

Foreword

New Era of Regulatory Reporting with MAS 610/1003

Recent changes to the Monetary Authority of Singapore's (MAS) Notice 610/1003 have ushered in a new era of regulatory reporting for financial institutions.

The revised MAS 610/1003 is in line with MAS' objectives to collect data in machine-readable format and to reduce duplicate data submissions by financial institutions.

In essence, the revisions are extensive, requiring significant increase in the number of data points and more granular data of banks' assets and liabilities to be collected. As a whole, banks need to clearly demonstrate that they have complied with the MAS revisions by 1 October 2020.

For some banks, it is a complete overhaul of their compliance processes. For the more prepared, the changes present an opportunity to more strategically put in place new regulatory platforms to enhance their current governance framework and reporting infrastructure. Whichever end banks

fall into, the changes call for expertise and discipline in implementing the changes in a cost-efficient and timely manner.

I trust this issue gives insights and clarity as to how banks can navigate these changes.

Leong Kok Keong

Partner, Head of Financial Services
KPMG in Singapore

Contents



New Era of Regulatory Reporting - MAS 610/1003 as starting point
Recent changes to the Monetary Authority of Singapore's (MAS) Notice 610/1003 have ushered in a new era of regulatory reporting.

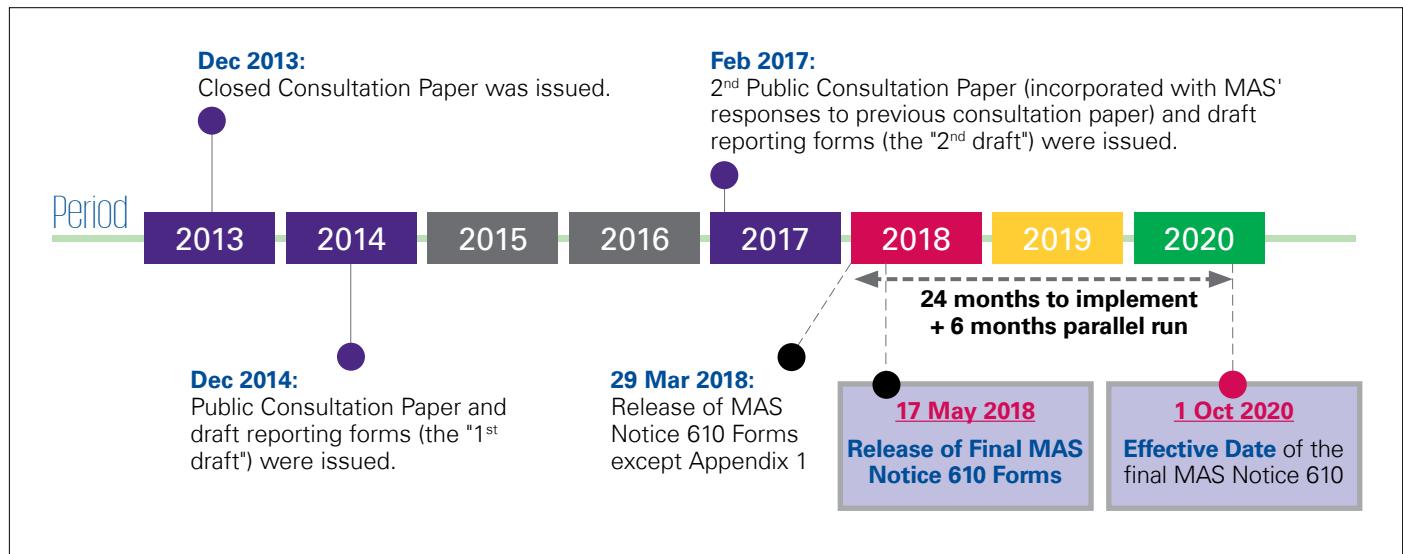


Regulatory, Tax and accounting updates
Highlights recent updates to regulatory, tax and accounting changes that may have an impact on your business.



Global topics
Showcases some of the latest reports, whitepapers and publications on the financial services sector from KPMG.

New Era of Regulatory Reporting - MAS 610/1003 as starting point



By: Gary Chia

The Monetary Authority of Singapore ("MAS") released a closed consultation paper back in December 2013 and the first public consultation paper in December 2014 on its proposal to revise the data collected under MAS Notice 610/1003 as part of their ongoing review of Notices to financial institutions. MAS published its responses to feedback received on the 2014 consultation paper and further issued a second consultation paper on the revised proposals in February 2017.

On 17 May 2018, MAS published its responses to feedback received on the second consultation paper and issued the revised MAS Notice 610/1003, together with the updated reporting forms and guidelines.

The revised MAS Notice 610/1003 shall take effect from 1 October 2020. This is in line with MAS objectives to collect data in machine-readable format and to reduce duplicate data submissions by financial institutions.

Overview of Revised MAS Notice 610/1003

The revised MAS Notice 610/1003 contains a total of up to 66 reporting forms stemming from 18 main appendices and its sub-annexes, an overhaul of the existing Notice with a substantial increase in the reporting forms, 3 appendices and sub-annexes that banks are currently reporting. The revisions are extensive, with massive increase in the number of data points and more granular data of banks' assets and liabilities by currency, country and industry.

Implementation Timeline and Parallel Run

Banks are given a 24 months implementation timeline, from 1 April 2018 to 31 March 2020. During this period, banks have to provide MAS with half-yearly updates on their progress of implementation. The first half-yearly update to MAS is due in September 2018.

From 1 April 2020 to 30 September 2020, a six-month parallel run will be conducted. Banks are required to submit their

existing 610/1003 data in line with current submission timelines and also test data under the revised 610/1003. The parallel run is intended to provide sufficient data points for MAS to make comparisons of the existing and the revised returns.

Possible Implementation Options – In-house or third party vendor solution?

Banks may consider a few possible implementation options.

Firstly, banks can consider developing or enhancing their in-house regulatory reporting platforms. This method is most beneficial for a bank that currently performs their regulatory reporting in-house and have the available resources and capabilities to augment its platform to meet the new regulatory requirements.

The second option is to utilise a third party regulatory reporting solution, where the solution offered is either on-premise or outsourced. This option would be more suitable for banks which are currently outsourcing their regulatory reporting, or for banks which

may not have the requisite knowledge and technical expertise to develop an in-house system.

How Should Banks Prepare Themselves?

The revised MAS Notice 610/1003 presents a huge challenge to banks in terms of the strict timeline and the amount of data required for reporting. Banks have to examine their current regulatory reporting processes to assess their readiness for the new reporting requirements. In addition, banks have to consider the significant cost involved to implement and may need to set aside budget at the early stage.

The cost involved may include enhancement of the core banking systems to capture additional information required, re-look into regulatory reporting systems and the availability of regulatory and accounting specialists that they would require.

(1) Need for Strong Governance Framework

Given the complex changes under the revised Notice, information required for the submissions now goes beyond the finance department, and could span across various data points within the bank. Data gathering would need to start from identifying additional data which will need to be collected from customers, collating information from various internal departments, and possibly across various systems. As such, it is important for banks to establish a strong governance framework and a dedicated project team to drive and coordinate their regulatory reporting processes.

In order to report consistent and accurate information and ensure sufficient oversight, banks should identify the relevant processes and data owners, and clearly set out their roles and responsibilities.

(2) Data Gap Analysis and Mapping Review

Banks should perform a data gap analysis to first identify additional data required for reporting and also areas where the

data collection and reporting processes can be enhanced.

Banks would then need to work on ways to remediate the gaps, which may entail dedicating resources to improve or re-engineer its current reporting processes and systems. For example, in the case where relevant information to be reported is not captured by a bank, the bank will first need to devise ways to collect those data and subsequently, reconfigure their source systems to capture the new data fields.

Banks should also ensure a proper mapping is performed to ensure that the data in the source systems are properly mapped to the MAS 610/1003 reporting returns.

(3) Staff knowledge and level of expertise

Some of the new requirements in the revised Notice may necessitate certain level of judgement to interpret and apply the requirements in the bank's context. Consequently, banks should assess whether they have the necessary expertise in-house or if they require

external advice.

In addition, banks need to factor in the resources required to equip their staff with the relevant knowledge and skills to manage the implementation in order to meet the implementation timeline.

(4) Planning roadmap

Banks are required to provide half-yearly updates to MAS on their implementation progress starting from September 2018. As such, banks are expected to be proactive in developing an implementation roadmap so as to meet the reporting timelines for the revised Notice.

Conclusion

The revised MAS 610/1003 will take effect in approximately 2 years time, Banks need to step up their game on implementing the new regulatory requirements. In order to drive an effective implementation of the new MAS 610/1003, banks need to have an appropriate level of involvement and support from the top to ensure that an appropriate governance framework is in place and sufficient resources are allocated.



Regulatory, tax and accounting updates

Regulatory updates

Commercial Banks

MAS Notice 645 on Computation of Total Debt Servicing Ratio ("TDSR") for Property Loans

On 5 July 2018, the MAS amended the existing Notice 645 by making certain deletions, substitutions and insertions. The amended Notice 645 came into effect from 6 July 2018. Key changes include:

- i. Reference point relating to the application for the credit facility or re-financing facility of an Executive Condominium ("EC") purchased from property developer has changed to an EC where the minimum occupation period has not expired;
- ii. Requirement for a bank to obtain an undertaking or declaration from the Borrower, so as to exclude the monthly repayment installment, from the computation of the Borrower's TDSR, when granting a credit or re-financing facility for the purchase of a HDB flat or an EC where the minimum occupation period has not expired;
- iii. Requirement to:
 - a) use the amount of monthly repayment instalment as reflected in the latest report from one or more credit bureaus; or
 - b) calculate the monthly repayment installment amount in a manner specified in the Notice where it is not reflected in latest report from the credit bureau;
- iv. Documents to be obtained for inclusion of monthly rental income as part of the Borrower gross monthly income;
- v. Allowing other methods of calculation

of the gross monthly income, subject to conditions specified in the Notice; and

- vi. Documents required for the verification of gross monthly income.

Guidelines on the Application of Total Debt Servicing Ratio ("TDSR") for Property Loans under MAS Notice 645, 1115, 831 and 128

Consequent to the amendments to the existing MAS Notices 645, 1115, 831 and 128, the corresponding Guidelines were also updated, which became effective from 6 July 2018. The main key changes were made to the paragraph "exclusion of monthly repayment instalments from TDSR computation in certain situations". Some of the key changes include:

- a. A change in the header of the paragraph from "owner-occupied properties" to "exclusion of monthly repayment instalments from TDSR computation in certain situations";
- b. Reference point relating to the application for the credit facility or re-financing facility of an Executive Condominium ("EC") purchased from property developer has changed to an EC where the minimum occupation period has not expired; and
- c. Exclusion of monthly repayment instalment for the computation of TDSR in relation to a credit facility or re-financing facility for an existing EC is applicable only if the minimum occupation period has expired.

MAS Notice 632 on Residential Property Loans

The MAS amended the existing Notice 632 by making certain deletions, substitutions and insertions, which came into effect from 6 July 2018. Key changes include the following:

- i. Reference point relating to the application for the credit facility or

re-financing facility of an EC purchased from property developer has changed to an EC where the minimum occupation period has not expired;

- ii. For the computation of the Relevant Amount, Loan-to-value ratio (LTV%) for a borrower who holds a vehicle which is set up for the purchase of residential property, has reduced from 40% to 15%;
- iii. The specific supporting documents to be obtained as part of the bank's due diligence for a credit facility or a refinancing facility to purchase Residential Property; and
- iv. Revised table outlining the LTV% and corresponding amounts to be paid in cash.

The Singapore Guide to Conduct & Market Practices for the Wholesale Financial Markets (The "Blue Book")

On 12 April 2018, the Singapore Foreign Exchange Market Committee has released an updated Blue Book, which will take effect from 1 January 2019. The scope of application of the Blue Book has been extended to all Market Participants that are engaged in the wholesale financial markets, including buy-side entities and financial market infrastructures. The Blue Book is also extended to cover exchange-traded products.

The other key changes include:

- Revision of guidance on disclosure of names by brokers;
- Revision of guidance to prohibit betting or gambling;
- Revision of guidance relating to industry certification programmes;
- Revision of guidance on handling client orders;
- Expanding the guidance on telephone recording; and
- Including new guidance on execution of brokerage agreements and reconciliation of brokerage bills.

Securities, Futures and Fund Management / Financial Advisers

- (A) Securities and Futures (Offers of Investments) (Collective Investment Schemes) (Amendment) Regulations 2018, Securities and Futures (Offers of Investments) (Shares and Debentures) (Amendment) Regulations 2018, and Guidelines on Maintaining Records of Approval for Advertisements or Publications
- (B) Financial Advisers (Amendment) Regulations 2018, and Securities and Futures (Licensing and Conduct of Business) (Amendment) Regulations 2018
- (C) Financial Advisers (Amendment No. 2) Regulations 2018

On 8 June 2018, MAS issued the

Amendment Regulations pertaining to the sale and marketing of listed and unlisted investment products and will come into effect on 10 December 2018. The key amendments include:

- In relation to Amendments in (A): Product Highlights Sheet ("PHS") are to be issued in a prescribed format. MAS will cancel the existing Guidelines on the PHS, and introduce a Practice Note to provide guidance to issuers on the preparation of the PHS, such as the required format, use of technical jargons and use of diagrams;
- In relation to Amendments in (A and B): Requirements of advertisement or publication on investment products, including providing a fair and balanced view, presented in a clear manner, subject to senior management approval, and maintaining records of approval for at least five years; and
- In relation to Amendments in (C): Removal of the overseas investor exemption under the Financial Advisers Regulations.

Securities and Futures (Short Selling) Regulation 2018, Guidelines on the Regulation of Short Selling

MAS issued the new Regulation and Guidelines on short selling on 28 May 2018, which will take effect from 1 October 2018. The Regulations and Guidelines aims to enhance transparency on the level of short selling in securities listed on Singapore's approved exchanges.

Key requirements/exemptions include:

- (a) Investors are required to disclose short sell orders and short positions in any share of a corporation, any unit in a business trust, or any unit in a real estate investment trust that is listed on an approved exchange;
- (b) A short position has to be reported to MAS, through the new Short Position Reporting System, if it reaches or exceeds the lower of:
 - (i) 0.2% of total issued shares or units; or
 - (ii) S\$2,000,000;
- (c) Exemption criteria for market makers, corporations with more than two trading desks, customers of fund managers or trustees from disclosure and/or reporting requirements.

Guidelines on Licensing, Registration and Conduct of Business for Fund Management Companies [Guideline No. SFA 04-G05]

On 3 July 2018, MAS revised the Guidelines to clarify that Licensed Fund Management Companies ("FMCs"), including Venture Capital Fund Managers, serving accredited investors only and Registered FMCs may carry on business in fund management with their employees who do not meet the accredited investor status, provided that these employees are investment professionals employed by the FMC or employed within the same corporate group, and the FMC has put in place additional safeguards.



Notice on Minimum Entry and Examination Requirements for Representatives of Licensed Financial Advisers and Exempt Financial Advisers [Notice No. FAA-N13]

On 11 April 2018, MAS revised the Notice and changed the minimum yearly Continuing Professional Development ("CPD") hours applicable to an appointed representative. Previously, appointed representatives were required to meet 16 or 30 CPD hours which consisted of 4 hours of ethics, 8 hours of rules and regulations, and 4 or 18 hours of supplementary CPD hours. Taking into consideration feedback of the overlap in the content for the rules and regulations and ethics courses, MAS has reduced the minimum core CPD hours in Ethics or Rules and Regulations to 6 hours. Accordingly, the minimum supplementary CPD hours have been revised to 10 hours or 24 hours, depending on the type of financial advisory service.

Consultation Paper

Consultation Paper on Proposed Guidelines on Individual Accountability and Conduct

On 26 April 2018, MAS issued a Consultation Paper on Proposed Guidelines on Individual Accountability and Conduct ("Guidelines"). The proposed Guidelines will identify five accountability and conduct outcomes that Financial Institutions ("FI") are expected to work towards:

1. Senior managers who have responsibility for the management and conduct of functions that are core to the FI's operations are clearly identified.
2. Senior managers are fit and proper for their roles, and held responsible for the actions of their staff and the conduct of the business under their purview.

3. The FI's governance framework is supportive of and conducive to senior managers' performance of their roles and responsibilities. The FI's overall management structure and reporting relationships are clear and transparent.

4. Employees in material risk functions are fit and proper for their roles, and subject to effective risk governance as well as the appropriate standards of conduct and incentive structure.
5. The FI has a framework that promotes and sustains the desired conduct among all employees.

The Guidelines are expected to be issued in the fourth quarter of 2018, and they will be applicable to banks, insurers, capital markets intermediaries and infrastructures.

Consultation Paper on Guidelines on Provision of Financial Advisory Services and Design of Advisory and Sales Forms

On 4 June 2018, MAS proposed to issue Guidelines on Provision of Financial Advisory Services to provide clarity on how MAS assesses whether a person is deemed to be conducting a business of providing financial advisory services. The proposed Guidelines set to ascertain whether the activity amounts to providing financial advice, and whether the person is conducting a business in such activity.

MAS also proposed to issue Guidelines on the Design of Advisory and Sales Form. These Guidelines layout the key principles and good practices that financial advisers should incorporate in the design of their Advisory and Sales forms.



Tax Updates

Monetary Authority of Singapore ("MAS") updates to the Budget 2018

Further to the 2018 Budget Statement which was tabled in the Parliament on 19 February 2018, the MAS has released further details on the proposed changes. The following highlights are relevant to the Singapore financial services sector:

-
- | | |
|---|---|
| 1 Enhanced Tier Fund Scheme
(Section 13X) | <p>The MAS has released FDD Cir 05/2018 dated 10 April 2018 on the Expansion of the Enhanced-Tier Fund Tax Incentive Scheme ("Section 13X scheme").</p> <p>From 20 February 2018, the Section 13X scheme will be expanded to accommodate fund vehicles constituted in all forms, beyond trusts, companies and limited partnerships. The expansion applies to the following funds:</p> <ul style="list-style-type: none"> • Standalone funds; • Master fund and feeder fund(s) of a master-feeder funds structure; and • Feeder fund(s) of a master-feeder fund-SPV structure. <p>There are no changes to the other conditions of the Section 13X Scheme.</p> |
| 2 Financial Sector Incentive ("FSI") Scheme | <p>The MAS has released FDD Cir 10/2018 dated 31 May 2018 on the Extension and Enhancement of the Financial Sector Incentive Scheme ("FSI Scheme").</p> <p>The FSI Scheme, which was due to expire on 31 December 2018, has been extended till 31 December 2023.</p> <p>The qualifying activities under the FSI-Standard Tier Scheme ("FSI-ST Scheme) will be expanded by expanding the scope of trading in loans and in their related collaterals to include collaterals that are prescribed infrastructure assets or projects. The definition of "prescribed infrastructure assets or projects" is prescribed in regulation 5 of the Income Tax Act (Qualifying Project Debt Securities) Regulations 2008 (S 315/2008). This will apply to income derived on or after 1 January 2019 for new and renewal awards approved on or after 1 June 2017.</p> |
| 3 Insurance Business Development – Insurance Broking Business (IBD-IBB) and Insurance Business Development – Specialised Insurance Broking Business (IBD-SIBB) Schemes | <p>The MAS has released FDD Cir 09/2018 dated 31 May 2018 on the Extension and Rationalisation of the tax incentive schemes for insurance broking business.</p> <p>The application period for the IBD-IBB scheme will be extended to 31 December 2023 at a concessionary rate of 10%.</p> <p>Speciality insurance and broking advisory services, which were previously covered under the IBD-SIBB scheme (which has now lapsed after 31 March 2018), will be incentivised under the IBD-IBB scheme going forward.</p> <p>The conditions and reporting requirements of the IBD-IBB scheme remain the same. All IBD-IBB awards approved from 1 June 2017 will be granted for 5 years.</p> |
-

4 Section 14I Tax deduction for impairment and loss allowance

The MAS has released FDD Cir 08/2018 dated 31 May 2018 on the Extension of Section 14I deduction.

The tax deduction under Section 14I has been extended and will apply for the basis periods of a financial institution up to and including the financial year beginning in 2023 [i.e. YA 2024 (December financial year-end) or YA 2025 (for non-December financial year-end)].

The tax deduction under Section 14I can be claimed on the following:

- Stage 1 exposures under FRS 109 (i.e. loss allowance for a financial asset measured at an amount equal to 12-month expected credit losses ("ECL") if the financial asset is determined to have a low credit risk at the reporting date);
- Stage 2 exposures under FRS 109 (i.e. loss allowance measured at an amount equal to the lifetime ECL for financial assets of which credit risk has increased significantly since initial recognition); and
- Any additional loss allowances as required by the revised MAS notices above and beyond those made under FRS 109.

The tax deduction under Section 14I will be subject to the cap and fulfilling of conditions under that section.

5 Withholding tax exemptions for financial sector

The MAS has released FDD Cir 07/2018 dated 31 May 2018 on the Tax Exemption / Waiver of withholding tax on qualifying payments made by qualifying financial institutions.

The following exemptions will be withdrawn for payments liable to be made under contracts that take effect on or after 1 January 2019:

- Interest from approved Asian Dollar Bonds;
- Payments made under over-the-counter financial derivative transactions by companies with FSI-Derivatives Market awards that were approved on or before 19 May 2007.

A review date of 31 December 2022 will be introduced for the tax exemption schemes in respect of the following payments made to a non-resident (excluding a permanent establishment in Singapore):

- Payment made under a cross currency swap transaction by a Singapore swap counterparty of Singapore dollar debt securities;
- Payment made under an interest rate or currency swap transaction by a financial institution;
- Payment made under an interest rate or currency swap transaction by a financial institution; and
- Specified payment made under a securities lending or repurchase agreement by a specified institution.

The tax exemption granted in respect of interest paid by Singapore International Monetary Exchange ("SIMEX") members to a non-resident person on margin deposits for trading in gold futures, financial futures and spot foreign exchange (other than those involving Singapore dollar) will be replaced with a tax exemption in respect of payment of interest on margin deposits for trading in the abovementioned products that is liable to be made by a member of an approved exchange. This tax exemption scheme will take effect from 20 February 2018, with a review date of 31 December 2022.

Accounting Updates

ASC issued Financial Reporting Standard 117 Insurance Contracts (FRS 117) on 29 March 2018. FRS 117 establishes principles for the recognition, measurement, presentation and disclosure of insurance contracts issued. FRS 117 also requires similar principles to be applied to reinsurance contracts held and investment contracts with discretionary participation features issued. The objective of FRS 117 is to ensure that entities provide relevant information in a way that faithfully represents those contracts. The

information gives a basis for users of financial statements to assess the effect that contracts within the scope of FRS 117 have on the financial position, financial performance and cash flows of an entity.

The new accounting standards will have a significant impact on companies that are offering insurance products. FRS 117 is effective for annual reporting periods beginning on or after 1 January 2021. Earlier application is permitted.



Global topics

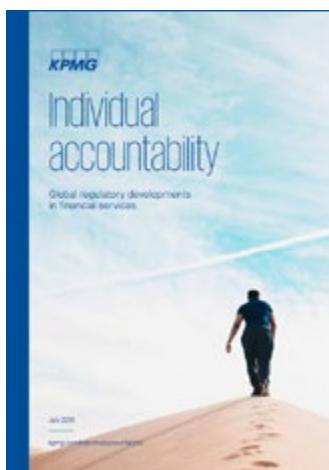


The Pulse of Fintech: H12018

The Pulse of Fintech 2018 is a half-yearly report that covers the global fintech investment landscape and looks at the deal value, deal volume and drivers behind the investment of fintech companies.

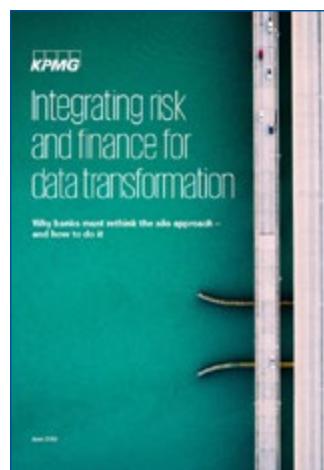
In it to win it: IFRS 17 Slipsheet

Feedback on IFRS 17 and IFRS 9 implementation for insurers one year on.



Individual accountability

The report discusses the global regulatory developments in financial services.



Integrating Risk and Finance for Data Transformation

The report provides insights on why banks must rethink their silo approach for data transformation and how to do it.



Parting of the Ways?

The report provides insights on evolving asset management regulations.



New Payments Platform

A report on new payment platforms and the industry approach to minimizing real-time payments fraud.



Reaching The Next Level of Innovation in Banking

A report on how CEOs of banks can lead and drive innovation



How To Future-Proof A Financial Institution

An article on how to prepare a financial institution and why it's important.



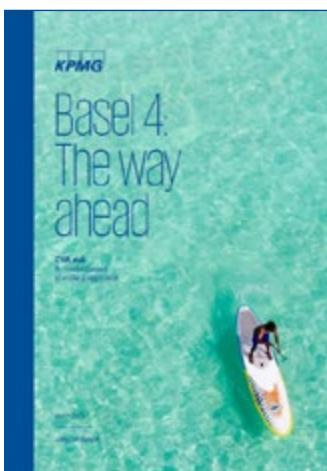
Basel 4: The Way Ahead

An article on the IRB approach on the credit risk.



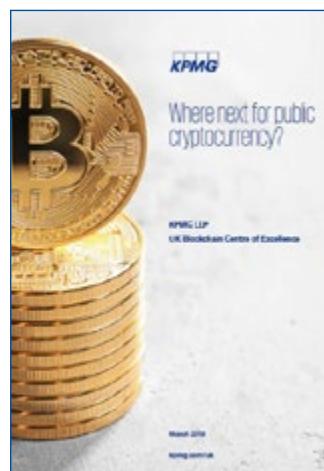
Real-time payments

The paper aims to show how to best seize the growing opportunities and stay in the competitive game, today and tomorrow.



Basel 4 - The Way Ahead

A report on the model-based standard approach on the CVA risk.



Where next for public cryptocurrency?

A report on public cryptocurrency.

Contributors to this issue



Leong Kok Keong
Head of Financial Services
T: +65 6213 2008
E: kokkeongleong@kpmg.com.sg



Chia Tek Yew
Head of Financial Services
Advisory
T: +65 6213 3726
E: tekyewchia@kpmg.com.sg



Alan Lau
Head of Financial Services Tax
T: +65 6213 2027
E: alanlau@kpmg.com.sg



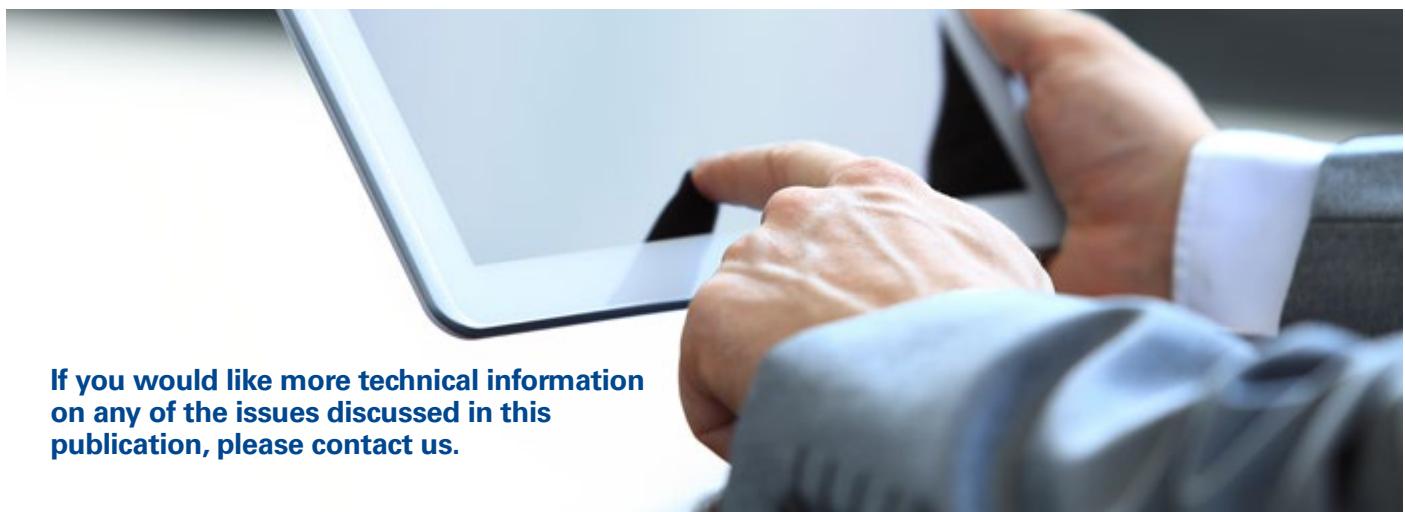
Yvonne Chiu
Partner
Chief Editor
T: +65 6213 2323
E: yvonnechiu@kpmg.com.sg



Gary Chia
Head of Financial Services
Regulatory & Compliance
T: +65 6411 8288
E: garydanielchia@kpmg.com.sg



Reinhard Klemmer
Head of Accounting Advisory
Services
T: +65 6213 2333
E: rklemmer2@kpmg.com.sg



If you would like more technical information on any of the issues discussed in this publication, please contact us.

The information contained herein is of a general nature and is not intended to address the circumstances of any particular individual or entity. Although we endeavour to provide accurate and timely information, there can be no guarantee that such information is accurate as of the date it is received or that it will continue to be accurate in the future. No one should act on such information without appropriate professional advice after a thorough examination of the particular situation.

© 2018 KPMG Services Pte. Ltd. (Registration No: 200003956G), a Singapore incorporated company and a member firm of the KPMG network of independent member firms affiliated with KPMG International Cooperative ("KPMG International"), a Swiss entity. All rights reserved. Printed in Singapore.

The KPMG name and logo are registered trademarks or trademarks of KPMG International.