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BANKING ACT (CHAPTER 19)

BANKING (CORPORATE GOVERNANCE) REGULATIONS 2005

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In exercise of the powers conferred by section 78 of the Banking Act, the Monetary Authority of Singapore hereby makes the following Regulations:

PART I
PRELIMINARY

Citation and commencement

1. These Regulations may be cited as the Banking (Corporate Governance) Regulations 2005 and shall come into operation on 8th September 2005.

Definitions

2.—(1) In these Regulations, unless the context otherwise requires —

“affiliate” —

(a) in relation to a substantial shareholder of a bank in Singapore, means any company which is an associate of the substantial shareholder, other than —

(i) the bank, if it is a bank incorporated in Singapore, and any entity in which the bank holds a major stake;

[S 512/2019 wef 01/08/2019]

(ii) where the bank is the subsidiary of another bank incorporated in Singapore (referred to in this paragraph as the parent bank), the parent bank and any entity in which the parent bank holds a major stake; or

[S 512/2019 wef 01/08/2019]

(iii) where the bank is the subsidiary of a financial holding company, the financial holding company and any company in which the financial holding company holds a major stake; and

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- (b) in relation to a substantial shareholder of a financial holding company, means any company which is an associate of the substantial shareholder, other than —
- (i) the financial holding company and any company in which the financial holding company holds a major stake; or
 - (ii) where the financial holding company is the subsidiary of another financial holding company, the second-mentioned financial holding company and any company in which the second-mentioned holding company holds a major stake;

“associate”, in relation to a substantial shareholder, means —

- (a) any corporation in which the substantial shareholder controls the composition of the board of directors;
- (b) any corporation in which the substantial shareholder controls more than half of the voting power;
- (c) any corporation in which the substantial shareholder holds more than half of the issued share capital;
- (d) any corporation which is a subsidiary of any other corporation which is an associate by virtue of paragraph (a), (b) or (c);
- (e) any corporation in which the substantial shareholder or any other corporation which is an associate by virtue of paragraph (a), (b), (c) or (d) has, or the substantial shareholder and such other corporation together have, an interest in shares entitling the beneficial owners thereof the right to cast, whether by proxy or in person, not less than 20% but not more than 50% of the total votes able to be cast at a general meeting of the first-mentioned corporation; or
- (f) any corporation (not being a corporation which is an associate by virtue of paragraph (a), (b), (c), (d) or (e)) the policies of which the substantial shareholder

or any other corporation which is an associate by virtue of paragraph (a), (b), (c), (d) or (e) is, or the substantial shareholder together with such other corporation are, able to control or influence materially;

“Audit Committee” means an Audit Committee referred to in regulation 17 or 34, as the case may be;

“board committee” —

(a) in relation to a bank incorporated in Singapore, means any of the committees specified in regulation 11(1) and the Executive Committee referred to in regulation 10; and

(b) in relation to a relevant financial holding company, means any of the committees specified in regulation 28(1) and the Executive Committee referred to in regulation 27;

[S 754/2010 wef 09/12/2010]

“chief executive officer”, in relation to a company, means any person, by whatever name described, who —

(a) is in the direct employment of, or acting for or by arrangement with, the company; and

(b) is principally responsible for the management and conduct of the business of the company;

“executive director” means a director who is concurrently an executive officer and “non-executive director” shall be construed accordingly;

“executive officer”, in relation to a company, means any person, by whatever name described, who —

(a) is in the direct employment of, or acting for or by arrangement with, the company; and

(b) is concerned with or takes part in the management of the company on a day-to-day basis;

“financial year” has the same meaning as in section 4(1) of the Companies Act (Cap. 50);

“foreign-owned bank incorporated in Singapore” means a bank incorporated in Singapore which is a subsidiary of another corporation incorporated or otherwise established outside Singapore;

“immediate family”, in relation to an individual, means the individual’s spouse, child, adopted child, step-child, parent, step-parent, brother, step-brother, sister or step-sister;

“immediate subsidiary” means a subsidiary as defined under section 5(1)(a) of the Companies Act;

“independent director”, in relation to a bank in Singapore or a financial holding company, means a director who —

- (a) is independent from any management and business relationship with the bank or financial holding company, as the case may be;
- (b) is independent from any substantial shareholder of the bank or financial holding company, as the case may be; and
- (c) has not served on the board of the bank or financial holding company, as the case may be, for a continuous period of 9 years or longer;

[S 754/2010 wef 09/12/2010]

“limited liability partnership” has the same meaning as in section 2(1) of the Limited Liability Partnerships Act 2005 (Act 5 of 2005);

[Deleted by S 512/2019 wef 01/08/2019]

“major stake financial entity” means any entity in which a bank incorporated in Singapore acquires or holds a major stake and which is a financial institution approved, licensed, registered or otherwise regulated by the Authority;

[S 512/2019 wef 01/08/2019]

“Nominating Committee” means a Nominating Committee referred to in regulation 12 or 29, as the case may be;

“permanent resident” means any individual who is not subject to any restriction as to his period of residence in Singapore

imposed under the provisions of any written law relating to immigration for the time being in force;

“relevant financial holding company” means a financial holding company which is a related corporation of a bank incorporated in Singapore;

“Remuneration Committee” means a Remuneration Committee referred to in regulation 16 or 33, as the case may be;

“Risk Management Committee” means a Risk Management Committee referred to in regulation 17A or 34A, as the case may be;

[S 754/2010 wef 09/12/2010]

“subsidiary” has the same meaning as in section 5 of the Companies Act (Cap. 50);

“substantial shareholder” has the same meaning as in section 81 of the Companies Act.

(2) In these Regulations, in relation to a company which may dispense with the holding of annual general meetings under section 175A of the Companies Act —

- (a) a reference to the doing of anything at an annual general meeting shall, in the case of such a company, be read as a reference to the doing of that thing by way of a resolution by written means in accordance with the Companies Act; and
- (b) a reference to the date of an annual general meeting of such a company shall, unless the meeting is held, be read as a reference to the date of expiry of the period within which the meeting is required by law to be held.

Major stake

3. In these Regulations, unless the context otherwise requires —

- (a) any reference to an entity in which a bank holds a major stake is a reference to an entity in which a bank has a major stake as defined in section 32(7) of the Act; and

[S 512/2019 wef 01/08/2019]

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- (b) any reference to a company in which a financial holding company (referred to in this regulation and regulations 4 and 5 as the relevant major stakeholder) holds a major stake is a reference to a company in which the relevant major stakeholder has —
- (i) any beneficial interest exceeding 10% in the share capital;
 - (ii) control over more than 10% of the voting power; or
 - (iii) any interest, where the directors of the company are accustomed or under an obligation, whether formal or informal, to act in accordance with the directions, instructions or wishes of the relevant major stakeholder, or where the relevant major stakeholder is in a position to determine the policy of the company.

Meaning of “affiliated entity” in relation to relevant major stakeholder

4. In regulation 5, “affiliated entity”, in relation to a relevant major stakeholder, means —

- (a) any subsidiary of the relevant major stakeholder;
- (b) any company in which the relevant major stakeholder and its subsidiaries hold in the aggregate a beneficial interest in not less than 20% of the share capital;
- (c) any company in which the relevant major stakeholder and its subsidiaries control in the aggregate not less than 20% of the voting power;
- (d) any company, other than a company referred to in paragraph (a), (b) or (c), where the directors of the company are accustomed or under an obligation, whether formal or informal, to act in accordance with the relevant major stakeholder’s directions, instructions or wishes, or where the relevant major stakeholder is in a position to determine the policy of the company; or

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- (e) any subsidiary of a company referred to in paragraph (b), (c) or (d).

Holding by affiliated entity deemed to be holding by relevant major stakeholder

5. In determining whether a relevant major stakeholder holds a major stake in a company under regulation 3(b) —

- (a) any beneficial interest in the share capital of the company held by an affiliated entity of the relevant major stakeholder shall be deemed to be a beneficial interest in that share capital held by that relevant major stakeholder;
- (b) any control of voting power in the company held by an affiliated entity of the relevant major stakeholder shall be deemed to be a control of such voting power held by that relevant major stakeholder; and
- (c) where the directors of the company are accustomed or under an obligation, whether formal or informal, to act in accordance with the directions, instructions or wishes of the relevant major stakeholder, or where the relevant major stakeholder is in a position to determine the policy of the company, any interest in the company held by the affiliated entity of the relevant major stakeholder shall be deemed to be an interest held by that relevant major stakeholder.

PART II

REQUIREMENTS FOR BANKS

Independence from management and business relationships

6.—(1) In these Regulations, subject to regulation 8, a director shall be considered to be independent from management and business relationships with a bank incorporated in Singapore if —

- (a) the director has no management relationship with the bank or any of its subsidiaries; and
- (b) the director has no business relationship with the bank or any of its subsidiaries, or with any officer of the bank,

that could interfere, or be reasonably regarded as interfering, with the exercise of the director's independent business judgment with regard to the interests of the bank.

(2) Without prejudice to paragraph (1)(a), a director shall not be considered to be independent from management relationships with a bank incorporated in Singapore or any of its subsidiaries if —

- (a) he is employed by the bank or any of its subsidiaries, or has been so employed at any time during the current financial year or any of the preceding 3 financial years of the bank or any of its subsidiaries;
- (b) any member of his immediate family —
 - (i) is employed by the bank or any of its subsidiaries as an executive officer whose compensation is determined by the Remuneration Committee of the bank or any of its subsidiaries; or
 - (ii) has been so employed at any time during the current financial year or any of the preceding 3 financial years of the bank or any of its subsidiaries; or
- (c) he is accustomed or under an obligation, whether formal or informal, to act in accordance with the directions, instructions or wishes of the management of the bank or any of its subsidiaries.

(3) Without prejudice to paragraph (1)(b) but subject to regulation 8, a director shall not be considered to be independent from business relationships with a bank incorporated in Singapore or any of its subsidiaries if —

- (a) he is a director, a substantial shareholder or an executive officer of any corporation, or a partner of a firm or a limited liability partnership or a sole proprietor, where such corporation, firm, limited liability partnership or sole proprietor carries on business for purposes of profit to which the bank or any of its subsidiaries has made, or from which the bank or any of its subsidiaries has received, payments in the current or immediately preceding financial year; or

- (b) he is receiving or has received any compensation from the bank or from any of the bank's subsidiaries, other than compensation received for his services as a director or as an employee, at any time during the current or immediately preceding financial year of the bank.

Independence from substantial shareholder

7.—(1) In these Regulations, subject to regulation 8, a director of a company shall be considered to be independent from a substantial shareholder of the company or of any other company, as the case may be, if he is not that substantial shareholder and is not connected to that substantial shareholder.

(2) Notwithstanding paragraph (1), a director of a bank incorporated in Singapore which is —

- (a) the immediate subsidiary of another bank incorporated in Singapore (referred to in this paragraph as the parent bank); or
- (b) the sole subsidiary of a financial holding company which does not carry on any business other than the holding of the bank,

shall, if he is not a substantial shareholder of the bank incorporated in Singapore, the parent bank or the financial holding company, as the case may be, and is not connected to —

- (i) a substantial shareholder of the bank (other than the parent bank or financial holding company); or
- (ii) a substantial shareholder of the parent bank or financial holding company, as the case may be,

be treated as if he were independent from the substantial shareholder of the bank incorporated in Singapore for the purposes of regulations 9(1), 10, 12(1), 16(1), 17(1) and 17A(1).

[S 754/2010 wef 09/12/2010]

(3) For the purposes of paragraph (1), a person is connected to a substantial shareholder if he is —

- (a) in the case where the substantial shareholder is an individual —

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- (i) a member of the immediate family of the substantial shareholder;
 - (ii) employed by the substantial shareholder;
 - (iii) employed by an affiliate of the substantial shareholder;
 - (iv) an executive director of an affiliate of the substantial shareholder;
 - (v) a non-executive director of an affiliate of the substantial shareholder;
 - (vi) a partner of a firm or a limited liability partnership of which the substantial shareholder is also a partner; or
 - (vii) accustomed or under an obligation, whether formal or informal, to act in accordance with the directions, instructions or wishes of the substantial shareholder; or
- (b) in the case where the substantial shareholder is a corporation —
- (i) employed by the substantial shareholder;
 - (ii) employed by an affiliate of the substantial shareholder;
 - (iii) a director of the substantial shareholder;
 - (iv) an executive director of an affiliate of the substantial shareholder;
 - (v) a non-executive director of an affiliate of the substantial shareholder;
 - (vi) a partner of a firm or a limited liability partnership of which the substantial shareholder is also a partner; or
 - (vii) accustomed or under an obligation, whether formal or informal, to act in accordance with the directions, instructions or wishes of the substantial shareholder.

Determination by Nominating Committee

8.—(1) The Nominating Committee of a bank incorporated in Singapore or major stake financial entity, as the case may be, may determine —

- (a) that a director of the bank who is —
 - (i) not considered independent from business relationships with the bank under regulation 6(3)(a) or (b); or
 - (ii) not considered independent from a substantial shareholder of the bank because of the relationship specified in regulation 7(3)(a)(v) or (b)(v); or
- (b) for the purposes of regulation 21(3), that a director of a major stake financial entity, in which the bank acquires or holds a major stake, who is not considered independent from a substantial shareholder of the bank or the financial holding company of the bank because of the relationship specified in regulation 7(3)(a)(v) or (b)(v),

shall nonetheless be considered independent from business relationships with the bank, or independent from a substantial shareholder of the bank or a substantial shareholder of the financial holding company of the bank, as the case may be, if the Nominating Committee is satisfied that the director's independent business judgment and ability to act in the interests of the bank will not be impeded, despite the relationships specified in that regulation.

[S 512/2019 wef 01/08/2019]

(2) If —

- (a) at any time, the Authority is not satisfied that a director is independent notwithstanding any determination of the Nominating Committee made under paragraph (1); and
- (b) the lack of independence of that director would result in a failure to comply with any of the requirements under regulation 9(1), 10, 12(1), 16(1), 17(1) or 17A(1) in the case of a bank, or the requirements under regulation 21(1) in the case of a major stake financial entity,

[S 512/2019 wef 01/08/2019]

the Authority shall —

- (i) direct the bank to rectify the composition of the board of directors or any relevant committee in accordance with the requirements under regulation 9(1), 10, 12(1), 16(1), 17(1) or 17A(1), as the case may be, within such time, and subject to such conditions or restrictions, as the Authority may specify; or
- (ii) direct the major stake financial entity to rectify the composition of the board of directors in accordance with the requirements under regulation 21(1), within such time, and subject to such conditions and restrictions, as the Authority may specify,

[S 512/2019 wef 01/08/2019]

as the case may be.

[S 754/2010 wef 09/12/2010]

(3) Where the Authority has given a direction to a bank under paragraph (2), the requirements under regulation 9(1), 10, 12(1), 16(1), 17(1) or 17A(1), as the case may be, shall not apply to the bank during the period between the time the Authority makes the direction and the time by which the bank is required to rectify the composition of the board of directors or any relevant committee in accordance with the direction.

[S 754/2010 wef 09/12/2010]

(4) Where the Authority has given a direction to a major stake financial entity under paragraph (2), the requirements under regulation 21(1) shall not apply to the major stake financial entity during the period between the time the Authority makes the direction and the time by which the major stake financial entity is required to rectify the composition of the board of directors in accordance with the direction.

[S 512/2019 wef 01/08/2019]

Board of directors

9.—(1) Subject to paragraphs (2), (3) and (4) and regulations 8(3) and 22, a bank incorporated in Singapore shall have a board of directors comprising —

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- (a) in the case of a foreign-owned bank incorporated in Singapore, at least one-third of directors who are Singapore citizens or permanent residents or, in any other case, at least a majority of directors who are Singapore citizens or permanent residents; and
 - (b) at least a majority of directors who are independent directors.

[S 754/2010 wef 09/12/2010]

(2) Where a single substantial shareholder holds 50% or more of the share capital or the voting power in a bank incorporated in Singapore, paragraph (1)(b) shall not apply to the bank only if the bank has a board of directors comprising —

- (a) at least a majority of directors who are independent from management and business relationships with the bank; and
- (b) at least one-third of directors who are independent directors.

[S 754/2010 wef 09/12/2010]

(3) If a member of the board of directors resigns or ceases to be a member of the board of directors for any other reason, the bank shall —

- (a) notify the Authority of the event within 14 days after the occurrence of the event; and

[S 754/2010 wef 09/12/2010]

- (b) on or before its next annual general meeting, appoint such number of new directors as may be necessary to rectify the composition of the board of directors in accordance with the requirements prescribed under paragraph (1).

(4) Notwithstanding paragraph (3), the Authority may, upon being notified under paragraph (3)(a), direct the bank to rectify the composition of the board of directors in accordance with the requirements under paragraph (1) within such time before the next annual general meeting of the bank and subject to such conditions or restrictions as the Authority may specify, and the bank shall comply with that direction.

- (5) The board of directors shall maintain records of all its meetings.

(6) Any bank which contravenes paragraph (1) shall be guilty of an offence and shall be liable on conviction to a fine not exceeding \$25,000 and, in the case of a continuing offence, to a further fine not exceeding \$2,500 for every day or part thereof during which the offence continues after conviction.

(6A) Any bank which contravenes paragraph (3)(a) shall be guilty of an offence and shall be liable on conviction to a fine not exceeding \$25,000.

[S 754/2010 wef 09/12/2010]

(7) Any bank which fails to comply with any condition or restriction imposed by the Authority under paragraph (4) shall be guilty of an offence and shall be liable on conviction to a fine not exceeding \$25,000.

Executive Committee

10. Where the board of directors of a bank incorporated in Singapore has delegated any of its powers for the oversight of the bank to an executive committee or any other committee by whatever name described (referred to in this Part as an Executive Committee), consisting of such directors as the board of directors thinks fit, regulation 9 (other than regulation 9(1)(a)) shall apply, with the necessary modifications, to the bank in respect of the Executive Committee as if the Executive Committee were a board of directors.

Committees of board of directors

11.—(1) Subject to paragraph (2), a bank incorporated in Singapore shall have —

- (a) a Nominating Committee;
- (b) a Remuneration Committee;
- (c) an Audit Committee; and
- (d) a Risk Management Committee.

[S 754/2010 wef 09/12/2010]

(1A) A bank incorporated in Singapore shall ensure that every member of each Committee referred to in paragraph (1) shall have unfettered access to information which the bank is in possession of or

has access to, for the purposes of carrying out the responsibilities of the Committee concerned.

[S 754/2010 wef 09/12/2010]

(2) A bank incorporated in Singapore which is a subsidiary of any other bank or any insurer, whether or not licensed or registered in Singapore, need not have a Nominating Committee, a Remuneration Committee or a Risk Management Committee, subject to the following conditions:

- (a) the board of directors of the first-mentioned bank performs for the first-mentioned bank all the functions of the Nominating Committee, the Remuneration Committee or the Risk Management Committee, as the case may be, set out in these Regulations; and

[S 754/2010 wef 09/12/2010]

- (b) the first-mentioned bank informs the Authority in writing that the functions of the Nominating Committee, the Remuneration Committee or the Risk Management Committee, as the case may be, are performed by its board of directors.

[S 754/2010 wef 09/12/2010]

(3) Any bank which contravenes paragraph (1) or (1A) shall be guilty of an offence and shall be liable on conviction to a fine not exceeding \$25,000 and, in the case of a continuing offence, to a further fine not exceeding \$2,500 for every day or part thereof during which the offence continues after conviction.

[S 754/2010 wef 09/12/2010]

Nominating Committee

12.—(1) Subject to paragraphs (2) and (4) and regulations 8(3) and 22, a bank incorporated in Singapore shall have a Nominating Committee comprising —

- (a) in the case of a foreign-owned bank incorporated in Singapore, at least 3 but not exceeding 5 members of the board of directors or, in any other case, 5 members of the board of directors, or such greater number (not exceeding 7) of members of the board of directors as the Authority may approve; and

- (b) at least a majority of directors (including the chairman of the Nominating Committee) who are independent directors.

[S 754/2010 wef 09/12/2010]

(2) Where a single substantial shareholder holds 50% or more of the share capital or the voting power in a bank incorporated in Singapore, paragraph (1)(b) shall not apply to the bank only if the bank has a Nominating Committee comprising —

- (a) at least a majority of directors who are independent from management and business relationships with the bank; and
- (b) at least one-third of directors (including the chairman of the Nominating Committee) who are independent directors.

[S 754/2010 wef 09/12/2010]

(3) Every member of the Nominating Committee shall be appointed to hold office until the next annual general meeting following that member's appointment, and shall be eligible for re-appointment.

(4) If a member of the Nominating Committee resigns, ceases to be a director or for any other reason ceases to be a member of the Nominating Committee —

- (a) the bank shall notify the Authority of the event within 14 days after the occurrence of the event; and
- (b) if this results in a breach of any requirement under paragraph (1), the board of directors shall, within 3 months after that event, appoint such number of new members as may be necessary to rectify the composition of the Nominating Committee in accordance with that requirement.

[S 754/2010 wef 09/12/2010]

(4A) Where before 9th December 2010, a bank incorporated in Singapore has appointed, as the chairman of its Nominating Committee, any person who is not independent from any substantial shareholder of the bank or who has served on the board of the bank for a continuous period of 9 years or longer, the bank shall not be prohibited from re-appointing that person as chairman of the

Nominating Committee immediately upon the expiry of the earlier term of appointment.

[S 754/2010 wef 09/12/2010]

(5) Any bank which contravenes paragraph (1) shall be guilty of an offence and shall be liable on conviction to a fine not exceeding \$25,000 and, in the case of a continuing offence, to a further fine not exceeding \$2,500 for every day or part thereof during which the offence continues after conviction.

(6) Any bank which contravenes paragraph (4)(a) shall be guilty of an offence and shall be liable on conviction to a fine not exceeding \$25,000.

[S 754/2010 wef 09/12/2010]

Responsibilities of Nominating Committee

13.—(1) The Nominating Committee of a bank incorporated in Singapore shall identify the candidates and review all nominations for the appointment of —

(a) each director;

(b) each member of each board committee;

[S 754/2010 wef 09/12/2010]

(c) the chief executive officer and deputy chief executive officer;

[S 754/2010 wef 09/12/2010]

(d) the chief financial officer; and

[S 754/2010 wef 09/12/2010]

(e) the chief risk officer,

[S 754/2010 wef 09/12/2010]

of the bank.

(2) Subject to paragraph (3), the Nominating Committee shall determine the criteria to be applied in identifying a candidate or reviewing a nomination for the purposes of this Part.

(3) The criteria to be applied in identifying a candidate or reviewing a nomination for the purposes of this Part shall include the following:

(a) the appointment of the candidate or nominee will not result in non-compliance with the requirements under regulations 9(1), 10, 12(1), 16(1), 17(1) and 17A(1); and

[S 754/2010 wef 09/12/2010]

(b) the candidate or nominee is a fit and proper person for the office and is qualified for the office, taking into account the candidate's or nominee's track record, age, experience, capabilities, skills and such other relevant factors as may be determined by the Nominating Committee.

[S 754/2010 wef 09/12/2010]

(3A) The Nominating Committee shall review the reasons provided by each of the persons referred to in paragraph (1) for his resignation from his appointment in the bank.

[S 754/2010 wef 09/12/2010]

(4) The Nominating Committee shall maintain records of all its meetings.

Determination of independence of directors and assessment of qualification

14.—(1) Where a person is proposed to be appointed as a director, prior to his appointment, the Nominating Committee —

(a) shall determine —

(i) whether he is independent from management and business relationships with the bank; and

(ii) whether he is independent from any substantial shareholder of the bank,

using the criteria set out in regulation 6 or 7, as the case may be, and, where applicable, in accordance with regulation 8; and

(b) shall maintain a record of its determination.

[S 754/2010 wef 09/12/2010]

(2) Prior to every annual general meeting of a bank incorporated in Singapore, the Nominating Committee —

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- (a) shall determine —
- (i) whether each existing director is independent from management and business relationships with the bank; and
 - (ii) whether each existing director is independent from any substantial shareholder of the bank,
- using the criteria set out in regulation 6 or 7, as the case may be, and, where applicable, in accordance with regulation 8;
- (aa) shall review and assess whether each existing director remains qualified for the office using the criteria set out in regulation 13(3); and
- [S 754/2010 wef 09/12/2010]*
- (b) shall maintain a record of its determination and its assessment, respectively.
- [S 754/2010 wef 09/12/2010]*

Furnishing information to Authority

15.—(1) A bank incorporated in Singapore shall, after its Nominating Committee has concluded its deliberations in respect of the matters under regulations 13 and 14 and the board of directors has concurred with the Nominating Committee —

- (a) notify the Authority in writing of the particulars of the persons proposed to be appointed to the positions referred to in regulation 13(1)(a) and (b), including whether the requirements for independence in regulations 6 and 7 are satisfied;
 - (aa) notify the Authority in writing of the review and assessment of each existing director referred to in regulation 14(2)(aa);
- [S 754/2010 wef 09/12/2010]*
- (b) in the case where the Nominating Committee has made a determination under regulation 8, provide the Authority with the Nominating Committee's explanation of its decision as to why the director should be considered independent; and

(c) furnish to the Authority such other information as the Authority may require.

(2) Any bank which contravenes paragraph (1) shall be guilty of an offence and shall be liable on conviction to a fine not exceeding \$25,000 and, in the case of a continuing offence, to a further fine not exceeding \$2,500 for every day or part thereof during which the offence continues after conviction.

Remuneration Committee

16.—(1) Subject to paragraphs (2), (5) and (6) and regulations 8(3) and 22, a bank incorporated in Singapore shall have a Remuneration Committee comprising —

- (a) at least 3 members of the board of directors of the bank; and
- (b) at least a majority of directors (including the chairman of the Remuneration Committee) who are independent directors.

[S 754/2010 wef 09/12/2010]

(2) Where a single substantial shareholder holds 50% or more of the share capital or the voting power in a bank incorporated in Singapore, paragraph (1)(b) shall not apply to the bank only if the bank has a Remuneration Committee comprising —

- (a) at least a majority of directors who are independent from management and business relationships with the bank; and
- (b) at least one-third of directors (including the chairman of the Remuneration Committee) who are independent directors.

[S 754/2010 wef 09/12/2010]

(3) In addition to such other responsibilities as may be determined by the board of directors of a bank incorporated in Singapore, the Remuneration Committee of the bank shall be responsible for —

- (a) recommending a framework for determining the remuneration of the directors of the bank;
- (b) recommending a framework for determining the remuneration of the executive officers of the bank which

shall include the following elements and factors in the design and operation of the framework:

- (i) the remuneration package of each executive officer of the bank —
 - (A) shall be aligned to the specific job functions undertaken by the executive officer and where the executive officer undertakes any of the bank's control job functions, the remuneration package of that executive officer shall be determined independently of the business functions of the bank;
 - (B) shall take into account input from the bank's control job functions as may be relevant to the specific job function undertaken by the executive officer;
 - (C) shall be aligned with the risks that the bank undertakes in its business that is relevant to the specific job function undertaken by the executive officer;
 - (D) shall be sensitive to the time horizon of risks that the bank is exposed to which includes ensuring that variable compensation payments shall not be finalised over short periods of time when risks are realised over long periods of time;
 - (E) shall, in relation to the quantum of bonus payable to the executive officer, be linked to his personal performance, the performance of his specific job function as a whole and the overall performance of the bank; and
 - (F) shall, in relation to the rationale for the mix of cash, equity and other forms of incentives, be justified; and
- (ii) the size of the bonus pool of the bank shall be linked to the overall performance of the bank;

- (c) recommending the remuneration of each director and executive officer of the bank based on the frameworks referred to in sub-paragraphs (a) and (b), respectively; and
- (d) reviewing, at least once in each year, the remuneration practices of the bank to ensure that they are aligned with the recommendations made in accordance with sub-paragraphs (a), (b) and (c).

[S 754/2010 wef 09/12/2010]

(3A) In paragraph (3) —

“business functions” means the job functions in the bank that conduct risk-taking activities in relation to the business of the bank;

“control job functions” means the following job functions:

- (a) risk control and management;
- (b) finance;
- (c) compliance;
- (d) internal audit;
- (e) human resources; and
- (f) risk control related back office operations.

[S 754/2010 wef 09/12/2010]

(4) The Remuneration Committee shall maintain records of all its meetings.

(5) If a member of the Remuneration Committee resigns, ceases to be a director or for any other reason ceases to be a member of the Remuneration Committee —

- (a) the bank shall notify the Authority of the event within 14 days after the occurrence of the event; and
- (b) if this results in a breach of any requirement under paragraph (1), the board of directors shall, within 3 months after that event, appoint such number of new members as may be necessary to rectify the composition of the

Remuneration Committee in accordance with that requirement.

[S 754/2010 wef 09/12/2010]

(6) Where before 9th December 2010, a bank incorporated in Singapore has appointed, as the chairman of its Remuneration Committee, any person who is not an independent director, the bank shall not be prohibited from re-appointing that person as chairman of the Remuneration Committee immediately upon the expiry of the earlier term of appointment.

[S 754/2010 wef 09/12/2010]

(7) Any bank which contravenes paragraph (1) shall be guilty of an offence and shall be liable on conviction to a fine not exceeding \$25,000 and, in the case of a continuing offence, to a further fine not exceeding \$2,500 for every day or part thereof during which the offence continues after conviction.

(8) Any bank which contravenes paragraph (5)(a) shall be guilty of an offence and shall be liable on conviction to a fine not exceeding \$25,000.

[S 754/2010 wef 09/12/2010]

Audit Committee

17.—(1) Subject to paragraph (4) and regulations 8(3) and 22, a bank incorporated in Singapore shall have an Audit Committee comprising —

- (a) at least 3 members of the board of directors of the bank all of whom are independent from management and business relationships with the bank; and
- (b) at least a majority of directors (including the chairman of the Audit Committee) who are independent directors.

(2) The Audit Committee shall, in addition to such other responsibilities as may be determined by the board of directors or provided under written law, be responsible for the adequacy of the external and internal audit functions of the bank, including reviewing the scope and results of audits carried out in respect of the operations of the bank and the independence and objectivity of the bank's external auditors.

(3) The Audit Committee shall maintain records of all its meetings.

(4) If a member of the Audit Committee resigns, ceases to be a director or for any other reason ceases to be a member of the Audit Committee —

(a) the bank shall notify the Authority of the event within 14 days after the occurrence of the event; and

(b) if this results in a breach of any requirement under paragraph (1), the board of directors shall, within 3 months after that event, appoint such number of new members as may be necessary to rectify the composition of the Audit Committee in accordance with that requirement.

[S 754/2010 wef 09/12/2010]

(5) Any bank which contravenes paragraph (1) shall be guilty of an offence and shall be liable on conviction to a fine not exceeding \$25,000 and, in the case of a continuing offence, to a further fine not exceeding \$2,500 for every day or part thereof during which the offence continues after conviction.

(6) Any bank which contravenes paragraph (4)(a) shall be guilty of an offence and shall be liable on conviction to a fine not exceeding \$25,000.

[S 754/2010 wef 09/12/2010]

Risk Management Committee

17A.—(1) Subject to paragraph (4) and regulations 8(3) and 22, a bank incorporated in Singapore shall have a Risk Management Committee comprising —

(a) at least 3 members of the board of directors of the bank; and

(b) at least a majority of directors (including the chairman of the Risk Management Committee) who are non-executive directors.

(2) The Risk Management Committee shall, in addition to such other responsibilities as may be determined by the board of directors, be responsible for overseeing —

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- (a) the establishment and the operation of an independent risk management system for managing risks on an enterprise-wide basis; and
- (b) the adequacy of the risk management function of the bank, including ensuring that it is sufficiently resourced to monitor risk by the various risk categories and that it has appropriate independent reporting lines.
- (3) The Risk Management Committee shall maintain records of all its meetings.
- (4) If a member of the Risk Management Committee resigns, ceases to be a director or for any other reason ceases to be a member of the Risk Management Committee —
- (a) the bank shall notify the Authority of the event within 14 days after the occurrence of the event; and
- (b) if this results in a breach of any requirement under paragraph (1), the board of directors shall, within 3 months after that event, appoint such number of new members as may be necessary to rectify the composition of the Risk Management Committee in accordance with that requirement.
- (5) Any bank which contravenes paragraph (1) shall be guilty of an offence and shall be liable on conviction to a fine not exceeding \$25,000 and, in the case of a continuing offence, to a further fine not exceeding \$2,500 for every day or part thereof during which the offence continues after conviction.
- (6) Any bank which contravenes paragraph (4)(a) shall be guilty of an offence and shall be liable on conviction to a fine not exceeding \$25,000.

[S 754/2010 wef 09/12/2010]

18. *[Deleted by S 512/2019 wef 01/08/2019]*

18A. *[Deleted by S 512/2019 wef 01/08/2019]*

Executive officers

19.—(1) A bank incorporated in Singapore shall not appoint any person as its executive officer while that person is concurrently —

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- (a) employed by a substantial shareholder of the bank (other than, in the case where the bank is a subsidiary of another bank incorporated in Singapore (referred to in this regulation as the parent bank), the parent bank or, in the case where the bank is a subsidiary of a financial holding company, the financial holding company);
 - (b) an executive officer of an affiliate of a substantial shareholder of the bank;
 - (c) where the bank is a subsidiary of a parent bank, employed by a substantial shareholder of the parent bank or an affiliate of the substantial shareholder of the parent bank;
or
 - (d) where the bank is a subsidiary of a financial holding company, employed by a substantial shareholder of the financial holding company or an affiliate of the substantial shareholder of the financial holding company.

(2) Any bank which contravenes paragraph (1) shall be guilty of an offence and shall be liable on conviction to a fine not exceeding \$25,000 and, in the case of a continuing offence, to a further fine not exceeding \$2,500 for every day or part thereof during which the offence continues after conviction.

Separation of roles

20.—(1) Subject to paragraph (2), a bank incorporated in Singapore shall not appoint any of the following persons as the chairman of its board of directors:

- (a) any of its executive directors;
- (b) any person who is a member of the immediate family of the chief executive officer of the bank.

[S 754/2010 wef 09/12/2010]

(2) Where before 9th December 2010, a bank incorporated in Singapore has appointed, as the chairman of its board of directors, a person who is a member of the immediate family of the chief executive officer of the bank, the bank shall not be prohibited from re-appointing that person as the chairman of its board of directors —

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- (a) for the period from 9th December 2010 until the date on which the bank holds or is required by law to hold its annual general meeting for the year 2011; and
 - (b) for the period between every subsequent annual general meetings thereafter subject to the prior written approval of the Authority and such conditions as the Authority may impose.

[S 754/2010 wef 09/12/2010]

(2A) The Authority may, at any time, by notice in writing to a bank incorporated in Singapore, vary any condition imposed under paragraph (2)(b), or impose such further condition as it thinks fit, and the bank shall comply with such conditions.

[S 754/2010 wef 09/12/2010]

(3) Any bank which contravenes paragraph (1) or fails to comply with any condition imposed under paragraph (2)(b) or (2A) shall be guilty of an offence and shall be liable on conviction to a fine not exceeding \$25,000 and, in the case of a continuing offence, to a further fine not exceeding \$2,500 for every day or part thereof during which the offence continues after conviction.

[S 754/2010 wef 09/12/2010]

Corporate governance requirements applicable to major stake financial entity

21.—(1) Subject to paragraph (2) and regulation 8(4), a major stake financial entity shall have a board of directors, the majority of whom —

- (a) where the bank is a subsidiary of another bank incorporated in Singapore (referred to in this regulation as the parent bank), are independent from the substantial shareholders of the bank (other than the parent bank) and the substantial shareholders of the parent bank;
- (b) where the bank is a subsidiary of a financial holding company, are independent from the substantial shareholders of the bank (other than the financial holding company) and the substantial shareholders of the financial holding company; or

- (c) in any other case, are independent from all substantial shareholders of the bank.

[S 512/2019 wef 01/08/2019]

(2) Where a single substantial shareholder holds 50% or more of the share capital or the voting power in a major stake financial entity, paragraph (1) shall not apply to the major stake financial entity in respect of the independence of its directors from that substantial shareholder.

[S 512/2019 wef 01/08/2019]

(3) The Nominating Committee of a major stake financial entity or, where the entity does not have a Nominating Committee, the Nominating Committee of the bank which has a major stake in the entity (referred to in this regulation as the relevant Nominating Committee) shall determine —

- (a) where a person is proposed to be appointed as a director of a major stake financial entity, prior to the person's appointment; or
- (b) in the case of an existing director of a major stake financial entity, prior to every annual general meeting of the major stake financial entity,

whether the person or director is independent of a substantial shareholder of the bank, parent bank or financial holding company, as the case may be, using the criteria set out in regulation 7 and, where applicable, in accordance with regulation 8.

[S 512/2019 wef 01/08/2019]

(4) A major stake financial entity shall not, without the prior approval of the Authority, appoint any person as its executive officer while that person is concurrently —

- (a) employed by a substantial shareholder of a bank which holds a major stake in the entity (other than, in the case where the bank is a subsidiary of a parent bank, the parent bank or, in the case where the bank is a subsidiary of a financial holding company, the financial holding company);

[S 512/2019 wef 01/08/2019]

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- (b) an executive officer of an affiliate of a substantial shareholder of the bank;
 - (c) where the bank is a subsidiary of a parent bank, employed by a substantial shareholder of the parent bank or an affiliate of the substantial shareholder of the parent bank; or
 - (d) where the bank is a subsidiary of a financial holding company, employed by a substantial shareholder of the financial holding company or an affiliate of a substantial shareholder of the financial holding company.

[S 512/2019 wef 01/08/2019]

(5) Any major stake financial entity which contravenes paragraph (1) or (4) shall be guilty of an offence and shall be liable on conviction to a fine not exceeding \$25,000 and, in the case of a continuing offence, to a further fine not exceeding \$2,500 for every day or part thereof during which the offence continues after conviction.

[S 512/2019 wef 01/08/2019]

[S 512/2019 wef 01/08/2019]

Exceptions for purposes of this Part

22.—(1) Subject to paragraphs (2) and (3), the requirements under regulations 9(1), 10, 12(1), 16(1), 17(1) and 17A(1) shall not apply in relation to a bank incorporated in Singapore —

- (a) where —
 - (i) there is a change in the status of a director under regulation 6 or 7 during the period between the date immediately after the date of the director's appointment and the date immediately before the next annual general meeting of the bank; and
 - (ii) the bank could not reasonably have known of that change on or before the date of the director's appointment; or

(b) where —

- (i) there is a change in the status of a director under regulation 6 or 7 during the period between the date immediately after an annual general meeting of the bank and the date immediately before the next annual general meeting of the bank (other than the period referred to in sub-paragraph (a)(i)); and
- (ii) the bank could not reasonably have known of that change on or before the date of the first-mentioned annual general meeting.

[S 754/2010 wef 09/12/2010]

(2) Paragraph (1) shall not apply unless, in the circumstances referred to in paragraph (1)(a)(i) or (b)(i), the bank, within 14 days after becoming aware of the change in the status of the director, notifies the Authority of the change and, subject to paragraph (3) —

- (a) in respect of any requirement under regulation 9(1), at the next annual general meeting, appoints such number of new directors as may be necessary to rectify the composition of the board of directors in accordance with that requirement; or
- (b) in respect of any requirement under regulation 10, 12(1), 16(1), 17(1) or 17A(1), within 3 months after notifying the Authority of the change of status of the director, appoints such number of new members as may be necessary to rectify the composition of the relevant committee in accordance with that requirement.

[S 754/2010 wef 09/12/2010]

(3) Notwithstanding paragraph (2), the Authority may, upon being notified of a change in the status of a director under paragraph (2), direct the bank —

- (a) to appoint such number of new directors as may be necessary to rectify the composition of the board of directors in accordance with the requirements under regulation 9(1) within such time before the next annual general meeting of the bank and subject to such conditions or restrictions as the Authority may specify; or

- (b) to appoint such number of new members as may be necessary to rectify the composition of the relevant committee in accordance with the requirements under regulation 10, 12(1), 16(1), 17(1) or 17A(1), as the case may be, within such time before the expiration of 3 months from the date the bank notifies the Authority of the change and subject to such conditions or restrictions as the Authority may specify,

and the bank shall comply with that direction.

[S 754/2010 wef 09/12/2010]

- (4) Any bank which fails to comply with any condition or restriction imposed by the Authority under paragraph (3) shall be guilty of an offence and shall be liable on conviction to a fine not exceeding \$25,000.

PART III

REQUIREMENTS FOR RELEVANT FINANCIAL HOLDING COMPANIES

Independence from management and business relationships

23.—(1) In these Regulations, subject to regulation 25, a director shall be considered to be independent from management and business relationships with a relevant financial holding company if —

- (a) the director has no management relationship with the relevant financial holding company or any of its subsidiaries; and
- (b) the director has no business relationship with the relevant financial holding company or any of its subsidiaries, or with any officer of the relevant financial holding company,

that could interfere, or be reasonably regarded as interfering, with the exercise of the director's independent business judgment with regard to the interests of the relevant financial holding company.

(2) Without prejudice to paragraph (1)(a), a director shall not be considered to be independent from management relationships with a relevant financial holding company or any of its subsidiaries if —

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- (a) he is employed by the relevant financial holding company or any of its subsidiaries, or has been so employed at any time during the current financial year or any of the preceding 3 financial years of the relevant financial holding company or any of its subsidiaries;
 - (b) a member of his immediate family —
 - (i) is employed by the relevant financial holding company or any of its subsidiaries as an executive officer whose compensation is determined by the Remuneration Committee of the relevant financial holding company or any of its subsidiaries; or
 - (ii) has been so employed at any time during the current financial year or any of the preceding 3 financial years of the relevant financial holding company or any of its subsidiaries; or
 - (c) he is accustomed or under an obligation, whether formal or informal, to act in accordance with the directions, instructions or wishes of the management of the relevant financial holding company or any of its subsidiaries.
- (3) Without prejudice to paragraph (1)(b) but subject to regulation 25, a director shall not be considered to be independent from business relationships with the relevant financial holding company or any of its subsidiaries if —
- (a) he is a director, a substantial shareholder or an executive officer of any corporation, or a partner of a firm or a limited liability partnership or a sole proprietor, where such corporation, firm, limited liability partnership or sole proprietor carries on business for purposes of profit to which the relevant financial holding company or any of its subsidiaries has made, or from which the relevant financial holding company or any of its subsidiaries has received, payments in the current or immediately preceding financial year; or
 - (b) he is receiving or has received, any compensation from the relevant financial holding company or from any of the

relevant financial holding company's subsidiaries, other than compensation received for his services as a director or as an employee, at any time during the current or immediately preceding financial year of the relevant financial holding company.

Independence from substantial shareholder

24.—(1) In these Regulations, subject to regulation 25, a director of a relevant financial holding company shall be considered to be independent from a substantial shareholder of the relevant financial holding company if he is not that substantial shareholder and is not connected to that substantial shareholder.

(2) Notwithstanding paragraph (1), a director of a relevant financial holding company incorporated in Singapore which is the sole subsidiary of another relevant financial holding company which does not carry on any business other than the holding of the first-mentioned relevant financial holding company (referred to in this paragraph as the parent financial holding company) shall, if he —

- (a) is not a substantial shareholder of the relevant financial holding company or the parent financial holding company; and
- (b) is not connected to a substantial shareholder of the relevant financial holding company (other than the parent financial holding company) or a substantial shareholder of the parent financial holding company,

be treated as if he were independent from the substantial shareholder of the relevant financial holding company for the purposes of regulations 26(1), 27, 29(1), 33(1), 34(1) and 34A(1).

[S 754/2010 wef 09/12/2010]

(3) For the purposes of paragraph (1), a person is connected to a substantial shareholder if he is —

- (a) in the case where the substantial shareholder is an individual —
 - (i) a member of the immediate family of the substantial shareholder;

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- (ii) employed by the substantial shareholder;
 - (iii) employed by an affiliate of the substantial shareholder;
 - (iv) an executive director of an affiliate of the substantial shareholder;
 - (v) a non-executive director of an affiliate of the substantial shareholder;
 - (vi) a partner of a firm or a limited liability partnership of which the substantial shareholder is also a partner; or
 - (vii) accustomed or under an obligation, whether formal or informal, to act in accordance with the directions, instructions or wishes of the substantial shareholder;
- or
- (b) in the case where the substantial shareholder is a corporation —
 - (i) employed by the substantial shareholder;
 - (ii) employed by an affiliate of the substantial shareholder;
 - (iii) a director of the substantial shareholder;
 - (iv) an executive director of an affiliate of the substantial shareholder;
 - (v) a non-executive director of an affiliate of the substantial shareholder;
 - (vi) a partner of a firm or a limited liability partnership of which the substantial shareholder is also a partner; or
 - (vii) accustomed or under an obligation, whether formal or informal, to act in accordance with the directions, instructions or wishes of the substantial shareholder.

Determination by Nominating Committee

25.—(1) The Nominating Committee may determine that a director of a relevant financial holding company who is —

- (a) not considered independent from business relationships with a relevant financial holding company under regulation 23(3)(a) or (b); or
- (b) not considered independent from a substantial shareholder of a relevant financial holding company because of the relationship specified in regulation 24(3)(a)(v) or (b)(v),

shall nonetheless be considered independent from business relationships with the relevant financial holding company, or independent from a substantial shareholder of the relevant financial holding company, as the case may be, if the Nominating Committee is satisfied that the director's independent business judgment and ability to act in the interests of the relevant financial holding company will not be impeded, despite the relationship specified in that regulation.

(2) If —

- (a) at any time, the Authority is not satisfied that a director is independent notwithstanding any determination of the Nominating Committee made under paragraph (1); and
- (b) the lack of independence of that director would result in a failure by the relevant financial holding company to comply with any of the requirements under regulation 26(1), 27, 29(1), 33(1), 34(1) or 34A(1),

the Authority shall direct the relevant financial holding company to rectify the composition of the board of directors or any relevant committee in accordance with the requirements under regulation 26(1), 27, 29(1), 33(1), 34(1) or 34A(1), as the case may be, within such time, and subject to such conditions or restrictions, as the Authority may specify.

[S 754/2010 wef 09/12/2010]

(3) Where the Authority has given a direction to a relevant financial holding company under paragraph (2), the requirements under regulation 26(1), 27, 29(1), 33(1), 34(1) or 34A(1), as the case may be, shall not apply to the relevant financial holding company during the period between the time the Authority makes the direction and the time by which the relevant financial holding company is

required to rectify the composition of the board of directors or any relevant committee in accordance with the direction.

[S 754/2010 wef 09/12/2010]

Board of directors

26.—(1) Subject to paragraphs (2), (3) and (4) and regulations 25(3) and 38, a relevant financial holding company shall have a board of directors comprising —

- (a) in the case of a foreign-owned relevant financial holding company, at least one-third of directors who are Singapore citizens or permanent residents or, in any other case, at least a majority of directors who are Singapore citizens or permanent residents; and
- (b) at least a majority of directors who are independent directors.

[S 754/2010 wef 09/12/2010]

(2) *[Deleted by S 754/2010 wef 09/12/2010]*

(3) If a member of the board of directors resigns or ceases to be a member of the board of directors for any other reason, the relevant financial holding company shall —

- (a) notify the Authority of the event within 14 days after the occurrence of the event; and

[S 754/2010 wef 09/12/2010]

- (b) on or before its next annual general meeting, appoint such number of new directors as may be necessary to rectify the composition of the board of directors in accordance with the requirements under paragraph (1).

(4) Notwithstanding paragraph (3), the Authority may, upon being notified under paragraph (3)(a), direct the relevant financial holding company to rectify the composition of the board of directors in accordance with the requirements under paragraph (1) within such time before the next annual general meeting of the relevant financial holding company and subject to such conditions or restrictions as the Authority may specify, and the relevant financial holding company shall comply with that direction.

(5) The board of directors shall maintain records of all its meetings.

(6) Any relevant financial holding company which contravenes paragraph (1) shall be guilty of an offence and shall be liable on conviction to a fine not exceeding \$25,000 and, in the case of a continuing offence, to a further fine not exceeding \$2,500 for every day or part thereof during which the offence continues after conviction.

(7) Any relevant financial holding company which fails to comply with any condition or restriction imposed by the Authority under paragraph (4) shall be guilty of an offence and shall be liable on conviction to a fine not exceeding \$25,000.

(8) Any relevant financial holding company which contravenes paragraph (3)(a) shall be guilty of an offence and shall be liable on conviction to a fine not exceeding \$25,000.

[S 754/2010 wef 09/12/2010]

Executive Committee

27. Where the board of directors of a relevant financial holding company has delegated any of its powers for the oversight of the relevant financial holding company to an executive committee or any other committee by whatever name described (referred to in this Part as an Executive Committee), consisting of such directors as the board of directors thinks fit, regulation 26 (other than regulation 26(1)(a)) shall apply, with the necessary modifications, to the relevant financial holding company in respect of the Executive Committee as if the Executive Committee were a board of directors.

Committees of board of directors

28.—(1) A relevant financial holding company shall have —

- (a) a Nominating Committee;
- (b) a Remuneration Committee;
- (c) an Audit Committee; and
- (d) a Risk Management Committee.

[S 754/2010 wef 09/12/2010]

(1A) A relevant financial holding company shall ensure that every member of each Committee referred to in paragraph (1) shall have

unfettered access to information which the relevant financial holding company is in possession of or has access to, for the purposes of carrying out the responsibilities of the Committee concerned.

[S 754/2010 wef 09/12/2010]

(2) Any relevant financial holding company which contravenes paragraph (1) or (1A) shall be guilty of an offence and shall be liable on conviction to a fine not exceeding \$25,000 and, in the case of a continuing offence, to a further fine not exceeding \$2,500 for every day or part thereof during which the offence continues after conviction.

[S 754/2010 wef 09/12/2010]

Nominating Committee

29.—(1) Subject to paragraphs (2) and (4) and regulations 25(3) and 38, a relevant financial holding company shall have a Nominating Committee comprising —

- (a) in the case of a foreign-owned relevant financial holding company, at least 3 but not exceeding 5 members of the board of directors or, in any other case, 5 members of the board of directors, or such greater number (not exceeding 7) of members of the board of directors as the Authority may approve; and
- (b) at least a majority of directors (including the chairman of the Nominating Committee) who are independent directors.

[S 754/2010 wef 09/12/2010]

(2) *[Deleted by S 754/2010 wef 09/12/2010]*

(3) Every member of the Nominating Committee shall be appointed to hold office until the next annual general meeting following that member's appointment, and shall be eligible for re-appointment.

(4) If a member of the Nominating Committee resigns, ceases to be a director or for any other reason ceases to be a member of the Nominating Committee —

- (a) the relevant financial holding company shall notify the Authority of the event within 14 days after the occurrence of the event; and

- (b) if this results in a breach of any requirement under paragraph (1), the board of directors shall, within 3 months after that event, appoint such number of new members as may be necessary to rectify the composition of the Nominating Committee in accordance with that requirement.

[S 754/2010 wef 09/12/2010]

(5) Any relevant financial holding company which contravenes paragraph (1) shall be guilty of an offence and shall be liable on conviction to a fine not exceeding \$25,000 and, in the case of a continuing offence, to a further fine not exceeding \$2,500 for every day or part thereof during which the offence continues after conviction.

(6) Any relevant financial holding company which contravenes paragraph (4)(a) shall be guilty of an offence and shall be liable on conviction to a fine not exceeding \$25,000.

[S 754/2010 wef 09/12/2010]

Responsibilities of Nominating Committee

30.—(1) The Nominating Committee of a relevant financial holding company shall identify the candidates and review all nominations for the appointment of —

- (a) each director;
- (b) each member of each board committee;
- (c) the chief executive officer and deputy chief executive officer;
- (d) the chief financial officer; and
- (e) the chief risk officer,

[S 754/2010 wef 09/12/2010]

[S 754/2010 wef 09/12/2010]

[S 754/2010 wef 09/12/2010]

[S 754/2010 wef 09/12/2010]

of the relevant financial holding company.

(2) Subject to paragraph (3), the Nominating Committee shall determine the criteria to be applied in identifying a candidate or reviewing a nomination for the purposes of this Part.

(3) The criteria to be applied in identifying a candidate or reviewing a nomination for the purposes of this Part shall include the following:

(a) the appointment of the candidate or nominee will not result in non-compliance with the requirements under regulations 26(1), 27, 29(1), 33(1), 34(1) and 34A(1); and

[S 754/2010 wef 09/12/2010]

(b) the candidate or nominee is a fit and proper person for the office and is qualified for the office, taking into account the candidate's or nominee's track record, age, experience, capabilities, skills and such other relevant factors as may be determined by the Nominating Committee.

[S 754/2010 wef 09/12/2010]

(3A) The Nominating Committee shall review the reasons provided by each of the persons referred to in paragraph (1) for his resignation from his appointment in the relevant financial holding company.

[S 754/2010 wef 09/12/2010]

(4) The Nominating Committee shall maintain records of all its meetings.

Determination of independence of directors and assessment of qualification

31.—(1) Where a person is proposed to be appointed as a director, prior to his appointment, the Nominating Committee —

(a) shall determine —

(i) whether he is independent from management and business relationships with the relevant financial holding company; and

(ii) whether he is independent from any substantial shareholder of the relevant financial holding company,

using the criteria set out in regulation 23 or 24, as the case may be, and, where applicable, in accordance with regulation 25; and

(b) shall maintain a record of its determination.

[S 754/2010 wef 09/12/2010]

(2) Prior to every annual general meeting of a relevant financial holding company, the Nominating Committee —

(a) shall determine —

(i) whether each existing director of the relevant financial holding company is independent from management and business relationships with the relevant financial holding company; and

(ii) whether each existing director of the relevant financial holding company is independent from any substantial shareholder of the relevant financial holding company,

using the criteria set out in regulation 23 or 24, as the case may be, and, where applicable, in accordance with regulation 25;

(aa) shall review and assess whether each existing director remains qualified for the office using the criteria set out in regulation 30(3); and

(b) shall maintain a record of its determination and its assessment, respectively.

[S 754/2010 wef 09/12/2010]

Furnishing information to Authority

32.—(1) A relevant financial holding company shall, after its Nominating Committee has concluded its deliberations in respect of the matters under regulations 30 and 31 and the board of directors has concurred with the Nominating Committee —

(a) notify the Authority in writing of the particulars of the persons proposed to be appointed to the positions referred to in regulation 30(1)(a) and (b), including whether the requirements for independence in regulations 23 and 24 are satisfied;

(aa) notify the Authority in writing of the review and assessment of each existing director referred to in regulation 31(2)(aa);

[S 754/2010 wef 09/12/2010]

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- (b) in the case where the Nominating Committee has made a determination under regulation 25, provide the Authority with the Nominating Committee's explanation of its decision as to why the director should be considered independent; and
- (c) furnish to the Authority such other information as the Authority may require.
- (2) Any relevant financial holding company which contravenes paragraph (1) shall be guilty of an offence and shall be liable on conviction to a fine not exceeding \$25,000 and, in the case of a continuing offence, to a further fine not exceeding \$2,500 for every day or part thereof during which the offence continues after conviction.

Remuneration Committee

33.—(1) Subject to paragraphs (2) and (5) and regulations 25(3) and 38, a relevant financial holding company shall have a Remuneration Committee comprising —

- (a) at least 3 members of the board of directors of the relevant financial holding company; and
- (b) at least a majority of directors (including the chairman of the Remuneration Committee) who are independent directors.

[S 754/2010 wef 09/12/2010]

(2) *[Deleted by S 754/2010 wef 09/12/2010]*

(3) In addition to such other responsibilities as may be determined by the board of directors of the relevant financial holding company, the Remuneration Committee of the relevant financial holding company shall be responsible for —

- (a) recommending a framework for determining the remuneration of the directors of the relevant financial holding company;
- (b) recommending a framework for determining the remuneration of the executive officers of the relevant financial holding company which include the following

elements and factors in the design and operation of the framework:

- (i) the remuneration package of each executive officer of the relevant financial holding company —
 - (A) shall be aligned to the specific job functions undertaken by the executive officer and where the executive officer undertakes any of the relevant financial holding company's control job functions, the remuneration package of that executive officer shall be determined independently of the business functions of the relevant financial holding company;
 - (B) shall take into account input from the relevant financial holding company's control job functions as may be relevant to the specific job function undertaken by the executive officer;
 - (C) shall be aligned with the risks that the relevant financial holding company undertakes in its business that is relevant to the specific job function undertaken by the executive officer;
 - (D) shall be sensitive to the time horizon of risks that the relevant financial holding company is exposed to which includes ensuring that variable compensation payments shall not be finalised over short periods of time when risks are realised over long periods of time;
 - (E) shall, in relation to the quantum of bonus payable to the executive officer, be linked to his personal performance, the performance of his specific job function as a whole and the overall performance of the relevant financial holding company; and

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- (F) shall, in relation to the rationale for the mix of cash, equity and other forms of incentives, be justified; and
- (ii) the size of the bonus pool of the relevant financial holding company shall be linked to the overall performance of the relevant financial holding company;
- (c) recommending the remuneration of each director and executive officer of the relevant financial holding company based on the frameworks referred to in sub-paragraphs (a) and (b), respectively; and
- (d) reviewing, at least once in each year, the remuneration practices of the relevant financial holding company to ensure that they are aligned with the recommendations made in accordance with sub-paragraphs (a), (b) and (c).

[S 754/2010 wef 09/12/2010]

(3A) In paragraph (3) —

“business functions” means the job functions in the relevant financial holding company that conduct risk-taking activities in relation to the business of the relevant financial holding company;

“control job functions” means the following job functions:

- (a) risk control and management;
- (b) finance;
- (c) compliance;
- (d) internal audit;
- (e) human resources; and
- (f) risk control related back office operations.

[S 754/2010 wef 09/12/2010]

(4) The Remuneration Committee shall maintain records of all its meetings.

(5) If a member of the Remuneration Committee resigns, ceases to be a director or for any other reason ceases to be a member of the Remuneration Committee —

- (a) the relevant financial holding company shall notify the Authority of the event within 14 days after the occurrence of the event; and
- (b) if this results in a breach of any requirement under paragraph (1), the board of directors shall, within 3 months after that event, appoint such number of new members as may be necessary to rectify the composition of the Remuneration Committee in accordance with that requirement.

[S 754/2010 wef 09/12/2010]

(5A) Where before 9th December 2010, a relevant financial holding company has appointed, as the chairman of its Remuneration Committee, any person who is not independent from any substantial shareholder of the relevant financial holding company or who has served on the board of the relevant financial holding company for a continuous period of 9 years or longer, the relevant financial holding company shall not be prohibited from re-appointing that person as chairman of the Remuneration Committee immediately upon the expiry of the earlier term of appointment.

[S 754/2010 wef 09/12/2010]

(6) Any relevant financial holding company which contravenes paragraph (1) shall be guilty of an offence and shall be liable on conviction to a fine not exceeding \$25,000 and, in the case of a continuing offence, to a further fine not exceeding \$2,500 for every day or part thereof during which the offence continues after conviction.

(7) Any relevant financial holding company which contravenes paragraph (5)(a) shall be guilty of an offence and shall be liable on conviction to a fine not exceeding \$25,000.

[S 754/2010 wef 09/12/2010]

Audit Committee

34.—(1) Subject to paragraph (4) and regulations 25(3) and 38, a relevant financial holding company shall have an Audit Committee comprising —

- (a) at least 3 members of the board of directors of the relevant financial holding company all of whom are independent from management and business relationships with the relevant financial holding company; and
- (b) at least a majority of directors (including the chairman of the Audit Committee) who are independent directors.

(2) The Audit Committee shall, in addition to such other responsibilities as may be determined by the board of directors or provided under written law, be responsible for the adequacy of the external and internal audit functions of the relevant financial holding company, including reviewing the scope and results of audits carried out in respect of the operations of the relevant financial holding company and the independence and objectivity of the relevant financial holding company's external auditors.

(3) The Audit Committee shall maintain records of all its meetings.

(4) If a member of the Audit Committee resigns, ceases to be a director or for any other reason ceases to be a member of the Audit Committee —

- (a) the relevant financial holding company shall notify the Authority of the event within 14 days after the occurrence of the event; and
- (b) if this results in a breach of any requirement under paragraph (1), the board of directors shall, within 3 months after that event, appoint such number of new members as may be necessary to rectify the composition of the Audit Committee in accordance with that requirement.

[S 754/2010 wef 09/12/2010]

(5) Any relevant financial holding company which contravenes paragraph (1) shall be guilty of an offence and shall be liable on conviction to a fine not exceeding \$25,000 and, in the case of a continuing offence, to a further fine not exceeding \$2,500 for every

day or part thereof during which the offence continues after conviction.

(6) Any relevant financial holding company which contravenes paragraph (4)(a) shall be guilty of an offence and shall be liable on conviction to a fine not exceeding \$25,000.

[S 754/2010 wef 09/12/2010]

Risk Management Committee

34A.—(1) Subject to paragraph (4) and regulations 25(3) and 38, a relevant financial holding company shall have a Risk Management Committee comprising —

- (a) at least 3 members of the board of directors of the relevant financial holding company; and
- (b) at least a majority of directors (including the chairman of the Risk Management Committee) who are non-executive directors.

(2) The Risk Management Committee shall, in addition to such other responsibilities as may be determined by the board of directors, be responsible for overseeing —

- (a) the establishment and the operation of an independent risk management system for managing risks on an enterprise-wide basis; and
- (b) the adequacy of the risk management function of the relevant financial holding company, including ensuring that it is sufficiently resourced to monitor risk by the various risk categories and that it has appropriate independent reporting lines.

(3) The Risk Management Committee shall maintain records of all its meetings.

(4) If a member of the Risk Management Committee resigns, ceases to be a director or for any other reason ceases to be a member of the Risk Management Committee —

- (a) the relevant financial holding company shall notify the Authority of the event within 14 days after the occurrence of the event; and

(b) if this results in a breach of any requirement under paragraph (1), the board of directors shall, within 3 months after that event, appoint such number of new members as may be necessary to rectify the composition of the Risk Management Committee in accordance with that requirement.

(5) Any relevant financial holding company which contravenes paragraph (1) shall be guilty of an offence and shall be liable on conviction to a fine not exceeding \$25,000 and, in the case of a continuing offence, to a further fine not exceeding \$2,500 for every day or part thereof during which the offence continues after conviction.

(6) Any relevant financial holding company which contravenes paragraph (4)(a) shall be guilty of an offence and shall be liable on conviction to a fine not exceeding \$25,000.

[S 754/2010 wef 09/12/2010]

Approval of Authority

35.—(1) A relevant financial holding company shall obtain the prior approval of the Authority for the appointment of the following persons:

(a) all directors and each such appointment shall be for a term not exceeding 3 years;

[S 754/2010 wef 09/12/2010]

(b) the chairman of the board of directors;

[S 754/2010 wef 09/12/2010]

(c) the members of the Nominating Committee;

[S 754/2010 wef 09/12/2010]

(d) the chief executive officer and deputy chief executive officer;

[S 754/2010 wef 09/12/2010]

(e) the chief financial officer; and

[S 754/2010 wef 09/12/2010]

(f) the chief risk officer.

[S 754/2010 wef 09/12/2010]

(2) Without prejudice to any other matter that the Authority may consider relevant, the Authority shall, in determining whether to

grant its approval under paragraph (1), have regard to whether the person is a fit and proper person to hold the office.

(2A) For the purposes of paragraph (1)(f), a relevant financial holding company which has appointed any person as its chief risk officer immediately before 9th December 2010 shall be deemed to have obtained the prior approval of the Authority for that appointment —

- (a) for a period of 3 months from the date on which the relevant financial holding company holds or is required by law to hold its annual general meeting for the year 2011; or
- (b) if, before the expiry of the period referred to in sub-paragraph (a), the relevant financial holding company applies for the approval of the Authority for that appointment, until the date on which the approval is given or the application for approval is refused,

whichever is later.

[S 754/2010 wef 09/12/2010]

(3) Any relevant financial holding company which contravenes paragraph (1) shall be guilty of an offence and shall be liable on conviction to a fine not exceeding \$25,000 and, in the case of a continuing offence, to a further fine not exceeding \$2,500 for every day or part thereof during which the offence continues after conviction.

Removal of principal officers

35A.—(1) Where —

- (a) the Authority is satisfied that a chief executive officer, deputy chief executive officer, chief financial officer or chief risk officer of a relevant financial holding company (referred to in this regulation as officer) —
 - (i) has wilfully contravened or wilfully caused the relevant financial holding company to contravene any provision of these Regulations;

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- (ii) has, without reasonable excuse, failed to secure the compliance of the relevant financial holding company with any provision of these Regulations; or
 - (iii) has failed to discharge any of the duties of his office; or
- (b) such officer has had —
- (i) execution against him in respect of a judgment debt returned unsatisfied in whole or in part; or
 - (ii) a prohibition order under section 59 of the Financial Advisers Act (Cap. 110), section 35V of the Insurance Act (Cap. 142) or section 95 of the Securities and Futures Act (Cap. 289) made against him that remains in force,

the Authority may, if it thinks it necessary in the public interest, by notice in writing to the relevant financial holding company, direct the relevant financial holding company to remove the officer from office or employment within such period as may be specified in the notice, and the relevant financial holding company shall comply with the notice.

(2) Before directing a relevant financial holding company to remove the officer under paragraph (1), the Authority shall —

- (a) give the relevant financial holding company and the officer notice in writing of its intention to do so; and
- (b) in the notice referred to in sub-paragraph (a), call upon the relevant financial holding company and the officer to show cause within such time as may be specified in the notice why the officer should not be removed.

(3) If the relevant financial holding company and the officer referred to in paragraph (1) —

- (a) fail to show cause within the time specified in a notice issued under paragraph (2) or within such extended period of time as the Authority may allow; or
- (b) fail to show sufficient cause,

the Authority may direct the relevant financial holding company to remove the officer under paragraph (1).

(4) Any relevant financial holding company which, or any officer of a relevant financial holding company who, is aggrieved by a direction of the Authority under paragraph (1) may, within 30 days after the direction, appeal in writing to the Minister whose decision shall be final.

(5) Any relevant financial holding company which fails to comply with a notice issued under paragraph (1) shall be guilty of an offence and shall be liable on conviction to a fine not exceeding \$25,000 and, in the case of a continuing offence, to a further fine not exceeding \$2,500 for every day or part thereof during which the offence continues after conviction.

[S 754/2010 wef 09/12/2010]

Executive officers

36.—(1) A relevant financial holding company shall not appoint any person as its executive officer while that person is concurrently —

- (a) employed by a substantial shareholder of the relevant financial holding company (other than a financial holding company of the relevant financial holding company);
- (b) an executive officer of an affiliate of a substantial shareholder of the relevant financial holding company; or
- (c) where the relevant financial holding company is a subsidiary of another financial holding company, employed by a substantial shareholder of the second-mentioned financial holding company or an affiliate of a substantial shareholder of the second-mentioned financial holding company.

(2) Any relevant financial holding company which contravenes paragraph (1) shall be guilty of an offence and shall be liable on conviction to a fine not exceeding \$25,000 and, in the case of a continuing offence, to a further fine not exceeding \$2,500 for every day or part thereof during which the offence continues after conviction.

Separation of roles

37.—(1) A relevant financial holding company shall not appoint any of the following persons as the chairman of its board of directors:

- (a) any of its executive directors;
- (b) any person who is a member of the immediate family of the chief executive officer of the relevant financial holding company.

[S 754/2010 wef 09/12/2010]

(2) Any relevant financial holding company which contravenes paragraph (1) shall be guilty of an offence and shall be liable on conviction to a fine not exceeding \$25,000 and, in the case of a continuing offence, to a further fine not exceeding \$2,500 for every day or part thereof during which the offence continues after conviction.

Exceptions for purposes of this Part

38.—(1) Subject to paragraphs (2) and (3), the requirements under regulations 26(1), 27, 29(1), 33(1), 34(1) and 34A(1) shall not apply in relation to a relevant financial holding company —

- (a) where —
 - (i) there is a change in the status of a director under regulation 23 or 24 during the period between the date immediately after the date of the director's appointment and the date immediately before the next annual general meeting of the relevant financial holding company; and
 - (ii) the relevant financial holding company could not reasonably have known of that change on or before the date of the director's appointment; or
- (b) where —
 - (i) there is a change in the status of a director under regulation 23 or 24 during the period between the date immediately after an annual general meeting of the relevant financial holding company and the date immediately before the next annual general meeting

of the relevant financial holding company (other than the period referred to in sub-paragraph (a)(i)); and

- (ii) the relevant financial holding company could not reasonably have known of that change on or before the date of the first-mentioned annual general meeting.

[S 754/2010 wef 09/12/2010]

(2) Paragraph (1) shall not apply unless, in the circumstances referred to in paragraph (1)(a)(i) or (b)(i), the relevant financial holding company, within 14 days after becoming aware of the change in the status of the director, notifies the Authority of the change and, subject to paragraph (3) —

- (a) in respect of any requirement under regulation 26(1), at the next annual general meeting, appoints such number of new directors as may be necessary to rectify the composition of the board of directors in accordance with that requirement; or
- (b) in respect of any requirement under regulation 27, 29(1), 33(1), 34(1) or 34A(1), within 3 months after notifying the Authority of the change of status of the director, appoints such number of new members as may be necessary to rectify the composition of the relevant committee in accordance with that requirement.

[S 754/2010 wef 09/12/2010]

(3) Notwithstanding paragraph (2), the Authority may, upon being notified of a change in the status of a director under paragraph (2), direct the relevant financial holding company —

- (a) to appoint such number of new directors as may be necessary to rectify the composition of the board of directors in accordance with the requirements prescribed under regulation 26(1) within such time before the next annual general meeting of the relevant financial holding company and subject to such conditions or restrictions as the Authority may specify; or
- (b) to appoint such number of new members as may be necessary to rectify the composition of the relevant

committee in accordance with the requirements prescribed under regulation 27, 29(1), 33(1), 34(1) or 34A(1), as the case may be, within such time before the expiration of 3 months from the date the relevant financial holding company notifies the Authority of the change and subject to such conditions or restrictions as the Authority may specify,

and the relevant financial holding company shall comply with that direction.

[S 754/2010 wef 09/12/2010]

(4) Any relevant financial holding company which fails to comply with any condition or restriction imposed by the Authority under paragraph (3) shall be guilty of an offence and shall be liable on conviction to a fine not exceeding \$25,000.

PART IV EXEMPTION

Exemption

39.—(1) The Authority may, on the application of any bank incorporated in Singapore, financial holding company or major stake financial entity (each referred to in this regulation as the applicant), by notice in writing exempt the applicant from all or any of the provisions of these Regulations, subject to such conditions as the Authority may determine, if the Authority considers it appropriate to do so in the circumstances of the case.

[S 512/2019 wef 01/08/2019]

(2) Any applicant which fails to comply with any condition imposed by the Authority under paragraph (1) shall be guilty of an offence and shall be liable on conviction to a fine not exceeding \$25,000.

(3) An exemption granted under paragraph (1) may be withdrawn by the Authority at any time.

PART V

40. [*Deleted by S 754/2010 wef 09/12/2010*]

Made this 5th day of September 2005.

HENG SWEE KEAT
*Managing Director,
Monetary Authority of Singapore.*

[FSG BK 022/2002 PT3; AG/LEG/SL/19/2003/1 Vol. 4]