



Monetary Authority of Singapore

BANKING ACT 1970

**FREQUENTLY ASKED QUESTIONS ON NOTICE 658 AND 1121 ON
MANAGEMENT OF OUTSOURCED RELEVANT SERVICES (BANKS)**

Disclaimer: The FAQs are meant to provide guidance to the industry on MAS' policy and administration of the Banking Act regime. They do not constitute legal advice. MAS expects industry participants to retain their independent legal counsel to advise them on how their business operations should be conducted in order to satisfy the legal/regulatory requirements and to advise them on all applicable laws of Singapore.

BANKING ACT 1970

FREQUENTLY ASKED QUESTIONS ON NOTICE 658 AND 1121 ON MANAGEMENT OF OUTSOURCED RELEVANT SERVICES (BANKS)

A) CONSENT

6.1 Subject to paragraph 6.2, a bank in Singapore must not allow a material ongoing outsourced relevant service to be sub-contracted unless –

(a) the sub-contracting arrangement does not involve any disclosure of customer information; or

(b) where the sub-contracting arrangement requires the disclosure of customer information, the bank has obtained the consent in writing of the customer or, if the customer is deceased, the customer's appointed personal representative, for the bank to disclose the customer information to the service provider or the subcontractor, as the case may be,

Firms are taking different approaches – including one-way deemed consent, two-way written consent, leveraging existing terms & conditions, updating terms & conditions. A firm's approach depends on its setup, client profile, and existing terms & conditions.

Some banks mainly serve institutional and corporate clients and fear that (i) some clients might push back on the disclosure of customer information to subcontractors despite the banks' explanations, or (ii) be silent (for those firms requiring 2-way consent), including for existing longstanding services provided to that client. Banks are facing challenges and resistance from certain existing clients to sign/ provide consent in writing for disclosure.

Q1 *This is an implementation issue as some banks would not be able to cease sub-contracting arrangements due to the firms' operational set-up especially if clients do not provide the requisite consent by 11 December 2024 and we would like to seek MAS' views and suggestions on this particularly for (i). We seek MAS' understanding that the banks should not be subject to regulatory repercussions if customers persistently push back despite the banks' engagement, unless MAS' expectation is for banks to exit such customer relationships. For (ii), in the event that customers fail to respond, banks will treat their customers' continued relationship with them as their consent to the disclosure of their information (i.e.*

it will be on an “opt-out” approach for unresponsive customers) and continue to follow for the written consent on a best-efforts basis, for instance at the time of credit facility renewal or periodic KYC review, whichever is earlier.

A1 The requirement for banks to obtain customers’ consent in writing for disclosure of said customers’ information to sub-contractors, as set out in paragraph 6.1(b) of MAS Notice 658 (the “Notice” or the “ON”), reflects the status quo under S47 Banking Act 1970 (BA) read with the Third Schedule — i.e. it is not a new requirement. This position was also reiterated in paragraph 12.4 of [our response to feedback on Outsourcing by Banks and Merchant Banks](#) published in November 2019. For avoidance of doubt, the disclosure of customer information to any contractor directly engaged by the bank (i.e. a service provider) to perform outsourced functions continues to be allowed, as set out in the Third Schedule of the BA.

From a regulatory compliance perspective, MAS expects banks to comply with the requirement in paragraph 6.1(b) of MAS Notice 658 by 11 December 2024.

Given that paragraph 6.1(b) of MAS Notice 658 states that the bank has to obtain “consent in writing” from customers, it is not immediately clear that the “opt out” approach as has been described in the query would satisfy this requirement. Regardless, banks are best placed, based on their interactions with the customers, to assess the best way of obtaining the consent in writing from their customers.

B) OUTSOURCING AGREEMENTS

As banks are re-papering and re-negotiating the outsourcing agreements, we foresee that there may be push back from service providers on some of the requirements set out in paragraph 7.1 and 12.8 of MAS Notice 658. Under such circumstances, banks will adopt a risk-based approach.

Examples of such a risk-based approach are:

- (i) The bank may allow paragraph 7.1(c) to not be included in the agreement if the arrangement does not involve the disclosure of customer information.*
- (ii) With respect to paragraph 7.1(f)(i), that the service provider be allowed to retain copies of such customer information if required to comply with any applicable legal or regulatory obligations that the service provider or its affiliates are subject to, provided that such customer information so retained will remain subject to confidentiality restrictions that are no less restrictive than the confidentiality obligations owed by the bank to its customers.*
- (iii) With respect to paragraph 7.1(f)(ii), if it is not feasible for the service provider to restrict access to the information stored in their system to the bank only, the service*

provider can agree to limit access to the service provider's employees, affiliates, and other representatives (such as its attorneys, accountants, auditors, consultants and advisors) who have a reasonable need to know such information, and provided that these employees, affiliates and representatives are subject to confidentiality obligations that are no less restrictive than the confidentiality obligations owed by the bank to its customers.

Q2 Please let us know if MAS has any objections to banks adopting a risk-based approach with respect to requirements that may not be operationally feasible for service providers to comply with, whereby the risks of unauthorized access to customer information would be mitigated, and particularly with respect to the examples above.

A2 Paragraph 7.1(c) need not be included in outsourcing agreements if the outsourced relevant service does not involve the disclosure of customer information.

Paragraph 7.1(f)(i) allows the requirement in paragraph 7.1(f) to not apply where the service provider is prohibited from doing so by written law or foreign laws, in the case where the material ongoing outsourced relevant service is performed overseas.

- Where the service provider had onward disclosed customer information to sub-contractors (including affiliates of the service providers serving as sub-contractors), a bank should take reasonable steps, on a risk-proportionate and best-effort basis to ensure that the sub-contractor be subject to similar standards as the service provider. To that end, the bank should seek to ensure that the sub-contracting agreement between the service provider and the sub-contractor includes a provision that if the bank stops obtaining or receiving the service under the sub-contracting arrangement, the sub-contractor ensures that customer information given to the sub-contractor are deleted, destroyed or rendered unusable as soon as possible except in specified circumstances¹. Please refer to paragraph 3.5.3 of the [Guidelines on Outsourcing \(Banks\)](#) which sets out this expectation.

¹ These circumstances are set out in the Guidelines for Outsourcing (Banks), paragraph 5.3(b)(vi). They are where (i) the sub-contractor is prohibited from doing so by written law or foreign laws, in the case where the MOORS under the sub-contracting arrangement is obtained or received overseas; or (ii) in the case where the sub-contractor is a branch or office of the bank, the record, document or information is stored in a system used by the bank which upon the termination of the sub-contracting agreement, can only be accessed by the bank

- Where the affiliate of the service provider is not acting as a sub-contractor, it is unclear why customer information would be disclosed to the affiliate and why the affiliate should continue to have access to customer information held with the service provider post-termination. We would thus expect banks to ensure their service providers comply with paragraph 7.1(f) which banks are to ensure are included in their outsourcing agreements.

Paragraph 7.1(f)(ii) does not provide for access to the information to parties other than the bank. The service provider and its employees, affiliates, and other representatives should thus not have access to the information of the bank. Should access by these parties be necessary, such access would be considered an instance of disclosure of customer information by the bank and the bank should ensure any such disclosure complies with the provisions on privacy of customer information in Section 47 of the Banking Act 1970.

Q3 Additionally, if there are agreements that are not remediated by the regulatory timeline due to push-backs from service providers (e.g. service providers disagreeing that they are considered to be providing outsourced relevant services or negotiating on or disagreeing the inclusion of terms mandated by MAS Notice 658) despite banks' efforts, we seek MAS' understanding that banks should not be subject to regulatory repercussions. Even if banks source for a new service provider, time is needed, and banks may face similar push-backs from the new service provider. This is even more so for outsourcing agreements that the Bank's intragroup entities enter into on behalf of the Bank under paragraph 7.2 of the Notice.

A3 Other than paragraph 7.1(c) which may be excluded in the circumstances set out above, MAS expects banks to comply with the requirements in full by the stated timeline in the Notice. Banks should thus bring their applicable outsourcing agreements (i.e. those pertaining to a material ongoing outsourced relevant service or an outsourced relevant service which involves the disclosure of customer information) into compliance with the Notices by the stated dates in paragraphs 14.2 and 14.4 of the Notices, as the case may be.

C) EVERGREEN OR LONG DATED AGREEMENTS

Under MAS' Response to Feedback paragraph 18.6, MAS requested banks with evergreen or long dated agreements to inform MAS and to provide a plan. It is not clear what MAS views as "long-dated agreements". For global banks with many intra-group outsourcing arrangements, it is not uncommon to have agreements of 3 years or even longer. Many of our operations are performed in multiple locations by intra-group entities on a regional/global basis or under a "follow-the-sun" model, and it is not practical/feasible to keep renewing these intra-group agreements.

Q4 What would be considered as "long-dated agreements"? Often, inter-entity arrangements operate on agreements which are effective for 3 years with auto-renewal basis of 1 year. Can the MAS please clarify whether the auto-renewal clauses could be deemed as long-dated.

A4 For the purposes of paragraph 18.6 of our [Response to Feedback](#), MAS considers any agreement entered into on or before 11 December 2023 and is due for renewal only after 11 December 2024 to be a long dated agreement.

Q5 Whether exceptions can be considered for intra-group outsourcing agreements? For many of our banks, our intra-entity arrangements (i.e. branch to branch) operate on evergreen basis primarily because branch itself is not a separate legal entity on its own. Can MAS confirm such arrangements can be exempted.

A5 Bank should inform MAS of their evergreen and long dated agreements and provide a plan for bring these agreements into compliance with the Notices. The plan should include:

- the steps the bank will be taking to bring its evergreen and long-dated agreements into compliance with the Notices,
- the bank's planned timeline for doing so,
- mitigating measures put in place by the bank to manage the risk that terms set out in paragraph 7.1 of the Notice are intended to address.

Intragroup agreements are in scope and such agreements could also be evergreen or long-dated agreements.

Auto-renewed agreements would not be considered long-dated agreements. Banks should note that the auto-renewal would constitute extending the tenure of the agreement for the purposes of determining the date by which the agreement is to be brought into compliance with the Notice as set out in paragraphs 14.2 and 14.4 of the Notice.

Q6 What is expected to be submitted to MAS as part of this “plan”, and when is this submission expected?

A6 MAS does not encourage evergreen and long-dated agreements because they increase the risk that banks continue relying on dated agreements which may not include necessary provisions to manage the bank’s risk. If a bank elects to retain or continue with such agreements, it should put in place adequate measures to manage the risk of the bank relying on dated agreements which do not include necessary provisions to manage the bank’s risk in the future e.g. putting in place a process for periodic review of the agreement.

D) DEFINITION / SCOPE OF OUTSOURCED RELEVANT SERVICE (ORS) – FUND MANAGEMENT RELATED ACTIVITY

Under Annex B of MAS Notice 658 (xviii), it’s stated that services provided by “holder of a capital markets services licence” or “exempt person” in “the course of operating an organised market, or a clearing facility or carrying on business in a regulated activity” is excluded from the definition of outsourced relevant service.

Further per SFA, this “exempt person” includes any bank licensed under the Banking Act and “regulated activity” include fund management.

Q7 Going by the above, does it mean that the engagement of any licensed bank or holder of capital markets services licence relating to any fund management related activity (e.g. fund accounting / administration activity) is excluded from the definition of Outsourced Relevant Service?

A7 If the relevant service to be procured from the third-party service provider is one that is within the scope of regulated activities that the service provider is licensed by MAS to conduct, or in the case of an ‘exempt person’, the activities for which MAS had granted such exemption, then such relevant service can be excluded from the definition of relevant outsourced service, per MAS Notice 658.

E) DEFINITION / SCOPE OF OUTSOURCED RELEVANT SERVICE (ORS) – MARKETING BY OVERSEAS BRANCHES/SUBSIDIARIES

*Marketing or research conducted in the name of the bank or co-branded with the name of the bank, or where such marketing and research involves the bank's confidential information or customers' information" and "Due diligence performed on potential customers" are listed as an Outsourced Relevant Service ("ORS") under Annex A of the MAS Notice 658 ("**Outsourcing Notice**") in respect of Relevant Services integral to any business that the bank may carry on under Section 30(1) of the Banking Act.*

*In relation to the term "marketing", MAS, in its response to feedback received on the outsourcing consultation paper, clarified that "**marketing conducted in the name of the bank**" refers to functions or events which are marketing campaigns for the Bank's products or services, as well as customer surveys, as those may involve customer information.*

In a typical global bank set-up, it is common to have intra-group cross-border booking arrangements where products/ trades are marketed to customers by representatives of the bank's overseas branches/ entities but booked into the Singapore entity. Activities performed by these overseas representatives incidental to such arrangements include marketing and advisory of products, customer relationship management as well as due diligence.

For such arrangements that arise from global banks' cross-border booking model, we would like to seek clarification on whether banks need to classify such arrangements as ORS given that at the surface level, the overseas branches/ entities would be seen as providing services relating to marketing and advisory, customer relationship management as well as due diligence for the Singapore Entity in relation to Singapore-booked products.

Q8 We respectfully share our views that such arrangements should not fall within the scope of ORS for the following reasons and would be grateful for MAS' clarification: Taking reference from MAS' clarification in its response to feedback, the nature and scope of "marketing" of products under these cross-border booking arrangements, which is geared towards advisory and recommendation of products by overseas representatives, differs from that of "marketing" described in MAS' response to feedback.

A8 The specific scenario described the role of a bank in Singapore as that of providing the service of a booking centre for its intragroup entities. In this scenario, the customer relationship is established and maintained via its overseas intragroup entity, and the marketing/sales/trade originates from that overseas intragroup entity. MAS agrees that such a said service agreement is not in scope of ORS.

F) OUTSOURCING REGISTER TEMPLATE

With reference to the Outsourcing Register, we noted the data attribute and format requirements differ between the template for Banks and Financial Institutions Other than Banks.

Referencing to Circular No: BD 08/2024 MAS NOTICES 658 AND 1121 ON MANAGEMENT OF OUTSOURCED RELEVANT SERVICES – SUBMISSION OF REGISTER OF OUTSOURCED RELEVANT SERVICES, we noted MAS' expectations to submit the Register no later than 15 business days after the reporting dates of 30 June and 31 December of each year.

Q9 We would like to seek clarification on the possibility of adopting a single unified outsourcing template as there are operational challenges for institutions that are managing both Banks and non-Bank FIs.

A9 The outsourcing register (version 1.1) template adopts the definitions in the Notice which applies specifically to banks. MAS notes the operational challenges raised by banks, and has plans to align the register across sectors eventually. In the meantime, institutions managing both banks and non-bank FIs should adopt the outsourcing register (version 1.1) template only for banks and continue to use the existing register for its non-bank entities.

Q10 We would like to seek the possibility of extending the submission deadline to no later than 30 business days after the reporting dates. Institutions that have global engagements would require additional time for data validation as we need to coordinate with our global counterparts.

A10 Banks are required under the ON to keep their outsourcing registers updated promptly and to submit the register to MAS at any time upon request by MAS. Banks should work towards the submission timelines as communicated in Circular No.: BD 08/2024.

G) AUDIT OF MATERIAL ONGOING OUTSOURCED RELEVANT SERVICES

Paragraph 9.1 of the Notice 658 states that a bank in Singapore must conduct independent audits on each of its material ongoing ORS at least once every 3 years, for the purposes mentioned in paragraph 7.1(d).

Q11 At present, Outsourced Service Providers (“OSP”) in Singapore are required to engage a qualified auditor to perform audits in accordance with the Guidelines on Control Objectives and Procedures for Outsourced Service Providers (Version 2.0 dated 25 March 2024) issued by the Association of Bank in Singapore. Banks will obtain the OSPs’ audit reports (OSPAR) to ensure that independent audits of the OSPs are conducted and follow-up on findings/remediation. We request the MAS’ clarification that this approach continues to satisfy the audit requirement in Notice 658. Banks may not have the resources to conduct audits on OSPs and it will not be efficient for the OSPs providing services to multiple banks.

Please also clarify the reason for reference to paragraph 7.1(d) here. Paragraph 7.1(d) sets out the requirement for the MAS or an auditor appointed by the MAS to audit the service provider to be included as a term in the outsourcing agreement entered between the bank and the service provider.

A11 MAS understands the first question on whether “this approach continues to satisfy the audit requirement in Notice 658” to be a clarification on whether pooled audits may be relied upon to satisfy the audit requirement in the Notice.

Per section 8.5 of MAS’ response to feedback received on outsourcing by banks and merchant banks in November 2019, Banks may rely on pooled audits or third-party certification to comply with the requirement in the ON, as long as the audit reports fulfill the requirements set out in the ON.

Paragraph 7.1(d) of the Notice sets out the purpose of the audit i.e. to determine whether the service provider is properly providing the material ongoing outsourced relevant service and –

(i) assessing the ability of the service provider to –

(A) ensure continuity of the material ongoing outsourced relevant service

- (B) safeguard the confidentiality and integrity of all information in its custody, in relation to the provision of the material ongoing outsourced relevant service; and
 - (C) manage its legal, reputational, technological and operational risks arising from the provision of the material ongoing outsourced relevant service; and
- (ii) the level of compliance of the service provider with written laws related to the provision of the material ongoing outsourced relevant service.

H) PROCESSING OF INSURANCE CLAIMS

In the MAS' Response to Feedback Received P011-2020 – Dec 2023 Notices to Banks and Merchant Banks on Management of Outsourced Relevant Services, responses to feedback on Annex A to the Notices under S/N 12 on the "Processing of staff medical insurance claims directly by insurers would generally be considered an example of "manpower management", which is in Annex C."

Q12 We would like to seek clarification on why this would be considered as outsourced relevant service? When the bank's employees submit their claims directly to the insurer for processing, this should be part of the group medical insurance coverage provided by the insurer and should not be considered as outsourced relevant service.

A12 The processing of staff medical insurance claims directly by insurers is generally considered as an outsourced relevant service.

Such a service would be in line with the general understanding of what constitutes outsourcing, as it may currently or potentially be performed by the bank itself, and the mismanagement of such a service or inadvertent disclosure of employee information could result in heightened reputational risk for a bank.

Q13 Where the bank's employees submit their claims through a 3rd party to the insurer for processing, the arrangement with the 3rd party would then be considered as "manpower management" under Annex C as outsourced relevant service. Please can we seek MAS' confirmation on the above?

A13 For a case where the bank's employees submit their medical insurance claims through a 3rd party to the insurer for processing, it would likewise be considered an

example of “manpower management”, which is in Annex C of the Notice, and considered an outsourced relevant service.

Banks are expected to carry out their own risk assessment and due diligence to ensure that they meet MAS’ stipulated requirements and expectations, and are therefore responsible to assess the specifics of each contracted service to determine whether it qualifies as an “outsourced relevant service” or a “material ongoing outsourced relevant service” and is in compliance with the relevant requirements in MAS Notice 658/1121 on the bank’s use of the service.

I) DEFINITION OF SERVICE PROVIDER

In the old Guidelines on Outsourcing, “service provider” meant any party which provides a service to the institution, including any entity within the institution’s group⁴, whether it is located in Singapore or elsewhere.

⁴ This refers to the institution’s Head Office or parent institution, subsidiaries, affiliates, and any entity (including their subsidiaries, affiliates and special purpose entities) that the institution exerts control over or that exerts control over the institution.

*In Notice 658, “service provider”, in relation to a bank in Singapore, means –
(a) any branch or office of the bank that is located outside Singapore; or
(b) any person,
that provides a relevant service to the bank.*

Q14 It seems that there is a change in the definition of service provider for intra-group/inter-group service providers. If there is an outsourced relevant service from a bank in Singapore to another branch or office that is located in Singapore, does this mean that such outsourced relevant service will be seen out-of-scope from MAS Notice 658 and its relevant guidelines? Hence by extension, when another branch or office in Singapore sub-contracts the outsourced relevant service, such subcontracting will not be in scope of Notice 658?

A14 In MAS Notice 658, “service provider”, in relation to a bank in Singapore, means –
(a) any branch or office of the bank that is located outside Singapore; or
(b) any person, that provides a relevant service to the bank.

The term “bank” in limb (a) of the definition refers to the bank in Singapore. A bank in Singapore, as defined in the Act, means —

(a) a bank incorporated in Singapore; or

(b) in the case of a bank incorporated outside Singapore, the branches and offices of the bank located within Singapore;

Given that a bank’s branches and offices within Singapore are already part of the bank in Singapore, they are not service providers of the said bank in Singapore.

Where another legal entity (regardless of whether it is an intragroup entity) in Singapore, including a subsidiary, provides a relevant service to a bank in Singapore, it is a service provider pursuant to limb (b) of the definition of service provider.

J) ANNEXES

Q15 Annex A - To clarify whether in-house legal advisory services should be seen as integral relevant service under Annex A. We noted that under (9) of Annex A, in-house legal advisory services is not explicitly listed as professional services. Are we then able to construe that such in-house legal advisory services should not be seen as outsourced relevant service since it is not integral under Section 30(1) of BA?

A15 We understand “in-house legal advisory services” to mean legal services provided by the legal counsel directly employed by a bank in Singapore. Generally speaking, a case could be made that legal services provided by the in-house legal counsel of a bank in Singapore is not an outsourced relevant service but the bank should make an assessment based on facts against the definition of “outsourced relevant service” as set out in the ON.

Q16 Annex B of Notice 658 lists Relevant Services that are excluded from the definition of ORS and includes “postal services as defined in section 2(1) of the Postal Services Act 1999 (“Postal Services Act”) that is provided by any person licensed under section 6 of the Postal Services Act;” We submit that courier services (even if not under the Postal Services Act) should be excluded from ORS as well because these are services which the bank would not have been able to provide itself and be added to Annex B.

A16 Only licensed postal services operators are subject to regulations by the Infocomm Media Development Authority. Banks are expected to conduct their own assessment when determining whether to treat courier services as outsourced relevant services. Even if such services are assessed to be non-outsourced relevant services, banks should still subject these services to appropriate third-party risk management controls.

Q17 Annex B of Notice 658 lists “global financial messaging infrastructure provided by Society for Worldwide Interbank Financial Telecommunication (SWIFT)” as an excluded ORS. Please advise if all services offered by SWIFT e.g. Transaction Screening Service (TSS) that leverage their global financial messaging infrastructure can be excluded as an ORS per Annex B?

A17 Para 1(vii) of Annex B is intended to only exclude the core service provided by SWIFT which is the messaging infrastructure to facilitate cross border payments. This recognises that because of the characteristics of the service provided, the use of SWIFT as the third-party service provider is necessary.

Banks are expected to conduct their own assessment against the definition of ORS in the Notice when determining whether to treat other services offered by SWIFT as an ORS. A bank should also consider the nature and characteristics of the service provided, such as whether the service is so reliant on the core messaging infrastructure of SWIFT that it cannot be performed by the bank itself or another service provider. If so, it may be considered part of the core messaging infrastructure. For example, in the case of TSS, banks are able to either perform the screening themselves or use an alternative service provider so it would not be considered part of the core messaging infrastructure offered by SWIFT and not covered by Para 1(vii) of Annex B.

Even if such services are assessed to be non-outsourced relevant services, banks should still subject these services to appropriate third-party risk management controls.

Q18 There are services that are mandated/required/provided by government agencies, such as (i) Networked Trade Platform which allows the bank to transmit eGuarantees with government agencies and (ii) Singapore Network Information Centre which provides the SMS Sender ID registry. Additionally, there

are services that require the use of independent parties (e.g. escrow agents). We respectfully request that these services be included under Annex B.

A18 MAS has noted the specific examples cited and will consider the suggestion as part of MAS' ongoing policy review. Meanwhile, banks should continue to assess each service against the definition of Outsourced Relevant Service in the ON.

Q19 Annex D - Under Annex D, the exempted outsourced relevant services include outsourced relevant services that are not performed for the purposes of carrying on any businesses under Section 30(1) of BA and where it does not involve customer information. Does it mean that if there are outsourced relevant services that are not performed for the purposes of carrying on any businesses under Section 30(1) of BA but it involves customer information, it will mean that they will not be exempted and be in-scope of Notice?

A19 Outsourced relevant services that are not performed for the purposes of carrying on any businesses under Section 30(1) of BA but where the service provider receive, handle or have access to the bank's confidential information or customer information will not fall within the scope of Annex D.

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