

MAS 606

11 November 2002
Last revised on 30 December 2004*

NOTICE TO BANKS
BANKING ACT, CAP 19

(MAS Notice 606 dated 21 February 1978 is cancelled.)

Provision For and Writing Off of Bad Debts

This notice is issued pursuant to Section 55 of the Banking Act (Cap 19).

[MAS Notice 606 (Amendment) 2004]

A PROVISION FOR BAD DEBTS

Section 23 of the Banking Act provides that every bank in Singapore has to make provision for bad and doubtful debts and before any profit or loss is declared, ensure that the provision is adequate.

[MAS Notice 606 (Amendment) 2004]

The Authority may if it thinks fit require a bank to maintain a general provision for bad and doubtful debts¹ in Singapore in addition to the specific provision² already maintained by that bank.

[MAS Notice 606 (Amendment) 2004]

MAS Notice 612 provides that in the case of a bank incorporated outside Singapore, the general provision for bad and doubtful debts may be determined and maintained at the head office. However, such a bank shall maintain specific provision in Singapore for any bad and doubtful debt in respect of the operation of its branch or office in Singapore.

[MAS Notice 606 (Amendment) 2004]

B WRITING OFF BAD DEBTS

Every bank in Singapore is encouraged to write off any loan or advance either against its profit or its bad debt provisions as soon as it is satisfied that the prospect of recovery is poor. However, a bank is required to seek the Authority's written approval before writing off any loan or advance granted by it to:

- (a) any of its directors;
- (b) any firm in which it or any of its directors is a partner, manager or agent or to any individual or firm of whom or of which any of its directors is a guarantor;
- (c) any corporation that is deemed to be related to the bank as described in Section 6 of the Companies Act;
- (d) any of its officers, employees or other persons being persons receiving remuneration from it;
- (e) any private or public company in which it or any of its directors, officers, employees or other persons who receive remuneration from it has an interest as a director, manager, agent or guarantor;
- (f) any individual in whom, and any firm or company in which, any of its directors has an interest, directly or indirectly, as declared under the provisions of Section 28 of the Banking Act other than any interest the nature of which has already been covered from (a) to (e) above; or
- (g) any person who is a director, manager, secretary or an officer in a bank or finance company licensed under the Banking Act or the Finance Companies Act respectively.

For the purpose of paragraph 4 items (a) to (f) above, the word "directors" includes the wife, husband, father, mother, son or daughter of a bank's director.

Applications to write off such bad debts must be accompanied by the following information in each case:

- (I) Name and designation of the loan interviewing/recommending/approving officer.
- (II) Particulars of defaulter.

(a) Individuals

- (i) Name
- (ii) Occupation
- (iii) Monthly income
- (iv) Others (e.g. financial standing, business affiliations, etc)

(b) Sole Proprietor/Partnership

- (i) Name(s) of Sole Proprietor/Partners
- (ii) Nature of business
- (iii) Means of Sole Proprietor/Partners
- (iv) Others (e.g. owner's/partner's financial standing, business affiliations, etc)

(c) Limited Companies

- (i) Date and Place of Incorporation
- (ii) Paid-up Capital
- (iii) Shareholders and their shareholdings
- (iv) Directors
- (v) Nature of business
- (vi) Latest audited financial statement

(III) Purpose of loan

(IV) Date of approval of loan

(V) Amount of loan to be written off:

- (i) Principal
- (ii) Interest

(VI) Interest rate charged

(VII) Securities obtained

- (i) Type
- (ii) Value

(VIII) Relationship of the defaulter to the loan approving officer/directors/bank.

(IX) Short history of the account.

(X) Action taken to recover the loan, supported by documentary evidence.

¹ Referred to in MAS Notice 612 as collective impairment provision for groups of similar loans.

² Referred to in MAS Notice 612 as individual impairment provision.

* Notes on History of Amendments

1. MAS Notice 606 (Amendment) 2004 with effect from 1 January 2005.

Last modified on 19/3/2007