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Transition Back to a Limited Guarantee – Singapore Plan

Singapore Deposit Insurance Corporation

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TRANSITION BACK TO LIMITED GUARANTEE – SINGAPORE PLAN

INTRODUCTION

1. Financial system remained stable and robust throughout recent financial crisis.

2. No extraordinary measures needed to maintain stability.

3. However, in response to blanket government guarantee on deposits introduced in other jurisdictions in the region, we implemented a government guarantee on deposits in Oct 08.

4. The move was a precaution aimed at ensuring a level international playing field for banks in Singapore.

PERIOD OF BLANKET GUARANTEE

1. The guarantee was implemented on 16 Oct 08 and will be in place until 31 December 2010.

2. The guarantee is backed by S$150 billion of the reserves of the Singapore Government.

3. Singapore's guarantee of deposits demonstrates its confidence in the soundness of its financial system

4. We believe that the period of guarantee of slightly over 2 years is adequate to allow for stability and confidence to be restored to the international financial system.

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TRANSITION MEASURES – INTERNATIONAL COORDINATION

1. **In view of the global nature of the crisis and the extreme measures implemented by governments to stem a systemic meltdown, a coordinated approach to rolling back these measures would be desirable.**

2. **In this regard, the Monetary Authority of Singapore (MAS), Hong Kong Monetary Authority and Bank Negara Malaysia have established a tripartite working group to map out a coordinated strategy for the scheduled exit from the full deposit guarantee by the end of 2010 in our respective jurisdictions.**

CHANGES TO DI SCHEME (1)

1. The Singapore Government guarantee on deposits was introduced in response to similar measures in other jurisdictions rather than to address any loss of confidence of its financial system.

2. As such, we believe that the existing DI Scheme is essentially sound in its key features in promoting stability in the financial system.

3. However, as part of the continual efforts to enhance our regulatory framework, SDIC and MAS are reviewing the DI scheme to ensure that the Scheme remains relevant, provides adequate protection to depositors and is in line with international practice.

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CHANGES TO DI SCHEME (2)

The key features of the DI Scheme that are currently being reviewed include the following:-

a) **Protection Limit** **The current limit of $20,000 was set when the Scheme was first launched in Apr 2006 to cover fully between 80% and 90% of insured depositors in line with international norms. Any new limit set will continue to follow such international norms.**

b) **Coverage of Business Accounts** **When the Scheme was first launched, business accounts were excluded from coverage as the main objective of the Scheme was targeted at the individual small depositor. The review will take into account feedback received, in particular to cover small businesses.**

CHANGES TO DI SCHEME (3)

c) Coverage on a Gross versus Net Basis The current coverage of the Scheme is on a net basis to align with other legislation on liquidation and bankruptcy. Although the SDIC has in place the payout systems to effect payments equally promptly whichever mode of coverage is adopted, the review is to take into account public perception and feedback received.

CONCLUSION

1. Barring any unforeseen circumstances, we expect the roll-back of the Government guarantee to proceed smoothly at the end of 2010 with coordination among Singapore, Hong Kong and Malaysia.
2. The economic and employment outlook is largely positive in Singapore. So, we do not expect any major obstacles in communicating to the general public on the roll-back of the Government guarantee.
3. SDIC will fully leverage on its multiple communications platforms to educate the public on any revisions to the DI Scheme.

Thank you