

7 May 99

Circular No FSG 15/99

To the Chief Executive Officers of All Finance Companies

Dear Sir/Madam

**MAS NOTICE 806 TO FINANCE COMPANIES
- MAINTENANCE OF MINIMUM LIQUID ASSETS**

The liabilities base (LB) for the maintenance of finance companies' minimum liquid assets (MLA) will be changed from the daily eligible liabilities to the average of finance companies' eligible liabilities during a two-week period beginning on a Thursday and ending on a Wednesday (i.e. the computation period). Accordingly, the required MLA will be maintained for a corresponding fortnight (i.e. the maintenance period) which begins on the third Thursday following the end of the computation period, instead of being maintained on a daily basis. The first maintenance period will be 3 Jun 99 to 16 Jun 99. The LB for this period would be the average of the eligible liabilities during the computation period 6 May 99 to 19 May 99.

2 Finance companies must maintain MLA of not less than 13% of LB, of which at least 5% must be kept in Singapore Government Securities (SGS). Finance companies will now be required to maintain their SGS holding for MLA

purposes with MAS. In this regard, finance companies will need to open SGS accounts – SGS-MLA accounts – with MAS in time to meet the first MLA maintenance period of 3 Jun 99 to 16 Jun 99. The procedures for the maintenance of finance companies' SGS-MLA accounts with MAS are enclosed in the Annexe.

3 Finance companies are required to meet the MLA requirement in their SGS-MLA accounts with MAS by 10.30 am on the first day of every new SGS maintenance period (i.e. Thursdays). In the event that SGS in a finance company's SGS-MLA account mature during a maintenance period, resulting in the value of remaining SGS held by the finance company in its SGS-MLA account falling below the MLA requirement, the finance company must transfer other SGS into its SGS-MLA account by 10.30 am on the date of maturity of the SGS to meet its MLA obligations.

4 The SGS maintained in the SGS-MLA account shall be valued fortnightly based on the closing prices of SGS (including accrued interest) provided by MAS, via the MEPS and MASNET Homepage, on the working day immediately before the start of the SGS maintenance period. This will replace the present valuation method based on lower of cost or market value. The SGS closing prices will be made available through the MEPS and MASNET Homepage on Wednesday mornings.

5 MAS Notice 806 dated 20 Apr 87 is modified with effect from 3 Jun 99 to the extent stated in this circular.

6 Please contact Miss Menon Vijayalakshmi (Tel: 2299231) if you have any queries on the changes in the MLA maintenance period and the SGS valuation basis. For queries on the maintenance of finance companies' SGS-MLA accounts with MAS, please contact Ms Wong Ai Khoon (Tel: 2299379).

Yours faithfully



THARMAN SHANMUGARATNAM
DEPUTY MANAGING DIRECTOR (FINANCIAL SUPERVISION)

ENCs

**Procedures for Maintenance of Finance Companies'
Minimum Liquid Asset (MLA) Accounts with MAS**

**Minimum Liquid Assets (MLA) Holdings
of Singapore Government Securities (SGS)**

1 Finance companies are required to maintain MLA of at least 13% of their liabilities base (LB), of which at least 5% of LB must be in the form of SGS. Effective 3 June 1999, finance companies are required to maintain their holdings of book-entry SGS which form part of the 5% in MLA in securities accounts with MAS, or to lodge the physical certificate of scrip-based SGS with MAS for custody.

Opening of Securities Accounts

2 To open securities accounts with the Authority, finance companies must complete the application form for the opening of these accounts, at Appendix 1. Upon approval of the Authority, the said accounts shall become operational upon such dates as may be specified by the Authority. The securities accounts will be governed by the 'Terms and Conditions on the Operation of Book-entry Singapore Government Securities Accounts' at Appendix A.

3 Only a Reserve account (SGS-MLA account) will be opened for finance companies for the maintenance of the required MLA.

4 At the time of application, all Depositors shall submit a list of Authorised signatories to the Authority for the operation of their securities accounts.

Lodgement/Withdrawal of SGS in Certificate Form to/from MLA Account

5 Finance companies that wish to have their holdings of scrip-based SGS considered as part of the SGS holdings for MLA purposes must lodge their scrips with MAS for custody.

6 To lodge their scrips, finance companies will submit the physical securities together with a covering letter in duplicate to the Finance Department, MAS at 26th Storey MAS Building marked to the attention of Domestic Operations Division. The format of the letter is at Appendix B.

7 To withdraw scrip SGS from their MLA accounts, finance companies must inform Finance Department, MAS of the issue and amount to be withdrawn by sending us a letter, the format of which is at Appendix C. The letter should mention the effective date of withdrawal and be given to Finance Department, MAS at least one working day in advance. Withdrawals are only permitted if the remaining value of SGS holdings in the account after the withdrawal is at least 5% of LB.

Transfer of SGS Into Finance Companies' SGS-MLA Accounts

8 Finance companies would be able to receive SGS directly into their SGS-MLA accounts. To transfer securities into the MLA accounts, finance companies shall make their own arrangements with the seller or their settlement agents to transfer the SGS issues to their SGS-MLA accounts via MEPS on a "free of payment" basis, i.e. a transfer of SGS without a corresponding MEPS funds transfer instruction.

Transfer of SGS Out of the SGS-MLA Account

9 Finance companies could, from time to time, need to withdraw SGS from their SGS-MLA account for MLA purposes, in line with the level of their LB. In this regard, MAS' Finance Department would accept written authorized requests, in hand-delivered hardcopy from finance companies to transfer SGS out of their SGS-MLA accounts.

10 SGS transfers effected by MAS would be subject to the following charges and conditions:

Charges

- Transfers to adjust balances in MAS SGS-MLA account for MLA purposes; : Free
- Transfers for other purposes : S\$50 per transfer

Conditions

SGS Transfers

Requests for same-day transfers, which are duly authorized, must be received by MAS' Finance Department by 4:00 pm;

Only SGS in the SGS-MLA accounts of finance companies in excess of the 5% MLA requirement may be transferred out of the finance companies' SGS-MLA accounts.

Account Statements

11 The statements of SGS-MLA accounts from MAS would be sent to finance companies via MASNET.

Interest Payments and Redemption Proceeds

12 SGS issues in the SGS-MLA account that mature during the maintenance period would be removed from the SGS-MLA account when due. The maturity proceeds and interest payments of SGS will be credited to finance companies' settlement agents' accounts with MAS on the due dates. This procedure is similar to the refund of excess balance in finance companies' reserves account following a downward revision in their deposit base.

MLA Compliance

13 For system and operational efficiency, finance companies' SGS portfolios held in the SGS-MLA accounts will be valued fortnightly, according to the closing price of each SGS issue one working day before the start of the maintenance period. Hence, SGS holdings in the SGS-MLA account will be valued based on Tuesday's closing prices (including accrued interest), provided by MAS through the MEPS and MASNET Homepage by Wednesday morning and the prices, in the absence of significant SGS price movements, will not change for the two-week maintenance period. The SGS prices are also posted on the MASNET Web Site at <http://masnet.mas.gov.sg/SGSMarketPrices.html>. In the event of a public holiday, the closing prices of the earlier working day will be used so that the finance companies have at least one day to decide which SGS issues to deposit in the SGS-MLA account. Finance companies have up to 10:30 am on the start of a new maintenance period to comply with the 5% MLA requirement.

14 The MEPS will re-compute the daily total holdings of SGS in the SGS-MLA account using the same prices (including accrued interest up to Tuesday only) for two weeks to determine if the holdings are at the required level.

15 If the removal of matured SGS issues from the SGS-MLA results in SGS holdings falling below the required level of at least 5% of LB, the onus is on finance companies to purchase other SGS and deposit in the SGS-MLA account by 10:30 am on the maturity date of the SGS in order to satisfy the MLA requirement.

**TERMS AND CONDITIONS ON THE OPERATION OF BOOK-ENTRY
SINGAPORE GOVERNMENT SECURITIES ACCOUNTS**

Interpretation

1 In these Terms and Conditions, unless the context otherwise requires, the following expressions bear the meanings hereby respectively assigned to them, namely:

"bank" means a bank licensed under the Banking Act.

"finance company" means a finance company licensed under the Finance Companies Act.

"Depositor" includes:

- i) a primary dealer;
- ii) an approved dealer,
- iii) a bank, and
- iv) a finance company,

in whose name accounts are established and maintained on the records of the Authority.

"MASNET" means the MAS Network Services.

"non-participating bank" shall mean a bank that does not possess MEPS terminals or equipment.

"MEPS" means the MAS Electronic Payment System.

"securities" mean book-entry Singapore Government securities & "securities account" "securities market" & "securities transaction's" shall have corresponding meanings.

"The Authority" means the Monetary Authority of Singapore.

Securities Accounts

2 Banks which have been approved as primary or approved dealers in the securities market and other banks and finance companies may apply to open securities accounts with the Authority. The format of the application letter for the opening of these accounts is shown at Appendix 1. Upon approval of the Authority, the said accounts shall become operational upon such dates as may be specified by the Authority. The Authority reserves the right to refuse any application, as it may in absolute discretion decide.

3(i) Pursuant to an application in the manner aforesaid by a Depositor which is a primary or approved dealer, the Authority shall open for such Depositor 3 securities accounts, namely a MLA account, a Free account and a Customers' account. The MLA account shall be used only for the maintenance of securities in compliance with the Minimum Liquid Assets (MLA) requirements as provided for under the Banking Act. The Free account shall be used for the Depositor's own trades, and the Customers' account shall be used for trades effected on behalf of its customers.

(ii) Pursuant to an application in the manner aforesaid by a Depositor which is a bank but is not a primary or approved dealer, the Authority shall open two securities accounts, namely a MLA account and a Free account.

(iii) For non-participating banks and finance companies, only a Reserve account will be opened to enable the lodgement of the required MLA.

4 Every Depositor which is a primary or approved dealer shall ensure that all securities transactions effected on behalf of its customers are segregated from its own transactions and shall further ensure that all securities received on behalf of its customers are segregated and held in trust in its customers account. Such Depositor shall ensure proper documentation and identification of customers to whom they are providing custodial services for securities.

5 At the time of application, all Depositors shall submit a list of Authorised Signatories to the Authority for the operation of their securities accounts.

6 The Authority reserves the right, at its absolute discretion, to close the accounts of any Depositor, if it is deemed necessary to safeguard the stability of the securities market or the financial system, or in the performance of its duties and functions as a monetary authority.

Settlement

7 Settlement of securities transactions shall be effected on a delivery-versus-payment basis on the value date of the respective transactions. The cash settlement of securities transactions shall be effected through Depositors' current accounts maintained with the Authority. Transactions will be settled on a first-in first-out (FIFO) basis ie. according to the time when transactions are received by the Authority.

- 8 The Authority shall effect the settlement of instructions from Depositors when:
- there are sufficient securities of the type specified in the instruction standing to the credit of its Free account or Customer's account as the case may be, being available for any debit to be made to such securities account; and
 - there are sufficient funds in the current account of the buyer;

Should there be insufficient securities of the type specified in the instruction, the instruction will be placed in queue. When there are sufficient securities of the type specified, but insufficient funds in the buyer's current account, the securities will be earmarked pending cash settlement.

- 9 Transactions still unsettled at the MEPS cut-off time due to insufficient securities or funds will be deleted. The Depositor shall indemnify and keep indemnified the Authority against all liabilities and damages, whether consequential, contingent or otherwise and all cost and expenses howsoever arising, in deleting instructions that are still unsettled at the MEPS cut-off time.

Non-participating Banks and Finance Companies

10 Depositors which do not have MEPS terminals or equipment may transfer securities free-of-payment out from the MLA account by authorising the Authority in writing to do so on their behalf. The format of authorisation letter is shown at Appendix 2. The authorisation letter must reach the Authority by 4:00 pm of the value date of the transaction. Requests for transfers of securities out from the MLA account following the fortnightly adjustment in liabilities base will be effected free-of-charge. Instructions received at other times will be charged \$50.00 per instruction. For transfers of securities into the MLA account to meet the MLA requirement, non-participating banks and finance companies shall make their own arrangements with the seller or their custodians to do so.

Submission of Information on Non-Resident Holders of Singapore Government Securities by Custodians

11 For the purposes of the Income Tax Act, all Depositors shall submit such tax information as may be required by the Inland Revenue Authority ("IRAS") on all holders of securities who are not residents in Singapore, as defined in the Income Tax Act. Such information should be submitted to the Authority not later than 3 business days prior to the interest payment date of the relevant securities or not later than 1 business day prior to the redemption date of the relevant securities, and should be correct as at the ex-interest or ex-redemption date of the securities.

12 In submitting the abovesaid tax information, Depositors shall be deemed to have warranted the truth and accuracy of their submissions.

13 In the event that the required tax information submitted by a Depositor is incorrect or late, the Depositor shall indemnify and keep indemnified the Authority against all liabilities incurred or which may be incurred by the Authority resulting directly or indirectly from the incorrect or late submission.

14 In the event that a Depositor fails to submit the required information within the time prescribed, it shall be deemed that all securities held in that Depositor's Customers' account that are entitled to an interest payment or to redemption proceeds, are held entirely by residents outside Singapore and the Authority shall withhold taxes accordingly.

Manual Back-up System for Securities

15 In the event of a partial or total failure of the electronic securities System or the MEPS, the Authority will use a manual back-up system for securities transactions, the procedures and terms of which are set out in the "Operational Procedures and Terms Governing The Manual Back-up System For The Book-Entry Government Securities System (BES)" annexed as Appendix 3, which shall constitute an integral part of the Terms and Conditions herein.

Securities Accounts Statements

16 All Depositors other than non-participating banks and finance companies may retrieve their securities accounts statements transmitted by the Authority through the MEPS. These statements will be transmitted daily to reflect all transactions in the respective securities accounts for the day. Monthly statements of account will also be transmitted to reflect the month-end holdings.

17 Non-participating banks and finance companies may retrieve their statements from MASNET.

18 All Depositors are requested to examine all entries in the securities accounts statements and to report any error found therein immediately.

General Lien and Right of Set-off

19 Without prejudice to any other rights that the Authority may have, statutory or otherwise, the Authority may at any time and without notice to the Depositor consolidate, combine or merge all or any accounts that the Depositor may have with the Authority (whether arising hereunder or otherwise) and set-off or transfer any sum standing to the credit of any such account, in or towards the satisfaction of any of the Depositor's liabilities to the Authority. Further, the Authority shall have a general lien over all and any of the securities deposited with the Authority in its Free account for all claims. In the exercise of its general lien aforesaid, the Authority may dispose of all or any of the securities by way of a public or private sale without being required to obtain an order of court for the sale. For the purposes herein, it is hereby agreed and declared that the rights of the Authority shall be exercisable as if the securities had been issued in the form of engraved or printed certificates.

Indemnity

20 Without prejudice to other rights of the Authority under these Terms and Conditions, and to the generality of this clause, every Depositor shall indemnify and keep indemnified the Authority in full against any liabilities, loss, expenses and damages which the Authority has incurred or may incur in the performance of its obligations and the exercise of its remedies herein.

MAS Fees and Charges

21 The Authority may levy such charges as it may deem reasonable in the provision of the services herein and may further vary such charges if necessary.

Right to Amend Terms and Conditions

22 The Authority may amend at any time all or any of these Terms and Conditions whether by addition, deletion, substitution or modification of any particular Term or Condition, and any such amendment shall be binding on all Depositors.

To: Executive Director
Finance Department
Monetary Authority of Singapore
10 Shenton Way #26-00
MAS Building
Singapore 079117

Date: _____

Attn: Domestic Operations Division

**LODGEMENT OF SINGAPORE REGISTERED STOCKS
AS MINIMUM LIQUID ASSETS**

We wish to deposit the following securities into our SGS-MLA Account with the Authority:

<u>Issue Code</u>	<u>Title</u>	<u>Certificate No.</u>	<u>Face Value</u>
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3 The above securities will form a part of our minimum liquid assets with effect
from _____ .

AUTHORISED SIGNATURE(S)

NAME OF AUTHORISED SIGNATORY(IES)

FINANCE COMPANY'S STAMP

To: Executive Director
Finance Department
Monetary Authority of Singapore
10 Shenton Way #26-00
MAS Building
Singapore 079117

Date: _____

Attn: Domestic Operations Division

**WITHDRAWAL OF SINGAPORE REGISTERED STOCKS
AS MINIMUM LIQUID ASSETS**

We wish to withdraw the following securities from our SGS-MLA Account on _____:

<u>Issue Code</u>	<u>Title</u>	<u>Certificate No.</u>	<u>Face Value</u>
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2 We confirm that after the withdrawal of the above securities, our holdings of Government securities in our SGS-MLA Account valued at the lower of cost or market value constitute not less than 5% of our liabilities base.

AUTHORISED SIGNATURE(S)

NAME OF AUTHORISED SIGNATORY(IES)

FINANCE COMPANY'S STAMP

Executive Director
Finance Department
Monetary Authority of Singapore
10 Shenton Way #26-00
MAS Building
Singapore 079117

Ref : _____
Date: _____

**OPENING OF SECURITIES ACCOUNTS WITH
THE MONETARY AUTHORITY OF SINGAPORE**

Section A (For all applicants which are primary or approved dealers)

We wish to open securities accounts in the name of _____
_____ at _____

with the Monetary Authority of Singapore for the purpose of maintaining minimum liquid assets and trading in book-entry Singapore Government Securities.

Section B (For all applicants which are banks participating directly in the MEPS, but not primary or approved dealers)

We wish to open securities account in the name of _____
_____ at _____

with the Monetary Authority of Singapore for the purpose of maintaining minimum liquid assets and trading in book-entry Singapore Government securities.

Section C (To be completed by non-participating banks which do not possess MEPS equipment)

We wish to open a securities account in the name of _____
_____ at _____
with the Monetary Authority of Singapore for the purpose of maintaining minimum liquid assets.

Section D (For all applicants)

2 The list of our Authorised Signatories and our instructions for operating the securities account or accounts with you is attached.

3 We confirm acceptance of your Terms and Conditions on the Operation of the Book-entry Singapore Government Securities Accounts dated _____ .

Company Stamp

(Signatures of Authorised Signatories)

(Names of Authorised Signatories)

*Please delete whichever is inapplicable

To: Executive Director
Finance Department
Monetary Authority of Singapore
10 Shenton Way #26-00
MAS Building
Singapore 079117

Date: _____

Attn: Domestic Operations Division

TRANSFER OF GOVERNMENT SECURITIES

We, _____
(Name of Depositor)

wish to transfer the following securities out from our MLA account free-of-payment

for value _____ :

Issue Code

Nominal Value

2 We hereby authorise you to credit the said securities to the Free / Customers**
account of _____
(Name of Depositor)

3 This transfer is / is not* required for the adjustment of minimum liquid asset
requirement.

Yours faithfully

Authorised Signature(s)

Company Stamp

Names of Authorised Signator(ies)

Name of Institution

* Please delete whichever is inapplicable.