

RESPONSE TO FEEDBACK RECEIVED

November 2021

**Revisions to the Guidelines on
Corporate Governance for
Designated Financial Holding
Companies, Banks, Direct Insurers,
Reinsurers and Captive Insurers
which are incorporated in
Singapore**

MAS

Monetary Authority of Singapore

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1 PREFACE

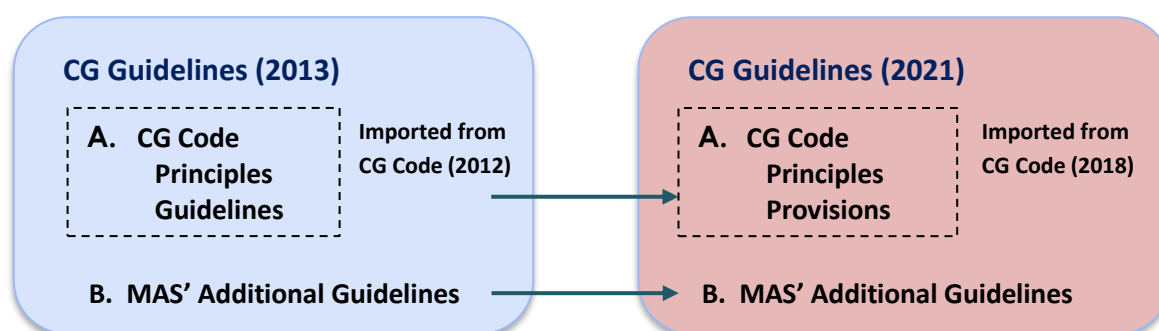
1.1 On 7 May 2021, the Monetary Authority of Singapore (“MAS”) issued a Consultation Paper to seek feedback on a set of proposed revisions to the Guidelines on Corporate Governance for Designated Financial Holding Companies, Banks, Direct Insurers, Reinsurers and Captive Insurers (“CG Guidelines”)¹, to align and strengthen corporate governance standards across locally-incorporated banks, insurers and designated financial holding companies (hereafter, referred to as “FIs”). Specifically, MAS proposed to:

- (i) incorporate the 2018 version of the Code of Corporate Governance (“CG Code”) and make consequential amendments to the Additional Guidelines (“AGs”) within the CG Guidelines (please refer to Figure 1 below). The CG Code was revised in 2018 to reinforce board competencies and place greater emphasis on disclosures of the relationship between remuneration and value creation. There was also more focus on the consideration of the interests of stakeholder groups other than shareholders;
- (ii) make revisions to the AGs within the CG Guidelines to align with international standards and industry good practices;
- (iii) include certain Provisions and AGs from the current CG Guidelines in the Banking (Corporate Governance) Regulations 2005 and the Insurance (Corporate Governance) Regulations 2013 (hereafter, collectively referred to as the “CG Regulations”)² for mandatory compliance as they are fundamental to good corporate governance; and
- (iv) refine the compliance approach for different categories of FIs.

¹ The current CG Guidelines uses the term “financial holding companies” as defined by section 2 of the Banking Act (Cap. 19) and regulation 3 of the Insurance (Corporate Governance) Regulations 2013. In the revised CG Guidelines, references to “financial holding companies” have been amended to “designated financial holding companies”. Prior to the commencement of the Financial Holding Companies Act 2013 (“FHC Act”), “designated financial holding company” in the CG Guidelines 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) (“MAS Act”). Upon the commencement of the FHC Act, “designated financial holding company” in the CG Guidelines refers to a financial holding company designated under section 4 of the FHC Act.

² Similarly, the said Provisions will also be reflected where relevant in the upcoming Financial Holding Companies (Corporate Governance for Financial Holding Companies of Banks Incorporated in Singapore) Regulations (“BHC CG Regs”) and Financial Holding Companies (Corporate Governance for Financial Holding Companies of Insurance Groups) Regulations (“IHC CG Regs”), which MAS will publish in due course.

Figure 1



1.2 The consultation closed on 18 June 2021. MAS would like to thank all respondents for their feedback and comments. Some respondents had requested confidentiality of their identity and/or feedback and the names of these FIs have been omitted from the list of respondents at [Annex A](#). With the exception of respondents who had requested confidentiality in terms of their feedback, [Annex B](#) contains the feedback received by respondents during the consultation.

1.3 MAS has carefully considered the feedback received, and made revisions to the proposals where appropriate. Comments that are of wider interest, together with MAS' responses, are set out in this paper.

2 COMPLIANCE APPROACH

2.1 MAS had proposed for locally-incorporated banks, Tier 1 insurers, and designated financial holding companies that own banks or Tier 1 insurers to fully observe the Principles of the CG Code contained within the CG Guidelines. This was to align with the compliance approach under the Singapore Exchange ("SGX") Mainboard Rules and Catalist Rules ("Listing Rules"), which mandate that Mainboard-listed companies and Catalist-listed companies respectively must comply with the Principles of the 2018 CG Code. MAS had also proposed to allow for variances from Principles 11 and 12 of the CG Code, if these Principles are not relevant in the context of the ownership structure of non-listed FIs.

2.2 For Tier 2 insurers³, captive insurers⁴ and designated financial holding companies that own Tier 2 insurers, MAS had proposed that these FIs can vary from the Principles as

³ The Insurance (Corporate Governance) Regulations 2013 sets out the definitions of a Tier 1 insurer and Tier 2 insurer.

⁴ A captive insurer has the same meaning as that defined in the Insurance Act (cap 142).

long as any such variances are explained in their annual reports or on their company websites.

2.3 MAS continues to allow FIs subject to the CG Guidelines to state and explain variances from the Provisions and AGs in their annual reports or on their company websites, as long as they are consistent with the policy intent of the Principles.

Expectation for Locally-Incorporated Banks, Tier 1 Insurers, and Designated Financial Holding Companies that own Banks or Tier 1 Insurers to Fully Observe the Principles

2.4 Several respondents sought confirmation that while MAS expects full observance of the CG Code within the CG Guidelines, FIs would nevertheless have the flexibility to vary from the Provisions and AGs if they provided a corresponding explanation for doing so. It was suggested that the entire CG Guidelines, including the Principles, should remain on a comply-or-explain basis for all FIs, where FIs are only expected to observe the CG Guidelines to the extent possible. One respondent was of the view that a distinction should be drawn between public listed companies and private companies, particularly in relation to disclosure principles under the CG Guidelines, as private companies should not be expected to make public disclosures at the same level as public companies. Another respondent also expressed concern over being unable to observe Principles 4 and 6 of the proposed revised CG Guidelines, as it did not have a Nominating Committee (“NC”) or a Remuneration Committee (“RC”), given that its Board performed both functions.

MAS’ Response

2.5 MAS is of the view that it is important for FIs to fully observe the Principles as these represent key elements of good corporate governance, and would align with the approach adopted for listed companies. These Principles are generally high-level statements which are not prescriptive in nature and provide FIs flexibility to adopt their own practices in observing these Principles.

2.6 While MAS is cognisant of differences in ownership structure between public listed companies and private companies, there is value in retaining certain public disclosure expectations that cater to the interests of stakeholders other than shareholders, such as customers of the FIs. Such disclosures are useful for all stakeholders to better understand the FI’s corporate governance practices.

2.7 Moreover, in relation to Principles that are ‘shareholder-centric’, MAS had set out in the Consultation Paper that variances from Principles 11 and 12 are acceptable if they

are not relevant in the context of the ownership structure of non-listed FIs. MAS had also given consideration to the size and governance structure of Tier 2 insurers and certain designated financial holding companies, and as such we had stated in the Consultation Paper that variances from all the Principles are acceptable for these FIs as long as such variances are explained (see paragraph 2.2 above). For the avoidance of doubt, FIs listed on the SGX are expected to fully comply with the Principles, which are already mandatory under the SGX Listing Rules. A summary of the compliance approach for locally-incorporated banks, Tier 1 insurers, and their designated financial holding companies is set out in [Annex C](#) of this paper.

2.8 To clarify, Principles 4 and 6 require formal and transparent processes for the appointment of directors and development of remuneration policies. These Principles do not compel FIs to set up NCs and RCs, allowing for flexibility in what process an FI decides to implement in accordance with its needs.

Expectation for Non-listed FIs to Explain Variances from the Provisions and AGs

2.9 Two respondents proposed to remove the expectation for non-listed FIs to explain variances from the Provisions and AGs. One suggestion was that it would suffice for non-listed FIs to demonstrate that the broader Principles expounded by the CG Guidelines are observed. It was also suggested that an FI's Board and Senior Management should determine how the Principles are given effect to, i.e. whether in strict accordance to the Provisions and Additional Guidance, or in another manner. Furthermore, one respondent suggested adopting the 3-tier structure of the Insurance Core Principles ("ICP"), and opined that MAS should similarly adopt a tiered compliance approach for the CG Guidelines. To this end, where certain expectations are clearly not applicable in the context of non-listed companies, FIs should also not be required to explain variances.

MAS' Response

2.10 MAS' comply-or-explain approach is aligned with that taken for the CG Code. While MAS recognises that there are compliance costs involved in explaining variances from the CG Guidelines given the volume of Provisions and AGs, we are of the view that it is beneficial for FIs to assess themselves against the CG Guidelines, which represent good practices in corporate governance, and disclose variances in the interest of all their stakeholders.

Applicability of “Comply-or-Explain” Approach to Captive Insurers, Special Purpose Reinsurance Vehicles (“SPRV”), Marine Mutual Insurers (“MMI”) and Run-off Insurers

2.11 A few respondents suggested for captive insurers and SPRVs to be exempted from the comply-or-explain approach given that:

- (a) captive insurers write mainly the in-house risks of related corporations (which are their policyholders); and
- (b) SPRVs are set up by the sponsor/ceding insurer to insure the risks of the sponsor/ceding insurer, and have limited life span.

One run-off insurer manager also requested for run-off insurers to be exempted from the comply-or-explain approach.

MAS’ Response

2.12 Taking into account the nature and scale of captive insurers and SPRVs and having considered the respondents’ feedback, the Principles, Provisions and AGs in the CG Guidelines will continue to apply to captive insurers and SPRVs as good practices. However, captive insurers and SPRVs will be exempted from the comply-or-explain regime. By extension, a similar approach will be adopted for MMIs, which are owned by their members, who are also the policyholders.

2.13 For run-off insurers, MAS has considered the lower level of public interest in these insurers as they have ceased writing new or renewal business and their activities are confined to honouring all obligations under insurance policies issued and paying off all outstanding and future lawful claims. MAS also agrees to exempt the run-off insurers from the comply-or-explain regime in relation to the Principles, Provisions and AGs of the CG Guidelines.

2.14 Nonetheless, where captive insurers, SPRVs, MMIs and run-off insurers are listed on the SGX, they are expected to comply with the Principles of the 2018 CG Code and observe the comply-or-explain requirement for the Provisions as provided for under the SGX Listing Rules.

2.15 Please refer to [Annex C](#) of this paper for a summary of the compliance approach for captive insurers, SPRVs, MMIs and run-off insurers.

Reviewing Tier 1 Threshold for Insurers

2.16 In response to the expectation for Tier 1 insurers to fully observe the Principles of the CG Code contained within the CG Guidelines, apart from Principles 11 and 12, one respondent suggested that it may be appropriate to review the Tier 1 threshold for insurers to reflect market growth since the threshold was introduced in 2005.

MAS' Response

2.17 MAS is reviewing the threshold.

3 APPOINTMENT OF NON-DIRECTORS TO THE BOARD RISK COMMITTEE

3.1 MAS had proposed the inclusion of new AG 9.9 in the revised CG Guidelines to clarify that FIs can appoint an expert, who is not a director, to their Board Risk Committee (“BRC”). Some FIs have highlighted practical challenges in having their BRCs cover certain specialised risk areas (for example in technology risks or specific target markets) due to a limited pool of suitably qualified director candidates. While the BRC could engage experts on topical issues, MAS agrees that formally appointing an expert to the BRC could give the individual better perspective in providing his or her views. The member will also be involved in the broader discussions of the BRC, making him or her in a stronger position to contribute domain expertise to the needs of the FI. The “member” status could also bind the expert more to the rendered advice and contributions to the BRC, holding him or her to a higher level of accountability given the more direct influence on the outcome of BRC decisions.

Implementation Issues

3.2 While some respondents welcomed this proposal, most respondents provided feedback on issues with practical implementation, including the following:

- (i) As the non-director member will not be bound by the same statutory and fiduciary duties as a director and is not elected by shareholders, his or her approach to issues and advice rendered to the BRC may not bear the same considerations as directors on the BRC and his or her views may not carry the legitimacy of an elected director.
- (ii) The skills and expertise of the non-director would be narrow and specialised in contrast to the wide range of topics and risk areas covered by the BRC.
- (iii) Some respondents asked whether such non-director members should be fit and proper in accordance with the Guidelines on Fit and Proper Criteria (“Fit and Proper Guidelines”).

- (iv) The scope of the non-director's roles and responsibilities, types of specialised risk areas deemed appropriate, maximum number of such non-directors and the maximum duration of such appointments were not clearly defined. Respondents requested for more guidance on operationalising the appointment of non-directors, for example, on remuneration matters and disclosure requirements.
- (v) Some respondents also sought guidance on the mechanisms by which these non-directors would be subject to a higher level of accountability, given that they have no fiduciary duties and may rely on professional indemnities.

3.3 One respondent also asked if non-director members could be appointed to the Board or other Board Committees.

MAS' Response

3.4 AG 9.9 is intended to give FIs the flexibility to appoint a subject-matter expert as a non-director member to the BRC, as we recognise that certain FIs may find it useful. MAS is not encouraging FIs to do so, but leaving the option open should an FI's constitution permit such appointments. MAS' responses and clarifications are set out as follows:

- (i) The FI has the discretion to determine the scope of responsibilities of the non-director member as it is best placed to know how he or she will be able to contribute to the work of the BRC.
- (ii) Any non-director who is appointed to the BRC should be fit and proper in accordance with the Fit and Proper Guidelines. As part of its process for reviewing nominations, the NC is responsible for conducting fit and proper assessments on potential candidates it intends to appoint as non-director members⁵.
- (iii) Each FI can assess the benefits and risks of such an appointment against its unique operations and circumstances. MAS expects the FI, as conveyed in our Consultation Paper, to bind the candidate to appropriate undertakings for proper accountability and to discharge his or her responsibilities as a member of the BRC with due diligence and in the interests of the FI.

⁵ FIs may refer to regulation 13(3) of the Banking (Corporate Governance) Regulations 2005 and regulation 12(3) of the Insurance (Corporate Governance) Regulations 2013.

- (iv) As it is important for the non-director to be held to public accountability, given his ability to influence the outcome of BRC decisions as a member, FIs should disclose these appointments on their website or via corporate announcements. MAS has revised AG 9.9 to include the expectation for FIs to make this disclosure.
- (v) Such a non-director on the BRC should not be accorded voting rights on decisions that are put up for the BRC's approval, given that the non-director is not bound by the same statutory and fiduciary duties as a director and is not elected by shareholders. MAS does not envisage the need for other Board Committees besides the BRC to have a non-director, and the Board should remain composed only of directors.
- (vi) To align with the three-year maximum term for director appointments of banks⁶, each appointment of a non-director on the BRC should be subject to a maximum term of three years. FIs may use this time to search for a new director with the relevant technical expertise, or to equip its existing directors with the necessary skill set and expertise. At the end of the appointment, the FI should notify MAS if there is a need for re-appointment of the non-director.
- (vii) FIs should also put in place contractual provisions for the appointment to be terminated if the services of the member are no longer required or when the member is found to be no longer fit and proper for the appointment.
- (viii) The RC should determine the appropriate remuneration for a non-director on a proportionate basis, taking into consideration the non-director's scope of responsibilities, vis-à-vis directors. Given that the non-director can exercise influence over decisions that are put up for the BRC's approval, FIs are encouraged to disclose the non-director's remuneration for transparency and accountability.

Independence and BRC Composition Requirements

3.5 Clarification was sought on whether, if appointed to the BRC, the non-director would be subject to the same test of independence as the directors prescribed under the

⁶ Regulation 34 of the Banking Regulations states that the maximum term for a director is 3 years. Re-appointments are subject to MAS' approval.

CG Regulations⁷, and how this member will count towards the BRC's composition in assessing whether the composition requirements are met.

MAS' Response

3.6 For the purposes of the BRC composition requirements under the CG regulations, only directors are considered and the non-director cannot be relied on to meet the minimum numbers required. As an example, where a BRC has 6 members, of which 5 are directors and 1 is a non-director, it is required to have at least 3 directors who are non-executive.

3.7 Nonetheless, the non-director should be independent to provide objective external expertise to the BRC. In assessing the independence of the non-director, the NC's assessment should take reference from the criteria set out in the CG Regulations. This serves as a safeguard against the non-director being placed in a conflicted position and preserves the value of the non-director's independent views on the subject matter.

Notification Requirement

3.8 A respondent sought clarification on the purpose of the 30 days lead time for notifying MAS of non-director appointments, and whether FIs can proceed with the appointment as long as they have satisfied the notification requirement.

MAS' Response

3.9 The appointment of non-directors to the BRC is only to be notified to MAS 30 days prior to the appointment. In line with other notification regimes, while MAS' approval is not required for such appointments, MAS may engage the FIs during this 30-day period prior to the planned appointment if there are matters of supervisory concern. When notifying MAS, FIs are expected to provide the NC's assessment of the non-director's fitness and propriety, as well as his or her independence.

⁷ This includes independence from the substantial shareholder, independence from management and independence from business relationships, as well as the 9-year tenure.

4 EXPECTATION FOR MAJORITY BOARD INDEPENDENCE WHEN THE CHAIRMAN IS NON-INDEPENDENT

4.1 One respondent stated that the proposed Provision 2.2 for the Board to have a majority of independent directors when the Chairman is non-independent, is more onerous compared to Guideline 2.2 in the existing CG Guidelines. The respondent also noted that the CG Regulations differ from the proposed Provision 2.2 in allowing a bank/insurer with a substantial shareholder owning 50% or more of its share capital or voting power to have a board where at least one third of directors are independent. It was suggested that the existing expectation for half of the Board to be independent directors when the Chairman is non-independent, would suffice in meeting the objective of Principle 2 of the proposed revised CG Guidelines. A question was also posed on whether MAS will consider a carve-out of non-listed FIs from the proposed Provision 2.2.

MAS' Response

4.2 Provision 2.2 is part of the 2018 CG Code that MAS is fully incorporating into the revised CG Guidelines. Where the Board Chairman is not independent, independent directors play a more important role as an effective check and balance mechanism. A non-independent Chairman could also represent the controlling shareholders of the FIs and hence present a higher risk of concentration of power. As such, there is a greater need to ensure that the interests of all stakeholders, beyond just shareholders, are not unduly compromised.

4.3 Nonetheless, MAS recognises that the expectation to constitute a majority independent board may be disproportionately burdensome for smaller and less systemically important FIs, given the challenges in identifying suitable independent directors. Therefore, MAS has revised Provision 2.2 such that only locally-incorporated Tier 1 insurers, local banks, qualifying full banks, full banks and their designated financial holding companies are subject to the expectation for a majority independent board where the Chairman is non-independent. In addition, the revised Provision 2.2 will be effective from 31 December 2022 to give the FIs sufficient time to consider making any changes to their board composition. For all other FIs, MAS will retain the existing expectation for at least half of the board to be independent. For the avoidance of doubt, Provision 2.2 is on a comply-or-explain basis and FIs can explain their variances from Provision 2.2, such as their planned timeline or actions to meet the expectation, or that there are other safeguards in place to mitigate the relevant risks.

4.4 MAS is also reviewing the requirements on independent directors on the Board in the CG Regulations and will consult the industry in due course.

5 TRANSACTIONS WITH RELATED PARTIES

5.1 Some respondents highlighted that AGs 14.1 to 14.5 on related party transactions in the CG Guidelines may be inconsistent with the requirements on related party transactions that apply to banks under MAS Notice 643 on Transactions with Related Parties (“MAS Notice 643”). Three points in particular were raised:

- (i) The definition of “related party transaction” in the CG Guidelines is different from the definition of “related party transaction” in MAS Notice 643.
- (ii) Under AG 14.5, the Audit Committee (“AC”) is required to review all material related party transactions. However, under MAS Notice 643, review and approval of all material related party transactions is to be done by the Board (or a delegated Board Committee).
- (iii) While AG 14.5 states that FIs are expected to disclose all material related party transactions in their annual reports or company website, there is no such requirement in MAS Notice 643, and FIs are allowed to set their own materiality thresholds for different types of transactions.

MAS’ Response

5.2 Having considered the feedback, our responses are as follows:

- (i) We will align the definition of “related party transaction” in footnote 28 of the revised CG Guidelines to the definition in MAS Notice 643 so as to reduce reporting burden for banks, which may arise from differences in definition between the CG Guidelines and MAS Notice 643.
- (ii) We will also amend AG 14.5, which sets out the expectation for the AC to review all material related party transactions, to state that the Board (or delegated Board Committee) should review all material related party transactions. This aligns more closely with paragraph 26 of MAS Notice 643 for banks, while continuing to set similar expectations for the boards of the insurers and designated financial holding companies.
- (iii) MAS recognises that there is no prescribed materiality threshold for related party transactions in the CG Guidelines, MAS Notice 643 for banks and MAS Notice 129 for insurers, and that FIs are allowed to set their own materiality thresholds in accordance with their risk appetite. We are cognisant that this affects the comparability of such disclosures for various stakeholders, and will review this disclosure expectation in AG 14.5 at a later juncture when we seek more feedback on the AG.

6 ADDITIONAL GUIDELINES ON REMUNERATION PRACTICES

Definitions of Key Terms

6.1 Several respondents sought clarification on the definition of key terms used in the various AGs, which included the following:

- (i) Definition of Material Risk Takers (“MRTs”) referred to in the CG Guidelines, and the difference between MRTs and the term Material Risk Personnels (“MRPs”) referred to in MAS’ Guidelines on Individual Accountability and Conduct (“IAC Guidelines”).
- (ii) Definition of “sustained attention” under AG 6.7.
- (iii) Definition of “guaranteed bonus” under AG 7.5, and whether annual wage supplement for unionised employees and bonuses tied to achievement of certain key performance indicators are considered as “guaranteed bonus”.
- (iv) Definition of “ex-ante adjustment mechanisms” under AG 7.8.

MAS’ Response

6.2 MAS’ responses and clarifications are set out as follows:

- (i) “MRTs” refer to individuals whose actions or decisions can materially impact the FI’s risk profile, and includes individuals in both risk taking and risk management, control and support functions, as well as individuals who take part in the management of the company on a day-to-day basis. The term “MRTs” includes both “MRPs” and “Senior Managers” referred to in the IAC Guidelines⁸. FIs may use any other term to classify such individuals internally, as long as the objective of identifying all individuals who fall within the definition of “MRTs” is met.
- (ii) MAS’ expectation is for the RC to exercise active oversight of the operation of remuneration policies that cover all employees of the FI. On an ongoing basis, the RC is expected to ensure that the remuneration policies are operationalised in a manner that is consistent with the intended outcomes (for example, being aligned with prudent risk taking and consistent with sound risk management principles).

⁸ For example, individuals considered as senior managers who have responsibility for core management functions under the IAC Guidelines, would be considered MRTs.

For example, the FI can put in place processes to keep the RC apprised of significant cases of misconduct which would allow the RC to determine if remuneration adjustments remain appropriate and consistent with the spirit of the policy design. Such oversight should not be delegated entirely to senior management, who could be driven more by competitive pressures. Without “sustained attention” from the RC, the operation of well-designed remuneration policies may change in ways that are inconsistent with the intent of the policy design.

- (iii) “Guaranteed bonus” refers to payouts that are awarded regardless of the employee’s performance, but excludes the annual wage supplement that is specified in the Collective Agreement for unionised employee⁹. Exceptional minimum bonuses are not consistent with sound risk management or the pay for performance principle. Bonuses that are tied to the achievement of certain performance indicators are not considered “guaranteed bonus” as the payment of the bonus is subject to the employee’s actions and behaviour.
- (iv) “Ex-ante adjustments” refer to adjustments made before remuneration is determined and awarded. This may be achieved using 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 performance year.

Involvement of Control Functions in Performance Evaluation and Remuneration Matters

6.3 Several respondents provided feedback on the practical implementation of AG 6.6, which included the following:

- (i) Control functions do not have expertise and experience in the design of remuneration policies.
- (ii) Control functions do not have direct and sustained contact with the employee to provide fair and constructive inputs on individual employee’s performance evaluation and remuneration. In addition, there were concerns with respect to the

⁹ Existing guidance on annual wage supplement considers an employee’s contribution to the company’s performance.

sharing of sensitive individual performance evaluation and remuneration decisions with control functions.

- (iii) Flexibility should be given to FIs to determine the control functions, or individuals within control functions, that they deem to be appropriate to be involved in performance evaluation and remuneration process.

MAS' Response

6.4 The intent of AG 6.6 is to ensure that remuneration practices do not create incentives for excessive risk-taking behaviour. The involvement of control functions in performance evaluation and remuneration matters complements the existing expectation in the CG Guidelines for the RC to seek inputs from the BRC in achieving the same objective. MAS' responses and clarifications are set out as follows:

- (i) MAS acknowledges that control functions may not have the necessary expertise or experience in advising on specific aspects of remuneration policies (for example, operationalisation of deferral or vesting mechanisms). However, control functions will be able to provide inputs to the design of performance evaluation and remuneration frameworks to foster prudent risk-taking and mitigate misconduct risk. For example, staff performance is typically assessed using a balanced scorecard framework which comprise both financial and non-financial components. Control functions should provide inputs on the development of risk and conduct related metrics in the non-financial component. These risk and conduct related metrics would typically relate to various transactional and compliance checks on staff performed by control functions, and the results of these checks could be considered in the computation of the staff's score for performance evaluation and remuneration purposes.
- (ii) Control functions need not be privy to sensitive information on the final remuneration decision in order to comply with AG 6.6. Control functions' inputs to performance evaluation and remuneration outcomes can be in the form of quantitative inputs on risk and conduct-related metrics (for example, number of limit breaches, operational risk incidents, overdue credit reviews). The inputs can also be in the form of qualitative feedback on the employee's behaviour (for example, control functions' views on the employee's attitude and responses to audit findings, employee's ability and willingness to comply with policies and regulations). FIs can exercise discretion for control functions to accord higher levels of attention to specific groups of staff, such as key management personnel and other MRTs, promotion candidates or front office staff, when providing

feedback. Please refer to MAS' Information Paper on Incentive Structures in the Banking Industry¹⁰ for additional information on the manner in which control functions could be involved in performance evaluation and remuneration matters.

- (iii) MAS does not intend to specify all the control functions to be involved in performance evaluation and remuneration matters as each FI is structured differently. For example, controls functions may include supporting operations such as credit administration and operations, trade finance operations and claims processing. We recognise that supporting operations may not be responsible for overseeing risk and conduct related performance metrics. For the purposes of AG 6.6, the RC should determine the departments, divisions, units or teams in control functions that should be involved in performance evaluation and remuneration matters. Examples of control functions that would typically be involved in performance evaluation and remuneration matters include risk management, compliance and internal audit.

Independent Annual Review of Compensation Practices

6.5 Several respondents provided feedback on expectations under AG 6.9 for the FI to conduct an independent annual review of compensation practices. Respondents suggested allowing FIs the flexibility to determine the frequency as appropriate on the basis that changes to compensation practices and regulations are unlikely to change materially each year and that such reviews can be costly if performed by an external vendor.

MAS' Response

6.6 The independent annual reviews serve as an annual attestation of the FI's continued compliance with the relevant regulations and guidelines to facilitate the RC's oversight of remuneration matters. For example, adverse findings highlighted from the annual reviews would allow the RC to take more timely actions to rectify poor compensation practices.

6.7 Nonetheless, MAS recognises that remuneration policies, regulations and guidelines may not change materially every year. Where the RC is satisfied that there are no material changes to the FI's remuneration policies, or applicable regulations and

¹⁰ The Information paper can be found at: <https://www.mas.gov.sg/-/media/MAS/Publications/Monograph-or-Information-Paper/2019/Information-paper--Incentive-Structures-in-the-Banking-Industry.pdf>

guidelines, the RC may waive the conduct of the review for a particular year, or determine the scope of the annual reviews to cover other aspects (for example, reviews on whether the FI's remuneration policies are operating as intended, whether remuneration policies are consistently implemented across the group). Where the RC has decided to waive the conduct of the review, the decision and supporting justification should be documented.

6.8 MAS does not expect FIs to engage external vendors to conduct the reviews. The review may be conducted by an internal party, such as internal audit, as long as the review is conducted independently of management.

6.9 Foreign-owned FIs can choose to rely on independent annual reviews of the FI's compensation practices against relevant regulations and guidelines issued by the FI's home supervisor if the FI can demonstrate that the requirements and expectations of the home supervisor are consistent with the Principles set out in MAS' regulations and guidelines. As AG 6.9 is on a comply-or-explain basis, FIs can explain in their published report why the performance of independent annual reviews may not be applicable in their context if they are unable to observe AG 6.9.

Remuneration Structure for Key Management Personnel and Other MRTs

6.10 Two respondents provided feedback that the expectation under AG 7.4 to defer at least 40% of variable remuneration may be too steep for lower-ranked employees with low variable remuneration. The minimum deferral percentage of 40% may also pose challenges in hiring talents from other sectors that are not subjected to similar deferral expectations. In addition, there may be challenges faced in aligning remuneration policies across the FI's operating locations as some jurisdictions do not impose similar deferral expectations. There is also a potential risk that FIs may increase the percentage of fixed pay to reduce the impact of deferral mechanisms. One respondent suggested allowing FIs to have the flexibility to determine the minimum deferral percentage and period. One respondent also requested for examples on how remuneration structures for key management personnel and other MRTs can be implemented.

MAS' Response

6.11 MAS notes the feedback on the possible unlevel playing field across sectors and jurisdictions, as well as the possible punitive impact on lower-ranked staff with low variable remuneration. The intent of AG 7.4 is to ensure that remuneration for key management personnel and other MRTs are aligned with the time horizon of risk and the long-term objectives of the FI, as their actions and decisions have a material impact on the risk profile of FIs.

6.12 To address the possible punitive impact on lower-ranked employees with low variable remuneration, FIs may establish a minimum deferral threshold, where only variable remuneration above a certain quantum would be subjected to deferral mechanisms. The RC should determine an appropriate minimum deferral threshold to ensure that remuneration of key management personnel and other MRTs continue to be aligned with the time horizon of risk.

6.13 Please refer to the section on “Effective alignment of compensation with prudent risk taking” in the Financial Stability Board (“FSB”) Principles for Sound Compensation Practices for further guidance on how to implement AG 7.4. MAS’ Information Paper on Incentive Structures in the Banking Industry also highlights good practices that can be referenced by FIs.

6.14 In line with AG 7.4(a), FIs should not increase the fixed pay to reduce the impact of deferral mechanisms and a substantial proportion of remuneration for key management personnel and other MRTs should be in variable pay.

Remuneration of Employees in Control Job Functions

6.15 Two respondents commented that under AG 7.7, it might not be practical to have the performance and remuneration system for employees in control job functions to be totally independent of business functions and not share the same key performance indicators.

MAS’ Response

6.16 “Determined independently” does not mean that there cannot be overlaps in the elements of compensation for control job functions and business functions, but that the control job function’s performance and remuneration should not be determined in a manner that compromises their role.

Communicating Indicative Criteria and Scenarios that Could Result in Ex-ante or Ex-post Adjustments to Performance and Remuneration

6.17 One respondent gave feedback that FIs should have the flexibility to share broad criteria and scenarios to all staff (for example, clawbacks, factoring of conduct risk), while keeping certain ones to relevant groups, so as to manage market competitiveness factors.

MAS' Response

6.18 AG 7.10 is in line with the Supplementary Guidance to the FSB Principles and Standards for Sound Compensation Practices (“FSB P&S”). MAS does not prescribe the level of detail when communicating the criteria and scenarios to employees. However, at a minimum, such scenarios should include cases in which: (i) the individual was accountable for misconduct that led to significant losses for the institution or significant adverse outcomes for its customers or counterparties; or (ii) there is fraud, gross negligence or material failure of risk management controls, including serious breach of internal rules or regulations, regardless of the scale of the damage.

Reliance on Group Level Review and Oversight

6.19 Some respondents also suggested that where FIs are part of a group, independent reviews and oversight discharged by the group RC carried out at group level would suffice where FIs adopt group remuneration policies and practices.

MAS' Response

6.20 The local Board and RC remains ultimately responsible for overseeing remuneration matters, even if they leverage on independent reviews and oversight discharged by a Group RC or carried out at a Group level.

7 FEEDBACK ON OTHER PROPOSED NEW PROVISIONS AND ADDITIONAL GUIDELINES

Provision 2.4 on the Disclosure of Board Diversity Policy

7.1 One respondent suggested that the expectation in the new Provision 2.4 was too prescriptive in expecting FIs to have a board diversity policy, and that flexibility should be given to the FI and its Board to ensure that the Board has an appropriate balance of independence and diversity of thought and background in its composition. More broadly, it was suggested that the Board should have the discretion to determine the suitability of director candidates taking into account relevant elements including diversity.

MAS' Response

7.2 Provision 2.4 is part of the 2018 CG Code that MAS is fully incorporating into our revised CG Guidelines. Similar expectations to disclose the board diversity policy are already set out in the corporate governance codes of other jurisdictions. Our intent is therefore to keep pace with developments in these other jurisdictions. Furthermore, having a board

diversity policy is an important practice as it ensures that there is a clearer process in place to guide the board when sourcing for potential candidates and making director appointments. Having FIs disclose their board diversity policy and progress made in achieving their board diversity goals would encourage greater transparency and accountability on board diversity matters.

Provision 10.4 on the Internal Audit Function having a Primary Reporting Line to the Audit Committee of the FI

7.3 One respondent sought clarification on the meaning of “primary reporting line of the internal audit function” given that there were instances of internal audit function being performed by intra-group entities with a primary reporting line to the AC of the intra-group entity.

MAS’ Response

7.4 Notwithstanding that some FIs may have their internal audit function performed by intra-group (or third party) entities, the expectation under Provision 10.4 is for the internal audit function to have a direct reporting line to the AC of the FI on matters pertaining to the audit of the FI. This is to allow the FI’s AC to receive timely information on matters arising from the audit of the FI, rather than being informed through the AC of the other intra-group entity. Nevertheless, MAS would like to clarify that the internal audit function may also have a primary reporting line to the AC of other intra-group entities or third-party entities for audit matters of these entities.

Provision 13.2 on the Disclosure of Strategy and Key Areas of Focus in relation to the Management of Stakeholder Relationships

7.5 A respondent sought clarification on the type of disclosures expected by MAS to achieve observance of the provision.

MAS’ Response

7.6 MAS would like to clarify that the intent of this provision was for FIs to identify the material stakeholders who may be affected by its activities, which may differ from business to business, and to disclose such information as is necessary to manage these relationships. This is an important practice for FIs, as their relationships with material stakeholders may have an impact on the company’s long-term sustainability. MAS does not prescribe what companies should disclose in order to comply. Given that this is a provision within the 2018 CG Code, FIs may wish to refer to the Practice Guidance published by the SGX on the 2018

CG Code (“Practice Guidance”) for listed companies, which offers an example of sustainability reports being disclosed to stakeholders and used to engage them.

AG 1.15 on Training for Directors with no Prior Experience as a Director of a Listed Company or FI

7.7 A respondent gave feedback that the FIs should retain the discretion to determine the appropriate induction and training programme for new directors, as each FI is governed by its unique business considerations and circumstances.

MAS’ Response

7.8 MAS agrees that the training programme could be developed by the FIs themselves and its content tailored to their respective needs. The new AG 1.15 provides FIs with flexibility in determining the training programme for new directors. MAS does not prescribe the specific training for directors as conveyed in our Consultation Paper. While examples of training areas were included (i.e. accounting, legal, relevant regulatory and industry-specific knowledge), these are intended as references. In this regard, MAS has amended AG 1.15 to make our intent clearer.

AG 2.9 on Documenting Unresolved Concerns of Independent Directors in Board Meeting Minutes

7.9 A respondent sought clarification on whether some of the unresolved concerns (if discussed at the Board Committee meeting) should be documented in detail at the Board Committee level first, and then summarized at the Board meeting.

MAS’ Response

7.10 Where unresolved concerns surface at the Board Committee level, details can be documented at the Board Committee level, with the summary documented at the Board meeting.

AG 4.7 on Information to be Disclosed when Names of Directors are Submitted for Appointment or Re-Appointment

7.11 A respondent noted that the requirement under the SGX Listing Rules and Provision 2.1 to disclose relationships between a director and a substantial shareholder were similar to the disclosure expectation under AG 4.7. The respondent suggested to align the disclosure expectation under AG 4.7 with the SGX Listing Rules and Provision 2.1 to be consistent for directors of listed and non-listed FIs.

MAS' Response

7.12 MAS has amended the reference to “10% shareholder” in AG 4.7 to state “substantial shareholder” instead. This better aligns with Provision 2.1 of the 2018 CG Code, which replaced the concept of 10% shareholder with the concept of the substantial shareholder¹¹ as the appropriate threshold to trigger considerations on the independence of directors. This concept of director independence from substantial shareholders has gained acceptance worldwide and we recognise that FIs would have had time to adjust to this expectation. Aligning AG 4.7(c) with Provision 2.1 and the SGX Listing Rules is consistent with the policy intent of the 2018 CG Code.

AGs 9.4(d), 9.6 and 10.13(a) on FIs' Management of Financial and Non-Financial Risks

7.13 A respondent suggested that, given the recent focus by MAS on environmental risk and the publishing of governance expectations in this area, it would be useful to include environmental risk in the proposed new AGs such as 9.4(d) and 9.6.

MAS' Response

7.14 Given its increasing importance, MAS has included environmental risk under one of the risks to FIs mentioned in new AGs 9.4(d), 9.6 as well as 10.13(a). This also serves to reiterate MAS' expectations that FIs pay sufficient attention to environmental risk management.

AG 9.11 on the Audit Committee Concurring with the Board's Comment on the Adequacy and Effectiveness of the Internal Controls

7.15 Two respondents commented that the new AG 9.11 would mean that the AC would need to meet again after the Board meeting to issue the necessary statement of concurrence. This would add another step to the governance process and delay the release of the annual report.

¹¹ Section 81 of the Companies Act states that a person has a substantial shareholding in a company if (a) he has an interest or interests in one or more voting shares in the company; and (b) the total votes attached to that share, or those shares, is not less than 5% of the total votes attached to all the voting shares in the company.

MAS' Response

7.16 While we acknowledge that this is an additional step in the governance process, our view is that it provides assurance to stakeholders that the AC is fulfilling its responsibilities appropriately.

AG 10.13 on Audits Relating to Risk Management

7.17 One respondent enquired on the rationale for the removal of underwriting, compliance and fraud as material areas of risk, given that these are generally regarded as material risk areas for a regulated insurance company.

MAS' Response

7.18 MAS would like to clarify that: (a) underwriting, country and transfer risk have been subsumed under the broader category of credit risk; (b) compliance risk is covered by the other categories of regulatory risk and money laundering and terrorism financing risk; and (c) fraud risk is subsumed under operational risk. For completeness, interest rate risk has also been subsumed under market risk.

AG 10.18 on FIs having to Discuss with MAS the Reasons for the Resignation of the Head of Internal Audit

7.19 One respondent noted that FIs are required to discuss the reasons for the resignation or dismissal of the head of internal audit with MAS and sought to clarify on the appropriate level of seniority of the FI representative for the discussion (for example, the CEO, AC Chairman or the designated MAS liaison of the FI) and the timeframe for the discussion to take place.

MAS' Response

7.20 MAS will not prescribe who should discuss the reasons for resignation or dismissal of the head of internal audit with MAS and the timeframe for discussion. FIs should initiate an appropriate discussion with MAS, taking into consideration any risks arising from the resignation or dismissal of the head of internal audit and the time horizon of these risks.

8 PROPOSED AMENDMENTS TO CG REGULATIONS

Definition of Independence from Management Relationships

8.1 MAS sought to strengthen the independence of directors on the Board, namely independence from management relationships. In this regard, we had proposed to revise the CG Regulations' definition of independence from management relationships, to align with the CG Guidelines and capture employment with "related corporations" instead of "subsidiaries".

8.2 MAS had also proposed in our Consultation Paper to widen the scope of employment of the "immediate family member" to cover employment by the FI or its related corporations in any capacity, instead of only those employed as an executive officer. MAS' proposed new definition, which would be set out in the CG Guidelines as AG 2.6 until regulatory amendments to the CG Regulations are effected, was as follows: *"A director is deemed as non-independent if the director or an immediate family member is employed by the FI or any of its related corporations in the current or any of the past three financial years."*

8.3 Some respondents suggested retaining the scope of "any of its subsidiaries" under the independence from management relationships definition in the CG Regulations, rather than expanding the scope to "any of its related corporations". The reason was that, where an FI is part of a large global organisation with many sister companies and subsidiaries across multiple jurisdictions, the FI might find it challenging to appoint independent directors within its group if employees of related corporations are caught as well.

8.4 Some respondents also provided feedback that the scope of this new independence rule was too onerous as it renders a director non-independent if his or her immediate family members are employed by the FI or its related corporation, regardless of the designation held by the immediate family member.

MAS' Response

8.5 The reason for proposing the change from the term "subsidiaries" to "related corporations" was to capture relevant relationships between directors and the FI that are currently not covered by the CG Regulations. For example, currently, a director of the Singapore subsidiary of a foreign FI who is the head of the foreign FI's regional group or is part of management at Head Office, can be considered independent from management even if the CEO of the Singapore subsidiary reports to him. Nonetheless, MAS will further review this proposed amendment to the CG Regulations and will be seeking more feedback.

In addition, regardless of whether the term “subsidiaries” or “related corporations” is used in the CG Regulations, Provisions 2.1 and 4.4 of the revised CG Guidelines set out expectations for the board or the NC to determine whether a director is independent, taking into consideration any relationship 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 FI.

8.6 We note the feedback on the extended scope of non-independence from management relationships to cover immediate family members employed by the FI or its related corporations in any role. Our intention in expanding the scope to all employees was to capture scenarios where a director's immediate family member holds a position within the FI or its related corporations that may raise questions on independence from management, even though his or her remuneration is not determined by the RC. Nonetheless, having considered the respondents' feedback, MAS agrees to set out in AG 2.6 that a director is deemed non-independent if his or her immediate family member is employed:

- (i) as an executive officer or other MRT by the FI; or
- (ii) has his or her compensation decided by the RC or the Board.

8.7 We recognise that there may be directors who are deemed by the NC to be able to exercise independent business judgment and whose ability to act in the interests of the FI would not be impeded, despite being captured within the expanded scope set out in paragraphs 8.5 and 8.6. Therefore, if the new requirement with the expanded scope is incorporated into the CG Regulations, MAS may consider a new regulation that allows the NC to rebut the presumption of non-independence where the director is prima facie deemed non-independent from management relationships by virtue of the relationships falling within the expanded scope in paragraphs 8.5 and 8.6 of this paper. MAS will review the definition of independence from management relationships further and seek feedback on any additional change or refinement.

Directors' Responsibility for Annual Review of Business Objectives, Strategies, Corporate Governance and Culture and Conduct Frameworks

8.8 MAS had proposed in our Consultation Paper for certain Provisions and AGs within the current CG Guidelines, which we view as expectations that are fundamental to good corporate governance, to be included in the CG Regulations for mandatory compliance by the relevant FIs. In this regard, MAS proposed to set out the Board's key responsibilities in the CG Regulations as the CG Regulations currently are silent on the responsibilities of the

Board even though they set out the key responsibilities of the various Board Committees¹². One such responsibility was for the Board to “*review, at least annually, the bank’s/insurer’s business objectives, strategies, and its corporate governance as well as culture and conduct frameworks.*” MAS had informed FIs that these Board responsibilities will be included within the revised CG Guidelines, and subsequently within the CG Regulations when regulatory amendments are effected.

8.9 A number of respondents provided feedback that the proposed frequency for such reviews was overly prescriptive, and instead, should be left to the FIs to determine as appropriate. This took into consideration that FIs may take a longer-term view in the development of business objectives, strategies and its corporate governance and culture and conduct frameworks. Respondents commented that a review would typically be carried out when there are material developments, which may be less frequent than annually. One respondent sought clarification on whether the review may be undertaken by delegated Board Committees.

MAS’ Response

8.10 MAS agrees that flexibility should be accorded to the FIs to determine the frequency of reviews as we recognise that business objectives and strategies could be of a long-term nature and not change every year. As such, MAS will allow the reviews to be conducted on a periodic basis and where there are material developments, rather than “at least annually”. This could also mean a review cycle of less than a year should there be material developments warranting this.

8.11 On whether the review may be conducted by delegated Board Committees, MAS would like to clarify that the Board would still be held responsible for these key responsibilities even if the review were to be undertaken by the delegated Board Committees¹³.

¹² Regulations 30, 33(3), 34(2) and 34A(2) of the Banking CG Regulations sets out the responsibilities of the Nominating Committee, Remuneration Committee, Audit Committee and Risk Management Committee respectively. Regulations 12, 16(3), 17(2) and 18(2) of the Insurance CG Regs sets out the responsibilities of the Nominating Committee, Remuneration Committee, Audit Committee and Risk Management Committee respectively.

¹³ Furthermore, MAS has included an expectation in AG 1.19 to state that the Board and Senior Management should observe the IAC Guidelines issued by MAS. The IAC Guidelines sets out MAS’ expectations regarding accountability, risk ownership and proper conduct.

8.12 MAS will further review the roles and responsibilities of the Board proposed to be included in the CG Regulations, and consult the industry in due course.

Extension in Scope of RC's Responsibilities

8.13 Several respondents provided feedback on the practical challenges for the RC to seek inputs from the relevant Board Committees overseeing control functions on the individual performance and remuneration of MRTs and review such information, as the number of this group of individuals varies across FIs. The RC and the relevant Board Committees may also not have sufficient visibility on their individual performance to provide inputs. Given the practical challenges, respondents suggested to either limit RC's responsibilities to evaluating only executive officers' remuneration or to allow the RC to establish agreed materiality thresholds to guide reviews of MRTs' remuneration.

MAS' Response

8.14 MAS recognises the practical challenges for the RC to review the individual remuneration for all MRTs, especially for FIs which have a large number of such individuals. MAS also acknowledges that the relevant Board Committees may not have sufficient interaction with individual MRTs who are not executive officers. MAS would like to clarify that the intent of the proposed requirement is not for the RC to review the remuneration package for each MRT, but for the RC to evaluate remuneration outcomes for MRTs in aggregate to ensure that these are aligned with prudent risk taking and consistent with sound risk management principles. The RC is not expected to evaluate the remuneration package of each MRT, and the proposed requirement to seek inputs from committees overseeing control functions will be limited to executive officers.

Requirement for Board to Comment on the Adequacy and Effectiveness of the Internal Controls and for the Audit Committee to Comment on whether the Internal Audit Function is Independent, Effective and Adequately Resourced

8.15 Two respondents provided feedback that it would not be practical to include Board's comments on the adequacy and effectiveness of internal controls in the company's annual report or on its website. One of the respondents provided feedback that there should be a distinction on the extent of disclosures required between listed and non-listed FIs in that listed FIs should be subject to a higher level of disclosure requirements than non-listed FIs due to broader shareholder interests. The respondents also provided the view that it is unnecessary for the AC to separately comment on the internal audit function, as this is

disclosed in the corporate governance section of the Annual Report, which is endorsed by the Board.

MAS' Response

8.16 MAS considers it a baseline expectation for the Board and AC to have adequate oversight of the FI's internal controls. Having the Board and AC comment on the adequacy and effectiveness of internal controls would provide assurance that they are fulfilling this responsibility. For non-listed FIs, most of the Provisions to be included in the CG Regulations remain relevant. It is good practice for non-listed FIs to assess their compliance against the Provisions and explain any variances.

Information to be Disclosed when Names of Directors are Submitted for Appointment or Re-Appointment

8.17 A respondent commented that the proposed new AG 4.7, which would be shifted to the CG Regulations, should not be too prescriptive on the information to be submitted along with the names of the directors submitted for appointment or re-appointment. It was suggested that the types of information that need to be considered should be left to the judgment of the Board.

MAS' Response

8.18 MAS is of the view that the information listed in AG 4.7 are basic and relevant to stakeholders. The inclusion of this requirement in the CG Regulations will align better with the corresponding requirement in the SGX Listing Rules.

9 IMPLEMENTATION TIMELINE

9.1 Along with this Response Paper, MAS has published the revised CG Guidelines¹⁴.

9.2 These revised CG 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.

¹⁴ The revised CG Guidelines, issued on 9 November 2021, can be found at: <https://www.mas.gov.sg/-/media/MAS-Media-Library/regulation/guidelines/ID/guidelines-on-corporate-governance/Guidelines-on-Corporate-Governance-9-November-2021.pdf>

9.3 Expectations in the revised CG 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. For example, an FI, with a financial year from 1 January to 31 December 2022, should refer to disclosure expectations in the revised CG Guidelines when preparing the information for disclosure in 2023¹⁵. FIs are expected to provide explanations if they do not make the relevant disclosures in accordance with the revised CG Guidelines.

9.4 All other expectations in the revised CG Guidelines, with the exception of Provision 2.2, are effective from 1 April 2022, and FIs are expected to provide explanations for variances observed from 1 April 2022, in their annual reports covering financial years commencing from 1 January 2022 or on their websites. In the example of an FI with a financial year from 1 January to 31 December 2022, the FI should disclose any variances from the revised CG Guidelines that are observed from 1 April 2022 in its annual report or on its website in 2023. The FI need not disclose variances against the previous CG Guidelines (issued on 3 April 2013) that are observed from 1 January to 31 March 2022.

9.5 Provision 2.2 is effective from 31 December 2022. For an FI with a financial year from 1 January to 31 December 2022, the FI should disclose any variance from Provision 2.2 as at 31 December 2022 in its annual report or on its website in 2023.

9.6 Paragraph 13 of the revised CG Guidelines on the transition dates is as follows:

“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.”

¹⁵ Using Provision 8.2 in the revised CG guidelines as an example, FIs with financial year from 1 January to 31 December 2022 should disclose the names and remuneration of employees who are (i) substantial shareholders or (ii) immediate family members of directors, the CEO or substantial shareholders, and whose remuneration exceeds S\$100,000 between 1 January to 31 December 2022, when preparing this information for disclosure in 2023.

MONETARY AUTHORITY OF SINGAPORE

9 November 2021

Annex A

LIST OF RESPONDENTS TO THE CONSULTATION PAPER ON REVISIONS TO THE CG GUIDELINES

1. DBS Bank Ltd
2. Citibank Singapore Limited
3. Resona Merchant Bank
4. Corima Pte Ltd
5. Marsh Management Services Singapore Pte Ltd
6. MS First Capital Insurance Limited
7. Samsung Reinsurance Pte Ltd
8. Swiss Re Asia Pte Ltd
9. AXA Insurance Pte Ltd
10. FWD Singapore Pte Ltd
11. Life Insurance Corporation (Singapore) Pte Ltd
12. Manulife (Singapore) Pte Ltd
13. NTUC Income Insurance Co-operative Ltd
14. Prudential Assurance Company Singapore
15. Raffles Health Insurance Pte Ltd
16. The Great Eastern Life Assurance Company Limited
17. Tokio Marine Life Insurance Singapore
18. AIA Singapore Private Limited
19. Respondent 1 who requested for confidentiality of identity
20. Respondent 2 who requested for confidentiality of identity

Eight respondents requested for confidentiality of identity and submission.

Please refer to [Annex B](#) for the submissions.

Annex B

SUBMISSIONS FROM RESPONDENTS TO THE CONSULTATION PAPER ON REVISIONS TO THE CG GUIDELINES

S/N	Respondent	Response from respondent
1	DBS Bank Ltd	<p>Question 1. MAS seeks comments on our expectation for locally-incorporated banks, Tier 1 insurers, and designated financial holding companies which own banks or Tier 1 insurers to fully observe the principles of the CG Code contained within the CG Guidelines, where deviations from Principles 11 and 12 are acceptable if they are not relevant in the context of the ownership structure of non-listed FIs.</p> <p>We note that, while the Authority expects banks to “fully observe” the principles, we would like to seek further clarification that banks continue to have the ability to state and explain variations from the CG Guidelines so long as their practices are consistent with the aim and philosophy of the principle in question.</p> <p>Question 2. MAS seeks comments on the proposed additions to the AGs as set out in Table 1.</p> <p>No comment.</p> <p>Question 3. MAS seeks comments on the proposed additions to the AGs in Table 2.</p> <p>AG 6.6: Control functions are involved in providing inputs on performance evaluation but may not have the expertise and experience in the design of remuneration policies. The design of remuneration policies such as the ratio of fixed vs. variable pay, deferrals and vesting schedule, etc. incorporates guidance from the FSB principles and industry benchmarks. Any changes in remuneration policies are also subject to approval from the RC.</p> <p>AG 6.9: With respect to AG 6.9, could the Authority consider “regular reviews” instead of formalising the frequency to be annual, so as to maintain some flexibility and in recognition that changes to compensation practices/ regulations are unlikely to change materially on an annual basis?</p> <p>AG 7.4: Some MRTs’ actual variable remuneration may be low and hence a 40% deferral is too steep. In addition, FIs may have a longer deferral period than 3 years and no vesting for the 1st year which are more stringent than the FSB guidelines. Hence, there should be flexibility given to FIs to make the necessary adjustments and trade-off.</p>

	<p>Question 4. MAS seeks comments on the proposal to document the unresolved concerns of independent directors, particularly those on the running of the company or a proposed corporate action.</p> <p>No comment.</p> <p>Question 5. MAS seeks comments on the following proposals:</p> <p>(a) to introduce a new AG on the appointment of a non-director as a member of the BRC;</p> <p>No comment.</p> <p>(b) such appointment should be notified to MAS at least 30 days prior to the date of appointment;</p> <p>No comment.</p> <p>(c) the non-director to commit to appropriate undertakings for proper accountability.</p> <p>No comment.</p> <p>Question 6. MAS seeks comments on the inclusion of the requirements set out in Tables 3 to 5 and paragraph 5.3 into the CG Regulations.</p> <p>Table 3: We have no further comments on the items except Part (e): MAS could consider “regular reviews” instead of formalising the frequency to be annual, so as to maintain some flexibility.</p> <p>Table 4: On the determination of a director’s independence in light of the director or an immediate family member being employment of the FI of its related corporation:</p> <p>MAS could consider operating with the existing provision as outlined in Rule 210(5)(b) of the SGX Listing Manual in determining a director’s independence. The proposed provision is too mechanical and some room should be given to the NC to determine if the director’s independence is compromised in instances where an immediate family member (whose remuneration is not determined by the RC) is employed by the bank.</p> <p>Table 5: We have no further comments except the last point:</p> <p>The number and remuneration levels of MRTs vary across organisations, and it may not be practical for the RC to review the remuneration of all MRTs. The RC should be given some discretion to establish agreed materiality thresholds to guide their review.</p>
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		<p>Question 7. MAS seeks comments on any aspects of the CG Guidelines that have not been covered in the proposed amendments.</p> <p>No comment.</p>
2	Citibank Singapore Limited	<p>Question 1. MAS seeks comments on our expectation for locally-incorporated banks, Tier 1 insurers, and designated financial holding companies which own banks or Tier 1 insurers to fully observe the principles of the CG Code contained within the CG Guidelines, where deviations from Principles 11 and 12 are acceptable if they are not relevant in the context of the ownership structure of non-listed FIs.</p> <p>No comment.</p> <p>Question 2. MAS seeks comments on the proposed additions to the AGs as set out in Table 1.</p> <p>No comment.</p> <p>Question 3. MAS seeks comments on the proposed additions to the AGs in Table 2.</p> <p>No comment.</p> <p>Question 4. MAS seeks comments on the proposal to document the unresolved concerns of independent directors, particularly those on the running of the company or a proposed corporate action.</p> <p>No comment.</p> <p>Question 5. MAS seeks comments on the following proposals: (a) to introduce a new AG on the appointment of a non-director as a member of the BRC;</p> <p>Citibank is supportive of the proposal as it gives flexibility to the company (if a need arises) to on-board such skillset to the BRC. Could we however ask whether MAS would consider extending the non-director proposal to the Board and other Board Committees?</p> <p>(b) such appointment should be notified to MAS at least 30 days prior to the date of appointment;</p> <p>No comment.</p> <p>(c) the non-director to commit to appropriate undertakings for proper accountability.</p> <p>No comment.</p>

	<p>Question 6. MAS seeks comments on the inclusion of the requirements set out in Tables 3 to 5 and paragraph 5.3 into the CG Regulations.</p> <p>We seek MAS’ clarification of footnote 14. Could MAS confirm our understanding that where the company has been exempted from having a RC, the Board’s responsibility is limited to ensuring the company establishes an appropriate criteria to identify MRTs; and that the Board is not responsible for performing the role/ function of the RC?</p> <p>Question 7. MAS seeks comments on any aspects of the CG Guidelines that have not been covered in the proposed amendments.</p> <p><u>Additional Guideline 1.15</u> MAS proposes that: (i) a director with no prior experience as a listed company director undergo training in areas such as accounting and legal knowledge, director duties and how to discharge those duties, as appropriate; and (ii) a director who has no prior experience as a director of a FI undergo training in areas such as relevant regulatory and industry-specific knowledge, as appropriate.</p> <p>MAS has stated in the Consultation Paper that it will not prescribe the specific training that directors should undergo.</p> <p>We respectfully submit for MAS’ consideration that it should be left to the FI to determine the induction program for new directors and on-going director training program given that the FI would be most familiar with the background, skillset and experience of directors and the on-going needs of the FI.</p> <p><u>Provision 2.2</u> The existing CG Guidelines provide that independent directors must make up at least half the Board where the Chairman is not independent. The revised CG Guidelines recommended that independent directors make up a majority of the Board where the Chairman is not independent.</p> <p>Reg 9(2) of the Banking (Corporate Governance) Regulations (“BCGR”), allows a bank with a substantial shareholder owning 50% or more of its share capital or voting power to, inter alia, have a board where at least 1/3 of directors are independent.</p> <p>We are not supportive of this proposal on the basis that the existing CG Guidelines (i) already meets the objective of the Principle and (ii) is already a more onerous requirement compared to Reg 9(2), or in the alternative that MAS should consider a carve out for non-listed foreign bank subsidiaries.</p>
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	<p><u><i>Provision 2.4</i></u></p> <p>The revised CG Guidelines provide that the Board should 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 in achieving the board diversity policy, including objectives, should be disclosed.</p> <p>With respect, we are of the view that it is too prescriptive to require companies to have a board diversity policy; rather, it should be left to the company and its board to observe the Principle (i.e. 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) and determine suitability of director candidates taking into account relevant elements including diversity.</p> <p><u><i>Additional Guideline 2.6</i></u></p> <p>The existing CG Guidelines provides that a director who has an immediate family member who is, or has been in any of the past 3 financial years, employed by the company or any of its related corporations and whose remuneration is determined by the RC, is not considered independent, unless the Board determines otherwise. Furthermore, under the Regulations, a Director is only considered not independent from management if his immediate family member is employed by Citibank or its subsidiary as an executive officer during the current or past 3 financial years and his compensation is determined by the RC.</p> <p>The revised CG Guidelines will provide that a director is deemed as non-independent if the director or an immediate family member is employed by the FI or any of its related corporations in the current or any of the past three financial years. This is more stringent than the current requirements in the CG Guidelines or the Regulations and effectively means that, if a Director’s immediate family member (regardless of seniority) is employed within Citibank or was employed during the past 3 financial years, such Director is automatically considered non-independent.</p> <p>MAS has indicated that this will also be included in the Regulations, meaning it will have the force of law.</p> <p>We are not supportive of this proposal. We respectfully submit that this new requirement (if imposed) should either be limited to family members whose compensation is decided by a remuneration committee; or that some form of seniority cap should be imposed; or that the Board should be given the flexibility to determine that such Director remains independent notwithstanding his immediate family member being a Citibank employee (as is currently the case). It is not</p>
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		<p>inconceivable that this requirement could rule out potential independent director candidates.</p> <p><u>Provision 13.2</u></p> <p>The revised CG Guidelines will require the company to disclose its strategy and key areas of focus in relation to the management of stakeholder relationships during the reporting period.</p> <p>Could MAS offer guidance on what disclosures it expects companies to make in order to comply?</p>
3	Resona Merchant Bank	<p>Question 1. MAS seeks comments on our expectation for locally-incorporated banks, Tier 1 insurers, and designated financial holding companies which own banks or Tier 1 insurers to fully observe the principles of the CG Code contained within the CG Guidelines, where deviations from Principles 11 and 12 are acceptable if they are not relevant in the context of the ownership structure of non-listed FIs.</p> <p>For banks below a certain size, some of the proposed requirements are very onerous, will there be provisions for additional exemptions?</p> <p>Question 2. MAS seeks comments on the proposed additions to the AGs as set out in Table 1.</p> <p>No comment.</p> <p>Question 3. MAS seeks comments on the proposed additions to the AGs in Table 2.</p> <p>No comment.</p> <p>Question 4. MAS seeks comments on the proposal to document the unresolved concerns of independent directors, particularly those on the running of the company or a proposed corporate action.</p> <p>No comment.</p> <p>Question 5. MAS seeks comments on the following proposals: (a) to introduce a new AG on the appointment of a non-director as a member of the BRC;</p> <p>May not be relevant to non-listed FIs with single parent entity.</p> <p>(b) such appointment should be notified to MAS at least 30 days prior to the date of appointment;</p> <p>No comment.</p>

		<p>(c) the non-director to commit to appropriate undertakings for proper accountability.</p> <p>No comment.</p> <p>Question 6. MAS seeks comments on the inclusion of the requirements set out in Tables 3 to 5 and paragraph 5.3 into the CG Regulations.</p> <p>Some of the requirements are costly to implement for small organizations especially for non listed FIs with single parent entity.</p> <p>Question 7. MAS seeks comments on any aspects of the CG Guidelines that have not been covered in the proposed amendments.</p> <p>No comment.</p>
4	Corima Pte Ltd	<p>Question 1. MAS seeks comments on our expectation for locally-incorporated banks, Tier 1 insurers, and designated financial holding companies which own banks or Tier 1 insurers to fully observe the principles of the CG Code contained within the CG Guidelines, where deviations from Principles 11 and 12 are acceptable if they are not relevant in the context of the ownership structure of non-listed FIs.</p> <p>For a captive insurer (“captive”), its shareholder is usually the holding company of the whole Group. Hence, shareholders’ interests in this case would usually be in relation to internal/ related parties. The strategic objectives of a captive would be for premium savings, management of claims internally etc. Hence, the risks to a captive are mostly in-house and to its own holding company/ related companies.</p> <p>At a minimum, risk management is performed at each underwriting renewal, where the Board will be involved in the renewal process.</p> <p>In addition, there are also directives set by holding company etc, highlighting the Group’s risk management policies and internal controls that are to be in place.</p> <p>Since all risks of a captive are mainly internal, we would prefer that it be exempted from having to explain variations from the corporate governance guidelines as the holding company will have its own governance procedures and systems in place. Any inadvertent deviation by the captive can only harm the holding company and its subsidiaries.</p> <p>In relation to Principle 12, captives in the main are part of a large Group with listed holding companies. They will have ACs as required by listing rules or regulations in the home countries. As a minimum, the MAS should take a proportionate view rather than anything prescriptive. If a captive is of a small size, having an AC may be a drain on its resources,</p>

	<p>as there will be a need for a certain number of independent directors to be on board, for them to be elected into the AC.</p> <p>Furthermore, the captive’s appointment of its external auditor usually follows that of the group. As such, the AC’s authority and duties may be limited.</p> <p>Even without an AC, the captive’s Board will be able to provide sufficient oversight on internal controls and risk management, keeping in mind that the captive is an internal (in house) risk retention vehicle.</p> <p>Suggest to make the establishment of an AC optional for captives.</p> <p>Question 2. MAS seeks comments on the proposed additions to the AGs as set out in Table 1.</p> <p>No comment.</p> <p>Question 3. MAS seeks comments on the proposed additions to the AGs in Table 2.</p> <p>This section is clearly designed for commercial FIs and should not be expected to apply to captives that rarely have employees unless they are of a particular scale. Even then, there would not be sufficient scale to justify additional complexity and resources. For a captive, remuneration is paid to directors as director fees, and to captive managers, loss adjusters and external auditors as service fees.</p> <p>In order for a RC to be in place, there has to be sufficient number of independent directors to be nominated onto the RC.</p> <p>Furthermore a captive may not have senior management or MRTs within its own entity. If there are any senior management from the Group who are managing the captive, their remuneration would have been reviewed and approved at the Group level.</p> <p>As captives are usually wholly owned by a holding company (of a Group), the remuneration paid may have been approved at Group level, rather than at the captive’s level.</p> <p>Hence, suggest leaving it as an option for Captives on whether they wish to establish an RC.</p> <p>Question 4. MAS seeks comments on the proposal to document the unresolved concerns of independent directors, particularly those on the running of the company or a proposed corporate action.</p>
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	<p>Not all captives have independent directors. They are usually appointed employees of the parent/ holding company and the MAS approved captive manager.</p> <p>Question 5. MAS seeks comments on the following proposals: (a) to introduce a new AG on the appointment of a non-director as a member of the BRC; (b) such appointment should be notified to MAS at least 30 days prior to the date of appointment; (c) the non-director to commit to appropriate undertakings for proper accountability.</p> <p>We believe the MAS should take a proportionate approach to captives. Captives are in house risk retention vehicles. The requirement for additional governance and infrastructure over and above that provided by the ultimate holding company/ parent will add an unwarranted oversight. Many captives are small mono-line insurers which will not have the resources to commit to the proposed requirements.</p> <p>We understand that for large commercial insurers, a non-director may be required to be appointed as member of BRC for diversity, independence and a particular skill set. A captive writing in house risks will have access to resources within the captive’s Group that understands the risk profile of the Group, such as operational managers as well as Group risk and insurance managers, finance and legal officers. They also take advice from insurance brokers, risk engineers and captive managers. From a captive’s perspective, it may not reap much benefit, given that the scale of operation of a captive is small, as compared to other types of insurance companies.</p> <p>We suggest that captives be given an option on whether they wish to appoint a non-director, depending on scale and need.</p> <p>Question 6. MAS seeks comments on the inclusion of the requirements set out in Tables 3 to 5 and paragraph 5.3 into the CG Regulations.</p> <p>Table 3: Requirements could be met by captives provided they are allowed to adopt the governance standards of the parent company.</p> <p>Table 4: We do not agree that all captives should have an AC. The statement could be made by the captive’s Board subject to principles of proportionality.</p> <p>Captives generally do not have public websites as they only write in house risks. We do not believe the requirements are relevant to a captive.</p>
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		<p>Table 5: We do not believe the requirements of table 5 are relevant to a captive for reasons previously stated. The parties managing the captive are usually the directors from the parent company and the captive management service providers.</p> <p>Question 7. MAS seeks comments on any aspects of the CG Guidelines that have not been covered in the proposed amendments.</p> <p>No comment.</p>
5	Marsh Management Services Singapore Pte Ltd	<p>Question 1. MAS seeks comments on our expectation for locally-incorporated banks, Tier 1 insurers, and designated financial holding companies which own banks or Tier 1 insurers to fully observe the principles of the CG Code contained within the CG Guidelines, where deviations from Principles 11 and 12 are acceptable if they are not relevant in the context of the ownership structure of non-listed FIs.</p> <p>Kindly note that we have taken the interpretation that captives, Tier 2 run-off insurers and SPRVs would not fall into the definition of designated financial holding companies but if otherwise, we are of the opinion that the rules/ principles imposed are excessive and our comments are provided from this perspective.</p> <p>Captives owned by listed or non-listed corporations would have put in place a sound system of risk management and internal control cascaded down from the Group.</p> <p>During the incorporation of these captives, the business plan and the risk management strategy would have been shared with the MAS and as per licensing conditions, for any significant changes in the corporate, financial or holding structure or in the operations of the captive, the MAS would need to be informed. Not to mention the fact that the captives’ risk appetite is aligned to that of its parent in order to achieve the strategic objectives of the Group. Hence, we are of the view that Principle 11 would have been adhered to.</p> <p>Due to the size and nature of the captives, which can only underwrite risks of its parent Group and are in general not as sizable within the ultimate parent Group, establishing an AC is not as practicable. Smaller scale reviews are often carried out by the Group internal auditor or Group controllers on a regularly basis; i.e. monthly or quarterly.</p> <p>Question 2. MAS seeks comments on the proposed additions to the AGs as set out in Table 1.</p> <p>No comment.</p>

	<p>Question 3. MAS seeks comments on the proposed additions to the AGs in Table 2.</p> <p>We would suggest Tier 2 run-off insurers, SPRVs and captives be exempted instead of having to explain any variations on the company websites for non-listed FIs, as SPRVs and captives are private and do not have websites. Otherwise, we would propose that SPRVs and captives be excluded similar to that for non-listed FIs.</p> <p>Tier 2 run off insurers’ directors are likely to be that of its parent company and their remuneration specific to the said insurer are minimal given their activities are only pertaining to handling run-off claims. Therefore, to establish a BRC, control functions and design remuneration policies, annual review of compensation, etc. seems excessive.</p> <p>Both SPRVs’ and captives’ day-to-day operations are outsourced to an Insurance Manager and Captive Manager respectively, as approved by the MAS, and thus have no employees.</p> <p>A SPRV’s independent and non-executive directors are remunerated for their services minimally but not based on risks undertaken or risk decisions as the structure, risks and investments are set out in the initial agreements. Thus, this does not apply to SPRVs.</p> <p>The majority of directors of captives are from the parent Group and hence, there is no specific remuneration in that respect.</p> <p>Question 4. MAS seeks comments on the proposal to document the unresolved concerns of independent directors, particularly those on the running of the company or a proposed corporate action.</p> <p>It is not compulsory for captives to appoint an independent director. Hence, this issue will not be relevant to the majority of captives.</p> <p>That said, all board meetings, discussion and approvals are minuted, capturing all resolved and unresolved items. Should any such issues arise, they will be duly addressed by the Board.</p> <p>Question 5. MAS seeks comments on the following proposals:</p> <p>(a) to introduce a new AG on the appointment of a non-director as a member of the BRC;</p> <p>(b) such appointment should be notified to MAS at least 30 days prior to the date of appointment;</p> <p>(c) the non-director to commit to appropriate undertakings for proper accountability.</p>
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	<p>We would suggest that Tier 2 run-off insurers, SPRVs and captives be exempted instead of having to explain any variations on the company websites for non-listed FIs, as SPRVs and captives are private and do not have websites. Otherwise, we would propose that SPRVs and captives be excluded similar to that for non-listed FIs.</p> <p>As no new underwriting activities exist for run-off Tier 2 insurers, a BRC will not be practicable.</p> <p>The risk of a SPRV are set out on the onset and governed by the agreements in place. Therefore, having a BRC and appointment of such experts is irrelevant.</p> <p>As a captive is established as a risk management vehicle of the parent Group, only underwrites risks of the parent Goup (i.e. only related party risks and no 3rd party risks) and adheres to Group risk management guidelines with involvement of senior officials, the need for a BRC is seen as less relevant and appears too onerous for captives.</p> <p>Question 6. MAS seeks comments on the inclusion of the requirements set out in Tables 3 to 5 and paragraph 5.3 into the CG Regulations.</p> <p>No comment.</p> <p>Question 7. MAS seeks comments on any aspects of the CG Guidelines that have not been covered in the proposed amendments.</p> <p>We would suggest that Tier 2 run-off insurers, SPRVs and captives be exempted instead of having to explain any variations on the company websites for non-listed FIs, as SPRVs and captives are private and do not have websites; else propose that SPRVs and captives be excluded similar to that for non-listed FIs.</p> <p>Tier 2 run off insurers typically don't underwrite any more risks and only aim to handle and close off existing claims. Hence, it may not be practicable/ applicable to maintain audit, risk management, culture and conduct frameworks etc., and to establish oversight over the policies.</p> <p>Both SPRVs' and captives' day-to-day operations are outsourced to an Insurance Manager and Captive Manager respectively, as approved by the MAS and have no employees. The day-to-day operations are typically carried out by the Managers according to the mandate accorded in the form of Standard Operating Procedures, investment guidelines, etc. overseen by the captive's Board.</p> <p>SPRVs are in existence for the purpose of underwriting the risks of catastrophic events and are funded via the capital market, with the structure and risks governed by agreements in place. Thus, having a BRC</p>
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		<p>in place becomes redundant. The directors of SPRVs are approved by the MAS before approval of its licence and given the life span of these SPRVs are generally 3 to 4 years, re-nomination and re-appointment of directors at least once every three years does not appear to make practical sense.</p> <p>A captive is established as a risk management vehicle of the parent Group and only underwrites risks of the parent Group. Thus, monitoring and management of risks lies with the captive’s Board. As captives only underwrite risks of its parent Group and majority of directors are from the parent Group, the intent of strengthening the independence of directors and transparency on the profile of directors is not as applicable. Based on the said, re-nomination and re-appointment of directors at least once every three years to enable shareholders and the Board to make informed decisions will be unnecessary as the sole shareholder already holds this ability.</p>
6	MS First Capital Insurance Limited	<p>Question 1. MAS seeks comments on our expectation for locally-incorporated banks, Tier 1 insurers, and designated financial holding companies which own banks or Tier 1 insurers to fully observe the principles of the CG Code contained within the CG Guidelines, where deviations from Principles 11 and 12 are acceptable if they are not relevant in the context of the ownership structure of non-listed FIs.</p> <p>No comment.</p> <p>Question 2. MAS seeks comments on the proposed additions to the AGs as set out in Table 1.</p> <p>No comment.</p> <p>Question 3. MAS seeks comments on the proposed additions to the AGs in Table 2.</p> <p>AG 6.6: Control functions can provide input in the development of the remuneration framework.</p> <p>AG 6.7: RC may approve the remuneration framework, which would include all relevant guidelines for performance, assessment and determination of compensation.</p> <p>AG 6.8: Senior Management should be responsible for implementation of the remuneration framework. RC should be kept updated on the status of implementation.</p> <p>AG 6.9: While it would be useful to understand the best practices, the company should be given the latitude to implement a compensation framework which is most suited to its size and nature of business.</p>

	<p>AGs 7.4, 7.5, 7.6 , 7.7, 7.8, 7.9 and 7.10: The company should be given the latitude to implement a compensation framework which is most suited to its size and nature of business.</p> <p>Question 4. MAS seeks comments on the proposal to document the unresolved concerns of independent directors, particularly those on the running of the company or a proposed corporate action.</p> <p>No comment.</p> <p>Question 5. MAS seeks comments on the following proposals: (a) to introduce a new AG on the appointment of a non-director as a member of the BRC; (b) such appointment should be notified to MAS at least 30 days prior to the date of appointment; (c) the non-director to commit to appropriate undertakings for proper accountability.</p> <p>No comment.</p> <p>Question 6. MAS seeks comments on the inclusion of the requirements set out in Tables 3 to 5 and paragraph 5.3 into the CG Regulations.</p> <p>Table 3: Agree with the proposal.</p> <p>Table 4: The Board relies on the AC’s and the BRC’s reports to assess the risk environment and the internal controls.</p> <p>We agree for the Board’s comments on the internal controls to be posted on the company website.</p> <p>The AC would need to meet again after the Board meeting to issue the necessary statement of concurrence. This would add another step to the governance process and delay the release of the annual report.</p> <p>Table 5: RC should approve the Remuneration Policy, which would include all relevant guidelines for performance assessment and determination of compensation.</p> <p>Establishing the criteria to identify MRTs should be aligned with the provisions of the Guidelines on Individual Accountability.</p> <p>Evaluation of remuneration for functional roles (especially MRTs) may amount to the RC performing some of the activities of the Human Resource Department. RC should provide oversight in the implementation of the Remuneration Policy it has approved.</p>
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		<p>Question 7. MAS seeks comments on any aspects of the CG Guidelines that have not been covered in the proposed amendments.</p> <p>No comment.</p>
7	Samsung Reinsurance Pte Ltd	<p>Question 1. MAS seeks comments on our expectation for locally-incorporated banks, Tier 1 insurers, and designated financial holding companies which own banks or Tier 1 insurers to fully observe the principles of the CG Code contained within the CG Guidelines, where deviations from Principles 11 and 12 are acceptable if they are not relevant in the context of the ownership structure of non-listed FIs.</p> <p>The Consultation Paper, paragraph #2.3, states that “For Tier 2 insurers, captive insurers and designated financial holding companies which own Tier 2 insurers, MAS does not expect full observance of the principles, but any variation should be explained in their annual reports (for listed FIs) or company websites (for non-listed FIs). All FIs within the scope of the CG Guidelines should also continue to observe or explain variations from the provisions and additional guidelines (AGs) in their annual reports (for listed FIs) or company websites (for non-listed FIs).” As Samsung Reinsurance is a Tier 2 insurer and is not listed on the stock exchange, we would like to propose that MAS allows non-listed FIs to have the flexibility to explain variations in either the company website or annual report.</p> <p>Question 2. MAS seeks comments on the proposed additions to the AGs as set out in Table 1.</p> <p>No comment.</p> <p>Question 3. MAS seeks comments on the proposed additions to the AGs in Table 2.</p> <p>No comment.</p> <p>Question 4. MAS seeks comments on the proposal to document the unresolved concerns of independent directors, particularly those on the running of the company or a proposed corporate action.</p> <p>No comment.</p> <p>Question 5. MAS seeks comments on the following proposals: (a) to introduce a new AG on the appointment of a non-director as a member of the BRC; (b) such appointment should be notified to MAS at least 30 days prior to the date of appointment; (c) the non-director to commit to appropriate undertakings for proper accountability.</p>

		<p>No comment.</p> <p>Question 6. MAS seeks comments on the inclusion of the requirements set out in Tables 3 to 5 and paragraph 5.3 into the CG Regulations.</p> <p>No comment.</p> <p>Question 7. MAS seeks comments on any aspects of the CG Guidelines that have not been covered in the proposed amendments.</p> <p>No comment.</p>
8	Swiss Re Asia Pte Ltd	<p>Question 1. MAS seeks comments on our expectation for locally-incorporated banks, Tier 1 insurers, and designated financial holding companies which own banks or Tier 1 insurers to fully observe the principles of the CG Code contained within the CG Guidelines, where deviations from Principles 11 and 12 are acceptable if they are not relevant in the context of the ownership structure of non-listed FIs.</p> <p>Some general comments on the various proposals under the Consultation Paper (“CP”) which we hope for MAS to consider as a backdrop to any revisions to be made to the CG Guidelines:</p> <ol style="list-style-type: none"> 1. We recognise that strong corporate governance practices are important for the safety and soundness of FIs and agree that good corporate governance practices should be adopted, which are commensurate with the nature and size of the FIs business and operations. 2. We suggest that recommended best practices be principle-based and not rule-based to allow for FIs to exercise their discretion to adopt such practices that align with their operations and risk profile. Also, FIs that belong to a Group should be able to rely on practices at the Group level that align with the principles proposed under the CG Guidelines. 3. A distinction should be drawn between public listed companies and private companies, particularly in relation to various disclosure requirements under the CG Guidelines. More disclosures from a public listed FI can be expected due to larger shareholder interests to be protected. Private companies should however not be required to make public disclosures at the same level as public companies whether it is in an annual report or in a website. Such detailed disclosures have little benefit to members of the public. This is particularly so in the case of single-owned unlisted FIs and reinsurers which have a B2B model. Instead, we propose that a better approach for non-publicly listed FIs is

	<p>for relevant disclosures to be made to MAS who has supervisory oversight over the FIs.</p> <p>4. The role of the Board is to maintain oversight over the business and operations of the FI and steer its strategy. Senior management is responsible for the day-to-day management of the FI. We propose that the proposals under the CG Guidelines be considered in light of the distinct roles of the Board versus senior management. The Board should look into broader matters such as strategy, controls, policies and frameworks and its limited time should not be utilised for approvals of specific matters which details should be left to senior management to handle.</p> <p>Response to Question 1: We propose that the CG Guidelines provide for flexibility for private, unlisted companies to adopt the recommendations as considered appropriate, having regard to the nature and size of their operations and commensurate with the risk profile of the FIs. FIs that are unlisted should be able to determine how they design and embed principles as expounded under the CG Guidelines into their governance practices, as endorsed by the Board and senior management as opposed to complying with each requirement.</p> <p>We also propose that the requirement for non-listed FIs to explain variations/ deviations from the provisions of the CG Guidelines in their website be removed. This will cause more confusion to members of the public in terms of variations which the Board and senior management have considered are acceptable in view of the nature of the business, operations and risk profile of the FI. If broader principles as expounded by the CG Guidelines are being observed then details on how these principles are applied, whether in strict accordance to the Provisions and Additional Guidance or in another manner should be left in the hands of the Board and senior management, and as supervised by the MAS. Such details will not be useful to members of the public in the case of a private unlisted company. For non-publicly listed FIs, we propose instead that any disclosures on deviations be made to MAS as its supervisory body.</p> <p>Question 2. MAS seeks comments on the proposed additions to the AGs as set out in Table 1.</p> <p>No comment.</p> <p>Question 3. MAS seeks comments on the proposed additions to the AGs in Table 2.</p> <p>With regards to Table 2 AG 6.6, we propose that FIs be given the flexibility to determine which functions should be involved in determining remuneration practices with the aim of ensuring that there</p>
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	<p>is independence and objective perspectives embedded in the process. This could be control functions or other functions or individuals that fulfil the aim. We also propose that if indeed control functions are to be specified as having to be involved in performance evaluation and remuneration decisions, then this be scoped to such individuals as the FIs deem appropriate to be subject to such an independent review process for e.g. these could be risk takers which the FIs identify. We therefore propose that AG 6.6 be re-worded as follows: "such functions or individuals whom the FIs deem appropriate to provide independent perspectives be involved in the design or review of remuneration policies and control functions or such other relevant functions are involved in providing inputs on the performance and remuneration decisions of such individuals as the FIs identify as appropriate".</p> <p>For AG 6.7 to AG 6.9 and more generally, we recommend that it be made clear that where FIs are part of a Group, independent reviews and oversight discharged by a Group RC or carried out at a Group level would suffice where FIs adopt Group remuneration policies and practices.</p> <p>For AG 7.4, compensation frameworks are generally applied institution-wide. Therefore, there will be no separate compensation framework for individual role holders. For different levels of employees, depending on seniority and roles, the remuneration structures could encompass variations to cater for variable components which align with individual performance and FIs' objectives and performance. We therefore suggest that AG 7.4 be worded as follows: "remuneration structures for key management personnel and MRTs which consider individual and FIs' objectives and performance".</p> <p>Further, we propose that AG 7.4(a) and (c) are features for the FI to consider as part of the design of the remuneration, depending on the nature of its business and risk profile and individuals concerned, as opposed to being definitive requirements. Hence, we propose that the sentence in AG 7.4 be revised as: "The following elements and factors may be considered in the design of their remuneration depending on the individual's role".</p> <p>For AG 7.4(a), we suggest deletion of "substantial" as it should be left to the discretion of the FI to design the remuneration structure as appropriate for each individual depending on the role and risk exposure that the individual can undertake.</p> <p>For AG 7.4(c), we propose that the FI be left to determine the percentage and time frame as appropriate for each individual depending on the role and risk exposure that the individual can undertake. Hence, we propose that AG 7.4(c) be revised to "a percentage of variable remuneration is subject to deferral arrangements over a minimum period time...".</p>
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	<p>AG 7.6 Financial and non-financial factors could be applied when considering the bonus pool at an organizational or Group level. At an individual level, the qualitative and quantitative aspects of the individual employee's performance are considered in determining appropriate remuneration and incentives. Hence, we recommend that the proposal under AG 7.6 be worded broadly as follows "Financial and non-financial factors consistent with the objectives and financial soundness of the FI are included in remuneration considerations".</p> <p>AG 7.7 For FIs that are part of a Group, the pool of functions that are considered as control functions may differ from that of MAS and where Group compensation frameworks and practices are adopted, we propose that FIs have the discretion to determine which control functions fall under an independent process from business functions. Hence, we propose that AG 7.7 be worded as "The performance and remuneration of employees in such control job functions as identified by FIs are determined independently of the business functions".</p> <p>Question 4. MAS seeks comments on the proposal to document the unresolved concerns of independent directors, particularly those on the running of the company or a proposed corporate action.</p> <p>The proposal is acceptable. If there are management reasons for such concerns to be unresolved and this has been discussed with the Board, these should likewise be documented and minuted for the minutes to provide the entire picture.</p> <p>Question 5. MAS seeks comments on the following proposals: (a) to introduce a new AG on the appointment of a non-director as a member of the BRC; (b) such appointment should be notified to MAS at least 30 days prior to the date of appointment; (c) the non-director to commit to appropriate undertakings for proper accountability.</p> <p>We welcome the proposal as it provides the BRC the opportunity to compose itself with individuals with relevant expertise, if the BRC feels that is a gap of skill set in its composition.</p> <p>Question 6. MAS seeks comments on the inclusion of the requirements set out in Tables 3 to 5 and paragraph 5.3 into the CG Regulations.</p> <p>On paragraph 5.2 of the CP Table 3 proposed paragraph (e), we suggest the frequency of review of the FI's corporate governance framework, culture and conduct framework, business objectives and strategies be at such frequency that the Board determines appropriate in consultation with senior management, as opposed to being prescribed to be done annually. For example, the FI may consider that business and strategy</p>
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	<p>may require review annually but the corporate governance and culture and conduct framework, if considered stable, may be reviewed at such other frequency as the Board deems appropriate.</p> <p>On paragraph 5.4 of the CP Table 4, we do not agree with the proposal that the Board comments on the adequacy and effectiveness of the internal controls in the company’s annual report company website (for non-listed FIs), as well as including a statement on whether the AC concurs with the Board’s comments to be provided in the company website (for non-listed FIs). We also do not agree with the proposal that the AC comments on whether the internal audit function is independent, effective and adequately resourced in the company website (for non-listed FIs). The distinction of the level of details to be disclosed by a listed FI as opposed to a private company should be clear and by requiring a non-listed FI to publish on their website the same level of information that a listed FI will need to provide in the annual report is in effect imposing the same level of disclosures between the 2 types of entities. A listed FI should attract a higher level of disclosure requirements than a non-listed FI due to broader shareholder interests. Further, a non-listed FI is audited by external auditors who provide their audit opinion in the annual reports that are submitted to MAS and filed with ACRA where these are public information. The view of external auditors in terms of internal controls are expressed in the auditor's report which are discussed with the Board. The annual report is approved by the Board and shareholder. This serves as an affirmation of the views as stated in the annual report. Hence, no separate disclosures on the company website should be required.</p> <p>On paragraph 5.4 of the CP Table 4, in terms of the information that the Board requires to determine the appointment and re-appointment of a director, we propose that the types of information that need to be considered by the Board be left to the best judgement of the Board who ultimately have a duty to ensure that directors appointed are fit and proper, appropriate and have the right skill set. Also the level of information for an initial appointment would differ from a re-appointment where in the latter case the Board may decide that only material changes to profile or information may need to be flagged up.</p> <p>On paragraph 5.5 of the CP Table 5, we disagree with the proposal that the RC seeks inputs from the relevant committees overseeing control functions (e.g. BRC, AC) when evaluating the remuneration for MRTs. This suggest that RC evaluates remuneration of MRTs, which is currently not a requirement. Senior management (executive officers) has been designated by the Board as having the responsibility for the operations of the FI. Senior management is responsible and accountable to the Board and any oversight by the Board on remuneration of specific individuals should be confined to senior management (executive officers) alone. Oversight of MRTs and correspondingly their</p>
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		<p>remuneration structure and incentives should stay with senior management. This is also in line with the recently issued Individual Accountability & Conduct Guidelines where there is no requirement for remuneration of Material Risk Personnel to be reviewed by the Board. By expanding the scope of personnel under the Board's review, the Board is effectively stepping into the shoes of senior management and involved in direct management of the FI as opposed to maintaining oversight and providing guidance and leadership to management to run the company. The limited time of the Board should be utilised on broader overview of policies, controls, strategy etc.</p> <p>On paragraph 5.5 of the CP Table 5, the criteria for identifying MRTs may be established at a Group level. FIs should therefore have the flexibility on the body which establishes the criteria but with oversight from the Board/ RC. We therefore recommend that the second bullet point be revised as "The RC has oversight over appropriate criteria that has been established by the FI to identify MRTs...".</p> <p>Question 7. MAS seeks comments on any aspects of the CG Guidelines that have not been covered in the proposed amendments.</p> <p>No comment.</p>
9	AXA Insurance Pte Ltd	<p>Question 1. MAS seeks comments on our expectation for locally-incorporated banks, Tier 1 insurers, and designated financial holding companies which own banks or Tier 1 insurers to fully observe the principles of the CG Code contained within the CG Guidelines, where deviations from Principles 11 and 12 are acceptable if they are not relevant in the context of the ownership structure of non-listed FIs.</p> <p>No comment.</p> <p>Question 2. MAS seeks comments on the proposed additions to the AGs as set out in Table 1.</p> <p>No comment.</p> <p>Question 3. MAS seeks comments on the proposed additions to the AGs in Table 2.</p> <p>No comment.</p> <p>Question 4. MAS seeks comments on the proposal to document the unresolved concerns of independent directors, particularly those on the running of the company or a proposed corporate action.</p> <p>No comment.</p>

		<p>Question 5. MAS seeks comments on the following proposals: (a) to introduce a new AG on the appointment of a non-director as a member of the BRC; (b) such appointment should be notified to MAS at least 30 days prior to the date of appointment; (c) the non-director to commit to appropriate undertakings for proper accountability.</p> <p>Are there any guidelines/requirements on the remuneration for such non-directors (e.g. who needs to approve how the remuneration will be decided, whether their appointment and remuneration need to be disclosed)?</p> <p>Question 6. MAS seeks comments on the inclusion of the requirements set out in Tables 3 to 5 and paragraph 5.3 into the CG Regulations.</p> <p>No comment.</p> <p>Question 7. MAS seeks comments on any aspects of the CG Guidelines that have not been covered in the proposed amendments.</p> <p>No comment.</p>
10	FWD Singapore Pte Ltd	<p>Question 1. MAS seeks comments on our expectation for locally-incorporated banks, Tier 1 insurers, and designated financial holding companies which own banks or Tier 1 insurers to fully observe the principles of the CG Code contained within the CG Guidelines, where deviations from Principles 11 and 12 are acceptable if they are not relevant in the context of the ownership structure of non-listed FIs.</p> <p>No comment.</p> <p>Question 2. MAS seeks comments on the proposed additions to the AGs as set out in Table 1.</p> <p>No comment.</p> <p>Question 3. MAS seeks comments on the proposed additions to the AGs in Table 2.</p> <p>In Table 2, AG 7.5 – Guaranteed bonuses are not consistent with sound risk management and can be granted only under exceptional circumstances (e.g. awarded only to new hires and limited to the first year of employment).</p> <p>Guaranteed bonuses being guaranteed imply that regardless of the actions of the staff, the payment will be made. Perhaps need to clarify</p>

	<p>why is this not consistent with sound risk management, since the payment is not outcome driven.</p> <p>Question 4. MAS seeks comments on the proposal to document the unresolved concerns of independent directors, particularly those on the running of the company or a proposed corporate action.</p> <p>No comment.</p> <p>Question 5. MAS seeks comments on the following proposals: (a) to introduce a new AG on the appointment of a non-director as a member of the BRC; (b) such appointment should be notified to MAS at least 30 days prior to the date of appointment; (c) the non-director to commit to appropriate undertakings for proper accountability.</p> <p>We would like to clarify on which specialised risk areas or the types of subject matter experts MAS deems appropriate for such appointments, the extent of responsibility of such appointees, whether these appointees will only be present for meetings to comment on their area of expertise or will attend the full meeting and be able to comment on areas outside of their expertise. We would also like to clarify if MAS will be providing further clarification on how many such appointees at a time are permitted and how long the appointee should remain as a member of the BRC.</p> <p>Question 6. MAS seeks comments on the inclusion of the requirements set out in Tables 3 to 5 and paragraph 5.3 into the CG Regulations.</p> <p>No comment.</p> <p>Question 7. MAS seeks comments on any aspects of the CG Guidelines that have not been covered in the proposed amendments.</p> <p>In Principle 7 – With regards to AG 7.9 where remuneration policies for key management personnel and other material risk takers should contain mechanisms and provisions to facilitate ex-post adjustment to variable remuneration after it is awarded or paid, perhaps MAS could provide more clarification, explanation or examples in the revised Guidelines.</p> <p>With regards to AG 14.5 where the AC is required to review all material related party transactions and keep the Board informed of such transactions, and for the insurer to disclose such transactions in the Annual Reports or on the company website.</p>
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		Perhaps MAS could provide more clarification, explanation or example on what constitutes “material” related party transactions and the extent of information required to be shared publicly.
11	Life Insurance Corporation (Singapore) Pte Ltd	<p>Question 1. MAS seeks comments on our expectation for locally-incorporated banks, Tier 1 insurers, and designated financial holding companies which own banks or Tier 1 insurers to fully observe the principles of the CG Code contained within the CG Guidelines, where deviations from Principles 11 and 12 are acceptable if they are not relevant in the context of the ownership structure of non-listed FIs.</p> <p>Not applicable as LICS is a Tier 2 direct life insurance company.</p> <p>Question 2. MAS seeks comments on the proposed additions to the AGs as set out in Table 1.</p> <p>No comment.</p> <p>Question 3. MAS seeks comments on the proposed additions to the AGs in Table 2.</p> <p>No comment.</p> <p>Question 4. MAS seeks comments on the proposal to document the unresolved concerns of independent directors, particularly those on the running of the company or a proposed corporate action.</p> <p>Yes, unresolved concerns of independent directors, particularly those on the running of the company or a proposed corporate action to be documented.</p> <p>Question 5. MAS seeks comments on the following proposals: (a) to introduce a new AG on the appointment of a non-director as a member of the BRC; (b) such appointment should be notified to MAS at least 30 days prior to the date of appointment; (c) the non-director to commit to appropriate undertakings for proper accountability.</p> <p>No comment.</p> <p>Question 6. MAS seeks comments on the inclusion of the requirements set out in Tables 3 to 5 and paragraph 5.3 into the CG Regulations.</p> <p>No comment.</p> <p>Question 7. MAS seeks comments on any aspects of the CG Guidelines that have not been covered in the proposed amendments.</p>

		No comment.
12	Manulife (Singapore) Pte Ltd	<p>Question 1. MAS seeks comments on our expectation for locally-incorporated banks, Tier 1 insurers, and designated financial holding companies which own banks or Tier 1 insurers to fully observe the principles of the CG Code contained within the CG Guidelines, where deviations from Principles 11 and 12 are acceptable if they are not relevant in the context of the ownership structure of non-listed FIs.</p> <p>Apart from Principles 11 and 12, the mandatory implementation of Principle 4 (NC) and Principle 6 (RC) may be onerous on FIs who are operating on a smaller scale where the main Board typically assumes such responsibilities. We propose that flexibility be accorded to individual FIs to determine the need for NCs and RCs.</p> <p>Question 2. MAS seeks comments on the proposed additions to the AGs as set out in Table 1.</p> <p>No comment.</p> <p>Question 3. MAS seeks comments on the proposed additions to the AGs in Table 2.</p> <p>We propose that the independent annual review of compensation practices be changed to a frequency to be determined by individual FIs, with such frequency being no more than once every three years. This takes into consideration similar controls on remuneration structures currently set out in other regulations such as Internal Controls 2014 and the IAC Guidelines.</p> <p>Question 4. MAS seeks comments on the proposal to document the unresolved concerns of independent directors, particularly those on the running of the company or a proposed corporate action.</p> <p>We are supportive of this proposed enhancement.</p> <p>Question 5. MAS seeks comments on the following proposals: (a) to introduce a new AG on the appointment of a non-director as a member of the BRC; (b) such appointment should be notified to MAS at least 30 days prior to the date of appointment; (c) the non-director to commit to appropriate undertakings for proper accountability.</p> <p>We are supportive of this proposed enhancement.</p>

		<p>Question 6. MAS seeks comments on the inclusion of the requirements set out in Tables 3 to 5 and paragraph 5.3 into the CG Regulations.</p> <p>We are supportive of this proposed enhancement but reiterate our response to Question 1 in that we seek to have the flexibility of either the Board or the RC oversee the implementation of appropriate framework on remuneration especially for key executives and personnel in material risk function as per the IAC Guidelines.</p> <p>Question 7. MAS seeks comments on any aspects of the CG Guidelines that have not been covered in the proposed amendments.</p> <p>We propose the provision of a transition period of at least six to nine months to facilitate senior management gap analysis and engagement with the existing Board members on necessary changes to adhere with the requirements of the revised CG Guidelines.</p>
13	NTUC Income Insurance Co-operative Ltd	<p>Question 1. MAS seeks comments on our expectation for locally-incorporated banks, Tier 1 insurers, and designated financial holding companies which own banks or Tier 1 insurers to fully observe the principles of the CG Code contained within the CG Guidelines, where deviations from Principles 11 and 12 are acceptable if they are not relevant in the context of the ownership structure of non-listed FIs.</p> <p>No comment.</p> <p>Question 2. MAS seeks comments on the proposed additions to the AGs as set out in Table 1.</p> <p>No comment.</p> <p>Question 3. MAS seeks comments on the proposed additions to the AGs in Table 2.</p> <p>It might not be practical to have a performance and remuneration system for employees in control functions to be totally independent of business functions. Perhaps allow for not more than 40%.</p> <p>Question 4. MAS seeks comments on the proposal to document the unresolved concerns of independent directors, particularly those on the running of the company or a proposed corporate action.</p> <p>No comment.</p> <p>Question 5. MAS seeks comments on the following proposals: (a) to introduce a new AG on the appointment of a non-director as a member of the BRC;</p>

		<p>(b) such appointment should be notified to MAS at least 30 days prior to the date of appointment; (c) the non-director to commit to appropriate undertakings for proper accountability.</p> <p>No comment.</p> <p>Question 6. MAS seeks comments on the inclusion of the requirements set out in Tables 3 to 5 and paragraph 5.3 into the CG Regulations.</p> <p>Table 5: The provision for RC to seek inputs from relevant committees overseeing control functions (e.g. RC, AC) when evaluating the remuneration for executive officers and MRTs is not practical. The committees in control functions are likely not to have enough visibility on the performance of MRTs and may not be able to provide value added input in evaluation of the MRTs.</p> <p>Question 7. MAS seeks comments on any aspects of the CG Guidelines that have not been covered in the proposed amendments.</p> <p>Suggest to use consistent reference - either Material Risk Taker (MRT) or Material Risk Personnel (MRP).</p>
14	Prudential Assurance Company Singapore	<p>Question 1. MAS seeks comments on our expectation for locally-incorporated banks, Tier 1 insurers, and designated financial holding companies which own banks or Tier 1 insurers to fully observe the principles of the CG Code contained within the CG Guidelines, where deviations from Principles 11 and 12 are acceptable if they are not relevant in the context of the ownership structure of non-listed FIs.</p> <p>SGX Mainboard Rules only mandate the legislative and/or regulatory need for Mainboard-listed companies to comply with the 2018 CG Code. In this regard, for Tier 1 insurers which are not Mainboard-listed, while adherence to the 2018 CG Code is, in general, a formidable step in the right direction, such Tier 1 insurers should continue to be given the opportunity and flexibility to decide on and explain any deviations from the principles of the 2018 CG Code (as applicable) given adherence to the 2018 CG Code is premised on persuasive rather than binding legislative and/or regulatory grounds.</p> <p>Question 2. MAS seeks comments on the proposed additions to the AGs as set out in Table 1.</p> <p>No comment.</p> <p>Question 3. MAS seeks comments on the proposed additions to the AGs in Table 2.</p>

	<p>The requirement for direct adoption of FSB P&S is going to be inevitably premised on demagogue principles because the RC, by its very own construct, is and/or should only be involved in the decision of remuneration policies for senior management. In this regard, expanding the RC's role, again into the distinct field of executive powers of remuneration policies of the company viz-a-viz all employees and/or MRTs, save for senior management, is unfortunately neither strategic nor pragmatic. The RC should continue to focus on, among other, recommending a framework for determining the remuneration of the executive officers of the insurers, as per the Insurance (Corporate Governance) Regulations 2013, and not extending its attention to the design and operation of remuneration for all employees.</p> <p>Question 4. MAS seeks comments on the proposal to document the unresolved concerns of independent directors, particularly those on the running of the company or a proposed corporate action.</p> <p>The concerns of independent directors are normally deduced after each Board, albeit offline, by the conductor of the Board meeting and in the annual directors' feedback session. The formalisation of this process is welcomed.</p> <p>Question 5. MAS seeks comments on the following proposals:</p> <p>(a) to introduce a new AG on the appointment of a non-director as a member of the BRC;</p> <p>Subject Matter Experts (SMEs) appointments, especially for the BRC, is welcomed. This being said however, it is pertinent that there are qualified guidelines on how the opinion of SMEs will and/or should be considered by the Board in view of ensuring that SME opinion is well taken on Board, instead of being perused by inexperienced directors in the field risk and compliance, incorrectly, in deriving a Board decision.</p> <p>(b) such appointment should be notified to MAS at least 30 days prior to the date of appointment;</p> <p>This is welcomed but as stated above, the gauntlet of stipulation of qualified guidelines should be borne by the MAS from the onset instead of throwing the same to the FIs in view of ensuring strict compliance with the essence of SME appointments at the BRC.</p> <p>(c) the non-director to commit to appropriate undertakings for proper accountability.</p> <p>No comment.</p>
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		<p>Question 6. MAS seeks comments on the inclusion of the requirements set out in Tables 3 to 5 and paragraph 5.3 into the CG Regulations.</p> <p>Although this is a welcomed move from a legal and/or regulatory standpoint, specific inclusion of Board comments, which almost always are fettered, in the company’s annual report for listed FIs or company website may be pragmatically otiose. This being said, the need for a framework for determining the remuneration of MRTs, in accordance to requisite risks, is applaudable.</p> <p>There is no need for the AC to separately comment on the Internal Audit function, as this is currently disclosed in the CG section of the Annual Report, which is endorsed by the Board.</p> <p>Question 7. MAS seeks comments on any aspects of the CG Guidelines that have not been covered in the proposed amendments.</p> <p>No comment.</p>
15	Raffles Health Insurance Pte Ltd	<p>Question 1. MAS seeks comments on our expectation for locally-incorporated banks, Tier 1 insurers, and designated financial holding companies which own banks or Tier 1 insurers to fully observe the principles of the CG Code contained within the CG Guidelines, where deviations from Principles 11 and 12 are acceptable if they are not relevant in the context of the ownership structure of non-listed FIs.</p> <p>RHI is a Tier 2 insurer, and will observe the Guidelines as far as possible, and will explain variations where appropriate. Would it be sufficient for the explanation to be made in the public disclosure document which is provided on the company website?</p> <p>Question 2. MAS seeks comments on the proposed additions to the AGs as set out in Table 1.</p> <p>No comment.</p> <p>Question 3. MAS seeks comments on the proposed additions to the AGs in Table 2.</p> <p>Table 2 - There is a NCC for this. Currently RHI is Tier 2 and leverages the NCC from the parent company.</p> <p>Question 4. MAS seeks comments on the proposal to document the unresolved concerns of independent directors, particularly those on the running of the company or a proposed corporate action.</p> <p>Documentation and resolution of the independent director concerns should be carried out.</p>

		<p>Question 5. MAS seeks comments on the following proposals:</p> <p>(a) to introduce a new AG on the appointment of a non-director as a member of the BRC;</p> <p>Directors should be held accountable for the risks they are taking for the company. If they can't find the right people with the expertise to advise them properly then they should consider if this activity should be within their risk tolerance.</p> <p>(b) such appointment should be notified to MAS at least 30 days prior to the date of appointment;</p> <p>What is the purpose of the 30 days lead time for notification? If MAS needs to approve, then the lead time is understandable. If no approval is required, then can this be shortened to make it administratively more efficient?</p> <p>(c) the non-director to commit to appropriate undertakings for proper accountability.</p> <p>An appropriate accountability framework should apply to all staff, directors and advisors so they are held responsible for their actions. The interests of the company must be aligned with those that provide service to the company.</p> <p>Question 6. MAS seeks comments on the inclusion of the requirements set out in Tables 3 to 5 and paragraph 5.3 into the CG Regulations.</p> <p>No comment.</p> <p>Question 7. MAS seeks comments on any aspects of the CG Guidelines that have not been covered in the proposed amendments.</p> <p>No comment.</p>
16	The Great Eastern Life Assurance Company Limited	<p>Question 1. MAS seeks comments on our expectation for locally-incorporated banks, Tier 1 insurers, and designated financial holding companies which own banks or Tier 1 insurers to fully observe the principles of the CG Code contained within the CG Guidelines, where deviations from Principles 11 and 12 are acceptable if they are not relevant in the context of the ownership structure of non-listed FIs.</p> <p>No comment.</p> <p>Question 2. MAS seeks comments on the proposed additions to the AGs as set out in Table 1.</p>

	<p>No comment.</p> <p>Question 3. MAS seeks comments on the proposed additions to the AGs in Table 2.</p> <p>No comment.</p> <p>Question 4. MAS seeks comments on the proposal to document the unresolved concerns of independent directors, particularly those on the running of the company or a proposed corporate action.</p> <p>No comment.</p> <p>Question 5. MAS seeks comments on the following proposals: (a) to introduce a new AG on the appointment of a non-director as a member of the BRC;</p> <p>As such individuals are non-directors, please confirm whether they would fall outside the composition requirements of the BRC in the various corporate governance regulations.</p> <p>(b) such appointment should be notified to MAS at least 30 days prior to the date of appointment;</p> <p>No comment.</p> <p>(c) the non-director to commit to appropriate undertakings for proper accountability.</p> <p>No comment.</p> <p>Question 6. MAS seeks comments on the inclusion of the requirements set out in Tables 3 to 5 and paragraph 5.3 into the CG Regulations.</p> <p>(1) On Table 3 which sets out the key responsibilities of the Board, to clarify that such review in paragraph (e) can also be undertaken by a delegated board committee.</p> <p>(2) On Table 4, we refer to the proposal that "A director is deemed as non-independent if the director or an immediate family member is employed by the FI or any of its related corporations in the current or any of the past three financial years". As many FIs have a sizeable employee base and a large group of related companies, this would cause immediate family members of directors who are employed by the FI or its subsidiaries in a junior capacity to fall under this provision.</p> <p>Please consider maintaining the current position in the corporate governance regulations which deems a director as non-independent if a</p>
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		<p>member of his immediate family "is employed by the [Financial Institution] or any of its subsidiaries as an executive officer whose compensation is determined by the Remuneration Committee of the [Financial Institution] or any of its subsidiaries."</p> <p>Question 7. MAS seeks comments on any aspects of the CG Guidelines that have not been covered in the proposed amendments.</p> <p>GE would like to understand more on the rationale for the removal of the following:</p> <p>On AG 10.13, what is the rationale on the removal of Underwriting, Compliance and Fraud as material areas of risk. Likewise under AG 9.4 (d), given that these are generally regarded as material risk areas for a regulated insurance company.</p>
17	Tokio Marine Life Insurance Singapore	<p>Question 1. MAS seeks comments on our expectation for locally-incorporated banks, Tier 1 insurers, and designated financial holding companies which own banks or Tier 1 insurers to fully observe the principles of the CG Code contained within the CG Guidelines, where deviations from Principles 11 and 12 are acceptable if they are not relevant in the context of the ownership structure of non-listed FIs.</p> <p>TMLS agrees in principle with MAS' expectations, as corporate governance is an important area to continue to enhance. It should be noted that small and large FIs will in general need to put in similar levels of effort to implement certain requirements. As larger FIs have more resources, it is thus more challenging for smaller players to keep up and implement the numerous regulatory enhancements expected. TMLS hopes that MAS is cognizant that it can be a burden on small FIs, from the perspective of cost of doing business. On a separate but related note, it may be appropriate for MAS to review the Tier 1 threshold of \$5 billion in total assets for insurers. When the threshold was first introduced 16 years ago (i.e. in 2005, on "significant insurer"), it was only applicable to the top 4 insurers then. With the growth of the market during that period, increase in general population, inflation, etc, an updated level or method to determine Tier 1 insurers would be more in line with MAS' macroprudential considerations.</p> <p>Question 2. MAS seeks comments on the proposed additions to the AGs as set out in Table 1.</p> <p>AG 6.6: As some control functions (e.g. Finance, Internal Audit) are more back-office focused, it may be more instructive to rephrase as "Relevant control functions are involved..." to include those that are more applicable for the design phase.</p>

	<p>AG 6.7: MAS' definition here on MRTs having "material impact on the risk exposure" appears to overlap with the definition of "material risk personnel (MRP)" in the IAC Guidelines, which includes middle and back office functions (which also have impact on the risk exposure of the company). As such, it may lead to some confusion. If it is MAS' intent to focus on the front office function of MRPs, then the definitions should be clearer and consistent with other guidelines issued by MAS.</p> <p>AG 6.8: Agreed.</p> <p>AG 6.9: Agreed in principle. As it may be costly to carry out such an exercise on an annual basis, it may be useful to rephrase it to "conduct an independent review on a period basis (at least once every 3 years) of their compensation practices...". TMLS would also like to enquire if a review carried out by its regional office functions is considered "independent" for the purposes of this requirement.</p> <p>AG 7.4: Agreed in principle for the first bullet point. It will help the industry if MAS can share useful practices or examples, or more detailed guidance, to consider, so that it is clearer to FIs in meeting the expectations in this area. On the second bullet point, it is worded too generically. It is more applicable to the banking and asset management sectors. The insurance sector is more straight-forward and there should be some flexibility for insurers to determine the degree of implementation for this requirement.</p> <p>AG 7.5: Agreed in principle. TMLS would like to seek clarifications if guaranteed bonuses that are tied to the achievement of certain annual KPIs, and those approved by the RC (e.g. if the new hire is on a 2-year contract to establish an effective internal control system), are allowed.</p> <p>AG 7.6: Agreed in principle. It would help the industry if MAS can illustrate or provide more detailed guidance how FIs can meet the expectations in this area.</p> <p>AG 7.7: Although TMLS agrees with this in principle, we would like to enquire if the intention of MAS is on ensuring that control job functions are not subject to the same performance KPIs as business functions. Ultimately, both the control and business functions should share the outcome of good governance and business growth that stem from a balanced approach. A discretionary bonus for control job functions in the event of good business outcomes may be another way to achieve the objectives of this additional guideline.</p> <p>AG 7.8: It is unclear how an ex-ante adjustment (i.e. an adjustment based on forecasts) can be effective, especially since employees may leave the company before the annual appraisal period. TMLS agrees that in normal circumstances, an employee's remuneration should have an</p>
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	<p>element that is tied to his/her management of the relevant risk, including conduct risk. If that is the intent, MAS may wish to rephrase the line to “Remuneration policies for all employees contain adjustment mechanisms (e.g. annually or more regularly) to account for his/her management of relevant risks, including conduct risk”.</p> <p>AG 7.9: Agreed</p> <p>AG 7.10: Agreed in principle. FIs should have the flexibility to share broad criteria and scenarios to all staff (e.g. clawback, factoring of conduct risk, etc), whilst keeping certain ones to relevant groups, so as to manage market competitiveness factors. If this is the intent of the word “indicative”, then TMLS is fine with the requirement. Otherwise, it would be useful for MAS to clarify its expectations in greater detail.</p> <p>Question 3. MAS seeks comments on the proposed additions to the AGs in Table 2.</p> <p>No comment.</p> <p>Question 4. MAS seeks comments on the proposal to document the unresolved concerns of independent directors, particularly those on the running of the company or a proposed corporate action.</p> <p>Agreed. As some matters are discussed in greater detail at the Board Committees, TMLS would like to clarify if some of the unresolved concerns (if they are discussed at the Board committee) should be documented in detail at the Board committee level first, and then summarized at the Board meeting. That is, whether this approach is in line with the intent of this requirement.</p> <p>Question 5. MAS seeks comments on the following proposals: (a) to introduce a new AG on the appointment of a non-director as a member of the BRC; (b) such appointment should be notified to MAS at least 30 days prior to the date of appointment; (c) the non-director to commit to appropriate undertakings for proper accountability.</p> <p>Agreed.</p> <p>Question 6. MAS seeks comments on the inclusion of the requirements set out in Tables 3 to 5 and paragraph 5.3 into the CG Regulations.</p> <p>Agreed. For Table 5, subject to the earlier point made on the possible confusion with MRPs.</p>
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		<p>Question 7. MAS seeks comments on any aspects of the CG Guidelines that have not been covered in the proposed amendments.</p> <p>Given the focus by MAS on environmental risk (e.g. Guidelines on Environmental Risk Management) and governance expectations in that area, it may be useful to reiterate environmental risk in AG 9.4(d) and AG 9.6.</p>
18	AIA Singapore Private Limited	<p>Question 1. MAS seeks comments on our expectation for locally-incorporated banks, Tier 1 insurers, and designated financial holding companies which own banks or Tier 1 insurers to fully observe the principles of the CG Code contained within the CG Guidelines, where deviations from Principles 11 and 12 are acceptable if they are not relevant in the context of the ownership structure of non-listed FIs.</p> <p>"Please refer to our detailed feedback at Question 7 on distinguishing the compliance approach between Principles, Provisions and Additional Guidelines, and mirroring the IAIS ICPs' 3-tiered structure. We respectfully submit, for the reasons set out at Question 7, that the 'comply or explain' approach apply to Principles only.</p> <p>Specifically on Principles 11 and 12, we seek to distinguish between 'deviations' (or 'variations' per the proposed actual wording in the revised CG Guidelines) vs 'inapplicability'. It is a technical difference, but important – the former occurs where a principle applies but the FI has not complied (partially or otherwise); the latter occurs where that principle does not apply and compliance is therefore irrelevant.</p> <p>We agree with the MAS that Principles 11 and 12 are not relevant in the context of non-listed FIs, such as AIA Singapore. Furthermore, the policy intent behind the principles is clearly to ensure fair and equitable treatment of different classes of shareholders and ensure their various views on the company are considered. Since AIA Singapore is not listed, only has a sole parent, and is also part of a supervised group (IAIS ICPs and ComFrame), these Principles are not relevant and would be 'inapplicable'.</p> <p>In such case, we respectfully submit that disclosure is hence not required where Principles are 'inapplicable'."</p> <p>Question 2. MAS seeks comments on the proposed additions to the AGs as set out in Table 1.</p> <p>"Please refer to our detailed feedback at Question 7 on distinguishing the compliance approach between Principles, Provisions and AGs, and mirroring the IAIS ICPs' 3-tiered structure; and expressly providing for reliance on group-level corporate governance and risk management framework by a local insurance entity that is part of a supervised group.</p>

	<p>We otherwise agree with the substance of the new/ revised A Gs in Table 1."</p> <p>Question 3. MAS seeks comments on the proposed additions to the AGs in Table 2.</p> <p>"We agree with the policy intent behind the FSB P&S – that FIs' compensation practices ought not to incentivize excessive risk-taking behaviour; and effective governance of compensation requires for compensation to be adjusted for all types of risk, to be symmetric with risk outcomes and sensitive to the time horizon of risks. Given the importance of these principles, we welcome MAS' proposal to flesh out the P&S in the AGs.</p> <p>As with the IAIS ICPs, the FSB also prudently recognized that "importantly, (the P&S) are not intended to prescribe particular designs or levels of individual compensation". Please also see our feedback to Question 7 on compliance approach and allowance for group-level corporate governance and risk management frameworks to be considered in evaluation of overall effectiveness of the local compensation governance.</p> <p>In particular, we respectfully submit the MAS makes allowance for the Boards of local FIs which have group-level RCs to take consideration of or rely on those existing group governance controls and processes in discharging their remuneration review-related duties. This is pertinent for AIA Singapore, where there is demonstrated effective and sustainable checks-and-balances built into HKIA-regulated AIA Group's compensation review process, policies and structures (including adjustments for risk-related and/or audit issues on an ongoing basis).</p> <p>On AG 6.6 – We seek to clarify that control functions are to be involved in the design/input on remuneration policies and performance evaluation at a policy level, for e.g. setting clear risk management-related KPIs, weightage of KPIs against overall performance/bonus. Specific enterprise-wide employee level performance evaluations and remuneration decisions review by control functions would be time/cost-consuming and raise confidentiality/privacy concerns."</p> <p>Question 4. MAS seeks comments on the proposal to document the unresolved concerns of independent directors, particularly those on the running of the company or a proposed corporate action.</p> <p>No comment.</p> <p>Question 5. MAS seeks comments on the following proposals:</p>
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	<p>(a) to introduce a new AG on the appointment of a non-director as a member of the BRC; (b) such appointment should be notified to MAS at least 30 days prior to the date of appointment; (c) the non-director to commit to appropriate undertakings for proper accountability.</p> <p>No comment.</p> <p>Question 6. MAS seeks comments on the inclusion of the requirements set out in Tables 3 to 5 and paragraph 5.3 into the CG Regulations.</p> <p>On the inclusion of the Board’s responsibilities in the CG Regulations, we agree that it is appropriate and timely that this topic be added alongside the existing responsibilities of the various Board Committees therein.</p> <p>However, we respectfully submit that the MAS distinguishes between the high level duties/obligations in the CG Regulations (which have legal validity and enforcement effect) vs prescriptions on how to discharge those duties which ought to sit rightfully in the Provisions/AGs of the CG Guidelines. It would otherwise introduce duplicity and uncertainty into the local laws on directors’ duties, and potentially difficult to consequently comply with/enforce. We also highlight that directors’ duties are already extensively covered in existing Companies Act and common law on fiduciary duties. It is also important to recognize that the rules and standards of Board effectiveness and directors’ duties will need to evolve to meet changing risk issues and business strategies and operations; and legislation takes more time to be amended and enacted as compared to industry guidelines/best practices.</p> <p>Specifically, we propose that key responsibilities (a) to (c) be included in the Regulations, but that (d) and (e) (through the independent annual review requirement) continue to be set out in the CG Guidelines.</p> <p>On the separate topic of effective internal audit and AC function – we agree with the proposal for the Board to comment on the adequacy and effectiveness of the internal controls in/on the FI’s annual report (for listed FIs)/website (for non-listed FIs), but would query the practicality of an AC statement on concurrence (or otherwise).</p> <p>In practice, such a situation is unlikely to happen. The AC is a Board Committee and its members comprise the 3 independent directors (per the current CG Regulations). The Board would only approve an audit matter upon the AC’s endorsement. If there are significant audit issues or weaknesses in the internal controls, the AC would review, deliberate and resolve at that level before it is then escalated to the Board. As such, we would propose that the statement on adequacy and effectiveness of internal controls be either provided by the Board or the AC.</p>
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	<p>Finally, similar to our comment at Q7, the Regulations ought to also cater for allowance for local Boards to rely on group-level governance processes including Group RC's processes and recommendations (that would have to meet our home supervisor's regulatory expectations) and are to be implemented across their various subsidiaries."</p> <p>Question 7. MAS seeks comments on any aspects of the CG Guidelines that have not been covered in the proposed amendments.</p> <p>We thank the MAS for the opportunity to provide our feedback and welcome the timely proposed refinements and updating of the CG Guidelines and Insurance (Corporate Governance) Regulations.</p> <p>We respectfully highlight 2 over-arching feedback and suggestions below for MAS' consideration:</p> <ol style="list-style-type: none"> 1. Appropriate balance be struck between prescriptive principles/rules on strong corporate governance framework and flexibility for the business to evolve to meet changing needs and challenges. <p>It is a core concept in the IAIS ICPs that an effective corporate governance framework enables an insurer to be flexible and transparent; to be responsive to developments affecting its operations in making timely decisions and ensure powers are not unduly concentrated. Similarly, the OECD recognizes that a key element of corporate governance success is to balance strong corporate governance rules with flexibility and ability for an organisation to choose its own path (making clear the reasons behind its choice).</p> <p>The IAIS ICPs set out a clear 3-tier hierarchy of Principle Statements, Standards and Guidance – the Principle Statements are the essential elements that must be present, the Standards key high-level requirements that should be met and the Guidance facilitates understanding and application of the higher hierarchy rules and does not represent any requirements.</p> <p>We note that the MAS has adopted a stricter and more prescriptive approach by: (a) adopting a 'comply or explain' approach to all 3 tiers of the Principles, Provisions and AGs in the CG Guidelines (where variations are to be disclosed in the FI's annual report (listed FIs) or website (non-listed FIs); and (b) removing various references to "should" in the AGs.</p> <p>We respectfully submit that in MAS' concerted effort to benchmark against the international standards and best practices such as IAIS ICPs, it similarly follows the 3-tiered approach in the ICPs (distinguishing between must-haves and recommended practices) that appropriately</p>
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		<p>balances strong corporate governance rules with sufficient room for flexibility for the business to adapt and respond quickly in this VUCA world.</p> <p>2. Provision/AG on Group-level supervision/ corporate governance - Allowance for FIs that are part of a supervised group company to which IAIS ICPs and ComFrame already apply</p> <p>It is expressly recognized in the IAIS ICPs and ComFrame that the ways an insurer chooses to organize and structure itself can vary depending on factors including whether it is structured as a group or solo legal entity operations. The IAIS ICPs also state that a supervisor is to take the organizational structure of the group into consideration in evaluating the insurer’s governance, that it is insufficient to assess governance only at the legal entity level and assessment has to be done on a group-wide basis.</p> <p>It is critical that this be expressly catered for in the CG Guidelines, as one of the key governance aspects and strengths of a local entity insurance operations part of a supervised group is its ability to rely on its parent company / group governance structure and risk management framework. This is especially pertinent for a Tier 1 insurer that is wholly-owned by a foreign listed entity such as AIA Singapore with its ultimate holding company being listed in HK and subject both to the HK listing rules and the IAIS ICPs and ComFrame.</p> <p>We strongly urge the MAS to align its approach with IAIS and propose that allowance be expressly provided for in the Provisions or AGs that FIs that are part of a supervised group be permitted to rely on group-level corporate governance processes and framework. The duty of the local Board then is to assess the framework holistically to ensure adherence to local regulations and standards, in order to avoid duplicity of governance layers/processes and optimize risk management and ensure clear accountability.</p>
19	Respondent 1	<p>Question 1. MAS seeks comments on our expectation for locally-incorporated banks, Tier 1 insurers, and designated financial holding companies which own banks or Tier 1 insurers to fully observe the principles of the CG Code contained within the CG Guidelines, where deviations from Principles 11 and 12 are acceptable if they are not relevant in the context of the ownership structure of non-listed FIs.</p> <p>No comment.</p> <p>Question 2. MAS seeks comments on the proposed additions to the AGs as set out in Table 1.</p>

	<p>Please consider aligning the following roles/definitions to facilitate consistency and implementation of the proposed revised corporate governance guidelines and regulations:</p> <p>(i) “key management personnel”, which in the proposed revised guidelines means “the CEO and other persons having authority and responsibility for planning, directing and controlling the activities of the company”.</p> <p>(ii) “senior management”, which in the prevailing 2013 guidelines has the same meaning as key management personnel but is not defined in the proposed revised guidelines.</p> <p>(iii) “key persons in control job functions”, which in the proposed revised guidelines means key persons in risk management, finance, compliance, internal audit, human resources and risk control related operations.</p> <p>Such key persons seem to be a group of individuals that is separate from senior management in the proposed AG 1.10, but seem to form part of senior management in the proposed AG 1.18.</p> <p>(iv) “executive officer”, which in the respective prevailing corporate governance regulations means “any person, by whatever name described, who (a) is in the direct employment of, or acting for or by arrangement with, the company; and (b) is concerned with or takes part in the management of the company on a day-to-day basis”.</p> <p>At the minimum, please provide clarification on the above roles and highlight the specific differences between such roles.</p> <p>Question 3. MAS seeks comments on the proposed additions to the AGs in Table 2.</p> <p>No comment.</p> <p>Question 4. MAS seeks comments on the proposal to document the unresolved concerns of independent directors, particularly those on the running of the company or a proposed corporate action.</p> <p>No comment.</p> <p>Question 5. MAS seeks comments on the following proposals: (a) to introduce a new AG on the appointment of a non-director as a member of the BRC;</p> <p>It would be inappropriate to appoint any non-director BRC member in view of the following:</p>
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	<p>(a) It does not create a level-playing field when a non-director member has equal voting right as a director but is not subject to election by shareholders and is not subject to the fiduciary duties and personal liability of a director.</p> <p>(b) A subject-matter expert on any specialised risk type may be engaged instead of appointing such subject-matter expert as a non-director member. It can also be argued that, if appointed to the BRC, such subject-matter expert’s independence/impartiality may be perceived to be impaired as he/she will become an “insider” upon his/her appointment as a BRC member.</p> <p>(c) The BRC has a broad set of responsibilities, which may extend beyond such non-director’s area of expertise. In this regard, such individual would have limited contribution to the BRC. This could also be a key reason for not appointing such individual as a director.</p> <p>We would like to seek clarification on the following:</p> <p>(a) Once appointed to the BRC, a non-director BRC member would have the same rights (including voting powers) as any other BRC member. How is this intended to work equitably when such an individual has the responsibilities of a BRC member but is not subject to the fiduciary duties/obligations of a director-member?</p> <p>(b) How would an appointment to the BRC subject such a subject-matter expert to a “higher level of accountability”? For example, a subject-matter expert may rely on professional indemnities.</p> <p>(c) Does a Financial Institution or its Nominating Committee have the sole discretion to determine the scope of responsibilities of such non-director BRC member?</p> <p>(b) such appointment should be notified to MAS at least 30 days prior to the date of appointment;</p> <p>No comment.</p> <p>(c) the non-director to commit to appropriate undertakings for proper accountability.</p> <p>No comment.</p> <p>Question 6. MAS seeks comments on the inclusion of the requirements set out in Tables 3 to 5 and paragraph 5.3 into the CG Regulations.</p>
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		<p>On Table 4: Regarding the proposal for a director to be deemed non-independent if the director or an immediate family member is employed by the Financial Institution or any of its related corporations in the current or any of the past 3 financial years:</p> <p>(a) The respective prevailing corporate governance regulations use “any of its subsidiaries” for considering a director’s independence. We would like to request keeping to the existing scope (i.e. “any of its subsidiaries”) rather than expanding the scope to “any of its related corporations”. Global organisations usually do not have a relatively flat structure, and a company within the group can have many sister companies and subsidiaries across multiple jurisdictions. A Financial Institution which is a member of such global organisation may find it challenging to comply with the proposed expansion of the scope to “any of its related corporations”.</p> <p>(b) In the event that the scope is expanded to “any of its related corporations”, please consider allowing non-application to a director who is appointed before the effective date of the proposed revision of the corporate governance regulations.</p> <p>Question 7. MAS seeks comments on any aspects of the CG Guidelines that have not been covered in the proposed amendments.</p> <p>Proposed AG 2.6: Please consider inserting the definition of “immediate family member” for better clarity.</p> <p>Proposed Provision 10.4: Please consider the case of a Financial Institution whose internal audit function is performed by the internal audit function of an intra-group entity. Such internal audit function has a reporting line to the AC of the Financial Institution, but its direct and primary reporting line is to the intra-group entity’s AC. We would like to seek clarification on the meaning of “primary reporting line of the internal audit function”.</p> <p>Proposed AG 10.19: MAS requires a Financial Institution to discuss the reasons for the resignation or dismissal of the head of internal audit with the Authority. We would like to seek clarification of the following:</p> <p>(a) Who is expected to discuss with the Authority? (for example, Chairman of the AC or the CEO or the designated MAS liaison of the Financial Institution)?</p> <p>(b) What is the timeframe for this discussion to take place?</p>
20	Respondent 2	<p>Question 1. MAS seeks comments on our expectation for locally-incorporated banks, Tier 1 insurers, and designated financial holding</p>

	<p>companies which own banks or Tier 1 insurers to fully observe the principles of the CG Code contained within the CG Guidelines, where deviations from Principles 11 and 12 are acceptable if they are not relevant in the context of the ownership structure of non-listed FIs.</p> <p>No comment.</p> <p>Question 2. MAS seeks comments on the proposed additions to the AGs as set out in Table 1.</p> <p>No comment.</p> <p>Question 3. MAS seeks comments on the proposed additions to the AGs in Table 2.</p> <p>No comment.</p> <p>Question 4. MAS seeks comments on the proposal to document the unresolved concerns of independent directors, particularly those on the running of the company or a proposed corporate action.</p> <p>No comment.</p> <p>Question 5. MAS seeks comments on the following proposals:</p> <p>(a) to introduce a new AG on the appointment of a non-director as a member of the BRC;</p> <p>(b) such appointment should be notified to MAS at least 30 days prior to the date of appointment;</p> <p>(c) the non-director to commit to appropriate undertakings for proper accountability.</p> <p>(i) It would be inappropriate to appoint any non-director BRC member in view of the following:</p> <p>(a) It does not create a level-playing field when a non-director member has equal voting right as a director but is not subject to election by shareholders and is not subject to the fiduciary duties and personal liability of a director.</p> <p>(b) A subject-matter expert on any specialised risk type may be engaged instead of appointing such subject-matter expert as a non-director member. It can also be argued that, if appointed to the BRC, such subject-matter expert’s independence/impartiality may be perceived to be impaired as he or she will become an “insider” upon his or her appointment as a BRC member.</p> <p>(c) The BRC has a broad set of responsibilities, which may extend beyond such non-director’s area of expertise. In this regard, such an</p>
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	<p>individual would have limited contribution to the BRC. This could also be a key reason for not appointing such an individual as a director.</p> <p>(ii) We would like to seek clarification on the following:</p> <p>(a) Once appointed to the BRC, a non-director BRC member would have the same rights (including voting powers) as any other BRC member. How is this intended to work equitably when such an individual has the responsibilities of a BRC member but is not subject to the fiduciary duties/obligations of a director-member?</p> <p>(b) How would an appointment to the BRC subject such a subject-matter expert to a “higher level of accountability”? For example, a subject-matter expert may rely on professional indemnities.</p> <p>(c) Does an FI or its NC have the sole discretion to determine the scope of responsibilities of such non-director BRC member?</p> <p>Question 6. MAS seeks comments on the inclusion of the requirements set out in Tables 3 to 5 and paragraph 5.3 into the CG Regulations.</p> <p>Table 4: Regarding the proposal for a director to be deemed non-independent if the director or an immediate family member is employed by the FI or any of its related corporations in the current or any of the past 3 financial years:</p> <p>(i) The respective prevailing corporate governance regulations use “any of its subsidiaries” for considering a director’s independence. We would like to request keeping to the existing scope (i.e. “any of its subsidiaries”) rather than expanding the scope to “any of its related corporations”. Global organisations usually do not have a relatively flat structure, and a company within the group can have many sister companies and subsidiaries across multiple jurisdictions. An FI which is a member of such global organisation may find it challenging to comply with the proposed expansion of the scope to “any of its related corporations”.</p> <p>(ii) In the event that the scope is expanded to “any of its related corporations”, please consider allowing non-application to a director who is appointed before the effective date of the proposed revision of the corporate governance regulations.</p> <p>Question 7. MAS seeks comments on any aspects of the CG Guidelines that have not been covered in the proposed amendments.</p> <p>(i) Proposed AG 2.6: Please consider inserting the definition of “immediate family member” for better clarity.</p>
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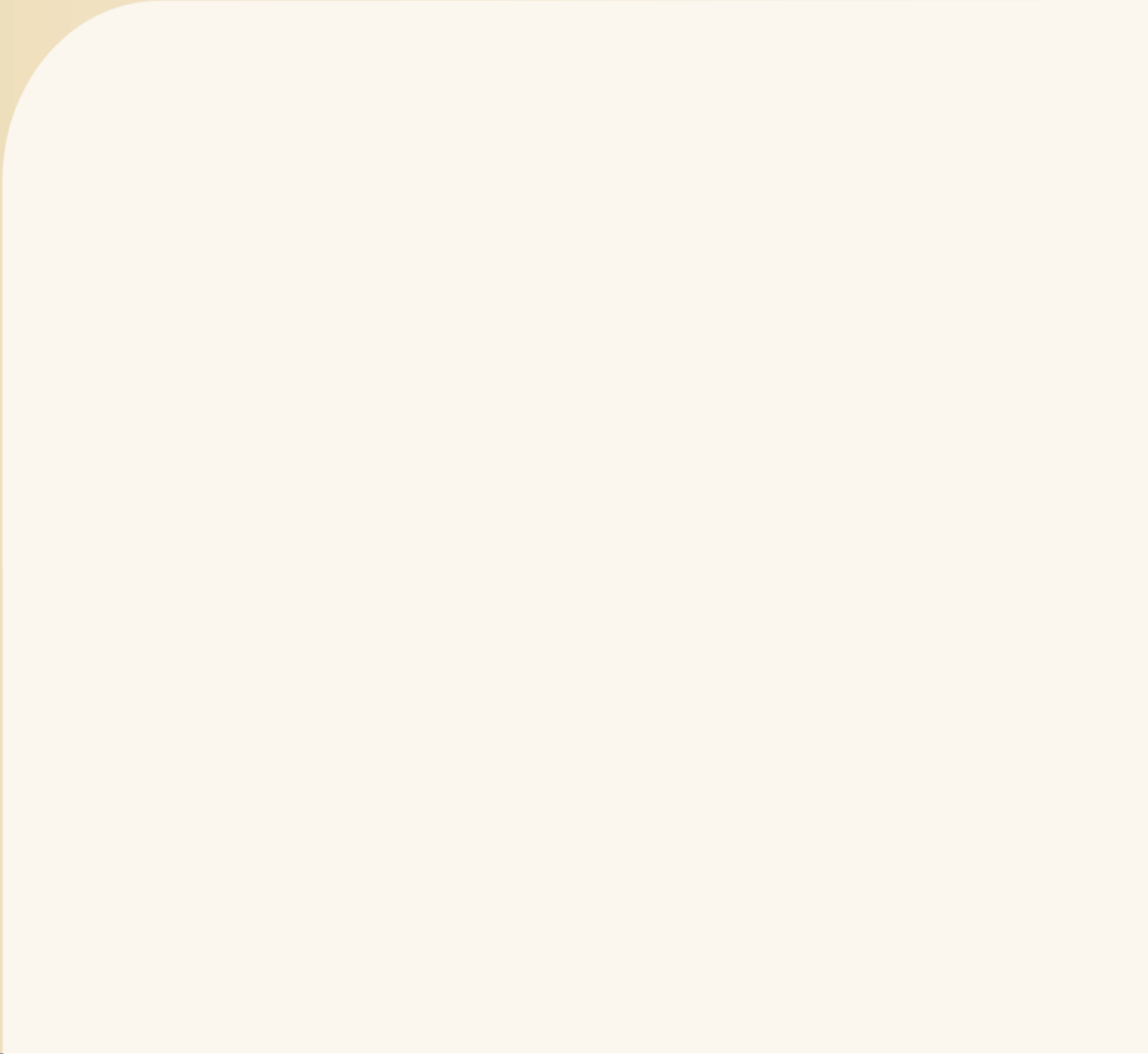
		<p>(ii) Proposed Provision 10.4: Please consider the case of an FI whose internal audit function is performed by the internal audit function of an intra-group entity. Such internal audit function has a reporting line to the AC of the FI, but its direct and primary reporting line is to the intra-group entity’s AC. We would like to seek clarification on the meaning of “primary reporting line of the internal audit function”.</p> <p>Proposed AG 10.19: MAS requires an FI to discuss the reasons for the resignation or dismissal of the head of internal audit with the Authority. We would like to seek clarification on the following:</p> <p>(i) Who is expected to discuss with the Authority? (for example, Chairman of the AC or the CEO or the designated MAS liaison of the FI)?</p> <p>(ii) What is the timeframe for this discussion to take place?</p>
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Annex C

COMPLIANCE APPROACH FOR FINANCIAL INSTITUTIONS UNDER THE CG 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"> Banks Tier-1 insurers Designated FHCs as set out in footnote 6 of the Introduction to the CG Guidelines issued on 9 November 2021 	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"> Tier-2 insurers Designated FHCs as set out in footnote 8 of the Introduction to the CG Guidelines issued on 9 November 2021 	Comply-or-explain	Comply-or-explain	Comply-or-explain
	<ul style="list-style-type: none"> Captive insurers Special purpose reinsurance vehicles Marine mutual insurers Run-off insurers 	No expectation to disclose variances, although CG Guidelines continue to apply	No expectation to disclose variances, although CG Guidelines continue to apply	No expectation to disclose variances, although CG Guidelines continue to apply

The CG 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. FIs 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.



Monetary Authority of Singapore