the underlying good or service, falls within the scope of section 30(1)(a) or (b) of the Banking Act does not on its own constitute a financial business. Such a referral business should be assessed on a case-by-case basis to determine if it constitutes a business that is incidental to the business referred to in section 30(1)(a) or (b) of the Banking Act or a business referred to in the revised regulation 23G(1).</p>
<p>Two respondents sought clarification on whether section 5A of the Banking Act applies to short-term events, such as a marketing campaign.</p>	<p>Section 5A of the Banking Act applies to short-term events such as a marketing campaign, as it does to longer term events.</p>

Respondent Feedback	MAS' Response
<p>Under the proposed regulation 23G(3)(b) ⁴ of the Banking Regulations, banks would need to put in place appropriate risk management and governance policies and procedures that are commensurate with the risks posed by the business referred to in proposed regulation 23G(1), and such arrangements must be approved by the bank's board of directors.</p> <p>One respondent sought clarification on whether the definition of "board of directors" for banks incorporated outside Singapore under the proposed regulation 23G will be aligned with the definition of "Board" under the proposed Notices to Banks on Management of Outsourced Relevant Services. Specifically, "Board" is defined in the proposed Notices to Banks on Management of Outsourced Relevant Services as "in the case of a bank incorporated outside Singapore, a board-level committee, or a management committee or body responsible for the oversight of the branches and offices of the bank located within Singapore".</p> <p>One respondent sought clarification on whether one or more persons authorised by a locally- incorporated bank's board of directors can provide approvals required from the board with regard to risk management and governance policies and procedures.</p>	<p>In the case of a branch or office located within Singapore of a bank incorporated outside Singapore (referred to in this row as a "foreign bank branch"), the "board of directors" refers to the board of directors at the bank's head office. A foreign bank branch that wishes to carry on a business referred to in the revised regulation 23G(1), where such business is already conducted by the bank's head office can rely on existing delegated approving authority to approve the risk management and governance policies and procedures referred to in the revised regulation 23G(2)(b) of the Banking Regulations for the business. Where the proposed business referred to in the revised regulation 23G(1) to be conducted by the foreign bank branch is a new business that has never been carried on by the head office before, approval from the board of directors at head office is required.</p> <p>Where approval from the board of directors is required under the revised regulations 23G(2)(c)(i) and (ii), the board of directors may determine a framework for approving risk management and governance policies and procedures for specific businesses. The framework may also impose certain conditions, such as the condition to obtain the consent of a board sub-committee.</p>

⁴ This is regulation 23G(2)(b) in the revised Banking Regulations.

Respondent Feedback	MAS' Response
<p>As mentioned in paragraph 6.2 of the Anti-Commingling Consultation Response, MAS has been approving applications to conduct permissible non-financial businesses pursuant to section 30(1)(e) of the Banking Act in the interim, before the amendment of the Banking Regulations. These approvals are subject to conditions such as obtaining approval of the bank's board of directors for the risk management and governance policies and procedures, in line with the proposed regulation 23G(3)(b)⁵ or (c)⁶ of the Banking Regulations, as the case may be.</p> <p>Two respondents sought clarification on whether the bank would need to seek fresh approvals from the board of directors again, upon the revision of the Banking Regulations.</p>	<p>Where the bank has obtained approval from the board of directors, or authorised persons (including but not limited to committees with delegated authority from the board of directors), as the case may be, for the purposes of meeting the conditions to MAS' approval pursuant to section 30(1)(e) of the Banking Act, and such approval meets the requirements of the revised regulations 23G(2)(b) and 23G(2)(c) of the Banking Regulations, the bank is not required to obtain fresh approvals when the revised regulations 23G(2)(b) and 23G(2)(c) take effect.</p>
<p>Under the proposed regulation 23G of the Banking Regulations, MAS simplified the measure of "Aggregate Non-Financial Business Size" such that it will be based on total balance sheet asset value or total exposures (whichever is the higher of the two) or such other measure of the size of the businesses as the Authority may specify by notice in writing. MAS removed revenue contribution as a measure of business size.</p> <p>One respondent sought clarification on whether revenue contribution can be used in the measure of "Aggregate Non-Financial Business Size", in cases</p>	<p>MAS will not include revenue contribution as a measure of "Aggregate Non-Financial Business Size". However, banks will be required to report revenue contribution in accordance with paragraph 1(a) of the Second Schedule of the revised Banking Regulations to provide an indication of the significance of the business to the bank.</p>

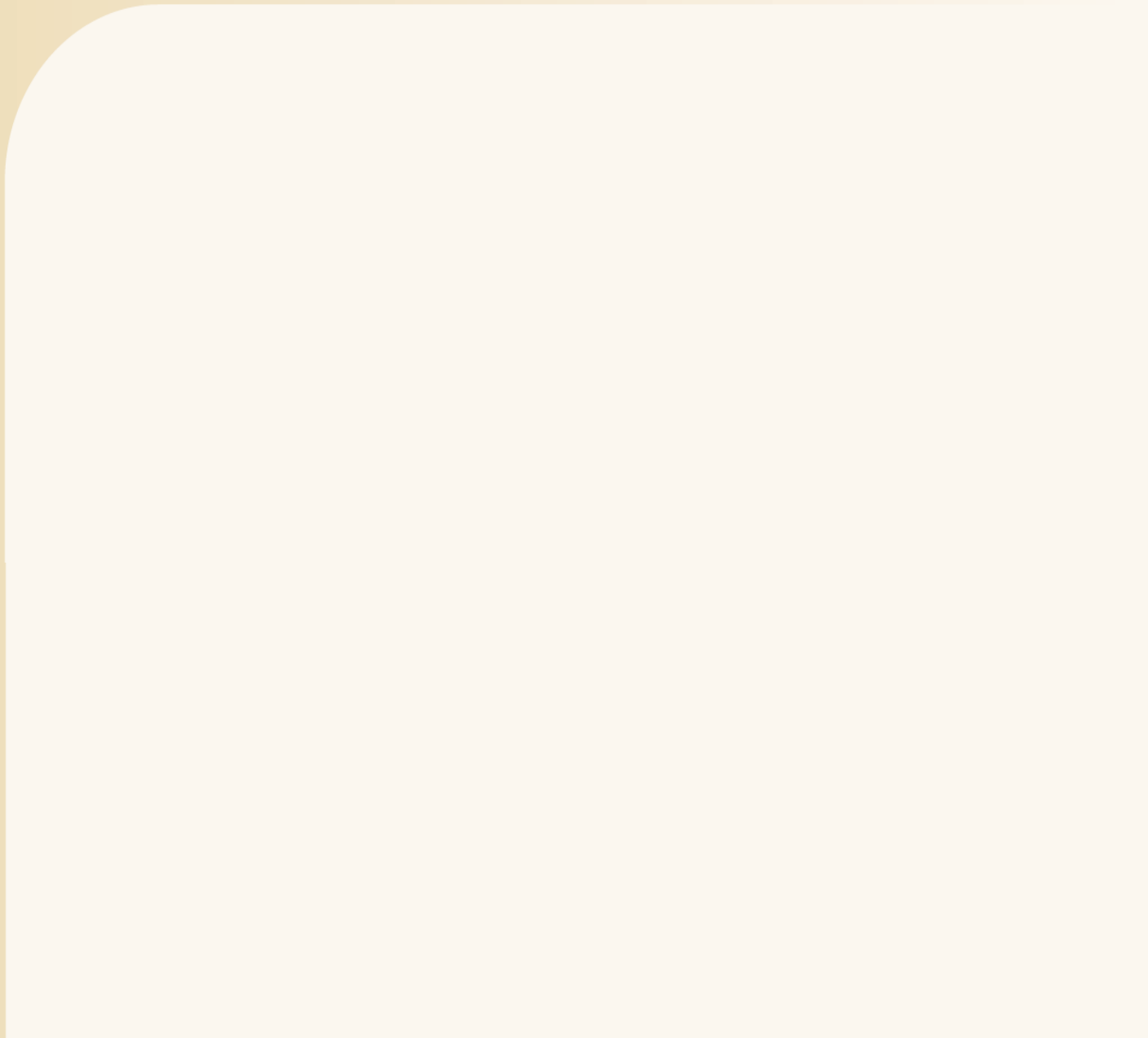
⁵ This is regulation 23G(2)(b) in the revised Banking Regulations.

⁶ This is regulation 23G(2)(c)(i) in the revised Banking Regulations.

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<p>where the permissible non-financial business does not have a balance sheet asset value or exposures generated.</p>	
<p>The proposed regulation 23G(3)(a)(ii)⁷ of the Banking Regulations provides that "a bank in Singapore may carry on any business prescribed in paragraph (1) if, and only if –</p> <p>(a) the bank, when carrying on any business prescribed in paragraph (1), limit the Aggregate Non-Financial Business Size –</p> <p>(ii) where the bank is incorporated outside Singapore, to 1.5% of its total assets (less net interbank lending) or such other percentage as the Authority may approve in any particular case".</p> <p>Three respondents sought clarification on the definition of "interbank lending".</p> <p>One respondent sought clarification on the computation of Aggregate Non-Financial Business Size where "net interbank lending" is negative.</p>	<p>The meaning of "net inter-bank lending" in regulations 23F(6) and 23G(7) of the revised Banking Regulations, and regulation 15(7) of the new Banking (Merchant Banks) Regulations, is intended to be the same as the meaning of "net interbank lending" as defined in MAS Notices 630 and 1018 respectively.</p> <p>"Banks" in the definition of "net inter-bank lending" in regulations 23F(6) and 23G(7) of the Banking Regulations, and regulation 15(7) of the Banking (Merchant Banks) Regulations, is intended to have the same meaning as in paragraph 3 of Appendix A1 Annex 1 of MAS Notice 610 (Submission of Statistics and Returns) last revised on 18 August 2020, and paragraph 3 of Appendix A1 Annex 1 of MAS Notice 1003 (Submission of Statistics and Returns) issued on 18 August 2020 respectively.</p> <p>"Net inter-bank lending" is computed by deducting "interbank borrowing" from "interbank lending". In this regard, "interbank borrowing" and "interbank lending" refers to all third party and intragroup interbank borrowing and lending respectively, as reported in Appendix C1 Annex 1 of the Reporting Template for MAS Notice 610 last revised on 18 August 2020 or Appendix C1 Annex 1 of the Reporting Template for MAS Notice 1003 issued on 18 August 2020, as the case may be, which will take effect from 1 July 2021.</p> <p>Where "net interbank lending" for a bank is negative, it is not necessary for the bank to deduct the "net interbank lending" from the bank's total</p>

⁷ This is regulation 23G(4)(b) in the revised Banking Regulations.

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	assets, for the purposes of revised regulation 23G(4)(b) of the Banking Regulations and new regulation 15(4)(b) of the Banking (Merchant Bank) Regulations 2021.



Monetary Authority of Singapore