MAS TO ISSUE DIGITAL BANKING LICENCES

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On 28 June 2019, the Monetary Authority of Singapore ("**MAS**") announced that it will issue up to five (5) new digital bank licences.

The five (5) new banking licences comprise:
a. Digital Full Bank licences: up to two (2) digital full bank ("**Digital Full Bank**") licences, which allow licensees to provide a wide range of financial services and take deposits from retail customers; and
b. Digital Wholesale Bank licences: up to three (3) digital wholesale banks ("**Digital Wholesale Bank**") licences, which allow licensees to serve small and medium enterprises (SMEs) and other non-retail segments.
MAS expects to invite applications for the new digital bank licences in August 2019 and will provide details on the eligibility, admission criteria and implementation of the new regime for digital banking services in Singapore.

Digital Full Bank Framework

Application for Digital Full Bank licences is open to companies headquartered in Singapore and controlled by Singaporeans. Foreign companies will be eligible for to apply for the Digital Full Bank Licences if they form a joint venture with a Singapore company, and the joint venture meets the said headquarter and control requirements.
The following extract summarises the key requirements and restrictions of the two-stage process:

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	Restricted Digital Full Bank		Digital Full Bank
	Entry Point	**Progression**	
Minimum Paid-up capital	**S$15m**	To progressively increase	**S$1.5bn**
Deposit caps	**Aggregate deposit cap**: S$50m deposits *Only can accept deposits from limited scope of depositors* **Individual depositor cap**: S$75k	**Aggregate deposit cap**: To increase subject to meeting MAS' criteria[1] **Individual depositor cap**: S$75k	**No deposit cap**
	Covered by Deposit Insurance Scheme		
Capital and liquidity rules	**Capital**: Same as local banks[2] **Liquidity**: 16% minimum liquid assets		**Capital**: Same as local banks[2] **Liquidity**: Same as local banks[3]
Business restrictions	Offer simple credit and investment products[4] Banking operations in not more than 2 overseas markets	No business restrictions after meeting MAS' criteria	Full functioning bank
	• 1 physical place of business only • No minimum account balance and fall below fees • Compliance with unsecured credit rules[5] • Allowed to offer cashback services through electronic funds transfer at point of sale (EFTPOS) terminals at retail merchants, but no access to automated teller machines ("ATMs") or cash deposit machines ("CDMs") network		

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Safeguards and Phasing in of Permissible Activities

A Digital Full Bank will be required to:

- incorporate in Singapore (this will strengthen MAS' regulatory and supervisory oversight and, in the event of failure, offer better protection for depositors by enhancing the resolvability of the digital bank);
- participate in the deposit insurance scheme provided by the Singapore Deposit Insurance Corporation (this will protect deposits of up to S$75,000 per depositor in the event of the bank's failure);
- comply with the same suite of prudential rules as incumbent banks, including ongoing risk-based capital and liquidity requirements;
- and submit a viable exit plan to facilitate an orderly wind-up if necessary.

At the first stage, the digital bank will commence banking services as a Restricted Digital Full Bank and be subjected to, *inter alia*, business restrictions, deposit caps and at the entry point, the minimum paid-up capital for a Restricted Digital Full Bank is S$15 million.
The Restricted Digital Full Bank can graduate to the second stage once it has met all relevant milestones and all the requirements to become a Digital Full Bank.
You may access the details on the eligibility criteria for application for a Digital Full Bank licence here (Annex A) on the MAS website.

Digital Wholesale Bank

Application for digital wholesale bank licences is open to both Singapore and foreign companies. The applicant will need to meet similar eligibility criteria as a digital full bank applicant.
Digital Wholesale Bank licencees must have a minimum paid-up capital of S$100 million, and will not be able to take Singapore dollar deposits from individuals, except for fixed deposits of at least S$250,000. In addition, Digital Wholesale banks will be restricted to one (1) physical place of business only, and can only conduct activities within the proposed business scope.
You may access the details of the eligibility criteria for application for a Digital Wholesale Bank licence here (Annex B) on the MAS website.

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