



Monetary Authority of Singapore

Response to Feedback Received

P011-2020 – Dec 2023

Notices to Banks and Merchant Banks on Management of Outsourced Relevant Services



Contents

1. Preface	4
2. Relevant services that are not outsourced relevant services	5
3. Continued applicability of the Guidelines	6
4. Register of outsourced relevant services (“Outsourcing Register”)	7
5. Due diligence requirements	8
6. Sub-contracting	10
7. Customer consent in relation to sub-contracting that involves disclosure of customer information	12
8. Requirements in the Notices to be included in outsourcing agreements	13
9. Term on right of MAS to audit service providers	14
10. Term on service provider providing information to Bank or MAS	15
11. Term on right of Banks to terminate the outsourcing agreement in specified circumstances in outsourcing agreements and related requirements	16
12. Meaning of “customer” and “customer information” and measures to be taken by Banks to protect customer information	18
13. Obligations to keep customer information confidential	20
14. Audit requirements	20
15. Confirmations where the service provider or sub-contractor is an Overseas Regulated Financial Institution (ORFI) and the MOORS involves disclosure of customer information	22
16. Outsourced Relevant Services that involve the disclosure of customer information	24
17. Group policy	25
18. Effective dates of requirements in Notices	26
19. Annexes to the Notices	28
20. Annex A: Relevant services commonly performed by Banks in Singapore	30



21. Annex C: Relevant services considered as outsourced relevant services	31
Appendix A	34
Appendix B	36
Appendix C	37



1. Preface

1.1. On 18 December 2020, MAS issued a consultation paper on notices¹ to banks and merchant banks (collectively “Banks” in this paper) on management of outsourced relevant services (collectively referred to as “Notices”). The proposed Notices set out requirements on:

- Ongoing outsourced relevant services of Banks in Singapore, with a focus on services that are material (i.e. Material Ongoing Outsourced Relevant Services or MOORS); and
- Outsourced relevant services, including those which are not material or not ongoing, which involve the disclosure of customer information by Banks to service providers. For such services, a subset of requirements aimed at protecting customer information was proposed².

1.2. The consultation period closed on 29 January 2021, and MAS would like to thank all respondents for their contributions. The list of respondents is in Appendix A.

1.3. MAS has considered carefully the feedback received, including those received from the extensive engagements with the industry and service providers following the close of consultation, and will incorporate them where it has agreed with the feedback. The final Notices can be accessed via the following links:

- *[Notice on Management of Outsourced Relevant Services for Banks](#)*;
- *[Notice on Management of Outsourced Relevant Services for Merchant Banks](#)*

1.4. Comments that are of wider interest, together with MAS’ responses are set out below.

¹ MAS will issue a Notice to Banks on Management of Outsourced Relevant Services and a Notice to Merchant Banks on Management of Outsourced Relevant Services. The requirements of the latter will mirror the former.

² The Bank will also need to ensure that such disclosure is allowed under applicable laws such as item 1 of Part I of the Third Schedule to the Banking Act 1970 (“BA”) or item 3 of Part II of the Third Schedule to the BA.



2. Relevant services that are not outsourced relevant services

- 2.1. MAS received requests for clarification on whether MAS intends to impose requirements in relation to relevant services that are not outsourced relevant services.

MAS' Response

- 2.2. A financial institution is expected to assess the risks arising from all third-party services³ and implement controls commensurate with the nature and extent of risks. Third-party services are also subject to other MAS requirements and expectations on areas such as operational risk, technology risk and business continuity management.
- 2.3. Paragraph 1.4 of the *Guidelines on Outsourcing (Banks)* and Paragraph 2.2 of the *Guidelines on Outsourcing (Financial Institutions other than Banks)* sets out MAS expectations that arrangements outside the definition of an outsourcing arrangement should also be subject to adequate risk management and sound internal controls. MAS' Information Paper on Operational Risk Management – Management of Third-Party Risk Management⁴, also sets out MAS' supervisory expectations accordingly.
- 2.4. **MAS will consider the need for additional regulations or guidelines to address the risk arising from financial institutions' use of third-party services, including non-outsourced relevant services.** Internationally, increasing supervisory attention is being paid to the reliance of financial institutions on third-party services.⁵ MAS will consult industry and relevant stakeholders prior to imposing more specific requirements on financial institutions in relation to non-outsourced relevant services.

³ Third-party services refer to all services provided by a service provider. Third-party services may be provided by intragroup or non-intragroup service providers and comprise outsourced or non-outsourced relevant services.

⁴ Please refer to *Paper on Operational Risk Management – Management of Third-Party Arrangements* published on 5 August 2022.

⁵ For example, the Financial Stability Board published on 4 December 2023 a report on "*Enhancing Third-Party Risk Management and Oversight*".



3. Continued applicability of the Guidelines

3.1. MAS received requests for clarification on whether the Guidelines will continue to be applicable for Banks after the Notices take effect.

MAS' Response

3.2. MAS has issued a new set of Guidelines on Outsourcing (Banks) (“Guidelines for Banks”). It complements the Notices and sets out MAS' expectations for ongoing outsourced relevant services, including those which are generally⁶ not within scope of the Notices, such as Outsourced Relevant Services that are not material. Banks should refer to the Guidelines for Banks from 11 December 2024 and the *existing Guidelines*⁷ in the interim. Banks may refer to Appendices B and C which set out the applicability of the Notices and Guidelines for Banks.

3.3. A new set of Guidelines for Banks is needed in consideration of the following:

- (a) alignment of existing expectations in the existing Guidelines with requirements in the Notices and incorporation of new expectations of MOORS. The new expectations primarily relate to requirements MAS had proposed to be included in the Notices, but will instead be set out as expectations in the Guidelines for Banks;
- (b) contextualisation of examples and best practices for complying with the requirements in the Notices; and
- (c) alignment of terminology with the Banking Act 1970 (“BA”) and Notices;

3.4. MAS has also made amendments to the existing Guidelines to remove references to Banks, where appropriate, given the issuance of Guidelines for Banks, and aligned language with the revised Business Continuity Management Guidelines. As a consequence to the implementation of the Guidelines for Banks, the existing Guidelines will be renamed as “Guidelines on Outsourcing (Financial Institutions other than Banks)” with effect from 11 December 2024.

⁶ Non-MOORS are nonetheless required under the Notices to be included as part of a Bank’s Register of Outsourced Relevant Services.

⁷ Existing Guidelines refers to the Guidelines issued on 27 July 2016 and last revised on 5 October 2018.



4. Register of outsourced relevant services (“Outsourcing Register”)

- 4.1. MAS had proposed that Banks are to maintain and keep updated an outsourcing register. The outsourcing register is to be submitted to MAS semi-annually or upon request and is to include a list of:
- all ongoing outsourced relevant services obtained or received from a service provider; and
 - all outsourced relevant services obtained or received from a service provider, which involves the disclosure of customer information. This includes outsourced relevant services that are not provided on an ongoing basis.
- 4.2. Several respondents suggested that the outsourcing register should exclude one-off services or non-material arrangements as they are of lower risk. There were also suggestions for a reduced frequency of submission to MAS.
- 4.3. A few respondents suggested MAS rely on the Outsourcing Register to obtain information on audits of MOORS instead of a proposed requirement in the Notices for Banks to submit to MAS a list of all audits performed on its MOORS in the past 12 months.

MAS’ Response

- 4.4. MAS will include non-material services and one-off services that involve disclosure of customer information within the scope of the Outsourcing Register. The inclusion of services assessed as non-material by Banks will allow MAS to review and engage with Banks on their assessment of materiality. The inclusion of one-off services that involve disclosure of customer information in the register will require Banks to have a comprehensive record of such services, and facilitate better management of the attendant risks from any inadvertent disclosure.
- 4.5. MAS will require the submission of Outsourcing Registers on a semi-annual basis, and upon request, to allow timely update of Banks’ use of relevant services while balancing the reporting obligation placed on Banks.
- 4.6. MAS agrees not to require Banks to separately submit to MAS a list of all audits performed on its MOORS. Reliance will be placed on the Outsourcing Register instead.



5. Due diligence requirements

5.1. MAS had proposed that Banks be required to

- re-perform due diligence within the first 12 months of engaging the service provider (“post-commencement due diligence”); and
- perform subsequent due diligence at a frequency approved⁸ by the Bank’s board.

5.2. Respondents commented there should be flexibility for Banks to decide the frequency of due diligence after considering the scale, nature and risks posed by each MOORS. Some respondents commented that the post-commencement due diligence within the 12 months may be costly and unnecessary; especially where it pertains to intragroup MOORS.

5.3. A few respondents also suggested that due diligence not be required for MOORS where the service provider is an intragroup entity or where the service provider is a bank in Singapore and subject to MAS requirements.

5.4. Several respondents queried if the assessment of track record as part of evaluation of service provider would preclude the use of service providers that are newly-established.

MAS’ Response

5.5. After considering the feedback received, MAS will allow Banks to adopt a risk-based approach when determining when to perform the post-commencement due diligence, but it should not be later than 24 months from the engagement of the service provider.

5.6. On balance, this risk-based approach should still allow Banks to address any gaps with the service provider in a timely manner. Banks are expected to be able to justify the appropriateness of the timeline for the post-commencement due diligence.

5.7. This approach will apply to both intragroup and non-intragroup MOORS given that MAS does not consider intragroup outsourcing to be inherently less risky than services provided by external parties.

⁸ Boards need not approve frequencies at each individual service level. Boards may approve frequencies for groups or types of MOORS so long as banks ensure that the review frequency is commensurate with the risks posed by the services.



- 5.8. A bank has the responsibility to ensure that the service providers it chooses to engage are able to deliver to a standard that is acceptable for it to service its own customers. The nature of the engagement will vary from case to case, hence its due diligence responsibilities are not alleviated just because an entity it engages is regulated by MAS.
- 5.9. The proposed requirement for frequency of subsequent due diligence to be one approved by the board remains unchanged.
- 5.10. MAS would also like to clarify that while Banks are required to assess the service providers' track record as part of due diligence, this should not preclude Banks from engaging service providers that are startups. Banks should nonetheless satisfy themselves of the ability of such service providers to deliver the MOORS.

6. Sub-contracting

- 6.1. MAS had proposed new requirements on Banks on the use of sub-contractors. These include requiring Banks to assess and be satisfied that Banks can manage the risks involved before allowing sub-contracting of MOORS. Banks would also have to ensure that they are notified⁹ within 30 days of the engagement of a sub-contractor and thereafter assess the sub-contractor.
- 6.2. In addition, where sub-contracting is not prohibited under the outsourcing agreement, Banks would be required to:
- (for sub-contracting of MOORS which involves disclosure of customer information to sub-contractors) include in their outsourcing agreements with service providers, requirements on the service provider to ensure the sub-contractor protects customer confidentiality¹⁰;
 - (in all cases of sub-contracting of MOORS) consider including in their outsourcing agreements with service providers, requirements on the service provider to incorporate certain terms¹¹ in the sub-contracting agreements.
- 6.3. The proposed requirements were intended to mitigate the risk of inadequate risk management by sub-contractors down the sub-contracting chain which could adversely affect Banks. This would be effected through the cascading of relevant requirements, by means of outsourcing and sub-contracting agreements, down the sub-contracting chain.
- 6.4. Many respondents expressed reservations on cascading requirements using outsourcing and sub-contracting agreements, given the challenge in negotiating the inclusion of such requirements in outsourcing or sub-

⁹ Banks may determine how best to ensure such notification including the incorporation of relevant terms in their outsourcing agreements.

¹⁰ Specifically, the proposed requirements were that the service provider ensures

- i) the sub-contractor is notified in writing of the Bank's obligations of confidentiality under the Act and common law;
- ii) customer information is disclosed to, or accessed, collected, copied, modified, used, stored or processed by, a sub-contractor only to the extent that is necessary for the sub-contractor to perform its duties under a sub-contracting arrangement;
- iii) the sub-contractor and its employees do not disclose any customer information of the Bank to any third party unless compelled by law, in which case the sub-contractor must notify the Bank directly or through the service provider as soon as practicable to the extent permitted by law.

¹¹ These were terms in relation to (i) sub-contractor protecting the confidentiality and integrity of information of the bank; (ii) sub-contractor ensuring that it and its employees only access, collect, copy, modify, use, store or process customer information to the extent that is necessary; (iii) sub-contractor ensuring that its employees do not disclose customer information to any third party unless compelled by law; (iv) right of MAS to audit the sub-contractor, sub-contractor providing information to the bank or MAS; and (v) sub-contractor deleting or restricting access to information of the bank if the bank stops receiving the service from the sub-contractor.



contracting agreements and the lack of direct contracting relationship between Banks and sub-contractors. Some respondents did not see a need to cascade the requirements to sub-contractors, as Banks ultimately hold the service provider responsible, via the outsourcing agreement, for the delivery of the MOORS.

MAS' Response

- 6.5. Given the risk to Banks from sub-contractors in the supply chain of Banks, MAS will require Banks to
- assess and be satisfied of their ability to manage the risks involved before allowing sub-contracting of MOORS; and
 - ensure they are notified within a reasonable period of the engagement of a sub-contractor and thereafter assess the sub-contractor.
- 6.6. MAS however appreciates the practical challenges highlighted by respondents. The proposed requirements for Banks to use outsourcing agreements to cascade requirements to sub-contractors will instead be included into the Guidelines for Banks. Banks will be expected to implement this in a risk proportionate manner taking into consideration the risks posed by the use of each sub-contractor of a MOORS.
- 6.7. MAS will monitor developments in other jurisdictions and may revisit this approach in future.



7. Customer consent in relation to sub-contracting that involves disclosure of customer information

- 7.1. MAS had proposed that Banks must not allow a MOORS to be sub-contracted if it involves disclosure of any customer information unless customer consent had been obtained.
- 7.2. A number of respondents commented that the proposed requirement would be operationally onerous for Banks. The respondents commented that the proposed requirement would significantly increase the number of customers Banks need to obtain consent from. This was because the Notices have a wider definition of “customers” than section 47 of the BA, by including customers which are other Banks.
- 7.3. Many respondents suggested an exception in the Third Schedule of the BA be expanded to sub-contractors. The current exception allows customer information to be disclosed to service providers without customer consent (the “Outsourcing Exception”), but not beyond to sub-contractors. Some service providers claimed that the need for customer consent for sub-contracting could hinder cloud adoption and impede digitalisation of the banking industry.

MAS’ Response

- 7.4. MAS will introduce the requirement in the Notices for Banks to obtain customer consent for the disclosure of customer information to sub-contractors. However, this requirement will not apply where these customers are other Banks or other financial institutions designated by MAS for the purposes of the definition of “customer” in section 40A of the BA.
- 7.5. MAS acknowledges the feedback from respondents on expanding the Outsourcing Exception, and will consider the possibility of expanding the exception in future to allow customer information to be disclosed to sub-contractors without the need for customer consent.
- 7.6. When Banks obtain such consent from customers, there is no need to name the service providers or sub-contractors to whom customer information is to be disclosed, though the scope and purpose for the disclosure should be made known.



8. Requirements in the Notices to be included in outsourcing agreements

- 8.1. Respondents sought clarification on whether MAS expects the language in outsourcing agreements to replicate that in the Notices where the Notices set out terms to be included in outsourcing agreements.
- 8.2. A respondent also sought clarification on whether an outsourcing agreement needs to be in place before the commencement of the MOORS.

MAS' Response

- 8.3. Banks need not replicate the language of terms in the Notices. However, Banks should be prepared to explain to MAS how the terms of their outsourcing agreements achieve the same effect as those set out in the Notices.
- 8.4. An outsourcing agreement needs to be in place before the commencement of the MOORS, and includes any written document¹², acknowledged by both parties, and which sets out the rights of the Bank and the roles and responsibilities of the service provider. In cases where the service provider of a Bank is an intragroup entity of the Bank, an outsourcing agreement refers to written policies and procedures by which the intragroup entity is to provide an outsourced relevant service. An example of this would be intragroup service level agreements.

¹² Outsourcing agreements may be electronic documents.



9. Term on right of MAS to audit service providers

9.1. Some Banks expressed reservations on the proposed requirement to include a term in outsourcing agreements on conferring MAS a right to audit service providers. They cited concerns over whether service providers would be open to including such a term in outsourcing agreements. Some service providers expressed concerns in relation to an MAS audit such as confidentiality of their other customers, the appropriateness of the scope of an MAS audit and whether adequate notice of an audit will be provided.

MAS' Response

- 9.2. Banks bear the primary responsibility of ensuring that their MOORS are subject to regular audits as part of their management of outsourcing risks. However, MAS' scope of supervision should not be limited because a Bank decides to outsource a material function. MAS will thus introduce the requirement to include a term on the right of MAS to audit service providers in the Notices.
- 9.3. MAS expects to exercise its right to audit when warranted by circumstances, including the occurrence of a significant incident at the service provider with potential or actual material impact on Bank(s).
- 9.4. While MAS will be given the right to audit the books, systems and premises of the service provider, the scope of the audit will depend on the actual circumstances. The books, systems and premises inspected would be limited to those relevant to the provision of MOORS to a Bank – books, systems and premises of the service provider not involved in providing such services would not be inspected.
- 9.5. The steps taken to safeguard the confidentiality of the information accessed during such audits will be similar to those applied in MAS' inspections of financial institutions. MAS will endeavour to engage with service providers prior to such audits to address legitimate concerns, such as those relating to the service provider's other customers.



10. Term on service provider providing information to Bank or MAS

- 10.1. MAS had proposed that outsourcing agreements for MOORS must include a term that the service provider, on a request by a Bank, provides to the Bank or MAS, or any person appointed by the Bank or MAS, any record, document, report or information relating to the provision of a MOORS.
- 10.2. A few respondents suggested that the requirement be modified such that information need only be provided to the Bank but not MAS. These respondents claimed that some service providers are reluctant to provide information to MAS.

MAS' Response

- 10.3. For a similar reason to that indicated in paragraph 9.2, MAS will introduce the requirement to ensure MAS' access to information relating to the provision of a MOORS, as warranted, in order to allow MAS to properly supervise the Bank.



11. Term on right of Banks to terminate the outsourcing agreement in specified circumstances¹³ in outsourcing agreements and related requirements

- 11.1. Many Banks were uncertain if service providers would be amenable to including such a term in outsourcing agreements. They noted Banks could typically terminate the outsourcing agreement by providing written notice and did not see the need for more prescriptive requirements.
- 11.2. Service providers expressed concerns over the risk that the terms could be easily triggered by Banks. They shared Banks' view that there was no need for prescriptive requirements on grounds for termination. They opined that other than where there was a material breach of the outsourcing agreement or if termination is directed by MAS, grounds for termination should be subject to commercial negotiation.
- 11.3. Respondents also suggested that Banks not be required to notify MAS if ground(s) for terminating a MOORS are met. Respondents indicated that MAS would be aware of such changes from a Bank's Outsourcing Register submission to MAS.
- 11.4. Respondents noted that MAS may direct banks to terminate their outsourcing arrangements and suggested that MAS exercise this right only as a last resort.

MAS' Response

11.5. MAS will streamline the proposed termination grounds to address the feedback received. As current industry practice provides safeguards for Banks to exit long-dated outsourcing agreements based on Banks' risk assessment, MAS will limit the grounds for termination required in outsourcing agreements to the following:

- by giving reasonable notice to the service provider;

¹³These circumstances are set out in Paragraph 7.1(g) of the *Proposed Notice to Banks on Management of Outsourced Relevant Services* which MAS had published for consultation on 18 December 2020.



- if directed by MAS to terminate the outsourcing agreement or to stop receiving the material ongoing outsourced relevant service from the service provider;
- if the service provider or sub-contractor failed to safeguard the confidentiality or integrity of customer information of the Bank; and
- if there has been a demonstrable deterioration in the ability of the service provider or sub-contractor to safeguard the confidentiality of customer information.

11.6. In complying with the revised grounds for termination, Banks do not have to include “reasonable notice” verbatim in their outsourcing agreements, though they may do so. A Bank may also provide for an explicit fixed notice period in their outsourcing agreement which the Bank assesses as reasonable for the particular MOORS. In making its assessment, the Bank should consider factors such as the risk to the Bank if it is unable to change service provider within the notice period, the availability of other service providers and the time required to orderly transfer services between service providers.

11.7. On MAS directing a Bank to terminate an outsourcing agreement, MAS recognises that this is a significant intervention. MAS expects to exercise this right only in exceptional circumstances such as where

- there is a significant deterioration in the ability of the service provider to provide the MOORS or to protect customer confidentiality and the service provider is unable or unwilling to remediate issues and the Bank did not elect to terminate the outsourcing agreement of its own accord; or
- the service provider refuses to provide requested information to MAS or to facilitate an MAS audit.

11.8. Given the feedback received, notification to MAS is required only if the Bank elects to exercise its right to terminate the outsourcing agreement on ground(s) pertaining to failure to safeguard customer information or deterioration in ability to safeguard customer information¹⁴. This is to allow MAS to receive timely notification of material lapses or deficiencies relating to the protection of customer information.

¹⁴ MAS notes that the Notices do not require termination to be automatically triggered or for termination to be the bank’s response. The Notices therefore do not preclude a bank from working with service provider(s) to address any issue giving rise to the ground of termination instead of opting for termination.



12. Meaning of “customer” and “customer information” and measures to be taken by Banks to protect customer information

- 12.1. Some respondents sought clarification on whether “customer information” would include information that relates to customers but is public, anonymised, or encrypted in a secure manner such that the identities of the customers cannot be readily inferred. Respondents noted that such information would not currently constitute “customer information” in the Guidelines.
- 12.2. A few respondents requested clarification on whether potential customers should be considered “customers” and their information treated as “customer information”.
- 12.3. A respondent suggested a Bank be deemed to have complied with the requirement in Paragraph 8.1 of the Notices to implement “adequate measures” to protect customer information that is disclosed to the service provider or sub-contractor if the Bank had included relevant terms in its outsourcing agreement. “Adequate measures” include measures to ensure that customer information disclosed to a service provider or sub-contractor is only to the extent that is necessary for the service provider or the sub-contractor, and their respective employees to provide the MOORS. The respondent stated that there might be operational challenges as service providers and sub-contractors may not allow reviews of their processes.

MAS’ Response

- 12.4. Information relating to customers that is encrypted in a secure manner or anonymised, such that it is not referable to any named customer or a group of named customers, will not be considered “customer information” for the purposes of the Notices. This is consistent with the current approach under the Guidelines¹⁵. To avoid doubt, where a recipient receives encrypted customer information and is able to decrypt the information, the information disclosed to that recipient will be considered “customer information”.
- 12.5. Information that is public will not be excluded from being considered “customer information” for the purposes of the Notices. This is because even where the information disclosed is public, the unauthorised

¹⁵ Please refer to paragraphs 3.9 and 3.10 of *Response to Feedback Received - Outsourcing by Banks and Merchant Banks*.



disclosure of such information may inadvertently divulge the existence of a (non-public) relationship between the customer and the Bank.

12.6. Potential customers and information of potential customers would not be considered “customers” and “customer information” respectively in the Notices. Nonetheless, Banks should have controls in place to safeguard the information of potential customers. In particular, Banks should review if other laws and regulations, such as Personal Data Protection Act 2012, applies.

12.7. Whether a Bank has implemented adequate measures to protect customer information that is disclosed to the service provider or sub-contractor as required by paragraph 8.1 of the Notices would depend on the facts of the case. A Bank should establish a framework for the management of risks associated with such disclosure of information. The level of controls needed will vary depending on the nature and extent of the risks in the MOORS.



13. Obligations to keep customer information confidential

13.1. A few respondents sought clarification on MAS' proposal for a Bank to notify service providers in writing of the service provider's obligation to keep customer information confidential under the BA, in addition to the Bank's obligation to keep customer information confidential under the BA and common law.

MAS' Response

13.2. Banks are required to maintain confidentiality of customer information under Section 47(1)¹⁶ of the BA, unless otherwise provided under the Third Schedule of the BA. For example, the Outsourcing Exception in Part 2, Paragraph 3 of the Third Schedule allows Banks to disclose customer information to their service providers under specific circumstances.

13.3. Service providers that receive customer information pursuant to Part 2 of the Third Schedule, including the Outsourcing Exception, are required under Section 47(5)¹⁷ of the BA to not disclose the information to any other person.

13.4. Banks may decide how best to provide written notification to their service providers to notify them of their obligation to protect customer information confidentiality, such as by incorporating it in their outsourcing agreements.

14. Audit requirements

14.1. MAS had proposed that Banks be required to ensure that independent audits are conducted on each of its MOORS at least once every three years.

14.2. Several respondents suggested that intragroup arrangements should either be exempted from the requirement or be allowed to be audited at a longer frequency. Respondents reasoned that intragroup

¹⁶ In the case of Merchant Banks, Section 47(1) read with Section 55R and Section 55ZI.

¹⁷ In the case of Merchant Banks, Section 47(5) read with Section 55R and Section 55ZI.



arrangements usually involve regulated entities subject to regulatory supervision and internal audit within the banking group.

14.3. Some respondents sought clarification on whether service providers with certain specific certifications may be considered to have been audited.

MAS' Response

14.4. Given the feedback received and considering that Banks may have a better understanding of the risk and performance of their intragroup service providers compared to external service providers, MAS will require Banks to ensure that independent audits of intragroup MOORS are conducted at frequencies approved by their boards.

14.5. Audits performed by group internal auditors, whether for intragroup arrangements or otherwise, would meet the requirement for audits in the Notices if the auditors are sufficiently independent and competent.

14.6. MAS had previously indicated in the *consultation paper* that Banks may rely on pooled audits or third-party certification¹⁸ (of their service providers) performed by independent parties to comply with this requirement. MAS would like to clarify that this is subject to Banks being satisfied¹⁹ that the certification allows Banks to assess (i) the adequacy of the service provider's risk management framework²⁰ and (ii) the capabilities of the service provider to properly provide the relevant service. Such audits or certifications should generally include a review of controls design and the testing of controls effectiveness.

¹⁸ To avoid doubt, MAS would not consider certifications which do not involve an audit by independent assessors to be sufficient to be relied on for meeting the audit requirement in the Notices.

¹⁹ Factors which Banks should consider include

- the scope and methodology of the pooled audit or third-party certification; and
- the independence and competency of the auditors or certifiers.

²⁰ This includes aspects of the risk management framework pertaining to technology risk management and business continuity management.



15. Confirmations where the service provider or sub-contractor is an Overseas Regulated Financial Institution (ORFI)²¹ and the MOORS involves disclosure of customer information

15.1. MAS had proposed that where the service provider or sub-contractor is an ORFI²² and disclosure of customer information is involved, Banks are to provide MAS with confirmations from the regulator of the ORFI. The confirmations are to provide that

- (a) MAS will have access to customer information and records relating to the provision of the MOORS;
- (b) any person appointed by the Bank in Singapore will be allowed to audit the ORFI and submit the report to MAS; and
- (c) the overseas regulator²³ would not access customer information of the Bank in Singapore.

15.2. MAS further proposed that in lieu of a confirmation set out in paragraph 15.1(c), a Bank may seek MAS' approval to provide MAS with a written set of policies and procedures on how the Bank will manage requests from the overseas regulator. The Bank would also undertake to MAS to notify MAS of any disclosure of customer information to the overseas regulator within 14 working days.

15.3. Aside from the flexibility described in paragraph 15.2, many respondents noted that they would not be able to compel overseas regulators to provide confirmations to MAS. They observed that overseas regulators were sometimes unresponsive to Banks' requests for such confirmations, and some suggested that the need for assurances from overseas regulator be addressed directly between regulators.

²¹ An Overseas Regulated Financial Institution means any person who is regulated as a financial institution outside Singapore but does not include the following:

- (a) a financial institution incorporated in Singapore;
- (b) in the case of a financial institution incorporated outside Singapore, the branches and offices of the financial institution located within Singapore.

²² ORFI includes service providers or sub-contractors who are intragroup service providers.

²³ Or if it is the home supervisor, the overseas regulator undertakes it will not access customer information of the Bank in Singapore except to carry out its supervisory functions and it either undertakes to not disclose such customer information without MAS written approval or if it is prohibited by law from disclosing such customer information to any other person.



- 15.4. Some respondents also requested that any undertaking from the Bank to MAS to notify MAS of any disclosure of customer information to the overseas regulator within 14 working days be subject to applicable laws, as overseas regulators may require confidentiality over such requests.
- 15.5. Several respondents asked if the confirmations need to be obtained prior to a Bank's disclosure of customer information or the commencement of the MOORS.

MAS' Response

- 15.6. MAS will not proceed with the requirement for confirmations after considering respondents' feedback. Instead, for MOORS that involve disclosure of customer information and where the service provider or sub-contractor is an ORFI, Banks will be expected to establish relevant policies and procedures, and be required to provide a written undertaking to notify MAS of any disclosure of customer information to the overseas regulator within 14 working days of such disclosure. In the undertaking, Banks must minimally set out the criteria under which the Bank or the service provider or sub-contractor, as the case may be, may disclose customer information to the overseas regulator. Banks may engage MAS early to discuss the details of the undertaking.
- 15.7. The undertaking to notify MAS within 14 working days of disclosure must be complied with and there will not be exceptions to cater for applicable (foreign) laws prohibiting such disclosure to MAS. Given that the information sought pertains to the customer of a Bank in Singapore; and the use of such information by the overseas regulators may have supervisory implications for the Bank in Singapore, MAS expects to be apprised of any such access of information by overseas regulators. Where applicable, Banks should inform the overseas regulator of their obligation to inform MAS when disclosing the information to the overseas regulator or arrange for the overseas regulator to reach out directly to MAS.



16. Outsourced Relevant Services that involve the disclosure of customer information

- 16.1. MAS had proposed to apply a subset of the full requirements in the Notices to outsourced relevant services that involve the disclosure of customer information, including non-ongoing services. The subset of requirements concerns the protection of customer information and is set out in Section C of the Notices.
- 16.2. Some respondents commented that non-ongoing services should not be subject to these requirements, citing significant and costly operational burdens. One respondent suggested allowing Banks to make risk-based distinctions taking into account the duration and information disclosed and whether such disclosure would result in material adverse impact to customers if inadvertently disclosed.

MAS' Response

- 16.3. MAS will require the application of Section C of the Notices to all outsourced relevant services involving the disclosure of customer information, including non-ongoing services. MAS notes that the requirements in Section C are baseline requirements²⁴. Banks are already subject to a subset of these requirements in the current MAS Notices 634 and 1108.

²⁴ For instance, unlike for MOORS, Banks are not required to perform ongoing due diligence over services which are only subject to Section C requirements i.e. outsourced relevant services which are not MOORS but involve disclosure of customer information.



17. Group policy

- 17.1. MAS had proposed that a Bank incorporated in Singapore be required to implement a group policy relating to outsourced relevant services to ensure that each of its branches comply with all of the requirements in the Notices as if these branches were Banks in Singapore.
- 17.2. Some respondents expressed concerns that some overseas branches of Singapore-incorporated Banks, given the size of their operations, may lack the negotiating leverage to include specific terms in their outsourcing agreements.

MAS' Response

- 17.3. Instead of the proposed requirement, MAS will require that these overseas branches assess and be satisfied that the risks from not including certain requirements in the Notices would be addressed and document such assessments (including any mitigating measures).
- 17.4. MAS expects Singapore incorporated Banks to extend their group policies to their overseas subsidiaries.



18. Effective dates of requirements in Notices

18.1. MAS had proposed to provide Banks with a 12-month period from the date of issuance of the Notices (the date of issuance referred to as “T”) to comply with the requirements. For requirements which relate to outsourcing agreements, MAS further proposed that a Bank would only need to comply with such requirements at the later of

- T+12 months, or
- the date on which the Bank enters into a new agreement or renews an existing agreement.

18.2. Outsourcing agreements entered into or renewed between T and T+12 months would thus have had to comply with the relevant requirements in the Notices by T+12 months.

18.3. Many respondents commented that more time was needed to renegotiate contracts. They requested for a longer implementation timeline of 18 to 24 months or when entering or renewing an outsourcing agreement, whichever is later.

MAS’ Response

18.4. MAS acknowledges the practical challenge of reviewing and, where necessary, revising the terms of outsourcing agreements of MOORS and outsourced relevant services involving the disclosure of customer information, as such an endeavour will depend on the service provider and is not fully within the control of Banks.

18.5. MAS will therefore allow for a longer timeline for Banks to bring their outsourcing agreements into compliance with requirements in the Notices:

- For outsourcing agreements entered into on or before T

Point of renewal	Time by which outsourcing agreement must comply with relevant requirements in the Notices
On or before T+12 months	The later of <ul style="list-style-type: none"> • next renewal as determined at T; or • T+12 months



After T+12 months	See paragraph 18.6
-------------------	--------------------

- For outsourcing agreements entered into after T

Point of entering into agreement	Time by which outsourcing agreement must comply with relevant requirements in the Notices
Between T and T+12 months	The later of <ul style="list-style-type: none"> • the first renewal of outsourcing agreement; or • T+12 months
After T+12 months	Upon entering into outsourcing agreement

18.6. MAS does not expect Banks to have existing outsourcing agreements that are evergreen with no specified end date. The number of outsourcing agreements with such a long duration that they are due for renewal more than 12 months from the date of issuance of the Notices should also be limited. Such evergreen or long dated agreements increase the risk that Banks continue relying on dated agreements which may not include necessary provisions to manage the Bank’s risk. Banks with such evergreen or long dated agreements should inform MAS and provide a plan for bringing these agreements into compliance with the Notices.

18.7. All requirements in the Notices which do not relate to outsourcing agreements will take effect on T+12 months.

18.8. MAS has published a *template of Outsourcing Register for Banks* which Banks should adopt for outsourcing register submission to MAS from T+12 months, i.e. 11 December 2024. In the interim, Banks may continue submission using the existing template of the outsourcing register.



19. Annexes to the Notices

19.1. To help Banks determine which relevant services are outsourced relevant services, its definition in the Notices makes reference to several Annexes namely

- Annex A: a non-exhaustive list of relevant services that are considered outsourced relevant services because they are integral to any business that the Bank in Singapore may carry on under section 30(1) or 55V(1) of the BA, as the case may be ;
- Annex B: a list of relevant services that are excluded from being considered an outsourced relevant service²⁵; and
- Annex C: a list of relevant services deemed by MAS to be outsourced relevant services.

19.2. MAS will also set out a list of Exempted Outsourced Relevant Services in Annex D of the Notices; Banks do not need to comply with the requirements in the Notices in relation to such services²⁶. Such services are services wholly provided by GovTech or agents appointed by GovTech²⁷, or services that are not for the conduct of any financial business of the Bank and where the service provider does not receive, handle or have access to the Bank's confidential information or customer information.

19.3. A few respondents highlighted that the services provided by a service provider could be a combination of services from different Annexes e.g. Annex A and Annex B, and these services could be provided using the same outsourcing agreement e.g. a master service agreement. Respondents therefore queried on the treatment of such services.

MAS' Response

19.4. The general principle is that if a portion of the service provided by the service provider is considered a MOORS, the requirements pertaining to MOORS would apply to that portion of the service. If it is not possible to clearly segregate the service into different components, the entire service should be considered a MOORS. Banks should clearly document their assessment if they decide not to treat such services as MOORS.

²⁵ Banks may rely on Annex B of the Notices to exclude a relevant service from being considered an outsourced relevant service. Banks should note that if the characteristics of a service does not meet the definition of "outsourced relevant service" in the Notices, the service would not be an "outsourced relevant service" even if it is not listed under Annex B.

²⁶ These exempted services are also set out in Annex 1 of the existing Guidelines.

²⁷ This had previously been communicated to financial institutions via circulars in June 2020.



19.5. MAS' responses to key feedback on the Annexes A and C to the Notices, which may be of wider interest are in the subsequent paragraphs. Additional responses to other feedback received on the Annexes to the Notices, including Annexes B and D, are set out in Appendix C of this paper.



20. Annex A: Relevant services commonly performed by Banks in Singapore

- 20.1. Respondents highlighted that the criteria to assess if a service is “commonly performed” was unclear. This posed challenges in the interpretation of what should be considered “outsourced relevant services” and standardisation in the understanding of this term. Respondents requested for guidance on how Banks should identify a service as “commonly performed”, besides the list of relevant services defined in Annex A.
- 20.2. Respondents also commented that some of the listed services in Annex A were not related to risk management and suggested that the term “risk management” be replaced with “provision of banking services”, as this aligns with the concept of relevant services being commonly performed by Banks. Respondents also preferred to retain the current definition of “outsourcing arrangement” in the Guidelines, which refers to arrangements where the service provider provides a service that “is integral to the provision of a financial service by the institution”.

MAS’ Response

- 20.3. Having considered the feedback, MAS will clarify that services in Annex A are integral to any business that the Bank in Singapore may carry on under section 30(1) or 55V(1) of the BA, as the case may be. The revised term will be in the definition of “outsourced relevant service” in the Notices for clarity.



21. Annex C: Relevant services considered as outsourced relevant services

21.1. Respondents suggested that the definition of relevant services considered as outsourced relevant services listed in Annex C should be made clear.

MAS' Response

21.2. MAS deems such services as outsourced relevant services because these services would typically be provided on an ongoing basis, are important in relation to information security and the protection of customer information or the failure of such services may materially affect the Bank and its customers. Banks should determine whether these services are material or non-material, based on the definition of MOORS in the Notices, and comply with the relevant requirements or expectations as guided by Appendix B. Arising from respondents' queries on whether the "services relating to the facilitating or execution of electronic signatures" and "services relating to the maintenance of automated teller machines (ATMs)" would be considered outsourced relevant services, MAS would be including these services under Annex C for clarity as the principle of Annex C would apply to both services (refer to further elaboration in paragraph 21.3).

21.3. The rationale for including the specific services in Annex C are:

Services in Annex C of draft Notices in consultation paper and will be retained in Annex C

- **Public cloud services such as software-as-a-service, platform-as-a-service, infrastructure-as-a-service**
 - In the absence of public cloud services, Banks would have had the direct responsibility of operating the infrastructure necessary to host applications, data, etc. Such infrastructure, whether operated by the bank or a third party, is fundamental to the delivery of banking services hence closer oversight is warranted. While the public cloud services are considered Outsourced Relevant Service, Banks should further assess their materiality to determine the level of compliance required under the Outsourcing Notice.
- **Information technology helpdesks services**
 - Such services, regardless of whether provided onsite or offsite, are important in managing the cyber security risk of the Bank. Additionally, service providers of such services may have



significant knowledge of the Bank's systems, or have access to personal data of the Bank's customer or confidential data of the Bank. As such, the failure of such services may materially affect the Bank.

- **Data centre operations or data centre facilities management services**

- Such services are important in relation to the Bank's data and information security. Therefore, the failure of such services may materially affect the Bank. MAS would also like to clarify that renting and leasing of data centre space would not be considered an outsourced relevant service.

Services in Annex C of the draft Notices within the consultation paper, which will be moved to Annex A

- **Card embossing services**

- This service will be moved to Annex A given that it is integral to a business that the Bank in Singapore may carry on under section 30(1) or 55V(1) of the BA, as the case may be
- Further, credit or debit card embossing services involve sensitive customers' information (e.g. card number, Card Verification Value). Any unauthorised disclosure of information could have an adverse impact on the Bank's reputation and the Bank's customers.

New additions to Annex C

- **Support services related to archival, storage and destruction of data and records relating to the Bank's confidential or customer information**

- The loss of data or records containing customer or confidential information may result in regulatory breaches or reputational risk for the Bank. Customers may also be materially impacted by the loss of their personal information.

- **Hosting of information systems, and managing and maintenance of information systems such as end-user support, local or wide area networks management and information technology security operations**

- Such services are important in the day-to-day operations and in managing the cyber security risk of the Bank. Therefore, the failure of such services may materially affect the Bank.



- **Corporate secretariat services**
 - Such services could involve the handling of Banks' confidential information and the mismanagement of such services could materially affect the Bank. Banks have the flexibility to classify these services as non-material, based on the definition of MOORs.
- **Manpower management such as payroll processing, benefits and compensation administration, staff appointment**
 - Mismanagement of such services or inadvertent disclosure of employee information could result in heightened reputational risk for Banks.
- **Services relating to the facilitating or execution of electronic signatures**
 - Such services may involve the Bank's customer or confidential information. Therefore, the failure of such services may materially affect the Bank and its customers.
- **Services relating to the maintenance of ATMs**
 - The disruption of such services may materially affect customers if they are unable to gain ready access to cash, which may also result in increased reputational risk for the Bank.

Express letter and parcel delivery services

21.4. Many respondents highlighted that express letter and parcel delivery services are similar to postal services and therefore should be similarly included in Annex B. Respondents also commented that express letter and parcel delivery services are not core financial services and do not pose material risks to Banks. Respondents also anticipate challenges in getting the larger service providers of express letter and parcel delivery services to comply with the Notices.

MAS Response

21.5. MAS has considered the feedback and will remove express letter and parcel delivery services from Annex C. Notwithstanding, Banks are expected to conduct their own assessment when deciding whether to treat such services as outsourced relevant services. Even if such services are assessed to be not outsourced relevant service, Banks should still conduct adequate due diligence on their service providers.



Appendix A

List of respondents to the consultation paper on Notices to Banks and Merchant Banks on Management of Outsourced Relevant Services

1. The Association of Banks in Singapore
2. Asia Cloud Computing Association
3. Asia Securities Industry & Financial Markets Association
4. Amazon Web Services
5. Bank of Montreal Singapore branch
6. ICICI Bank Limited, Singapore Branch
7. ING Bank N.V. Singapore Branch
8. Microsoft Operations Pte Ltd.
9. MUFG Bank, Ltd.
10. Natixis
11. PricewaterhouseCoopers Risk Services Pte. Ltd.
12. Sumitomo Mitsui Banking Corporation Singapore Branch

Please refer to the following [link](#) for the submissions.



Respondents who requested for confidentiality for their submission

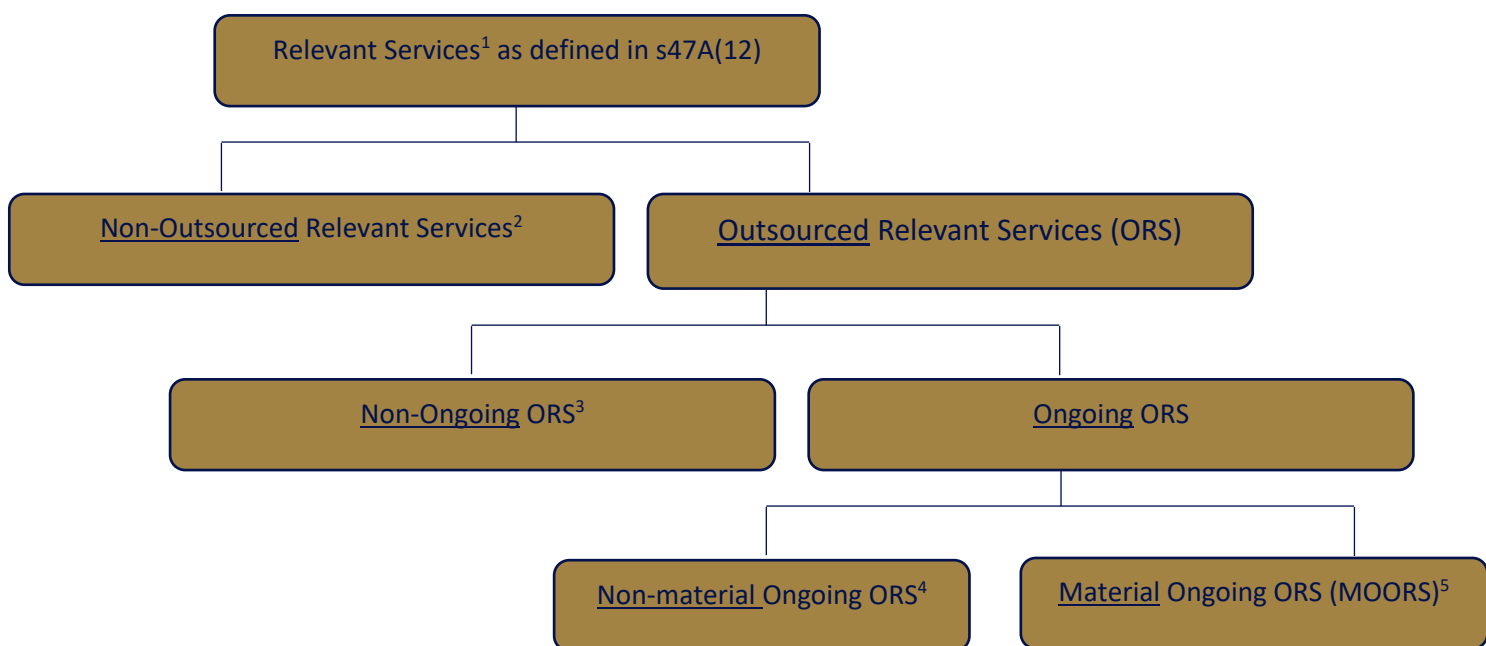
13. Allen & Overy LLP
14. BDO Unibank Inc Singapore branch
15. BNP Paribas Singapore Branch
16. Credit Industriel et Commercial, Singapore Branch
17. ICBC Standard Bank, Singapore Branch

Respondents who requested for confidentiality for both their identity and submission

11 respondents requested for confidentiality for both their identity and submission.

Appendix B

Applicability of Notices and Guidelines for Banks to Different Categories of Services



1: A “relevant service” means any service obtained or received by the bank, other than a service provided in the course of employment by an employee of the bank or a service provided by a director or an officer of the bank in the course of the director’s or officer’s appointment, and does not include any service specified by the Authority by written notice.

2: Not subject to Notices and Guidelines for Banks. Non-ORS should still be subject to adequate risk management and sound internal controls.

3: Not subject to Notices and Guidelines for Banks except where ORS involves disclosure of customer information and if so, Section C of Notices and the requirement on outsourcing register in Notices apply. Non-ongoing ORS should still be subject to adequate risk management and sound internal controls.

4: Subject to requirement on outsourcing register in Notices, as well as Section C of Notices where ORS involves disclosure of customer information. Bank should implement expectations in Guidelines to the extent and degree which is commensurate with the nature of risks.

5: Subject to Notices and Guidelines for Banks.

Appendix C

Other Responses to Feedback Received on the Annexes to the Notices

Responses to feedback on Annex A to the Notices

S/N	Respondents' Feedback	MAS' Response
1	Respondents highlighted that “software development” and “customisation of commercial off-the-shelf (COTS) software” are overly broad terms and not all Banks (especially smaller Banks) have the expertise to perform such services ²⁸ . Respondents have also requested for clarity on the scope of such services.	MAS agrees with the feedback and will remove both “software development” and “customisation of COTS software” from Annex A. However, if the Bank assessed both or either “software development” or “customisation of COTS software” as integral to any business that the Bank in Singapore may carry on under section 30(1) or 55V(1) of the BA, as the case may be, it will still be considered as outsourced relevant services. Poor risk management of such services e.g. inadequate controls in software development could adversely affect the business, customers, financial soundness and the reputation of the bank as well as the ability of the Bank to manage its risks or to comply with all laws and regulatory requirements. Banks should determine whether these services are material or non-material, based on the definition of MOORS in the Notices, and comply with the relevant requirements or expectations as guided by Appendix B.
2	One respondent queried whether software development involving third parties includes the scenario where the software is housed in the Bank’s premises and the Bank’s vendor does not have access to the confidential data relating to the software from outside the Bank.	Software development would include software that is housed in the Bank’s premise as long as the development was outsourced to a service provider.
3	Respondents highlighted that the following services are not commonly	MAS agrees with the feedback and will reclassify items (a) to (d) (in the left column) to Annex C (refer

²⁸ Banks may rely on Head Office or third-party service providers for such services.



	<p>performed by Banks and suggested to exclude them from Annex A:</p> <ul style="list-style-type: none"> a) support services related to archival, storage and destruction of data and records b) hosting of information systems, and managing and maintenance of information systems such as end-user support, local or wide area networks management and information technology security operations c) corporate secretariat services d) manpower management such as payroll processing, benefits and compensation administration, staff appointment, services provided by recruitment agencies and staff augmentation e) business continuity and information technology disaster recovery functions and activities 	<p>to the rationale for including these examples under Annex C in paragraph 21.3).</p> <p>For manpower management, MAS agrees that services provided by recruitment agencies and staff augmentation are of relatively lower risk and are not integral to a business that the Bank in Singapore may carry on under section 30(1) or 55V(1) of the BA, as the case may be, and removed them from the Annexes. Notwithstanding, Banks are expected to conduct their own assessment when deciding whether to treat such services as outsourced relevant services.</p> <p>MAS recognises that “business continuity management and information technology disaster recovery functions and activities” constitute a wide range of services, some of which may not be integral to any business that a Bank in Singapore may carry on under section 30(1) of 55V(1) of the BA, as the case may be.</p> <p>As business continuity and information technology disaster recovery functions and activities of an <i>outsourced relevant service</i> should be considered part of the outsourced relevant service, MAS will remove “business continuity and information technology disaster recovery functions and activities” from Annex A. Other than the relevant services set out in Annex A, Banks are expected to assess if there are other services to be included as outsourced relevant services. Similarly, the business continuity and information technology disaster recovery function and activities of these services should also be considered as part of these outsourced relevant services.</p>
4	<p>Respondents suggested that renting and leasing of facilities for the purpose of business continuity and information technology disaster recovery is similar to</p>	<p>The renting and leasing of facilities for the purpose of business continuity and information technology disaster recovery will be excluded from the scope of outsourced relevant services. This is in view that</p>



	renting of premises by the Bank to conduct its business, which should not be considered as outsourced relevant services.	Banks do not typically own such facilities and would usually require the use of third-party service providers.
5	<p>Respondents suggested that not all centralised or shared services provided by the Bank’s regional branches or offices for or on behalf of the Bank in Singapore, e.g. project management, should be considered outsourced relevant services.</p> <p>Respondents explained it is common for branches of foreign Banks in Singapore to outsource such services to intra-group entities. Similar feedback was also provided for investment management services, hosting of information systems and trading and hedging facilities included under Annex A.</p> <p>Respondents proposed to allow flexibility to assess whether such centralised activities should be considered as outsourced relevant services.</p>	<p>MAS has removed centralised or shared services provided by the Bank’s regional branches or offices for or on behalf of the Bank in Singapore from Annex A to allow Banks to assess whether such services should be classified as outsourced relevant services.</p> <p>MAS notes that while common, intra-group outsourcing, including outsourcing to parent companies, could still pose risks, due to different operating, legal and regulatory environments. Accordingly, whether a service is an outsourced relevant service is therefore not contingent on whether the service provider is from the Bank’s group.</p> <p>To allow Banks to manage the risks from their use of outsourced relevant services, Banks should not be precluded from putting in place the appropriate level of risk control measures in relation to any outsourced relevant service, including intra-group ones. However, reduced due diligence can be applied for intra-group outsourcing and outsourcing deemed as lower risk. Banks can also adopt group-wide risk management policies and procedures in order to meet the requirements and expectations set out in the Notices and Guidelines for Banks.</p>
6	One respondent suggested that professional services related to the business activities of the Bank should be restricted to the listed activities, to avoid	Advisory services provided by external law firms, consultancy firms, professional services firms and accounting firms would be considered under “expert assessment or independent consulting for areas where the Bank does not have the internal

	inadvertently bringing external advisory services into the scope.	expertise to conduct” in Annex B i.e. excluded from the definition of outsourced relevant services.
7	Respondents queried whether the use of anti-money laundering (AML) screening tools, access to services provided by third-party service providers or subscription to third-party databases or platforms for name screening purposes would be considered outsourced relevant services i.e. Banks perform the screening themselves but rely on the program for its output.	Insofar as the Bank staff is performing the screening and is only relying on the screening tools, third-party service providers, databases or platforms for the name screening results, such services would not be considered outsourced relevant services. This is because the substantive obligation of screening (including clearing the results) is still being performed by the Bank itself. Notwithstanding, the Bank is expected to establish controls over the use of such databases or platforms to ensure effectiveness of screening performed.
8	Respondents queried whether “marketing conducted in the name of the bank” would include services relating to functions or event management. Respondents also queried whether requesting service providers to conduct independent customer surveys on Banks’ products and services would be considered marketing conducted in the name of the Bank.	Functions or events which are marketing campaigns for the Bank’s products or services, as well as customer surveys, may involve customer information and could potentially be considered outsourced relevant services. FIs should make an assessment to determine whether such services should be considered outsourced relevant services.
9	Respondents enquired whether using benchmarks published by third-party service providers or proprietary benchmarks constructed by intra-group entities would be considered outsourced relevant services.	<p>“Calculation of financial benchmarks” in Annex A is with reference to a “financial benchmark” as defined in the Securities and Futures Act (SFA) 2001. Using a financial benchmark calculated by another person would not fall within the meaning of “calculation of a financial benchmark” in Annex A.</p> <p>Proprietary benchmarks which are determined by a person for its exclusive use are not within the scope of “financial benchmark” under the SFA, unless the benchmark is prescribed as a “financial benchmark”.</p>



		Please refer to the definition of “financial benchmark” under the SFA and the response to feedback received during the June 2013 consultation on the financial benchmark regime for more information.
10	One respondent queried whether the engagement of external service providers to provide enhanced due diligence reports on potential clients, as part of the onboarding procedure for new clients, is considered outsourced relevant services. The respondent is of the view that the engagement of such providers can be regarded as “expert assessment or independent consulting for areas where the Bank does not have the internal expertise to conduct” in Annex B as the Bank does not have the internal expertise to conduct such enhanced due diligence on potential customers.	If the Bank has expertise to perform the service, this service will not fit the criteria, amongst others, of the services in Annex B i.e. services that require the use of third-party providers. The Bank should make its assessment based on the definition of “outsourced relevant service” e.g. whether the service is performed by the Bank, is integral to any business that the Bank in Singapore may carry out under section 30(1) or 55V(1) of the BA, as the case may be.
11	Respondents queried whether outsourced non-financial businesses that are related or complementary to Banks’ core businesses under regulation 23G of the Banking Regulations would be considered outsourced relevant services.	Such services would be considered outsourced relevant services unless they do not involve the Bank’s confidential information or customers’ information.
12	Respondents sought clarification on whether the processing of staff medical insurance claims directly by insurers and arrangements with insurance brokers who arrange for policy insurance from insurers to Banks would be considered outsourced relevant services. Such services would be caught under the example “management of policy issuance and claims operations by managing	Processing of staff medical insurance claims directly by insurers would generally be considered an example of “manpower management”, which is in Annex C. As for arrangements with insurance brokers who arrange for policy insurance from insurers to Banks, Banks would need to assess such services against the definition of “outsourced relevant service” and the principles of the Annexes of the Notices when



	agents" in the Guidelines, however, this example was not included in the proposed Notices for Banks.	deciding whether to treat such services as outsourced relevant services.
--	--	--

Responses to feedback on Annex B to the Notices

S/N	Respondents' Feedback	MAS' Response
13	Respondents queried whether services in Annex B which used to be performed by Banks would be considered outsourced relevant services.	Services in Annex B are excluded from the definition of outsourced relevant service, even if these services used to be performed by Banks.
14	Respondents clarified whether services under Annex B, if delivered via public cloud services, would be considered outsourced relevant services.	Services in Annex B are excluded from the definition of outsourced relevant service, regardless of the medium or platform in which they are delivered.
15	Respondents queried on the treatment of services which are under Annex B but involve confidential or customer information.	Services in Annex B are excluded from the definition of outsourced relevant service, regardless of the involvement of confidential or customer information. However, as set out in the Guidelines for Banks, MAS expects such services to still be subject to adequate risk management and sound internal controls.
16	Respondents queried whether tax services e.g. tax compliance, tax advisory, tax filing etc would be considered outsourced relevant services.	Tax services may be considered outsourced relevant services if they are assessed to not be "expert assessment or independent consulting for areas where the Bank does not have the internal expertise to conduct" in Annex B.



17	<p>On “custody account services provided by any person referred to in regulation 27(1) of the Securities and Futures (Licensing and Conduct of Business) Regulations (“Regulations”) for the purposes of the bank maintaining a custody account as required under regulation 27 of the Regulations” of Annex B, respondents suggested for foreign custody account services provided under regulation 27(3) of the Regulations to be excluded from the definition of “outsourced relevant services” as custody of foreign denominated assets would not be commonly performed by Banks.</p>	<p>MAS agrees with the suggestion and has amended this item in Annex B to exclude custody account services provided by all custodians under regulation 27(3) of the Regulations.</p>
18	<p>Respondents suggested that for “payment card network infrastructure” in Annex B, elements outside the network itself, such as physical and virtual payment terminals, should be excluded from being considered outsourced relevant services as Banks do not have the ability to provide such services.</p>	<p>MAS agrees with the suggestion and will exclude such elements from the definition of “outsourced relevant services”.</p>
19	<p>Respondents queried whether “clearing and settlement arrangements between clearing houses and settlement banks and their members, and similar arrangements between members and non-members such as services provided by Depository Trust & Clearing Corporation, The Central Depository (Pte) Limited or Singapore Automated Clearing House” and “services provided by credit bureaus relating to the disclosure and obtaining of credit-related information” of Annex B include all services provided by the service providers, or only those services as stated in Annex B.</p>	<p>MAS has made further consideration and included the following services under Annex B for clarity:</p> <p>Services provided by any of the following persons in the course of operating an organised market, or a clearing facility or carrying on business in a regulated activity (as the case may be) would be excluded from being considered outsourced relevant services:</p> <ul style="list-style-type: none">(a) approved exchange;(b) overseas exchange;(c) approved clearing house;(d) recognised clearing house;



		<p>(e) recognised market operator;</p> <p>(f) holder of a capital markets services licence;</p> <p>(g) exempt person;</p> <p>(h) a person operating an organised market or a clearing facility or carrying on business in a regulated activity outside of Singapore that is regulated by a financial services regulatory authority of a country or jurisdiction other than Singapore.</p> <p>The persons referred to above have the meanings given by section 2(1) of the Securities and Futures Act 2001.</p>
20	<p>Respondents queried whether for the following items in Annex B, similar services provided in overseas jurisdictions would also be excluded from being considered outsourced relevant services:</p> <p>a) services provided via payments systems such as those provided via Fast And Secure Transfers (FAST), Interbank GIRO (IBG), NETS EFTPOS, Grabpay or Paypal</p> <p>b) services provided via central addressing system provided via PayNow</p> <p>c) bill payment services provided by AXS and SAM</p>	<p>Banks would need to assess the similarities in the characteristics of the services provided in the overseas jurisdictions and item (a) when determining whether the services should be considered outsourced relevant services.</p> <p>Only the specific services as described in items (b) and (c) (in the left column) would be excluded from being considered outsourced relevant services.</p>



21	<p>Respondents queried whether a service is considered an outsourced relevant service if the Bank has the expertise to perform the service but still chooses to outsource it e.g. engaging management consultants for projects. This is given that Annex B includes “expert assessment or independent consulting for areas where the bank does not have the internal expertise to conduct”.</p>	<p>If the Bank has expertise to perform the service, this service will not fit the criteria, amongst others, of the services in Annex B i.e. services that require the use of third-party providers. The Bank should make its assessment based on the definition of “outsourced relevant service” e.g. whether the service is performed by the Bank, is integral to any business that the Bank in Singapore may carry out under section 30(1) or 55V(1) of the BA, as the case may be.</p>
22	<p>With reference to “scheduled maintenance of equipment supporting business continuity and information technology disaster recovery such as the provision of uninterruptible power supply”, respondents queried whether maintenance of other types of equipment would be considered outsourced relevant services.</p>	<p>MAS has made further consideration and amended this service in Annex B to “supply and maintenance of equipment for incident management or emergency use such as fire protection, physical surveillance, power supply disruption, emergency communications, and personal protection” for clarity. The supply and maintenance of such equipment will not be considered outsourced relevant services as they typically require the use of third-party service providers.</p>
23	<p>Respondents queried on the meaning of “discrete advisory services” and suggested to expand this item to include all services provided by external law firms.</p>	<p>Discrete advisory services refer to engagements to address specific matters as opposed to ongoing reliance on a service provider for provision of (legal) services. The latter would be considered “professional services related to the business activities of the bank” under Annex A.</p>



24	Respondents highlighted that there are instances where Banks engage external independent auditors to perform audit assessments, which Banks are not able to perform due to conflicts of interests, although this does not arise from a legal prohibition or legal requirements. It is suggested that such independent audit assessments, regardless of whether the Bank is legally able to perform the audits, should also be excluded from the scope of “outsourced relevant service”.	MAS agrees with the suggestion and will exclude audits which Banks are not able to perform due to conflict of interest from the definition of outsourced relevant services.
25	Respondents queried whether a service which involves the provision of a finished product would be considered an outsourced relevant service.	Whether a service involves the provision of a finished product is not the sole determining factor in deciding whether the service is considered an outsourced relevant service. This is because the other criteria in the definition of “outsourced relevant service” must be met. MAS has provided a list of services that are excluded from the definition of “outsourced relevant service” in Annex B of the Notices.
26	Respondents provided many examples of services and queried whether they should be included in Annex B.	Given the wide range of services which may be obtained or received by Banks from a service provider, it would not be possible to list down all applicable services under Annex B. Even if a specific service is not prescribed under Annex B, Banks should still assess the service based on its characteristics against the definition of “outsourced relevant service” in the Notices to determine if it constitutes an outsourced relevant service.



27	<p>Respondents queried whether the following services should be included in Annex B:</p> <ul style="list-style-type: none">a) Services provided by approved exchanges, recognised market operators, commodity exchanges, brokerage firms and any intermediaries in relation to the sale, purchase, or exchange of capital markets products and commoditiesb) Vendor colocation centres, colocation facilities and exchange facilities that provide better connectivity for clients to execute trades across various platformsc) Logistics services e.g. moving and transportationd) Advertising agency servicese) Event organisation and management services	<p>For item (a), such services would not be considered outsourced relevant services as they would typically be provided by third parties. MAS has also included this example in Annex B for clarity.</p> <p>For item (b), the location of provision of the service should not be a determining factor in the assessment. Renting and leasing of spaces or facilities for the provision of services would not be considered outsourced relevant services.</p> <p>For items (c) to (e), as these examples would cover a wide scope of services, Banks would need to assess services against the definition of “outsourced relevant service” when deciding whether to treat such services as outsourced relevant services. As these services could also involve customer information, Banks would need to assess whether the failure of such services would materially affect adversely the Bank or its customers.</p>
----	--	---



Responses to feedback on Annex C to the Notices

Please refer to paragraphs 21.1 to 21.5.

Responses to feedback on Annex D to the Notices

S/N	Respondents' Feedback	MAS' Response
28	Respondents suggested that services provided by other government agencies in overseas jurisdictions could also be considered exempted outsourced relevant services.	As explained in paragraph 2.5 of the consultation paper, MAS has assessed that Banks need not subject services wholly provided by the Government Technology Agency (GovTech) or its agents to the proposed Notices in view of the oversight and controls that GovTech has in place in providing these services. As MAS is not in the position to make the same determination for services provided by other government agencies in overseas jurisdictions, the use of such services will not be considered exempted outsourced relevant services.
29	Respondents queried on the rationale for not including training and development for risk management purposes in Annex D, as such training and development would be of a similar nature as compared to non-risk management topics e.g. regulatory compliance training, customer sales and service training, financial analysis training. Furthermore, this service would not involve the disclosure of confidential or customer information and the failure of such services would not materially affect the Bank.	MAS agrees with the feedback and will remove “training and development other than for risk management purposes” from Annex D. All types of training and development (regardless for risk management purposes or not) would not be considered outsourced relevant services as such services are of relatively lower risk.