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MAS PUBLISHES FRAMEWORK FOR

DOMESTIC SYSTEMICALLY IMPORTANT BANKS IN SINGAPORE

Singapore, 30 April 2015… The Monetary Authority of Singapore (MAS) today published its framework for identifying and supervising domestic systemically important banks (D-SIBs) in Singapore, and the inaugural list of D-SIBs.

2 D-SIBs are banks that are assessed to have a significant impact on the stability of the financial system and proper functioning of the broader economy. All banks in Singapore will be assessed for their systemic importance annually based on their size, interconnectedness, substitutability and complexity. The framework builds on MAS' existing supervisory impact assessment methodology. It is aligned with the principles set out by the Basel Committee on Banking Supervision (BCBS) for determining banks that are of domestic systemic importance.

3 MAS will apply additional supervisory measures on banks designated as D-SIBs. Banks that have a significant retail presence in Singapore will be required to locally incorporate their retail operations. Locally-incorporated D-SIBs will need to meet higher capital requirements – a minimum Common Equity Tier 1 (CET1) capital adequacy ratio (CAR) of 6.5%, Tier 1 CAR of 8% and Total CAR of 10%, compared with the Basel III minimum requirements of 4.5%, 6% and 8% respectively.[1] Other measures such as recovery and resolution planning, liquidity coverage ratio requirements, and enhanced disclosures will also apply, depending on the bank's operating model and structure. MAS will allow a transition period for affected banks to comply with the requirements that are currently not in effect, such as the local incorporation requirement.

[1] In June 2011, MAS announced that all locally-incorporated banks would be required to maintain minimum capital requirements that are two percentage points higher than that imposed by the BCBS, on the basis of each bank's systemic importance and substantial retail presence. The additional capital will form the higher loss absorbency requirement for locally-incorporated D-SIBs.

4 MAS has designated the following banking groups as D-SIBs[2]:

- DBS Bank;
- Oversea-Chinese Banking Corporation;
- United Overseas Bank;
- Citibank;
- Malayan Banking Berhad;
- Standard Chartered Bank; and
- The Hongkong and Shanghai Banking Corporation.

5 Mr Ong Chong Tee, Deputy Managing Director, MAS, said, “The D-SIB framework will strengthen the resilience of Singapore’s banking system. It is important that D-SIBs, by their very nature of being domestically significant, are able to withstand various risks and shocks. These measures will also help to insulate against negative spill-overs should a D-SIB fail.”

6 More information on the D-SIB framework can be found at http://www.mas.gov.sg/~/media/MAS/About%20MAS/Monographs%20and%20information%20papers/Apr%202015_%20MAS%20Framework%20for%20Impact%20and%20Risk%20Assessment%20of%20Financial%20Institutions.pdf. MAS’ response to feedback received from the public consultation on the D-SIB framework can be found at http://www.mas.gov.sg/News-and-Publications/Consultation-Paper/2014/Consultation-Paper-on-the-Proposed-Framework-for-Systemically-Important-Banks-in-Singapore.aspx.

[2] The designation of D-SIBs is on a country-level basis; it includes all banking entities (including merchant banks, if any) operating in Singapore which belong to the same banking group.

Note to Editor:

- The global financial crisis of 2007 – 2008 has placed the spotlight on financial institutions which could cause large negative externalities when they fail, i.e. "too big to fail" (TBTF). Tackling the TBTF problem will reduce or remove such negative externalities.

  In November 2011, the BCBS introduced a framework to address the negative externalities associated with global systemically important banks (G-SIBs).

  To complement the G-SIB framework and address similar negative externalities posed by D-SIBs at the national level, the BCBS further published a set of principles for assessing D-SIBs in October 2012. Unlike the framework for G-SIBs, the BCBS' D-SIB framework is principles-based and allows national authorities the discretion to adopt the appropriate measures to accommodate the structural characteristics of their financial systems. The D-SIB principles can be found at: http://www.bis.org/publ/bcbs233.htm.

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