



## CONSULTATION PAPER

Ministry of Law: LAW 06/011/016

MAS: P016 - 2007

December 2007

# Legislative Amendments to Unsecured Credit Rules

## PREFACE

Last year, MAS and the Ministry of Law (“MinLaw”) conducted a joint public consultation on the proposed changes to the unsecured credit rules for financial institutions and the proposed application of these rules to moneylenders with appropriate modifications. MAS had also conducted another consultation this year on the exemption for financial institutions from the maximum credit limit when granting credit to individuals with greater financial means. Pursuant to the feedback received, MAS and MinLaw have proceeded to draft respective rules applicable to unsecured lending by financial institutions regulated under MAS and moneylenders under MinLaw.

2 MAS and MinLaw would like to invite interested parties to forward their views and comments on these draft rules. Electronic submission is encouraged. Please submit your written comments by 17 January 2008 to:

Prudential Policy Department  
Monetary Authority of Singapore  
10 Shenton Way  
MAS Building  
Singapore 079117

OR

Legal Policy Division  
Ministry of Law  
100 High Street #08-02  
The Treasury  
Singapore 179434

Fax: 62203973

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3 Please also note that all submissions received may be made public unless confidentiality is specifically requested for whole or part of the submission.

## 1. INTRODUCTION

1.1 The current rules for financial institutions on unsecured credit were put in place to implement the Government's social policy of discouraging individuals from spending beyond their means. Over time, developments in the industry and markets have suggested a need to review the existing regulatory regime to ensure that it continues to remain appropriate and relevant in implementing the Government's social policy. With this objective, MAS and MinLaw launched a joint public consultation ("First Joint Consultation") in 2006 on the proposed changes to the unsecured credit rules and the proposed application of these rules to moneylenders with appropriate modifications. MAS had subsequently conducted another consultation in October 2007 on the exemption for financial institutions from the maximum credit limit when granting credit to individuals with greater financial means.<sup>1</sup>

1.2 The feedback received from members of the public, industry and other government agencies have been taken into consideration, and resulted in the formulation of additional measures set out in sections 2 and 3 of this consultation paper.

1.3 MAS and MinLaw have completed the drafting of the applicable rules to implement the finalised policy positions on unsecured credit. These rules are provided in Annexes A and B for public consultation.

## 2. UNSECURED CREDIT RULES FOR FINANCIAL INSTITUTIONS<sup>2</sup>

2.1. The additional measures that will be implemented are detailed in the following paragraphs.

2.2 Financial institutions will be allowed to provide securities financing schemes without complying with the unsecured credit rules during the

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<sup>1</sup> Responses to these consultations were issued in February 2007 and December 2007 respectively.

<sup>2</sup> These refer to banks, merchant banks, finance companies, insurers and capital market services (CMS) licensees regulated by MAS.

unsecured period between subscription and issuance of the relevant shares<sup>3</sup>. This is provided that the financial institutions finance only up to 80% of the value of the shares at the time the loan is committed, and they take reasonable steps to ensure that the aggregate amount of share financing loan or benefit obtained by the borrower, inclusive of any other loans, cash rebates, discounts or other benefits offered by the lender or any other party, does not exceed 80% of the value of the shares at the time the loan is committed. Additionally, CMS licensees have to ensure that the aggregate amount of financing for all IPOs does not exceed 20% of its financial resources or average adjusted net capital.<sup>4</sup>

2.3 Loans for essential medical expenses will be excluded from the unsecured credit rules. In determining what expenses are deemed as essential, guidance will be drawn from medical treatments allowed under Medishield.

2.4 The Ministry of Trade and Industry (“MTI”) is currently considering regulations<sup>5</sup> that would allow consumers to treat all unsolicited goods and services as unconditional gifts from suppliers, unless the consumer has acknowledged in writing his willingness to accept and pay for such goods and services. Subject to MTI’s adoption of written acceptance, MAS will similarly require card issuers to obtain written acceptance from a cardholder before they may hold the cardholder liable for any amount charged to an additional card which is sent unsolicited.

2.5 We invite comments on the draft rules for financial institutions provided in Annex A.

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<sup>3</sup> One example of such a financing scheme is that of financing for initial public offerings (“IPOs”).

<sup>4</sup> “Average Adjusted Net Capital” has the same meaning as in regulation 24(6) of the Securities and Futures (Financial and Margin Requirements for Holders of Capital Markets Services Licences) Regulations.

<sup>5</sup> MTI has introduced the proposed Consumer Protection (Fair Trading)(Opt-Out Practices) Regulations in a public consultation in September 2007.

### **3. UNSECURED LENDING RULES FOR MONEYLENDERS<sup>6</sup>**

3.1 Pursuant to the feedback received from the First Joint Consultation, the policy proposals on excluded loans have been refined. Excluded loans are loans to which the proposed unsecured lending rules will not apply. MinLaw previously proposed that business loans be excluded if they are taken up by a sole proprietor, partner or authorised officer of the company. This proposal has been revised and loans to persons who intend to become hawkers or budding entrepreneurs will now be recognised as business loans.

3.2 MinLaw has also accepted the feedback that loans for medical purposes and loans to a moneylender's own staff should fall within the description of excluded loans.

3.3 MinLaw is also adopting a policy similar to that for financial institutions to exclude the application of these unsecured lending rules where the loans are to be granted to borrowers who have a minimum income of \$120,000 per annum or net personal assets exceeding \$2 million.

3.4 We invite comments on the draft rules for moneylenders provided in Annex B.

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<sup>6</sup> Licensed moneylenders are licensed and supervised by the Registrar of Moneylenders. The Registry of Moneylenders is a registry under the auspices of the Ministry of Law.

**ANNEX A:  
DRAFT  
LEGISLATION FROM  
MAS**

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**(I) Draft Credit Card Regulations to be Issued to Card Issuers**

**Disclaimer: This version is in draft form and is subject to change after the consultation.**

**No. S 000 -**

BANKING ACT  
(CHAPTER 19)

BANKING (CREDIT CARD AND CHARGE CARD) (AMENDMENT)  
REGULATIONS 2007

In exercise of the powers conferred by section 78(2) of the Banking Act, the Monetary Authority of Singapore hereby makes the following Regulations:

**Citation and commencement**

1. These Regulations may be cited as the Banking (Credit Card and Charge Card) (Amendment) Regulations 2007 and shall come into operation on 2007.

**Amendment of regulation 2**

2. Regulation 2 of the Banking (Credit Card and Charge Card) Regulations 2004 (referred to in these Regulations as the principal Regulations) is amended —

(a) by inserting, immediately before the definition of “business card” in paragraph (1), the following definitions:

““Accounting Standards” has the same meaning as in section 4(1) of the Companies Act (Cap. 50);

“affiliated corporation”, in relation to a card issuer, means —

- (a) its related corporation incorporated in Singapore; or
- (b) where the card issuer has a related corporation incorporated outside Singapore —
  - (i) the branches and offices of the related corporation located within Singapore; or
  - (ii) such branch or office of the related corporation located outside Singapore as may be designated by the Authority by notice in writing to the card issuer;

“borrower” means any person to whom a credit facility is granted by a card issuer or any of its affiliated corporations;”;



- (b) by deleting the definition of “card issuer” in paragraph (1) and substituting the following definition:

““card issuer” means any person carrying on a business of issuing credit cards or charge cards in Singapore;”;

- (c) by deleting the definitions of “credit card” and “charge card” in paragraph (1) and substituting the following definitions:

““credit card” or “charge card” has the same meaning as in section 56 of the Act but excludes any credit card or charge card referred to in section 57G of the Act;

“credit facility” means —

(a) the granting by a corporation of any advance, loan or other facility whereby the borrower of the credit facility has access to any fund or financial guarantee; or

(b) the incurring by the corporation of any other liability on behalf of the customer;”;

- (d) by inserting, immediately after the definition of “finance company” in paragraph (1), the following definitions:

““lender” means a card issuer or any of its affiliated corporations which grants a credit facility to a borrower;

“medical treatment” has the same meaning as in regulation 2 of the Central Provident Fund (Medishield Scheme) Regulations 2005;”;

- (e) by deleting the full-stop at the end of the definition of “secure” in paragraph (1) and substituting a semi-colon, and inserting immediately thereafter the following definitions:

““securities market” has the same meaning as in paragraph 3 of Part I of the First Schedule to the Securities and Futures Act (Cap. 289);

“share” has the same meaning as in section 4(1) of the Companies Act (Cap. 50);

“share financing loan” means any loan the proceeds of which are applied only towards the subscription for shares listed or to be listed on a securities market;

“unsecured credit facility” means —

(a) a credit facility given without security; or

(b) in respect of a credit facility given with security, any part thereof which at the time the credit facility is given exceeds the market value or, where the Authority is satisfied that there is no established market value, such

other value as may be approved by it, of the assets constituting that security.”;

(f) by inserting, immediately after paragraph (2), the following paragraphs:

“(3) For the purposes of these Regulations, an unsecured credit facility shall exclude —

- (a) any credit extended on a credit card or charge card;
- (b) any bridging loan which complies with such requirements as may be specified by the Authority by notice in writing to the lender;
- (c) any loan for the furnishing of any security to the Government in connection with any application for the deferment of any liability under the Enlistment Act (Cap. 93);
- (d) any loan for the furnishing of any security to the Government in connection with the employment of a foreign domestic worker;
- (e) any loan for defraying expenses which are directly attributable to a course of education, including tuition fees and the costs of accommodation, textbooks and computer equipment, where the lender has taken reasonable steps to ascertain that the proceeds of the loan will only be applied for such a purpose;
- (f) any loan to a sole proprietor or a partnership for a business purpose;
- (g) any loan for the repayment of any amount owing by the borrower under another credit facility which has become unsecured as a result of a fall in the value of the security given for the credit facility, where the lender has taken reasonable steps to ensure that the proceeds are paid to the person who granted the other credit facility to the borrower;
- (h) any renovation loan, where —
  - (i) the lender obtains documentary proof that the renovations to which the renovation loan relates have been made or will be made;
  - (ii) the loan repayment period does not exceed 5 years;
  - (iii) in the case of a renovation loan granted jointly to the borrower and one or more other persons, that other

- person or each of those other persons is a spouse, child, parent or sibling of the borrower; and
- (iv) the aggregate of the outstanding balances of all renovation loans granted to the borrower by the card issuer and any of its affiliated corporations, including the borrower's share of the outstanding balance of every renovation loan granted jointly to the borrower and one or more other persons by the card issuer or its affiliated corporation, together with the quantum of the loan in question, does not exceed 6 months' income of the borrower or \$30,000, whichever is the lower;
  - (i) any loan for defraying the costs of any medical treatment, where the lender has taken reasonable steps to ascertain that the proceeds of the loan will only be applied for such a purpose;
  - (j) any share financing loan, where —
    - (i) the aggregate of the share financing loan and all other share financing loans obtained by the borrower from other financial institutions for the same purpose, together with any discount, rebate or other benefit granted by the lender and other persons, does not exceed 80% of the amount to be paid by the borrower for the subscription of the shares in respect of which the share financing loan is granted;
    - (ii) the lender takes reasonable steps to ensure that the aggregate of the share financing loan and all other share financing loans obtained by the borrower from other financial institutions for the same purpose, together with all discounts, rebates and other benefits granted to the borrower by the lender and other persons, does not exceed 80% of the amount to be paid by the borrower for the subscription of the shares, including obtaining a written declaration from the borrower on whether —
      - (A) he has received any discount, rebate or other benefit from any person and the amount of such discount, rebate or benefit; and
      - (B) he has been granted any share financing loan by any other financial institution, and the amount of each such loan; and
  - (k) any loan, where the lender is a bank in Singapore, to —

- (i) its officer (other than a director) or employee of the lender; or
- (ii) any other person who receives remuneration from the lender, other than for professional services rendered to the lender or any company connected to the lender,

where the aggregate of the outstanding balance of every loan granted by the lender to that officer, employee or person, together with the quantum of the loan in question, does not exceed one year's emoluments of that officer, employee or person.

(4) For the purposes of paragraph (3)(h)(iv), a borrower's share of the outstanding balance of a renovation loan granted jointly to him and one or more other persons shall be the amount derived by dividing the outstanding balance of the loan by the total number of persons from whom the loan is outstanding.

(5) In determining whether the aggregate referred to in paragraph (3)(h)(iv) exceeds the amount referred to in that provision, any addition to a renovation loan (included in the aggregate) of any fee, interest, late payment charge or other charge by a lender shall be disregarded.

(6) For the purposes of paragraph (3)(k)(ii), a company is connected to a lender if —

- (a) it is treated as part of the lender's group of companies for accounting purposes according to the Accounting Standards; and
- (b) in the case of a lender incorporated outside Singapore, it is also reflected as an investment in the books of the branches or offices of the lender located within Singapore in relation to its operations in Singapore.”.

### **Amendment of regulation 6**

**3.** Regulation 6 of the principal Regulations is amended —

- (a) by deleting paragraphs (1) and (2) and substituting the following paragraphs:

“(1) Subject to paragraphs (2) and (2A) and regulation 6A, a card issuer shall not permit any amount to be charged to any credit card or charge card issued by the card issuer if that would result in the aggregate outstanding amount or the total outstanding unsecured amount of a cardholder who is a citizen of Singapore or a permanent resident to exceed the maximum credit limit or the overall credit limit, respectively, of the cardholder.

(2) A card issuer may permit any amount to be charged to a credit card or charge card that results in the aggregate outstanding amount or the total outstanding unsecured amount of a cardholder referred to in paragraph (1) exceeding the maximum credit limit or the overall credit limit, respectively, of the cardholder if that limit is exceeded only because of the addition of any fee or charge by the card issuer relating to the use of the card (including any interest or late payment charge) to the aggregate outstanding amount or the total outstanding unsecured amount, as the case may be.

(2A) Subject to paragraph (2B), a card issuer may permit any amount to be charged to a credit card or charge card that results in the aggregate outstanding amount or the total outstanding unsecured amount of a cardholder referred to in paragraph (1) exceeding the maximum credit limit or the overall credit limit, respectively, of the cardholder if—

- (a) the cardholder's income in the preceding 12 months is not less than \$120,000 (or its equivalent in foreign currency) or his total net personal assets exceed \$2 million (or its equivalent in foreign currency); and
- (b) where the card issuer is a bank in Singapore and the cardholder is in a director group of the card issuer, the total outstanding unsecured amount of the cardholder does not exceed 8 months' income of the cardholder.

(2B) If the Authority, having regard to the specific circumstances of a card issuer referred to in paragraph (2A) (including whether the credit evaluation and credit risk management practices of the card issuer are sufficiently robust to effectively monitor and manage credit risk), issues to the card issuer a written declaration that paragraph (2A) shall no longer apply to the card issuer, then that paragraph shall not apply to the card issuer from the date of the declaration.”;

- (b) by inserting, immediately after the words “maximum credit limit” in paragraph (5), the words “or the overall credit limit”;
- (c) by deleting the words “a related corporation” in paragraph (b) of the definition of “aggregate outstanding amount” in paragraph (6) and substituting the words “an affiliated corporation”;
- (d) by inserting, immediately after the definition of “cardholder” in paragraph (6), the following definition:

““director group” has the same meaning as in paragraph 1 of the Fifth Schedule to the Act;”;

- (e) by deleting the words “2 months’ income” in paragraphs (a) and (c)(ii)(A) of the definition of “maximum credit limit” in paragraph (6) and substituting the words “4 months’ income” in each case;
- (f) by deleting the full-stop at the end of the definition of “maximum credit limit” in paragraph (6), and inserting immediately thereafter the following definitions:
- ““overall credit limit”, in relation to a cardholder, means —
    - (a) in a case where the cardholder earns \$20,000 or more but less than \$30,000 annually, 2 months’ income of the cardholder; or
    - (b) in a case where the cardholder earns at least \$30,000 annually, 4 months’ income of the cardholder;
  - “total outstanding unsecured amount” means an amount being the aggregate of —
    - (a) the aggregate amount charged to and outstanding on —
      - (i) all unsecured credit cards and unsecured charge cards issued to the cardholder by the card issuer and any other card issuer which is an affiliated corporation of the first-mentioned card issuer; and
      - (ii) all supplementary cards issued in respect of each of such credit cards and charge cards; and
    - (b) the aggregate of the outstanding balances of all unsecured credit facilities granted to the cardholder by the card issuer and any of its affiliated corporations, including the cardholder’s share of the outstanding balance of every unsecured credit facility granted jointly to the cardholder and one or more other persons by the card issuer or its affiliated corporation.”;
- (g) by inserting, immediately after paragraph (6), the following paragraph:
- “(7) For the purposes of sub-paragraph (b) of the definition of “total outstanding unsecured amount” in paragraph (6), a cardholder’s share of the outstanding balance of an unsecured credit facility granted jointly to him and one or more other persons shall be the amount derived by dividing the outstanding balance of the unsecured credit facility by the total number of persons from whom the unsecured credit facility is outstanding.”; and
- (h) by inserting, immediately after the words maximum credit limit” in the regulation heading, the words “and overall credit limit”.

**New regulation 6A**

4. The principal Regulations are amended by inserting, immediately regulation 6, the following regulation:

**“Merger or consolidation of, or acquisition by, card issuer, etc.**

**6A.**—(1) A card issuer which has issued a credit card or charge card to a person (Referred to in this regulation as the cardholder) shall give written notice to the Authority before the card issuer or any of its affiliated corporations—

- (a) merges or consolidates with one or more card issuers which have issued a credit card or charge card, or corporations which have granted an unsecured credit facility, to the cardholder;
- (b) acquires all the shares in another card issuer which has issued a credit card or charge card, or a corporation which has granted an unsecured credit facility, to the cardholder; or
- (c) acquires the business of another card issuer which has issued a credit card or charge card, or a person who has granted an unsecured credit facility, to the cardholder.

(2) If, upon the merger, consolidation or acquisition, the aggregate outstanding amount or the total outstanding unsecured amount of the cardholder exceeds the maximum credit limit or the overall credit limit, respectively, of the cardholder, the card issuer shall, within such period as may be specified by the Authority by notice in writing to the card issuer, takes steps as may be specified by the Authority to ensure that the aggregate outstanding amount or the total outstanding unsecured amount ceases to be in excess of the maximum credit limit or the overall credit limit, as the case may be.

(3) In this regulation, “aggregate outstanding amount”, “maximum credit limit”, “overall credit limit” and “total outstanding unsecured amount” shall have the same meaning as in regulation 6.

**Amendment of regulation 7**

5. Regulation 7 of the principal Regulations is amended —

- (a) by inserting, immediately after the words “second-mentioned card” in paragraph (2)(a), the words “and the second-mentioned card has been reported as lost or damaged or its validity period is due to expire”;
- (b) by deleting the words “either verbally or” in paragraph (2)(b)(ii);
- (c) by deleting sub-paragraph (iii) of paragraph (2)(b) and substituting the following sub-paragraph:

“(iii) no additional credit is granted in respect of the additional card to the individual over and above the

aggregate of the credit limit granted to that individual in respect of every credit card or charge card already held by him;” and

(d) by inserting, immediately after paragraph 2, the following paragraph:

“(2A) For the purposes of paragraph 2(a), a replacement card shall be treated as being of the same kind as a credit card or charge card if the type, terms and conditions, fees and charges, and branding of the replacement card is the same as that of the second-mentioned card.”.

### **Amendment of regulation 9**

6. Regulation 9 of the principal Regulations is amended —

(a) by deleting paragraphs (1) to (4) and substituting the following paragraph:

“(1) A card issuer shall include the following information in a clear and conspicuous manner in its credit card or charge card bill issued to a cardholder:

- (a) any finance charge or late payment charge which is imposed or will be imposed by the card issuer and the method of computing such charges;
- (b) any other penalty or consequence for late payment which is or will be imposed by the card issuer ; and
- (c) a notice advising prompt settlement of the amount outstanding under the credit card or charge card bill.”; and

(b) by deleting the words “or (2)” wherever they appear in paragraphs (5) and (6).

### **New regulation 9A**

7. The principal Regulations is amended by inserting, immediately after regulation 9, the following regulation:

#### **“Credit checks with credit bureau**

**9A.** — (1) A card issuer shall, prior to issuing a credit card or charge card to any person, conduct comprehensive checks with one or more credit bureaus for the purpose of assessing the credit-worthiness of that person.

(2) Paragraph (1) shall not apply to a credit card or charge card referred to in regulation 7(2).”.



Made this                    day of                    2007.

HENG SWEE KEAT  
*Managing Director,*  
*Monetary Authority of Singapore.*

## (II) Draft MAS Notice 635 on Unsecured Credit Facilities to be Issued to Banks

**Disclaimer: This version is in draft form and is subject to change after the consultation.**

### MAS NOTICE 635

[ ] 2007

### NOTICE TO BANKS BANKING ACT, CAP 19

**(MAS Notice 635 dated 3 April 2003 is cancelled with immediate effect)**

## UNSECURED CREDIT FACILITIES TO INDIVIDUALS

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### Introduction

1 This Notice is issued pursuant to section 55 of the Banking Act (Cap.19) [“the Act”] and applies to all banks in Singapore.

2 It sets out the requirements that a bank would have to comply with when granting unsecured credit facilities to an individual who is a citizen of Singapore or a permanent resident, whether as an individual or as a joint borrower with any other individual.

### Definitions

3 The expressions used in this Notice shall, except where defined in this Notice or where the context otherwise requires, have the same meanings as in the Act and the Banking (Credit Card and Charge Card) Regulations, save that references to “a card issuer” in the various definitions should read

as “a bank in Singapore” and references to “a cardholder” should read as “a borrower”.

4 Where an expression is used in the Act and the Banking (Credit Card and Charge Card) Regulations with different meanings, the expressions used in this Notice shall, except where defined in this Notice or where the context otherwise requires, have the same meanings as in the Banking (Credit Card and Charge Card) Regulations.

### **Minimum annual income requirement**

5 A bank in Singapore shall not grant any unsecured credit facilities to an individual who is a citizen of Singapore or a permanent resident unless he has an annual income of at least \$20,000 at the time of application for the unsecured credit facilities.

6 In the case of joint borrowers where at least one of the joint borrower is a citizen of Singapore or a permanent resident, a bank in Singapore shall not grant any unsecured credit facilities to the joint borrowers unless every joint borrower has an annual income of at least \$20,000 at the time of application for the unsecured credit facilities.

### **Exclusion from unsecured credit facilities**

- 7 In this Notice, an unsecured credit facility shall exclude —
- (a) any credit extended on a credit card or charge card;
  - (b) any bridging loan which complies with such requirements as may be specified by the Authority by notice in writing to the lender.
  - (c) any loan for the furnishing of any security to the Government in connection with any application for the deferment of any liability under the Enlistment Act (Cap. 93);
  - (d) any loan for the furnishing of any security to the Government in connection with the employment of a foreign domestic worker;
  - (e) any loan for the defraying of expenses which are directly attributable to a course of education, including tuition fees and the costs of accommodation, textbooks and computer equipment, where the lender has taken reasonable steps to ascertain that the proceeds of the loan will only be applied for such a purpose;
  - (f) any loan to a sole proprietor or a partnership for a business purpose;

- (g) any loan for the repayment of any amount owing by the borrower under another credit facility which has become unsecured as a result of a fall in the value of the security given for the credit facility, where the lender has taken reasonable steps to ensure that the proceeds are paid to the person who granted the other credit facility to the borrower;
- (h) any renovation loan, where —
  - (i) the lender obtains documentary proof that the renovations to which the renovation loan relates have been made or will be made;
  - (ii) the loan repayment period does not exceed 5 years;
  - (iii) in the case of a renovation loan granted jointly to the borrower and one or more other persons, that other person or each of those other persons is a spouse, child, parent or sibling of the borrower; and
  - (iv) the aggregate of the outstanding balances of all renovation loans granted to the borrower by a bank in Singapore and any of its affiliated corporations, including the borrower's share of the outstanding balance of every renovation loan granted jointly to the borrower and one or more other persons by the bank in Singapore or its affiliated corporation, together with the quantum of the loan in question, does not exceed 6 months' income of the borrower or \$30,000, whichever is the lower;
- (i) any loan for defraying the costs of any medical treatment, where the lender has taken reasonable steps to ascertain that the proceeds of the loan will only be applied for such a purpose;
- (j) any share financing loan, where —
  - (i) the aggregate of the share financing loan and all other share financing loans obtained by the borrower from other financial institutions for the same purpose, together with any discount, rebate or other benefit granted by the lender and other persons, does not exceed 80% of the amount to be paid by the borrower for the subscription of the shares in respect of which the share financing loan is granted;
  - (ii) the lender takes reasonable steps to ensure that the aggregate of the share financing loan and all other share financing loans obtained by the borrower from other financial institutions for the same purpose, together with all discounts, rebates and other benefits granted to the borrower by the lender and the other persons, does not exceed 80% of the amount to be paid by the borrower

for the subscription of the shares, including obtaining a written declaration from the borrower on whether —

- (A) he has received any discount, rebate or other benefit from any person and the amount of such discount, rebate or benefit; and
  - (B) he has been granted any share financing loan by any other financial institution, and the amount of each such loan; and
- (k) any loan, where the lender is a bank in Singapore, to —
- (i) its officer (other than a director) or employee of the lender; or
  - (ii) any other person who receives remuneration from the lender, other than for professional services rendered to the lender or any company connected to the lender,

where the aggregate of the outstanding balance of every loan granted by the lender to that officer, employee or person, together with the quantum of the loan in question, does not exceed one year's emoluments of that officer, employee or person.

8 For the purpose of paragraph 7(h)(iv), a borrower's share of the outstanding balance of a renovation loan granted jointly to him and one or more other persons shall be the amount derived by dividing the outstanding balance of the loan by the total number of persons from whom the loan is outstanding.

9 In determining whether the aggregate referred to in paragraph 7(h)(iv) exceeds the amount referred to in that provision, any addition to a renovation loan (included in the aggregate) of any fee, interest, late payment charge or other charge by a lender shall be disregarded.

10 For the purposes of paragraph 7(k)(ii), a company is connected to a lender if —

- (a) it is treated as part of the lender's group of companies for accounting purposes according to the Accounting Standards; and
- (b) in the case of a lender incorporated outside Singapore, it is also reflected as an investment in the books of the branches or offices of the lender located within Singapore in relation to its operations in Singapore.

**Maximum amount of unsecured credit facilities**

11 Subject to paragraphs 13 and 18, and regulation 6 of the Banking (Credit Card and Charge Card) Regulations, a bank in Singapore shall not permit any amount to be drawn down by a borrower who is a citizen of Singapore or a permanent resident if that would result in the total outstanding unsecured amount of the borrower to exceed the overall credit limit of the borrower.

12 For the purposes of paragraphs 11, 13 and 18—

- (a) “total outstanding unsecured amount” means an amount being the aggregate of—
  - (i) the outstanding balances of all unsecured credit facilities granted to the borrower by a bank in Singapore and its affiliated corporations;
  - (ii) the borrower’s share of the outstanding balance of every unsecured credit facility granted jointly to the borrower and one or more other persons by the bank in Singapore and its affiliated corporations; and
  - (iii) any amount of credit granted to the borrower by the bank in Singapore and its affiliated corporations under section 57G(b) of the Act.
- (b) “overall credit limit”, in relation to a borrower, means—
  - (i) in a case where the borrower earns \$20,000 or more but less than \$30,000 annually, 2 months’ income of the borrower; or
  - (ii) in a case where the borrower earns at least \$30,000 annually, 4 months’ income of the borrower.

13 Subject to paragraph 14, a bank in Singapore may permit the total outstanding unsecured amount of a borrower referred to in paragraph 11 to exceed the overall credit limit if the borrower’s income in the preceding 12 months is not less than \$120,000 (or its equivalent in foreign currency) or his total net personal assets exceed \$2 million (or its equivalent in foreign currency).

14 If the Authority, having regard to the specific circumstances of a bank in Singapore referred to in paragraph 13 (including whether the credit evaluation and credit risk management practices of the bank are sufficiently robust to effectively monitor and manage credit risk), issues to the bank a written declaration that paragraph 13 shall no longer apply to the bank, then that paragraph shall not apply to the bank from the date of the declaration.

15 For the purposes of paragraph 11, a borrower's share of an outstanding unsecured credit facility granted jointly to him and one or more other persons shall be the amount derived from dividing the outstanding balance of the unsecured credit facility by the total number of persons from whom the unsecured credit facility is outstanding.

16 In determining whether the aggregate amount of the outstanding loans has exceeded the amount referred to in paragraph 11, any addition to any of the outstanding unsecured credit facility of any fee, interest, late payment charge or other charge by the bank in Singapore or any of its affiliated corporations, shall be disregarded.

**Merger or consolidation of, or acquisition by, bank, etc.**

17 A bank in Singapore which has granted an unsecured credit facility to a borrower shall give written notice to the Authority before the bank or any of its affiliated corporations—

- (a) merges or consolidates with one or more corporations which have granted an unsecured credit facility to the borrower;
- (b) acquires all the shares in another corporation which has granted an unsecured credit facility to the borrower; or
- (c) acquires the business of another person which has granted an unsecured credit facility to the borrower.

18 If, upon the merger, consolidation or acquisition, the total outstanding unsecured amount of the borrower exceeds the overall credit limit of the borrower, the bank in Singapore shall, within such period as may be specified by the Authority by notice in writing to the bank, take such steps as may be specified by the Authority to ensure that the total outstanding unsecured amount ceases to be in excess of the overall credit limit.

**Solicitation**

19 A bank in Singapore shall not grant any unsecured credit facilities to an individual unless he has requested for it in writing.

20 For the purposes of paragraph 19, "granting of any unsecured credit facilities" means—

- (a) the sending or giving of any article to an individual, the production of which allows access to, or drawdown on, any unsecured credit facilities, whether or not the article is valid for immediate use, e.g. a cheque book; or

(b) allowing drawdown on any unsecured credit facilities, but excludes the sending or giving of an article satisfying the criteria in subparagraph (a) by a bank to an individual, in respect of any unsecured credit facilities which have been previously granted.

### **Disclosure of finance and late payment charges**

21 Any bank in Singapore which grants unsecured credit facilities shall include the following information in a clear and conspicuous manner in its statement of payment issued to borrowers:

- (a) any finance charge or late payment charge which is imposed or will be imposed by the bank and the method of computing such charges;
- (b) any other penalty or consequence for late payment which is or will be imposed by the bank; and
- (c) a notice advising prompt settlement of the amount outstanding under the statement.

### **Credit checks with credit bureau**

22 A bank shall, prior to granting any unsecured credit facilities to any individual, conduct or cause to be conducted, comprehensive checks with one or more credit bureaus for the purpose of assessing the credit-worthiness of that individual.

23 This Notice does not affect the requirements of any other written law pertaining to unsecured credit facilities.

24 This Notice shall take immediate effect.



### **(III) Draft MAS Notice 118 on Unsecured Credit Facilities to be Issued to Direct Insurers**

**Disclaimer: This version is in draft form and is subject to change after the consultation.**

#### **MAS NOTICE 118**

[ ] 2007

#### **NOTICE TO DIRECT INSURERS INSURANCE ACT, CAP 142**

**(MAS Notice 118 dated 3 April 2003 is cancelled with immediate effect)**

#### **UNSECURED CREDIT FACILITIES TO INDIVIDUALS**

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##### **Introduction**

1 This Notice is issued pursuant to section 64 of the Insurance Act (Cap.142) [“the Act”] and applies to all direct insurers.

2 It sets out the requirements that a direct insurer would have to comply with when granting unsecured credit facilities to an individual who is a citizen of Singapore or a permanent resident, whether as an individual or as a joint borrower with any other individual.

##### **Definitions**

3 The expressions used in this Notice shall, except where defined in this Notice or where the context otherwise requires, have the same meanings as in the Act and the Banking (Credit Card and Charge Card) Regulations, save that references to “a card issuer” in the various definitions should read as “a direct insurer” and references to “a cardholder” should read as “a borrower”.

4 Where an expression is used in the Act and the Banking (Credit Card and Charge Card) Regulations with different meanings, the expressions used in this Notice shall, except where defined in this Notice or where the context otherwise requires, have the same meanings as in the Banking (Credit Card and Charge Card) Regulations.

### **Minimum annual income requirement**

5 A direct insurer shall not grant any unsecured credit facilities to an individual who is a citizen of Singapore or a permanent resident unless he has an annual income of at least \$20,000 at the time of application for the unsecured credit facilities.

6 In the case of joint borrowers where at least one of the joint borrower is a citizen of Singapore or a permanent resident, a direct insurer shall not grant any unsecured credit facilities to the joint borrowers unless every joint borrower has an annual income of at least \$20,000 at the time of application for the unsecured credit facilities.

### **Exclusion from unsecured credit facilities**

- 7 In this Notice, an unsecured credit facility shall exclude —
- (a) any credit extended on a credit card or charge card;
  - (b) any bridging loan which complies with such requirements as may be specified by the Authority by notice in writing to the lender
  - (c) any loan for the furnishing of any security to the Government in connection with any application for the deferment of any liability under the Enlistment Act (Cap. 93);
  - (d) any loan for the furnishing of any security to the Government in connection with the employment of a foreign domestic worker;
  - (e) any loan for the defraying of expenses which are directly attributable to a course of education, including tuition fees and the costs of accommodation, textbooks and computer equipment, where the lender has taken reasonable steps to ascertain that the proceeds of the loan will only be applied for such a purpose;
  - (f) any loan to a sole proprietor or a partnership for a business purpose;
  - (g) any loan for the repayment of any amount owing by the borrower under another credit facility which has become

unsecured as a result of a fall in the value of the security given for the credit facility, where the lender has taken reasonable steps to ensure that the proceeds are paid to the person who granted the other credit facility to the borrower;

- (h) any renovation loan, where —
  - (i) the lender obtains documentary proof that the renovations to which the renovation loan relates have been made or will be made;
  - (ii) the loan repayment period does not exceed 5 years;
  - (iii) in the case of a renovation loan granted jointly to the borrower and one or more other persons, that other person or each of those other persons is a spouse, child, parent or sibling of the borrower; and
  - (iv) the aggregate of the outstanding balances of all renovation loans granted to the borrower by a direct insurer and any of its affiliated corporations, including the borrower's share of the outstanding balance of every renovation loan granted jointly to the borrower and one or more other persons by the direct insurer or its affiliated corporation, together with the quantum of the loan in question, does not exceed 6 months' income of the borrower or \$30,000, whichever is the lower;
- (i) any loan for defraying the costs of any medical treatment, where the lender has taken reasonable steps to ascertain that the proceeds of the loan will only be applied for such a purpose;
- (j) any share financing loan, where —
  - (i) the aggregate of the share financing loan and all other share financing loans obtained by the borrower from other financial institutions for the same purpose, together with any discount, rebate or other benefit granted by the lender and other persons, does not exceed 80% of the amount to be paid by the borrower for the subscription of the shares in respect of which the share financing loan is granted; and
  - (ii) the lender takes reasonable steps to ensure that the aggregate of the share financing loan and all other share financing loans obtained by the borrower from other financial institutions for the same purpose, together with all discounts, rebates and other benefits granted to the borrower by the lender and the other persons, does not exceed 80% of the amount to be paid by the borrower for the subscription of the shares, including obtaining a written declaration from the borrower on whether —

- (A) he has received any discount, rebate or other benefit from any person and the amount of such discount, rebate or benefit; and
  - (B) he has been granted any share financing loan by any other financial institution, and the amount of each such loan; and
- (k) any loan to —
- (i) its officer (other than a director) or employee of the lender; or
  - (ii) any other person who receives remuneration from the lender, other than for professional services rendered to the lender or any company connected to the lender,
- where the aggregate of the outstanding balance of every loan granted by the lender to that officer, employee or person, together with the quantum of the loan in question, does not exceed one year's emoluments of that officer, employee or person.

8 For the purpose of paragraph 7(h)(iv), a borrower's share of the outstanding balance of a renovation loan granted jointly to him and one or more other persons shall be the amount derived by dividing the outstanding balance of the loan by the total number of persons from whom the loan is outstanding.

9 In determining whether the aggregate referred to in paragraph 7(h)(iv) exceeds the amount referred to in that provision, any addition to a renovation loan (included in the aggregate) of any fee, interest, late payment charge or other charge by a lender shall be disregarded.

10 For the purposes of paragraph 7(k)(ii), a company is connected to a lender if —

- (a) it is treated as part of the lender's group of companies for accounting purposes according to the Accounting Standards; and
- (b) in the case of a lender incorporated outside Singapore, it is also reflected as an investment in the books of the branches or offices of the lender located within Singapore in relation to its operations in Singapore.

**Maximum amount of unsecured credit facilities**

11 Subject to paragraphs 13 and 18, a direct insurer shall not permit any amount to be drawn down by a borrower who is a citizen of Singapore or a permanent resident if that would result in the total outstanding unsecured amount of the borrower to exceed the overall credit limit of the borrower.

12 For the purposes of paragraphs 11, 13 and 18—

- (a) “total outstanding unsecured amount” means an amount being the aggregate of—
  - (i) the outstanding balances of all unsecured credit facilities granted to the borrower by a direct insurer and its affiliated corporations;
  - (ii) the borrower’s share of the outstanding balance of every unsecured credit facility granted jointly to the borrower and one or more other persons by the direct insurer and its affiliated corporations; and
  - (iii) any amount of credit granted to the borrower by the direct insurer and its affiliated corporations under section 57G(b) of the Banking Act (Cap. 19).
- (b) “overall credit limit”, in relation to a borrower, means—
  - (i) in a case where the borrower earns \$20,000 or more but less than \$30,000 annually, 2 months’ income of the borrower; or
  - (ii) in a case where the borrower earns at least \$30,000 annually, 4 months’ income of the borrower.

13 Subject to paragraph 14, a direct insurer may permit the total outstanding unsecured amount of a borrower referred to in paragraph 11 to exceed the overall credit limit if the borrower’s income in the preceding 12 months is not less than \$120,000 (or its equivalent in foreign currency) or his total net personal assets exceed \$2 million (or its equivalent in foreign currency).

14 If the Authority, having regard to the specific circumstances of a direct insurer referred to in paragraph 13 (including whether the credit evaluation and credit risk management practices of the direct insurer are sufficiently robust to effectively monitor and manage credit risk), issues to the direct insurer a written declaration that paragraph 13 shall no longer apply to the direct insurer, then that paragraph shall not apply to the direct insurer from the date of the declaration.

15 For the purposes of paragraph 11, a borrower's share of an outstanding unsecured credit facility granted jointly to him and one or more other persons shall be the amount derived from dividing the outstanding balance of the unsecured credit facility by the total number of persons from whom the unsecured credit facility is outstanding.

16 In determining whether the aggregate amount of the outstanding loans has exceeded the amount referred to in paragraph 11, any addition to any of the outstanding unsecured credit facility of any fee, interest, late payment charge or other charge by the direct insurer or any of its affiliated corporations, shall be disregarded.

**Merger or consolidation of, or acquisition by, direct insurer, etc.**

17 A direct insurer which has granted an unsecured credit facility to a borrower shall give written notice to the Authority before the direct insurer or any of its affiliated corporations—

- (a) merges or consolidates with one or more corporations which have granted an unsecured credit facility to the borrower;
- (b) acquires all the shares in another corporation which has granted an unsecured credit facility to the borrower; or
- (c) acquires the business of another person which has granted an unsecured credit facility to the borrower.

18 If, upon the merger, consolidation or acquisition, the total outstanding unsecured amount of the borrower exceeds the overall credit limit of the borrower, the direct insurer shall, within such period as may be specified by the Authority by notice in writing to the direct insurer, take such steps as may be specified by the Authority to ensure that the total outstanding unsecured amount ceases to be in excess of the overall credit limit.

**Solicitation**

19 A direct insurer shall not grant any unsecured credit facilities to an individual unless he has requested for it in writing.

20 For the purposes of paragraph 19, "granting of any unsecured credit facilities" means—

- (a) the sending or giving of any article to an individual, the production of which allows access to, or drawdown on, any unsecured credit facilities, whether or not the article is valid for immediate use, e.g. a cheque book; or

(b) allowing drawdown on any unsecured credit facilities, but excludes the sending or giving of an article satisfying the criteria in subparagraph (a) by a direct insurer to an individual, in respect of any unsecured credit facilities which have been previously granted.

### **Disclosure of finance and late payment charges**

21 Any direct insurer which grants unsecured credit facilities shall include the following information in a clear and conspicuous manner in its statement of payment issued to borrowers:

- (a) any finance charge or late payment charge which is imposed or will be imposed by the direct insurer and the method of computing such charges;
- (b) any other penalty or consequence for late payment which is or will be imposed by the direct insurer; and
- (c) a notice advising prompt settlement of the amount outstanding under the statement.

### **Credit checks with credit bureau**

22 A direct insurer shall, prior to granting any unsecured credit facilities to any individual, conduct or cause to be conducted, comprehensive checks with one or more credit bureaus for the purpose of assessing the credit-worthiness of that individual.

23 This Notice does not affect the requirements of any other written law pertaining to unsecured credit facilities.

24 This Notice shall take immediate effect.

## **(IV) Draft MAS Notice 827 on Unsecured Credit Facilities to be Issued to Finance Companies**

**Disclaimer: This version is in draft form and is subject to change after the consultation.**

### **MAS NOTICE 827**

[ ] 2007

### **NOTICE TO FINANCE COMPANIES FINANCE COMPANIES ACT (CAP. 108)**

**(MAS Notice 827 dated 3 April 2003 is cancelled with immediate effect)**

### **UNSECURED CREDIT FACILITIES TO INDIVIDUALS**

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#### **Introduction**

1 This Notice is issued pursuant to section 30 of the Finance Companies Act (Cap.108) [the "Act"] and applies to all finance companies.

2 It sets out the requirements that a finance company would have to comply with when granting unsecured credit facilities to an individual who is a citizen of Singapore or a permanent resident, whether as an individual or as a joint borrower with any other individual.

#### **Definitions**

3 The expressions used in this Notice shall, except where defined in this Notice or where the context otherwise requires, have the same meanings as in the Act and the Banking (Credit Card and Charge Card) Regulations, save that references to "a card issuer" in the various definitions should read as "a finance company" and references to "a cardholder" should read as "a borrower".



4 Where an expression is used in the Act and the Banking (Credit Card and Charge Card) Regulations with different meanings, the expressions used in this Notice shall, except where defined in this Notice or where the context otherwise requires, have the same meanings as in the Banking (Credit Card and Charge Card) Regulations.

### **Minimum annual income requirement**

5 A finance company shall not grant any unsecured credit facilities to an individual who is a citizen of Singapore or a permanent resident unless he has an annual income of at least \$20,000 at the time of application for the unsecured credit facilities.

6 In the case of joint borrowers where at least one of the joint borrower is a citizen of Singapore or a permanent resident, a finance company shall not grant any unsecured credit facilities to the joint borrowers unless every joint borrower has an annual income of at least \$20,000 at the time of application for the unsecured credit facilities.

### **Exclusion from unsecured credit facilities**

- 7 In this Notice, an unsecured credit facility shall exclude —
- (a) any credit extended on a credit card or charge card;
  - (b) any bridging loan which complies with such requirements as may be specified by the Authority by notice in writing to the lender;
  - (c) any loan for the furnishing of any security to the Government in connection with any application for the deferment of any liability under the Enlistment Act (Cap. 93);
  - (d) any loan for the furnishing of any security to the Government in connection with the employment of a foreign domestic worker;
  - (e) any loan for the defraying of expenses which are directly attributable to a course of education, including tuition fees and the costs of accommodation, textbooks and computer equipment, where the lender has taken reasonable steps to ascertain that the proceeds of the loan will only be applied for such a purpose;
  - (f) any loan to a sole proprietor or a partnership for a business purpose;

- (g) any loan for the repayment of any amount owing by the borrower under another credit facility which has become unsecured as a result of a fall in the value of the security given for the credit facility, where the lender has taken reasonable steps to ensure that the proceeds are paid to the person who granted the other credit facility to the borrower;
- (h) any renovation loan, where —
  - (i) the lender obtains documentary proof that the renovations to which the renovation loan relates have been made or will be made;
  - (ii) the loan repayment period does not exceed 5 years;
  - (iii) in the case of a renovation loan granted jointly to the borrower and one or more other persons, that other person or each of those other persons is a spouse, child, parent or sibling of the borrower; and
  - (iv) the aggregate of the outstanding balances of all renovation loans granted to the borrower by a finance company and any of its affiliated corporations, including the borrower's share of the outstanding balance of every renovation loan granted jointly to the borrower and one or more other persons by the finance company or its affiliated corporation, together with the quantum of the loan in question, does not exceed 6 months' income of the borrower or \$30,000, whichever is the lower;
- (i) any loan for defraying the costs of any medical treatment, where the lender has taken reasonable steps to ascertain that the proceeds of the loan will only be applied for such a purpose; and
- (j) any share financing loan, where —
  - (i) the aggregate of the share financing loan and all other share financing loans obtained by the borrower from other financial institutions for the same purpose, together with any discount, rebate or other benefit granted by the lender and other persons, does not exceed 80% of the amount to be paid by the borrower for the subscription of the shares in respect of which the share financing loan is granted; and
  - (ii) the lender takes reasonable steps to ensure that the aggregate of the share financing loan and all other share financing loans obtained by the borrower from other financial institutions for the same purpose, together with all discounts, rebates and other benefits granted to the borrower by the lender and the other persons, does not

exceed 80% of the amount to be paid by the borrower for the subscription of the shares, including obtaining a written declaration from the borrower on whether —

- (A) he has received any discount, rebate or other benefit from any person and the amount of such discount, rebate or benefit; and
- (B) he has been granted any share financing loan by any other financial institution, and the amount of each such loan.

8 For the purpose of paragraph 7(h)(iv), a borrower's share of the outstanding balance of a renovation loan granted jointly to him and one or more other persons shall be the amount derived by dividing the outstanding balance of the loan by the total number of persons from whom the loan is outstanding.

9 In determining whether the aggregate referred to in paragraph 7(h)(iv) exceeds the amount referred to in that provision, any addition to a renovation loan (included in the aggregate) of any fee, interest, late payment charge or other charge by a lender shall be disregarded.

### **Maximum amount of unsecured credit facilities**

10 Subject to paragraphs 12 and 17, a finance company shall not permit any amount to be drawn down by a borrower who is a citizen of Singapore or a permanent resident if that would result in the total outstanding unsecured amount of the borrower to exceed the overall credit limit of the borrower.

11 For the purposes of paragraphs 10, 12 and 17—

- (a) "total outstanding unsecured amount" means an amount being the aggregate of—
  - (i) the outstanding balances of all unsecured credit facilities granted to the borrower by a finance company and its affiliated corporations;
  - (ii) the borrower's share of the outstanding balance of every unsecured credit facility granted jointly to the borrower and one or more other persons by the finance company and its affiliated corporations; and
  - (iii) any amount of credit granted to the borrower by the finance company and its affiliated corporations under section 57G(b) of the Banking Act (Cap. 19).

- (b) “overall credit limit”, in relation to a borrower, means—
- (i) in a case where the borrower earns \$20,000 or more but less than \$30,000 annually, 2 months’ income of the borrower; or
  - (ii) in a case where the borrower earns at least \$30,000 annually, 4 months’ income of the borrower.

12 Subject to paragraph 13, a finance company may permit the total outstanding unsecured amount of a borrower referred to in paragraph 10 to exceed the overall credit limit if the borrower’s income in the preceding 12 months is not less than \$120,000 (or its equivalent in foreign currency) or his total net personal assets exceed \$2 million (or its equivalent in foreign currency).

13 If the Authority, having regard to the specific circumstances of a finance company referred to in paragraph 12 (including whether the credit evaluation and credit risk management practices of the finance company are sufficiently robust to effectively monitor and manage credit risk), issues to the finance company a written declaration that paragraph 13 shall no longer apply to the finance company, then that paragraph shall not apply to the finance company from the date of the declaration.

14 For the purposes of paragraph 10, a borrower’s share of an outstanding unsecured credit facility granted jointly to him and one or more other persons shall be the amount derived from dividing the outstanding balance of the unsecured credit facility by the total number of persons from whom the unsecured credit facility is outstanding.

15 In determining whether the aggregate amount of the outstanding loans has exceeded the amount referred to in paragraph 10, any addition to any of the outstanding unsecured credit facility of any fee, interest, late payment charge or other charge by the finance company or any of its affiliated corporations, shall be disregarded.

**Merger or consolidation of, or acquisition by, finance company, etc.**

16 A finance company which has granted an unsecured credit facility to a borrower shall give written notice to the Authority before the finance company or any of its affiliated corporations—

- (a) mergers or consolidates with one or more corporations which have granted an unsecured credit facility to the borrower;

- (b) acquires all the shares in another corporation which has granted an unsecured credit facility to the borrower; or
- (c) acquires the business of another person which has granted an unsecured credit facility to the borrower.

17 If, upon the merger, consolidation or acquisition, the total outstanding unsecured amount of the borrower exceeds the overall credit limit of the borrower, the finance company shall, within such period as may be specified by the Authority by notice in writing to the finance company, take such steps as may be specified by the Authority to ensure that the total outstanding unsecured amount ceases to be in excess of the overall credit limit.

### **Solicitation**

18 A finance company shall not grant any unsecured credit facilities to an individual unless he has requested for it in writing.

19 For the purposes of paragraph 18, "granting of any unsecured credit facilities" means—

- (a) the sending or giving of any article to an individual, the production of which allows access to, or drawdown on, any unsecured credit facilities, whether or not the article is valid for immediate use, e.g. a cheque book; or
- (b) allowing drawdown on any unsecured credit facilities,

but excludes the sending or giving of an article satisfying the criteria in subparagraph (a) by a finance company to an individual, in respect of any unsecured credit facilities which have been previously granted.

### **Disclosure of finance and late payment charges**

20 Any finance company which grants unsecured credit facilities shall include the following information in a clear and conspicuous manner in its statement of payment issued to borrowers:

- (a) any finance charge or late payment charge which is imposed or will be imposed by the finance company and the method of computing such charges;
- (b) any other penalty or consequence for late payment which is or will be imposed by the finance company; and
- (c) a notice advising prompt settlement of the amount outstanding under the statement.

**Credit checks with credit bureau**

21 A finance company shall, prior to granting any unsecured credit facilities to any individual, conduct or cause to be conducted, comprehensive checks with one or more credit bureaus for the purpose of assessing the credit-worthiness of that individual.

22 This Notice does not affect the requirements of any other written law pertaining to unsecured credit facilities.

23 This Notice shall take immediate effect.

**(V) Draft MAS Notice 1109 on Unsecured Credit Facilities to be Issued to Merchant Banks**

**Disclaimer: This version is in draft form and is subject to change after the consultation.**

**MAS NOTICE 1109**

[ ] 2007

**NOTICE TO MERCHANT BANKS  
MONETARY AUTHORITY OF SINGAPORE ACT (CAP. 186)**

**(MAS Notice 1109 dated 3 April 2003 is cancelled with immediate effect)**

**UNSECURED CREDIT FACILITIES TO INDIVIDUALS****Introduction**

1 This Notice is issued pursuant to section 28(3) of Monetary Authority of Singapore Act (Cap.186) [the "Act"] and applies to all merchant banks in Singapore.

2 It sets out the requirements that a merchant bank would have to comply with when granting unsecured credit facilities to an individual who is a citizen of Singapore or a permanent resident, whether as an individual or as a joint borrower with any other individual.

**Definitions**

3 The expressions used in this Notice shall, except where defined in this Notice or where the context otherwise requires, have the same meanings as in the Act and the Banking (Credit Card and Charge Card) Regulations, save that references to "a card issuer" in the various definitions should read as "a merchant bank in Singapore" and references to "a cardholder" should read as "a borrower".

4 Where an expression is used in Act and the Banking (Credit Card and Charge Card) Regulations with different meanings, the expressions used in this Notice shall, except where defined in this Notice or where the context otherwise requires, have the same meanings as in the Banking (Credit Card and Charge Card) Regulations.

5 For the purposes of this Notice, "merchant bank in Singapore" means—

- (a) a merchant bank incorporated in Singapore; or
- (b) in the case of a merchant bank incorporated outside Singapore, the branches and offices of the merchant bank located within Singapore.

#### **Minimum annual income requirement**

6 A merchant bank in Singapore shall not grant any unsecured credit facilities to an individual who is a citizen of Singapore or a permanent resident unless he has an annual income of at least \$20,000 at the time of application for the unsecured credit facilities.

7 In the case of joint borrowers where at least one of the joint borrower is a citizen of Singapore or a permanent resident, a merchant bank in Singapore shall not grant any unsecured credit facilities to the joint borrowers unless every joint borrower has an annual income of at least \$20,000 at the time of application for the unsecured credit facilities.

#### **Exclusion from unsecured credit facilities**

- 8 In this Notice, an unsecured credit facility shall exclude —
- (a) any credit extended on a credit card or charge card;
  - (b) any bridging loan which complies with such requirements as may be specified by the Authority by notice in writing to the lender;
  - (c) any loan for the furnishing of any security to the Government in connection with any application for the deferment of any liability under the Enlistment Act (Cap. 93);
  - (d) any loan for the furnishing of any security to the Government in connection with the employment of a foreign domestic worker;



- (e) any loan for the defraying of expenses which are directly attributable to a course of education, including tuition fees and the costs of accommodation, textbooks and computer equipment, where the lender has taken reasonable steps to ascertain that the proceeds of the loan will only be applied for such a purpose;
- (f) any loan to a sole proprietor or a partnership for a business purpose;
- (g) any loan for the repayment of any amount owing by the borrower under another credit facility which has become unsecured as a result of a fall in the value of the security given for the credit facility, where the lender has taken reasonable steps to ensure that the proceeds are paid to the person who granted the other credit facility to the borrower;
- (h) any renovation loan, where —
  - (i) the lender obtains documentary proof that the renovations to which the renovation loan relates have been made or will be made;
  - (ii) the loan repayment period does not exceed 5 years;
  - (iii) in the case of a renovation loan granted jointly to the borrower and one or more other persons, that other person or each of those other persons is a spouse, child, parent or sibling of the borrower; and
  - (iv) the aggregate of the outstanding balances of all renovation loans granted to the borrower by a merchant bank in Singapore and any of its affiliated corporations, including the borrower's share of the outstanding balance of every renovation loan granted jointly to the borrower and one or more other persons by the merchant bank in Singapore or its affiliated corporation, together with the quantum of the loan in question, does not exceed 6 months' income of the borrower or \$30,000, whichever is the lower;
- (i) any loan for defraying the costs of any medical treatment, where the lender has taken reasonable steps to ascertain that the proceeds of the loan will only be applied for such a purpose;
- (j) any share financing loan, where —
  - (i) the aggregate of the share financing loan and all other share financing loans obtained by the borrower from other financial institutions for the same purpose, together with any discount, rebate or other benefit granted by the lender and other persons, does not exceed 80% of the amount to be paid by the borrower for the subscription of

- the shares in respect of which the share financing loan is granted; and
- (ii) the lender takes reasonable steps to ensure that the aggregate of the share financing loan and all other share financing loans obtained by the borrower from other financial institutions for the same purpose, together with all discounts, rebates and other benefits granted to the borrower by the lender and the other persons, does not exceed 80% of the amount to be paid by the borrower for the subscription of the shares, including obtaining a written declaration from the borrower on whether —
    - (A) he has received any discount, rebate or other benefit from any person and the amount of such discount, rebate or benefit; and
    - (B) he has been granted any share financing loan by any other financial institution, and the amount of each such loan; and
  - (k) any loan, where the lender is a merchant bank in Singapore, to —
    - (i) its officer (other than a director) or employee of the lender; or
    - (ii) any other person who receives remuneration from the lender, other than for professional services rendered to the lender or any company connected to the lender,where the aggregate of the outstanding balance of every loan granted by the lender to that officer, employee or person, together with the quantum of the loan in question, does not exceed one year's emoluments of that officer, employee or person.

9 For the purpose of paragraph 8(h)(iv), a borrower's share of the outstanding balance of a renovation loan granted jointly to him and one or more other persons shall be the amount derived by dividing the outstanding balance of the loan by the total number of persons from whom the loan is outstanding.

10 In determining whether the aggregate referred to in paragraph 8(h)(iv) exceeds the amount referred to in that provision, any addition to a renovation loan (included in the aggregate) of any fee, interest, late payment charge or other charge by a lender shall be disregarded.

11 For the purposes of paragraph 8(k)(ii), a company is connected to a lender if –

- (a) it is treated as part of the lender’s group of companies for accounting purposes according to the Accounting Standards; and
- (b) in the case of a lender incorporated outside Singapore, it is also reflected as an investment in the books of the branches or offices of the lender located within Singapore in relation to its operations in Singapore.

### **Maximum amount of unsecured credit facilities**

12 Subject to paragraphs 14 and 19, a merchant bank in Singapore shall not permit any amount to be drawn down by a borrower who is a citizen of Singapore or a permanent resident if that would result in the total outstanding unsecured amount of the borrower to exceed the overall credit limit of the borrower.

13 For the purposes of paragraphs 12, 14 and 19—

- (a) “total outstanding unsecured amount” means an amount being the aggregate of—
  - (i) the outstanding balances of all unsecured credit facilities granted to the borrower by a merchant bank in Singapore and its affiliated corporations;
  - (ii) the borrower’s share of the outstanding balance of every unsecured credit facility granted jointly to the borrower and one or more other persons by the merchant bank in Singapore and its affiliated corporations; and
  - (iii) any amount of credit granted to the borrower by the merchant bank in Singapore and its affiliated corporations under section 57G(b) of the Banking Act (Cap. 19).
- (b) “overall credit limit”, in relation to a borrower, means—
  - (i) in a case where the borrower earns \$20,000 or more but less than \$30,000 annually, 2 months’ income of the borrower; or
  - (ii) in a case where the borrower earns at least \$30,000 annually, 4 months income of the borrower.

14 Subject to paragraph 15, a merchant bank in Singapore may permit the total outstanding unsecured amount of a borrower referred to in paragraph 12 to exceed the overall credit limit if the borrower’s income in the preceding 12 months is not less than \$120,000 (or its equivalent in foreign

currency) or his total net personal assets exceed \$2 million (or its equivalent in foreign currency).

15 If the Authority, having regard to the specific circumstances of a merchant bank in Singapore referred to in paragraph 14 (including whether the credit evaluation and credit risk management practices of the merchant bank are sufficiently robust to effectively monitor and manage credit risk), issues to the merchant bank a written declaration that paragraph 14 shall no longer apply to the merchant bank, then that paragraph shall not apply to the merchant bank from the date of the declaration.

16 For the purposes of paragraph 12, a borrower's share of an outstanding unsecured credit facility granted jointly to him and one or more other persons shall be the amount derived from dividing the outstanding balance of the unsecured credit facility by the total number of persons from whom the unsecured credit facility is outstanding.

17 In determining whether the aggregate amount of the outstanding loans has exceeded the amount referred to in paragraph 12, any addition to any of the outstanding unsecured credit facility of any fee, interest, late payment charge or other charge by the merchant bank in Singapore or any of its affiliated corporations, shall be disregarded.

**Merger or consolidation of, or acquisition by, merchant bank, etc.**

18 A merchant bank in Singapore which has granted an unsecured credit facility to a borrower shall give written notice to the Authority before the merchant bank or any of its affiliated corporations—

- (a) merges or consolidates with one or more corporations which have granted an unsecured credit facility to the borrower;
- (b) acquires all the shares in another corporation which has granted an unsecured credit facility to the borrower; or
- (c) acquires the business of another person which has granted an unsecured credit facility to the borrower.

19 If, upon the merger, consolidation or acquisition, the total outstanding unsecured amount of the borrower exceeds the overall credit limit of the borrower, the merchant bank in Singapore shall, within such period as may be specified by the Authority by notice in writing to the merchant bank, take such steps as may be specified by the Authority to ensure that the total outstanding unsecured amount ceases to be in excess of the overall credit limit.

**Solicitation**

20 A merchant bank in Singapore shall not grant any unsecured credit facilities to an individual unless he has requested for it in writing.

21 For the purposes of paragraph 20, "granting of any unsecured credit facilities" means—

- (a) the sending or giving of any article to an individual, the production of which allows access to, or drawdown on, any unsecured credit facilities, whether or not the article is valid for immediate use, e.g. a cheque book; or
- (b) allowing drawdown on any unsecured credit facilities,

but excludes the sending or giving of an article satisfying the criteria in subparagraph (a) by a merchant bank to an individual, in respect of any unsecured credit facilities which have been previously granted.

**Disclosure of finance and late payment charges**

22 Any merchant bank in Singapore which grants unsecured credit facilities shall include the following information in a clear and conspicuous manner in its statement of payment issued to borrowers:

- (a) any finance charge or late payment charge which is imposed or will be imposed by the merchant bank and the method of computing such charges;
- (b) any other penalty or consequence for late payment which is or will be imposed by the merchant bank; and
- (c) a notice advising prompt settlement of the amount outstanding under the statement.

**Credit checks with credit bureau**

23 A merchant bank shall, prior to granting any unsecured credit facilities to any individual, conduct or cause to be conducted, comprehensive checks with one or more credit bureaus for the purpose of assessing the credit-worthiness of that individual.

24 This Notice does not affect the requirements of any other written law pertaining to unsecured credit facilities.

25        This Notice shall take immediate effect.

**(VI) Draft Financial and Margins Requirements Regulations to be Issued to Holders of Capital Markets Services Licences**

**Disclaimer: This version is in draft form and is subject to change after the consultation.**

**No. S 000 -**

SECURITIES AND FUTURES ACT  
(CHAPTER 289)  
SECURITIES AND FUTURES  
(FINANCIAL AND MARGIN REQUIREMENTS  
FOR HOLDERS OF CAPITAL MARKETS SERVICES LICENCES)  
(AMENDMENT) REGULATIONS 2007

In exercise of the powers conferred by sections 86(3), 100 and 341 of the Securities and Futures Act, the Monetary Authority of Singapore hereby makes the following Regulations:

**Citation and commencement**

1. These Regulations may be cited as the Securities and Futures (Financial and Margin Requirements for Holders of Capital Markets Services Licences) (Amendment) Regulations 2007 and shall come into operation on 2007.

**Amendment of regulation 24**

2. The Securities and Futures (Financial and Margin Requirements for Holders of Capital Markets Services Licences) Regulations (Rg 13) (referred to in these Regulations as the principal Regulations) is amended by deleting the word “The” in the first line of regulation 24(1), and substituting the words “Subject to regulation 24B, the”.

**New regulation 24B**

3. The principal Regulations is amended by inserting, immediately after regulation 24A, the following regulation:

**“Securities financing for initial public offerings**

**24B.-** (1) Subject to compliance with the conditions under paragraph (2), the holder of a licence for securities financing shall not be required to comply with regulation 24 in respect of its provision of securities financing for initial public offerings.

(2) under paragraph (1) shall –

(a) take reasonable steps necessary to ensure that the total amount of securities financing obtained by the customer does not exceed 80% of the amount paid by the customer for the subscription of the securities, including obtaining of a written declaration from the customer on whether –

(i) he has received any discount, rebate or any other benefit from any person which had the effect of reducing the subscription price of the securities, and the amount of such discount, rebate or benefit; and

(ii) he has been granted any securities financing by any other financial institution and the amount of such loan; and

(b) ensure that the total amount of its securities financing for all initial public offerings does not exceed 20% of its financial resources or average adjusted net capital.

(3) In this regulation –

“average adjusted net capital” has the same meaning as in regulation 24(6);

“securities financing for initial public offerings” means any securities financing provided during the unsecured period between the disbursement of the credit facility, advance or loan, as the case may be, and the allotment of the securities.”

Made this        day of        2007.

HENG SWEE KEAT  
*Managing Director,*  
*Monetary Authority of Singapore.*



**ANNEX B:  
DRAFT  
LEGISLATION FROM  
MINLAW**

**Disclaimer: This version is in draft form and is subject to change after the consultation.**

“PART IV

UNSECURED LOANS TO CITIZENS AND PERMANENT  
RESIDENTS OF SINGAPORE

**Definitions of this Part**

**15A.**—(1) In this Part, unless the context otherwise requires —

“affiliated corporation”, in relation to a moneylender that is a corporation, means —

- (a) its related corporation incorporated in Singapore; or
- (b) its related corporation incorporated outside Singapore that has a branch or office in Singapore;

“corporation” has the same meaning as in the Companies Act (Cap. 50);

“loan” includes an approved loan which may be drawn down and repaid at any time and from time to time in any amount, but the total that may be drawn down is subject to an approved limit; and a reference to the amount or outstanding amount of a loan, in the case of such a loan, is a reference to the approved limit;

“moneylender” means a licensed moneylender or an exempt moneylender;

“outstanding unsecured loan amount” has the meaning given to that expression in rule 15C(2);

“related corporation” has the same meaning as in the Companies Act;

“relevant borrower” has the meaning given to that expression in rule 15B(5) or 15C(7), as the case may be;

“unsecured loan” means any loan given without security or, in respect of any loan given with security, any part thereof which exceeds the market value of the assets constituting the security at the time of the application for the loan.

(2) In this Part, a reference to a loan granted by an affiliated corporation of a moneylender means, in the case of an affiliated corporation referred to in paragraph (b) of the definition of “affiliated corporation”, a loan granted using the branch or office of the affiliated corporation in Singapore.

**Unsecured loans only for persons earning at least \$20,000**

**15B.**—(1) A moneylender shall not grant any unsecured loan to a relevant borrower, if the total of —

- (a) the amount of the loan; and
- (b) the outstanding amount of every unsecured loan previously granted by him to the borrower,

exceeds \$3,000, unless the total income of the relevant borrower for the period of 12 months immediately before the date of application for the loan is at least \$20,000, or his total net personal assets as of that date exceeds \$2 million.

(2) A moneylender shall not grant any unsecured loan jointly to 2 or more persons any of whom is a relevant borrower, if the total of —

- (a) the amount of the loan; and
- (b) the outstanding amount of every unsecured loan previously granted by him to the relevant borrower or jointly to the relevant borrower and one or more other persons,

exceeds \$3,000, unless the total income of the relevant borrower for the period of 12 months immediately before the date of application for the loan is at least \$20,000, or his total net personal assets as of that date exceeds \$2 million.

(3) Any moneylender who contravenes paragraph (1) or (2) shall be guilty of an offence and shall be liable on conviction to a fine not exceeding \$12,500.

(4) It shall be a defence for a moneylender charged with an offence under paragraph (3) to prove that he had taken reasonable steps before granting the loan to satisfy himself that —

- (a) paragraph (1) or (2) (as the case may be) is not breached by the granting of the loan, including verifying the total income of the relevant borrower in the period referred to in paragraph (1) or (2) by using independent and reliable documentary evidence of such income; or
- (b) the proceeds of the loan will be used only for any of the purposes referred to in sub-paragraphs (a) to (h) of rule 15D(1), and the other requirements in the relevant sub-paragraph are met.

(5) In this rule, “relevant borrower” means a borrower who is a citizen of Singapore or a permanent resident.

**Outstanding loan balance limit**

**15C.**—(1) A moneylender shall not grant any unsecured loan to a relevant borrower, or jointly to 2 or more persons any of whom is a

relevant borrower, if this will result in the outstanding unsecured loan amount of the relevant borrower exceeding —

- (a) in a case where the total income of the relevant borrower for the period of 12 months immediately before the date of application for the loan is at least \$30,000, one-third of such total income; or
- (b) in a case where the total income of the relevant borrower for the period of 12 months immediately before the date of application for the loan is at least \$20,000 but less than \$30,000, one-sixth of such total income.

(2) For the purposes of this rule, the outstanding unsecured loan amount of the relevant borrower is the total of —

- (a) the amount of the unsecured loan referred to in paragraph (1) or, if the loan is granted jointly to him and one or more other persons, his share of that amount;
- (b) the outstanding amount of every unsecured loan previously granted by the moneylender (including, if it is a corporation, its affiliated corporation) to him; and
- (c) his share of the outstanding amount of every unsecured loan previously granted by the moneylender including (if it is a corporation, its affiliated corporation) jointly to the relevant borrower and one or more other persons.

(3) For the purposes of paragraph (2) —

- (a) the relevant borrower's share of the amount of a loan granted jointly to him and one or more other persons is the sum derived by dividing the amount by the total number of persons to whom the loan is granted; and
- (b) the relevant borrower's share of the outstanding amount of a loan granted jointly to him and one or more other persons is the sum derived by dividing the outstanding balance of the loan by the total number of persons from whom the loan is outstanding.

(4) In determining whether the outstanding unsecured loan amount of a relevant borrower exceeds the total income referred to in paragraph (1), the following shall be disregarded:

- (a) any addition of interest by the moneylender or (if the moneylender is a corporation) its affiliated corporation, including any interest on late payment;
- (b) a fall in the value of a security.

(5) Any moneylender who contravenes paragraph (1) shall be guilty of an offence and shall be liable on conviction to a fine not exceeding \$12,500.

(6) It shall be a defence for a moneylender charged with an offence under paragraph (5) to prove that he had taken reasonable steps before granting the loan to satisfy himself that —

- (a) paragraph (1) is not breached by the granting of the loan, including verifying the total income of the relevant borrower in the period referred to in paragraph (1) by using independent and reliable documentary evidence of such income; or
- (b) the proceeds of the loan will be used only for any of the purposes referred to in sub-paragraphs (a) to (h) of rule 15D(1), and the other requirements in the relevant sub-paragraph are met.

(7) In this rule, “relevant borrower” means a borrower who is a citizen of Singapore or a permanent resident —

- (a) whose total income for the period of 12 months immediately before the date of the borrower’s application for the loan is at least \$20,000 but less than \$120,000; and
- (b) whose total net personal assets on that date is \$2 million or less.

#### **Cases where rules 15B and 15C shall not apply**

**15D.**—(1) Rules 15B and 15C shall not apply to the following loans:

- (a) a loan granted for a business purpose;
- (b) a loan granted for the purpose of defraying expenses —
  - (i) which are incurred or to be incurred in Singapore or elsewhere, and are certified by a medical practitioner registered or deemed registered under the Medical Registration Act (Cap. 174) to be, in his opinion, essential medical expenses; or
  - (ii) which are incurred or to be incurred in a foreign country or territory, and are certified by a medical practitioner licensed, registered or approved under the law of that foreign country or territory to be, in his opinion, essential medical expenses;
- (c) a loan granted for the purpose of defraying expenses which are directly attributable to a course of education, including tuition fees and cost of accommodation, textbooks and computer equipment;
- (d) a renovation loan, where —
  - (i) the total of —
    - (A) the amount of the loan or, if the loan is granted jointly to a relevant borrower and one or more other

persons, the relevant borrower's share of the loan amount;

- (B) the outstanding balance of every renovation loan previously granted to the relevant borrower by the moneylender including (if it is a corporation) its affiliated corporation; and
- (C) the relevant borrower's share of the outstanding balance of every renovation loan previously granted by the moneylender including (if it is a corporation) its affiliated corporation jointly to the relevant borrower and one or more other persons,

does not exceed one-half of the total income of the relevant borrower for the period of 12 months immediately before the date of application for the loan or \$30,000, whichever is the lower;

- (ii) the loan repayment period does not exceed 5 years; and
  - (iii) in a case where the loan is granted jointly to the relevant borrower and one or more other persons, that other person or each of those other persons is the spouse or a child, parent or sibling of the relevant borrower;
- (e) a loan granted for the furnishing of any security to the Government in connection with the employment of a foreign domestic worker;
  - (f) a loan granted for the furnishing of any security to the Government in connection with an application to defer any liability under the Enlistment Act (Cap. 93);
  - (g) a loan (or part thereof) granted to a relevant borrower or jointly to a relevant borrower and one or more other persons the proceeds of which are paid directly by the moneylender to a person who has previously granted a loan to the relevant borrower or jointly to the relevant borrower and that other person or those other persons, in order to repay any amount owing under the second-mentioned loan which has become unsecured as a result of a fall in the value of the security given for the second-mentioned loan;
  - (h) a loan granted to an employee of the moneylender.

- (2) For the purposes of this rule —
- (a) the relevant borrower's share of the amount of a loan granted jointly to him and one or more other persons is the sum derived by dividing the amount by the total number of persons to whom the loan is granted; and
  - (b) the relevant borrower's share of the outstanding balance of a loan granted jointly to him and one or more other persons is the sum derived by dividing the outstanding balance of the loan by the total number of persons from whom the loan is outstanding.

### **Merger or consolidation of, or acquisition by, moneylender**

**15E.**—(1) Subject to paragraph (2), a moneylender shall not be treated as having contravened paragraph (1) of rule 15C in granting a loan that will result in the outstanding unsecured loan amount of a relevant borrower exceeding the amount referred to in that paragraph, if —

- (a) that amount is exceeded by reason only of —
  - (i) a merger or consolidation of the moneylender or (if it is a corporation) its affiliated corporation with another moneylender; or
  - (ii) an acquisition by the moneylender or (if it is a corporation) by its affiliated corporation of the business of another moneylender; and
- (b) the moneylender has, before the merger, consolidation or acquisition, given written notice to the Minister of such merger, consolidation or acquisition.

(2) Paragraph (1) applies only —

- (a) for such period as may be specified by the Minister in writing to the moneylender; and
- (b) if the outstanding unsecured loan amount of the relevant borrower does not increase on or after the date of the merger, consolidation or acquisition.

### **Solicitation**

**15F.**—(1) A moneylender shall not, directly or indirectly, without a prior written application from a citizen of Singapore or a permanent resident —

- (a) provide any article to him which enables him to have access to, or to draw down funds from, an unsecured loan facility; or
- (b) give him permission to draw down funds from an unsecured loan facility.

(2) Any moneylender who contravenes paragraph (1) shall be guilty of an offence and shall be liable on conviction to a fine not exceeding \$12,500 or to imprisonment for a term not exceeding 6 months or to both.”.