

# CONSULTATION PAPER

P022- 2012

December 2012

## Related Party Transaction Requirements for Banks

MAS

Monetary Authority of Singapore

## PREFACE

This consultation paper sets out proposed changes to MAS' requirements on banks' transactions with related parties. The proposed changes are to enhance oversight of such transactions, so as to address the risks of conflicts of interest, and for alignment with international best practices.

MAS invites comments from banks in Singapore and interested parties on the proposals in the consultation paper. Electronic submission is encouraged. Please submit your written comments by 25 Jan 2013 to:

Prudential Policy Department  
Monetary Authority of Singapore  
10 Shenton Way  
MAS Building  
Singapore 079117

Email: [policy@mas.gov.sg](mailto:policy@mas.gov.sg)

Please note that all submissions may be made public unless confidentiality is specifically requested.

# 1 INTRODUCTION

1.1 MAS' rules and expectations regarding a bank's transactions with its related parties are currently set out in the Banking Act, MAS Notice 639, MAS Notice 639A, and MAS' Guidelines on Risk Management Practices – Credit Risk ("MAS' Guidelines on Credit Risk").

1.2 MAS proposes introducing requirements that banks conduct all transactions with related parties on an arm's length basis, and that material transactions with related parties and the write-off of exposures to related parties be subject to prior approval by the bank's board of directors. MAS also proposes expanding the definition of "family member" of the Fifth Schedule of the Banking Act and enhancing reporting requirements to the board and MAS. These proposals are to address risks of conflicts of interest and prevent abuses arising from transactions with related parties, by strengthening oversight and providing a more comprehensive view of such transactions. In view of the proposals that help address the risks that may arise from conflicts of interest, MAS has also reviewed the joint and several liability that is imposed on bank directors under the Banking Act.

1.3 MAS plans to set out requirements on the terms on which transactions with related parties should be conducted and board approval processes in a new MAS Notice issued pursuant to sections 27(1) and 55(1) of the Banking Act. MAS also plans to transfer the existing requirements under MAS Notice 639 on limits on unsecured lending by a bank to its director groups and the reporting of a bank's exposures to its substantial shareholder groups, as well as reporting requirements under MAS Notice 639A, to the new Notice. The draft Notice is in the Annex. MAS will allow banks two months to establish and implement the policies and procedures on related party transactions required under our proposals.

1.4 For the purpose of this consultation paper, "related parties" will refer to a bank's director groups, substantial shareholder groups, financial group, related corporations as well as senior management. "Director group", "substantial shareholder group" and "financial group" are defined in the Fifth Schedule to the Banking Act. "Related corporation" is defined in section 2(1) of the Banking Act. "Senior management" will refer to a principal officer of the bank, the family members of the officer, and such other individual or entity affiliated to the officer or his family members, as defined.

## 2 TERMS OF TRANSACTIONS WITH RELATED PARTIES

2.1 MAS' Guidelines on Credit Risk states that extensions of credit should be made on arm's length basis, including credit to related parties of the institution or its directors. The terms and conditions of such credits should not be more favourable than credit granted to non-related obligors under similar circumstances. The Basel Committee on Banking Supervision's Core Principles for Effective Banking Supervision<sup>1</sup> state similar principles.<sup>2</sup>

2.2 MAS proposes to set this out as a requirement in the new MAS Notice. For instance, the bank will be required to ensure that the credit assessment and terms and conditions relating to loan tenure, interest rates, and fees are not any more favourable than those for transactions with non-related parties. This requirement goes beyond extensions of credit and transactions for which the bank incurs an exposure. It will also apply to other types of transactions such as service contracts and asset purchases.

2.3 The proposed requirement is set out in the draft MAS Notice appended in the Annex.

**Question 1:** MAS seeks views on the proposed requirement regarding the terms on which all transactions and dealings with related parties should be made.

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<sup>1</sup> The document was published in September 2012. It can be found on [www.bis.org](http://www.bis.org).

<sup>2</sup> Principle 20, Essential Criterion 2.

### **3 BOARD AND MANAGEMENT CONTROL OF TRANSACTIONS WITH RELATED PARTIES**

3.1 MAS' Guidelines on Credit Risk state that a financial institution's credit policy should provide for close monitoring and reporting of loans to related parties, and that material credit transactions with related parties should be subject to the approval of the board. The Core Principles for Effective Banking Supervision similarly state that material transactions with and the write-off of exposures to related parties should be subject to prior approval by the board.<sup>3</sup>

3.2 MAS proposes requiring banks to establish and put in place procedures to implement a policy on related party transactions. The policy and procedures should include, among others, processes to identify all transactions with related parties, and processes to ensure that all such transactions are reported through an independent review process and monitored on an ongoing basis by senior management staff.

3.3 Specifically, MAS proposes requiring related party transactions of a bank in excess of specified materiality thresholds and the write-offs of all exposures to related parties to be subject to prior approval by the board. Board members with an interest in the transaction will be required to abstain from voting, and concurrence has to be obtained from a special majority of three-fourths of all board members. In the case of branches, such transactions may be approved by such person(s) as may be authorised by the board.

3.4 MAS proposes prescribing a materiality threshold above which a bank's exposures to its director groups will be subject to the board approval requirement. This threshold should be set at an amount of not more than \$2m. Banks will be permitted discretion in setting the materiality threshold for other types of related party transactions, taking into account the nature, scope, frequency, value of and risks associated with their transactions with related parties.

3.5 It should be noted that the proposed requirements go beyond extensions of credit and transactions for which the bank incurs an exposure; they will also apply to other types of transactions such as service contracts and asset purchases.

3.6 The proposed requirements are set out in the draft MAS Notice appended in the Annex. MAS will allow banks two months to establish and implement the policies and procedures on related party transactions required under our proposals.

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<sup>3</sup> Principle 20, Essential Criterion 3.

**Question 2:** MAS seeks views on the proposed requirements on establishing procedures to implement policies on related party transactions, such as board approval processes for material transactions with and the write-off of exposures to related parties, as well as the proposed materiality threshold for exposures to director groups.

## 4 DEFINITIONS OF “FAMILY MEMBER” AND “DIRECTOR”

4.1 The Fifth Schedule to the Banking Act defines “family member”, in relation to an individual, as the individual’s spouse, parent or child. This definition is used to identify persons who are connected to a substantial shareholder of a bank. A “director” is similarly defined in the Fifth Schedule to include the spouse, parent and child of a director of a bank.

4.2 MAS proposes expanding the definition of “family member” and “director” to include the siblings, step-children and adopted children of the individual and director, respectively. This is to allow a more comprehensive view of a bank’s dealings with its related parties. The expanded definition of “family member” will also be applied to the identification of transactions and dealings with a senior management staff’s family members and such other individual or entity affiliated to the senior management staff or his family members.

4.3 MAS plans to expand the definitions in the next round of amendments to the Banking Act.

**Question 3:** MAS seeks views on the proposed expansion of the definitions of “family member” and “director”.

## 5 REPORTING REQUIREMENTS ON TRANSACTIONS WITH RELATED PARTIES

5.1 Banks currently submit quarterly statements on their exposures and credit facilities to persons listed in section 27(1) of the Banking Act, to their board of directors or head office of the bank, as the case may be, and MAS, in the form set out in Appendix I to MAS Notice 639A.

5.2 MAS proposes enhancing the report to include the facility type, collateral type and collateral amount of any exposures and credit facilities granted to the director groups of banks incorporated in Singapore, as well as whether these exposures and credit facilities have been approved by a special majority of the bank's board. MAS will also require all banks in Singapore to report transactions, for which the bank does not incur an exposure, with its related parties. These changes are designed to facilitate oversight over a bank's dealings with its related parties.

5.3 The proposed enhancements to the reporting requirements are set out in the Annex.

**Question 4:** MAS seeks views on the proposed enhancements to the reporting requirements.



## 6 JOINT AND SEVERAL LIABILITY FRAMEWORK

6.1 Under subsection 29(4) of the Banking Act, directors are jointly and severally liable to indemnify the bank against any losses arising from the bank's exposures to its director groups.<sup>4</sup> This provision was put in place to emphasise the fiduciary duty owed by directors towards the bank, which requires them to avoid abusing their position by causing the bank to enter into disadvantageous transactions with its director groups as well as to exercise continuous oversight over the bank's transactions with its director groups.

6.2 The proposals in the earlier sections address the risks of conflicts of interest by strengthening oversight and providing a more comprehensive view of transactions with related parties. In view of these, MAS proposes lifting the joint and several liability that is imposed on directors under subsection 29(4), as well as the continuing liability imposed on directors who have resigned or vacated their office under subsection 29(5). It should be noted that exposures to director groups acquired before these provisions are repealed will continue to be subject to the existing joint and several liability regime.

6.3 Notwithstanding the proposed repeal of subsections 29(4) and 29(5), bank directors continue to have obligations and responsibilities to the bank, including those set out in the Code of Corporate Governance and MAS' Guidelines on Risk Management Practices – Board and Senior Management Oversight. In particular, the board has the overriding responsibility for managing risk, and safeguarding shareholders' interests and the bank's assets. In addition, bank directors owe a fiduciary duty and a duty of care to the bank under general law,<sup>5</sup> and will be held liable under general law if they are found to be in breach of either duty.

6.4 MAS plans to lift the joint and several liability in the next round of amendments to the Banking Act.

**Question 5:** MAS seeks views on the proposal to lift the joint and several liability on bank directors imposed under subsections 29(4) and 29(5) of the Banking Act.

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<sup>4</sup> The joint and several liability does not apply to exposures to a person who is a person in the director group of the bank by virtue only of sub-paragraph (d)(i) of the definition of "director group". (Banking (Exemption from section 29(4) and (5)) Regulations 2009)

<sup>5</sup> See, for instance, the non-exhaustive description of director's duties in section 157 of the Companies Act.

## **ANNEX**

### **DRAFT MAS NOTICE**

**Disclaimer:** This version of the Notice is in draft form and is subject to change.

**MAS NOTICE [ ]**

[Date]

NOTICE TO BANKS  
BANKING ACT, CAP 19

**Transactions with Related Parties**

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**Introduction**

1 This Notice is issued pursuant to sections 27(1) and 55(1) of the Banking Act (Cap.19) [“the Act”] and applies to all banks in Singapore.

2 It sets out MAS’ requirements relating to transactions of banks in Singapore with related parties, which seek to minimise the risk of abuses arising from conflicts of interest.

**Definitions**

3 For the purposes of this Notice —

**“Accounting Standards”** has the same meaning as in section 4(1) of the Companies Act (Cap 50);

**“bank group”** means a bank in Singapore, its subsidiaries and any other company treated as part of the bank’s group of companies according to Accounting Standards and in the case of a bank incorporated outside Singapore, only where such subsidiary or company is reflected as an investment in the books of the bank in Singapore in relation to its operations in Singapore;

**“DBU operations”**, in relation to a bank, means any operations of the bank in Singapore, other than operations of an Asian Currency Unit approved under section 77 of the Act;

**“eligible total capital”**, in relation to a bank incorporated in Singapore, has the same meaning as “Eligible Total Capital” in MAS Notice 637, on a standalone (“Solo”) level, and in relation to a bank group, has the same meaning as “Eligible Total Capital” in MAS Notice 637, on a consolidated (“Group”) level;

**“emoluments”**, in relation to an individual, means the salary and bonuses of the individual in the previous year but does not include any allowances;

**“entity”** means any individual, corporation, association or body of persons, whether corporate or unincorporated, sole proprietorship, partnership or limited liability partnership as defined under Limited Liability Partnership Act 2004;

**“related party”** means any entity in a director group, senior management group, financial group or substantial shareholder group, and any related corporation, of a bank in Singapore;

**“senior management”**, in relation to a bank in Singapore, means the principal officers of the bank (including the chief executive officer, deputy chief executive officer, chief financial officer, chief operating officer, chief risk officer and employees with significant credit approval responsibilities) and their family members;

**“senior management group”**, in relation to a bank in Singapore, means a group of persons comprising:

- (a) any member of the senior management of the bank;
- (b) every firm or limited liability partnership in which the member of the senior management is a partner, a manager, an agent, a guarantor or a surety;
- (c) every individual of whom, and every company of which, the member of the senior management is a guarantor or surety; and
- (d) every company in which the member of the senior management —
  - (i) is an executive officer;
  - (ii) owns more than half of the total number of issued shares, whether legally or beneficially;
  - (iii) controls more than half of the voting power; or
  - (iv) controls the composition of the board of directors<sup>1</sup>; and

**“transactions”** means all exposures and dealings, including those for which no exposure is incurred, such as contracts for services, asset purchases and sales, construction contracts, lease agreements, borrowings and write-offs.

4 The expressions used in this Notice, shall, except where defined in this Notice or where the context otherwise requires, have the same meanings as in the Act, including the Fifth Schedule to the Act, and in the Banking Regulations.

5 Where a bank incorporated in Singapore is required to comply with any requirements in this Notice involving its eligible total capital, it shall use its eligible total capital figures submitted to the Authority under MAS Notice 637 as at the end of the quarter falling two quarters ago.<sup>2</sup>

## General Principles Governing All Transactions with Related Parties

<sup>1</sup> For the purpose of the definition of “senior management group”, a member of the senior management of a bank is deemed to control the composition of the board of directors of a company if he has any power, exercisable by him without the consent or concurrence of any other person, to appoint or remove all or a majority of the directors of the company.

<sup>2</sup> For example, eligible total capital as at 31<sup>st</sup> December will be the basis for section 29 compliance for the period 1 April to 30 June.

6 Subject to paragraph 7 below, all banks in Singapore shall ensure that all transactions with related parties are:

- (a) conducted free of conflicts of interest from the related party; and
- (b) based on terms and conditions that are not more favourable than similar transactions with non-related parties. The terms and conditions shall include those relating to loan tenure, interest rates, fees and collateral.

7 A bank in Singapore may grant a loan to any of its employees or board members on more favourable terms than those to non-related parties where the loan is:

- (a) part of the overall remuneration package for the employee or board member; and
- (b) subject to the standard credit assessments and approval processes of the bank.

#### **Board and Management Control of Transactions with Related Parties**

8 All banks in Singapore shall establish a policy on related party transactions and put in place adequate procedures to implement it. The policy and procedures shall include the following:

- (a) preventing any person who may, or whose family member may, benefit (directly or indirectly) from a transaction with the bank, from being part of the approval process of such transaction with the bank;
- (b) ensuring that the policy of the bank on related party transactions and all subsequent changes thereto are approved, and reviewed annually, by the board of directors;
- (c) identifying all transactions with related parties, including situations in which a non-related party (with whom a bank has entered into a transaction) subsequently becomes a related party;
- (d) ensuring that all related party transactions are reported through an independent credit review or audit process, and monitored by the senior management of the bank on an ongoing basis to ensure compliance with both the policy of the bank on related party transactions and this Notice; and
- (e) ensuring that all exceptions to and breaches or likely breaches of the policy of the bank on related party transactions are reported by the senior management of the bank to the board of directors of the bank for timely action.

9 Subject to paragraph 15 below, all banks in Singapore shall ensure that:

- (a) any transaction with a related party that exceeds a materiality threshold, as specified by the bank in accordance with paragraph 10; and
- (b) the write-off of any exposures to a related party,

are subject to prior approval by:

- (i) in the case of a bank incorporated in Singapore, a special majority of three-fourths of its board of directors; or
- (ii) in the case of a bank incorporated outside Singapore, a special majority of three-fourths of its board of directors or such person as may be authorised by its board of directors to approve such a transaction or write-off, as the case may be.

The special majority of three-fourths of the board of directors of a bank shall be determined based on the total number of directors on the board (excluding any directors required to abstain in accordance with paragraph 13 of this Notice).

10 Every bank in Singapore shall –

- (a) specify the materiality threshold for all transactions with its related parties in its policy on related party transactions, taking into account the nature, scope, frequency, value of and risks associated with its transactions with related parties;
- (b) report the materiality thresholds to the Authority in accordance with Appendix I to this Notice; and
- (c) report any change to the materiality thresholds to the Authority within 7 working days of the internal approval of the said change.

The Authority may direct a bank in Singapore to alter any specified materiality threshold where the Authority is of the opinion that it is inappropriate, taking into consideration the factors set out in paragraph 10(a).

11 Notwithstanding paragraph 10(a), in the case of a transaction by a bank in Singapore with any person from a director group, for which an exposure is incurred, the bank shall set an exposure amount of not more than \$2 million as the materiality threshold.

12 Where approval of a transaction or write-off is required under paragraph 9 above, the bank in Singapore shall ensure that the said approval is given in relation to all the terms and conditions of the transaction or write-off, including those which relate to loan tenure, interest rate, fees and collateral (where applicable).

13 A bank in Singapore shall ensure that any director with an interest in a transaction or write-off for which approval is required to be sought from the board of directors abstains from voting. Where a person authorised by the board of directors of a bank incorporated outside Singapore to grant approvals under paragraph 9(ii) above has an interest in the

transaction or write-off, the bank incorporated outside Singapore shall seek approval from its board of directors.

14 Any increase in an existing exposure or change to the terms and conditions governing a transaction that has been approved in accordance with the requirements in paragraph 9, shall be approved in accordance with paragraph 9(i) or (ii), as the case may be, unless, on an aggregated basis, from the time of the first increase and over a period of one year, the exposure is increased by less than 5%, or the change in terms and conditions is not material. For the avoidance of doubt, any increase in an existing exposure or material change to the terms and conditions governing a transaction with a related party (which was a non-related party before the said increase or change), shall be subject to the requirements in this paragraph.

15 Subject to paragraphs 16 and 17, on an exceptional basis, a bank incorporated in Singapore may obtain the approval required under paragraph 9 after the transaction has been entered into, if such transaction needs to be entered into on an urgent basis.

16 A bank shall obtain the approval referred to in paragraph 15 from its board of directors no later than one month from the date the transaction is entered into, failing which the bank shall immediately terminate and void the transaction.

17 For the purposes of paragraph 16, a bank shall reserve the right to unconditionally terminate and void the transaction without any penalties in the terms and conditions of the transaction, if the transaction is not approved by its board of directors in accordance with paragraph 9 above within one month of the date the transaction was entered into. All banks incorporated in Singapore shall have processes in place to ensure that they exercise their rights to terminate and void such transactions.

### **Limits on Unsecured Credit Facilities at Solo or Group Level**

18 Subject to paragraphs 19 and 27, a bank in Singapore shall not:

- (a) subject to paragraph (b), permit its aggregate unsecured credit facilities (other than credit card and charge card facilities)<sup>3</sup> and the aggregate unsecured credit facilities of its bank group (other than credit card and charge card facilities) to any director group (other than the persons defined in sub-paragraph (d)(i) of the definition of “director group”) to exceed \$5,000;
- (b) permit its aggregate unsecured credit facilities (other than credit card and charge card facilities) and the aggregate unsecured credit facilities of its bank group (other than credit card and charge card facilities) to all the persons defined in sub-paragraph (d)(i) of the definition of director group to exceed \$5,000, unless the giving of the additional unsecured credit facilities over the limit has been approved by the board of directors of the bank or such other

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<sup>3</sup> Credit card and charge card facilities are subject to the requirements in the Banking (Credit Card and Charge Card) Regulations.

persons as may be authorised by the board to approve such unsecured credit facilities. In such a case, its aggregate unsecured credit facilities (other than credit card and charge card facilities) and the aggregate unsecured credit facilities of its bank group (other than credit card and charge card facilities) to any director group shall not exceed:

- (i) in the case of a bank incorporated in Singapore, 2% of the eligible total capital of the bank or the bank group, as the case may be; or
  - (ii) in the case of a bank incorporated outside Singapore, 2% of the capital funds of the bank or the bank group, as the case may be; and
- (c) grant, whether on its own or collectively with any entity in the bank group, to any of its officers (other than a director) or employees, or any other person who receives remuneration from the bank (other than for professional services rendered to the bank or any company connected with the bank as defined in regulation 24(3) of the Banking Regulations (Rg 5)), any unsecured credit facility which in the aggregate and outstanding at any one time exceeds one year's emoluments of that officer, employee or person.

19 For the purposes of complying with paragraph 18, a bank need not include any unsecured credit facility granted to any entity within the director group which is:

- (a) an entity carrying on banking business (whether in Singapore or elsewhere) or merchant bank approved under section 28 of the Monetary Authority of Singapore Act (Cap 186); and
- (b) a related corporation of the first-mentioned bank,

provided that in the case of a bank incorporated in Singapore, the bank may only exclude such an unsecured credit facility to its subsidiary if the residual maturity of the credit facility does not exceed one year.

20 For the avoidance of doubt, any unsecured credit facilities granted by a bank in Singapore to the persons defined in sub-paragraph (d)(i) of the definition of director group which exceed the materiality threshold specified in accordance with paragraph 10 above shall be subject to the requirements for approval in paragraph 9.

### **Limits for Internal Monitoring and Reporting**

21 A bank incorporated in Singapore shall monitor its unsecured exposures to each substantial shareholder group exceeding 5% of its eligible total capital, on a Solo and Group level, and submit a report of such exposures to its board of directors on a quarterly basis.

22 The statement to be prepared by a bank under section 27(1) of the Act in respect of each quarter of the year shall be in the form set out in Appendix I. The explanatory notes for completing the statement are set out in Appendix II.



23 Every bank in Singapore shall prepare a statement in respect of each quarter of a year showing, as at the end of that quarter, all the transactions of the bank with its related parties for which it does not incur an exposure, in the form set out in Appendix I. The explanatory notes for completing the statement are set out in Appendix II.

24 The statements under paragraphs 22 and 23 shall:

- (a) be prepared within 7 days, or such other period as may be approved by the Authority, after the quarter of the year in respect of which it is to be prepared;
- (b) in the case of a bank incorporated in Singapore, be brought up and read at the next meeting of its board of directors after it is prepared;
- (c) in the case of a bank incorporated outside Singapore, be submitted to the head office of the bank; and
- (d) be submitted to the Authority within 7 days from the date on which it is read at the meeting of the board of directors or submitted to the head office of the bank, as the case may be.

25 Every bank incorporated in Singapore which is not a subsidiary of another bank incorporated in Singapore shall prepare statements in the forms set out in Appendix I, aggregating:

- (a) its exposures and credit facilities to each group of persons listed in section 27(1) of the Act; and
- (b) its transactions with each of its groups of related parties defined in this Notice, for which the bank does not incur an exposure,

with that of all its subsidiaries and any other company treated as part of the bank's group of companies according to Accounting Standards.

26 Notwithstanding the reporting requirements in this Notice, every bank shall maintain detailed records of individual transactions with each related party as defined herein and each person listed in section 27(1) of the Act.

### **Exposures Secured Against Collateral**

27 A bank in Singapore may offset any collateral<sup>4</sup> satisfying the conditions set out in paragraph 2 of Appendix 5 of MAS Notice 639, for the purpose of:

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<sup>4</sup> Acceptable collateral includes any cash deposit, property and any marketable debt or equity security (other than any security issued by the counterparty, a related corporation of the counterparty, or any entity in the substantial shareholder group or financial group of the bank) but does not include any guarantee or letter of credit.

- (a) complying with the unsecured credit facilities limits in paragraph 18, or
- (b) monitoring any unsecured exposure to a substantial shareholder group exceeding 5% of the bank's eligible total capital, as set out in paragraph 21.<sup>5</sup>

**Effective Date**

28 This Notice shall take effect on [ ]. MAS Notice 639A dated 6 Jun 2007 is cancelled with effect from [ ].

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<sup>5</sup> This is applicable only to banks incorporated in Singapore.

## Appendix I

Name of Bank: \_\_\_\_\_

Table 1: Statement of exposures and credit facilities to be reported under Section 27(1) of the Banking Act (Cap 19) as at \_\_\_\_\_

Relationship to Bank	Total Exposure Limits (S\$)	Total Gross Exposure Amounts (S\$)	Total Net Exposure Amounts (S\$)	Total Gross Exposure Amounts of which are Credit Facilities (S\$)	Total Credit Facilities which are Unsecured (S\$)	Policies and Procedures	Remarks
a) The director groups of bank							
b) Firms or limited liability partnerships of which the bank is a partner, manager, agent, guarantor or surety							
c) Companies of which any of the directors of the bank is a director or agent							

	<b>Total Exposure Limits (S\$)</b>	<b>Total Gross Exposure Amounts (S\$)</b>	<b>Total Net Exposure Amounts (S\$)</b>	<b>Total Gross Exposure Amounts of which are Credit Facilities (S\$)</b>	<b>Total Credit Facilities which are Unsecured (S\$)</b>	<b>Policies and Procedures</b>	<b>Remarks</b>
d) Companies of which the bank or any of its officers (other than directors), employees or other persons who receive remuneration from the bank (other than for professional services rendered to the bank) is a director, executive officer, agent, guarantor or surety							
e) Officers, employees or other persons who receive remuneration from the bank (other than for professional services rendered to the bank) in excess of one year's emoluments of the officer, employee or person							

	<b>Total Exposure Limits (S\$)</b>	<b>Total Gross Exposure Amounts (S\$)</b>	<b>Total Net Exposure Amounts (S\$)</b>	<b>Total Gross Exposure Amounts of which are Credit Facilities (S\$)</b>	<b>Total Credit Facilities which are Unsecured (S\$)</b>	<b>Policies and Procedures</b>	<b>Remarks</b>
f) In the case of a bank incorporated in Singapore, the substantial shareholder groups of the bank							
g) the financial group of the bank							
h) Related corporations of the bank							
i) Individuals in whom, or any firm, limited liability partnership or company in which, any of the directors of the bank has an interest , directly or indirectly, as declared under section 28 other than the credit facilities or exposures particulars of which have already been supplied under section 27(1)							

**Table 2: Statement of exposures and credit facilities to director groups of a bank incorporated in Singapore as at \_\_\_\_\_**

Director Group	Counterparty Name	Exposure Limit (S\$)	Gross Exposure Amount (S\$)	Net Exposure Amount (S\$)	Facility Type	Collateral Type	Collateral Amount (S\$)	Exposure Amount which is Unsecured (S\$)	Booking of Facility			Approved by Special Majority of the Board (Yes/No)
									ACU	DBU	Overseas	

**Table 3: Statement of transactions with related parties for which no exposure is incurred, to be reported under MAS Notice [ ], as at**

Relationship to Bank	Contracts for services (S\$)	Asset Purchases and Sales (S\$)	Construction Contracts (S\$)	Lease Agreements (S\$)	Deposit-taking (S\$)	Others (S\$)	Policies and Procedures	Remarks
a) The director groups of the bank								
b) in the case of a bank incorporated in Singapore, the substantial shareholder groups of the bank								
c) Related corporations of the bank								
d) The financial group of the bank								
e) Senior management groups of the bank								

### Additional Information

[illegible]

Name of Manager: \_\_\_\_\_

Designation of Manager: \_\_\_\_\_

Date of submission to HO/ reading at Board of Directors Meeting: \_\_\_\_\_

Date of preparation: \_\_\_\_\_

Date of submission to MAS: \_\_\_\_\_



**Appendix II****EXPLANATORY NOTES FOR COMPLETION OF STATEMENTS TO BE REPORTED UNDER  
SECTION 27(1) OF THE BANKING ACT (CAP 19) AND MAS NOTICE [ ]**General

1 A bank shall report all its transactions with related parties, including exposures and credit facilities, in Singapore dollars. Where the transaction does not involve Singapore dollars, the bank shall convert the foreign currency amount to Singapore dollars using the currency conversion rates at the Authority's Internet website at <http://www.mas.gov.sg> (under Statistics Room – Other Financial Statistics).

2 Where a transaction falls into more than one relationship under column 1 of Tables 1 and 3 of Appendix I (“relationship”), a bank shall report such transactions under each relationship accordingly. The bank shall provide details of such transactions under the “Additional Information” section.

3 For an entity that is grouped into one or more groups within any relationship, a bank shall only report its transaction with that entity once for each relationship.

4 If there are no transactions, exposures and credit facilities to be reported under section 27 of the Banking Act and this Notice, a “Nil” return shall be submitted.

5 In Tables 1 and 3 of Appendix I, a bank shall indicate its prescribed materiality thresholds under the “Policies and Procedures” column. A bank shall also indicate “Yes” or “No” under the “Remarks” column as to whether the reported transactions, including exposures and credit facilities, are in compliance with its policy and procedures on related party transactions. Where any transactions depart from its policy and procedures on related party transactions (insofar as permitted under this Notice), reasons for the exceptions shall be disclosed under the “Additional Information” section.

Tables 1 and 2 of Appendix I

6 In Table 1 of Appendix I, a bank shall segregate all exposures and credit facilities, booked in respect of its DBU operations from those booked in respect of its Asian Currency Unit approved under section 77 of the Act and prepare separate statements for its DBU operations and its Asian Currency Unit operations.

7 Unless otherwise stated in this Notice, a bank shall report exposures and credit facilities for each relationship in the manner such exposures and credit facilities are

computed for the purposes of complying with the limits set out in MAS Notice 639 and this Notice, i.e., taking into account any credit risk mitigation techniques or exclusions.

8 “Total gross exposure amounts” and “total net exposure amounts” under columns 3 and 4 of Table 1 of Appendix I, and “gross exposure amount” and “net exposure amount” under columns 4 and 5 of Table 2 of Appendix I, refer to the exposure amounts before and after the application of any credit risk mitigation techniques in the manner set out in MAS Notice 639 and this Notice, respectively.

9 “Total gross exposure amounts of which are credit facilities” and “Credit facilities which are unsecured” under columns 5 and 6 of Table 1 of Appendix I refer to the amounts before and after offsetting the portion of the credit facilities secured against acceptable collateral, as set out in this Notice, respectively.

10 Under the “Facility type” column of Table 2 of Appendix I, a bank shall indicate the type of credit facility granted (e.g. mortgage loan, overdraft etc) or “others” for other types of exposures.

11 Under the “Collateral type” column of Table 2 of Appendix I, a bank shall indicate the type of acceptable collateral (as set out in this Notice) or “Nil” for an unsecured exposure.

12 Under the “ACU”, “DBU” and “Overseas” columns of Table 2 of Appendix I, a bank shall indicate “Yes” or “No” in the relevant column accordingly.

#### Table 3 of Appendix I

13 A bank shall indicate the contract values of the transactions with its related parties, for which the bank does not incur an exposure, in Table 3 of Appendix I.



Monetary Authority of Singapore