

Banking Regulation

in Singapore

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Table of contents

REGULATORY FRAMEWORK

Key policies
Primary and secondary legislation
Regulatory authorities
Government deposit insurance
Transactions between affiliates
Regulatory challenges
Consumer protection
Future changes

SUPERVISION

Extent of oversight
Enforcement

RESOLUTION

Government takeovers
Bank failures
Planning exercises

CAPITAL REQUIREMENTS

Capital adequacy
Undercapitalisation
Insolvency
Recent and future changes

OWNERSHIP RESTRICTIONS AND IMPLICATIONS

Controlling interest
Foreign ownership
Implications and responsibilities

CHANGES IN CONTROL

Required approvals
Foreign acquirers
Factors considered by authorities
Filing requirements

Timeframe for approval

UPDATE AND TRENDS

Key developments of the past year

LAW STATED DATE

Correct on

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REGULATORY FRAMEWORK

Key policies

What are the principal governmental and regulatory policies that govern the banking sector?

Strong local banks will continue to remain at the core of the Singapore banking sector, and the government's policy of maintaining the local banks' market share at no less than 50 per cent of the total resident deposits remains unchanged. Local banks will also continue to be subject to more stringent capital adequacy requirements than those required under Basel III to reflect their systemic importance to the Singapore economy and financial system.

However, the Singapore government has also progressively liberalised the sector to allow greater competition from foreign banks in wholesale banking and retail banking in order to spur dynamism and innovation. The progressive liberalisation of the banking sector has led to the grant of qualifying full bank (QFB) licences to nine foreign banks, which allow them to engage in retail banking. Existing QFBs, which are important to the local market, are also required to incorporate their retail operations.

Further, as part of the move towards banking liberalisation, the Monetary Authority of Singapore (MAS) announced in June 2019 that it would be issuing up to five digital banking licences.

Primary and secondary legislation

Summarise the primary statutes and regulations that govern the banking industry.

Banks in Singapore are primarily governed by the Banking Act (BA) (Chapter 19 of Singapore) and various pieces of subsidiary legislation promulgated under the BA. Banks that provide capital markets and financial advisory services will also be governed under the Securities and Futures Act (SFA) (Chapter 289 of Singapore), the Financial Advisers Act (FAA) (Chapter 110 of Singapore), and subsidiary legislation promulgated under these Acts. The resolution regime that banks in Singapore are subject to is set out in the BA as well as the Monetary Authority of Singapore Act (the MAS Act) (Chapter 186 of Singapore). Aside from the above, banks in Singapore are also subject to other applicable regulatory instruments issued by MAS including directives, notices, guidelines, codes, practice notes and circulars.

Regulatory authorities

Which regulatory authorities are primarily responsible for overseeing banks?

MAS is the primary regulator having oversight of banks in Singapore.

Government deposit insurance

Describe the extent to which deposits are insured by the government. Describe the extent to which the government has taken an ownership interest in the banking sector and intends to maintain, increase or decrease that interest.

Deposits made by non-bank depositors are insured under the deposit insurance scheme (DI Scheme) up to an aggregate of S\$75,000 per depositor per bank in the event a full bank or finance company fails. All licensed full banks and finance companies are required to be scheme members, unless otherwise exempted. The DI Scheme is administered by the Singapore Deposit Insurance Corporation Limited in accordance with the Deposit Insurance and Policy Owners' Protection Schemes Act (Chapter 77B of Singapore). The Singapore government's ownership interests

in the banking sector are largely held through its sovereign wealth fund (GIC Private Limited) and private investment company (Temasek Holdings (Private) Limited).

Transactions between affiliates

Which legal and regulatory limitations apply to transactions between a bank and its affiliates? What constitutes an 'affiliate' for this purpose? Briefly describe the range of permissible and prohibited activities for financial institutions and whether there have been any changes to how those activities are classified.

The key limitations that apply to transactions between banks and their related parties or affiliates are:

- banks must ensure that their aggregate exposure to their directors, shareholders with at least 5 per cent voting rights in the bank (substantial shareholders) and entities in which the bank owns or controls more than 10 per cent of shares or voting rights respectively (major stake companies), do not exceed 25 per cent of its total eligible capital (for Singapore-incorporated banks) or capital funds (for foreign-incorporated banks);
- banks are not allowed to grant unsecured credit facilities to:
- banks must establish separate materiality thresholds on an aggregate basis for each type of transaction with related parties (eg, mortgages, unsecured lending and trade finance facilities) and processes for independent approval or review are required for any transaction that exceeds such thresholds. The related parties generally include, among others, the bank's directors, key credit approvers, senior management and their family members and entities that are owned or controlled by them, related corporations, substantial shareholders and major stake companies; and
- affiliated entities of Singapore-incorporated banks (its subsidiaries, companies in which the bank holds more than 20 per cent interest and companies under the control of the bank) are not permitted to hold in aggregate more than 2 per cent voting power over the bank.

The range of activities that banks are generally prohibited or restricted from conducting are:

- non-financial business (ie, business not regulated or authorised by MAS). There are, however, certain prescribed exemptions to this prohibition or restriction - for instance, banks may engage in certain non-financial businesses related or complementary to their core financial businesses;
- banks must obtain MAS' approval before acquiring or holding a major stake in any entity. Such approval is generally not granted if the entity carries on non-financial business unless MAS is satisfied that there are clear synergies with the bank's financial business;
- banks are, however, allowed to purchase non-controlling stakes (generally 10 per cent or less) in the share capital of any company. However, to limit concentration risks, equity investments in any single company are limited to 2 per cent of the bank's capital funds;
- banks can invest in immovable properties, as long as such investments do not, in aggregate, exceed 20 per cent of their capital funds (as defined in the BA), but they are not allowed to engage in property development or management. However, banks are permitted to manage investment properties that are owned by their banking groups; properties that have been foreclosed by their banking groups in satisfaction of debts owed to them; and properties used in the business of their banking groups; and
- to minimise the vulnerability of the banking sector in a property market downturn, all banks are required to limit their property exposure to 35 per cent of their eligible assets (as defined in the Banking Regulations).

Regulatory challenges

What are the principal regulatory challenges facing the banking industry?

Shadow banking

The increased capital and liquidity requirements under Basel III coupled with technological innovations may drive the conduct of shadow banking by non-financial players who provide services that mirror traditional banking services provided by banks (eg, payment systems and peer-to-peer lending systems). This will increase the competition for clients between banks and such non-financial players and heighten the risks associated with consumer protection in relation to the provision of innovative products and services. In line with these concerns, MAS has reaffirmed that notwithstanding the arrival of new fintech players to the Singapore market, it will implement various measures under new legislation to ensure that such new entrants do not operate as unregulated banks.

Cybersecurity

As more financial services are delivered over the internet, the frequency, scale and complexity of cyberattacks on financial institutions (FIs) have also increased. Cybersecurity is a very real and ongoing regulatory challenge, especially in light of the regulatory obligations to protect the privacy of customers' information and personal data. In light of this, in September 2019, MAS set out its key observations and recommendations to financial institutions for managing cyber risks in IT supply chains, proposed amendments to existing guidelines on technology risk management to include guidance on effective cyber surveillance among other things, and is also working on tighter cross-border collaboration in cybersecurity matters.

Anti-money laundering and countering the financing of terrorism

In the course of serving customers, financial institutions have the responsibility to ensure that they do not inadvertently help to disguise or legitimise ill-gotten gains, particularly where technological advances offer more effective, efficient and inclusive financial services, but also more challenging and complex financial crime risks. In building their anti-money laundering (AML) and countering the financing of terrorism (CFT) programmes, MAS encourages financial institutions to emphasise AML/CFT as an organisational priority, with implementing proper oversight from board and senior management, strong risk awareness measures and proper AML/CFT controls.

Consumer protection

Are banks subject to consumer protection rules?

Banks providing common financial products and services such as bank deposits, loans, unit trusts and securities must ensure that their sales practices do not breach the provisions for fair trading under the Consumer Protection (Fair Trading) Act (CPFTA) (Chapter 52A of Singapore). A breach will give consumers a right under the CPFTA to take civil action against a supplier of such products and services.

Future changes

In what ways do you anticipate the legal and regulatory policy changing over the next few years?

MAS' policies on financial sector supervision are unlikely to change fundamentally and will remain focused on pre-empting systemic risks to the financial system, promoting the safety and soundness of Singapore FIs, and ensuring resilient and well-functioning financial markets. That said, the following are some ways in which legal and regulatory

policy will or is likely to change in the future.

Removing the domestic banking unit and Asian currency unit divide

MAS has announced that its policy of maintaining the division between the Asian currency units (ACUs) and domestic banking units (DBUs) of banks in Singapore will be removed on 1 October 2020. Currently, Singapore-incorporated banks are required to segregate their domestic and offshore operations into DBUs (predominantly denominated in Singapore dollars), and ACUs (denominated in foreign currency). While this framework has previously allowed MAS to differentiate regulatory requirements imposed on banks so as to allow for more targeted incentives and risk management measures, MAS has decided to remove the DBU-ACU divide owing to major global regulatory developments that have often resulted in banks' offshore activities being subject to broadly similar rules to those governing domestic banking activities (eg, the Basel requirements relating to quality and quantity of capital and liquidity).

Amendments to the merchant bank regime

Currently regulated under the MAS Act, merchant banks must be approved by MAS pursuant to carrying on business as a merchant bank in Singapore. In connection with the removal of the DBU-ACU divide, MAS has proposed to consolidate the regulation of merchant banks under the BA with effect from 1 October 2020, which would, among other things, subject new merchant banks to the BA's licensing regime (in place of the approval framework under the MAS Act), and result in new provisions in the BA replacing existing directives and notices applicable to merchant banks under the current regime.

Revising framework regarding outsourcing arrangements

MAS has also proposed new revisions to the existing framework governing outsourcing arrangements entered into by banks in Singapore, including granting MAS new powers to direct banks to comply with additional requirements concerning their outsourcing arrangements (eg, the inclusion of specified terms in their outsourcing agreements, imposing more stringent expectations on the disclosure of customer information in the course of such arrangements).

Simplifying the anti-commingling framework

MAS has also proposed amendments to the anti-commingling policy framework for banks (ie, the policy of separating financial and non-financial businesses of banks in Singapore), to allow banks to more easily conduct or invest in permissible non-financial businesses related or complementary to their core financial businesses and engage in the operation of e-commerce platforms focusing on the trade of consumer goods or services (subject to prescribed restrictions and risk management related requirements). This is to allow banks to broaden and better integrate their range of services and compete effectively against non-financial players delivering financial services.

SUPERVISION

Extent of oversight

How are banks supervised by their regulatory authorities? How often do these examinations occur and how extensive are they?

MAS may inspect, from time to time, the books of banks in Singapore and of any branch, agency, subsidiary or office outside of Singapore opened by Singapore-incorporated banks. The frequency or necessity of such inspection may be determined by MAS according to the bank's impact and risk exposure. For foreign-incorporated banks, the parent supervisory authority of such bank may also conduct an inspection in Singapore of the books of any branch or office of that bank in Singapore subject to MAS' approval and other prescribed conditions under the BA. Further, MAS is also empowered to investigate the books of banks in Singapore if it has reason to believe that, among other things, the bank

is carrying on business in a manner that contravenes the BA or is otherwise detrimental to the interest of depositors and creditors.

Aside from active inspections and investigations, MAS also requires banks to submit regulatory returns including statements of assets and liabilities, minimum liquid assets and information on exposures to single counterparty groups to assist with its regulatory oversight of these institutions. Banks in Singapore also have the duty to inform MAS immediately if they are aware of any development that may be likely to adversely and materially affect their financial soundness and the suitability of their key appointment holders. In the case of Singapore-incorporated banks, the requirement to inform MAS also extends to any material adverse developments that could affect their related entities or the suitability of their substantial shareholders and controllers.

Enforcement

How do the regulatory authorities enforce banking laws and regulations?

MAS may apply a wide range of sanctions that include:

- warnings;
- private or public reprimands;
- administrative fines;
- imposition of supervisory conditions;
- licence suspensions or revocations;
- prohibition orders;
- compositions;
- civil penalties;
- criminal fines; and
- custodial terms.

The type of regulatory sanction that MAS metes out depends on the nature and severity of the breach.

What are the most common enforcement issues and how have they been addressed by the regulators and the banks?

On 20 March 2019, MAS published its inaugural enforcement report that sets out the enforcement actions taken by it for the reporting period of July 2017 to December 2018, identifying breaches of AML and CFT requirements as one of the more common enforcement issues concerning banks in Singapore.

As an example, on 19 March 2018, MAS imposed financial penalties of S\$5.2 million and S\$1.2 million on Standard Chartered Bank Singapore Branch (SCBS) and Standard Chartered Trust (Singapore) Ltd (SCTS) respectively for breaches of AML and CFT requirements. In this instance, MAS found the risk management and controls of both SCBS and SCTS to be unsatisfactory in relation to certain transfers of SCBS' customer accounts from Standard Chartered Trust (Guernsey) to SCTS, given the risk that such customers could have been attempting to avoid their obligations under the Common Reporting Standards (CRS) for the Automatic Exchange of Financial Account Information in Tax Matters (the CRS was due to be implemented shortly after the transfers).

RESOLUTION

Government takeovers

In what circumstances may banks be taken over by the government or regulatory authorities? How frequent is this in practice? How are the interests of the various stakeholders treated?

MAS may elect to exercise its statutory powers to, among other things, assume control of and manage a Singapore-incorporated bank's business, or appoint one or more statutory managers to do so, when the bank is, or is likely, to become insolvent, or where MAS is of such opinion. Directors or officers of the bank must surrender to MAS, or the statutory manager, any relevant property or book in their control relating to the bank's business if required to do so. In managing the bank's business, MAS or the statutory manager must take into consideration the interests of the depositors, and shall have all the duties, powers, functions of the board of directors of the bank.

Bank failures

What is the role of the bank's management and directors in the case of a bank failure? Must banks have a resolution plan or similar document?

In the event of a bank failure, the directors will need to act in a manner to minimise losses to creditors of the bank such as depositors. MAS may also issue directions requiring banks to implement recovery plans setting out the procedures and establishing the systems required to restore the bank's financial strength and vitality in times of financial pressure or stress.

For foreign banks, the foreign parent institution or head office must be involved in the preparation of such recovery plan, with the board and executive officers having the responsibility to develop and maintain the resolution plan and submission of input to facilitate resolution planning.

Are managers or directors personally liable in the case of a bank failure?

Directors or executive officers of a Singapore-incorporated bank may be personally liable in a bank failure in certain circumstances (eg, where there was fraudulent or wrongful trading).

Further, MAS may, by court application, compel directors or executive officers (both past and present) of any bank to return any salary, remuneration or benefits received in the past two years if they have breached or failed to discharge their general duties towards the bank. The court also has the discretion to extend the two year 'clawback' period where the director or executive officer has acted recklessly, fraudulently or dishonestly.

Planning exercises

Describe any resolution planning or similar exercises that banks are required to conduct.

MAS has the power to: direct banks that are incorporated in Singapore; or (for foreign-incorporated banks) the branches and offices of the bank located within Singapore, to prepare, maintain and submit to MAS recovery and resolution plans.

Recovery plans outline actions banks may take to stabilise and restore their financial strength and viability under situations of severe stress, whereas resolution plans facilitate the effective use of MAS' resolution powers and the bank's resolution without disrupting the bank's systemically important functions.

MAS has the power to direct the bank to:

- amend its recovery plan (to address deficiencies therein);
- furnish information and documents that MAS may require to implement its resolution plan;
- remove impediments to the implementation of its recovery plan and resolution plan (eg, changing its practices, organisation and structure (such as its operational, legal and financial structures)); and
- implement specific parts of the bank's recovery plan or other arrangements or measures necessary to restore the bank's financial strength and viability.

In this connection, MAS also expects the bank to:

- appoint (and inform MAS of the appointment of) an executive officer as the key person to oversee the recovery planning process and facilitate the maintenance and submission of the required information for resolution planning;
- notify MAS where the bank assesses that its viability is or potentially threatened, or of any event that may necessitate the bank implementing its recovery plan;
- maintain information systems that are able to produce in a timely manner the information required for recovery and resolution planning, resolvability assessment, and the conduct of resolution; and
- put in place adequate measures such that outsourcing arrangements which support critical functions and critical shared services can be maintained in crisis situations and in resolution.

CAPITAL REQUIREMENTS

Capital adequacy

Describe the legal and regulatory capital adequacy requirements for banks. Must banks make contingent capital arrangements?

The capital requirements imposed on banks in Singapore differ depending on whether the bank is Singapore-incorporated or if it is a branch of a foreign incorporated bank.

Singapore-incorporated banks

Singapore-incorporated banks are required to comply with the following capital adequacy requirements:

- minimum paid-up capital of S\$1.5 billion. However, Singapore-incorporated banks that hold a wholesale banking licence or are subsidiaries of another locally-incorporated licensed bank, are only required to have a minimum paid-up capital of S\$100 million;
- risk-based capital requirements prescribed by MAS. These requirements incorporate the capital adequacy standards published by the Basel Committee of Banking Supervision (BCBS) in June 2004, as well as the subsequent Basel II and Basel III package of reforms announced by BCBS in 2009 and 2010 respectively. However, the capital adequacy requirements imposed by MAS are higher than the Basel III standards, namely:
 - a capital conservation buffer of 2.5 per cent above the minimum capital adequacy requirement.
- minimum liquidity coverage ratio (LCR) requirements prescribed by MAS. These requirements were introduced to implement the Basel III liquidity rules. Banks that are incorporated and headquartered in Singapore are required to comply with such minimum LCR requirements. Further, Singapore-incorporated banks that are designated by MAS as domestic systemically important banks (D-SIBs) will also be required to comply with further LCR disclosure requirements prescribed by MAS; and
- minimum cash balance requirements prescribed by MAS.

Foreign-incorporated banks

Foreign banks that hold banking licences in Singapore are required to comply with the following capital adequacy requirements:

- minimum head office capital funds of S\$200 million;
- minimum LCR requirements or minimum liquid asset (MLA) requirements as prescribed by MAS. In this regard, MAS has allowed foreign-incorporated banks that are not D-SIBs to choose between complying with its LCR or MLA requirements. D-SIBs, which do not have such an option, are required to comply with MAS' LCR requirements;
- minimum cash balance requirements prescribed by MAS; and
- minimum asset maintenance requirements prescribed by MAS.

Contingent capital arrangements

There is no specific requirement for banks in Singapore to make contingent capital arrangements.

How are the capital adequacy guidelines enforced?

MAS has the authority under the BA to inspect the books of banks incorporated in Singapore and their subsidiaries (whether located in Singapore or out of Singapore), and the books of any branch, agency, or office outside Singapore opened by such bank. For foreign banks, the BA provides that parent supervisory authorities may inspect the books of any branch or office of the bank in Singapore subject to certain conditions being fulfilled. MAS also has the general authority to investigate the books of any bank in Singapore where it has reason to believe, among other things, that the bank is contravening any provisions of the BA (including any capital adequacy requirements), or has insufficient assets to cover its liabilities to the public.

A licensed bank's failure to meet the capital adequacy requirements may, in some cases, amount to an offence under the BA, which may subject the bank to financial penalties, and may constitute grounds on which MAS may revoke the bank's licence or restrict or suspend the bank's operations.

Undercapitalisation

What happens in the event that a bank becomes undercapitalised?

A licensed bank's failure to meet the various capital adequacy requirements described above may in some cases amount to an offence under the BA. Such a breach may also constitute grounds on which MAS may revoke the bank's licence, and restrict or suspend the bank's operations during such period that a bank remains undercapitalised. Further, directors or executive officers of a licensed bank in Singapore may also be criminally liable under the BA for the bank's breach of such capital adequacy requirements, where the director or executive officer has failed to take all reasonable steps to secure compliance by the bank with the requirement. In such cases, MAS may also direct the bank to remove the director or executive officer from his office or employment.

Insolvency

What are the legal and regulatory processes in the event that a bank becomes insolvent?

Singapore-incorporated banks

Singapore-incorporated banks may be wound up under the Companies Act (CA) (Chapter 50 of Singapore) in the event they become insolvent. The winding-up process may be initiated by, among others, MAS, a creditor of the bank, or the bank itself. In a winding-up, there are specified preferential liabilities of a bank prescribed under the BA that are accorded priority over unsecured liabilities of the bank, for example, deposit liabilities incurred with non-bank customers.

Foreign banks

Foreign-incorporated banks that operate in Singapore are registered as foreign companies under the CA. In the event that such a foreign bank goes into liquidation in its home jurisdiction, the CA requires the liquidator of the Singapore branch to recover and realise the bank's assets in Singapore and satisfy all liabilities incurred in Singapore before paying the remainder to the liquidator in the foreign bank's home jurisdiction. The priority accorded to the preferential liabilities prescribed by the BA will also apply to the liquidation of a foreign bank that has registered a branch in Singapore.

MAS' resolution powers

MAS is empowered to exercise various resolution powers if, among other things, a licensed bank becomes insolvent (or is likely to become insolvent). MAS' powers include:

- assuming control of and managing the business of the bank;
- ordering the transfer of the whole or part of the bank's business to another licensed entity regulated by MAS;
- ordering the transfer of the bank's shares to a third party; and
- ordering the reduction of the bank's share capital.

Recent and future changes

Have capital adequacy guidelines changed, or are they expected to change in the near future?

On 30 June 2019, MAS implemented amendments to Notice 637 on risk-based capital adequacy requirements for banks incorporated in Singapore. These amendments allow:

- the recognition of on-balance sheet netting agreements for loans and deposits for credit risk mitigation purposes;
- the introduction of proportionality for disclosure requirements; and
- the revision of certain disclosure templates and other technical revisions.

Following publication of the final Basel III reforms by the BCBS, which include revised standards for credit risk, credit valuation adjustment, operational risk, output floor and the leverage ratio (published in December 2017) and a set of revisions to the market risk framework (published in January 2019), MAS is also proposing to revise the capital requirements applicable to Singapore-incorporated banks to align with the Basel III reforms. These revisions, which include amendments to the risk-based capital requirements and leverage ratio requirements for Singapore-incorporated banks, are aimed at improving the robustness and comparability of risk-based capital requirements across banks in line with the Basel III reforms, and are projected to be implemented from 1 January 2022.

OWNERSHIP RESTRICTIONS AND IMPLICATIONS

Controlling interest

Describe the legal and regulatory limitations regarding the types of entities and individuals that may own a controlling interest in a bank. What constitutes 'control' for this purpose?

The acquisition and ownership of interests in Singapore-incorporated banks are subject to various approval requirements as detailed in question 26.

Foreign ownership

Are there any restrictions on foreign ownership of banks?

While there are no express restrictions on foreign ownership, the acquisition and ownership of interests in Singapore-incorporated banks remain subject to various approval requirements as detailed in question 26. In addition, a Singapore-incorporated bank must have a minimum number of directors who are Singapore citizens or permanent residents. Last, MAS indicated that it expects digital full banks (DFBs) to be controlled by Singaporeans.

Implications and responsibilities

What are the legal and regulatory implications for entities that control banks?

Entities controlling Singapore-incorporated banks are expected to remain fit and proper in accordance with MAS-issued guidelines. For example, the Minister for Finance is empowered to require controllers of a Singapore-incorporated bank to take such steps necessary so as to cease to hold such control if, among other things, MAS is satisfied that such controller is not fit and proper. The acquisition and ownership of interests in entities that control licensed banks in Singapore may also be subject to approval requirements.

What are the legal and regulatory duties and responsibilities of an entity or individual that controls a bank?

An entity controlling a Singapore-incorporated bank that is designated as a 'financial holding company' will be subject to various governance requirements (eg, in relation to its composition of its board of directors and various board committees). The Financial Holding Companies Act 2013 (No. 13 of 2013) will impose further obligations on designated financial holding companies (eg, disclosure of interests of directors, exposure limits and capital adequacy requirements) when it comes into force. In addition, MAS has also indicated that designated financial holding companies that hold D-SIBs may become subject to capital-adequacy and higher loss-absorbency requirements that will apply at the holding company's group level.

What are the implications for a controlling entity or individual in the event that a bank becomes insolvent?

MAS is empowered to exercise various resolution powers if a licensed bank becomes insolvent (or is likely to become insolvent), which may have an impact on the bank's shareholders, including the ordering of a transfer of a licensed bank's shares to a third party, and a reduction of the licensed bank's share capital.

CHANGES IN CONTROL

Required approvals

Describe the regulatory approvals needed to acquire control of a bank. How is 'control' defined for this purpose?

Approval from the Minister for Finance is required to acquire control over a Singapore-incorporated bank. A person must obtain approval prior to becoming:

- a substantial shareholder of a Singapore-incorporated bank: this broadly refers to a person who holds at least 5 per cent of the voting power in the licensed bank;
- a 12 per cent or 20 per cent controller: this refers to a person who holds at least 12 per cent or 20 per cent of the issued shares of the licensed bank or who is in a position to control at least 12 per cent or 20 per cent of the voting power in the licensed bank; and
- an indirect controller: this refers to any person who:

It should be noted that for the purposes of the various control thresholds described above, a person may be deemed to 'hold' shares in a licensed bank even if it does not directly hold such shares (eg, a person who has entered into a contract to purchase or has the right to acquire shares in a licensed bank will be deemed to hold the relevant shares).

Foreign acquirers

Are the regulatory authorities receptive to foreign acquirers? How is the regulatory process different for a foreign acquirer?

There are no restrictions in the BA that currently apply specifically to foreign acquirers or foreign shareholders of Singapore-incorporated banks. However, one of the factors to be considered by the Minister for Finance and MAS in reviewing an application to acquire control over a Singapore-incorporated bank is whether the acquisition is in the national interest.

Under what circumstances can a foreign bank establish an office and engage in business? For example, can it establish a branch or must it form or acquire a locally chartered bank?

Foreign banks may establish a branch in Singapore or incorporate a Singapore subsidiary to seek a banking licence under the Banking Act - the former option is typically taken owing to the lower capital commitment required.

Notwithstanding the above, where a foreign bank operating in Singapore through a registered Singapore branch has a significant retail presence in Singapore, MAS may require the bank to operate its retail business through a locally incorporated entity.

Factors considered by authorities

What factors are considered by the relevant regulatory authorities in an acquisition of control of a bank?

The key factors considered in the review of an application to acquire control over a Singapore-incorporated bank are:

- the fitness and propriety of the controller;
- the likelihood of the licensed bank continuing to conduct its business prudently and to comply with the BA having regard to the likely influence of the controller; and
- whether the acquisition of interest is in the national interest.

Filing requirements

Describe the required filings for an acquisition of control of a bank.

The Minister of Finance's prior written approval must be obtained for a person to become a substantial controller, 12 per cent controller, 20 per cent controller, or an indirect controller in a Singapore-incorporated bank. This approval may (in addition to the factors listed in question 29 being fulfilled) be granted if the Minister is satisfied that it is in the national interest to do so. There is no prescribed form or process for the purposes of such an application and the applicant would need to write to the Minister to seek such approval.

Timeframe for approval

What is the typical time frame for regulatory approval for both a domestic and a foreign acquirer?

The time frame required to obtain regulatory approval will depend on, among other things, the identity of the acquirer and the nature and complexity of the transaction.

UPDATE AND TRENDS

Key developments of the past year

Are there any emerging trends or hot topics in banking regulation in your jurisdiction?

LAW STATED DATE

Correct on

Give the date on which the information above is accurate.