

# MAS to issue up to five digital bank licences

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The Monetary Authority of Singapore (MAS) has articulated its intention to issue up to five digital banking licences to new banks in a bid to stay on top of digital developments while driving competition and innovation in the city-state.

“The far-reaching effects of digitalisation are stimulating a fundamental re-think of the role of banks in most advanced financial centres,” Tharman Shanmugaratnam, senior minister and chairman of MAS, said during an Association of Banks in Singapore (ABS) event on Friday, adding that the jurisdiction should embrace the “new phase” in Singapore’s banking industry and take advantage of the developments to avoid lagging behind its global counterparts.

“We must allow for greater competition and spur innovation in finance — competition between new and traditional business models, new players and incumbents, and different ways of using technology to serve business and individual customers,” he said. “We must also retain strong local anchors and trust in the banking system. These dual objectives have guided our past liberalisation initiatives, and motivate our next moves.”

Shanmugaratnam added that the regulator is looking to issue up to five licences, including two “digital full bank licences”, which will allow digital banks to service the retail market directly, and up to three “digital wholesale bank licences”, which target SMEs and the non-retail market. Applications for the former are open to Singapore-headquartered and Singaporean-controlled firms or joint ventures with such companies. Applications for the latter are open to all banks — local and foreign.

However, the licences will only be granted to new banks as existing local players are already permitted to set up “standalone digital banks” under the city-state’s internet banking framework.

“The new digital bank licences mark the next chapter in Singapore’s banking liberalisation journey,” continued Shanmugaratnam. “This will ensure that Singapore’s banking sector continues to be resilient, competitive and

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vibrant.”

Implementation and application details are expected to be released in August.

Looking to provide virtual banks with the necessary infrastructure, Oracle Financial Services has welcomed MAS’s announcement, saying that newer companies can construct their operating models around clients’ current needs, opening up opportunities for “digital firsts”.

“Increased competition from virtual banks could push incumbent banks to move faster into data-driven strategies that look to monetise data among participants of new financial services ecosystems beyond the traditional boundaries of the bank itself,” Venky Srinivasan, group vice president, JAPAC sales, FSGBU at Oracle Financial Services, told *Asian Private Banker*.

“The result is better digital services that boost customer value by giving them a choice, and understanding their needs more deeply at every stage of the financial lifecycle.”

In May, the Singaporean watchdog [responded to a Reuters inquiry](#), saying it was considering issuing digital bank licences and “studying whether to admit such digital-only banks with non-bank parentage”.

MAS is following in the footsteps of its Hong Kong counterpart, the Hong Kong Monetary Authority (HKMA), which has, [since March](#), issued eight virtual banking licences. According to the Hong Kong regulator, the banks are expected to launch in four-to-seven months’ time.

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