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FINANCIAL HOLDING COMPANIES ACT 2013

FINANCIAL HOLDING COMPANIES (CORPORATE GOVERNANCE OF DESIGNATED FINANCIAL HOLDING COMPANIES WITH BANK SUBSIDIARY) REGULATIONS 2022

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In exercise of the powers conferred by section 59(1) of the Financial Holding Companies Act 2013, the Monetary Authority of Singapore makes the following Regulations:

PART 1**PRELIMINARY****Citation and commencement**

1. These Regulations are the Financial Holding Companies (Corporate Governance of Designated Financial Holding Companies with Bank Subsidiary) Regulations 2022 and come into operation on 30 June 2022.

Definitions

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

“affiliate”, in relation to a substantial shareholder of a DFHC, means any company that is an associate of the substantial shareholder, other than —

- (a) the DFHC and any company in which the DFHC acquires or holds, directly or indirectly, a major stake; or
- (b) where the DFHC is a subsidiary of another FHC — the second-mentioned FHC and any company in which the second-mentioned FHC acquires or holds, directly or indirectly, a major stake;

“associate” has the meaning given by paragraph 1 of the Schedule to the Act;

“Audit Committee” means an Audit Committee mentioned in regulation 15;

“Board” —

- (a) in relation to a DFHC (Bank) — means the board of directors of the DFHC (Bank); or
- (b) in relation to a major stake financial company — means the board of directors of the major stake financial company;

“designated FHC” or “DFHC” means a designated financial holding company;

“designated FHC with bank subsidiary” or “DFHC (Bank)” means a DFHC that has a subsidiary that is a bank incorporated in Singapore;

“executive director”, in relation to a corporation, means a director who is concurrently an executive officer of that corporation, and “non-executive director” is to be construed accordingly;

“FHC” means a financial holding company;

“financial year” has the meaning given by section 4(1) of the Companies Act 1967;

“foreign-owned designated FHC with bank subsidiary” or “foreign-owned DFHC (Bank)” means a DFHC (Bank) that 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, stepchild, parent, step-parents, brother, stepbrother, sister or stepsister;

“independent director”, in relation to a DFHC, means a director who —

- (a) is independent from any management and business relationship with the DFHC;
- (b) is independent from any substantial shareholder of the DFHC; and

(c) has not served on the Board for a continuous period of 9 years or longer;

“major stake” has the meaning given by section 31(10) of the Act;

“major stake financial company” means any company in which a DFHC (Bank) acquires or holds a major stake and that is a financial institution approved, licensed, registered or otherwise regulated by the Authority;

“Nominating Committee” means a Nominating Committee mentioned in regulation 9;

“Remuneration Committee” means a Remuneration Committee mentioned in regulation 14;

“Risk Management Committee” means a Risk Management Committee mentioned in regulation 16.

(2) In these Regulations, in relation to a company that has dispensed with the holding of annual general meetings under section 175A of the Companies Act 1967 —

- (a) a reference to the doing of anything at an annual general meeting is a reference to the doing of that thing by way of a resolution by written means in accordance with the Companies Act 1967; and
- (b) a reference to the date of an annual general meeting of such a company is, unless the meeting is held, a reference to the date of expiry of the period within which the meeting is required by law to be held.

PART 2

REQUIREMENTS FOR DESIGNATED FHC WITH BANK SUBSIDIARY

Independence from management and business relationships

3.—(1) In this Part, subject to regulation 12, a director is independent from management and business relationships with a DFHC (Bank) if —

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

(2) Without limiting paragraph (1)(a), a director is not considered to be independent from management relationships with a DFHC (Bank) or any of its subsidiaries if —

- (a) the director is employed by the DFHC (Bank) or by 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 DFHC (Bank) or any of its subsidiaries;
- (b) a member of the director's immediate family —
 - (i) is employed by the DFHC (Bank) or by any of its subsidiaries as an executive officer whose compensation is determined by the Remuneration Committee of the DFHC (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 DFHC (Bank) or any of its subsidiaries; or
- (c) the director 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 DFHC (Bank) or any of its subsidiaries.

(3) Without limiting paragraph (1)(b) but subject to regulation 12, a director is not considered to be independent from business relationships with a DFHC (Bank) or any of its subsidiaries if —

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- (a) the director is also 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, which carries on business for purposes of profit —
- (i) to which the DFHC (Bank) or any of its subsidiaries has made payments; or
 - (ii) from which the DFHC (Bank) or any of its subsidiaries has received payments,
- in the current or immediately preceding financial year of the DFHC (Bank) or any of its subsidiaries; or
- (b) the director is receiving or has received, any compensation from the DFHC (Bank) or from any of the DFHC (Bank)'s subsidiaries (other than compensation received for his or her services as a director or as an employee) at any time during the current or immediately preceding financial year of the DFHC (Bank) or any of its subsidiaries.

Independence from substantial shareholder

4.—(1) In this Part, subject to regulation 12, a director of a DFHC (Bank) is independent from a substantial shareholder of the DFHC (Bank) if the director is not that substantial shareholder and is not connected to that substantial shareholder.

(2) Despite paragraph (1), a director of a DFHC (Bank) (*A*) that is the sole subsidiary of another DFHC (*B*) that does not carry on any business other than the holding of *A* is to be treated as independent from the substantial shareholder of *A* for the purposes of regulations 5(1), 7, 9(1), 14(1) and 15(1), if the director —

- (a) is not a substantial shareholder of *A* or *B*; and
- (b) is not connected to —
 - (i) a substantial shareholder of *A* (other than *B*); or
 - (ii) a substantial shareholder of *B*.

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

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- (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;
 - (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.

Board

5.—(1) Subject to paragraphs (2) and (3) and regulations 12(3) and 20, a DFHC (Bank) must have a Board comprising —

(a) in the case of a foreign-owned DFHC (Bank) — 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.

(2) If a member of the Board resigns or ceases to be a member of the Board for any other reason, the DFHC (Bank) must —

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

(b) on or before its next annual general meeting, appoint the number of new directors that is necessary to rectify the composition of the Board in accordance with the requirements under paragraph (1).

(3) Despite paragraph (2), the Authority may, on being notified under paragraph (2)(a), direct the DFHC (Bank) to rectify the composition of the Board in accordance with the requirements under paragraph (1) within the time before the next annual general meeting of the DFHC (Bank), and subject to any conditions or restrictions, that the Authority may specify, and the DFHC (Bank) must comply with that direction.

(4) The Board must maintain records of all its meetings.

(5) A DFHC (Bank) that contravenes paragraph (1) shall be guilty of an offence and shall be liable on conviction —

(a) to a fine not exceeding \$25,000; and

(b) in the case of a continuing offence, to a further fine not exceeding \$2,500 for every day or part of a day during which the offence continues after conviction.

(6) A DFHC (Bank) that contravenes paragraph (2)(a) shall be guilty of an offence and shall be liable on conviction to a fine not exceeding \$25,000.

(7) A DFHC (Bank) that fails to comply with a direction of the Authority under paragraph (3) shall be guilty of an offence and shall be liable on conviction to a fine not exceeding \$25,000.

(8) In this regulation, “permanent resident” means any individual who is not subject to any restriction as to his or her period of residence in Singapore imposed under the provisions of any written law relating to immigration for the time being in force.

Separation of roles

6.—(1) A DFHC (Bank) must not appoint any of the following persons as the chairperson of its Board:

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

(2) A DFHC (Bank) that contravenes paragraph (1) shall be guilty of an offence and shall be liable on conviction —

- (a) to a fine not exceeding \$25,000; and
- (b) in the case of a continuing offence, to a further fine not exceeding \$2,500 for every day or part of a day during which the offence continues after conviction.

Executive Committee

7. Where the Board of a DFHC (Bank) has delegated any of its powers for the oversight of the DFHC (Bank) to an executive committee or any other committee by whatever name described (called in this Part an Executive Committee), consisting of any directors that the Board thinks fit, regulation 5 (other than regulation 5(1)(a)) applies, with the necessary modifications, to the designated financial holding company in respect of the Executive Committee as if the Executive Committee were the Board.

Committees of Board

8.—(1) A DFHC (Bank) must have —

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

(2) A DFHC (Bank) must ensure that every member of each committee mentioned in paragraph (1) has unfettered access to information that the DFHC (Bank) is in possession of or has access to, for the purposes of carrying out the responsibilities of the Committee concerned.

(3) A DFHC (Bank) that contravenes paragraph (1) or (2) shall be guilty of an offence and shall be liable on conviction —

- (a) to a fine not exceeding \$25,000; and
- (b) in the case of a continuing offence, to a further fine not exceeding \$2,500 for every day or part of a day during which the offence continues after conviction.

Nominating Committee

9.—(1) Subject to paragraph (3) and regulations 12(3) and 20, a DFHC (Bank) must have a Nominating Committee comprising —

- (a) in the case of a foreign-owned DFHC (Bank) — at least 3 but not exceeding 5 members of the Board or, in any other case, at least 5 members of the Board, or any greater number (not exceeding 7) of members of the Board that the Authority may approve; and
- (b) at least a majority of directors (including the chairperson of the Nominating Committee) who are independent directors.

(2) Every member of the Nominating Committee is appointed to hold office until the next annual general meeting following that member's appointment, and is eligible for reappointment.

(3) 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 DFHC (Bank) must 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 must, within 3 months after that event, appoint the number of new members that is necessary to rectify the composition of the Nominating Committee in accordance with that requirement.

(4) A DFHC (Bank) that contravenes paragraph (1) shall be guilty of an offence and shall be liable on conviction —

- (a) to a fine not exceeding \$25,000; and
- (b) in the case of a continuing offence, to a further fine not exceeding \$2,500 for every day or part of a day during which the offence continues after conviction.

(5) A DFHC (Bank) that contravenes paragraph (3)(a) shall be guilty of an offence and shall be liable on conviction to a fine not exceeding \$25,000.

Responsibilities of Nominating Committee

10.—(1) The Nominating Committee of a DFHC (Bank) must identify the candidates and review all nominations for the appointment of the following persons of the DFHC (Bank):

- (a) each director;
- (b) each member of the Executive Committee mentioned in regulation 7 and each committee mentioned in regulation 8(1)(a) to (d);
- (c) the chief executive and deputy chief executive;
- (d) the chief financial officer;
- (e) the chief risk officer.

(2) Subject to paragraph (3), the Nominating Committee must 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 must include the following:

- (a) the appointment of the candidate or nominee will not breach regulations 5(1), 7, 9(1), 14(1), 15(1) and 16(1);
- (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 any other relevant factors that may be determined by the Nominating Committee.

(4) If any of the persons mentioned in paragraph (1) resigns from his or her appointment in the DFHC (Bank), the Nominating Committee must review the reasons provided by the person for his or her resignation.

(5) The Nominating Committee must maintain records of all its meetings.

Determination of independence of directors and assessment of qualification

11.—(1) Where a person is proposed to be appointed as a director of a DFHC (Bank), the Nominating Committee —

- (a) must, before the appointment, determine —
 - (i) whether the person is independent from management and business relationships with the DFHC (Bank); and
 - (ii) whether the person is independent from any substantial shareholder of the DFHC (Bank),using the criteria set out in regulation 3 or 4 (as the case may be) and, where applicable, in accordance with regulation 12; and
- (b) must maintain a record of its determination.

(2) Before every annual general meeting of a DFHC (Bank), the Nominating Committee —

(a) must determine —

- (i) whether each existing director of the DFHC (Bank) is independent from management and business relationships with the DFHC (Bank); and
- (ii) whether each existing director of the DFHC (Bank) is independent from any substantial shareholder of the DFHC (Bank),

using the criteria set out in regulation 3 or 4 (as the case may be) and, where applicable, in accordance with regulation 12;

(b) must review and assess whether each existing director remains qualified for the office using the criteria set out in regulation 10(3); and

(c) must maintain a record of its determination and its assessment, respectively.

Alternative determination of independence by Nominating Committee

12.—(1) The Nominating Committee of a DFHC (Bank) or major stake financial company (as the case may be) may determine —

(a) that a director of the DFHC (Bank) who is —

- (i) not considered independent from business relationships with the DFHC (Bank) under regulation 3(3)(a) or (b); or
- (ii) not considered independent from a substantial shareholder of the DFHC (Bank) because of the relationship specified in regulation 4(3)(a)(v) or (b)(v); or

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- (b) that a director of a major stake financial company who is not considered independent from a substantial shareholder of the DFHC (Bank) for the purpose of regulation 19(3) because of the relationship specified in regulation 4(3)(a)(v) or (b)(v),

may nonetheless be considered independent from business relationships with the DFHC (Bank), or independent from a substantial shareholder of the DFHC (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 DFHC (Bank) will not be impeded, despite the relationship specified in any of those regulations.

(2) If —

- (a) at any time, the Authority is not satisfied that a director is independent despite any determination of the Nominating Committee made under paragraph (1); and
- (b) the lack of independence of that director would breach regulation 5(1), 7, 9(1), 14(1), 15(1) or 16(1) in the case of a DFHC (Bank), or regulation 19(1) in the case of a major stake financial company,

the Authority may, as the case may be —

- (c) direct the DFHC (Bank) to rectify the composition of the Board or any relevant committee in accordance with the requirements under regulation 5(1), 7, 9(1), 14(1), 15(1) or 16(1) (as the case may be), within the time, and subject to any conditions or restrictions, that the Authority may specify; or
- (d) direct the major stake financial company to rectify the composition of the Board in accordance with the requirements under regulation 19(1), within the time, and subject to any conditions and restrictions, that the Authority may specify.

(3) Where the Authority has given a direction to a DFHC (Bank) under paragraph (2), the requirements under regulation 5(1), 7, 9(1), 14(1), 15(1) or 16(1) (as the case may be) do not apply to the DFHC (Bank) during the period between the time the Authority makes the direction and the time within which the DFHC (Bank) is required to rectify the composition of the Board or any relevant committee in accordance with the direction.

(4) Where the Authority has given a direction to a major stake financial company under paragraph (2), the requirements under regulation 19(1) do not apply to the major stake financial company during the period between the time the Authority makes the direction and the time within which the major stake financial company is required to rectify the composition of the Board in accordance with the direction.

Providing information to Authority by DFHC (Bank)

13.—(1) A DFHC (Bank) must, after its Nominating Committee has concluded its deliberation in respect of the matters under regulations 10 and 11 and after the Board 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 mentioned in regulation 10(1)(a) and (b), including whether the requirements for independence in regulations 3 and 4 are satisfied;
- (b) notify the Authority in writing of the review and assessment of each existing director referred to in regulation 11(2)(b);
- (c) in the case where the Nominating Committee has made a determination under regulation 12, provide the Authority with the Nominating Committee's explanation of its decision as to why the director should be considered independent; and
- (d) provide the Authority any other information that the Authority may require.

(2) A DFHC (Bank) that contravenes paragraph (1) shall be guilty of an offence and shall be liable on conviction —

- (a) to a fine not exceeding \$25,000; and
- (b) in the case of a continuing offence, to a further fine not exceeding \$2,500 for every day or part of a day during which the offence continues after conviction.

Remuneration Committee

14.—(1) Subject to paragraph (5) and regulations 12(3) and 20, a DFHC (Bank) must have a Remuneration Committee comprising —

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

(2) In addition to any other responsibilities that may be determined by the Board, the Remuneration Committee of a DFHC (Bank) is responsible for —

- (a) recommending a framework for determining the remuneration of the directors of the DFHC (Bank);
- (b) recommending a framework for determining the remuneration of the executive officers of the DFHC (Bank) that must include the following elements and factors in the design and operation of the framework:
 - (i) the remuneration package of each executive officer of the DFHC (Bank) —
 - (A) must be aligned to the specific job function undertaken by the executive officer and, where the executive officer undertakes any of the DFHC (Bank)'s control job functions, the remuneration package of that executive officer must be determined independently of the business functions of the DFHC (Bank);

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- (B) must take into account input from the employees in the DFHC (Bank)'s control job functions as may be relevant to the specific job function undertaken by the executive officer;
 - (C) must be aligned with the risks that the DFHC (Bank) undertakes in its business that is relevant to the specific job function undertaken by the executive officer;
 - (D) must be sensitive to the time horizon of risks that the DFHC (Bank) is exposed to, including ensuring that variable compensation payments must not be finalised over short periods of time when risks are realised over long periods of time;
 - (E) must, in relation to the quantum of bonus payable to the executive officer, be linked to his or her personal performance, the performance of his or her specific job function as a whole and the overall performance of the DFHC (Bank); and
 - (F) must, in relation to the rationale for the mix of cash, equity and other forms of incentives, be justified;
- (ii) the size of the bonus pool of the DFHC (Bank) must be linked to the overall performance of the DFHC (Bank);
- (c) recommending the remuneration of each director and executive officer of the DFHC (Bank) based on the frameworks mentioned in sub-paragraphs (a) and (b), respectively; and
 - (d) reviewing, at least once in each year, the remuneration practices of the DFHC (Bank) to ensure that they are aligned with the recommendation made in accordance with sub-paragraphs (a), (b) and (c).

(3) In paragraph (2) —

“business functions” means the job functions in the DFHC (Bank) relating to the conduct of risk-taking activities in relation to the business of the DFHC (Bank);

“control job functions” means the following job functions:

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

(4) The Remuneration Committee must 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 DFHC (Bank) must 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 must, within 3 months after that event, appoint the number of new members that is necessary to rectify the composition of the Remuneration Committee in accordance with that requirement.

(6) A DFHC (Bank) that contravenes paragraph (1) shall be guilty of an offence and shall be liable on conviction —

- (a) to a fine not exceeding \$25,000; and
- (b) in the case of a continuing offence, to a further fine not exceeding \$2,500 for every day or part of a day during which the offence continues after conviction.

(7) A DFHC (Bank) that contravenes paragraph (5)(a) shall be guilty of an offence and shall be liable on conviction to a fine not exceeding \$25,000.

Audit Committee

15.—(1) Subject to paragraph (4) and regulations 12(3) and 20, a DFHC (Bank) must have an Audit Committee comprising —

- (a) at least 3 members of the Board, all of whom are independent from management and business relationships with the DFHC (Bank); and
- (b) at least a majority of directors (including the chairperson of the Audit Committee) who are independent directors.

(2) The Audit Committee of a DFHC (Bank) is, in addition to any other responsibilities that may be determined by the Board or provided under written law, responsible for the adequacy of the external and internal audit functions of the DFHC (Bank), including reviewing —

- (a) the scope and results of audits carried out in respect of the operations of the DFHC (Bank); and
- (b) the independence and objectivity of the DFHC (Bank)'s external auditors.

(3) The Audit Committee must 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 DFHC (Bank) must 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 must, within 3 months after that event, appoint the number of new members that is necessary to rectify the composition of the Audit Committee in accordance with that requirement.

(5) A DFHC (Bank) that contravenes paragraph (1) shall be guilty of an offence and shall be liable on conviction —

- (a) to a fine not exceeding \$25,000; and

(b) in the case of a continuing offence, to a further fine not exceeding \$2,500 for every day or part of a day during which the offence continues after conviction.

(6) A DFHC (Bank) that contravenes paragraph (4)(a) shall be guilty of an offence and shall be liable on conviction to a fine not exceeding \$25,000.

Risk Management Committee

16.—(1) Subject to paragraph (4) and regulations 12(3) and 20, a DFHC (Bank) must have a Risk Management Committee comprising —

(a) at least 3 members of the Board; and

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

(2) The Risk Management Committee of a DFHC (Bank) is, in addition to any other responsibilities that may be determined by the Board, 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 DFHC (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 must 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 DFHC (Bank) must 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 must, within 3 months after that event, appoint the number of new members that is necessary to rectify the composition of the Risk Management Committee in accordance with that requirement.

(5) A DFHC (Bank) that contravenes paragraph (1) shall be guilty of an offence and shall be liable on conviction —

(a) to a fine not exceeding \$25,000; and

(b) in the case of a continuing offence, to a further fine not exceeding \$2,500 for every day or part of a day which the offence continues after conviction.

(6) A DFHC (Bank) that contravenes paragraph (4)(a) shall be guilty of an offence and shall be liable on conviction to a fine not exceeding \$25,000.

Approval of Authority for certain appointments

17.—(1) The following positions in a DFHC (Bank) are prescribed for the purposes of section 63(2) of the Act:

(a) the chairperson of the Board;

(b) the members of the Nominating Committee;

(c) the deputy chief executive;

(d) the chief financial officer;

(e) the chief risk officer.

(2) A person —

(a) whose appointment as director or chief executive, or a position mentioned paragraph (1), has been approved by the Authority under regulation 35 of the Banking (Corporate Governance) Regulations 2005 (G.N. No. S 583/2005) in force immediately before 30 June 2022; and

- (b) whose approval of appointment has not expired or been revoked before that date,

is taken to be so appointed with the approval of the Authority under section 63 of the Act, for a term expiring on the date when the person's term of appointment would have expired if these Regulations had not been enacted.

(3) Any condition to which the approval of the Authority under paragraph (2)(a) was subject and that was in force immediately before 30 June 2022, continues to have effect as a condition of the approval of the Authority under section 63 of the Act mentioned in paragraph (2).

Executive officers

18.—(1) A DFHC (Bank) (*A*) must not appoint any person as its executive officer while that person is concurrently —

- (a) employed by a substantial shareholder of *A* (other than, in the case where *A* is a subsidiary of another DFHC (*B*), *B*);
- (b) an executive officer of an affiliate of a substantial shareholder of *A*; or
- (c) where *A* is a subsidiary of *B* — employed by a substantial shareholder of *B* or an affiliate of a substantial shareholder of *B*.

(2) A DFHC (Bank) that contravenes paragraph (1) shall be guilty of an offence and shall be liable on conviction —

- (a) to a fine not exceeding \$25,000; and
- (b) in the case of a continuing offence, to a further fine not exceeding \$2,500 for every day or part of a day during which the offence continues after conviction.

Corporate governance requirements applicable to major stake financial company

19.—(1) Subject to paragraph (2) and regulation 12(4), a major stake financial company must have a Board, the majority of whom —

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- (a) where the DFHC (Bank) is a subsidiary of another DFHC (called in this regulation the parent company) — are independent from both the substantial shareholders of the DFHC (Bank) (other than the parent company) and the substantial shareholders of the parent company;
 - (b) where the DFHC (Bank) is a subsidiary of a bank incorporated in Singapore (called in this regulation the parent bank) — are independent from both the substantial shareholders of the DFHC (Bank) (other than the parent bank) and the substantial shareholders of the parent bank;
 - (c) where the DFHC (Bank) is a subsidiary of a licensed insurer incorporated in Singapore (called in this regulation the parent insurer) — are independent from both the substantial shareholders of the DFHC (Bank) (other than the parent insurer) and the substantial shareholders of the parent insurer; or
 - (d) in any other case — are independent from all substantial shareholders of the DFHC (Bank).

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

(3) The Nominating Committee of a major stake financial company or, where the company does not have a Nominating Committee, the Nominating Committee of the DFHC (Bank) that has a major stake in the company (called in this regulation the relevant Nominating Committee) must determine —

- (a) where a person is proposed to be appointed as a director of a major stake financial company — before the person's appointment; or

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- (b) in the case of an existing director of a major stake financial company — before every annual general meeting of a major stake financial company,

whether the person or director is independent of a substantial shareholder of the DFHC (Bank), parent company, parent bank or parent insurer (as the case may be) using the criteria set out in regulation 4 and, where applicable, in accordance with regulation 12.

(4) Subject to paragraph (5), a major stake financial company must 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 DFHC (Bank) that holds a major stake in the company;
- (b) an executive officer of an affiliate of a substantial shareholder of the DFHC (Bank);
- (c) where the DFHC (Bank) is a subsidiary of a parent company — employed by a substantial shareholder of the parent company or an affiliate of the substantial shareholder of the parent company;
- (d) where the DFHC (Bank) is a subsidiary of a parent bank — employed by a substantial shareholder of the parent bank or an affiliate of a substantial shareholder of the parent bank; or
- (e) where the DFHC (Bank) is a subsidiary of a parent insurer — employed by a substantial shareholder of the parent insurer or an affiliate of a substantial shareholder of the parent insurer.

(5) Paragraph (4)(a) does not apply in relation to a major stake financial company where the substantial shareholder of a DFHC (Bank) that holds a major stake in the major stake financial company is —

- (a) where the DFHC (Bank) is a subsidiary of a parent company — the parent company;
- (b) where the DFHC (Bank) is a subsidiary of a bank — the parent bank; or

(c) where the DFHC (Bank) is a subsidiary of a licensed insurer — the parent insurer.

(6) A major stake financial company that contravenes paragraph (1) or (4) shall be guilty of an offence and shall be liable on conviction —

(a) to a fine not exceeding \$25,000; and

(b) in the case of a continuing offence, to a further fine not exceeding \$2,500 for every day or part of a day during which the offence continues after conviction.

Exceptions to applicability of provisions to DFHC (Bank)

20.—(1) Subject to paragraphs (2) and (3), the requirements under regulations 5(1), 7, 9(1), 14(1), 15(1) and 16(1) do not apply in relation to a DFHC (Bank) —

(a) where —

(i) there is a change in the status of a director under regulation 3 or 4 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 DFHC (Bank); and

(ii) the DFHC (Bank) could not reasonably be expected to 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 3 or 4 during the period between the date immediately after an annual general meeting of the DFHC (Bank) and the date immediately before the next annual general meeting of the DFHC (Bank) (other than the period mentioned in sub-paragraph (a)(i)); and

(ii) the DFHC (Bank) could not reasonably be expected to have known of that change on or before the date of the firstmentioned annual general meeting.

(2) Paragraph (1) does not apply unless, in the circumstances mentioned in paragraph (1)(a)(i) or (b)(i), the DFHC (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 5(1) — at the next annual general meeting, appoints the number of new directors that is required to rectify the composition of the Board in accordance with that requirement; or
- (b) in respect of any requirement under regulation 7, 9(1), 14(1), 15(1) or 16(1) — within 3 months after notifying the Authority of the change of status of the director, appoints the number of new members of the relevant committee that is required to rectify the composition of the relevant committee in accordance with that requirement.

(3) Despite paragraph (2), the Authority may, on being notified of a change in the status of a director under paragraph (2), direct the DFHC (Bank) —

- (a) to appoint the number of new directors that is necessary to rectify the composition of the Board in accordance with the requirements under regulation 5(1) within the time before the next annual general meeting of the DFHC (Bank), and subject to any conditions or restrictions, that the Authority may specify; or
 - (b) to appoint the number of new members of the relevant committee that is necessary to rectify the composition of the relevant committee in accordance with the requirements under regulation 7, 9(1), 14(1), 15(1) or 16(1) (as the case may be) within the time before the expiration of 3 months from the date the DFHC (Bank) notifies the Authority of the change, and subject to any conditions or restrictions, that the Authority may specify,
- and the DFHC (Bank) must comply with that direction.

(4) A DFHC (Bank) that fails to comply with a direction of the Authority under paragraph (3) shall be guilty of an offence and shall be liable on conviction to a fine not exceeding \$25,000.

Made on 28 June 2022.

RAVI MENON
Managing Director,
Monetary Authority of Singapore.

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