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Monetary Authority of Singapore (Amendment) Bill

Bill No. 37/2021.

Read the first time on 1 November 2021.

A BILL

i n t i t u l e d

An Act to amend the Monetary Authority of Singapore Act and the Government Securities Act in connection with reserves management.

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

Short title and commencement

1. This Act is the Monetary Authority of Singapore (Amendment) Act 2022 and comes into operation on a date that the Minister charged with the responsibility for monetary policy appoints by notification in the *Gazette*.

PART 1

AMENDMENTS TO MONETARY AUTHORITY OF SINGAPORE ACT

Amendment of section 23

2. Section 23 of the Monetary Authority of Singapore Act is amended —

(a) by deleting subsection (6) and substituting the following subsection:

“(6) Subsection (5) does not apply to the following:

(a) any subscription for reserves management Government securities issued by the Government under the Government Securities (Debt Market and Investment) Act 1992 that is —

(i) made solely in connection with the transfer of foreign reserve assets from the Authority to the Government, where such assets are in excess of the amount the Authority considers necessary for the conduct of monetary policy; or

(ii) made by way of a reinvestment of the principal sum payable, upon redemption, on any reserves management Government securities held by the Authority;

(b) any subscription for debt securities (including Treasury bills but not reserves management Government securities) issued by the Government that is made in connection with the conduct of monetary policy or the development of the bond market in Singapore; 5

(c) any subscription for debt securities issued by any public authority that is made in connection with the development of the bond market in Singapore, 10

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

(b) by inserting, immediately before the definition of “relevant Suspicious Transaction Reporting Officer” in subsection (11), the following definition: 15

““foreign reserve asset” means any moneys in a currency other than Singapore dollars or a financial asset not denominated in the currency of Singapore;”. 20

PART 2

AMENDMENTS TO GOVERNMENT SECURITIES ACT

Amendment of long title

3. The long title to the Government Securities Act as amended by the Government Borrowing (Miscellaneous Amendments) Act 2021 (called in this Part the amended principal Act) is amended by inserting, immediately after the words “Government Securities Fund”, the words “, the issue of reserves management Government securities in exchange for foreign reserve assets”. 25 30

Amendment of section 2

4. Section 2 of the amended principal Act is amended —

(a) by inserting, immediately after the definition of “financial institution”, the following definition:

5 ““foreign reserve asset” has the meaning given by
section 23(11) of the Monetary Authority of
Singapore Act 1970;”;

(b) by inserting, immediately after the words “any Treasury
10 Bill” in the definition of “Government securities”, the
words “and any RMGS”; and

(c) by inserting, immediately after the definition of
“repealed 1923 Act”, the following definition:

15 ““RMGS” means an instrument called a reserves
management Government security that is
issued under Part 3A;”.

Amendment of section 3

5. Section 3(1) of the amended principal Act is amended by
inserting, immediately after paragraph (b), the following paragraph:

20 “(ba) all foreign reserve assets received by the Government
from the Authority in exchange for RMGS issued to
the Authority, all income from these foreign reserve
assets and all proceeds realised from the disposition
of any of the foreign reserve assets;”.

Amendment of section 4

25 **6.** Section 4 of the amended principal Act is amended by inserting,
immediately after subsection (2), the following subsection:

30 “(3) To avoid doubt, this section does not prevent the Minister
causing any foreign reserve assets that are not moneys
comprised in the Government Securities Fund to be disposed
of and the proceeds thereof to be applied in accordance with
subsection (1).”.

Amendment of section 5

7. Section 5 of the amended principal Act is amended —

- (a) by inserting, immediately after the words “of moneys” in paragraph (a), the words “and assets”; and
- (b) by deleting paragraph (b) and substituting the following paragraph:

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“(b) arising from or incidental to —

- (i) any borrowing under this Act, the repealed 1923 Act and under any other written law authorising moneys borrowed to be paid into the Government Securities Fund; and

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- (ii) any redemption of Government securities, Treasury Bills or RMGS, including the transfer of assets to the Authority upon redemption of any RMGS.”.

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New Part 3A

8. The amended principal Act is amended by inserting, immediately after section 15, the following Part:

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“PART 3A

RESERVES MANAGEMENT GOVERNMENT SECURITIES

Limit on issue of RMGS to Authority

15A.—(1) In return for the issue of reserves management Government securities to the Authority under this Part, the Minister may, subject to subsection (2), accept from the Authority foreign reserve assets of an amount which the Authority considers is in excess of its requirements for performing its functions and duties in the conduct of monetary policy.

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(2) The total amount of reserves management Government securities issued under this Part and not redeemed must not at

any time exceed \$580,000,000,000, or any higher amount specified in a resolution of Parliament with which the President concurs in the President's discretion under Article 144(1)(a) of the Constitution.

(3) In applying subsection (2) —

(a) any foreign reserve assets accepted under subsection (1) in exchange for any RMGS issued must be converted into Singapore dollars at the appropriate rate of exchange on the first working day immediately before the RMGS is issued; and

(b) any foreign reserve assets transferred to the Authority on redemption of any RMGS must be converted into Singapore dollars at the appropriate rate of exchange on the first working day immediately before the day the RMGS is redeemed.

(4) The valuation of any foreign reserve assets that are not in the form of cash must be determined solely by or on behalf of the Minister, and not the Authority.

(5) RMGS must not be issued to a person other than the Authority.

Terms of RMGS

15B.—(1) Every RMGS issued under this Part is redeemable at par only.

(2) Every RMGS —

(a) is not transferable without the consent of the Minister; and

(b) is issued subject to such other conditions as to repayment, redemption and other matters as may be agreed between the Minister and the Authority, which may include —

(i) repayment of the principal sum in the form of financial assets not in the form of cash or not

denominated in the currency of Singapore or both; and

- (ii) redemption of the RMGS before the maturity date specified in the RMGS at the election of either the Government or the Authority.

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Principal sums and interest charged on Government Securities Fund

15C. The principal sums and interest payable in respect of any RMGS are charged upon and are payable out of the Government Securities Fund without authority other than this section.”.

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EXPLANATORY STATEMENT

This Bill seeks to amend 2 Acts to provide for the transfer by the Monetary Authority of Singapore (MAS) of foreign reserve assets, which are in excess of what the MAS requires for the conduct of monetary policy, to the Government in exchange for reserves management Government securities (RMGS).

Part 1 has the object of amending the Monetary Authority of Singapore Act to allow the MAS to directly subscribe for RMGS issued by the Government under the Government Securities Act after it is amended by the Government Borrowing (Miscellaneous Amendments) Act 2021 and renamed as the Government Securities (Debt Market and Investment) Act.

Part 2 sets out amendments to the Government Securities Act after it is amended by the Government Borrowing (Miscellaneous Amendments) Act 2021 and renamed as the Government Securities (Debt Market and Investment) Act, to provide for the issue of RMGS to the MAS in exchange for foreign reserve assets, which are in excess of what the MAS requires for the conduct of monetary policy.

Clause 1 relates to the short title and commencement.

PART 1

AMENDMENTS TO MONETARY AUTHORITY OF SINGAPORE ACT

Clause 2 deletes and substitutes section 23(6) of the Monetary Authority of Singapore Act, to make clear that section 23(5) (which states that the MAS shall not directly subscribe for any securities issued by the Government or any public authority) does not apply to any subscription for RMGS issued by the Government

under the renamed Government Securities (Debt Market and Investment) Act. Such subscription must either be made solely in connection with the transfer of foreign reserve assets from the MAS to the Government, where such assets are in excess of what the MAS requires for the conduct of monetary policy, or are made by way of a reinvestment of the principal sum payable, upon redemption, on any RMGS held by the MAS.

Clause 2 also amends section 23(11) to introduce a new definition connected with the subscription for RMGS by the MAS. The term “foreign reserve asset” is defined to mean any moneys in a currency other than Singapore dollars or a financial asset not denominated in the currency of Singapore.

PART 2

AMENDMENTS TO GOVERNMENT SECURITIES ACT

The references to sections in this Part are references to sections in the renamed Government Securities (Debt Market and Investment) Act.

Clause 3 amends the long title of the renamed Act by expanding its scope to include the issue of RMGS.

Clause 4 amends section 2 to introduce definitions connected with the issue of RMGS. The term “foreign reserve asset” has the meaning given by section 23(11) of the Monetary Authority of Singapore Act. The term “RMGS” is defined as an instrument issued under the new Part 3A of the renamed Act and is not a Government security.

Clause 5 amends section 3(1) on the composition of the Government Securities Fund. As foreign reserve assets may be in the form of cash and non-cash financial assets (like debentures and bonds), section 3(1) is amended to provide that all foreign reserve assets received by the Government from the MAS in exchange for RMGS (in whatever form) and all income from these foreign reserve assets and all proceeds realised from the disposition of any of the foreign reserve assets, will form part of the Government Securities Fund.

Clause 6 amends section 4 to make clear that the Finance Minister has power to cause any foreign reserve assets that are not moneys comprised in the Government Securities Fund to be disposed of, and for the proceeds thereof to be applied in the same way as other moneys in the Government Securities Fund.

Clause 7 amends section 5(a) and (b) to enable the costs and expenses incurred by the Government in connection with the management of assets in the Government Securities Fund, the issue of RMGS (including the acceptance of foreign reserve assets), and the transfer of assets to the MAS upon redemption of any RMGS, to be charged upon and payable out of the Government Securities Fund.

Clause 8 inserts a new Part 3A consisting of 3 new sections dealing with reserves management Government securities or RMGS.

The new section 15A makes clear that RMGS may be issued by the Government only to the MAS and only in exchange for foreign reserve assets of an amount which the MAS considers to be in excess of its requirements for performing its functions and duties in the conduct of monetary policy.

The new section 15A also sets a limit as to how much RMGS may be issued to the MAS in exchange for foreign reserve assets. The authority to issue RMGS is capped at an aggregate amount of \$580,000,000,000, calculated with reference to whatever is issued to the MAS in the form of RMGS and is not redeemed. The limit of \$580,000,000,000 may be increased by a resolution of Parliament with which the President concurs in the President's discretion under Article 144(1)(a) of the Constitution.

More foreign reserve assets cannot be accepted by the Government in exchange for issuing more RMGS to the MAS once the amount of RMGS not redeemed reaches \$580,000,000,000 and there is no parliamentary resolution to increase the limit.

As the limit is in Singapore dollars but the MAS will be transferring cash or financial assets denominated in foreign currency, the new section 15A sets out how to convert the foreign reserve assets accepted or redeemed.

The new section 15B covers terms of RMGS. It makes clear that an RMGS is redeemable at par only and is not transferable without the consent of the Finance Minister. Other than these 2 conditions, an RMGS may be issued on terms to be agreed between the Finance Minister and the MAS. This may include terms as to repayment and early redemption.

The new section 15C provides that the principal sums and interest payable in respect of any RMGS are charged upon and are payable out of the Government Securities Fund.

EXPENDITURE OF PUBLIC MONEY

This Bill will involve the Government in extra financial expenditure, the exact amount of which cannot at present be ascertained.
