REGIONAL UPDATE
SINGAPORE

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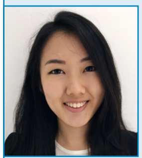
BANKING AMENDMENT BILL 2016



The Banking (Amendment) Bill 2016 (the "**Bill**") aims to bolster prudential safeguards, strengthen corporate governance and reinforce risk management controls in the Singapore banking industry. This update summarises the key categories of amendments in the Bill.

1. Bolster prudential safeguards

The Bill introduces two main measures to bolster prudential safeguards. The first measure empowers the Monetary Authority of Singapore (the "**MAS**") to require a foreign bank branch to locally incorporate all or part of its banking business, where this is necessary or expedient in the interest of the public, the domestic financial system or the depositors. A locally incorporated bank will be subject to Singapore's capital standards and corporate governance requirements. The second measure empowers the MAS to impose prudential requirements that cap banks' leverages. This ensures that banks maintain sufficient liquidity.

2. Strengthen corporate governance

The Bill introduces a few measures to strengthen the corporate governance of banks. The first measure empowers the MAS to remove key appointment holders of banks, including its chief executive officer and deputy chief executive officer, if they are not found to be fit and proper. The second measure empowers the MAS to direct banks to remove their external auditors if they fail to carry out their statutory duties satisfactorily. The third measure empowers the MAS to prohibit, restrict or direct banks to terminate any related party transaction entered into by banks if any such transaction is deemed to be detrimental to the interests of depositors. The fourth measure relates to the introduction of a safe harbour provision to protect banks' external auditors from liability where they disclose, in good faith, information to the MAS as part of their reporting duties under the Banking Act (Cap. 19) of Singapore.

3. Reinforce risk management controls

The Bill also promises to reinforce risk management controls. It will formalise the MAS' expectation for banks to set out risk management systems and controls that match their business profiles and operations. The MAS may penalise banks that fail to do so. Further, the Bill will introduce a requirement for banks to obtain the MAS' approval to establish new places of business where certain non-banking activities (for example, money-changing and remittance) are conducted. This empowers the MAS to exercise better oversight of banks' activities.

The Bill promises to enhance the resilience and stability of Singapore's financial system.

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