ANNEX B: Stimulating Bank Lending

The Government's loan schemes aim to complement commercial lending by helping companies access credit.

(A) Special Risk-Sharing Initiative

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

New Bridging Loan Programme (BLP)

The Government is launching a new Bridging Loan Programme (BLP), which replaces the BLP announced in Nov 08. It aims to inject more government loan capital through the banking system into viable businesses. The Programme focuses on the needs of all companies, and especially the mid-sized companies, by improving their access to working capital.

The new BLP will be in operation on a temporary basis for one year starting from 1 February 2009. It is administered by SPRING Singapore and offered through participating financial institutions (PFIs).

	Scheme which took effect from 1 Dec 08	**New scheme, with effect from 1 Feb 09**
Source of Funds	Government Capital	No change
Use of Funds	Working capital, including unsecured credit	No change
Interest Rate	After 1 Jan 09 Minimum of 5.0%. (Announced on 30 Dec 08.) Before 1 Jan 09 Minimum of 6.25%	Interest rate spreads above 5% accrue fully to PFIs[1]
Maximum Loan Quantum	$500,000	**$5 million**
Eligible Companies	Companies with more than 10 employees (at least 30% local shareholding)	All locally owned companies, and foreign-owned SMEs[2]
Risk Share	Govt: 50% PFI: 50%	**Govt: 80%** **PFI: 20%**

For more information, please contact:
EnterpriseOne Hotline
Tel: 6898-1800
http://www.spring.gov.sg/blp/

[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 SME is defined as a company with less than 30% local shareholding, which also:

a. has maximum $15 million in Fixed Asset Investment (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.

Loan Insurance Scheme - Plus (LIS+)

The Loan Insurance Scheme (LIS) helps Singapore-based companies to secure working capital and trade financing facilities by providing private insurance to banks against default by borrowers. Previously, the Government's involvement was in subsidising the insurance premiums.

From 1 February 2009, the Government will launch a new programme that will complement LIS, named LIS+. For a one-year period, the Government will share 75% of the risk on LIS and LIS+ loans that meet certain qualifying criteria.

	Scheme before 1 Dec 08	**Enhancements which took effect from 1 Dec 08**	**New scheme, with effect from 1 Feb 09**
Source of Funds	Financial Institution	No change	No change
Use of Funds	Secured working capital (e.g. against receivables)	No change	No change
Maximum Loan Quantum	No limit but insurer has veto rights over $1 million	No change	**Up to $15 million per borrower group**
Eligible Companies	SMEs	All companies (at least 30% local shareholding)	No change
Risk Share	Insurer: 75% PFI: 25% Government supports 50% of insurance premium on loans	Government pays for 90% of insurance premium on loans.	**For qualifying LIS and LIS+ loans** Govt: 75% PFI: 25%

For more information on LIS+, please contact:
IE Singapore
Tel: 1800-IESPORE (1800-437-7673)
http://www.iesingapore.gov.sg/lis

New Trade Credit Insurance Programme (TCIP)

To provide better access to trade credit insurance cover for Singapore-based exporters, a new Trade Credit Insurance Programme (TCIP) will be launched in March 2009.

Administered by IE Singapore, the TCIP protects against the non-payment and default risks of buyers. Should buyers default on payment further to the stipulated due date and grace period, the insurer will pay upon verifying the validity of the claim.

The Government is looking at 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 at the Committee of Supply Debate (Ministry of Trade and Industry).

(B) Enhancements to Existing Credit Measures

Local Enterprise Finance Scheme (LEFS)

The Local Enterprise Finance Scheme (LEFS) is a fixed interest rate financing programme offering loans of up to $15 million to encourage and assist local enterprises to modernise and upgrade their operations. Administered by SPRING Singapore, LEFS is offered through 14 participating financial institutions (PFIs).

The enhancements are as follows:

	Before 1 Dec 08	**Enhancements which took effect from 1 Dec 08**		**Enhancements with effect from 1 Feb 09**
Source of Funds	Government capital	No change		No change
Use of Funds	Secured factory loan Machinery term loan Hire Purchase	No change		No change
Interest Rate (depending on loan tenure)	Minimum of 6.25% (< 4 years) Minimum of 6.75% (> 4 years)	Minimum of 5.0% (< 4 years) Minimum of 5.5% (> 4 years) (Announced in Dec 08)		No change
Maximum Loan Quantum	$15 million	No change		No change
Eligible Companies	Local SMEs	Local SMEs	Local Non-SMEs	All companies (at least 30% local shareholding)
Risk Share	Govt: 50% PFI: 50%	Govt:80% PFI: 20%	Govt: 50% PFI: 50%	**Govt: 80%** **PFI: 20%** **(both SMEs and non-SMEs)**
Scope		• Expanded to include financing of more types of construction equipment and heavy vehicles		No change

For more information, please contact:
EnterpriseOne Hotline
Tel: 6898-1800
http://www.spring.gov.sg/lefs/

Micro Loan Programme (MLP)

The Micro Loan Programme (MLP) is a fixed interest rate financing programme for enterprises with no more than 10 employees. Administered by SPRING Singapore, Micro Loan is offered through 14 participating financial institutions.

The enhancements are as follows:

	Before 1 Dec 08	Enhancements which took effect from 1 Dec 08	Enhancements with effect from 1 Feb 09
Source of Funds	Government capital	No change	No change
Use of Funds	Unsecured working capital	No change	No change
Maximum Loan Quantum	$50,000	$100,000	No change
Interest Rate (depending on loan tenure)	Floor of 6.25%	Floor of 5.0% (< 4 years) (Announced in Dec 08)	No change
Eligible Companies	SMEs with no more than 10 employees • At least 30% of local shareholding • Group fixed assets are below $15 million (for manufacturing sector) • Group has no more than 200 employees (for services sector)	No change	No change
Risk Share	Govt: 50% PFI: 50%	Govt: 80% PFI: 20%	**Govt: 90%** **PFI: 10%**

For more information, please contact:
EnterpriseOne Hotline
Tel: 6898-1800
http://www.spring.gov.sg/microloan

Internationalisation Finance Scheme (IF Scheme)

The IF Scheme is a financing scheme to assist Singapore-based companies to expand overseas. Companies can tap on the IF Scheme to acquire fixed assets for use overseas and/or to finance the working capital expenses of secured overseas projects.

The enhancements are as follows:

	Before 1 Dec 08	**Enhancements which took effect from 1 Dec 08**	**Enhancements with effect from 1 Feb 09**
Source of Funds	Financial Institution	No change	No change
Use of Funds	Overseas fixed assets, structured project financing	No change	**Refinancing into the IF Scheme allowed**
Maximum Loan Quantum	$15 million	No change	**Increase to $50m per borrower group.**
Eligible Companies	Turnover caps Non-Trading ▪ Listed: <$100m ▪ Privately-held: < $200m Trading[3] ▪ Listed: < $200m ▪ Privately-held: < $500m	Turnover caps Non-trading ▪ $300m for both listed and privately-held Trading ▪ Listed: < $300m ▪ Privately-held: No change	No change
Risk Share	Govt: 70% PFI: 30%	Govt: 80% PFI: 20%	No change
Qualifying criteria	Borrower must be a Singapore-based_company with at least three strategic business functions[4] in Singapore. ▪ Borrower can tap on the IF Scheme to purchase fixed assets and/or purchase factories for use by its overseas subsidiary company, which is at least 50% equity owned by the Singapore-based company. ▪ Borrower with no physical set-up overseas but is exporting services to overseas market (such as leasing companies) can also tap on the IF Scheme to finance the purchase of fixed assets for use overseas. ▪ Borrower with secured overseas contract can tap on the IF Scheme to finance the working capital expenses associated with the confirmed contract. Overseas business must complement the Singapore company's core operations and result in economic spin-offs to Singapore.		

For more information, please contact:
IE Singapore
Tel: 1800-IESPORE (1800-437-7673)
http://www.iesingapore.gov.sg/ifs

[3] *It refers to companies that derive more than 50% of turnover from trading activities.*
[4] *Strategic business functions refer to activities such as banking and finance, marketing and business planning, procurement/logistics, training and personnel management, investment planning/coordination, research and development, technical support and manufacturing.*

List of participating financial institutions

Bridging Loan, Micro Loan and Local Enterprise Finance Scheme (LEFS)

1. DBS Bank Limited
2. GE Commercial Financing (Singapore) Ltd
3. Hong Leong Finance Limited
4. IFS Capital Limited
5. Indian Bank
6. Maybank
7. ORIX Leasing Singapore Ltd
8. Oversea-Chinese Banking Corporation Limited
9. RHB Bank
10. Sing Investments & Finance Limited*
11. Singapura Finance Limited*
12. Standard Chartered Bank
13. The Hongkong and Shanghai Banking Corporation Limited
14. United Overseas Bank Limited

Loan Insurance Scheme (LIS)

1. DBS Bank Limited
2. GE Commercial Financing (Singapore) Ltd
3. Hong Leong Finance Ltd
4. Maybank
5. Oversea-Chinese Banking Corporation Limited
6. Standard Chartered Bank
7. The Bank of East Asia, Limited
8. The Hongkong and Shanghai Banking Corporation Limited
9. United Overseas Bank Limited

Internationalisation Finance Scheme

1. ABN AMRO
2. DBS Bank Limited
3. GE Commercial Financing (Singapore) Ltd
4. Hong Leong Finance Limited
5. IFS Capital Limited
6. Maybank
7. ORIX Leasing Singapore Ltd
8. Oversea-Chinese Banking Corporation Limited
9. Standard Chartered Bank
10. The Hongkong and Shanghai Banking Corporation Limited
11. United Overseas Bank Limited

* Micro-Loan and LEFS schemes only

MINISTRY OF FINANCE

(C) Other Credit-Related Measures

Extension of Deductibility of MAS Notice 612 Provisions for Banks

Current Treatment

Currently, banks are allowed to claim tax deduction for the impairment provisions made under MAS Notice 612, subject to caps as stipulated under Section 14I of the Income Tax Act. This concession was introduced in 2005 and is valid for five Years of Assessment. Similar tax concessions were made for collective impairment provisions made under MAS Notice 811 for finance companies, and MAS Notice 1005 for merchant banks.

New Treatment

This tax concession will be extended, with the same terms and conditions, for a further three years. The extension of the tax concession will likewise apply for finance companies and merchant banks.

This tax change is to encourage banks to continue making adequate loan impairment provisions and bolster their financial strength to underpin continued lending in the downturn.