

# **MOVING FROM PAYBOX TO PAYBOX PLUS**

Presentation by Denise Wong  
DICJ March 2019

# AGENDA

- Features of the Singapore Deposit Insurance Fund
  - Funding principles
  - Management of the Funds
  - Managing Payout Risks
- Paybox mandate to Paybox-plus mandate
  - Use of DI Fund in resolution
  - Recapitalisation of DI Fund

# AGENDA

- General features of the Singapore Deposit Insurance Fund
  - Funding principles
  - Management of the Funds
  - Managing Payout Risks
- Paybox mandate to Paybox-plus mandate
  - Use of DI Fund in resolution
  - Recapitalisation of DI Fund

# FUNDING PRINCIPLES

A failed institution would have contributed to the DI Scheme prior to its failure

Fund size of 0.3% of insured deposits, with solvency standard equivalent to A- credit rating

Pre-Funded

Funds to be raised over 10 years up to 2028

Liquidity Line of S\$20 billion from MAS

# MANAGEMENT OF DI FUND

## Investment objective of DI Fund

- capital preservation and maintenance of liquidity.

## DI Fund invested in:-

- Long-term Singapore Government Securities (SGS)
- Short-term Treasury Bill and MAS Bills

## Strategy to achieving investment objective

- Liquidity: Asset allocation 95% SGS and 5% T-Bills/ MAS Bills
- Capital Preservation: Mitigate interest-rate risk by building up a ladder of maturities in SGS to smooth out the timing of investment/reinvestment

# MANAGING PAYOUT RISKS

## Liquidity risk

Failure to obtain prompt and sufficient liquidity financing to pay insured depositors and payout overheads while awaiting recoveries from liquidator of failed Scheme member via subrogation claims.

## Solvency risk

Inability to repay liquidity loan using monies in the Fund additional premium contributions plus payments from liquidator of failed Scheme member.

# AGENDA

- General features of the Singapore Deposit Insurance Fund
  - Funding principles
  - Management of the Funds
  - Managing Payout Risks
- Paybox mandate to Paybox plus mandate
  - Use of DI Fund for resolution
  - Recapitalisation of DI Fund

# USE OF DI FUND IN RESOLUTION

In a resolution, SDIC will be involved in the resolution decision making where it relates to (i) a Scheme member in resolution; and (ii) potential use of the DI Fund

In the resolution of a bank, SDIC will transfer monies from the DI Fund to the trustee of the resolution fund – part of the resolution fund

Safeguards on the use of the DI Fund



# RECAPITALISING OF DI FUND

- Liquidation proceeds
  - Asset maintenance
  - Depositor priority
- Collection of additional premiums

**Thank you**