Practical consequences: entering and owning a bank in Singapore

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Choosing the right licence

The reforms after 1998 created the licence structure that foreign banks still navigate. A foreign bank that wishes to serve retail customers must hold a full bank licence. Since 1999 new access of this kind has run through the Qualifying Full Bank category. MAS expects banks that become important to the domestic market to incorporate their retail operations locally. A bank that serves corporate, institutional and private banking clients will usually need only a wholesale bank licence, because its clients do not need branches or Singapore dollar retail deposits. Credit Suisse, for example, received wholesale privileges in the second phase of 2001.

Controls on ownership

The thresholds of 5, 12 and 20 per cent that the reforms established still govern the acquisition of interests in Singapore-incorporated banks, now in sections 15A and 15B of the Banking Act 1970.[1] MAS has enforced the thresholds strictly from the start. In 1999 the American fund manager Brandes Investment Partners acquired 6.9 per cent of DBS Bank for its clients without prior approval. MAS refused

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retrospective approval and directed the bank's holding company to require the manager to reduce its stake below 5 per cent within three months, with its voting rights on the excess shares suspended. MAS announced that it would not consider retrospective approvals to exceed the 5, 12 and 20 per cent limits.[2] The case remains instructive for funds and family offices that hold listed bank shares.

Checklist for foreign banks and investors

- Determine whether the intended business requires access to retail Singapore dollar deposits and branches, which calls for a full or Qualifying Full Bank licence, or whether a wholesale bank licence suffices.
- Expect MAS to require local incorporation of retail operations once a bank becomes important to the domestic deposit market.
- Monitor aggregate holdings in Singapore-incorporated banks and their holding companies across all funds and client accounts, and obtain approval before crossing the 5, 12 or 20 per cent thresholds, since MAS does not grant retrospective approval.
- Take account of the separation of financial and non-financial business when structuring a banking group, including the 10 per cent cap on permissible non-financial businesses and the prohibition of property development.
- Prepare for supervision calibrated to impact and risk, in which the board and senior management carry primary responsibility for controls and the intensity of supervision depends on the institution's rating.
- Check the remaining restrictions on lending Singapore dollars to non-resident financial institutions under MAS Notice 757 before structuring Singapore dollar funding for offshore entities.

Notes

1. Banking Act 1970, section 15A, "Control of substantial shareholdings in banks incorporated in Singapore" (Minister's prior approval to become a substantial

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shareholder on or after 18 July 2001); section 15B, "Control of shareholdings and voting power in banks incorporated in Singapore" (approval to become a 12% controller, 20% controller or indirect controller, defined in section 15B(3) and (5)); section 15D, "Power to exempt and make further transitional provisions"; text as reproduced on lawplayer.com (accessed November 2026), since Singapore Statutes Online refused automated access. ↩

2. MAS, "Press Statement on Brandes Investment Partners L.P.", 16 October 1999, mas.gov.sg: BIP held 6.9 per cent of DBS Bank on 6 August 1999 without prior approval, in breach of section 17 of the Banking Act; retrospective approval refused; direction under section 28(3) of the MAS Act to reduce the holding below 5 per cent within three months; voting rights suspended; MAS "will not consider applications for retrospective approvals to exceed the shareholding limits of 5%, 12% and 20%". ↩

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