



PILOT FOR NEW MONEYLENDING BUSINESS MODELS BRIEFING TO APPLICANTS

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Registry of Moneylenders
Ministry of Law

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OVERVIEW OF MONEYLENDING INDUSTRY

- Regulated by the Registrar of Moneylenders under the Ministry of Law (“MinLaw”)
- Governed by the Moneylenders Act and Rules
- 2012: MinLaw imposed moratorium on the issuance of new moneylending licences
- 2015: Report of the Advisory Committee on Moneylending (“ACML”)
 - The ACML recommended lifting the moratorium
 - MinLaw stated that the recommendation would be reviewed in time as the industry adapted to new regulatory changes
 - Legislative changes in 2015 (Moneylenders Rules) and 2018 (Moneylenders Act)
- 2016: Moneylenders Credit Bureau (“MLCB”) began operations

PILOT OBJECTIVES & OUTCOMES

Main objective:

To introduce innovative practices and business models.

Desired outcomes:

1. Help the moneylending industry achieve higher standards
2. Ensure that borrowers continue to have safe access to personal credit
3. Ensure that moneylenders provide personal credit in a responsible manner

MILESTONES

11 May 2018	Announcement of Pilot
20 July 2018	Deadline for submission of proposals
October 2018	Announcement of selected proposals
Q1 2019	Issuance of Pilot licences
End-2019	Renewal of Pilot licences
End-2020	Conclusion of Pilot

PROCESS

1. Open and competitive approach
2. Proposals will be evaluated according to a set of transparent criteria. Submissions will be kept strictly confidential
3. Successful proposals will be allowed to apply for licences
 - Business must be operated by a new and separate legal entity
 - Businesses under the pilot must comply with prevailing laws and regulations
4. MinLaw will issue Pilot licences for up to 16 outlets
 - Maximum of 4 outlets per licence
 - Cap of 16 outlets amounts to less than 10% of the existing total
5. Each Pilot licence will carry conditions based on the applicant's proposal
 - Pilot licence conditions apply on top of existing legal requirements, which include Registrar's Directions and Licence Conditions
 - Failure to abide by Pilot licence conditions may be penalised by licensing action

PROCESS

6. The Pilot will last for two years until end-2020.
 - Licences issued under the Pilot is valid for one year, renewable on a yearly basis (same as ordinary licences).
7. At the end of the Pilot, MinLaw will consider options to refine the moneylending regulatory regime
8. Several possible outcomes for Pilot licences
 - Options include extension of validity, or amendment of licence conditions
 - No determination at this point
 - Licences will not be revoked without due cause

CRITERIA

Criteria	Weightage
1. Mandatory Criteria	Mandatory
a. Applicant profile	
b. Soundness and completeness of business model	
c. Participation in debt assistance schemes	
d. Customer acquisition and communication strategy	
e. Professional debt recovery practices	
2. Evaluative Criteria	90%
a. Effective cost of credit	70%
b. Credit policy	20%
3. Other Value-Added Aspects	10%

MANDATORY CRITERIA 1

APPLICANT PROFILE

1. Corporate profile
 - a. Management structure, including parent companies
 - b. Subsidiaries, shareholdings, beneficial share ownership
2. Size and financial strength
 - a. Applicant must have paid-up capital (“PUC”) of \$1 million
 - b. New business entity need only have PUC of \$100,000 as per upcoming legal requirement
3. Track record
 - a. Nature of current business and detailed track record in related fields, e.g. consumer finance
 - b. Legal suits in past 5 years
4. Personnel experience
 - a. CV of managers of new entity; must have at least 5 years’ experience in related fields

MANDATORY CRITERIA 2

BUSINESS PROPOSAL

1. Explain the business model
2. Expected revenue, cost, and profitability over two-year period
 - a. Should include expected loan default rates by segmented customer groups
 - b. Revenue projections should be broken down by source, e.g. interest rates, fees, late charges
3. Business outlets
 - a. Number required
 - b. Location
 - c. Timeline for opening outlets
4. Loan structures must be sustainable for the borrower

MANDATORY CRITERIA 3

PARTICIPATION IN DEBT ASSISTANCE SCHEMES

1. Must participate in at least one debt assistance scheme, to help distressed borrowers unable to pay down debt
2. May either:
 - a. Partner with a voluntary welfare organisation (“VWO”)
 - b. Administer an independent in-house scheme, whether new or existing
3. Describe the scheme, including (but not limited to):
 - a. Factors or conditions for providing assistance
 - b. Conditions for graduation or failure
 - c. How loans with other lenders will be reconciled
4. Will be required to participate in any formal debt restructuring scheme if so directed by MinLaw

MANDATORY CRITERIA 4

CUSTOMER ACQUISITION AND COMMUNICATION

1. Who are your intended customers?
2. How do you intend to acquire customers? Note that you will be required to comply with all existing restrictions, e.g. the Registrar's Directions on advertising.
3. How will you ensure that borrowers fully understand all loan terms and conditions before signing the loan contract? Including:
 - a. Communicating the impact of additional costs in the event of late repayments or defaults
 - b. Explaining the different loan packages on offer

MANDATORY CRITERIA 5**PROFESSIONAL DEBT RECOVERY PRACTICES**

1. Must comply with the Guidelines on Professional Debt Recovery Practices (see Appendix 1 of the Pilot invitation)
2. Practices should be fair and reasonable, and not cause embarrassment or distress
3. Explain how any outsourced part of debt recovery process will be managed
 - a. Moneylenders are fully responsible for the conduct of any debt collectors acting on their behalf, whether in-house or outsourced

EVALUATIVE CRITERIA 1

EFFECTIVE COST OF CREDIT

1. Describe all the loan products you intend to offer, and state the following details:
 - a. Nominal interest rate (% per month), computed on monthly outstanding balance
 - b. Date on which interest becomes payable
 - c. Late interest rate (% per month), computed on monthly outstanding balance
 - d. Any permitted fees chargeable, with details
 - e. Repayment schedule, including instalment frequency, instalment amount, instalment allocations to principal and interest, total number of instalments over tenure of the loan
2. For each loan product, state the **maximum effective cost of credit** that can be incurred by a borrower

EVALUATIVE CRITERIA 1

EFFECTIVE COST OF CREDIT

3. Pricing model

- a. Explain any factors that may cause the price of your loan product(s) to vary, e.g. borrower profile
- b. Connected to credit policy

4. Assessment of this criteria will be based on the effective cost of credit in five borrower scenarios (refer to application form)

- a. State which loan product you will offer to the borrower in each scenario.
- b. If you decide not to grant a loan of the stated quantum in any scenario, explain why in detail. Note that should you choose to do so, your score under this criteria will be normalized accordingly to exclude the scenario.

EVALUATIVE CRITERIA 2

CREDIT POLICY

1. Explain your credit policy:
 - a. Criteria for assessing the creditworthiness of each applicant
 - b. Criteria for deciding the quantum of credit that should be granted
 - c. Procedures for processing and approving loan applications
 - d. Policies on identification and management of problem loans and loan defaults
2. Credit policies that rely on objective and quantitative evidence will be given a higher score.
3. Additional measures to ensure health and sustainability of each loan will also be duly recognized

CONCLUSION

1. Applicants are strongly advised to read the invitation document carefully:
<http://www.mlaw.gov.sg/content/rom/en/pilotprogramme.html>
2. Applicants should use the application form provided. However, you may append additional documents to explain your proposal
 - Please ensure that your proposal content corresponds clearly to the stated criteria.
3. Revisions may be made to submitted proposals until 20 July 2018 (i.e. the submission deadline).

QUESTIONS & ANSWERS