Liquidity Risk Management | Banks

MAS Finalises Guidelines on Liquidity Risk Management for Banks

On 10 July 2026, the Monetary Authority of Singapore (**MAS**) published its response to feedback received (**Response**) on the proposed Guidelines on Liquidity Risk Management (**Guidelines**) for banks, merchant banks and finance companies (**Banks**), together with the finalised Guidelines.[1]

Notably, the Response and Guidelines clarify how far a foreign bank branch may rely on its head office's group-wide frameworks, across governance, stress testing and contingency funding planning. MAS has also clarified that the flexibility to utilise liquid assets even if it results in a Bank falling below "regulatory liquidity requirements" does not extend to assets held to meet the Asset Maintenance Requirements (**AMR**) under MAS Notice 640. In addition, the transition period has been extended from six months to 12 months.

The Guidelines set out MAS' supervisory expectations for the liquidity risk management practices of Banks, to be applied in a manner commensurate with the nature, size and complexity of each Bank's activities. They build on the Guidelines on Risk Management Practices - Liquidity Risk issued in 2013, which apply to all financial institutions. For locally-incorporated Banks, they apply on a group basis. A foreign bank branch may leverage its head office's group-wide liquidity risk management framework, provided that it demonstrates that the framework, policies and processes meet the expectations set out in the Guidelines and adequately address Singapore-specific considerations.

We set out below the key clarifications as highlighted in the Response, together with a summary of the key revisions made in finalising the Guidelines. References to "paragraphs" are to paragraphs of the Guidelines.

Summary of Key Revisions

Topic	Update
Governance	The "board of directors" (**board**) is clarified to mean, for a Bank incorporated in Singapore, the board or a delegated board-level committee, and, for a Bank incorporated outside Singapore, a governing body or committee that sits above local management. Boards may delegate certain responsibilities to senior management committees such as the Asset and Liability Committee (**ALCO**) but retain accountability.

[1] MAS had, on 29 August 2025, issued a consultation paper (P013-2025) to seek feedback on the proposed Guidelines. The consultation closed on 29 September 2025.

Topic	Update
Stress Testing and Scenario Analysis	Foreign bank branches may leverage head office stress testing frameworks and scenarios provided Singapore-specific risks are captured. Frequency should be risk-based and proportionate, supported by a documented policy. The word “independent” has been deleted to avoid confusion.
Maintenance of Liquid Assets	Banks may include liquidity facilities provided by other central banks in their liquidity management toolkit where accessible and operationally ready. The flexibility to utilise liquid assets even if it results in a Bank falling below “regulatory liquidity requirements” does not extend to assets held to meet the AMR under MAS Notice 640.
Individual Currency Liquidity Risk Management	Significant currencies are to be identified at the Singapore branch level, with a threshold of 5% of total liabilities serving as a guide. Central bank facilities and, subject to constraints, intragroup and head office support facilities are recognised as acceptable back-stop arrangements.
Intraday Liquidity Risk Management	MAS intraday and standing facilities may be considered as part of a Bank’s liquidity risk management tools. Banks that are not direct MEPS+ participants remain exposed to intraday liquidity risks that need to be managed. MAS does not intend to introduce regulatory reporting requirements for intraday liquidity metrics (e.g., SRP50) at this time.
Contingency Funding Plan	A foreign bank branch is expected to maintain a contingency funding plan (**CFP**) for its Singapore operations, which may reference or build on the head office CFP. CFP activation criteria should be based on a combination of quantitative triggers and qualitative judgement, and the requirements on independent review of early warning indicators (**EWI**) monitoring have been revised.

Proportionality

The Guidelines adopt a principles-based approach, and MAS has added examples illustrating how proportionality applies. The “good practices” set out in boxed items are not minimum supervisory expectations applicable to all Banks; they are references that Banks may adapt to their own circumstances (new paragraph 1.3).

Governance

MAS has clarified that the “board of directors” means, for a Bank incorporated in Singapore, the board or a delegated board-level committee, and, for a Bank incorporated outside Singapore, a governing body or committee that sits above local management. Boards may delegate certain responsibilities to senior management committees, such as the ALCO, but retain accountability.

For a foreign bank branch, local senior management is expected to have adequate visibility into how the liquidity risks of the Singapore operations are managed. It remains accountable for ensuring that group frameworks adequately address local considerations and the regulatory requirements specific to the

Singapore branch, and should be able to demonstrate to MAS how it discharges its oversight responsibilities.

Risk Appetite

Banks are to articulate the level of liquidity risk they are willing to assume, as approved by the board, using qualitative descriptions, quantitative measures, or a combination of the two. MAS does not prescribe a specific format or mandate core components (amended paragraphs 4.2 and 4.3).

A foreign bank branch may continue to adopt a group-consistent approach to setting its liquidity risk appetite, provided this adequately reflects local considerations and meets MAS' expectations under the Guidelines.

Policies and Procedures

An annual review is generally expected. However, Banks should justify their chosen review frequency (amended paragraph 6.2), and tiered policy structures with different review frequencies are acceptable.

A foreign bank branch should assess whether its parent group's framework adequately addresses the risks specific to the Singapore operations, and implement additional measures to close any gaps. The local board of a foreign bank subsidiary is expected to approve all key policies applicable to the Singapore operations.

Risk Measurement and Evaluation

For business-as-usual analyses, foreign bank branches may use contractual cash flow projections without applying behavioural assumptions where appropriate (new paragraph 8.18). There should be coherence between behavioural assumptions used in liquidity risk management and those applied in Interest Rate Risk in the Banking Book (IRRBB) (amended paragraph 8.17).

Banks may manage funding concentration risk through quantitative and/or qualitative approaches, provided these effectively identify, monitor and manage such risks, with material concentrations incorporated into stress testing. Foreign bank branches relying primarily on group funding should have a robust understanding of its reliability and availability under stress.

Management Information System, Monitoring and Reporting

The group-basis management information system expectations (amended paragraph 9.2) apply only to locally-incorporated Banks. Banks should be able to assess their overall liquidity position at any point during the day, and MAS does not mandate a standardised reporting framework.

Banks may use the EWIs in paragraph 9.7 or other EWIs appropriate to the nature, size and complexity of their activities (amended paragraph 9.7).

Stress Testing and Scenario Analysis

The frequency of stress testing should be risk-based and proportionate, supported by a documented policy. The word "independent" has been deleted from paragraph 11.27 on the review of stress test scenarios and assumptions, and reverse stress testing at the Singapore level remains useful.

A foreign bank branch may apply and adapt head office stress testing frameworks and scenarios, provided these adequately capture the Singapore branch's liquidity risk profile and the Singapore-specific risks; otherwise, additional local scenarios should be established as needed (new paragraph 11.6).

Maintenance of Liquid Assets

The footnote to paragraph 12.7 provides examples of central bank facilities. Banks may include liquidity facilities provided by other central banks in their liquidity management toolkit, provided the facilities are accessible when needed and the Bank is operationally prepared to use them. It remains essential for Banks to regularly assess and test their ability to access relevant central bank liquidity facilities, to ensure operational readiness.

The reference to regulatory liquidity requirements in paragraph 12.8 refers to the applicable regulatory requirements for the Liquidity Coverage Ratio or Minimum Liquid Assets as stipulated in MAS Notice 649. This does not extend to eligible assets held to meet the AMR under MAS Notice 640, and Banks are not permitted to utilise eligible assets designated for compliance with the AMR under the flexibility provided in paragraph 12.8.

Individual Currency Liquidity Risk Management

Significant currencies are to be identified at the Singapore branch level, with a threshold of 5% of total liabilities serving as a guide (footnote 14). Central bank facilities and, subject to constraints, intragroup and head office support facilities are recognised as acceptable back-stop arrangements, and material currency mismatch among borrowers should be factored into stress testing (amended paragraph 14.5).

Intraday Liquidity Risk Management

MAS intraday and standing facilities may form part of a Bank's toolkit, subject to eligibility, collateral and operational readiness. Banks that are not direct participants in the MAS Electronic Payment System (**MEPS+**) remain exposed to intraday liquidity risks, and their intraday stress testing should be calibrated to the materiality of those risks (new paragraph 15.18). MAS does not intend to introduce reporting requirements for intraday liquidity metrics (e.g., SRP50) at this time. Separately, MAS is reviewing enhancements to MEPS+ to make participants' payment flow information more accessible, as part of its regular enhancement cycles.

Asset Encumbrance and Collateral Management

Banks are expected to demonstrate genuine operational capability to mobilise cash and collateral quickly, going beyond desktop exercises (amended paragraph 17.12). The reference to asset encumbrance disclosure has been removed from paragraph 17.3 to avoid the impression of an expansion of scope.

Contingency Funding Plan (CFP)

CFP activation criteria should be based on a combination of quantitative triggers and qualitative judgement (paragraph 18.7), and EWI monitoring and escalation procedures should be independently reviewed and tested (amended paragraph 18.8).

On CFP testing, Banks are expected to test what is operationally feasible, including operational steps, workarounds, escalation arrangements, and alternative funding or collateral mobilisation actions. Systemic infrastructure disruptions are beyond an individual bank's control, but contingencies still need to be developed, as such disruptions can occur.

A foreign bank branch should maintain a CFP for its Singapore operations, which may reference or build on the head office CFP, and should document how group-wide arrangements, such as communication plans and social media monitoring, apply to the Singapore branch.

Transition Period

Many respondents found the proposed six-month transition period challenging and requested 12 to 18 months, citing time needed to plan, implement and test system enhancements and, for foreign bank branches, to complete internal socialisation and obtain head office approvals. MAS will extend the transition period from six months to 12 months. Banks should nonetheless roll out what they can before the 12-month mark, rather than delaying implementation until then.

If you would like information and/or assistance on the above or any other area of law, you may wish to contact the Partner at WongPartnership whom you normally work with or any of the following Partners:

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