

Finance Companies (Amendment) Bill

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Bill No: 28/1994

Read the first time: 31st October 1994

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Explanatory Statement

Expenditure of Public Money

Finance Companies (Amendment) Bill

Bill No. 28/1994

Read the first time on 31st October 1994.

An Act to amend the Finance Companies Act (Chapter 108 of the 1985 Revised Edition).

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 may be cited as the Finance Companies (Amendment) Act 1994 and shall come into operation on such date as the Minister may, by notification in the *Gazette*, appoint.

Amendment of section 2

2. Section 2 of the Finance Companies Act (referred to in this Act as the principal Act) is amended —

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

““capital funds”, in relation to a finance company, means the paid-up capital and published reserves of that company deduction having been made in respect of any debit balance

appearing in the profit and loss account of the company;”;

- (b) by inserting, immediately after the definition of “financing business”, the following definition:

“ “Government securities” has the same meaning as in the Government Securities Act [Cap. 121A];” and

- (c) by inserting, immediately after the definition of “public company”, the following definition:

“ “published reserves”, in relation to a finance company, means reserves which appear in the accounts of the finance company but does not include any reserves which are represented by the writing down of the value of assets or by provision for the depreciation of fixed assets or which are maintained for any specific purposes;”.

Amendment of section 6

3. Section 6 of the principal Act is amended by inserting, immediately after subsection (6), the following subsection:

“(7) Every finance company shall pay such annual licence fee (including fees in respect of each of its branches) as the Authority may determine by notice in writing and in such manner as the Authority may determine.”.

New section 6A

4. The principal Act is amended by inserting, immediately after section 6, the following section:

“Appeal to Minister

6A. Any applicant who is aggrieved by the refusal of the Authority to grant a licence under section 6(3) may, within 30 days of the decision of the Authority, appeal in writing to the Minister whose decision shall be final and shall be given effect to by the Authority.”.

Repeal and re-enactment of section 7, and new section 7A

5. Section 7 of the principal Act is repealed and the following sections substituted therefor:

“Minimum capital requirements

7.—(1) Subject to this Act, a company shall not be granted or hold a licence unless —

- (a) in the case of a finance company which holds a licence to carry on financing business on the appointed day, its capital funds are, subject to this section, not less than \$50 million; and
- (b) in the case of a finance company which is granted a licence to carry on financing business after the appointed day, its issued and paid-up capital is not less than \$50 million and its capital funds are not less than that amount.

(2) Notwithstanding subsection (1)(a), the Authority may, at any time, after 8 years from the appointed day, by order require the issued and paid-up capital of a finance company to which that subsection applies to be not less than \$50 million within such time as may be specified in that order.

(3) Subject to subsection (4), a finance company to which subsection (1)(a) applies which has capital funds of less than \$50 million on the appointed day shall be exempt from the requirement of that provision for 8 years from the appointed day and shall not during that period allow its capital funds to be less than its capital funds on that day.

(4) If 20% or more of the issued and paid-up capital of a finance company is acquired by one or more persons who, alone or acting together with any associate or associates, by virtue of such acquisition becomes a substantial shareholder of the finance company on or after the appointed day, the finance company —

- (a) shall have not less than \$50 million in issued and paid-up capital; and
- (b) shall cease to be eligible for the exemption under subsection (3),

unless all the new substantial shareholders are finance companies each with capital funds of not less than \$50 million at the time of the acquisition.

(5) A finance company shall not reduce its paid-up capital during the currency of its licence without the approval of the Authority.

(6) The Authority may restrict or suspend the operations of a finance company which fails to comply with subsection (2), (3), (4) or (5).

(7) In this section and section 7A, “appointed day” means the date of commencement of the Finance Companies (Amendment) Act 1994.

(8) In this section, “substantial shareholder” has the same meaning as in section 81 of the Companies Act [Cap. 50].

Capital ratio

7A.—(1) The Authority may require every finance company to maintain capital funds in Singapore in proportion to its total assets or to every category of assets at such ratio or ratios as may from time to time be determined by the Authority by notice in writing.

(2) A finance company shall maintain a capital adequacy ratio of not less than 12% or such other percentage as may be determined by the Authority from time to time, as calculated in accordance with such form, content and manner as may be determined by the Authority by notice in writing.

(3) A finance company which on the appointed day is unable to comply with the capital adequacy ratio requirement of 12% in subsection (2) shall, within one year from that day, comply with the ratio but the finance company's capital adequacy ratio shall not at any time during that period be less than its capital adequacy ratio on the appointed day.

(4) The Authority may suspend or restrict the operations of a finance company which fails to comply with subsection (2) or (3) or any requirement of the Authority under subsection (1).”.

Repeal and re-enactment of section 18, and new section 18A

6. Section 18 of the principal Act is repealed and the following sections substituted therefor:

“Maintenance of reserve fund by finance companies

18.—(1) Every finance company shall —

- (a) maintain a reserve fund;
- (b) transfer to that reserve fund out of the net profits of each year, after due provision has been made for taxation —
 - (i) so long as the amount of the reserve fund is less than 50% of the paid-up capital, a sum not less than 50% of those net profits;
 - (ii) so long as the amount of the reserve fund is not less than 50% but less than 100% of the paid-up capital, a sum not less than 25% of those net profits; and
 - (iii) so long as the amount of the reserve fund is 100% or more of the paid-up capital, a sum not less than 5% of those net