



MAS Digital Bank Licence Application

On 29 August 2019, MAS released the digital bank licence application package, following up on its announcement on 28 June 2019 that it will issue up to two digital full bank (DFB) licences and three digital wholesale bank (DWB) licences.¹ A summary of the application package is as follows.

Eligibility Criteria

Applicants for either licence must meet the following requirements:

01. At least one entity in the applicant group has three or more years of track record in operating an existing business in the technology or e-commerce field.
02. Key persons are fit and proper.
03. Demonstrates ability to meet the applicable minimum paid-up capital requirement at the onset and the minimum capital funds requirement on an ongoing basis.²
04. Provides clear value proposition, incorporating the innovative use of technology to serve customer needs and reach under-served segments of the Singapore market.
05. Demonstrates that the proposed digital bank's business model is sustainable.
06. Submits a feasible plan that can facilitate the orderly exit of the proposed digital bank.
07. Shareholders of the proposed digital bank commit to providing a letter of responsibility and a letter of undertaking that MAS may require in respect of the operations of the proposed digital bank.

For DFB licences, MAS will only consider applicants who are anchored in Singapore, controlled by Singaporeans and headquartered in Singapore.

Assessment Criteria

Eligible applicants will be assessed as per the following:

- Value proposition of the applicant's business model, incorporating the innovative use of technology to serve customer needs and reach under-served segments of the Singapore market that differentiates it from existing banks. MAS will also consider the ability of the applicant to implement the proposal.
- Ability to manage a prudent and sustainable digital banking business, including the level of understanding of key risks in a banking business, and strength of its regulatory compliance and risk management plans. MAS will also consider the reputation, track record, financial strength and commitment of the applicant's shareholders.
- Growth prospects and other contributions to Singapore's financial centre, such as the jobs it will be bringing to Singapore, its commitment to develop the skills of the local workforce, the capabilities (including technology) it will be locating in Singapore, the headquarter functions it will be anchoring here as well as its regional expansion plans.

Summary of Requirements

MAS has taken a progressive approach where digital full banks can commence operations on a restricted basis. The restrictions will be lifted progressively, depending on the bank's ability to meet its commitments and MAS' supervisory considerations. There is no pre-determined time period, but MAS has expressed an expectation for a DFB to be fully functioning within three to five years, and a DWB to be able to expand operations after two to three years.

¹ Release: <https://www.mas.gov.sg/regulation/Banking/digital-bank-licence>

² Financial projections, including the reasonableness of assumptions, need to be opined on by a public accountant who has not or is not currently advising on the application

A high level summary of the requirements are: ³

	Entry Phase	Progression	Digital Full Bank	Digital Wholesale Bank
Minimum Paid-up Capital	<ul style="list-style-type: none"> • S\$15 million 	<ul style="list-style-type: none"> • To increase progressively 	<ul style="list-style-type: none"> • S\$ 1.5 billion 	<ul style="list-style-type: none"> • S\$ 100 million
Deposit Restrictions	<p>Aggregate deposit cap: S\$50m deposits (<i>Wholesale deposits will not be subject to the aggregate deposit cap once the RDFB's paid-up capital reaches S\$100m (in line with wholesale bank's minimum paid-up capital)</i>)</p> <p>Individual depositor cap: S\$75k</p> <p><i>Only can solicit deposits from limited scope of depositors, e.g. business partners, related parties and staff</i></p> <p>DfB will be required to be a member of the Deposit Insurance Scheme</p>	<ul style="list-style-type: none"> • Aggregate deposit cap: To increase progressively • Individual depositor cap: S\$75k <p><i>No restriction on scope of depositors</i></p>	<ul style="list-style-type: none"> • No deposit cap 	<ul style="list-style-type: none"> • Not allowed to take SGD deposits from individuals, except for fixed deposits of at least S\$250,000. It is however free to open and maintain business deposit accounts for SMEs and corporates
Capital and Liquidity Rules	<ul style="list-style-type: none"> • Capital: Same as domestic systemically important banks (<i>D-SIBs</i>) (6.5% CET1 Capital Adequacy Ratio (CAR), 10% Total CAR, 2.5% capital conservation buffer (CCB), up to 2.5% countercyclical capital buffer (CCyB)) • Liquidity: Minimum Liquid Asset (MLA) or Liquidity Coverage Ratio (LCR) requirements as set out in MAS Notice 649 (16% minimum liquid assets) 			<ul style="list-style-type: none"> • Same as existing wholesale banks
Permissible Activities and Business Restrictions	<ul style="list-style-type: none"> • Allowed to offer cashback services through electronic funds transfer at point of sale (EFTPOS) terminals at retail merchants, but no access to ATMs or cash deposit machines network • 1 physical place of business only • Corporate governance rules: Phased-in (<i>minimum 5 directors (one-third independent) for first five years of operation, 7 (majority independent) thereafter</i>) • Not allowed to safeguard other financial institutions' relevant money under the PSA • Able to share selected executive officers with non-financial parent • Unsecured credit limit for an individual: 2 times monthly income of individual • No proprietary trading activities 			<ul style="list-style-type: none"> • 1 physical place of business only • To only conduct activities within the proposed business scope • Allowed to offer SGD current accounts (interest bearing) for business uses • Not allowed to grant unsecured credit facilities to retail individuals • Can serve retail individuals on exceptional basis only • Not allowed to safeguard other financial institutions' relevant money under the PSA • Able to share selected executive officers with non-financial parent
	<ul style="list-style-type: none"> • For investment products offered to individuals, only simple capital markets products • Banking operations in not more than 2 overseas markets 			

³ Eligibility Criteria: <https://www.mas.gov.sg/-/media/Digital-Bank-Licence/Eligibility-Criteria-and-Requirements-for-Digital-Banks>.

Other Expectations

MAS has clarified its expectations on various topics as part of the application package.⁴ Extracts that may be of particular interest to applicants include:

- Applicants will not have to hire the full management team at the point of application but should have at least hired the prospective Chief Executive Officer (CEO) and identified candidates for Chief Risk Officer (CRO), Chief Financial Officer (CFO), Chief Technology Officer (CTO) and Chief Information Security Officer (CISO).
- Applicants will not have to have a fully-built and deployed technology infrastructure at the point of application but will need to provide high-level IT plans, including architecture diagrams of the bank's critical systems.

- MAS has highlighted the MAS Guidelines on Technology Risk Management (TRM), MAS Notice 644 on TRM and MAS Notice 655 on Cyber Hygiene as key applicable technology risk management measures.

Further as part of the application, MAS expects applicants to demonstrate that they can meet all regulatory requirements and have in place fully developed IT systems, risk management policies, processes and systems that are commensurate with their risk profile at the commencement of operations. However at the point of application, applicants will only have to showcase their plans to implement the required capabilities prior to commencing operations (for which they have 12 months from receiving in-principal approval for the licence).⁵

⁴ FAQs: <https://www.mas.gov.sg/-/media/Digital-Bank-Licence/FAQs-on-DFB-and-DWB-Licences.pdf?la=en&hash=71F40FA1E997B4667A91E79201D40AAC8904D72Epdf?la=en&hash=502B26B6D52B499200B4E95FA90ADDC983778655>

⁵ Applicants will have to obtain independent assurance on the adequacy of its risk management framework, systems, policies, and processes prior to commencement of operations, with specific focus on: i. regulatory compliance, including AML/CFT; and ii. technology and cyber risk management, including penetration testing.

Contact us

Wong Nai Seng

Regulatory Risk Lead

Deloitte Southeast Asia

Tel: + 65 6800 2025

Email: nawong@deloitte.com

Siddharth Agarwala

Senior Consultant

Risk Advisory, Deloitte Singapore

Tel: + 65 6800 4537

Email: siagarwala@deloitte.com

Deloitte refers to one or more of Deloitte Touche Tohmatsu Limited ("DTTL"), its global network of member firms, and their related entities. DTTL (also referred to as "Deloitte Global") and each of its member firms and their affiliated entities are legally separate and independent entities. DTTL does not provide services to clients. Please see www.deloitte.com/about to learn more.

Deloitte is a leading global provider of audit and assurance, consulting, financial advisory, risk advisory, tax and related services. Our network of member firms in more than 150 countries and territories serves four out of five Fortune Global 500® companies. Learn how Deloitte's approximately 286,000 people make an impact that matters at www.deloitte.com.

Deloitte Asia Pacific Limited is a company limited by guarantee and a member firm of DTTL. Members of Deloitte Asia Pacific Limited and their related entities provide services in Australia, Brunei Darussalam, Cambodia, East Timor, Federated States of Micronesia, Guam, Indonesia, Japan, Laos, Malaysia, Mongolia, Myanmar, New Zealand, Palau, Papua New Guinea, Singapore, Thailand, The Marshall Islands, The Northern Mariana Islands, The People's Republic of China (incl. Hong Kong SAR and Macau SAR), The Philippines and Vietnam. In each of these, operations are conducted by separate and independent legal entities.

About Deloitte Singapore

In Singapore, services are provided by Deloitte & Touche LLP and its subsidiaries and affiliates.