

# Monetary Authority of Singapore (Amendment) Bill

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**Bill No. 1/2007.**

*Read the first time on 22nd January 2007.*

A BILL

*intituled*

An Act to amend the Monetary Authority of Singapore Act (Chapter 186 of the 1999 Revised Edition) and to make a related amendment to the Currency Act (Chapter 69 of the 2002 Revised Edition).

Be it enacted by the President with the advice and consent of the Parliament of Singapore, as follows:

### **Short title and commencement**

1. This Act may be cited as the Monetary Authority of Singapore (Amendment) Act 2007 and shall come into operation on such date as the Minister may, by notification in the *Gazette*, appoint.

### 5 **Amendment of long title**

2. The long title to the Monetary Authority of Singapore Act (referred to in this Act as the principal Act) is amended by deleting the words “and to provide for the transfer to the corporation of certain functions and assets of the Government”.

### 10 **Amendment of section 2**

3. Section 2 of the principal Act is amended by inserting, immediately after the definition of “director”, the following definition:

““financial instrument” has the same meaning as in section 2(1) of the Securities and Futures Act (Cap. 289);”.

### 15 **Repeal and re-enactment of section 4**

4. Section 4 of the principal Act is repealed and the following section substituted therefor:

#### **“Principal objects and functions of Authority**

4.—(1) The principal objects of the Authority shall be —

- 20 (a) to maintain price stability conducive to sustainable growth of the economy;
- (b) to foster a sound and reputable financial centre;
- (c) to ensure prudent and effective management of the official foreign reserves of Singapore; and
- 25 (d) to grow Singapore as an internationally competitive financial centre.

(2) The functions of the Authority shall be —

- 30 (a) to act as the central bank of Singapore, including the conduct of monetary policy, the issuance of currency, the oversight of payment systems and serving as banker to and financial agent of the Government;

- (b) to conduct integrated supervision of financial services and financial stability surveillance;
- (c) to manage the official foreign reserves of Singapore; and
- (d) to develop Singapore as an international financial centre.”.

5 **Amendment of section 7**

5. Section 7 of the principal Act is amended —

- (a) by deleting the words “banking and credit policy” in subsection (2) and substituting the words “regulatory, supervisory and monetary policies”; and
- 10 (b) by inserting, immediately after subsection (3), the following subsection:
  - “(4) The board shall furnish the Minister with such information as the Minister may require in respect of the duties and functions of the Authority.”.

15 **Amendment of section 9**

6. Section 9 of the principal Act is amended by deleting subsection (5) and substituting the following subsection:

- “(5) In the event of the absence or inability to act of the managing director, the Minister may appoint —
- 20 (a) a director; or
- (b) with the President’s concurrence, an officer of the Authority who holds the appointment of assistant managing director or its equivalent or above,
- to discharge the duties of the managing director during the period of
- 25 his absence or inability to act.”.

**Amendment of section 11A**

7. Section 11A of the principal Act is amended by inserting, immediately after the words “as the case may be”, the words “, and may refuse to concur with an appointment by the Minister under

30 section 9(5)(b)”.

### **Amendment of heading to Part III**

**8.** Part III of the principal Act is amended by deleting the words “TRANSFER OF FUNCTIONS, EMPLOYEES AND ASSETS,” in the Part heading.

### **5 Repeal of section 21**

**9.** Section 21 of the principal Act is repealed.

### **Amendment of section 23**

**10.** Section 23 of the principal Act is amended —

- 10 (a) by deleting the words “powers, duties and functions transferred to it by virtue of section 21” in subsection (1) and substituting the words “functions referred to in section 4(2)”;
- (b) by inserting, immediately after paragraph (e) of subsection (1), the following paragraph:
- 15 “(ea) grant any loan, advance, overdraft or other credit facility to the Government on such terms and conditions as the Authority thinks fit;”;
- (c) by deleting the words “securities and investments authorised by the President on the recommendation of the board” in subsection (1)(m) and substituting the words “such other securities, financial instruments and investments as may be approved by the board”;
- 20 and
- (d) by inserting, immediately after subsection (2), the following subsections:
- 25 “(3) In subsection (1), a reference to the purchase of any securities or Treasury bills includes subscribing for such securities or Treasury bills.
- (4) Notwithstanding subsection (1), the Authority shall not grant any loan, advance, overdraft or other credit facility to the Government, or underwrite any loan to the Government, unless
- 30 the Authority is satisfied that such loan, advance, overdraft or credit facility is required by the Government to meet unexpected and temporary shortfall in the Government’s revenue relative to its expenditure.

(5) Notwithstanding subsection (1), the Authority shall not directly subscribe for any securities issued by the Government or any public authority.

(6) Subsection (5) shall not apply to any subscription for debt securities issued by the Government or any public authority that is made in connection with —

(a) in the case of debt securities (including Treasury bills) issued by the Government, the conduct of monetary policy or the development of the bond market in Singapore; or

(b) in the case of debt securities issued by any public authority, the development of the bond market in Singapore,

but only insofar as the subscription does not compromise the object of the Authority referred to in section 4(1)(a).

(7) Nothing in this section shall be construed as authorising the Authority to —

(a) grant any loan, advance, overdraft or other credit facility to any public authority; or

(b) underwrite any loan to any public authority.

(8) The Authority may, in addition to the powers, duties and functions set out in this Part, exercise all powers and perform all functions and duties conferred or imposed on the Authority under this Act, the written laws set out in the Schedule, and any other written law.

(9) The Minister may, from time to time, by order published in the *Gazette*, amend the Schedule.”.

#### **Amendment of section 24**

**11.** Section 24 of the principal Act is amended by deleting paragraph (e) and substituting the following paragraph:

“(e) such other securities, financial instruments and investments as may be approved by the board.”.

## Amendment of section 27A

12. Section 27A of the principal Act is amended —

- (a) by deleting “\$20,000” in subsection (5) and substituting “\$100,000”;
- 5 (b) by deleting the words “merchant bank” in subsection (6)(c) and substituting the word “person”;
- (c) by deleting paragraphs (f) to (i) of subsection (6) and substituting the following paragraphs:
  - 10 “(f) any insurance intermediary registered or regulated under the Insurance Act;
  - (g) any licensed financial adviser under the Financial Advisers Act (Cap. 110);
  - (h) any approved holding company, securities exchange, futures exchange, recognised market operator, designated clearing house or holder of a capital markets services licence under the Securities and Futures Act (Cap. 289);
  - 15 (i) any trustee for a collective investment scheme authorised under section 286 of the Securities and Futures Act, that is approved under that Act;
  - 20 (j) any trustee-manager of a business trust that is registered under the Business Trusts Act (Cap. 31A);
  - (k) any licensed trust company under the Trust Companies Act (Cap. 336); and
  - 25 (l) any other person licensed, approved, registered or regulated by the Authority under any written law, but does not include such person or class of persons as the Authority may, by regulations made under this section, prescribe.”; and
  - 30 (d) by inserting, immediately after the word “regulated” in the last line of subsection (7), the words “, but does not include such person or class of persons as the Authority may, by regulations made under this section, prescribe”.

**New section 27B**

13. The principal Act is amended by inserting, immediately after section 27A, the following section:

5 **“Directions or regulations to prevent money laundering and terrorism financing**

10 **27B.**—(1) The Authority may, from time to time, issue such directions or make such regulations concerning any financial institution or class of financial institutions as the Authority considers necessary for the prevention of money laundering or for the prevention of the financing of terrorism.

15 (2) A financial institution which fails or refuses to comply with any direction issued under subsection (1), or contravenes any regulations made under that subsection, shall be guilty of an offence and shall be liable on conviction to a fine not exceeding \$100,000 and, in the case of a continuing offence, to a further fine of \$10,000 for every day during which the offence continues after conviction.

(3) In this section, “financial institution” has the same meaning as in section 27A(6) read with section 27A(7).”.

**New section 28A**

20 14. The principal Act is amended by inserting, immediately after section 28, the following section:

**“Power of Authority in relation to dispute resolution schemes**

25 **28A.**—(1) The Authority may approve any dispute resolution scheme for the resolution of disputes arising from or relating to the provision of financial services by financial institutions.

30 (2) The Authority may by regulations require a financial institution registered, licensed, approved or regulated by the Authority under any written law to be a member of such approved dispute resolution scheme and to comply with such terms of membership of the scheme as may be prescribed.

(3) Any financial institution which, without reasonable excuse, contravenes any regulations made under subsection (2) shall be guilty of an offence and shall be liable on conviction to a fine not exceeding \$50,000.

(4) Where the Authority is satisfied that a financial institution has contravened any regulations made under subsection (2), the Authority may do one or both of the following:

- 5
- (a) if it thinks it necessary in the public interest or for the protection of consumers, reprimand the financial institution;
  - (b) impose on the financial institution under the written law under which the financial institution was registered, licensed or approved, such conditions or restrictions of registration, licence or approval as the Authority thinks fit, including  
10 restricting the scope of the activities which the financial institution is allowed to conduct under the written law; and the financial institution shall comply with such conditions or restrictions.

15 (5) Any power of the Authority under the written law referred to in subsection (4)(b) to impose conditions or restrictions of registration, licence or approval shall, notwithstanding anything to the contrary in that written law, be deemed to include the power to impose the conditions or restrictions referred to in subsection (4)(b).

(6) The Authority may make regulations —

- 20
- (a) to provide for the matters that the Authority may have regard to in determining whether to approve a dispute resolution scheme under subsection (1);
  - (b) to prescribe a list of dispute resolution schemes approved under subsection (1);
  - 25 (c) to provide for suspension or cancellation of approvals under subsection (1);
  - (d) to provide for matters relating to the operations of an operator of an approved dispute resolution scheme, including the standards or requirements of its operations, the  
30 fees that may be charged for its dispute resolution services, the records that must be kept, the period of retention of the records, the reports that are to be submitted to the Authority, the time for such submission, the terms of membership with the scheme, the procedure for dispute resolution and other  
35 matters relating to the administration of the scheme; and



(e) generally to give effect to or for carrying out the purposes of this section.

(7) Regulations made under this section may provide that any contravention thereof shall be an offence punishable with a fine not exceeding \$50,000.

(8) The Authority may issue, and in its discretion publish by notification in the *Gazette* or in such other manner as it considers appropriate, such guidelines as it considers appropriate for providing guidance in relation to the operation of this section or any regulations made under this section.”.

#### **Amendment of section 34**

**15.** Section 34(1) of the principal Act is amended by deleting the words “working of the Authority” in paragraph (b) and substituting the words “performance of the functions and duties of the Authority”.

#### **New section 41A**

**16.** The principal Act is amended by inserting, immediately after section 41, the following section:

##### **“Composition of offences**

**41A.—**(1) The Authority may, in its discretion, compound any offence under this Act which is prescribed as a compoundable offence by collecting from a person reasonably suspected of having committed the offence a sum of money not exceeding one half of the maximum fine prescribed for that offence.

(2) On payment of such sum of money, no further proceedings shall be taken against that person in respect of the offence.

(3) The Authority may make regulations to prescribe the offences which may be compounded.

(4) All sums collected under this section shall be paid to the Authority.”.

#### **New Schedule**

**17.** The principal Act is amended by inserting, immediately after section 43, the following Schedule:

## “THE SCHEDULE

Section 23(8) and (9)

## WRITTEN LAWS

1. Banking Act (Cap. 19)
- 5 2. Bretton Woods Agreements Act (Cap. 27)
3. Business Trusts Act (Cap. 31A)
4. Chit Funds Act (Cap. 39)
5. Currency Act (Cap. 69)
6. Deposit Insurance Act (Cap. 77A)
- 10 7. Development Loan Act (Cap. 81)
8. Development Loan (1987) Act (Cap. 81A)
9. Exchange Control Act (Cap. 99)
10. Exchanges (Demutualisation and Merger) Act (Cap. 99B)
11. Finance Companies Act (Cap. 108)
- 15 12. Financial Advisers Act (Cap. 110)
13. Government Securities Act (Cap. 121A)
14. Insurance Act (Cap. 142)
15. Local Treasury Bills Act (Cap. 167)
16. Money-changing and Remittance Businesses Act (Cap. 187)
- 20 17. Payment and Settlement Systems (Finality and Netting) Act (Cap. 231)
18. Payment Systems (Oversight) Act 2006 (Act 1 of 2006)
19. Securities and Futures Act (Cap. 289)
20. Trust Companies Act (Cap. 336).”.

**Related amendment to Currency Act**

- 25 **18.** Section 22 of the Currency Act (Cap. 69) is amended by deleting paragraph (g) and substituting the following paragraph:

“(g) such other assets, financial instruments and investments as may be approved by the board of directors of the Authority.”.

## Savings

5 **19.**—(1) Any securities or investment that has been authorised by the President before the date of commencement of this Act under section 23(1)(*m*) or 24(*e*) of the principal Act in force immediately before that date shall, if such authorisation remains in force immediately before that date, be deemed to be securities or investment that has been approved by the board under that provision as amended by this Act.

10 (2) Any asset that has been considered suitable for inclusion as an external asset of the Currency Fund under section 22(*g*) of the Currency Act (Cap. 69) in force immediately before the date of commencement of this Act shall, if such consideration remained in force immediately before that date, be deemed to have been approved by the board of directors of the Authority under that provision as amended by this Act.

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## EXPLANATORY STATEMENT

This Bill seeks to amend the Monetary Authority of Singapore Act (Cap. 186) principally —

- (a) to state the principal objects of the Monetary Authority of Singapore (the Authority) in carrying out its functions and to update the functions which it performs;
- (b) to state the circumstances under which the Authority may lend to the Government or a public authority and subscribe to securities issued by the Government or public authority;
- (c) to enable the board of directors (the board) to approve investments of the Authority instead of the President;
- (d) to provide for and clarify various disclosure duties of the Authority;
- (e) to enable the Authority to make regulations to deal with money laundering and terrorism financing; and
- (f) to enable the Authority to approve dispute resolution schemes for the resolution of disputes arising from provision of financial services and to require financial institutions to be members of such schemes.

The Bill also makes a related amendment to the Currency Act (Cap. 69).

Clause 1 relates to the short title and commencement.

Clause 2 deletes the part of the long title relating to the transfer of certain functions and assets of the Government to the Authority in light of the repeal of section 21 by clause 9.

Clause 3 inserts in section 2 a definition for “financial instrument”, used in sections 23 and 24 as amended by the Bill.

Clause 4 repeals and re-enacts section 4 (Principal objects of Authority) to set out the Authority’s objects when carrying out its functions, and to set out additional functions carried out by the Authority, including acting as the central bank of Singapore, supervision of financial services in Singapore and managing the official foreign reserves of Singapore.

Clause 5 amends section 7 (Board of directors) —

- (a) to state, in light of the expanded functions of the Authority under the new section 4, additional matters of policy which the board has to keep the Government informed of; and
- (b) to require the board to provide such information as the Minister may require regarding the Authority’s duties and functions.

Clause 6 amends section 9 (Appointment of managing director) to enable the Minister (besides appointing a director to do so) to appoint, with the President’s concurrence, an officer of the Authority who is an assistant managing director or its equivalent or above to discharge the managing director’s duties if the managing director is absent or unable to act.

Clause 7 amends section 11A (Presidential concurrence) to enable the President to refuse to concur with the Minister’s appointment under section 9.

Clause 8 makes a consequential amendment to the heading of Part III arising from the repeal of section 21.

Clause 9 repeals section 21 (Transfer of functions, powers, duties, assets and liabilities, etc., to Authority) as it is spent. The functions transferred to the Authority under the repealed provision are set out in the new section 4 and amended section 23.

Clause 10 amends section 23 (Powers, duties and functions of Authority) —

- (a) to enable the Authority to lend to the Government or underwrite a loan to it, but only to enable it to meet a temporary and unexpected shortfall in revenue;
- (b) to allow the board, instead of the President, to approve the securities, financial instruments and investments which may be purchased or sold by the Authority under subsection (1)(m);
- (c) to empower the Authority to exercise powers and perform functions and duties conferred or imposed on it by any written law set out in a new Schedule to the Act and any other written law; and
- (d) to prohibit the Authority from granting a loan, etc., to a public authority or directly subscribing for securities issued by the Government or a public authority, other than subscribing for debt securities under certain circumstances.

Clause 11 amends section 24 (Investment of funds) to allow the board, instead of the President, to approve the securities, financial instruments and investments in which the Authority's funds may be invested.

Clause 12 updates the definition of "financial institution" in section 27A (Directions or regulations to discharge Government's international obligations) and empowers the Authority to make regulations to exclude persons from the definition. The clause further increases the fine amount for a breach or disclosure of direction or a breach of regulations under that section.

Clause 13 inserts a new section 27B to enable the Authority to issue directions or make regulations for the prevention of money laundering and of terrorism financing.

Clause 14 inserts a new section 28A to enable the Authority to approve dispute resolution schemes for the resolution of disputes arising from the provision of financial services in Singapore. A financial institution must be a member of an approved dispute resolution scheme, and must comply with the prescribed terms of membership, if so required by regulations; and is guilty of an offence for failing to do so. In addition, the Authority may reprimand the errant financial institution and impose on it such conditions or restrictions of registration, licence or approval as the Authority thinks fit.

Clause 15 amends section 34 (Preparation and publication of financial statements and annual report) to clarify that the Authority has to transmit to the President a report on the performance of its functions and duties for a given financial year.

Clause 16 inserts a new section 41A to empower the Authority to compound prescribed offences.

Clause 17 inserts a new Schedule for the purposes of the amended section 23.

Clause 18 makes a related amendment to section 22 of the Currency Act (Cap. 69) (External assets of Currency Fund) to provide that the external assets of the Currency Fund include other assets, financial instruments and investments considered suitable for inclusion by the board of directors of the Authority, rather than by the President. This amendment is made to align the manner of approving investments under this provision with that under the Monetary Authority of Singapore Act (Cap. 186).

Clause 19 is a savings provision for the purposes of the amendments made under clauses 10, 11 and 18.

## EXPENDITURE OF PUBLIC MONEY

This Bill will not involve the Government in any extra financial expenditure.

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