Monetary Authority of Singapore

Consultation Paper
P005-2023 – June 2023

Consultation Paper on Proposed Enhancements to the Deposit Insurance Scheme in Singapore

Contents

1. Preface

1.1. The deposit insurance ("DI") scheme in Singapore was established in 2006 with the primary objective of protecting small depositors while maintaining the incentives for banks, creditors and depositors to exercise market discipline. The Singapore Deposit Insurance Corporation[1] ("SDIC") administers the DI Scheme and has established systems and processes to provide expeditious compensation to insured depositors in the event of a DI payout.

1.2. DI is not the primary way in which we safeguard the interests of depositors, be they small or large. A safe and resilient banking system is underpinned by a combination of pre-emptive safeguards – including sound regulation and rigorous supervision, proactive cross-border cooperation, as well as effective governance and risk management by banks themselves. DI complements these pre-emptive safeguards by providing a safety net for small depositors if banks were to fail.

1.3. The Monetary Authority of Singapore ("MAS"), in consultation with SDIC, conducts regular reviews of the DI Scheme to ensure that it continues to meet its objectives. Prior to the stress events in banks abroad early this year, MAS had concluded its latest review of the DI Scheme. This consultation paper sets out the recommendations arising from the review to enhance the coverage and operational efficacy of the DI Scheme. In Section 2, MAS is consulting on the proposal to increase the maximum DI coverage and the related legislative amendment. In Sections 3 and 4, MAS is consulting on the policy proposals only and will publish a subsequent consultation paper on the necessary legislative amendments in due course.

1.4. MAS invites comments and feedback from interested parties on the proposals.

1.5. Please note that all submissions received will be published and attributed to the respective respondent unless they expressly request MAS not to do so. As such, if respondents would like:

(a) their whole submission or part of it (but not their identity), or

(b) their identity along with their whole submission,

to be kept confidential, please expressly state so in the submission to MAS. MAS will only publish non-anonymous submissions. 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.

1.6. Please submit written comments by 31 July 2023 via this link.

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[1] SDIC has been designated to be the deposit insurance and policy owners' protection fund agency under the Deposit Insurance and Policy Owners' Protection Schemes Act 2011 ("DI-PPF Act").

2. Increasing Maximum DI Coverage

2.1. The Maximum DI Coverage was last increased in 2019 from S$50,000 to S$75,000 for relevant insured deposits per depositor per DI Scheme member, fully insuring 91% of insured depositors covered under the DI Scheme then. With deposit growth over time, the percentage of fully-covered insured depositors has since fallen slightly to 89%. Hence, we propose to increase the Maximum DI Coverage from S$75,000 to S$100,000 with effect from 1 April 2024. This will restore the percentage of fully-covered insured depositors to 91%. The proposed increase aims to improve DI coverage for small depositors while keeping the expected increase in DI Scheme members' premiums manageable, as these costs are ultimately passed on to bank customers.

2.2. DI Scheme members currently pay annual premiums of between 2.5 and 8 basis points of their insured deposit base, and there will be no revision to these rates. DI Scheme members can expect absolute premiums to increase along with the increase in their insured deposit base.

2.3. There will be no revision to the build-up period of the DI Fund, and the DI Fund is on track to achieve its target fund size of 30 basis points of total insured deposits by 2028.

2.4. The full text of the draft amendment to the First Schedule of the DI-PPF Act, for the purpose of increasing the Maximum DI Coverage from S$75,000 to S$100,000, is set out in Annex A.

Question 1. *MAS seeks comments on the proposal to enhance depositor protection by increasing the Maximum DI Coverage from S$75,000 to S$100,000 per depositor per DI Scheme member with effect from 1 April 2024.*

Question 2. *MAS seeks comments on the draft amendment to the First Schedule of the DI-PPF Act, for the purpose of increasing the Maximum DI Coverage from S$75,000 to S$100,000, as set out in Annex A.*

2.5. Notice DIA-N01 requires submissions of (i) Schedule I: Insured Deposit Base as at the close of business on 31 December of each year, (ii) Schedule II: Deposit Insurance Asset Maintenance Ratio for Premium Assessment as at the close of business on 31 December of each year, and (iii) Schedule III: Deposit Insurance Asset Maintenance Requirement as at the close of business on 31 March, 30 June, 30 September and 31 December of each year.

(a) For submissions of Schedule I and Schedule II as at the close of business on 31 December 2023 and onwards, DI Scheme members should be prepared to submit the returns based on the Maximum DI Coverage of S$100,000, instead of the prevailing Maximum DI Coverage of S$75,000, if the increase in the Maximum DI Coverage is confirmed following this consultation. This is because the DI premium assessment for the premium year 2024/25 (when the Maximum DI Coverage is S$100,000) takes into account the insured deposit base as at the close of business on 31 December 2023 (as reported in Schedule I), and adjusted average asset values for October, November and December 2023 (as reported in Schedule II). Submissions based on the Maximum DI Coverage of S$75,000 will cause the DI Fund to collect less from DI Scheme members than what is required for the revised Maximum DI Coverage of S$100,000.

(b) For submissions of Schedule III, the quarterly returns will continue to be based on the prevailing Maximum DI Coverage as per the relevant reporting period. In other words, the Maximum DI Coverage of S$75,000 continues to apply to submissions as at the close of business on 30 June 2023, 30 September 2023, 31 December 2023 and 31 March 2024. The Maximum DI Coverage of S$100,000 will apply to the submission as at the close of business on 30 June 2024 and subsequent submissions, if the increase in the Maximum DI Coverage is confirmed following this consultation.

(c) The proposed MAS Notice DIA-N01 submissions, and the relevant Maximum DI Coverages to refer to, are summarized in Annex B.

2.6. If the increase in the Maximum DI Coverage is confirmed following this consultation, MAS expects to publish the revised MAS Notice DIA-N01 by 31 Dec 2023, to take immediate effect for reporting cycles after publication.

Question 3. MAS seeks comments on the proposal related to MAS Notice DIA-N01 submissions, without providing for a transitional arrangement in view that ample notice has been given.

3. Providing clarity on the computation of DI compensation

Introducing powers for the Authority to stipulate a time to quantification date

3.1. Under the DI-PPF Act, when MAS determines that compensation is to be paid out of the DI Fund, the compensation each insured depositor is entitled to is computed as at the quantification date, as defined under the DI-PPF Act. However, the cut-off time used to compute the amount of compensation is unclear. This could lead to ambiguity over the amount of compensation due, given that deposit balances may change throughout the day as banking transactions are conducted continuously.

3.2. To improve legal certainty on the amount of compensation due and enable DI compensation to be made expeditiously and accurately to depositors, we propose to clarify in the DI-PPF Act that the Authority may stipulate a quantification time where deposit balances are taken as final.

Question 4.	*MAS seeks comments on the proposal to introduce powers for the Authority to stipulate a quantification time for computing the amount of insured deposits for DI compensation.*

Clarifying that the computation of insured deposits will exclude amounts for transactions which are not fully settled

3.3. To ensure clarity and transparency in the computation of the compensation to be paid to depositors, we propose to clarify in legislation that insured deposits will exclude amounts for transactions which are not fully settled as at the stipulated quantification time on quantification date.

Question 5.	*MAS seeks comments on the proposal to clarify in the legislation that the amount of insured deposits will exclude amounts for transactions which are not fully settled as at the quantification time on quantification date.*

Submissions of the register of insured deposits by Scheme members to SDIC

3.4. Under Regulation 12 of the Deposit Insurance and Policy Owners' Protection Schemes (Deposit Insurance) Regulations 2011 ("DI Regulations"), DI Scheme members are required to maintain a register of all their products that are insured deposits[2]. Scheme members must submit a copy of the register to SDIC within 10 days from the start of every financial year (i.e. 1st April) for SDIC's record and review[3], and notify SDIC within 10 days of any subsequent change to the register. A copy of the

[2] Regulation 12(1) of the Deposit Insurance and Policy Owners' Protection Schemes (Deposit Insurance) Regulations 2011 ("DI Regulations").

[3] At the start of every financial year, SDIC compares the submissions with the latest versions for differences. On an ongoing basis, SDIC checks that any subsequent change is submitted on time. SDIC may also ask scheme members to provide a complete list of products (including non-insured products) to check that the registers capture all products that are supposed to be insured.

register must also be made available to any person upon request at the DI Scheme member's place of business.

3.5. To streamline and digitise the work processes for SDIC and DI Scheme members, and to improve transparency for depositors on the scope of insured deposits, we propose to:

(a) Require DI Scheme members to maintain a continually updated register of insured deposits with SDIC;

(b) Remove the current requirements for annual submissions and notification to SDIC as and when there are changes to the register of insured deposits; and

(c) Require DI Scheme members to publish and maintain a list of all its products which are insured deposits on their website.

Question 6. MAS seeks comments on the proposal of amending DI Regulation 12 to require DI Scheme members to submit and maintain a copy of their registers on SDIC's secured web portal.

4. Improving efficiency of DI operations

Providing flexibility on the mode of DI compensation

4.1. Regulation 10 of the DI Regulations allows SDIC the option of choosing between a list of prescribed payment methods for DI compensation paid in respect of insured deposits held under trust, client and sole-proprietor accounts. The intent of Regulation 10 is not to limit SDIC to these modes of payment for DI compensation, nor to allow insured depositors to choose their preferred payment mode.

4.2. In order to avoid any potential disputes on the mode of payment that SDIC would be adopting for DI compensation and provide SDIC with greater flexibility to determine a suitable payment mode, we propose to remove DI Regulation 10 (2) to 10 (4).

4.3. In the event that DI compensation is triggered, SDIC would be making announcements to clarify the modes in which DI compensation would be paid. Hence, there would be clarity to insured depositors on what form and manner in which to expect their compensation.

Question 7. MAS seeks comments on the proposal to remove DI Regulation 10 (2) to 10 (4).

4.4. MAS also proposes to clarify that the method of payment of compensation, in respect of moneys placed under CPFIS or CPFRS, under DI Regulation 10 (1) is at SDIC's discretion. It does not provide the option for insured depositors to select their preferred method of receiving compensation from the DI Fund.

Question 8. MAS seeks comments on the proposal to clarify DI Regulation 10 (1).

SDIC to take over the administration of unclaimed DI monies from the Public Trustee Office ("PTO")

4.5. Under the DI-PPF Act, when SDIC is unable to complete a DI compensation payment, SDIC may transfer the unclaimed monies to PTO which will hold these compensation amounts on trust for the entitled persons. The Fifth Schedule of the DI-PPF Act sets out the role of PTO to act as a bare trustee in administering unclaimed DI monies.

4.6. As PTO acts as a bare trustee, SDIC retains responsibility for unclaimed monies, including investigating and resolving disputes relating to compensation amounts or claimant identity, as well as undertaking recovery actions in the event that payment is made in error or fraud, and must maintain the relevant records to facilitate these actions.

4.7. MAS proposes to require SDIC to put in place the following safeguards in relation to its administration of unclaimed DI monies:

(a) SDIC must ensure that unclaimed monies are properly tracked, safeguarded, and audited, such that SDIC can clearly identify the amounts owing to each claimant and show that unclaimed monies have not been used for any purpose other than compensating claimants;

(b) SDIC must establish an account held with MAS that is segregated from the rest of the DI Fund for the purposes of depositing unclaimed DI monies; and

(c) SDIC must put in place processes to ensure that its operations can be scaled up to facilitate such claims, in the unlikely event that the volume of claims for unclaimed monies is significant.

4.8. MAS proposes that SDIC take over the administration of unclaimed DI monies with appropriate safeguards, for greater operational efficiency, and to reduce the costs the DI Fund incurs when engaging PTO as a trustee.

Question 9. MAS seeks comments on the proposal for SDIC to take over the administration of unclaimed DI monies from PTO.

Introducing a time limit to claim DI compensation

4.9. SDIC will proactively make DI compensation payments without an insured depositor submitting a claim when DI is triggered. However, there may be cases where DI compensation payments fail (e.g. where cheques written by SDIC lapse without being encashed by the insured depositor, or where the address is inaccurate and the insured depositor is uncontactable) and amounts are left unclaimed ("unclaimed monies").

4.10. Currently, insured depositors' rights to receive DI compensation do not expire. Hence, in order to facilitate the payment of DI compensation, SDIC will need to retain the claimant data files and incur the associated operational and maintenance costs in perpetuity.

4.11. Where an insured depositor is entitled to receive DI compensation, we intend to provide for a reasonable time for them to come forward to submit their claims to SDIC. However, this right to receive DI compensation needs to be balanced against the costs involved and the diminishing likelihood of claims over time. As such, we are considering imposing a time limit of 7 years from quantification date or the date when the liquidator is discharged, whichever is later, for insured depositors to submit a claim for their DI compensation in respect of unclaimed monies. Following the expiry of this time limit, insured depositors would no longer be entitled to claim for unreceived DI compensation.

4.12. The DI-PPF Act currently requires PTO to pay unclaimed monies into the Consolidated Fund if they remain unclaimed after 7 years of it receiving the monies. This policy intent remains unchanged and we will require SDIC to pay any unclaimed monies, together with any interest earned thereon, to the Consolidated Fund, within one month after the time limit to claim DI compensation expires (i.e. 7 years and one month after quantification date, or one month after the date when the liquidator is discharged, whichever is later), which is similar to the current treatment while making allowances for operational processes.

Question 10. MAS seeks comments on the proposal to impose a time limit of 7 years from quantification date or the date when the liquidator is discharged, whichever is later, for insured depositors to claim their DI compensation.

Providing legal certainty of information used to resolve disputes over DI compensation

4.13. Under the DI-PPF Act, MAS may require an appointed liquidator to give SDIC such information and reasonable assistance as MAS considers necessary to ensure that any insured depositor who is entitled to receive compensation from the DI Fund receives payment from SDIC as soon as is reasonably practicable. SDIC in turn is entitled to rely on the books of the failed DI Scheme member and any other books which, in the opinion of SDIC, are relevant for determining an insured depositor's compensation.

4.14. In the event of disputes over DI compensation amounts, providing legal certainty over the source of information on deposit balances used to resolve disputes will help disputes be resolved fairly and efficiently. The liquidator would assess disputes on DI compensation amounts based on the deposit information held by the failed bank. MAS proposes to clarify that the liquidator's assessment will be taken as final for the purposes of resolving disputes over DI compensation. The liquidator will subsequently provide the necessary information to SDIC to make adjustments to the DI compensation if needed. Accordingly, the balances of insured depositors with the failed bank may not be disputed after the liquidator is discharged.

Question 11. MAS seeks comments on the proposal to clarify that the information which SDIC receives from the liquidator will be taken as final in relation to resolving disputes, and that the balances of insured depositors with the failed bank may not be disputed after the liquidator is discharged.

Allowing SDIC to accumulate recovered amounts paid in excess or in error, and make aggregated payments to relevant stakeholders

4.15. Under Section 28 of the DI-PPF Act, if any compensation paid to an insured depositor out of the DI Fund is in excess of what ought to have been paid to the insured depositor; or any compensation is paid in error to any person, SDIC may recover the amount paid in error or excess from the person who received the compensation.

4.16. Upon the recovery of any amount paid in error or excess from any person, SDIC must pay the recovered amount to the DI Fund or the failed DI Scheme member or its liquidator or the Official Receiver, as the case may be under Section 28(4). This suggests that SDIC may be making many such payments over a short period of time. To improve SDIC's operational efficacy, MAS proposes to amend the Act to expressly allow SDIC to accumulate recovered amounts before making aggregate payments to relevant stakeholders, with each payment to be made no later than two months after SDIC receives the recovered amount.

Question 12. MAS seeks comments on the proposal to amend Section 28 of the DI-PPF Act to allow SDIC to accumulate recovered amounts before making aggregate payments to relevant stakeholders.

5. List of Questions

Annex A: Draft Amendment to the DI-PPF Act

FIRST SCHEDULE

Sections 2(1) and 90(1)

INSURED DEPOSIT AND MAXIMUM DI COVERAGE

In this Act —

"insured deposit" means —

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

(i) a deposit in a savings account;

(ii) a deposit in a fixed deposit account;

(iii) a deposit in a current account,

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

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

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

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

"Maximum DI Coverage" means the amount of ~~$75,000~~ $100,000.

[26/2016; 31/2018]

Annex B: MAS Notice DIA-N01 Submissions

Submission period (within 15 days from the date indicated below)	**Scheme members**	**Reporting format (Annex A)**	**Observation period/date for insured deposit base (IDB) and eligible assets or eligible pledged assets (EA/EPA)**	**Maximum DI Coverage**
31 Dec 2023	All scheme members	Schedule I	• IDB as at 31 Dec 2023	S$100,000
	Scheme members incorporated outside Singapore (SG)	Schedule II	• IDB as at 31 Dec 2023 • EA/EPA for Oct, Nov and Dec 2023	S$100,000
		Schedule III	• Preceding year IDB as at 31 Dec 2022 • EA/EPA as at 31 Dec 2023	S$75,000
31 Mar 2024	Scheme members incorporated outside SG	Schedule III	• Preceding year IDB as at 31 Dec 2023* • EA/EPA as at 31 Mar 2024	S$75,000
30 Jun 2024	Scheme members incorporated outside SG	Schedule III	• Preceding year IDB as at 31 Dec 2023 • EA/EPA as at 30 Jun 2024	S$100,000
30 Sep 2024	Scheme members incorporated outside SG	Schedule III	• Preceding year IDB as at 31 Dec 2023 • EA/EPA as at 30 Sep 2024	S$100,000
31 Dec 2024	All scheme members	Schedule I	• IDB as at 31 Dec 2024	S$100,000
	Scheme members incorporated outside SG	Schedule II	• IDB as at 31 Dec 2024 • EA/EPA for Oct, Nov and Dec 2024	S$100,000
		Schedule III	• Preceding year IDB as at 31 Dec 2023 • EA/EPA as at 31 Dec 2024	S$100,000

* For avoidance of doubt, specifically for the submission of Schedule III as at the close of business on 31 Mar 2024, the preceding year IDB as at 31 Dec 2023 (under Schedule III Part III Item 2) should be computed based on the Maximum DI Coverage of S$75,000. Please do not indicate the IDB reported in Schedule I of the preceding year (as advised in MAS DIA-N01, Annex A, Notes for Completion of Schedules, Para 20) as the IDB reported in Schedule I of the preceding year will be computed based on the Maximum DI Coverage of S$100,000.