

STIMULATING BANK LENDING

(A) Special Risk-Sharing Initiative (SRI)

The Government will launch the Special Risk-Sharing Initiative (SRI) to ensure that viable companies continue to have access to credit to sustain their operations and keep jobs. The SRI will help extend Government support to a broader segment of the credit market, especially mid-sized companies, and share in the risks of trade financing for the first time.

The SRI has the following two components:

1. The New Bridging Loan Programme (BLP)
2. Trade Finance Schemes
 - a. Loan Insurance Scheme - Plus (LIS+)
 - b. Trade Credit Insurance Programme (TCIP)

The programmes under the SRI will be in operation for one year, but with possible extension for another year if the situation warrants.

(1) The New Bridging Loan Programme (BLP)

Commencing on 1 February 2009, the new Bridging Loan Programme (BLP) focuses on the needs of all companies, and especially the mid-sized companies, by improving their access to working capital.

Details of the BLP are as follows:

Structure	Details
Use of Funds	Working capital, including unsecured credit
Interest Rate	Minimum of 5%. The Participating Financing Institutions (PFIs) have the flexibility to charge interest rates above 5%, and interest spreads above 5% accrue fully to the PFIs ¹
Maximum Loan Quantum	\$5 million per borrower group
Eligible Companies	All locally-owned companies, and foreign-owned SMEs ²
Risk Share	Government: 80% Participating Financial Institution (PFI): 20%

¹ Previously, 50% of the interest rate spreads above 5% accrued to the Government in exchange for taking on 50% of the risk

² A foreign-owned SME is defined as a company with less than 30% local shareholding, which also: (a) has maximum \$15m Fixed Asset Investments (FAI); (b) is incorporated in Singapore; (c) is tax resident of Singapore; and (d) has at least one individual shareholder directly holding at least 10% of total number of issued ordinary shares.

(2) Trade Finance Schemes

To address constraints of limited private insurance capacity and a reduced risk appetite, the Government will take on a significant proportion of the risks in trade financing.

Companies with orders need loans to fulfill their orders as well as insurance against the risk of their buyers defaulting on payments. The new trade finance schemes will help mid-sized and large exporters obtain loans and trade insurance on the scale they need.

Under SRI, there are two schemes which address the trade finance component:

- a. Loan Insurance Scheme - Plus (LIS+)
- b. Trade Credit Insurance Programme (TCIP)

(a) New Loan Insurance Scheme – Plus (LIS+)

- LIS+ helps Singapore-based companies to secure working capital and trade financing facilities by providing private insurance to banks against default by borrowers.
- Commencing on 1 February 2009, details of the Scheme are as follows:

Structure	Details
Use of Funds	Secured working capital (e.g. against receivables)
Maximum Loan Quantum	\$15 million per borrower group
Eligible Companies	All companies (at least 30% local shareholding)
Risk Share (for qualifying loans)	<ul style="list-style-type: none">▪ Government: 75%▪ PFI: 25%

(b) New Trade Credit Insurance Programme (TCIP)

- To protect Singapore-based companies against non-payment by buyers, a new Trade Credit Insurance Programme (TCIP) will be launched in March 2009.
- The Government is examining ways to increase the insurance coverage capacity. Also, to ameliorate the rising insurance premium costs, the government will be subsidising part of the insurance premiums.
- More details will be announced in MTI's COS

(B) Enhancements to Existing Credit Measures

The Government will enhance existing loan schemes. These enhancements will in effect for one year, starting 1 February 2009.

(B1) Local Enterprise Finance Scheme (LEFS)

For loans made under LEFS, the Government will increase its risk-share for loans made to local non-SMEs, from 50% to 80%. This will be similar to the Government risk-share for LEFS loans made to SMEs.

(B2) Micro Loan Programme (MLP)

For loans made under the MLP, the Government will increase its risk-share, from 80% to 90%.

(B3) Internationalisation Finance Scheme

The Government will increase the maximum loan quantum per borrower group, from \$15 million to \$50 million.

(C) Other Credit-related Measures

(C1) Extension of Tax Deduction on Loan Loss Provisions for Banks

To encourage banks to continue making adequate loan impairment provisions and bolster their financial strength to underpin continued lending in the downturn, the Government will extend the tax deduction on loss provisions made pursuant to MAS Notice 612, as well as other equivalent MAS notices for finance companies and merchant banks, for a further three Years of Assessment.