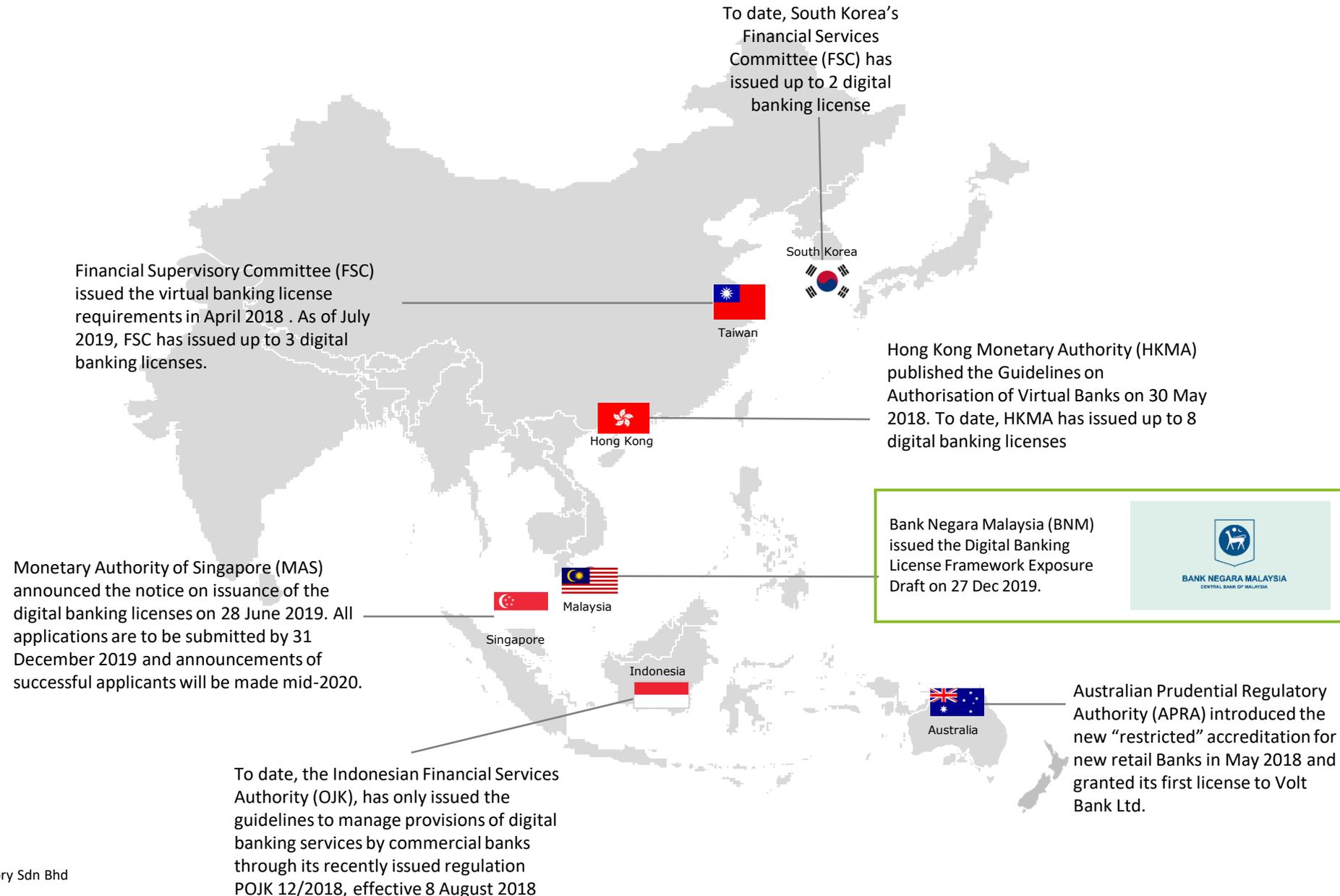


Comparison of Regulatory Requirements for Digital Banks

Development of Digital Banking License Framework in Asia Pacific



Comparison of Regulatory Requirements for Digital Banks (1/4)

Topic Area	Malaysia	Singapore	Hong Kong	Taiwan
License type	Only 1 type of license	2 types – digital full bank and digital wholesale bank	Only 1 type of license	Only 1 type of license
Number of licenses	May issue up to 5 digital licenses	Limited number – up to 2 digital full bank license and up to 3 digital wholesale bank license	No specified limit. 8 licenses granted.	Initially only 2 licenses were available, but 3 licenses were eventually granted
Policy objectives	<ol style="list-style-type: none"> 1. To offer banking products and services to address market gaps in the underserved and unserved segments 2. Promote easier and affordable access to financial solutions 3. Create strong value propositions of financial system stability without jeopardising depositors' interest 	<ol style="list-style-type: none"> 1. Financing growth enterprises and SMEs 2. Reducing costs and improving convenience for consumers 3. Helping people to plan early and achieve financial security in their later years 4. Creating good jobs 5. Financing the growth of infrastructure in emerging Asia, and increase of climate-resilient, low-carbon investments 	<ol style="list-style-type: none"> 1. Promote application of fintech and innovation 2. Offer new customer experience 3. Promote financial inclusion, covering retail and SME segments 	<ol style="list-style-type: none"> 1. Increase customer convenience and meet customer needs 2. Promote financial inclusion 3. Promote financial innovation and fintech

Comparison of Regulatory Requirements for Digital Banks (2/4)

Topic Area	Malaysia	Singapore	Hong Kong	Taiwan
Assessment criteria	<ol style="list-style-type: none"> Operational readiness on organisational structure, policies, procedures and controls, compliance management framework, IT and accounting systems and BCP Provide a comprehensive 5-year business plan that includes financial, managerial and organisational resources to support business strategy and continuity plan Required to obtain independent external assurance to validate the business plan 	N/A	<ol style="list-style-type: none"> Sufficient financial, technology and other relevant resources to operate a virtual bank Credible and viable business plan Provide new customer experience and promote financial inclusion and fintech development Appropriate IT platform to support their business plan Ready to commence operation soon after a licence is granted 	<ol style="list-style-type: none"> Financial capability (10%) Suitability of controllers and management (20%) Business model (40%) Management model (30%)
Capital/ Finance	Minimum paid-up capital of RM100 million (SGD 33 million) during the foundational phase, and shall achieve a minimum capital fund of RM300 million (SGD 99 million) at the end of the fifth year	<p>Digital full banks: Paid-up capital similar to other full banks of SGD 1.5 billion; but concessionary level of SGD 15 million during initial 1-2 years to be progressively raised to SGD 1.5 billion.</p> <p>Digital wholesale banks: Paid-up capital of SGD 100 million.</p>	Paid-up capital similar to other commercial banks of HKD 300 million (SGD 53 million).	<p>Paid-up capital similar to other commercial banks of TWD 10 billion (SGD 440 million).</p> <p>Banks should be public companies within one year after establishment.</p>
Risk focus	Capital Adequacy Requirements, Liquidity, and Pillar 3 Disclosures, Consumer Protection, AML/CFT, and Recovery Plan	N/A	Technology, liquidity, operational (data protection) and reputation risks.	Liquidity contingency plan, data quality and credit scoring models, data protection, contingency plans for negative news/rumours, corporate governance, no destructive competition, consumer protection.

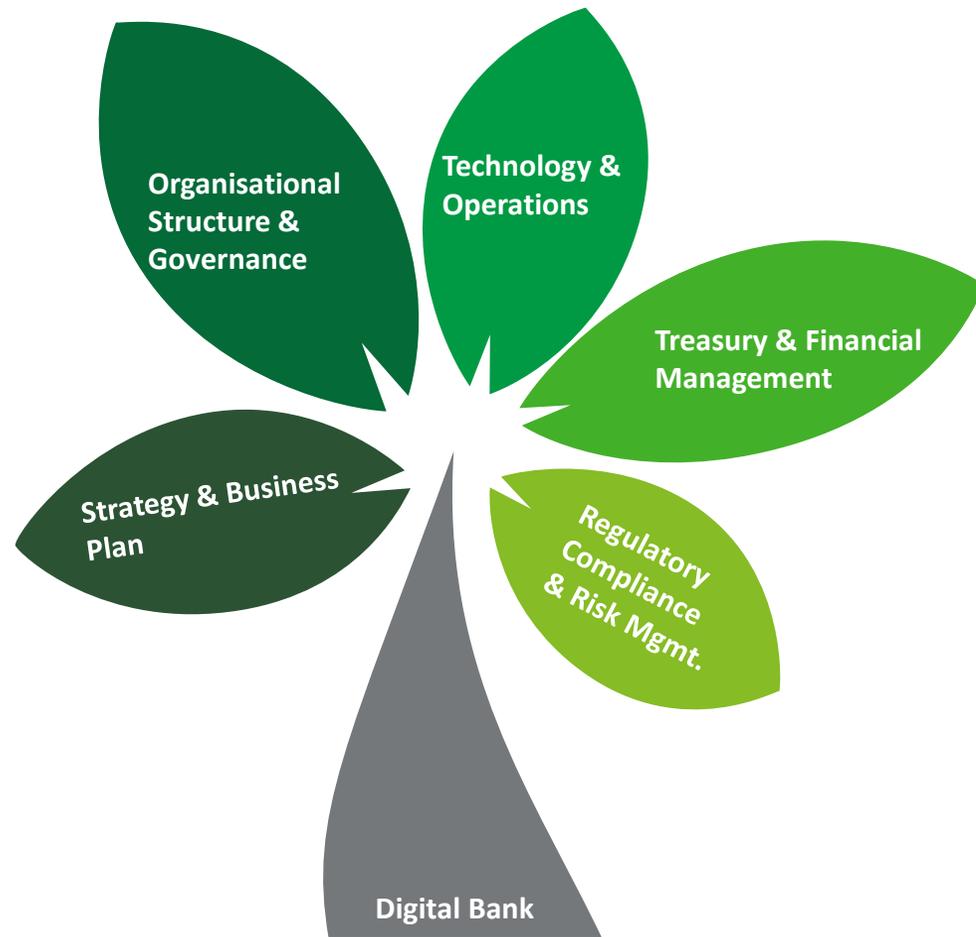
Comparison of Regulatory Requirements for Digital Banks (3/4)

Topic Area	Malaysia	Singapore	Hong Kong	Taiwan
Sponsors	<ul style="list-style-type: none"> An aggregate interest in shares of more than 50% or exercise control over the proposed licensed person Sponsor should be an existing licensed person under FSA or IFSA A financial holding company approved under the FSA or IFSA A foreign institution regulated by a supervisory authority outside Malaysia which exercises functions corresponding to those of the Bank under the FSA or IFSA 	<ul style="list-style-type: none"> Non-bank sponsors must have track record in technology or e-commerce Applicant must be headquartered in Singapore and controlled by Singaporeans. Control is presumed if the Singaporean and his related parties own the largest shareholding and have management control of the applicant. Foreign companies can partner Singapore companies to form joint venture that meet headquarter and control requirements. 	<ul style="list-style-type: none"> Digital bank should be locally-incorporated. Sponsors can be financial or non-financial firms. Holder of more than 50% of digital bank should be a bank or financial institution supervised by recognised financial supervisor. If digital bank is not held by such an entity, it should be held by an intermediate holding company that is subject to HKMA supervisory conditions (capital adequacy, liquidity, large exposures, intra-group exposures, group structure, activities undertaken, risk management, fitness and propriety of directors and senior management, reporting). Sponsors must be committed to provide strong financial, technology and other support to digital bank. 	<ul style="list-style-type: none"> At least 40% of shares in digital bank to be held by licensed financial institutions, of which more than 25% to be held by a single licensed financial institution. Foreign financial institutions can be sponsors, provided they have approval of home supervisors to establish digital bank. If sponsors are from Fintech, e-commerce or telecom industry, they must propose a successful business and operation model and hold more than 10% of shares in digital bank. As a bank needs to hold 25% of the equity, the limit on the bank partner undertaking similar banking business through another entity is lifted if its shareholding in the digital bank is above a prescribed limit.
Directors	N/A	Majority of directors must be Singaporean or Singapore PR.	N/A	Majority of directors must have qualifications from banks and fintech/e-commerce/telecom industry, of which at least 1 director must have fintech/e-commerce/telecom experience.

Comparison of Regulatory Requirements for Digital Banks (4/4)

Topic Area	Malaysia	Singapore	Hong Kong	Taiwan
Business Locations	Required to establish a sole registered office and may enter into the Shared ATM Network and provide servicing via an agent. Not allowed to establish physical branches.	Only 1 physical place of business. No ATMs or cash deposit machines. Allowed to offer cashback services through point of sale terminals at retail merchants.	Must maintain a physical place of business in Hong Kong to deal with customer queries/complaints, but not expected to establish physical branches.	Can have a head office and customer service centre but no branches.
Fee Restrictions	No fee restrictions.	No minimum account balance or fall below fees.	No minimum account balance requirement or low-balance fees.	N/A
Business Restrictions	Total size of assets do not exceed the RM2 billion (SGD 660 million) at all times during the foundational phase. No asset size limitation thereafter.	Digital full banks: Sources of deposit, aggregate amount of deposits and amount of deposit per individual retail depositor is limited during initial 1-2 years. Also, can only offer simple credit and investment products during this period. Limits will be lifted progressively taking into account risk management and business performance of the bank. Digital wholesale banks: Same as per other wholesale banks, i.e. cannot accept deposits from individuals unless they are fixed deposits of more than SGD 250,000.	No restrictions	No restrictions
Exit Plan	Required	Required	Required	Required

5 critical success factors for a digital bank licence application



In order to successfully navigate the application process and prepare for the journey through the phases of the digital full bank sandbox, we believe a Framework should cover the following components.

- 1. Strategy & Business Plan**
Credible business plan that includes the bank's proposed scope of activities, analysis of target markets, products and services, delivery channels, expected customer base and viable exit plan to facilitate an orderly wind up if needed
- 2. Organisational Structure & Governance**
Sound organisational and governance structures; profiles of key personnel (directors, management and shareholders) showcasing competence, integrity and sound financial standing
- 3. Technology & Operations**
State-of-the-art technology infrastructure and efficient operations to support the strategic and financial aspirations
- 4. Treasury & Financial Management**
Details of funding channels and financial projections (e.g. cost-to-income ratio, net interest margin) with clear path to profitability whilst meeting prudential requirements on an ongoing basis
- 5. Regulatory Compliance & Risk Management**
Robust frameworks, policies, procedures and controls to ensure ongoing identification, measurement, communication, monitoring and management of risks and ongoing regulatory compliance



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