

RESPONSE TO CONSULTATION PAPER

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Consultation topic:	Notice to Banks and Merchant Banks on Relevant Services
Name¹/Organisation: ¹if responding in a personal capacity	MUFG Bank, Ltd.
Contact number for any clarifications:	Tan Tze Leng – [REDACTED] Audrey Tay – [REDACTED]
Email address for any clarifications:	[REDACTED]
Confidentiality	
I wish to keep the following confidential:	<i>(Please indicate any parts of your submission you would like to be kept confidential, or if you would like your identity along with your whole submission to be kept confidential. Your contact information will not be published.)</i>

Question 1. MAS seeks comments on the proposed annexes of the proposed Notices as follows:

- a. List of relevant services commonly performed by banks or MBs in Singapore (Annex A of the proposed Notices)
- b. List of relevant services that are not commonly performed by banks or MBs, and thus, are excluded from the definition of outsourced relevant service (Annex B of the proposed Notices)
- c. List of relevant services that are not commonly performed by banks or MBs, but are considered by MAS as outsourced relevant services (Annex C of the proposed Notices)
- d. List of exempted outsourced relevant services (Annex D of the proposed Notices)

Respondents should provide the rationale to support their suggestions to add or remove services from the annexes.

NIL

Question 2. MAS seeks comments on the requirement for a bank or an MB to submit to MAS a register of outsourced relevant services (as described in paragraph 3.1) semi-annually or upon request.

NIL

Question 3. MAS seeks comments on the requirements pertaining to the management of material ongoing outsourced relevant services and evaluation of service providers.

Section 2.1 of the draft Notice defines ‘material ongoing outsourced relevant service’ as any ongoing outsourced relevant service where “the bank in Singapore has reasonable grounds to believe....”

We would like to seek MAS’ clarification on what appears to be a more judgemental determination of materiality, and which may lead to variations across the industry for the same set of outsourced services.

Question 4. MAS seeks comments on the requirement for banks and MBs to enter into outsourcing agreements for their material ongoing outsourced relevant services and to ensure the inclusion of certain terms in these agreements.

NIL

Question 5. MAS seeks comments on the terms required to be included in the outsourcing agreements.

NIL

Question 6. MAS seeks comments on the requirements pertaining to the protection of customer information.

NIL

Question 7. MAS seeks comments on the requirements pertaining to the use of sub-contractors for material ongoing outsourced relevant services.

NIL

Question 8. MAS seeks comments on the requirements pertaining to the audit requirements for material ongoing outsourced relevant services.

Para 4.17 of the consultation paper outlines an audit requirement (at a frequency of no longer than 3 years between audits) for all material ongoing outsourced relevant services. Similar to the rationale of reduced due diligence for evaluation of Intragroup

service providers (as outlined in Para 4.3), we propose for flexibility for intragroup services to be exempt or subject to a less onerous audit requirement.

Question 9. MAS seeks comments on the requirements pertaining to the termination of material ongoing outsourced relevant services.

NIL

Question 10. MAS seeks comments on the requirements in paragraph 4.22 pertaining to an ORFI's provision of material ongoing outsourced relevant services.

On the requirement for banks to provide MAS with a written undertaking from the supervisor of the overseas regulated FI, we seek clarification on whether it remains necessary for banks to separately obtain this written undertaking, given the requirements set out by MAS can be covered by the outsourcing agreement/policies and procedures/written undertaking by the bank.

Question 11. MAS seeks comments on the requirement in paragraph 4.23 on a bank or an MB to provide MAS with a confirmation from the overseas supervisor of the ORFI and the scope of such a confirmation.

NIL

Question 12. MAS seeks comments on the requirements applicable to outsourced relevant services that involve the disclosure of customer information, and for the meaning of "customer" which will apply to these requirements to include companies which carry on banking business, merchant banking business or investment banking business.

Para 2.1 of the draft Notice defines 'customer' as having the same meaning as Section 40A of the BA, but extends to include companies which carry on banking business, or as designated by the authorities. We suggest for the definition of 'customer' to be

aligned across the Notice and the Banking Act. This will minimise operational challenges / misunderstandings through having to adhere to differences in management of a Banking FI's information. (E.g. client confidentiality versus outsourcing).

Question 13. MAS seeks comments on the requirement for a bank or an MB incorporated in Singapore to implement a group policy on outsourced relevant services.

N/A

Question 14. MAS seeks comments on the effective dates of the proposed Notices.

We suggest for MAS to align the timing of issuance of the proposed notices with the revised Outsourcing Guidelines, and updates which are correspondingly required under MAS Notice 634. A difference in timing of issuance would create operational burden and complexity during the transition period as banks have to adhere to different sets of outsourcing requirements and definitions.

With the potentially wider scope of outsourcing arrangements to be considered, we suggest for FIs to be given minimally 1.5 years to implement the frameworks, processes and controls to comply with the requirements as well as coordination with service providers for necessary adjustments.

Any other comments: