Monetary Authority of Singapore

FREQUENTLY ASKED QUESTIONS (FAQs) ON
GUIDELINES ON INDIVIDUAL ACCOUNTABILITY AND CONDUCT

Contents

(I) Headcount for Financial Institutions (FIs) and Group Policies

Q1 How should FIs determine headcount?

A1 The purpose of the threshold is to provide a simple way for FIs to determine if the specific guidance needs to be applied. Given the composition of total headcount could differ between FIs, MAS does not intend to be prescriptive in how headcount should be defined for the time being. As a general principle, headcount should include all personnel that engage in or support the FI's core management functions (CMFs)[1], whether on a full or part time basis. It would not ordinarily include:

- non-executive directors;
- outsourced service providers[2]; and
- headcount in foreign offices or related entities, with the exception of overseas-based representatives.

FIs should comply with the spirit of the Guidelines in determining the personnel to include in the total headcount, with the objective of assessing whether the specific guidance is required given the nature and complexity of their operations. MAS may engage individual FIs to adhere to the specific guidance if we assess that the exclusion of certain outsourced headcount could have a material impact on the effectiveness of the FI's management oversight and accountability over its operations.

Q2 What is expected of FIs that start below but subsequently cross the threshold? How often should FIs assess if they fall below the threshold?

A2 FIs that start below the 50 headcount threshold, but subsequently cross the threshold as they expand, will be given a transition period of 12 months to apply the specific guidance under the Guidelines. FIs have the discretion to determine when and

[1] For an FI that is a holder of a capital markets services licence under section 82(1) of the Securities and Futures Act or a financial adviser licensed under section 6(1) of the Financial Advisers Act, the FI should include the number of local and overseas-based representatives in determining its headcount. Similarly, all exempt representatives of Registered Fund Management Companies, whether local or overseas-based, should also be included in the headcount.

[2] Where individuals from intra-group entities support multiple entities in the group including the FI, the FI may exclude them from the headcount. This applies to new intra-group outsourcing arrangements which have been put in place for genuine reasons, and not to circumvent the headcount threshold. In any event, FIs continue to remain responsible for all outsourced activities. MAS will take appropriate action against FIs that use outsourcing to game or circumvent the headcount threshold in the Guidelines.

how often to assess whether they continue to fall under the threshold, as long as the assessments are conducted annually at the minimum.

Q3 What happens when an FI approaches the threshold?

A3 FIs which are close to the 50 headcount threshold should make preparations to adopt the specific guidance under the Guidelines.

Q4 What happens when an FI with a headcount of 50 or more falls under the threshold?

A4 The specific guidance under the Guidelines comprise best practices which are intended to help an FI strengthen its governance arrangements and business practices. FIs which fall under the threshold subsequently are encouraged to maintain the existing frameworks and systems which have been put in place to implement the specific guidance, if these have been assessed to continue to be appropriate to the nature, size and complexity of their operations.

Q5 Are FIs which are subject to accountability regimes in other jurisdictions exempt from the Guidelines? Can FIs rely on their Regional or Head Office policies to comply with the Guidelines?

A5 An FI or its group operating overseas, including in jurisdictions with similar senior manager or executive accountability regimes, may already be subject to requirements or expectations that are similar to those under the Guidelines. Nevertheless, the requirements or expectations in each jurisdiction typically apply only to the FI’s or group’s operations in those jurisdictions. The Guidelines apply specifically to an FI’s operations in Singapore. Therefore, MAS does not consider it necessary to exempt FIs which are subject to similar requirements or expectations overseas, or deem such FIs as compliant with the Guidelines.

Nevertheless, FIs may apply and adapt the frameworks, policies, and procedures that have been instituted at the Regional or Head Office levels to their Singapore operations, for the purpose of complying with the Guidelines in Singapore. Accordingly, specification of senior managers’ responsibilities should reflect their roles in relation to the Singapore operations.

(II) Accountability and Conduct Outcome One

Q1 How should FIs identify CMFs that apply to their business?

A1 In assessing the CMFs that apply to their businesses, factors FIs should consider include but are not limited to: (i) the relevance of those functions in the context of the FI's growth strategy and business and (ii) whether those functions have, or could potentially have, a significant impact on the FI's risk profile. The Board or Head Office should take ownership in identifying the appropriate CMFs that apply to their businesses.

Q2 Do FIs have to designate a senior manager for each CMF listed in Annex B of the Guidelines?

A2 FIs do not have to designate a senior manager for each CMF, if they have determined that any of the CMFs are not applicable to their circumstances.

Q3 Are the titles of CMFs mandatory designations that FIs must adopt? Are the definitions of CMFs mandatory responsibilities that each senior manager must have?

A3 The titles used in the list of CMFs are not mandatory designations that FIs must use and are not exhaustive. Similarly, the definition of each CMF provides broad guidance on the key responsibilities that the particular senior manager may generally be expected to have. These are principles-based and do not constitute mandatory responsibilities. FIs should apply the CMF definitions in a manner and to the extent that reflects the actual responsibilities of the particular senior manager, in respect of the FI's business.

Q4 Must senior managers have direct reporting lines to the Chief Executive Officer (CEO)?

A4 The Guidelines do not mandate any particular reporting structure for all FIs. Reporting hierarchy in relation to the CEO and/or Board, or equivalent, is one of the factors that FIs should consider in appointing senior managers. In general, the most senior individual (the "relevant individual") with principal responsibility for the day-to-day management of a core function of the FI should also be responsible for reporting to the CEO and/or Board, or equivalent, on matters pertaining to that function. Therefore, the relevant individual, rather than his or her downstream reports, should be designated as the senior manager.

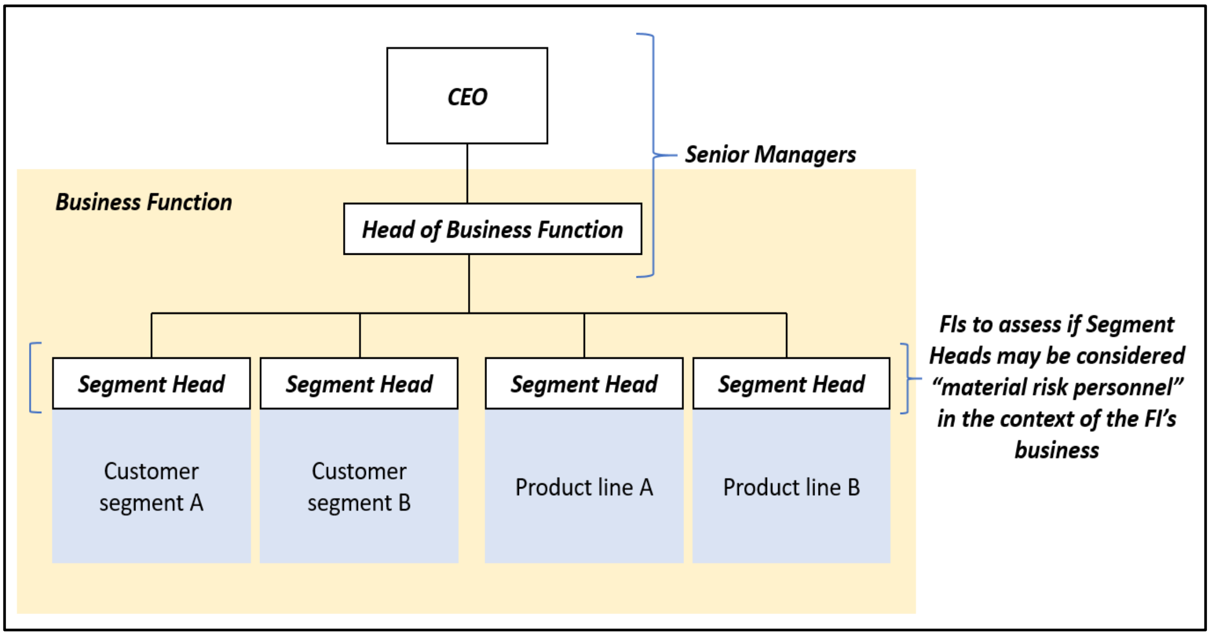
To illustrate, where an FI has two individuals who respectively manage the FI's operations and information technology (IT), and each individual has a direct reporting line to the CEO, both should be designated as senior managers (i.e. the "Chief Operating Officer (COO)" and "Chief Information Officer (CIO)" CMFs, respectively) under the Guidelines. In contrast, where each of these individuals are junior to and report to a third individual who in turn has ultimate responsibility for reporting directly to the CEO on matters regarding both the operations and IT of the FI, it is this third individual who should be designated as a senior manager with responsibility for both the "COO" and "CIO" CMFs.

Q5 How should FIs identify Heads of Business Functions?

A5 FIs should designate a senior manager for each of the activities stipulated in the definition of the "Head of Business Function" that apply to their circumstances. In addition, the definition of the "Head of Business Function" gives FIs the flexibility to identify senior managers who head "any other material function" as determined by the FI. FIs may consider various metrics in identifying functions which are material to their business including but not limited to the relative size of a function in terms of its capital and risk consumption, contribution towards the FI's assets, profit, revenue, gross premium, or assets under management (AUM), and/or number of employees.

MAS recognises that it is common for FIs to segment their business functions by market, product, customer, or other functional lines. Senior managers under the Guidelines refer to the most senior individual with principal responsibility for the business function, and generally have the responsibility to report to the CEO and/or Board on matters pertaining to that function. Where the business function comprises two or more business lines which are headed by different individuals (the "segment heads") reporting to the Head of Business Function, FIs should consider whether any of these segment heads may be considered "material risk personnel" in view of their mandates or decision-making authority, and if so, apply the specific guidance under Outcome Four. Figure 1 provides an illustrative example.

Figure 1: Identification of Head of Business Function



Q6 Can a senior manager be responsible for more than one CMF?

A6 FIs may designate a senior manager to be responsible for more than one CMF. In such cases, FIs should ensure that the senior manager's responsibilities for each of these CMFs are clearly specified, and there is no conflict of interest inherent in or arising from simultaneously performing these CMFs. FIs should also satisfy themselves that a senior manager who is responsible for multiple CMFs is able to discharge his multiple duties effectively.

Q7 Can more than one senior manager share responsibility for a CMF?

A7 FIs may adopt shared responsibility structures where appropriate and justified. Where two or more senior managers share responsibility for a function within the FI, this should not result in a dilution of responsibilities or accountability for that function. In such cases, FIs should ensure that the underlying principle of proper accountability is met, with clarity in each senior manager's scope of authority and reporting lines.

Q8 Do senior managers need to be identified for outsourcing arrangements, in particular where such arrangements have been determined by the Regional or Head Office?

A8 Where functions which are core to an FI's operations have been outsourced, whether wholly or partially, the FI should identify senior managers who will be held responsible for the oversight of these outsourced functions. Where functions have been assessed not to be core to the FI's operations, senior managers will not have to be identified for the management of these non-material functions.

MAS appreciates that for foreign FIs, certain outsourcing arrangements may be determined by the Regional or Head Office. The basis for identifying senior managers under the Guidelines is responsibility for managing the day-to-day operations of the FI in Singapore. This includes outsourcing arrangements in respect of the FI's local operations. Where individuals other than local management have been designated as the senior manager responsible for overseeing such outsourcing arrangements, FIs should be prepared to substantiate how they have met the expectations on responsibilities for outsourcing arrangements as set out in paragraphs 5.2.3 and 5.2.5 of the Guidelines on Outsourcing.

Q9 Do senior managers need to be identified for cross-border trades?

A9 Senior managers' responsibilities for the FI's day-to-day operations in Singapore should include any part of a trade or transaction that took place in Singapore. This includes trades or transactions that are executed by or booked into the FI in Singapore, even if any other leg such as the origination, structuring, and/or arrangement of the trades or transactions took place overseas, and vice versa. The relevant senior manager with responsibility for the treasury or trading function of the FI in Singapore should ensure that there are appropriate systems and controls in place to manage the risks associated with the origination, structuring, arrangement, and/or booking of any trade or transaction in Singapore.

Q10 Can FIs obtain professional indemnity insurance for senior managers or other employees against financial penalties?

A10 In general, FIs should avoid arrangements that undermine the accountability of senior managers, such as insurance or other agreements that have the effect of indemnifying senior managers or other employees against financial penalties for misconduct or other offences.

Q11 Do senior managers need to be identified for products offered to customers?

A11 MAS expects FIs to ensure that there is clear ownership and accountability of the design, delivery and maintenance of products offered to customers, including sales and transactions processing, post-sale handling and remediation of customers' complaints in respect of these products. These responsibilities could reside in one or more CMFs. Where more than one CMF are responsible for the product life cycle, the division of roles and scope of responsibility each CMF is responsible for should be clear and unambiguous.

(III) Accountability and Conduct Outcomes Two and Three

Q1 How often should FIs assess senior managers' fitness and propriety? What criteria should be applied?

A1 In assessing fitness and propriety, FIs may apply the guiding criteria set out in the Guidelines on Fit and Proper Criteria, and such other factors that the FI determines to be relevant to its circumstances and the particular role. FIs should also ensure that the criteria for assessing senior managers' fitness and propriety are aligned with the expectations that the Board has of senior managers.

Likewise, it is for FIs to determine the appropriate frequency and approach to satisfy themselves of senior managers' fitness and propriety on an on-going basis. As a general guide, such reviews should minimally be conducted on an annual basis, or as and when any matters arise which could have implications on or call into question a senior manager's fitness and propriety.

Q2 Will self declarations by senior managers be sufficient in order to assess their fitness and propriety?

A2 FIs should take reasonable steps to obtain the information that is necessary for assessing senior managers' fitness and propriety, including conducting the appropriate screening and due diligence checks. Self-declarations may be one source of information but should not be the only source. It is also the responsibility of each senior manager to determine if there is any relevant information that he or she ought to disclose, both prior to and over the term of his or her appointment.

Q3 How should FIs determine the fitness and propriety of senior managers based overseas, who may have been appointed by the Regional or Head Office?

A3 MAS recognises that for foreign FIs, senior managers with responsibilities for the regional and/or group operations, in addition to local responsibilities in Singapore, may be appointed by the Regional or Head Offices, and local management in Singapore may not have direct purview or decision-making authority over these appointments. In such cases, FIs may rely on the assessments conducted by the Regional or Head Office, where the FI is satisfied that such assessments are appropriate and sufficient to determine the senior managers' fitness and propriety.

Q4 What does "delineation of reporting relationships" entail?

A4 The delineation of reporting relationships reflects the party or parties to whom each senior manager reports to within the FI and, if applicable, within the group, in respect of the relevant function(s) that he or she is responsible for.

Q5 Do the Guidelines prohibit matrix reporting structures?

A5 The Guidelines do not prohibit matrix reporting structures. However, where an individual reports to two or more persons, the reporting relationships should be clearly and accurately specified.

Q6 What type of management committees are FIs expected to set up?

A6 MAS does not intend to prescribe specific management committees that FIs are required to set up. FIs have the flexibility to establish the management committees that are appropriate to their circumstances. Where these committees exercise decision-making authority over the FI's day-to-day operations in Singapore, their mandates and terms of reference with respect to the FI's local operations should be clearly defined.

Q7 Do members of management committees need to be identified as senior managers or MRPs? For example, fund management companies may have investment committees that include independent members who are not employed by the FI (e.g. external advisers who provide market or macroeconomic views). Would such independent members need to be identified as senior managers or MRPs?

A7 The underlying principles of whether a person should be identified as a senior manager or MRPs continue to apply to members of management committees. As for independent members of investment committees, MAS will not ordinarily consider such independent members who are not employed by the FI as senior managers or MRPs.

Q8 How should FIs obtain senior managers' acknowledgement of their responsibilities?

A8 In acknowledging his or her responsibilities, each senior manager should have sufficient clarity over the duties that his or her appointment entails. Such acknowledgement should minimally be obtained at the point of appointment of the senior manager, and thereafter, reviewed as and when there are significant changes to the senior manager's responsibilities. The manner in which such acknowledgement is obtained, whether via the senior manager's appointment letter, and subsequently, as part of the annual performance review process or some other form of documentation, can be determined by the FI. Ultimately, FIs should not treat the specification of senior managers' responsibilities and reporting lines as a paper exercise, and should implement this with the objective of strengthening their governance arrangements.

Q9 Can the Board delegate the authority to approve senior managers' specified responsibilities and the FI's overall management structure to Board committees or regional or country-level governance committees?

A9 The Board may delegate the approving authority for senior manager's individual responsibilities and the FI's overall management structure to a Board Committee, or group-, regional- or country-level governance committee, but bears the ultimate responsibility. The Board should establish communication procedures with the relevant committee on matters relating to the governance of the FI's operations in Singapore.

MAS is of the view that it is appropriate for the Board to approve the specified responsibilities of senior managers and the FI's overall management structure, as it is consistent with the Board's oversight role. While the Board may delegate the authority to manage the FI's day-to-day operations to senior management, the Board remains accountable. The Board's organisational-wide oversight is important in mitigating the risks of gaps in governance, where certain matters may be presumed to be under the purview of a particular senior manager, but has in reality fallen through the cracks.

Q10 What performance criteria should FIs consider in determining compensation?

A10 The compensation framework for senior managers should be designed in a manner that is aligned with the desired conduct outcomes, taking into account both the standards of conduct expected of senior managers as well as the conduct of the business under their purview. The determination of compensation should thus be based on a range of factors, including non-financial key performance indicators (KPIs) and, where appropriate, risk management or control lapses, internal audit findings, customer complaints, or other conduct matters relating to the function under his or her purview.

The compensation framework should also include mechanisms that facilitate adjustments to the variable components of senior managers' compensation for poor conduct or misconduct, where appropriate, whether in the current year or a future period where the impact of such conduct failings has materialised. MAS recognises that qualitative judgement may be involved in assessing conduct and determining the degree of impact that this should have on compensation. FIs should design their incentive frameworks and structures to adequately consider behavioural and conduct factors, in addition to financial KPIs. Employee's behaviour and conduct should have a strong and impactful influence on compensation and promotion decisions. Ultimately, the compensation framework should provide a means, among other measures which the FI may have in place, to hold senior managers accountable for their conduct.

FIs are also encouraged to take reference from an information paper published by MAS in March 2019, Incentive Structures in the Banking Industry – Fostering Sound Behaviour and Conduct. Non-bank FIs should incorporate the learning points from the information paper in a risk based and proportionate manner, giving proper regard to the profile of their business activities and customers, as the desired outcomes and good practices are relevant to them as well.

Q11 What time horizon should FIs consider for succession planning? How frequently should succession plans be reviewed?

A11 The time horizon for succession planning and frequency of reviewing the succession plan is dependent on various inter-related factors. These include the FI's organisational complexity and size, the experience and skills required of a candidate in relation to the FI's business, whether there is an adequate pool of qualified internal candidates or if this has to be supplemented by an external search, and the competitive dynamics of the labour market, among others. Accordingly, it is the responsibility of the Board to institute a succession planning process that best meets the FI's circumstances and needs.

Q12 Will FIs be given flexibility in implementing succession plans and handover procedures, where identifying pipeline candidates is challenging?

A12 MAS recognises that it may not always be possible to maintain a steady pipeline of candidates for all senior management roles. Orderly succession and handover may also, from time to time, be constrained by circumstances. FIs should ensure that there are appropriate measures in place to manage succession risks. In line with the Guidelines on Risk Management Practices, succession planning should be an active on-going process undertaken by the Board, and integrated within the FI's strategic plans.

Q13 Can senior managers delegate their responsibilities?

A13 Senior managers may delegate some of their responsibilities to other personnel or committees, but their accountability cannot be delegated. The relevant senior manager should continue to exercise appropriate oversight to ensure that the delegated responsibilities are effectively carried out. This includes establishing the appropriate communication procedures with the personnel to whom, or committee to which, these responsibilities have been delegated.

Q14 What is the extent to which senior managers will be held accountable for the actions of the employees under their purview?

A14 In determining whether and to what extent a senior manager might be accountable for misconduct committed by employees under their purview, factors such as the senior manager's consent or level of knowledge of or participation in the misconduct, or whether the senior manager could reasonably be expected to have been aware or to have taken adequate steps to address the issue, should be taken into consideration. FIs should conduct the necessary investigations and, depending on the facts and circumstances of the case, take the appropriate action against the senior manager, including referring the case to MAS or other relevant authorities where necessary.

Q15 Will senior managers be held accountable for the actions and decisions of his or her predecessor?

A15 The determination of senior managers' accountability for the actions and decisions of their predecessors will ultimately depend on the circumstances of the case. For example, where misconduct, a breach, or offence that first occurred during a predecessor's term of appointment continued to be committed into the term of the newly-appointed senior manager, factors such as the newly-appointed senior manager's level of knowledge of the practice and whether he could reasonably have prevented its continued occurrence would be relevant to a determination of accountability.

(IV) Accountability and Conduct Outcomes Four

Q1 How often should FIs assess MRPs' fitness and propriety? What criteria should be applied?

A1 In assessing MRPs' fitness and propriety, FIs may apply the guiding criteria set out in the Guidelines on Fit and Proper Criteria and any other factors that the FI determines to be relevant, giving due regard to the nature and risk implications of the particular mandates or authority vested with the MRP. As a general guide, reviews of fitness and propriety should minimally be conducted on an annual basis, or as and when any matters arise which could potentially affect a MRP's fitness and propriety.

Q2 How should FIs govern the activities of MRPs and enforce risk ownership?

A2 The onus is ultimately on the Board and senior management to put in place the necessary policies and procedures to govern the activities of MRPs and enforce risk ownership. For instance, the incentive structure for MRPs in business functions should be symmetric with risk outcomes and sensitive to the time horizon of risks, and incentivise proper conduct. To this end, the compensation system should include mechanisms for adjustments to compensation arising from the materialisation of risks and realisation of profits and losses over different periods of time, as well as for improper conduct or conduct that causes harm to the FI or its customers, where appropriate.

Q3 What are MAS' expectations for MRPs in risk management and control functions?

A3 The Board and senior management should ensure that MRPs in risk management and control functions are accorded the necessary stature and authority. MRPs in risk management and control functions should have the authority to participate in the decision-making processes of business functions, unfettered access to the information necessary to discharge their responsibilities, and sufficient stature to ensure that front-line personnel, including MRPs conducting risk-taking activities, give due regard to and act upon their recommendations.

MRPs in risk management and control functions should also be suitably trained and possess the relevant experience and expertise with regard to the monitoring and management of the FI's risks and internal control environment.

In addition, MRPs in risk management and control functions should be independent from the business functions of the FI to ensure proper checks and balances. Hence, the compensation structure should be designed in such a way as to minimise potential conflicts of interest and ensure that their independence is not compromised. In general, it is not appropriate for MRPs in risk management and control functions to have KPIs that are linked to revenue or sales.

Q4 Do MRPs need to be identified for cross-border trades?

A4 MRPs should include personnel who have the authority or mandate to conduct or approve the conduct of any part of a trade which may have material impact on the risk profile of the FI in Singapore, or provide coverage for a significant segment of the FI's customers in Singapore, regardless of where such personnel are physically located.

Q5 Are FIs required to maintain a register of their MRPs? Will MAS introduce registration requirements for MRPs?

A5 MAS does not intend to introduce additional registration or notification requirements on MRPs who are not representatives. Nevertheless, FIs should maintain information on their respective MRPs to facilitate oversight of their activities. This could take the form of an internal register, and include information such as the primary activities that the MRP conducts and the relevant authority or mandates that he or she has, records of his or her fitness and propriety and performance reviews, as well as records of any breaches in internal policies or misconduct and on-going investigations or actions taken to address these, among others.

(V) <u>Accountability and Conduct Outcomes Five</u>

Q1 How should the FI's conduct framework interact with existing policies and procedures?

A1 The FI's conduct framework should be integrated with HR processes over the employee life cycle, from hiring and on-boarding, to regular training, monitoring, performance reviews, incentives and compensation, and consequence management, and eventually, departure or termination.

Q2 Would codes of conduct suffice in setting out standards of conduct for employees?

A2 Codes of conduct are commonly used by FIs to articulate the behavioural expectations of employees. The Board and senior management should ensure that the FI's code of conduct clearly and comprehensively sets out the standards that all employees are held to. The code of conduct should complement the existing policies that the FI may already have in place to guide the conduct of employees in carrying out their day-to day activities, and/or ensure compliance with the applicable laws and regulations.

Q3 How often should expected standards of conduct be communicated to employees?

A3 Expectations on conduct should be communicated to employees at the point of hiring and through on-boarding and regular training programmes, and reinforced through the sharing of lessons learnt where positive behaviour has been observed or misconduct has occurred. The use of actual scenarios and case studies of past events can be particularly useful in illustrating the code of conduct to employees in an actionable manner. Ultimately, it is critical that employees understand their responsibility to observe these standards of conduct in their day-to-day activities.

Q4 What indicators should FIs use to monitor conduct?

A4 The Board and senior management should identify the appropriate metrics for monitoring conduct across the organisation. These should include both quantitative and qualitative indicators of positive and negative conduct, as applicable to the FI. Examples of quantitative indicators include completion rates for training programmes, employee turnover, the number of policy or risk limit overrides, new or repeat internal or external audit findings, breaches of internal policies and procedures, misconduct reports, consumer complaints, as well as statistics on compensation adjustments that may be attributable to conduct, among others. FIs should also take into consideration qualitative information such as feedback obtained from employees or other means including whistleblowing channels, exit interviews, reports from the risk management, control, and HR functions, as well as the nature of policy overrides and risk management and control weaknesses, and the timeliness with which these are addressed.

The Board and senior management should monitor the indicators over time to identify trends and potential conduct risks, assess root causes including the underlying behavioural or cultural drivers, and take the necessary actions to mitigate such conduct risks. On-going monitoring of conduct indicators also serves as a feedback mechanism on the effectiveness of the FI's conduct framework, and the extent to which employees have internalised and put into practise the desired conduct standards.

Q5 Do FIs have flexibility in determining how to incorporate feedback from risk and control functions in incentive frameworks?

A5 The objective of incorporating risk and control KPIs within the incentive structure of employees is to reinforce, in a tangible way, the expectations on individual conduct, and ensure that there is formal assessment of employees' behaviour in carrying out their day-to-day activities. FIs should determine the approach for incorporating feedback from HR, risk management, and control functions, in performance evaluation, compensation, and promotion decisions, as appropriate to the particular employee or groups of employees.

Q6 What whistleblowing policies are FIs expected to put in place? Can FIs rely on third party service providers to manage an external whistleblowing channel?

A6 The whistleblowing channel(s) could be internally managed by an independent party or unit within the FI, centralised at the Regional or Head Office level, externally managed by a third party service provider, or a combination of these, as the FI considers appropriate to its circumstances. The underlying premise is to ensure that employees feel safe to raise issues, and there are credible mechanisms to escalate them other than their usual reporting lines.

FIs should have a formal whistleblowing policy that sets out the availability of these whistleblowing channel(s), process for raising concerns via these channel(s), and procedures that the FI will take in response to whistleblower complaints, including to investigate the concerns raised. FIs should ensure that the whistleblowing policy offers employees anonymity and protection from negative consequences for raising concerns via the whistleblowing channel(s), and that all employees are made aware of the whistleblowing policy.

Q7 How should FIs assess materiality in identifying adverse developments to be reported to MAS? How soon are FIs expected to notify MAS of such developments?

A7 MAS recognises that the circumstances faced by FIs may vary, and qualitative judgement will be involved in assessing materiality. Factors that FIs should consider include, but are not limited to:

(i) material impact on the FI's viability, solvency, liquidity, funding, capital, earnings, risk profile, and/or reputation;
(ii) material impact on, or compromise of the interests of, a substantial proportion of the FI's customers or groups of customers;
(iii) material impact on the FI's counterparties or the fair, orderly, and transparent operations of markets;
(iv) widespread disruption to the FI's day-to-day business or activities, or ability to continue its operations and the provision of services to customers;
(v) material impact on the safety and soundness and integrity of the Singapore financial system; and
(vi) ability of the FI to continue complying with the applicable laws, regulatory requirements, business rules, or codes of conduct, whether in Singapore or elsewhere.

The Board and senior management should notify MAS of material adverse developments as soon as practicable.