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Dear Editor

I refer to "How are foreign banks in Singapore regulated" (My Paper, 26 Sept).

2. MAS requires all banks in Singapore to comply with requirements on capital adequacy, asset maintenance, liquidity, and limits on credit and investment exposures. In addition to these regulatory requirements, MAS expects banks to have in place robust risk management practices, which include maintaining sufficient liquidity and setting prudent limits to ensure that their exposures are well diversified.

3. Our regulations also require foreign bank branches in Singapore to maintain a proportion of the assets of their Singapore branch in safe and liquid Singapore dollar denominated and Singapore-domiciled assets. Singapore's banking sector continues to function normally. MAS has been in close contact with banks here, including the major retail banks, to assess the impact of the current financial turmoil. We are also maintaining contact with the respective head offices of foreign banks and their parent regulators to monitor developments at the home countries, where necessary.

4. Under the Banking Act, depositors are given priority claim over a bank's assets, ahead of other unsecured liabilities, bond-holders and shareholders. In addition, an individual's Singapore dollar current, savings and fixed deposit accounts with a retail bank or finance company in Singapore are insured up to S\$20,000 per institution under the deposit insurance scheme administered by the Singapore Deposit Insurance Corporation. A deposit insurance payout could take place if a bank that is a member of the deposit insurance scheme is wound up, insolvent or unable to meet its obligations. This is regardless of whether the bank in question is a local or foreign bank.

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Dear Editor,

I refer to "Do more to protect policy holders" (Straits Times Forum, 22 September 2008).

2. Under the deposit insurance scheme, administered by the Singapore Deposit Insurance Corporation (SDIC), an individual's Singapore dollar current, savings and fixed deposit accounts with a full bank or finance company in Singapore have an aggregate coverage of up to S\$20,000 per institution. This coverage fully insures more than 80% of individual depositors in Singapore and is within international norms of 80% to 90%.
3. MAS, together with the SDIC, will review the coverage limit regularly, taking into consideration the objectives of the scheme and international norms. In determining the appropriate coverage limit, our primary objective is to provide adequate protection for small depositors. Depositors should also be aware that the higher the coverage, the higher the cost of this protection, which may then be passed on to them.
4. As for protection for insurance policy owners, MAS requires all insurers to establish a separate insurance fund for each class of business. The assets in each fund can only be used to meet the fund's expenses and liabilities and each fund's assets must, at all times, exceed its liabilities plus a safety margin imposed by MAS. At the company level, each insurer must also maintain capital adequacy of at least 120 per cent of the required total safety margin. All insurers, including the AIG-owned insurance entities in Singapore, currently meet these regulatory requirements. If an insurer ceases operations, its assets will be used to compensate policy owners. The Insurance Act accords priority to the claims of policy owners, ahead of other unsecured creditors, over the assets of the insurer and its insurance funds.
5. In the unlikely event that an insurer is unable to meet its obligations to policy owners, the Insurance Act already provides for the setting up of a Policy Owner's Protection Fund ("PPF") to compensate policy owners. Under the current provisions, the PPF will cover up to 90% of an insurer's liability on any life policy. For motor bodily injury and work injury insurance policies, the PPF provisions will cover 100% of an insurer's liability arising from compulsory insurance policies underwritten by the insurer.

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