

International Deposit Insurance Survey

Section 1: Background Information

1.1 Organization (deposit insurer) responsible for administering the deposit insurance system:

1.1.1 Organization Name:

Singapore Deposit Insurance Corporation Ltd

1.1.2 Organization Address:

10 Shenton Way, MAS Building #11-06, Singapore 079117

1.1.3 Organization Telephone No:

65-6513-2015

1.1.4 Organization Fax No:

65-6372-1180

1.1.5 Organization Internet Address:

www.sdic.org.sg

1.2 Contact Person(s):

1.2.1 Contact Person(s) Name:

Margaret Chua

1.2.2 Contact Person(s) Address:

See response to #1.1

1.2.3 Contact Person(s) Telephone:

See response to #1.1

1.2.4 Contact Person(s) Fax:

See response to #1.1

1.2.5 Contact Person(s) E-mail address:

infosdic@sdic.org.sg

1.2.6 Are there other deposit insurance systems operating in your country ? (i.e. applying to other types of non-bank or non-depository institutions e.g.. insurance, securities) Please state their name(s) and contact information:

NA

1.3 Please provide information on other participants in your financial system safety-net:

1.3.1 Name of Central Bank:

Monetary Authority of Singapore

1.3.2 Central Bank Address:

10 Shenton Way, MAS Building, Singapore 079117

1.3.3 Central Bank Telephone:

65-6222-5577

1.3.4 Central Bank Fax:

65-6220-3973

1.3.5 Central Bank Internet Address:

www.mas.gov.sg

1.3.6 Central Bank Contact Person:

policy@mas.gov.sg

1.4 Financial Supervisor:

1.4.1 Financial Supervisor Name:

See response to #1.3

1.4.2 Financial Supervisor Address:

1.4.3 Financial Supervisor Telephone:

1.4.4 Financial Supervisor Fax:

1.4.5 Financial Supervisor Internet Address and contact:

1.5 Other related entities:

1.5.1 Other Related Entities Name:

None

1.5.2 Other Related Entities Address:

1.5.3 Other Related Entities Telephone:

1.5.4 Other Related Entities Fax:

1.5.5 Other Related Entities Internet Address:

Section 2: Objectives, Mandates & Powers

2.1.1 When and why was the DIS established (please provide details)?

Deposit insurance was launched on 1 April 2006 to protect the core savings of small depositors in Singapore in the event of the failure of a full bank or finance company. Although Singapore had not experienced any bank failure, there was no guarantee of zero failure. Moreover, banks were becoming increasingly global and more complex in its risk-taking activities.

2.1.2 What are the stated public policy objectives or mandate for your country's DIS? When was the last time they were reviewed and changed?

The stated public policy objective is to protect the core savings of small depositors in the event of a failure of a full-licence bank or finance company. The mandate of the DI Agency is to administer the deposit insurance scheme, manage the deposit insurance fund and raise public awareness of DI.

2.1.3 What process was used to determine these objectives in your country?

The process includes the development of the policy by the Government through the Monetary Authority of Singapore, following which there are several iterations of consultation with the public and the industry. The final step is the presentation of a Bill to Parliament for debate and enactment.

2.1.4 What is the legal basis under which the DIS was established? Please provide a copy.

Legislation
Deposit Insurance Act

2.1.5 Is there a formal process for a periodic review of the policy objectives/mandates?

2.1.6 What sort of system do you have?

Government legislated & privately administered

2.1.7 Who makes decisions to pay depositor claims?

Regulator
Decision is made by MAS which is regulator, supervisor and central bank

2.2 Which of the following powers has been provided to the DIS in order to carry out its mandate?

2.3 Authority to

2.3.1 Enter into contracts

Yes

2.3.2 Set regulations or by-laws for conduct of its business

No

Set Rules

2.4 Authority over entry and exit of member deposit taking institutions

2.4.1 Establish terms and conditions of membership

No

Membership mandatory

2.4.2 Authority to terminate the insured status of a member institution

No

2.5 Depositor reimbursement

2.5.1 Affect reimbursement of depositors claims

Yes

2.5.2 Access to depositor information

No

Except during payout

2.5.3 Use various methods of reimbursing depositors claims

Yes

Cheques and crediting of new accounts

2.6 Funding

2.6.1 How funding is provided

Yes

Ex-ante premiums collected

2.6.2 Terms and conditions of premiums or levies

Yes

Determined by MAS

2.6.3 Borrowing authorities and limits

Yes

No limits

2.7 Information Requirements

2.7.1 Access to information directly from member deposit taking institutions or its auditors

Yes

Only as stated in Rules

2.7.2 Access to information through supervisory authorities

No

2.8 Enforcement and intervention

2.8.1 Authority to conduct examinations and/or reviews

No

2.8.2 Ability to set standards or guidelines for member institutions

Yes

Through Rules on premium collection, payout and disclosure

2.8.3 Authority to take enforcement actions against members (i.e. such as the authority to require a change in institutional control and/or behaviour).

Yes

Only for enforcement of Rules

2.8.4 Authority to cancel deposit insurance of a member institution

No

2.8.5 Authority to hold officers and directors of failed institutions legally liable for the failure of the institution

No

2.9 Failure resolution

2.9.1 Authority to decide on appropriate form of failure resolution

No

2.9.2 Authority to provide financial assistance (e.g. in the form of a loan -- with or without security -- by purchasing assets from the institution or through some other process).

No

2.9.3 Authority to guarantee deposits with member institutions or guarantee loans to an institution by other parties

No

2.10 Authority to:

2.10.1 Undertake formal liquidation

No

2.10.2 Purchase and assumption (sale and merger)

No

2.10.3 Open assistance (bridge bank)

No

2.10.4 Other forms of failure resolution

2.11 Optimizing recoveries

2.11.1 Ability to act as a receiver

No

2.11.2 Ability to act as a liquidator

No

Section 3: Governance Arrangements

3.1.1 Is the DIS a legally separate organization from other public or private bodies? (e.g. central bank, supervisor, industry association)

Yes

SDIC is a company limited by guarantee under the Companies Act and is a separate entity from MAS.

3.1.2 What is the form of governance used by the DIS organization?

Board of Directors

null|null|null|null|

3.1.3 How is the governing body selected?

The Board of SDIC is appointed by its members, and is accountable to the Minister in charge of MAS. There are six directors, including the Chairperson.

3.1.4 What is the composition of the governing body?

See response for #3.3

3.1.5 What are the duties and responsibilities of the governing body?

The Board of Directors is responsible for the management of the affairs and property of the Company and shall prescribe, alter, cancel rules for any matter relating to the functions of the Company under the Deposit Insurance Act, including but not limited to the collection of any premium contributions payable by the Deposit Insurance Scheme members. The Board is accountable to the Minister in charge of MAS for its acts and decisions.

3.1.6 Is there any direct or indirect representation in the management of the DIS by member insured institutions?

No

3.1.7 Is there any direct or indirect representation in the management of the DIS by the central bank?

No

3.1.8 Is there any direct or indirect representation in the management of the DIS by

the regulator?

No

3.1.9 Is there any direct or indirect representation in the management of the DIS by the supervisor?

No

3.1.10 Is there any direct or indirect representation in the management of the DIS by other?

No

3.1.11 Please provide a breakdown of the management structure of the DIS

The board of directors sets the directions and the policies of the SDIC and appoints the Chief Executive Officer to be responsible for the day-to-day administration and management.

3.1.12 Do you have an internal control and audit systems

Yes

3.1.13 Are directors and officers of the DIS and/or supervisors personally liable for their decisions in the normal course of their activities?

No

3.1.14 Is there an advisory committee to the DIS?

No

3.1.15 Has the DIS ever taken legal action against directors of failed member institutions? Or others? What position did the person(s) hold?

No

3.1.16 Please indicate which of the following tools are used as part of your accountability regime.

Annual Reports,Audited Financial Statements,Corporate Business Plan

null|null|null|null|

Section 4: Human Resources & Infrastructure

4.1.1 What is the total number of employees at the DIS (e.g. full-time, part-time and contract) ?

Five

4.1.2 Are the majority of DIS employees dedicated staff or do they come from other organizations (i.e. government, central bank, private sector)?

Yes

Dedicated staff

4.1.3 Does the DIS train and develop its own staff? If so, briefly describe programs which have been put in place for training and development?

Yes

Mainly on-the-job training supplemented by IADI conferences, etc

4.1.4 Is there shared training and development between the staff of the DIS and other authorities involved in financial sector supervision or regulation? (i.e. central bank, supervisor, regulator, other)

Yes

Invitation to in-house seminars and workshops organised by MAS

4.1.5 Are compensation and incentives offered sufficient to attract and retain skilled staff? Please elaborate.

5

Pegged to a composite index of public and private sector remuneration

4.1.6 Are confidentiality provisions for employees provided for?

Yes

All employees are subject to the confidentiality provisions set out under the relevant legislation and employment contract.

4.1.7 Do employees of the DIS receive legal protection against lawsuits for their actions taken in good faith and acting in the best interests of the DIS?

Yes

4.1.8 What percentage of the budget is spent on training and development and information technology?

Training is 1.5% of payroll and IT is about 15% of budget.

Section 5: Information Sharing & Interrelationship Among Safety-Net Players

5.1.1 Who performs examinations of DIS member institutions?

Supervisor

MAS

5.1.2 Please describe the examination process that is used to evaluate member institution performance?

As a supervisor, MAS ensures that financial institutions comply with rules and maintain sound banking and financial practices through field inspections and examination of statistical returns, accounts and other information which financial institutions are required to submit. It also relies on detailed reports of external auditors of these institutions as another means of detecting any inadequacy in the accounting system or internal control.

5.1.3 What information is collected from member institutions for the DIS and other parties?

Members are required to submit their insured deposit products annually and when there are changes. Also, masked information on depositors have to be provided for simulation exercises.

5.1.4 What arrangements (i.e. formal or informal) are in place between organizations responsible for deposit insurance and other parties comprising the safety-net (e.g. central bank, supervisor, regulator) regarding the sharing of

information concerning member institutions? Please provide details of these agreements.

No formal arrangements are in place.

5.2 On a scale from 1 to 5, 1 being low and 5 being high, please rate both the accessibility (i.e. access to all necessary information for the DIS to fulfill its mandate) and timeliness (i.e. information is received when needed) of information that is shared amongst members of the safety net.

5.2.1 accessibility

5

5.2.2 timeliness

5

5.2.3 Is there a consistent definition/classification across authorities of problem institutions

Yes

Classification by MAS

5.2.4 When policy regarding the DIS and financial sector is developed or amended, are other bodies consulted and/or advised (e.g. central bank, supervisor, regulator, government, industry associations) ? If you do consult and/or advise what bodies do you do it with?

Consult

Industry is consulted|null|null|

5.2.5 Is discussion with other bodies encouraged prior to the implementation of new policy?

Yes

5.2.6 How often do you contact other DIS?

Occasionally

5.2.7 Is the DIS consulted when the regulator, supervisor or central bank enters into an agreement with a financial institution that is experiencing problems?

No

Section 6: Membership

6.1.1 What types of institutions are covered in your DIS?

All full banks and finance companies in Singapore are members.

6.1.2 Is membership in the DIS mandatory for designated deposit taking institutions?

Yes

6.1.3 Do you have terms and conditions of membership? (i.e. laws, regulations or agreements which member institutions have to abide by) If so, please explain the application process used and any conditions of membership imposed on institutions by the DIS.

No

6.1.4 Is the membership of foreign institutions (i.e. foreign bank branches and/or subsidiaries) covered in the same way as domestic institutions? If not, please describe the difference.

Yes

6.1.5 If more than one safety-net organization is responsible for the application process for membership, how is the application process coordinated between the parties responsible?

6.1.6 Are deposit-taking institutions required to re-apply for membership after a certain period of time?

No

6.1.7 How many member institutions do you have?

Thirty three.

6.1.8 What is the total level of assets, deposits and insurable deposits of all DIS member institutions?

NA

Section 7: Coverage

7.1.1 Is there a formal definition of a deposit and or insured deposit used by your DIS? If so what is it?

Yes (please explain)

"deposit" means a sum of money paid on terms - (a) under which it will be repaid, with or without interest or a premium, or with any consideration in money or money. However, insured deposits are specifically defined in the DI Act.

7.1.2 What types of deposits are eligible for coverage in your DIS?

Savings account, Chequing account, Other

null|null|null|null|null|null|null|null|null|null|null

7.1.3 Is coverage

per depositor per institution

7.1.4 What is the coverage limit per depositor?

In the event that a Scheme member fails, each depositor with that failed institution will receive in compensation a sum equal to the aggregate of all his deposits net of liabilities, with that institution, up to a maximum of S\$20,000.

7.1.5 How was this figures arrived at?

With the coverage limit of S\$20,000, more than 80% of individual depositors will not suffer losses on their Singapore dollar deposits in savings, current and fixed deposit accounts, in the event that a bank fails.

7.1.6 For eligible financial instruments with maturity dates, what is the longest contract term covered by the DIS?

No maximum imposed but market practice on time deposits typically do not go beyond 2 years. The norm is 1 year.

7.1.7 What types of depositors are not eligible for coverage in your DIS?

Corporations (domestic), Corporations (foreign)

null|null|null|null|null|

7.1.8 Is the coverage amount indexed?

No

7.1.9 What is it indexed to?

NA

7.1.10 Does your DIS use coinsurance? If coinsurance is used please describe the approach used.

No

7.1.11 Is the public widely aware of the presence of coinsurance?

other

NA

7.1.12 Are coverage levels affected by resolution methods? If so, please explain.

No

7.1.13 To what extent, is there a public expectation that the DIS coverage limit would be extended to 100% coverage in the event of a banking crisis or the failure of a very large institution? Please provide recent examples, if applicable.

No

7.1.14 How is a decision made on the insurance eligibility of new financial products?

As a general principle, only products that are used by small depositors for their core savings are insured.

7.1.15 When member institutions merge how are insured deposits treated?

Merged entity is treated as one institution for purposes of determining coverage.

7.2 Does your country offer the following?

7.2.1 Islamic banking

Yes

7.2.2 Islamic deposit insurance

No

Section 8: Funding & Fund Management

8.1.1 What type of funding is used by the DIS?

A combination of the above two approaches

Primarily ex-ante but MAS and SDIC can raise additional premiums if necessary.

8.1.2 Is the DIS funded by levying insurance premium assessments against member institutions or, by some other means such as general tax revenues?

Premium assessment

8.1.3 If insurance premiums are assessed, are they assessed as a flat rate or are they differential in some way, please explain? (e.g. risk based)

Premiums payable by each member institution is determined by the size of the bank's insured deposits, in the case of foreign full banks operating as branches, its ratio of eligible assets over insured deposits is also taken into account. The premium rates range from 0.03% - 0.08% of the institution's insured deposits.

8.1.4 What is the current premium rate? If there have been changes to this rate, details would be appreciated.

See response #8.3. No changes.

8.1.5 How often is the premium assessed?

Annually.

8.1.6 Is the premium assessed on total deposits, insured deposits or something else?

Insured Deposits

8.1.7 Are premiums paid by member institutions tax deductible as a business expense?

Yes

8.1.8 For premiums that are differentiated please explain the risk assessment system that is used to ascertain a premium assessment.

Please refer to Determination of Premium Rates under the Deposit Insurance Act contained in our website (www.sdic.org.sg)

8.1.9 Does the DIS have a target with respect to the optimal size of the DIS fund? (Yes is chosen go to question 8.10 otherwise Skip the next 2 questions)

Yes (Go to next question)

8.1.10 How is the optimum level (i.e. target) of the fund determined?

The targeted fund size, to be built up over 10 years from premium contributions, will be equivalent to 0.3% of total insured deposits and estimated to be about S\$120m.

8.1.11 What investment policies (i.e. safeguards against abuse) exist concerning the use of the fund?

The focus of the investment policy is on capital preservation and maintenance of liquidity. Audited financial statements are sent to the Minister annually.

8.1.12 If a fund is not maintained, is an assessment levied on institutions after the failure of a financial institution has occurred? If so, please explain how the levies are determined and losses distributed among institutions.

8.1.13 Which of the following sources of additional funding, for emergency or liquidity purposes, does the DIS have access to?

Government funding, Access to private markets

null|null|null

8.1.14 Are member institutions required by law to issue, on a regular basis, subordinated debt?

No

Section 9: Reimbursing Depositors

9.1.1 Please describe the procedure for reimbursing depositors used by your DIS?

Depositors may be paid in two ways - by cheque or by credit to a new account opened with another Scheme Member.

9.1.2 Are depositors required to file a claim when a member institution fails? If so, what is the process?

No

9.1.3 When is the DIS obligated to reimburse insured depositors?

When a bank or a finance company fails and when the Monetary Authority of Singapore (MAS) decides that a payout becomes necessary it will notify the SDIC to act accordingly.

9.1.4 Is there an established legal basis upon which to base the reimbursement process? Please explain.

Yes

As defined in the DI Act.

9.1.5 Is the DIS subject to explicit standards for prompt reimbursement? If so what are they?

No

Only self imposed target time frame in consultation with MAS.

9.1.6 What methods of payment can be used and under what circumstances are they used?

Cheques and credit into new accounts opened with another member. Method chosen depends on which is most cost-efficient.

9.1.7 Are the rules regarding clearing, set-off, trust accounts, and related issues well defined (through the legal system or formal agreement)? Please explain.

Yes

As defined in insolvency legislation and DI Act

9.1.8 What are financial institutions obligated to hold with respect to deposit records?

All the necessary particulars required to make a payout, such as name, identification number and address.

9.1.9 When is the DIS given access to an institutions financial and depositor records?

When MAS determines that payout is necessary.

9.1.10 Does the DIS have the option of making advance payments to depositors in situations of dire need (i.e. in an emergency)?

Yes

9.1.11 Does the DIS make interest payments to depositors during the time taken for reimbursement? Please explain.

No

Only accrued interest as at quantification date of payout.

9.1.12 What information is communicated to depositors regarding the reimbursement process?

When they can expect to be paid and method of payout as well as procedures to apply for interim payment in the event of emergency.

9.1.13 What process does the DIS use to ensure that depositor secrecy and confidentiality is maintained during the reimbursement process?

All data are required to be encrypted and hashed as well as compliance with specified handover procedures.

9.1.14 What steps are taken to verify, reconcile and settle insured deposit accounts?

Verification and reconciliation procedures are built into the payout process.

9.1.15 What steps are taken to ensure that an institutions depositor records are accurate, up to date and accessible?

Regular simulation exercises are conducted.

9.1.16 Does the DIS document its experiences with respect to each reimbursement action (i.e. lessons learned) in order to allow for continuous improvement?

Other

No failure experience.

9.1.17 What technologies does the DIS use to facilitate the reimbursement process?

Proprietary compensation payout system combined with data extraction programs residing with members.

Section 10: Public Information & Awareness

10.1.1 What obligations are there to inform the public?

As part of its mandate to provide deposit insurance and contribute towards the stability of the financial system, SDIC is responsible for enhancing consumer awareness about deposit insurance.

10.1.2 Who is responsible for communicating information about the DIS to the general public?

DIS

null|null|null|null|null|

10.1.3 Are these explicitly stated in policy or law?

Yes

10.1.4 Are the terms and conditions of DIS explained in a manner that the general public can understand fully?

Yes

10.1.5 If so, what methods are utilized?

Brochures, Website, Other

null|null|null|null|null|

10.1.6 At what point is information disclosed to the public about an institution that is having problems and how is information disclosed?

Where the Monetary Authority of Singapore determines that compensation shall be paid, it shall notify the SDIC in writing. The SDIC shall, as soon as practicable upon receiving the notice, publish a notice in the Gazette stating that a payment of compensation shall be made.

10.1.7 Has a survey of public awareness about the DIS been conducted? If so/ what were the results? If not why not? Please include supporting documentation.

Yes

Gallup survey.

10.1.8 Has the DIS ever embarked on a public awareness campaign to increase awareness and knowledge? If yes, how many times has this been done and when was the last time?

Other

Regularly throughout the year.

10.1.9 Please describe the approach used; objectives, target audience, communication strategy, and timing results.

A multi-prong approach is used to target the various segments of the public. A broad range of communication channels are used, including outdoor advertising, scheme member ATM and website advertising, brochures, community newsletters, mass media, etc.

Section 11: Risk Assessment & Intervention

11.1.1 Does the DIS have a risk monitoring function to analyze and assess the risk of member financial institutions?

No

11.1.2 Does the DIS perform examinations of its member institutions? If not, who does?

No

Monetary Authority of Singapore

11.1.3 Does the DIS receive information/data/statistics directly from its member institutions or from a third party, such as a regulator or supervisor? If so what information is received and how often?

No

Not for risk assessment.

11.1.4 What is the risk assessment approach used by the DIS to monitor financial institutions? Please describe. Please be sure to include the criteria used to determine member institution risk.

NA

11.1.5 Please list and describe the actions taken by the DIS in situations where member institutions are causing concern. Please indicate when coordination occurs with other supervisory/regulatory authorities and the mechanisms used.

Section 12: Failure Resolution

12.1.1 Is your DIS involved in the failure resolution of member institutions?

No

12.1.2 Who determines whether a member institution has failed or is insolvent?

Monetary Authority of Singapore.

12.1.3 Under what conditions can the DIS cancel/terminate the deposit insurance of a member institution?

None.

12.1.4 How is the failure/non viability of a member institution determined?

NA

12.1.5 How many member institutions have failed in your country in the last 20 years?

None.

12.1.6 Do banks go through the regular corporate bankruptcy process? If no, what is the process used?

Yes

12.1.7 Is the receiver of failed institutions also the one that disposes of the institutions? If not, who does?

Yes

12.2 Which methods of failure resolution are used in your country to deal with failures. Also, please indicate the frequency of use of the various methods in the last 20 years.

12.2.1 Formal liquidation

Other

NA

12.2.2 Purchase and assumption (sale and merger)

Other

NA

12.2.3 Open bank assistance (e.g. recapitalization)

Other

NA

12.2.4 Bridge banks and other interim solutions

Other

NA

12.2.5 What criteria are used to determine the method of failure resolution?

NA

12.2.6 Is the deposit insurer required to resolve failed or failing insured depository institutions in a manner that is least costly to the DIS?

Other

NA

12.2.7 Please indicate what kind of private companies, if any, are included in the failure resolution process?

NA

Section 13: Claims, Recoveries & Estate Management

13.1.1 Does the DIS play a role in the claims and recoveries process? If yes please describe this role

Yes

Only subrogation

13.1.2 What is the primary objective of the DIS when dealing with claims and recoveries (i.e.. maximization of nominal and present value recoveries, financial system stability, system discipline)?

Maximise recoveries of payout.

13.1.3 What role does the private sector play in the claims, recovery process?

NA

13.1.4 What approaches and strategies are adopted by the deposit insurer to accomplish the objectives of claims and recovery activities?

Ensure that systems for generating compensation entitlements have proper internal controls and adequate audit trail to strengthen subrogation of recoveries.

13.1.5 By what standard is the DIS judged with respect to performing its function in claims and recoveries (e.g.x. Comparative private sector or DIS benchmarks, internal assessments, past experience)?

Internal assessment.

13.1.6 What assets have you found to be the hardest to recover? Why? What types of strategies have been used to recover different assets?

No previous experience.

13.1.7 Does the DIS have rights of subrogation (i.e. the subrogation of insurance entity to the rights of insured depositors) or an equivalent arrangement?

Yes

13.1.8 Is there depositor priority when banks fail? (i.e. Do depositor claims rank in priority above other unsecured creditors in the liquidation of a bank?)

Yes

DI Agency ranks first after secured creditors followed by non-bank depositors.

13.1.9 Are rights of set-off available or imposed in your countrys legal system? Please describe the various forms set-off can take.

Yes

Section 14: Other Issues

14.1.1 What is your view on recent trends and emerging issues in the financial sector in your country and the potential impact they might have on the DIS?

No potential impact observed.

14.1.2 Are there any issues related to deposit insurance which you would like to see more research in?

Payout mechanisms.