

PAWNBROKERS (AMENDMENT) BILL
MINISTRY OF LAW'S RESPONSES TO PUBLIC FEEDBACK RECEIVED

S/n based on annex of amendments	Extract of the Proposed amendment	Feedback received	Ministry of Law's Response
Changes related to doing away with the auction system			
1.2	To remove the requirement for pawnbrokers to sell such pledges by auction and return the surplus to the pawners.	<u>Feedback 1:</u> To reconsider the removal of the auction system, as this could deprive the pawners of their surplus, and result in "social discontent".	The current auction system benefits only a small proportion of pawners, as most pledges are redeemed. Thus, the removal of the system would benefit all pawners by incentivising pawnbrokers to pass on the ensuing cost savings to pawners in the form of lower interest rates and/or higher loan to valuation ratios.
1.3	In respect of each pledge that remains unredeemed after the redemption period, to require pawnbrokers to send a written notice to the pawner by acknowledgement of receipt (AR) registered post, the cost of which is to be borne by the pawnbroker, within 60 days after the expiry of the redemption period, to remind the pawner that the redemption period of the pledge has expired and the pledge is liable to be forfeited by the pawnbroker unless the pawner redeems the pledge or extends the redemption period on or before the expiry of the period of the notice which shall be no earlier than 30 days after the date of the notice. The notice shall also state the following matters: (a) The business name of the pawnbroker, the address of the approved business	<u>Feedback 2:</u> To change the period for sending the written notice to the pawner to two months to facilitate calculation of the time period, or shorten it to reduce the pawnbroker's exposure period. <u>Feedback 3:</u> To allow pawnbrokers to give the pawner options, at the point of pawning, on the preferred mode of notification. There was also a suggestion for the written notices to be sent to pawners via Certificates of Posting, which is more cost-effective than AR Registered. <u>Feedback 4:</u> To remove the requirement to	It would be clearer to stipulate 60 days instead of "two months", as the number of days in a calendar month can vary. The pawnbrokers have up to 60 days to send out the written notices to the pawners and are free to do so within a shorter timeframe. The mode of communication needs to facilitate (a) the tracking of responses by pawners; and (b) audit checks by Registry Of Pawnbrokers (ROP). In this regard, apart from AR Registered being the default mode of communication, we will also allow pawnbrokers to use email as an optional mode. Other modes of communication do not facilitate (a) and (b), and thus will not be allowed. This is a communication issue, and to address

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	<p>premises at which the pawn transaction was carried out, and the fixed line telephone number or numbers of that premises.</p> <p>(b) The pawn ticket number and pledge reference number.</p> <p>(c) The expiry date of the redemption period of the pledge.</p> <p>(d) The amount to be tendered by the pawner to redeem the pledge or to extend the redemption period.</p> <p>(e) The address and business hours of the business premises where the pawner may redeem the pledge or extend the redemption period.</p> <p>(f) Such information as the Registrar may specify (e.g. an indicative valuation of the pledge as at the date of the notice).</p>	<p>provide the indicative valuation of pledge after expiry of the redemption period, given that the value of most pledges fluctuates and pawnbrokers cannot accurately gauge the indicative value of the pledge, and thus pawners may confuse the indicative valuation with the prevailing valuation if they subsequently decide to redeem the pledge.</p> <p><u>Feedback 5:</u> To get the pawnbroker to include a statement indicating a marked-to-market valuation of the pledge when a customer goes to inquire at the pawnshop to decide whether or not to redeem the pledge instead of providing an indicative valuation to the pawner via written notice upon expiry of the redemption period.</p> <p><u>Feedback 6:</u> To remove the requirement to state on the written notice to pawners: (a) the expiry date of the redemption period of the pledge; and (b) the amount to be tendered by the pawner to redeem the pledge or extend the redemption period, given that these are already stated on the pawn ticket.</p> <p><u>Feedback 7:</u> To remove the requirement to state on the written notice to pawners, the amount to be tendered by the pawner to</p>	<p>this, the pawnbroker can include a disclaimer that the valuation provided is indicative, and may not be reflective of the prevailing valuation. The disclaimer can also make clear that the indicative valuation should not be taken as the pawnbroker's offer price to buy the pledge.</p> <p>This suggestion is premised on pawners showing up at the pawnshop, and if they fail to show up, they might not have the information to decide whether or not to redeem the pledge. Hence, making pawnbrokers send out the written notices would be more effective.</p> <p>The written notice serves as a reminder to the pawner, and the same information is also repeated on the pawn ticket. This information is useful for the pawners especially if the pawn ticket has been misplaced or is not within the pawner's easy access.</p> <p>MinLaw agrees with the feedback and will amend the Bill to require pawnbrokers to state on the written notice, the principal</p>

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		redeem the pledge or extend the redemption period, as the pawnbroker is unable to confirm this amount, which depends on when the pawner shows up to redeem his pledge.	amount and interest due upon expiry of the redemption period, plus the additional interest due per day after the expiry of the redemption period.
1.4	To provide that pawnbrokers shall not demand, charge or collect interest for a period that exceeds the redemption period by more than 1.5 months, in respect of the unredeemed pledges mentioned at paragraph 1.3.	<u>Feedback 8</u> : To align the maximum period for interest chargeable to the 60-day window, i.e. the pawnbroker should be allowed to charge interest up until the pawner redeems the pledge.	The rationale for capping at 1.5 months is to incentivise the pawnbrokers to ensure the timely delivery of the written notice from the pawnbrokers to their pawners. Otherwise, the pawnbrokers could send out the notice on the last day of the 60-day window.
1.6	To provide for a transition period wherein pawnbrokers shall continue to dispose of, by auction, pledges which had been taken in before the implementation of the laws to allow the forfeiture of unredeemed pledges, and that remove the requirement to return the surplus to the pawners.	<u>Feedback 9</u> : To remove the requirement to return the surplus to the pawner, if excess of net realised value of forfeited pledge, after netting of outstanding loan, accrued interest and reasonable administration fee is less than \$50.	The suggestion would not be fair to pawners, since they would have expected to get the surplus, having first pawned their items under the current law.
Changes related to the licensing of pawnbrokers			
2.1	To update the licensing regime of pawnbrokers by providing for the following: (a) That the Minister may prescribe one or more classes or descriptions of licences, and the fee payable in respect of each class or description of licence. (b) That an application for the issue of a licence shall be made in such form and manner as may be determined by the	<u>Feedback 10</u> : To spell out the types of classes for which licences will be issued. <u>Feedback 11</u> : To include the licensing of Islamic pawnbrokers (Ar-Rahnu), which emphasised transparency in pawnbroking and took in only gold and silver in bars, coins or jewellery forms as well as to make reference to published prices in valuation.	MinLaw will provide for the specific types of classes, when the need arises in the future. MinLaw will look into the feasibility of incorporating this in the current Bill.

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	<p>Registrar, and accompanied by a non-refundable application fee of a prescribed amount, which shall be paid in such manner as may be specified by the Registrar.</p> <p>(c) That the Registrar may at any time, by notice in writing to the licensee, vary or revoke any of the existing conditions of the licence or impose new conditions.</p>		
2.3	<p>To provide the following as grounds on which Registrar may reject an application to obtain a licence:</p> <p>(a) The applicant is not a company with an issued and paid-up capital (PUC) of not less than such sum as may be prescribed under the rules. (The prescribed minimum sums will be as per those currently imposed administratively, i.e. \$2 million for the applicant's first pawnshop, and \$1 million for each additional pawnshop.)</p> <p>(b) The applicant, its directors, managers, substantial shareholders and employees, are not of good character and are not fit and proper persons to carry on or manage, the business of pawnbroking.</p> <p>...</p> <p>(g) The premises to be licensed are not suitable for the conduct of a pawnbroking business and do not comply</p>	<p><u>Feedback 12</u>: To align the minimum PUC for all branches at \$2 million, as there should be no distinction drawn between the first pawnshop and each additional pawnshop, as far as PUC is concerned.</p> <p><u>Feedback 13</u>: To explicitly and clearly define the term "not of good character", which by itself is ambiguous.</p> <p><u>Feedback 14</u>: To require all pawnshops to have a strong room/secure safes/vaults within their premises for storage of pledges, to secure against burglary or fire.</p> <p><u>Feedback 15</u>: To reconsider the proposed security deposit (SD) of \$100,000 for each branch, as it could be excessive, and would permanently tie up the pawnbroker's capital.</p>	<p>The differentiated PUC requirement is to recognise that chain operators are more able to cross-deploy capital within the chain and are thus more resilient against financial shocks.</p> <p>It would be more practicable to keep the term broad/generic in the Act so that the Registrar is better able to exercise discretion based on the specific facts of each case.</p> <p>This is already stipulated administratively. Such requirements will be kept administrative to facilitate updating.</p> <p>MinLaw agrees with the feedback and will amend the Bill to allow pawnbrokers to furnish a banker's guarantee in lieu of cash for the SD.</p>

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	<p>with such security requirements as may be prescribed.</p> <p>...</p> <p>(k) The applicant has not placed with the Accountant-General security of a sum of \$100,000, or such other sum as may be specified by the Registrar, in respect of each of its premises, as a deposit for the proper conduct of its business under the licence, and for the due performance of its obligations to its pawners and other creditors. The security may be furnished by way of a cash deposit or a bank guarantee in a form specified by the Registrar, or in such other manner as the Registrar may allow.</p>		
5.1	To provide for the concept of automatic lapsing of a licence upon the winding up of the pawnbroker, and to provide that the Registrar have the discretion, upon the lapsing of the licence, to forfeit the security placed by the pawnbroker with the Accountant-General.	<u>Feedback 16</u> : For the forfeiture to take place only where there is compulsory winding up of the pawnbroker's business, and not when the pawnbroker voluntarily winds up his business.	The intent is to secure the cooperation of pawnbrokers who are being wound up, regardless of whether it is a compulsory or voluntary winding up case, to do so in an orderly manner. MinLaw will amend the Bill to make this clearer.
Changes to simplify the business of pawnbroking			
10.1	To simplify the existing requirements under section 14(1)(b) for pawnbrokers to display its business name and the words "Licensed Pawnbroker", by: a) Allowing the requisite information to be displayed on a sign and not necessarily	<u>Feedback 17</u> : To remove the requirement for pawnbrokers to display the words "Licensed Pawnbroker".	The requirement is to ensure that pawners will not be confused between the pawnbroking business and a non-pawnbroking business which may operate within the same premises. In line with the current requirement of the Act, where

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	<p>on a signboard.</p> <p>b) Requiring the sign to be in English only, and doing away with the need for it to also be in Chinese, Malay and Tamil.</p> <p>c) Requiring the sign to be affixed in a conspicuous position of the pawnshop, rather than prescribing that it be placed at or above the outer door of the pawnshop.</p>		<p>pawnbrokers are required to display the words "Pawnbroker's shop", we will amend the Bill to give pawnbrokers the option of displaying either "Pawnbroker's shop" or "Licensed Pawnbroker".</p>
Changes related to pawnbroking operations			
12.2	<p>To require the pawnbroker to include on the pawn ticket the following information in clear and legible characters in the English language:</p> <p>...</p> <p>(f) A description of the pledge, including any detached or detachable components, and in particular, the materials it is made of, the qualities of the materials, its measurable specifications, such as weight and size, its observable distinguishing marks, such a brand, trade mark, hallmark, inscription, engraving or serial number, and its colour. (The materials which the goods are made of and the qualities of the materials shall be recorded only if these are known to the pawnbroker after using all reasonable diligence to ascertain those matters.)</p> <p>(g) Such other information relating to the</p>	<p><u>Feedback 18</u>: It was highlighted that as there was no industry guide on all of the trademarks and hallmarks in existence, any description using observable marks and inscriptions was subjective and non-indicative of the uniqueness of the pledged item. As the pawn tickets were recognisable proof of documents listing the pledges that were held as collateral, the pawnbrokers would safeguard their interests by describing the pledges as accurately as possible.</p> <p><u>Feedback 19</u>: To remove the need to provide the first indicative valuation of the pledge, as the pawn price is typically close to the full valuation price.</p>	<p>MinLaw notes this feedback and will review the legislation if needed.</p> <p>The first indicative valuation will create more transparency in the pawning process, and facilitates the pawner's decision whether to proceed with pawning or shop around, especially in instances where the pawner prefers to have a smaller loan relative to the market value, so as to reduce the interest</p>

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	<p>pledge or its value as the Registrar may require (e.g. an indicative valuation of the pledge as at the date of the pawn).</p> <p>(h) The interest rate and the monthly interest amount payable by the pawner on the loan taken from the pawnbroker, expressed as a percentage and as an amount in dollar terms per month. (The interest rate payable shall be no higher than the prescribed maximum interest rate at the time the pledge is taken in pawn or the time the redemption period of the pawn is extended.)*</p> <p>(i) The type of charges that are or may become payable by the pawner. (The charges payable shall be no higher than the prescribed maximum charges at the time the pledge is taken in pawn or the time the redemption period of the pawn is extended.)*</p> <p>(j) The redemption period and the last date of redemption of the pledge.*</p> <p>(k) Such other information as may be required under the rules.</p> <p>(*The information in (h), (i) and (j) shall also be printed on the pawn ticket in legible characters in the Chinese, Malay and Tamil languages.)</p>	<p><u>Feedback 20</u>: To remove the requirement to print on the pawn ticket the monthly interest amount, which will be redundant, given that the interest rate will already be captured on the ticket.</p> <p><u>Feedback 21</u>: For 12.2h, it was suggested to add a safe-keeping fee as per Ar-Rahnu (Islamic pawnbroking) in lieu of interest, together with a conversion to show the effective monthly interest, which shall be equal or lower than the maximum allowable monthly interest.</p> <p><u>Feedback 22</u>: To only require information from 12.2h to 12.2j to be provided in English, as the pawn ticket does not have enough space to incorporate too many details.</p>	<p>payable.</p> <p>MinLaw agrees and will amend the Bill to remove the requirement to print the monthly interest amount on the pawn ticket, and just require the pawnbrokers print the actual interest rate charged on it.</p> <p>MinLaw will look into the feasibility of incorporating this in the current Bill.</p> <p>MinLaw agrees and will amend the Bill accordingly.</p>
12.3	To require that every pawn ticket have	<u>Feedback 23</u> : To remove requirement for	The requirement is to protect pawners by

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	printed on it or on a separate sheet of paper affixed to it, in clear and legible characters, such form of the terms and conditions of the pawn and in such font type and size as may be prescribed under the rules.	terms and conditions to be on or affixed to the pawn ticket and instead for these to be displayed in the pawnshop premises in 4 languages.	ensuring that the terms and conditions are made known to them. The pawn ticket forms the basis of the contractual agreement between the pawnbroker and the pawner, and thus needs to contain all the contractual terms.
19.1	To remove the following prohibitions which currently apply to pawnbrokers: a) Buying pawn tickets, whether issued by themselves or by other pawnbrokers b) Buy pledges which they have taken in pawn. c) Operating outside the hours from 8am to 8pm.	<u>Feedback 24:</u> To clarify on 19.1b, as it seems to contradict 19.2a, which makes it an offence for pawnbrokers to buy, sell or dispose of pledges within the redemption period. <u>Feedback 25:</u> To retain the current prohibition on the pawnshop operating hours, as allowing pawnbrokers to operate 24/7 may create social and security problems as well as leave a bad impression on tourists.	MinLaw agrees and will amend the Bill to make it no longer an offence for pawnbrokers to buy from the pawners, pledges pawned with them, during the redemption period. To protect pawners from being exploited, MinLaw will also amend the Bill to provide that a pawnbroker cannot contractually provide for a pre-emptive right to buy a pawn ticket issued by itself. MinLaw will prescribe a wider range of operating hours, as opposed to completely lifting the operating hours. The intent is to allow pawnbrokers more flexibility in their operating hours.
20.1	To refine the existing requirements under section 14(1)(c) for pawnbrokers to display the maximum interest rate it is allowed to charge, in the four official languages, by: a) Requiring pawnbrokers to also display the actual interest rate it actually charges. b) Requiring pawnbrokers to display the	<u>Feedback 26:</u> To require pawnbrokers to just display the rate that they were charging instead of both the maximum and actual rates chargeable, which could be confusing to pawners. <u>Feedback 27:</u> To give individual pawnbrokers discretion on whether to display information	MinLaw agrees and will amend the Bill to require pawnbrokers to display just the actual interest rate charged on pawn tickets, and the maximum interest rate in the pawnshop's premises. MinLaw agrees and will amend the Bill to require pawnbrokers to display the

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	<p>maximum interest rate allowed and the actual interest rate charged in a prominent location in or outside the pawnshop, rather than in some convenient location near or visible to all corners of the pawnshop.</p>	<p>in four languages.</p> <p><u>Feedback 28</u>: It was suggested to include a provision that pawnbrokers operating under the Ar-Rahnu concept to display the safe-keeping fee charged and its conversion to interest charged.</p>	<p>information on the pawn ticket in English only, but for the maximum interest rate, which will still be displayed in the pawnshop's premises, it will have to be in four languages, in accordance with the existing requirement.</p> <p>MinLaw will look into the feasibility of incorporating this in the current Bill.</p>
Changes to enhance the Registrar's regulation of pawnbrokers			
21.1	<p>To tighten pawnbrokers' requirements pertaining to record keeping, the breach of which shall be an offence, by requiring pawnbrokers to keep and use in his business such records in the English language and in electronic form, and in such other form and manner as may be prescribed under the rules, which shall include the following:</p> <p>(a) The full name, age, gender, residential address, identity number, telephone number and such other particulars of the pawnbroker so as to enable the pawnbroker to identify and communicate with him.</p> <p>...</p>	<p><u>Feedback 29</u>: To make "telephone number" an optional item, as pawners might not want to furnish their telephone number to the pawnbroker.</p>	<p>MinLaw agrees with this suggestion and will amend the Bill accordingly.</p>
Changes to provisions which prevent illicit activities			
27.1	<p>To make it an offence, punishable with imprisonment of up to five years or a fine or both, for a person to pawn stolen property</p>	<p><u>Feedback 30</u>: To add the word "knowingly" after the word "pawnbroker", as it is difficult for pawnbrokers to authenticate the</p>	<p>MinLaw agrees and will incorporate a mental element in the drafting of the Bill.</p>

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	and for a pawnbroker to take in stolen property.	ownership of items, and thus it may not be fair to make it an offence for pawnbrokers to take in stolen property unknowingly.	
31.3	To provide that where it is proved to the satisfaction of the court that any business of the pawnbroker has been carried on with the intention of defrauding any pawner, or any other person, or for any fraudulent purpose, the court may, on the application of any person who has thereby suffered any loss, declare that any of its directors, whether past or present, who was knowingly a party to the carrying on of the business in that manner, or any of its directors, secretaries, managers or other officers, whether past or present, who has caused the business of the pawnbroker to be carried on in that manner, shall be personally responsible, without any limitation of liability, for all or any of the losses suffered by the applicant. Where the court makes such a declaration against any person, the amount which such person is liable to pay shall be enforceable as a judgement debt.	<u>Feedback 31</u> : It is excessively onerous and harsh to hold the director personally responsible without limitation of liability.	This is in line with other legislation such as Companies Act and Money-changing and Remittance Businesses Act.
Technical changes			
33.1	To refine the definition of pawnbroking under the Act as follows: (a) Restricting pawnbroking to the taking in	<u>Feedback 32</u> : To raise the \$1,000 quantum cap to \$100,000, to allow the industry to take in pledges of higher value, so as to keep	We have reviewed this further and will segmentise pawnbrokers to be regulated under the Act based on whether they are

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	<p>of items where it is done as part of a business.</p> <p>(b) Raising the \$1,000 quantum cap (which exists to exclude commercial pledge loans from the Act) to \$20,000. This is to account for inflation.</p> <p>(c) Excluding lenders which are already regulated under other laws, e.g. banks and financial institutions.</p> <p>(d) Removing an existing exclusion which applies to secured loans exceeding \$100 where the interest rate does not exceed 10 per cent per annum. There is a need to also regulate loans with low interest rates, since the pledges in such cases can also be valuable.</p>	up with the times.	catering to individual pawners or corporate pawners, instead of loan quantum.
Feedback not related to proposed amendments			
NA	<p>Section 28:</p> <p>Where a pledge is destroyed or damaged by or in consequence of fire or lost, the pawnbroker shall nevertheless be liable, on application within the period during which the pledge would have been redeemable, to pay the value of the pledge after deducting the amount of the loan and profit, such value to be assumed to be one-half more than the amount of the loan.</p>	<u>Feedback 33</u> : To do away with the current one-half threshold and for pawnbrokers to compensate pawners with the valuation indicated on the pawn ticket. This would cause both parties to be unaffected by market/valuation risk.	MinLaw agrees and will amend to have the compensation based on the first indicative valuation.
NA	NA	<u>Feedback 34</u> : To provide clear regulations to preserve areas like public hospitals,	MinLaw will look into the feasibility incorporating this within the current Bill.

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		institutions of higher learning, public recreation areas (e.g. zoos, stadiums), food centres, government buildings and casinos from pawnshops.	
NA	NA	<u>Feedback 35</u> : To define and restricting the content of pawnbroking advertisements.	MinLaw has already implemented measures to regulate the content of pawnbroking advertisements, via a licence condition, where pawnbrokers are not allowed to, among others, put out any advertisements which are false/misleading or induce people to gamble. There is no need to incorporate such requirements into the Act.
NA	NA	<u>Feedback 36</u> : To prevent abuses and flouting of the regulations by intransigent/illegal pawnshops, strict enforcement and penalties must be clearly spelt out in the proposed amendments. The enforcement and investigation should not be left to the Police, but should be handled by IPTO officers with stipulated powers in the Act.	The proposed amendments already include measures to enhance ROP's regulatory powers against errant pawnbrokers, e.g. increasing the SD to \$100,000 and allowing the Registrar to forfeit the SD in the event of non-compliance by the pawnbroker.
NA	NA	<u>Feedback 37</u> : To mandate, as a licensing requirement, that pawnbrokers have a certified gemologist or certified valuers. This would ensure that the industry has qualified gemologists and valuers to serve the public and the valuation of the pledge is optimal.	Pawnbrokers are naturally incentivised to ensure a fair valuation, due to market competition. Moreover, this can be provided in the rules or licence conditions, if the need arises in the future.