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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 —

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- (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
- (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;

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- (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;

[S 503/2022 wef 30/06/2022]

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

[S 503/2022 wef 30/06/2022]

“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, means a director who —

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

[S 503/2022 wef 30/06/2022]

“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;

[S 503/2022 wef 30/06/2022]

“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;

[Deleted by S 503/2022 wef 30/06/2022]

“Remuneration Committee” means a Remuneration Committee referred to in regulation 16;

[S 503/2022 wef 30/06/2022]

“Risk Management Committee” means a Risk Management Committee referred to in regulation 17A;

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

[S 503/2022 wef 30/06/2022]

“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]

(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;

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- (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
 - (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 —
 - (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;

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- (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 —

- (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 —

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- (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 —

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- (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 —

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- (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 —
- (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 —

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- (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 —

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- (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 —

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- (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 —

- (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 —

- (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 —

- (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]

(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

[Deleted by S 503/2022 wef 30/06/2022]

PART IV
EXEMPTION

Exemption

39.—(1) The Authority may, on the application of any bank incorporated in Singapore 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]

[S 503/2022 wef 30/06/2022]

(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

[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]