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Your Ref:
26 March 2010

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Dear Sirs

CONSULTATION PAPER ON REVIEW OF THE DEPOSIT INSURANCE SCHEME IN SINGAPORE

We refer to your letter dated 25 February 2010, inviting the Law Society's views on the above-mentioned Consultation Paper.

This matter was referred to the Society's Corporate Practice Committee ("Committee") for views. The Committee's comments on the following proposals in the Consultation Paper are as follows:

1. Proposal 1: The MAS may wish to consider broadening the scheme to cover other deposit-taking institutions in Singapore, namely wholesale banks, offshore banks and merchant banks. The rationale behind restricting the scheme to full banks and finance companies was to cover the retail depositors. However, if the current proposal 1 is implemented, a deposit placed by a large corporation, for example, with a full bank will be protected by the scheme, while a deposit placed by an individual with a wholesale/offshore/merchant bank will not. Such a consequence would not be consistent with the (expanded) rationale of the scheme.
2. Proposal 7: The Committee does not agree with the "gross payout approach". This is because it is fair to allow liabilities of the depositor to the bank to be set off first, and this will be consistent with the mandatory insolvency set-off rules. The banks will know how much should be set off, so there should be no administrative inconvenience in effecting the set-off. It may be more inefficient to require gross payouts first, followed by the bank then having to claim against the depositor for the debts he owes.

Thank you for giving the Law Society the opportunity to give its views on this matter.

Yours faithfully



Alvin Chen
Director, Representation and Law Reform

cc Corporate Practice Committee



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