



ANNEX A

DIGITAL FULL BANK FRAMEWORK

Eligibility Criteria

Application for a digital full bank licence is open to companies headquartered in Singapore and controlled by Singaporeans. MAS will presume there is control if the Singaporean and/or his related parties hold the largest shareholding and have management control over the joint venture.

Foreign companies are eligible if they form a joint venture with a local company and the joint venture meets the headquarter and control requirement.

In addition, to be eligible to apply, the applicant or its parent group must –

- have a track record in operating an existing business, in their respective technology or e-commerce fields (MAS will not consider applicants with no existing businesses);
- provide clear value propositions on how it can serve existing unmet or underserved needs; and
- demonstrate that it has a sustainable digital banking business model. MAS will not allow any bank, digital or not, to engage in value-destructive competition to gain market share. MAS will assess the reasonableness of the applicant's business plans and financial projections such as cost-to-income ratio and net interest margin.

Safeguards and Phasing in of Permissible Activities

A digital full bank will be required to –

- incorporate in Singapore (this will strengthen MAS' regulatory and supervisory oversight and, in the event of failure, offer better protection for depositors by enhancing the resolvability of the digital bank);
- participate in the deposit insurance scheme provided by the Singapore Deposit Insurance Corporation (this will protect deposits of up to S\$75,000 per depositor in the event of the bank's failure);
- comply with the same suite of prudential rules as incumbent banks, including ongoing risk-based capital and liquidity requirements; and
- submit a viable exit plan to facilitate an orderly wind-up if necessary.

Phasing in of Permissible Activities

To minimise risks to retail depositors, MAS will phase in the permissible activities of the digital full bank via a two-stage process.

First Stage: Restricted Digital Full Bank (“Restricted DFB”)

- At the point of entry, the digital bank will still be building its business and risk management capabilities. As such, it will commence as a Restricted DFB and will be subject to the following restrictions in its initial one to two years:
 - *Deposit caps* - Aggregate deposits will be capped at S\$50 million and individual’s deposits will be capped at S\$75,000. In addition, the bank can only accept deposits from a small group of persons such as business partners, staff and related parties.
 - *Business restrictions* – The bank can only offer simple credit and investment products, and will not be allowed to offer complex investment products such as structured notes. It will also not be able to engage in investment banking activities such as derivatives (other than for risk management purposes) and proprietary trading. Further, the bank should not establish banking operations in more than two overseas markets.
 - *Lower minimum paid-up capital* – In view of the limited scope of activities, the initial paid-up capital at the entry point is set at S\$15 million.
- Once the digital bank has demonstrated ability to manage its risks well, the business and deposit restrictions will be relaxed and minimum paid-up capital will be raised in proportion to its risk profile as assessed by MAS and how the bank is delivering on its value propositions.

Second Stage: Digital Full Bank

- The Restricted DFB will graduate to become a full functioning digital bank with all deposit caps lifted, once it has met all relevant milestones and has been assessed to pose no significant supervisory concerns. At this time, it will need to meet the minimum paid-up capital requirement of S\$1.5 billion.
- In assessing the bank’s readiness to graduate to become a full functioning digital bank, MAS will consider factors such as its business and financial performance, quality of loans, products and customer service, ability to serve needs of identified segments, risk management and compliance track record, and if the business is generally well-managed and profitable.
- MAS will not prescribe a time period within which the Restricted DFB must graduate to Digital Full Bank. Nonetheless, the Restricted DFB must have a viable plan to meet the requirements to become a Digital Full Bank.

The following summarises the key requirements and restrictions of the two-stage process.

Restricted Digital Full Bank			Digital Full Bank
Entry Point		Progression	
Minimum Paid-up capital	S\$15m	To progressively increase	S\$1.5bn
Deposit caps	Aggregate deposit cap: S\$50m deposits <i>Only can accept deposits from limited scope of depositors</i>	Aggregate deposit cap: To increase subject to meeting MAS' criteria ¹	No deposit cap
	Individual depositor cap: S\$75k	Individual depositor cap: S\$75k	
Covered by Deposit Insurance Scheme			
Capital and liquidity rules	Capital: Same as local banks ² Liquidity: 16% minimum liquid assets		Capital: Same as local banks ² Liquidity: Same as local banks ³
Business restrictions	Offer simple credit and investment products ⁴ Banking operations in not more than 2 overseas markets	No business restrictions after meeting MAS' criteria	Full functioning bank
	<ul style="list-style-type: none"> 1 physical place of business only No minimum account balance and fall below fees Compliance with unsecured credit rules⁵ Allowed to offer cashback services through electronic funds transfer at point of sale (EFTPOS) terminals at retail merchants, but no access to automated teller machines ("ATMs") or cash deposit machines ("CDMs") network 		

¹ Wholesale deposits will not be subject to the aggregate deposit cap once the restricted full bank's paid-up capital reaches \$100m (in line with wholesale bank's minimum paid-up capital).

² 6.5% CET1 Capital Adequacy Ratio (CAR), 10% Total CAR, 2.5% capital conservation buffer (CCB), up to 2.5% countercyclical capital buffer (CCyB).

³ 100% net stable funding ratio, 100% liquidity coverage ratio.

⁴ Interested parties can refer to the Schedule to the Securities and Futures (Capital Markets Products) Regulations 2018 for potential scope of permissible investment products that can be offered.

⁵ Interested parties can refer to MAS Notice 635 Unsecured Credit Facilities to Individuals and Banking (Credit Card and Charge Card) Regulations 2013 for reference.