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No. S 672

FINANCE COMPANIES ACT
(CHAPTER 108)

FINANCE COMPANIES
(EXEMPTION FROM SECTIONS 23(1) AND 25(2))
REGULATIONS 2017

ARRANGEMENT OF REGULATIONS

Regulation

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In exercise of the powers conferred by sections 53(2) and 57(1) of the Finance Companies Act, the Monetary Authority of Singapore makes the following Regulations:

Citation and commencement

1. These Regulations are the Finance Companies (Exemption from sections 23(1) and 25(2)) Regulations 2017 and come into operation on 1 December 2017.

Definitions

2. In these Regulations, unless the context otherwise requires —
- “approved exchange” has the same meaning as in section 2(1) of the Securities and Futures Act (Cap. 289);
- “business customer”, in relation to an exempt finance company mentioned in regulation 3(1), means a customer that is —
- (a) a company; or

- (b) any other person (including a trustee of a trust) or body of persons, corporate or unincorporate, carrying on any trade, commerce or profession, or any other activity for the purpose of gain, but does not include a person acting in the capacity of an employee or of a holder of an office;

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“cheque” has the same meaning as in section 73 of the Bills of Exchange Act (Cap. 23);

“corporate purchasing card” means a credit card or charge card issued for the purpose of purchasing goods or services, other than services for entertainment purposes, on behalf of a body corporate, a partnership or a sole proprietor, where the body corporate, partnership or sole proprietor bears sole liability for all amounts charged to the credit card or charge card;

“credit card” or “charge card” has the same meaning as in section 56 of the Banking Act (Cap. 19);

“foreign exchange trading” means the act of entering into or offering to enter into, or inducing or attempting to induce a person to enter into or offer to enter into, a contract or an arrangement the effect of which is that —

- (a) a party agrees to exchange currency at an agreed rate of exchange with another party —
- (i) whether the currency exchange is effected at the same time or at a specified future time; and
 - (ii) whether by way of delivery of an amount of currency for another currency, by way of crediting the account of the other party with an amount of another currency, by way of settlement or set-off between 2 or more persons or otherwise; or
- (b) a party agrees to settle in any manner with another party the difference between the value of any currency index agreed —

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- (i) at the time of the making of the contract or arrangement; and
 - (ii) at a specified future time.

General exemptions

3.—(1) Subject to paragraphs (2), (3) and (4), Hong Leong Finance Limited, Sing Investments & Finance Limited, and Singapura Finance Ltd (each called in this regulation an exempt finance company) are exempt from —

- (a) sections 23(1)(a) and 25(2) of the Act in respect of the business of opening current accounts with facilities for —
 - (i) the issuance of cheques by any business customer of the exempt finance company;
 - (ii) the payment of cheques drawn on the exempt finance company by any business customer of the exempt finance company; and
 - (iii) the collection of cheques drawn by any business customer of the exempt finance company;
- (b) section 23(1)(b) of the Act in respect of the following activities:
 - (i) the business of entering into or offering to enter into, or facilitating the entering into by a person of, a contract or an arrangement the effect of which is to enable a business customer of the exempt finance company to hedge, cover or change the amount of a liability or an entitlement —
 - (A) from one foreign currency to another foreign currency or to Singapore dollars; or
 - (B) from Singapore dollars to a foreign currency;
 - (ii) financing the purchase of assets in foreign currency;
 - (iii) financing foreign currency denominated invoices under factoring and accounts receivable financing;

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- (c) section 23(1)(f) of the Act in respect of unsecured advances, unsecured loans or unsecured credit facilities granted to a person for a purpose relating to the person's business; and
- (d) section 25(2) of the Act in respect of the business of —
- (i) issuing corporate purchasing cards; and
 - (ii) providing electronic funds transfer services by using the interbank GIRO, fast and secure transfers (FAST) or electronic funds transfer at point of sale network systems.
- (2) The exemption in paragraph (1)(b) is subject to the following conditions:
- (a) the aggregate amount of foreign currency exposure of the exempt finance company must not exceed 10% of its capital funds;
 - (b) the exempt finance company must not carry on foreign exchange trading for its own account;
 - (c) the aggregate amount of foreign currency exposure not hedged by the exempt finance company must not exceed \$500,000.
- (3) The exemption in paragraph (1)(c) is subject to the following conditions:
- (a) the exempt finance company must not grant unsecured advances, unsecured loans and unsecured credit facilities that, in the aggregate and outstanding at any one time, exceed 15% of the capital funds of the exempt finance company;
 - (b) the unsecured advances, unsecured loans and unsecured credit facilities granted to any person or body of persons, whether incorporated or not, must not, in the aggregate and outstanding at any one time, exceed 0.5% of the capital funds of the exempt finance company.

[S 591/2020 wef 27/07/2020]

(4) The exemption in paragraph (1)(c) does not apply to unsecured advances, unsecured loans or unsecured credit facilities granted by the exempt finance company to the following persons:

- (a) any of the exempt finance company's directors, whether or not those advances, loans or credit facilities are obtained by its directors jointly or severally;
- (b) a firm in which —
 - (i) the exempt finance company, or any of its directors, has an interest as a partner; or
 - (ii) any director of the exempt finance company is a manager or an agent;
- (c) any individual for whom, or firm for which, any of the exempt finance company's directors is a guarantor;
- (d) a company (other than a public company, the securities of which are listed on an approved exchange, and a subsidiary of that public company) —
 - (i) in which any of the exempt finance company's directors, whether legally or beneficially, owns more than 50% of the issued capital; or
 - (ii) in which any of the exempt finance company's directors controls the composition of the board of directors;
- (da) a non-umbrella VCC (other than a VCC the units of which are listed on an approved exchange, and a subsidiary of that VCC) where any of the directors of the exempt finance company —
 - (i) owns (whether legally or beneficially) more than 50% of the issued capital of the non-umbrella VCC; or
 - (ii) controls the composition of the board of directors of the non-umbrella VCC;

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(db) an umbrella VCC in respect of a sub-fund the units of which in respect of that sub-fund are not listed on an approved exchange, where any of the directors of the exempt finance company —

- (i) owns (whether legally or beneficially) more than 50% of the issued capital of the umbrella VCC in respect of that sub-fund; or
- (ii) controls the composition of the board of directors of the umbrella VCC;

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(e) any corporation, other than a bank, that is deemed to be related to the exempt finance company under section 6 of the Companies Act (Cap. 50).

Specific exemptions

4.—(1) Subject to paragraphs (2) and (3), Hong Leong Finance Limited is exempt from —

(a) section 23(1)(c) of the Act in respect of the acquisition of foreign currency denominated stocks, shares, debts or convertible securities pledged by a customer as security for a loan, advance or credit facility; and

(b) section 25(2) of the Act in respect of the business of —

- (i) providing corporate financial advisory services;

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- (ii) underwriting the issue or sale of shares for any company that is currently listed, or which intends to be listed, on an approved exchange;

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- (iii) underwriting the issue or sale of shares for any VCC that is currently listed, or which intends to be listed, on an approved exchange;

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- (iv) marketing any relevant service —
- (A) provided by NIUM Pte. Ltd. by itself; or
 - (B) provided by NIUM Pte. Ltd. under a co-branding arrangement with Hong Leong Finance Limited under which the logo of Hong Leong Finance Limited is used in connection with the provision of any relevant service; and

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- (v) facilitating payments to be made between the users of the relevant services and NIUM Pte. Ltd., in connection with the relevant services provided by NIUM Pte. Ltd. by itself or under the co-branding arrangement with Hong Leong Finance Limited mentioned in sub-paragraph (iv)(B).

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(2) The exemption in paragraph (1)(a) is subject to the condition that the amount of foreign currency exposure of Hong Leong Finance Limited must not exceed 10% of its capital funds.

(3) The exemption in paragraph (1)(b)(ii) is subject to the condition that the aggregate value of the shares underwritten by Hong Leong Finance Limited must not exceed 5% of its capital funds.

(4) In this regulation, “relevant service” means any of the following services as defined in Part 3 of the First Schedule to the Payment Services Act 2019:

- (a) an account issuance service;
- (b) a cross-border money transfer service;
- (c) a domestic money transfer service;
- (d) an e-money issuance service.

[S 388/2022 wef 20/05/2022]

5. *[Deleted by S 388/2022 wef 20/05/2022]*

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