



Monetary Authority of Singapore

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**GUIDELINES ON CORPORATE GOVERNANCE FOR DESIGNATED  
FINANCIAL HOLDING COMPANIES, BANKS, DIRECT INSURERS,  
REINSURERS AND CAPTIVE INSURERS WHICH ARE  
INCORPORATED IN SINGAPORE**

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## **GUIDELINES ON CORPORATE GOVERNANCE FOR DESIGNATED FINANCIAL HOLDING COMPANIES, BANKS, DIRECT INSURERS, REINSURERS AND CAPTIVE INSURERS WHICH ARE INCORPORATED IN SINGAPORE**

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### **Introduction**

1 The Guidelines on Corporate Governance (the “Guidelines”) are relevant to all designated financial holding companies<sup>1</sup>, banks, direct insurers, reinsurers and captive insurers which are incorporated in Singapore (collectively the “Financial Institutions”). They provide guidance on good practices that Financial Institutions should observe in relation to their corporate governance.

2 The Guidelines should be read in conjunction with the provisions of the Banking Act (Cap. 19) or the Insurance Act (Cap. 142) as the case may be, the relevant Corporate Governance Regulations issued pursuant to either of the Acts as well as written directions, codes and other guidelines that the Monetary Authority of Singapore (the “Authority”) may issue from time to time<sup>2</sup>.

3 The Guidelines comprise the Principles and Provisions of the Code of Corporate Governance 2018 (“Code”)<sup>3</sup> and Additional Guidelines added by the Authority (in italics) to take into account the unique characteristics of the business of banking and insurance, given the diverse and complex risks undertaken by these Financial Institutions and their responsibilities to depositors, policyholders and other customers.

4 The Principles set out broadly accepted characteristics of good corporate governance. The Provisions that underpin the Principles describe the tenets of good corporate governance and are designed to support compliance with the Principles. Financial Institutions are required to describe their corporate governance practices with reference to both the Principles and Provisions, and how their practices conform to the Principles.

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<sup>1</sup> Prior to the commencement of the Financial Holding Companies Act 2013, “**designated financial holding company**” refers to a company belonging to a class of financial institutions approved as financial holding companies under section 28 of the Monetary Authority of Singapore Act (Cap. 186). Upon the commencement of the Financial Holding Companies Act 2013, “designated financial holding company” refers to a financial holding company designated under section 4 of the Financial Holding Companies Act 2013.

<sup>2</sup> Upon the commencement of the Financial Holding Companies Act 2013 and the Corporate Governance Regulations issued pursuant to it, designated financial holding companies should read the Guidelines in conjunction with the provisions of those legislations.

<sup>3</sup> The Code was last revised on 6 August 2018 and can be found at <https://www.mas.gov.sg/-/media/MAS/Regulations-and-Financial-Stability/Regulatory-and-Supervisory-Framework/Corporate-Governance-of-Listed-Companies/Code-of-Corporate-Governance-6-Aug-2018.pdf>

5 Compliance with the Principles of the Code is already mandatory under the Listing Rules for Financial Institutions listed on the Singapore Exchange. For Financial Institutions that are not listed on the Singapore Exchange, the Authority expects:

- (a) banks<sup>4</sup>, Tier 1 insurers<sup>5</sup>, and certain designated financial holding companies<sup>6</sup> to fully observe these Principles<sup>7</sup>; and
- (b) Tier 2 insurers and other designated financial holding companies<sup>8</sup>, to observe the Principles or explain any variance in their annual reports or on their company websites.

6 In addition, the Authority expects every Financial Institution to observe the Provisions and the Additional Guidelines. Variances from the Provisions and Additional Guidelines are acceptable to the extent that Financial Institutions explicitly state and explain how their practices are consistent with the policy intent of the relevant Principle. The explanation of variances should be comprehensive and meaningful. Financial Institutions listed on the Singapore Exchange should disclose their corporate governance practices and explain variances from the Provisions and Additional Guidelines in their annual reports. Financial Institutions that are not listed on the Singapore Exchange should disclose the same in their annual reports or on their company websites.

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<sup>4</sup> In these Guidelines, “**bank**” refers to a bank incorporated in Singapore.

<sup>5</sup> In these Guidelines, “**Tier 1 insurer**” and “**Tier 2 insurer**” have the same meanings as set out in regulation 4(1) of the Insurance (Corporate Governance) Regulations 2013. To avoid doubt, a Tier 1 insurer and a Tier 2 insurer excludes a captive insurer.

<sup>6</sup> This refers to any designated financial holding company which has at least one subsidiary that is a bank or a Tier 1 insurer and where such subsidiary on its own accounts, or together with other subsidiaries that are financial institutions in the aggregate account, for 50% or more of the assets, capital, liabilities or revenue, of the financial holding company, its subsidiaries and any other company or entity treated as part of the financial holding company’s group of companies according to the accounting standards made or formulated by the Accounting Standards Council under Part III of the Accounting Standards Act 2007 and applicable to companies and to foreign companies in respect of their operations in Singapore for the purposes of the Companies Act (Cap. 50). In this footnote, a financial institution means any holding company or any company whose business the conduct of which is regulated or authorised, or subject to oversight, by the Authority under any written law or, if carried on in Singapore, would be regulated or authorised, or subject to oversight, by the Authority under any written law.

<sup>7</sup> Variances from Principles 11 and 12 under the sub-section “Shareholder Rights and Engagement” of the Code are acceptable if they are not relevant in the context of the ownership structure of non-listed Financial Institutions. Such variances should be explained in the annual reports or on the company websites.

<sup>8</sup> This refers to any designated financial holding company other than a designated financial holding company mentioned in footnote 6.

7 For captive insurers<sup>9</sup>, special purpose reinsurance vehicles<sup>10</sup>, marine mutual insurers<sup>11</sup> and run-off insurers<sup>12</sup> that are not listed on the Singapore Exchange, MAS does not expect such insurers to explain their variance from the Principles, Provisions and Additional Guidelines. The extent and degree to which such insurers observe the Guidelines should be commensurate with the size, nature and complexity of their business. However, where such Financial Institutions are listed on the Singapore Exchange, they are expected to comply with the Principles of the Code and observe the comply-or-explain requirement for the Provisions as provided for under the Singapore Exchange’s Listing Rules.

8 Please refer to the Annex for a summary of the compliance approach across different categories of Financial Institutions in respect of the Principles, Provisions and Additional Guidelines.

9 The Authority expects every Financial Institution to observe the following principles and standards in a manner commensurate with its size, nature of activities and risk profile:

- (a) Principles and Standards for Sound Compensation Practices<sup>13</sup> issued by the Financial Stability Board;
- (b) Information Paper on Incentive Structures in the Banking Industry issued by the Authority<sup>14</sup>.

In addition, the Authority expects every bank to observe the Corporate Governance Principles for Banks issued by the Basel Committee on Banking Supervision<sup>15</sup>.

### **Rationale for a Corporate Governance Framework for Financial Institutions**

10 Corporate governance refers to the set of relationships between a company’s Board, senior management, shareholders and other stakeholders, which provides the processes and structures through which the objectives of a company are met, and the means of attaining those objectives and monitoring performance. It helps define the way authority and responsibility are allocated and how corporate decisions are made.

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<sup>9</sup> “**Captive insurer**” has the same meaning as in section 1A of the Insurance Act (Cap. 142).

<sup>10</sup> “**Special Purpose Reinsurance Vehicle**” has the same meaning as section 2 of the Insurance (General Provisions and Exemptions for Special Purpose Reinsurance Vehicles) Regulations 2008.

<sup>11</sup> “**Marine mutual insurer**” has the same meaning as in section 1A of the Insurance Act (Cap. 142).

<sup>12</sup> “**Run-off insurer**” means an insurer which has stopped accepting new business, including policy renewals, and its activities are confined to honouring all obligations under insurance policies issued and paying off all outstanding and future lawful claims.

<sup>13</sup> FSB Principles for Sound Compensation Practices (April 2009), Implementation Standards for the FSB Principles for Sound Compensation Practices (September 2009), Supplementary Guidance to the FSB Principles and Standards on Sound Compensation Practices (March 2018).

<sup>14</sup> Issued in March 2019.

<sup>15</sup> Issued in July 2015.

11 Good corporate governance is crucial for the business of a Financial Institution to be managed in a safe and sound manner. Relative to other companies, Financial Institutions play a particularly important role in the economy and have an added responsibility of safeguarding customers' funds. Weak governance may not only undermine public confidence in that particular Financial Institution, but the financial system and markets in which it operates as well.

### **Risk-based Supervision and Corporate Governance**

12 The Board plays a critical role in the successful operation of a Financial Institution. The Board is chiefly responsible for setting corporate strategy, reviewing managerial performance and maximising returns for shareholders at an acceptable level of risk, while preventing conflicts of interest and balancing competing demands on the Financial Institution. Therefore, the effectiveness of the Board of a Financial Institution is a basic tenet of the Authority's risk-based supervisory approach. While the Board may delegate the responsibility for formulating sound and prudent policies and practices to Management, it remains accountable and cannot abrogate its overall responsibility for the Financial Institution. This does not mean however that the Board should assume the role of the Management. Management is accountable to the Board for the day-to-day conduct of the business and affairs of the Financial Institution.

### **Cancellation of Guidelines**

13 These Guidelines supersede and replace the Guidelines on Corporate Governance for Financial Holding Companies, Banks, Direct Insurers, Reinsurers, and Captive Insurers which are incorporated in Singapore that was issued on 3 April 2013. Guidelines that relate to disclosures are effective from 1 January 2022 and will apply to the Financial Institutions' annual reports covering financial years commencing from 1 January 2022. All other Guidelines are effective from 1 April 2022, with the exception of Provision 2.2 which will be effective from 31 December 2022. Financial Institutions are expected to provide explanations for variances observed from the respective effective dates in their annual reports covering financial years commencing from 1 January 2022 or on their websites.

## **BOARD MATTERS**

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### **THE BOARD'S CONDUCT OF AFFAIRS**

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#### **Principle:**

- 1 The company is headed by an effective Board which is collectively responsible and works with Management for the long-term success of the company.

#### **Provisions:**

- 1.1 Directors are fiduciaries who act objectively in the best interests of the company and hold Management accountable for performance. The Board puts in place a code of conduct and ethics, sets appropriate tone-from-the-top and desired organisational culture, and ensures proper accountability within the company. Directors facing conflicts of interest recuse themselves from discussions and decisions involving the issues of conflict.
- 1.2 Directors understand the company's business as well as their directorship duties (including their roles as executive, non-executive and independent directors). Directors are provided with opportunities to develop and maintain their skills and knowledge at the company's expense. The induction, training and development provided to new and existing directors are disclosed in the company's annual report or on its website.
- 1.3 The Board decides on matters that require its approval and clearly communicates this to Management in writing. Matters requiring board approval are disclosed in the company's annual report or on its website.
- 1.4 Board committees, including Executive Committees (if any), are formed with clear written terms of reference setting out their compositions, authorities and duties, including reporting back to the Board. The names of the committee members, the terms of reference, any delegation of the Board's authority to make decisions, and a summary of each committee's activities are disclosed in the company's annual report or on its website.
- 1.5 Directors attend and actively participate in Board and board committee meetings. The number of such meetings and each individual director's attendances at such meetings are disclosed in the company's annual report or on its website. Directors with multiple board representations ensure that sufficient time and attention are given to the affairs of each company.
- 1.6 Management provides directors with complete, adequate and timely information prior to meetings and on an on-going basis to enable them to make informed decisions and discharge their duties and responsibilities.
- 1.7 Directors have separate and independent access to Management, the company secretary, and external advisers (where necessary) at the company's expense.

The appointment and removal of the company secretary is a decision of the Board as a whole.

Additional Guidelines of the Authority

- 1.8 *The Board's role is to provide leadership, approve and oversee the implementation of the Financial Institution's strategic direction and overall business objectives, and ensure that the necessary resources are in place for the Financial Institution to meet its objectives, taking into account the need to safeguard customers' interests.*
- 1.9 *The Board discusses and approves the organisational structure of the Financial Institution. This includes ensuring that adequate corporate governance frameworks and systems are in place across the Financial Institution. In the case of a Group, the Board of the ultimate holding company refrains from setting up complex structures given the inherent risks of such structures. In the case of a Board of a subsidiary, it is responsible for the corporate governance of the subsidiary and it ensures that any reliance placed on group-level corporate governance practices are in accordance with the local regulatory requirements.*
- 1.10 *The Board provides oversight of senior management. It is responsible for the appointment and removal of senior management of the Financial Institution. The Board sets out clearly the roles, responsibilities, accountability, delegated authority and reporting relationships of senior management and key persons in control job functions<sup>16</sup>, and has these properly documented. The Board ensures that the knowledge and expertise of senior management and key persons in control job functions are appropriate given the risk profile and nature of the Financial Institution's business. The Board ensures that senior management carries out the day-to-day operations of the Financial Institution effectively and in accordance with the Financial Institution's code of conduct and ethics, business objectives and strategies, and long-term interests and viability.*
- 1.11 *The code of conduct and ethics put in place by the Board is aimed at promoting and maintaining a high level of professional conduct of the business and the code of conduct and ethics emphasises, among others, integrity, honesty and proper conduct at all times, both with respect to internal dealings and external transactions, including situations where there are potential conflicts of interest. The code of conduct and ethics discourages excessive risk taking activities, promotes open discussions and encourages issues to be raised upwards within the organisation where appropriate. The Board oversees the establishment of policies to strengthen the organisational culture of the Financial Institution.*

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<sup>16</sup> “**Control job functions**” includes risk management, finance, compliance, internal audit, human resources and risk control related operations.

- 1.12 *The Board ensures that senior management formulates policies and processes to promote fair practices and high standards of business conduct by staff. Such policies address any misrepresentation, in particular, making of false and misleading statements and misconduct by the staff. For an insurer, such policies also apply to its distribution channels and its claims adjudication.*
- 1.13 *There are clear complaint handling procedures in place to ensure that all complaints are dealt with professionally, fairly, promptly and diligently. These complaint handling procedures are clearly communicated to customers.*
- 1.14 *The Board and board committees maintain records of all its meetings, in particular records of discussions on key deliberations and decisions taken.*
- 1.15 *Directors with no prior experience as a listed company director or as a director of a financial institution, should undergo training in areas as appropriate, taking into account their background, skillset and experience. Such areas can include, but are not limited to, accounting and legal knowledge, or relevant regulatory and industry-specific knowledge.*
- 1.16 *In addition to the types of training referred to in Additional Guideline 1.15, the Board develops a continuous professional development programme for all directors to ensure that they are equipped with the appropriate skills and knowledge to perform their roles on the Board and board committees effectively. Such programmes may include providing the directors with a detailed overview and risk profile of the Financial Institution's significant or new business lines and an update on regulatory developments in jurisdictions which the Financial Institution has a presence in. The Board may develop separate programmes for executive directors, non-executive directors, first-time directors and new directors.*
- 1.17 *In its disclosure of the induction, orientation and training provided to new and existing directors as referred to in Provision 1.2, the Financial Institution includes an assessment of how these programmes meet the requirements as set out by the Nominating Committee to equip the Board and the respective board committees with relevant knowledge and skills in order to perform their roles effectively.*
- 1.18 *The Board regularly meets with senior management, including key persons in control job functions, to discuss and review critically the decisions made, information provided and any explanations given by senior management and key persons in control job functions, relating to the business and operations of the Financial Institution.*
- 1.19 *The Board reviews the Financial Institution's corporate governance framework, culture and conduct framework, business objectives and strategies on a periodic basis, and where there are material developments, to ensure that they remain relevant and effective. The Board and senior management observe the Guidelines on Individual Accountability and Conduct issued by the Authority.*



## BOARD COMPOSITION AND GUIDANCE

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### Principle:

- 2 The Board has an appropriate balance of independence and diversity of thought and background in its composition to enable it to make decisions in the best interests of the company.

### Provisions:

- 2.1 An “independent” director is one who is independent in conduct, character and judgement, and has no relationship with the company, its related corporations<sup>17</sup>, its substantial shareholders<sup>18</sup> or its officers that could interfere, or be reasonably perceived to interfere, with the exercise of the director’s independent business judgement in the best interests of the company.
- 2.2 Independent directors make up a majority of the Board where the Chairman is not independent<sup>19</sup>.
- 2.3 Non-executive directors make up a majority of the Board.
- 2.4 The Board and board committees are of an appropriate size, and comprise directors who as a group provide the appropriate balance and mix of skills, knowledge, experience, and other aspects of diversity such as gender and age, so as to avoid groupthink and foster constructive debate. The board diversity policy and progress made towards implementing the board diversity policy, including objectives, are disclosed in the company’s annual report or on its website.
- 2.5 Non-executive directors and/or independent directors, led by the independent Board Chairman or other independent director as appropriate, meet regularly without the presence of Management. The chairman of such meetings provides feedback to the Board and/or Board Chairman as appropriate.

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<sup>17</sup> The term “**related corporation**”, in relation to the company, has the same meaning as currently defined in the Companies Act, i.e. a corporation that is the company's holding company, subsidiary or fellow subsidiary.

<sup>18</sup> A “**substantial shareholder**” is a shareholder who has an interest in voting shares with attached total votes not less than 5% of the total votes attached to all voting shares in the company, in line with the definitions set out in section 81 of the Companies Act and section 2 of the Securities and Futures Act.

<sup>19</sup> In the case of Financial Institutions other than local banks, qualifying full banks, full banks, Tier 1 insurers and their designated financial holding companies, Provision 2.2 is replaced with the following: “Independent directors make up at least half of the Board where the Chairman is not independent.”

Additional Guidelines of the Authority

- 2.6 *The length of service on the Board is taken into consideration when assessing a director's independence on the Board. The Nominating Committee assesses annually, regardless of whether the director is close to his ninth year of service, whether the length of service of a director has affected his/her independence. Long-serving directors, in particular those who have served under the same Chairman or Chief Executive Officer, may have certain entrenched interests that impair their ability to act independently. A director is deemed as non-independent if the director:*
- (a) is or has been employed by the Financial Institution or any of its related corporations for the current or any of the past three financial years; or*
  - (b) has an immediate family member who is or has been employed by the Financial Institution or any of its related corporations as an executive officer or other material risk taker (defined in Additional Guideline 6.7), or whose remuneration is determined by the Remuneration Committee, for the current or any of the past three financial years.*
- 2.7 *The Board may establish a Board Executive Committee ("EXCO") to assist in the discharge of its duties, and to deliberate on matters requiring Board review that arise between full Board meetings. With regard to the representation of independent directors, the composition of the EXCO mirrors that recommended for the Board in Provision 2.2.*
- 2.8 *The Board ensures that the roles and responsibilities of the EXCO are clearly defined. An EXCO does not have the authority to exercise all of the powers of the Board. The role of the EXCO is to carry out Board functions and not to take on the functions of senior management.*
- 2.9 *Where the independent directors have concerns, particularly concerns about the running of the company or a proposed corporate action that was not resolved, they ensure that their concerns are recorded in Board minutes.*

## **CHAIRMAN AND CHIEF EXECUTIVE OFFICER**

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### **Principle:**

- 3 There is a clear division of responsibilities between the leadership of the Board and Management, and no one individual has unfettered powers of decision-making.

### **Provisions:**

- 3.1 The Chairman and the Chief Executive Officer (“CEO”) are separate persons to ensure an appropriate balance of power, increased accountability, and greater capacity of the Board for independent decision making.
- 3.2 The Board establishes and sets out in writing the division of responsibilities between the Chairman and the CEO.
- 3.3 The Board has a lead independent director to provide leadership in situations where the Chairman is conflicted, and especially when the Chairman is not independent. The lead independent director is available to shareholders where they have concerns and for which contact through the normal channels of communication with the Chairman or Management are inappropriate or inadequate.

### **Additional Guidelines of the Authority**

- 3.4 *The overall role of the Board Chairman is to lead and ensure the effectiveness of the Board. This includes:*
  - (a) *promoting a culture of openness and debate at the Board;*
  - (b) *facilitating the effective contribution of all directors; and*
  - (c) *promoting high standards of corporate governance.*
- 3.5 *Where a lead independent director is appointed, the roles and responsibilities of the Chairman and the lead independent director are clearly defined.*
- 3.6 *The lead independent director provides some form of independent leadership on the Board, and acts as a sounding board for the Chairman. The lead independent director leads the independent directors during Board meetings to raise relevant queries and ensure that there is a check and balance between the Board and senior management. The lead independent director also meets regularly with the other independent directors to assess the performance of the Chairman and senior management.*

## **BOARD MEMBERSHIP**

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### **Principle:**

- 4 The Board has a formal and transparent process for the appointment and re-appointment of directors, taking into account the need for progressive renewal of the Board.

### **Provisions:**

- 4.1 The Board establishes a Nominating Committee (“NC”) to make recommendations to the Board on relevant matters relating to:
- (a) the review of succession plans for directors, in particular the appointment and/or replacement of the Chairman, the CEO and key management personnel<sup>20</sup>;
  - (b) the process and criteria for evaluation of the performance of the Board, its board committees and directors;
  - (c) the review of training and professional development programs for the Board and its directors; and
  - (d) the appointment and re-appointment of directors (including alternate directors, if any).
- 4.2 The NC comprises at least three directors, the majority of whom, including the NC Chairman, are independent. The lead independent director, if any, is a member of the NC.
- 4.3 The company discloses the process for the selection, appointment and re-appointment of directors to the Board, including the criteria used to identify and evaluate potential new directors and channels used in searching for appropriate candidates in the company’s annual report or on its website.
- 4.4 The NC determines annually, and as and when circumstances require, if a director is independent, having regard to the circumstances set forth in Provision 2.1. Directors disclose their relationships with the company, its related corporations, its substantial shareholders or its officers, if any, which may affect their independence<sup>21</sup>, to the Board.

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<sup>20</sup> The term "**key management personnel**" shall mean the CEO and other persons having authority and responsibility for planning, directing and controlling the activities of the company.

<sup>21</sup> Such relationships include business relationships which the director, his or her immediate family member, or an organisation which the director, or his or her immediate family member is a substantial shareholder, partner

If the Board, having taken into account the views of the NC, determines that such directors are independent notwithstanding the existence of such relationships, the company discloses the relationships and its reasons in its annual report or on its website.

- 4.5 The NC ensures that new directors are aware of their duties and obligations. The NC also decides if a director is able to and has been adequately carrying out his or her duties as a director of the company. The company discloses in its annual report or on its website the listed company directorships and principal commitments<sup>22</sup> of each director, and where a director holds a significant number of such directorships and commitments, it provides the NC's and Board's reasoned assessment of the ability of the director to diligently discharge his or her duties.

Additional Guidelines of the Authority

- 4.6 *In reviewing nominations, the NC satisfies itself that each nominee is a fit and proper person, and is qualified for the office taking into account the nominee's track record, age, experience, capabilities, skills and such other relevant factors as may be determined by the NC. In addition, the NC reviews, on an annual basis, whether each existing director remains qualified for the office based on these criteria.*
- 4.7 *The names of the directors submitted for appointment or re-appointment are accompanied by details and information to enable shareholders and the Board to make informed decisions. Such information, which accompanies the relevant resolution, includes:*
- (a) date of last re-appointment;*
  - (b) professional qualifications;*
  - (c) any relationships including immediate family relationships between the candidate and the directors, the Financial Institution or its substantial shareholders;*
  - (d) a separate list of all current directorships in other listed companies;*
  - (e) details of other principal commitments;*

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(with 5% or more stake), executive officer or director in has with the company or any of its related corporations, and the director's direct association with a substantial shareholder of the company, in the current and immediate past financial year. Where the director or his or her immediate family member, or a company that he, she or they are a substantial shareholder in, provides to or receives from the company or its subsidiaries any significant payments or material services, the amount and nature of the service is disclosed.

<sup>22</sup> The term “**principal commitments**” includes all commitments which involve significant time commitment such as full-time occupation, consultancy work, committee work, non-listed company board representations and directorships and involvement in non-profit organisations. Where a director sits on the boards of non-active related corporations, those appointments should not normally be considered principal commitments.

- (f) *any prior experience as a director of a listed issuer or as a director of a financial institution.*
- 4.8 *All directors submit themselves for re-nomination and re-appointment at least once every three years.*
- 4.9 *The NC is charged with the responsibility of developing a framework to identify the skills that the Board collectively needs in order to discharge the Board's responsibilities effectively, taking into account the complexity of the Financial Institution's existing risk profile, business operations and future business strategy.*
- 4.10 *The NC assesses, at least on an annual basis, if the Board and the respective board committees lack any skills to perform their roles effectively and identify steps to improve the effectiveness of the Board and the respective board committees.*
- 4.11 *The NC reviews the nominations, and reasons for resignations, of key appointment holders such as directors, CEO, deputy CEO, Chief Financial Officer ("CFO"), chief risk officer ("CRO"), appointed actuary and certifying actuary of insurers, and relevant senior management staff. In addition, it ensures that there are adequate policies and procedures relating to the engagement, dismissal and succession of the senior management, and be actively involved in such processes. The Board discloses the resignation or dismissal of the key appointment holders in the Financial Institution's annual report or on the company website. The Financial Institution discusses the reasons for the resignation or dismissal of the key appointment holders with the Authority.*
- 4.12 *The Board identifies all directors, including their designations (i.e. independent, non-executive, executive, etc.) and roles (as members or chairmen of the board or board committees) in the annual report or on the company website.*

## **BOARD PERFORMANCE**

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### **Principle:**

- 5 The Board undertakes a formal annual assessment of its effectiveness as a whole, and that of each of its board committees and individual directors.

### **Provisions:**

- 5.1 The NC recommends for the Board's approval the objective performance criteria and process for the evaluation of the effectiveness of the Board as a whole, and of each board committee separately, as well as the contribution by the Chairman and each individual director to the Board.
- 5.2 The company discloses in its annual report or on its website how the assessments of the Board, its board committees and each director have been conducted, including the identity of any external facilitator and its connection, if any, with the company or any of its directors.

### **Additional Guidelines of the Authority**

- 5.3 *The performance criteria proposed by the NC includes the quality of risk management and adequacy of internal controls, and reflects the responsibility of the Board to safeguard the interests of the customers.*
- 5.4 *When the NC is deliberating upon the performance of a particular member of the NC, that member recuses himself/herself from the discussions to avoid conflicts of interest.*

## **REMUNERATION MATTERS**

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### **PROCEDURES FOR DEVELOPING REMUNERATION POLICIES**

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#### **Principle:**

- 6 The Board has a formal and transparent procedure for developing policies on director and executive remuneration, and for fixing the remuneration packages of individual directors and key management personnel. No director is involved in deciding his or her own remuneration.

#### **Provisions:**

- 6.1 The Board establishes a Remuneration Committee (“RC”) to review and make recommendations to the Board on:
- (a) a framework of remuneration for the Board and key management personnel; and
  - (b) the specific remuneration packages for each director as well as for the key management personnel.
- 6.2 The RC comprises at least three directors. All members of the RC are non-executive directors, the majority of whom, including the RC Chairman, are independent.
- 6.3 The RC considers all aspects of remuneration, including termination terms, to ensure they are fair.
- 6.4 The company discloses the engagement of any remuneration consultants and their independence in its annual report or on its website.

#### **Additional Guidelines of the Authority**

- 6.5 *The Board seeks to ensure that the remuneration policies are in line with the strategic objectives, as well as the Financial Institution’s code of conduct and ethics, and do not give rise to conflicts between the objectives of the Financial Institution and the interests of employees.*
- 6.6 *To ensure that remuneration policies do not create incentives for excessive risk-taking behaviour, relevant control job functions are involved in the design of remuneration policies, and provide inputs on performance evaluation and remuneration outcomes.*



*The RC seeks inputs from the Board Risk Committee<sup>23</sup> and ensures that remuneration practices do not create incentives for excessive or inappropriate risk-taking behaviour.*

- 6.7 *The RC oversees the design of remuneration policies and pays sustained attention to the operation of remuneration policies that cover all employees of the Financial Institution to ensure that the policies operate as intended, with particular attention to key management personnel and other employees whose actions may have a material impact on the risk exposure of the Financial Institution (“material risk takers”). The additional guidelines on the remuneration structure for key management personnel and other material risk takers are set out in Additional Guidelines 7.4 and 7.9.*
- 6.8 *The RC ensures that senior management exercise active oversight and monitor the implementation and effectiveness of remuneration policies. Remuneration outcomes, risk measurements and risk outcomes are reviewed regularly for consistency with the intentions of remuneration policies.*
- 6.9 *The RC ensures that an annual review, either internally conducted or externally commissioned, is conducted independently of management to assess the compliance of the Financial Institution’s remuneration policies with any relevant regulations and guidelines issued by the Authority or the Financial Institution’s home supervisor. Where the annual reviews are performed against regulations and guidelines issued by the Financial Institution’s home supervisor, the Financial Institution is able to demonstrate that the requirements and expectations of the home supervisor are consistent with the principles set out in the Authority’s regulations and guidelines. Where there are no material changes in the Financial Institution’s remuneration policies or applicable regulations and guidelines, the RC may determine the scope of the independent review as appropriate or waive the conduct of the review, for that year. The Financial Institution is to submit the outcome of the annual review (or where a review is not conducted, the RC’s assessment on why a review is not necessary) to the Authority upon request.*

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<sup>23</sup> The establishment of the Board Risk Committee and its roles and responsibilities are specified in Provision 9.1 and Additional Guidelines 9.7, 9.8 and 9.9.

## **LEVEL AND MIX OF REMUNERATION**

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### **Principle:**

- 7 The level and structure of remuneration of the Board and key management personnel are appropriate and proportionate to the sustained performance and value creation of the company, taking into account the strategic objectives of the company.

### **Provisions**

- 7.1 A significant and appropriate proportion of executive directors' and key management personnel's remuneration is structured so as to link rewards to corporate and individual performance. Performance-related remuneration is aligned with the interests of shareholders and other stakeholders and promotes the long-term success of the company.
- 7.2 The remuneration of non-executive directors is appropriate to the level of contribution, taking into account factors such as effort, time spent, and responsibilities.
- 7.3 Remuneration is appropriate to attract, retain and motivate the directors to provide good stewardship of the company and key management personnel to successfully manage the company for the long term.

### **Additional Guidelines of the Authority**

- 7.4 *The level and structure of remuneration for key management personnel and other material risk takers are consistent with the Financial Institution's long-term objectives and financial soundness. The following elements and factors are included in the design of their remuneration:*
- (a) a substantial proportion of remuneration is variable and paid on the basis of corporate and individual performance;*
  - (b) variable remuneration is awarded in a mix of instruments that create incentives aligned with the Financial Institution's long-term value creation and time horizon of risks; and*
  - (c) at least 40 percent of variable remuneration is subject to deferral arrangements over a period of at least three years. The proportion of variable remuneration that is deferred increases in line with the level of seniority and responsibility of the employee.*

- 7.5 *Guaranteed bonuses<sup>24</sup> are not consistent with sound risk management practices. Remuneration policies for all employees restrict the award of such bonuses to new employees and are limited to their first year of employment.*
- 7.6 *In determining the performance and remuneration for all employees, the Financial Institution adequately considers both financial and non-financial factors that are consistent with the long-term objectives and financial soundness of the Financial Institution. Non-financial factors include quality of risk management, degree of compliance with laws and regulation, adherence to the Financial Institution's code of conduct and ethics and fair treatment of customers.*
- 7.7 *For employees in control job functions, their performance and remuneration is determined independently of the business functions, and the performance measures are determined in accordance with their role, so as not to compromise their independence.*
- 7.8 *Remuneration policies for all employees contain mechanisms for ex-ante adjustments<sup>25</sup> to remuneration for all types of risk, including risks associated with misconduct that can result in harm to the Financial Institution, customers and other stakeholders. This may be achieved via a performance measurement framework that considers the achievement of certain risk objectives or a consequence management framework that considers misconduct incidents, before remuneration decisions are finalised and awarded for the year. When determining the amount of remuneration to be adjusted, the Financial Institution should take into account all relevant indicators of the severity of the incident or misconduct.*
- 7.9 *To effectively accommodate the potentially longer-term nature of risks, including conduct risk, remuneration policies for key management personnel and other material risk takers contain mechanisms and provisions to facilitate ex-post adjustments to variable remuneration after it is awarded or paid. Ex-post remuneration adjustment tools include malus and clawback arrangements<sup>26</sup>.*
- 7.10 *The indicative criteria and scenarios that could trigger ex-ante or ex-post adjustments to performance and remuneration are clearly set out in the remuneration policies and communicated to employees. Indicative criteria and scenarios include cases where there are significant losses or adverse outcomes for customers, or where there is fraud, gross negligence, material failure of risk management controls or breach of regulations.*

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<sup>24</sup> Guaranteed bonuses refer to payouts that are awarded regardless of an employee's performance.

<sup>25</sup> Ex-ante adjustments refers to adjustments made before remuneration is determined and awarded.

<sup>26</sup> Malus is a tool which allows the Financial Institution to reduce all or part of any unvested deferred variable remuneration. Clawback is a process under which an employee is required to return ownership of an amount of variable compensation paid in the past or which has already vested, to the Financial Institution under certain conditions.

## **DISCLOSURE ON REMUNERATION**

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### **Principle:**

- 8 The company is transparent on its remuneration policies, level and mix of remuneration, the procedure for setting remuneration, and the relationships between remuneration, performance and value creation.

### **Provisions:**

- 8.1 The company discloses in its annual report or on its website the policy and criteria for setting remuneration, as well as names, amounts and breakdown of remuneration of:
- (a) each individual director and the CEO; and
  - (b) at least the top five key management personnel (who are not directors or the CEO) in bands no wider than S\$250,000 and in aggregate the total remuneration paid to these key management personnel.
- 8.2 The company discloses the names and remuneration of employees who are substantial shareholders of the company, or are immediate family members of a director, the CEO or a substantial shareholder of the company, and whose remuneration exceeds S\$100,000 during the year, in bands no wider than S\$100,000, in its annual report or on its website. The disclosure states clearly the employee's relationship with the relevant director or the CEO or substantial shareholder.
- 8.3 The company discloses in its annual report or on its website all forms of remuneration and other payments and benefits, paid by the company and its subsidiaries to directors and key management personnel of the company. It also discloses details of employee share schemes.

*No Additional Guidelines from the Authority.*

## ACCOUNTABILITY AND AUDIT

### RISK MANAGEMENT AND INTERNAL CONTROLS

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#### **Principle:**

- 9 The Board is responsible for the governance of risk and ensures that Management maintains a sound system of risk management and internal controls, to safeguard the interests of the company and its shareholders.

#### **Provisions:**

- 9.1 The Board determines the nature and extent of the significant risks which the company is willing to take in achieving its strategic objectives and value creation. The Board sets up a Board Risk Committee (“BRC”) to specifically address this, if appropriate.
- 9.2 The Board requires and discloses, in the company’s annual report or on the company website, that it has received assurance from:
- (a) the CEO and the CFO that the financial records have been properly maintained and the financial statements give a true and fair view of the company’s operations and finances; and
  - (b) the CEO and other such key management personnel who are responsible, regarding the adequacy and effectiveness of the company’s risk management and internal control systems.

#### **Additional Guidelines of the Authority**

- 9.3 *An effective Board has a sound understanding of the business strategy, nature of the business activities of the Financial Institution and their associated risks. It ensures that senior management has established an adequate risk management system to identify, measure, monitor, control and report those risks. The risk management system is supported by a system of sound internal controls, in accordance with the Financial Institution’s risk appetite. The Board seeks advice, where necessary, from within the Financial Institution or externally to enable it to discharge its functions properly.*
- 9.4 *For the purpose of managing the risks of the Financial Institution, the responsibilities of the Board include, but are not limited to:*
- (a) setting the tone from the top, and inculcating an appropriate risk culture throughout the firm;*
  - (b) overseeing the establishment and operation of an independent risk management system for identifying, measuring, monitoring, controlling and reporting risks on an enterprise-wide basis. In this respect, the Board requires senior management*

*to highlight any limitations of the risk management system and any uncertainties attached to risk measurement<sup>27</sup>. This information is incorporated when reporting and managing the risks of the Financial Institution. The appropriateness of the Financial Institution's remuneration and incentive structure is also included in the risk assessment process;*

- (c) approving the risk appetite framework, which is comprehensive and actionable, linked with the Financial Institution's business strategy and strategic decision-making and integrated with associated internal processes such as capital planning, funding and liquidity management planning, budgeting, human resource planning, assessing mergers and acquisitions, new products and pricing approval, stress testing, underwriting, claims management, reinsurance, asset-liability matching, investment, recovery and resolution planning and strategic planning;*
- (d) ensuring that senior management has established adequate risk management practices for the financial and non-financial risks which the Financial Institution is or may be exposed to, including but not limited to credit, market, liquidity, operational, technology, conduct, money laundering and terrorism financing, legal, regulatory, reputational, strategic and environmental risks, on a regular basis;*
- (e) reviewing the current risk profile, risk tolerance level and risk strategy of the Financial Institution;*
- (f) ensuring that it obtains a periodic independent assessment of the design and effectiveness of the Financial Institution's risk governance framework on a regular basis; and*
- (g) ensuring that the risk management function has adequate resources and is staffed by an appropriate number of experienced and qualified employees who are sufficiently independent to perform their duties objectively. The risk management function has appropriate reporting lines that are independent of business lines.*

*9.5 Depending on the scale, nature and complexity of its business, the Board may appoint a CRO to oversee the risk management function.*

*9.6 Senior management provides the Board with information on all financial and non-financial risks which the Financial Institution is or may be exposed to (e.g. credit, market, liquidity, operational, technology, conduct, money laundering and terrorism financing, legal, regulatory, reputational, strategic and environmental risks).*

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<sup>27</sup> Limitations of the risk management system and uncertainties attached to risk measurement could be qualitative or quantitative in nature, and include the sensitivity and reasonableness of key assumptions used in the capital assessment and measurement system as well as uncertainties in the precision of risk measures and volatility of exposures.

*The Board satisfies itself that the information they receive is comprehensive, accurate, complete and timely to enable effective decision-making on the firm's strategy, risk profile and emerging risks.*

- 9.7 *If the Board establishes a dedicated BRC as specified in Provision 9.1, it ensures that the members of the BRC are appropriately qualified to discharge their responsibilities. At least 2 members have the relevant technical financial sophistication in risk disciplines or business experience, as the Board interprets such qualification in its judgment.*
- 9.8 *Where a BRC has been established by the Board, the Board may delegate responsibilities for the governance of risk to the BRC. In such a case, the roles and responsibilities of the Board and the BRC are clearly defined.*
- 9.9 *The Financial Institution may appoint a non-director with relevant expertise to the BRC, provided that it notifies the Authority at least 30 days prior to the appointment. Such a non-director on the BRC is not accorded voting rights and is assessed to be independent and fit and proper by the Board or the NC. Each non-director appointment is for a term of not more than 3 years, after which the non-director is subject to re-appointment. The Financial Institution discloses this appointment on its website or through corporate announcements, and considers disclosing the remuneration of the non-director in its annual report or on the company website. The Financial Institution commits the non-director to appropriate undertakings for proper accountability, to ensure that the non-director discharges his or her responsibilities as a member of the BRC with due diligence and in the interests of the Financial Institution and its customers.*
- 9.10 *The Board and senior management observe the Guidelines on Risk Management issued by the Authority.*
- 9.11 *The Board's comments on the adequacy and effectiveness of the internal controls (including financial, operational, compliance and information technology controls, and risk management systems) are provided in the company's annual report or company website. A statement on whether the Audit Committee concurs with the Board's comment is provided in the annual report or on the company website. Where material weaknesses are identified by the Board or Audit Committee, they are disclosed together with the steps taken to address them.*

## **AUDIT COMMITTEE**

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### **Principle:**

10 The Board has an Audit Committee (“AC”) which discharges its duties objectively.

### **Provisions:**

10.1 The duties of the AC include:

- (a) reviewing the significant financial reporting issues and judgements so as to ensure the integrity of the financial statements of the company and any announcements relating to the company’s financial performance;
- (b) reviewing at least annually the adequacy and effectiveness of the company’s internal controls and risk management systems;
- (c) reviewing the assurance from the CEO and the CFO on the financial records and financial statements;
- (d) making recommendations to the Board on: (i) the proposals to the shareholders on the appointment and removal of external auditors; and (ii) the remuneration and terms of engagement of the external auditors;
- (e) reviewing the adequacy, effectiveness, independence, scope and results of the external audit and the company’s internal audit function; and
- (f) reviewing the policy and arrangements for concerns about possible improprieties in financial reporting or other matters to be safely raised, independently investigated and appropriately followed up on. The company publicly discloses, and clearly communicates to employees, the existence of a whistle-blowing policy and procedures for raising such concerns.

10.2 The AC comprises at least three directors, all of whom are non-executive and the majority of whom, including the AC Chairman, are independent. At least two members, including the AC Chairman, have recent and relevant accounting or related financial management expertise or experience.

10.3 The AC does not comprise former partners or directors of the company’s existing auditing firm or auditing corporation: (a) within a period of two years commencing on the date of their ceasing to be a partner of the auditing firm or director of the auditing corporation; and in any case, (b) for as long as they have any financial interest in the auditing firm or auditing corporation.

10.4 The primary reporting line of the internal audit function is to the AC, which also decides on the appointment, termination and remuneration of the head of the internal audit function. The internal audit function has unfettered access to all the company’s



documents, records, properties and personnel, including the AC, and has appropriate standing within the company.

- 10.5 The AC meets with the external auditors, and with the internal auditors, in each case without the presence of Management, at least annually.

Additional Guidelines of the Authority

- 10.6 *The AC ensures that the financial statements of the Financial Institutions are prepared in accordance with accounting policies and practices that are internationally accepted.*
- 10.7 *The AC has a robust process to discharge its responsibility in recommending for approval the appointment, reappointment, removal and remuneration of the external auditor. The AC determines the appropriate criteria for selecting the external auditor and has policies and procedures to regularly monitor and assess the knowledge, competence, independence and effectiveness of the external auditor.*
- 10.8 *The AC ensures that the external auditor has unrestricted access to information and persons within the Financial Institution as necessary to conduct the audit. The AC also understands the external auditor's approach to providing reasonable assurance that the financial statements are free from material misstatements, and reviewing the adequacy of internal controls relevant to the audit.*
- 10.9 *The AC requires that the external auditors promptly communicate to the AC any information regarding internal control weaknesses, deficiencies, or any other relevant matters. The AC ensures that significant findings and observations regarding weaknesses are promptly rectified and that this is supported by a formal process for reviewing and monitoring the implementation of recommendations by the external auditors.*
- 10.10 *The AC establishes a formal policy and structured process which governs its assessment of the independence of external auditor. This involves a consideration of all relationships between the Financial Institution and the audit firm (including the provision of non-audit services) which could adversely affect the external auditor's actual or perceived independence and objectivity, length of tenure and any safeguards established by the external auditor.*
- 10.11 *The scope of the Internal Auditor's responsibility is clear and appropriate for the risks which the Financial Institution is or could be exposed to, including those risks arising from proposed new lines of business or products.*
- 10.12 *The Internal Auditor's responsibilities include the following:*
- (a) *evaluating the reliability, adequacy and effectiveness of the internal controls and risk management processes of the Financial Institution. In this regard, the Internal*

*Auditor assesses if business and risk management units are operating according to the risk appetite framework. The Internal Auditor is also aware of whether the Financial Institution's practices are keeping pace with the industry trends or are aligned with best practices and consider such knowledge in conducting their work. The Internal Auditor's overall opinion of internal controls relating to the risk governance framework is provided to the AC or the Board annually;*

- (b) reviewing the internal controls of the Financial Institution to ensure prompt and accurate recording of transactions and proper safeguarding of assets;*
- (c) reviewing whether the Financial Institution complies with laws and regulations and adheres to established policies, and whether senior management is taking the appropriate steps to address control deficiencies; and*
- (d) conducting regular assessments of the internal audit function and audit systems and incorporating needed improvements.*

*10.13 In carrying out its responsibilities, the Internal Auditor ensures all material areas of risk and obligation of the Financial Institution are subject to appropriate audit or review over a reasonable period of time. These areas may include those dealing with:*

- (a) credit, market, liquidity, operational, technology, conduct, money laundering and terrorism financing, legal, regulatory, reputational, strategic and environmental risks;*
- (b) accounting and financial policies and whether the associated records are complete and accurate;*
- (c) intra-group transactions, including intra-group risk transfer and internal pricing;*
- (d) the reliability and timeliness of escalation processes and reporting systems, including whether there are confidential means for employees to report concerns or violations and whether these are properly communicated, offer the reporting employee adequate protection from retaliation, and result in appropriate follow up; and*
- (e) the extent to which any non-compliance with internal policies or external legal or regulatory obligations is documented and appropriate corrective or disciplinary measures are taken including in respect of individual employees involved.*

*10.14 A Financial Institution may engage third parties to provide independent assessments of its risk management systems and internal control framework as described in Additional Guideline 10.12(a), but the use of third parties does not absolve the Board or senior management from ultimate responsibility for ensuring the reliability of the independent assessment. A Financial Institution is not overly reliant on third parties to provide expertise that should be developed within its internal audit function.*

- 10.15 *In addition to having unfettered access to the AC, the Board, and the senior management where necessary, the Internal Auditor has the right to seek information and explanations from the Financial Institution's functions and personnel.*
- 10.16 *The Internal Auditor, in its reporting to the AC, includes, at the minimum:*
- (a) the annual or other periodic audit plan, detailing the proposed areas of audit focus;*
  - (b) any factors that may be adversely affecting the internal audit function's independence, objectivity or effectiveness; and*
  - (c) material findings from audits or reviews conducted.*
- 10.17 *The AC ensures that the internal audit function has adequate processes in place for ensuring that recommendations raised in internal audit reports are dealt with in a timely manner. Outstanding exceptions or recommendations are closely monitored by the internal audit function and reported to the AC.*
- 10.18 *The budget of the internal audit function is approved by the AC or the Board. In addition to Provision 10.4, the AC reviews the reasons for the resignation of the head of internal audit. It also ensures that there are adequate policies and procedures relating to the appointment, termination and succession of the head of internal audit, and be actively involved in such processes. The Financial Institution discusses the reasons for the resignation or dismissal of the head of internal audit with the Authority.*
- 10.19 *The AC comments on whether the internal audit function is independent, effective and adequately resourced in the annual report or on the company website.*

## **SHAREHOLDER RIGHTS AND ENGAGEMENT**

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### **SHAREHOLDER RIGHTS AND CONDUCT OF GENERAL MEETINGS**

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#### **Principle:**

- 11 The company treats all shareholders fairly and equitably in order to enable them to exercise shareholders' rights and have the opportunity to communicate their views on matters affecting the company. The company gives shareholders a balanced and understandable assessment of its performance, position and prospects.

#### **Provisions:**

- 11.1 The company provides shareholders with the opportunity to participate effectively in and vote at general meetings of shareholders and informs them of the rules governing general meetings of shareholders.
- 11.2 The company tables separate resolutions at general meetings of shareholders on each substantially separate issue unless the issues are interdependent and linked so as to form one significant proposal. Where the resolutions are "bundled", the company explains the reasons and material implications in the notice of meeting.
- 11.3 All directors attend general meetings of shareholders, and the external auditors are also present to address shareholders' queries about the conduct of audit and the preparation and content of the auditors' report. Directors' attendance at such meetings held during the financial year is disclosed in the company's annual report.
- 11.4 The company's Constitution (or other constitutive documents) allow for absentia voting at general meetings of shareholders.
- 11.5 The company publishes minutes of general meetings of shareholders on its corporate website as soon as practicable. The minutes record substantial and relevant comments or queries from shareholders relating to the agenda of the general meeting, and responses from the Board and Management.
- 11.6 The company has a dividend policy and communicates it to shareholders.

*No Additional Guidelines from the Authority.*

## **ENGAGEMENT WITH SHAREHOLDERS**

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### **Principle:**

- 12 The company communicates regularly with its shareholders and facilitates the participation of shareholders during general meetings and other dialogues to allow shareholders to communicate their views on various matters affecting the company.

### **Provisions:**

- 12.1 The company provides avenues for communication between the Board and all shareholders, and discloses in its annual report or on its website the steps taken to solicit and understand the views of shareholders.
- 12.2 The company has in place an investor relations policy which allows for an ongoing exchange of views so as to actively engage and promote regular, effective and fair communication with shareholders.
- 12.3 The company's investor relations policy sets out the mechanism through which shareholders may contact the company with questions and through which the company may respond to such questions.

*No Additional Guidelines from the Authority.*

## **MANAGING STAKEHOLDERS RELATIONSHIPS**

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### **ENGAGEMENT WITH STAKEHOLDERS**

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#### **Principle:**

- 13 The Board adopts an inclusive approach by considering and balancing the needs and interests of material stakeholders, as part of its overall responsibility to ensure that the best interests of the company are served.

#### **Provisions:**

- 13.1 The company has arrangements in place to identify and engage with its material stakeholder groups and to manage its relationships with such groups.
- 13.2 The company discloses, in its annual report or on its website, its strategy and key areas of focus in relation to the management of stakeholder relationships during the reporting period.
- 13.3 The company maintains a current corporate website to communicate and engage with stakeholders.

*No Additional Guidelines from the Authority.*

## **ADDITIONAL GUIDELINES OF THE AUTHORITY**

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### **RELATED PARTY TRANSACTIONS**

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- 14.1 *The Board ensures that the Financial Institution’s related party transactions<sup>28</sup> are undertaken on an arm’s length basis.*
- 14.2 *The Financial Institution establishes policies and procedures on related party transactions, which include the definitions of relatedness, limits applied, terms of transactions, and the authorities and procedures for approving, monitoring, and, where necessary, writing off of these transactions.*
- 14.3 *Related party transactions are monitored with particular care, and appropriate steps taken to control or mitigate the risks of related party lending. The terms and conditions of such transactions are not more favourable than transactions conducted with non-related parties under similar circumstances.*
- 14.4 *The Board approves every transaction with a related party and the write-off of related-party exposures exceeding specified amounts or otherwise posing special risks before such transaction occurs. Directors with conflicts of interest are excluded from the approval process of granting and managing related party transactions.*
- 14.5 *The Board (or delegated board committee) reviews all material related party transactions. Where the review has been delegated to a board committee, the board committee keeps the Board informed of such transactions, and the findings and conclusions from its review. Material related party transactions are disclosed in the annual report or on the company website.*

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<sup>28</sup> For banks, “**related party transaction**” and “**related party**” are as defined in MAS Notice 643. For insurers, “**related party transaction**” means a transfer of resources, services or obligations between related parties, regardless of whether a price is charged. Related party transactions include transactions with related parties and director and director-related entities. “**Related party**”, in relation to an insurer, means any of its associates or subsidiaries, its holding company or any subsidiary of its holding company.

**COMPLIANCE APPROACH FOR FINANCIAL INSTITUTIONS (“FIs”) UNDER THE GUIDELINES ON CORPORATE GOVERNANCE FOR DESIGNATED FINANCIAL HOLDING COMPANIES (“FHCs”), BANKS, DIRECT INSURERS, REINSURERS AND CAPTIVE INSURERS (“GUIDELINES”), ISSUED ON 9 NOVEMBER 2021**

		Principles	Provisions	Additional Guidelines
Listed FIs		Full compliance	Comply-or-explain	Comply-or-explain
Non-listed FIs	<ul style="list-style-type: none"> <li>• Banks</li> <li>• Tier-1 insurers</li> <li>• Designated FHCs as set out in footnote 6 of the Introduction to the Guidelines</li> </ul>	Full compliance (except Principles 11 and 12, which are on a comply-or-explain basis)	Comply-or-explain	Comply-or-explain
	<ul style="list-style-type: none"> <li>• Tier-2 insurers</li> <li>• Designated FHCs as set out in footnote 8 of the Introduction to the Guidelines</li> </ul>	Comply-or-explain	Comply-or-explain	Comply-or-explain
	<ul style="list-style-type: none"> <li>• Captive insurers</li> <li>• Special purpose reinsurance vehicles</li> <li>• Marine mutual insurers</li> <li>• Run-off insurers</li> </ul>	No expectation to disclose variances, although the Guidelines continue to apply	No expectation to disclose variances, although the Guidelines continue to apply	No expectation to disclose variances, although the Guidelines continue to apply

The Guidelines, issued on 9 November 2021, supersede and replace the *Guidelines on Corporate Governance for Financial Holding Companies, Banks, Direct Insurers, Reinsurers, and Captive Insurers which are incorporated in Singapore* that was issued on 3 April 2013. Guidelines that relate to disclosures are effective from 1 January 2022 and will apply to the FIs’ annual reports covering financial years commencing from 1 January 2022. All other Guidelines are effective from 1 April 2022, with the exception of Provision 2.2 which will be effective from 31 December 2022. Financial Institutions are expected to provide explanations for variances observed from the respective effective dates in their annual reports covering financial years commencing from 1 January 2022 or on their websites.