**Annex B**

# SUBMISSIONS TO THE CONSULTATION PAPER ON GUIDELINES ON INDIVIDUAL ACCOUNTABILITY AND CONDUCT – PROPOSED SCOPE OF APPLICATION

*Note: The table below only includes submissions for which respondents did not request confidentiality.*

| S/N | Respondent | Feedback from respondent |
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| 1. | CFA Society Singapore | **General comments:**<br><br>In the 'Response to feedback received – proposed guidelines on individual accountability and conduct' ("Response to feedback paper") dated 6 June 2019, MAS response under Paragraph 3.47 stated that "MAS does not intend to include the Head of Legal as a CMF. As observed by various respondents, the Head of Legal provides advice on legal matters to the FI and its Board and senior management, and is generally not involved in managing the day-to-day operations of the FI".<br><br>Our comment to the above is as follows:<br>The Head of Legal's responsibilities are not limited to providing advice on legal matters per se. Approval of products, corporate structure, contractual documents and litigation strategies is one of the Legal Head's core responsibilities to manage a financial institution's legal risks, and by extension, reputational and financial risks.<br>Being fit and proper is an important attribute of the Legal Head, who may report to the CEO directly and bear the same burden of corporate governance responsibilities as other senior management and other material risk function's employees.<br>We also seek clarification from MAS as to whether responsibilities such as approval of products, corporate structure, contractual documents and litigation strategies are deemed managing the day-to-day operations of a FI.<br><br>**Question 1:** MAS seeks comments on<br>(a) the proposed additional scope of FIs to apply the IAC Guidelines on, as set out in paragraph 2.3.<br><br>We view the proposed additional scope favourably for the following reasons:<br>• The additional scope encompasses all FIs directly regulated by MAS. This will further strengthen accountability, risk management of the financial system as well as encourage appropriate conduct amongst employees.<br>• The proposed additional scope will also level the playing field among FIs regulated by MAS. |

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| | | **Question 1:** MAS seeks comments on<br>(b) the proposed headcount threshold of less than 20 as set out in paragraph 2.7, to distinguish smaller FIs which MAS will not ordinarily expect to adopt the specific guidance under the five Outcomes.<br><br>We are in support of proposal (b) but seek MAS consideration for the following:<br>• Paragraph 3.25 of the Response to feedback paper states FIs may designate a senior manager to be responsible for more than one CMF. In such cases, FIs should ensure that the senior manager's responsibilities for each of these CMFs are clearly specified, and there is no conflict of interest inherent in or arising from simultaneously performing these CMFs. For example, MAS would not consider it appropriate for the Head of Internal Audit to have responsibility for another CMF, given the centrality of independence to the effectiveness of the internal audit function.<br>• We note that it may be common for smaller FIs to outsource Internal Audit to external service providers, so the senior manager overseeing the responsibilities of the "Head of Internal Audit" would typically oversee another CMF. We understand that MAS seeks to apply the guidelines proportionately and commensurately with the size, nature and complexity of the FI and therefore seek MAS' confirmation that the example in Paragraph 3.25 can be implemented by smaller FIs seeking to practically implement the guidelines.<br>• For less-than-20-headcount FIs, the directors and chief executive officer would already need to be fit and proper for their roles as set out in the MAS Guidelines on Fit and Proper Criteria. They should be held responsible for the actions of their staff and the conduct of the business under their purview as prescribed in Outcome 2.<br>• Under Outcome 5, FIs are required to have a framework that promotes and sustains the desired conduct among all employees. As set out in the earlier consultation paper, the framework should entail consistent and effective communication of the expected standards of conduct, such as through a code of conduct, on-boarding and continuous training programmes, and sharing of lessons learnt where misconduct has occurred, to ensure that employees understand and observe these standards.<br>• We suggest that less-than-20-headcount Fis should minimally be expected to achieve Outcomes 2 and 5. |
| 2. | Credit Bureau (Singapore) Pte. Ltd. | **Question 1:** MAS seeks comments on<br>(a) the proposed additional scope of FIs to apply the IAC Guidelines on, as set out in paragraph 2.3. |

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| | | CBS: We are supportive the extension of the IAC Guidelines to include a licensed credit bureau under the Credit Bureau Act 2016. |
| 3. | Ingenia Consultants Pte. Ltd. | **Question 1:** MAS seeks comments on<br>(a) the proposed additional scope of FIs to apply the IAC Guidelines on, as set out in paragraph 2.3.<br><br>The Proposed additional scope of application as contained in paragraph 2.3 of the Consultation Paper dated 6 June 2019 (the Consultation Paper), in particular, the proposed coverage of registered fund management companies {2.3 (iv)} under the Guidelines will enable such firms to work towards the five Outcomes stated in para 1.1 of the Consultation Paper.<br><br>**Question 1:** MAS seeks comments on<br>(b) the proposed headcount threshold of less than 20 as set out in paragraph 2.7, to distinguish smaller FIs which MAS will not ordinarily expect to adopt the specific guidance under the five Outcomes.<br><br>The rationale of proposing the headcount threshold at 20 as set out in paragraph 2.7 is understandable given the reasons indicated by the Monetary Authority of Singapore (the Authority or the MAS). However, as the Authority is kindly aware, that almost all registered fund management companies and most licensed fund management companies managing the assets of accredited and institutional investors would generally have headcount of less than 20. It was indicated that MAS would not ordinarily expect smaller firms, such as those with headcount of less than 20, to adopt the specific guidance described under the five Outcomes. While MAS clarified that all requirements on directors and key executives will continue to apply and MAS may specifically require a smaller FI to adopt the specific guidance under any of the five Outcomes of the IAC Guidelines as necessary, in practice, the exemption stated above would potentially result in neutralizing the MAS expectations as stated in paragraph 2.6 in regard to such firms.<br><br>In view of the above, MAS may like to make it clear in the proposed Guidelines that they would:<br>a. Expect the smaller firms to progressively implement the measures and work towards achieving the five Outcomes set out in paragraph 1.1 (i) to (v);<br>b. Expect the Boards/CEO of each smaller FI to put in place a defined plan supported by clearly laid out actions to achieve the five Outcomes, after taking into consideration the need for proportionate application.<br><br>Alternatively, MAS may consider requiring FIs with a headcount of less than 20 to implement the IAC Guidelines commensurate with the nature, scope and complexity of its business. |

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| | | We are of the view that inclusion of the above measures in the proposed Guidelines would help improve, in a progressive manner, the individual conduct and accountability across the financial sector (notwithstanding the headcount number) and pave way for better corporate governance.<br><br>The above suggestions are submitted for consideration of the Authority. |
| 4. | Investment Management Association of Singapore | **Question 1:** MAS seeks comments on<br>(b) the proposed headcount threshold of less than 20 as set out in paragraph 2.7, to distinguish smaller FIs which MAS will not ordinarily expect to adopt the specific guidance under the five Outcomes.<br><br><u>Challenge of proportionate application using headcount</u><br>It may be challenging for FIs to implement the requirements of the Individual Accountability and Conduct based on a headcount threshold since the headcount of the firm is never static.<br><br>Depending on the resourcing needs or employee turnover, the total FI headcount may exceed or fall below the threshold multiple times within a specified time period.<br><br>We would like to better understand how MAS plans to (i) operationalise the proposed headcount threshold, (ii) when the implementation timeline is expected to be, and (iii) whether MAS would be looking to include a transitional period of 1 year. One of our members proposes for FIs to assess their need to adopt the specific guidance based on headcount as of a specific date annually (e.g. end of financial year).<br><br><u>Scope of employees included in headcount</u><br>According to footnote 11 of paragraph 2.7 of the Consultation Paper, the FI should include the number of local representatives and overseas-based representatives in determining the headcount threshold. We would like to clarify if this number includes Senior Managers and Material Risk Personnel who are based overseas.<br><br>One of our members proposes to exclude employees who are not identified as Senior Managers or Material Risk Personnel from the proposed headcount threshold as the outcomes focuses primarily on Senior Managers and Material Risk Personnel.<br><br><u>Clarity on considerations and factors for matrix organisational structure</u><br>We request for greater clarity on the considerations and factors for allowing smaller FIs **<u>not</u>** to adopt the specific guidance described under the five Outcomes as stated in paragraph 2.7 of the Consultation Paper on Guidelines on Individual Accountability and Conduct – Proposed Scope of Application. |

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| | | For example, a foreign FI based in Singapore has less than 20 headcounts. However, as the FI is part of a bigger global/regional set up with businesses and operational functions supported by overseas related entities, local management oversight, control, and the decision-making structure may not be centralised. Functions in the local office have a dotted reporting line (i.e. matrix organisational structure) to the CEO regarding administrative matters and a functional reporting line back to the group. As such, the local CEO and senior management may not have direct supervision over such functions.<br><br>We would like to clarify if MAS would not expect such an FI to adopt the specific guidance described under the five Outcomes set out in paragraph 2.7 of the Consultation Paper as well. |
| 5. | Life Insurance Association Singapore | **General comments:**<br><br>Friends Provident: In terms of FIs that have a headcount of less than 20, does it also apply to those FIs that have less than 20 in the Singapore office but because some functions are performed in the overseas offices, the total headcount in terms of functions are more than 20?<br><br>Manulife: We support the proposed additional scope and the principle of distinguishing the application of the IAC Guidelines to FIs with a headcount of less than 20.<br><br>Transamerica: Agreed with the proposed scope of application, no further comments.<br><br>**Question 1:** MAS seeks comments on<br>(a) the proposed additional scope of FIs to apply the IAC Guidelines on, as set out in paragraph 2.3.<br><br>Swiss Life: Swiss Life (Singapore) Pte. Ltd. (SLSG) has no objection nor comments with regard to the proposed additional scope.<br><br>**Question 1:** MAS seeks comments on<br>(b) the proposed headcount threshold of less than 20 as set out in paragraph 2.7, to distinguish smaller FIs which MAS will not ordinarily expect to adopt the specific guidance under the five Outcomes.<br><br>LIC Singapore: Yes, we agree to the point(b) above. The following points support the argument<br><br>1. Flat and lean company structure already has transparent decision-making system<br>2. The cost of implementation will put additional burden considering the size.<br><br>Utmost Worldwide Limited: We seek clarification from the MAS on the definition of a smaller FI. |

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| | | Our interpretation is that a Branch categorised as a foreign company registered in Singapore is regarded as a separate entity from our overseas Head Office. Hence, we do not include the headcount of our overseas Head Office.<br><br>RGA Re: We feel that this can be clarified as 20 full time head count which can be attributable to Singapore business. Note some FI's run regional hubs and by nature of their business (for example reinsurance) would not require massive teams. This would of course have to be applied holistically and it would be the responsibility of the FI to demonstrate to the MAS that there are less than 20 full time head count for Singapore before they would be able to have lesser outcome standards apply. |
| 6. | Lloyd's of London (Asia) Pte. Ltd. | **Question 1:** MAS seeks comments on<br>(b) the proposed headcount threshold of less than 20 as set out in paragraph 2.7, to distinguish smaller FIs which MAS will not ordinarily expect to adopt the specific guidance under the five Outcomes.<br><br>Agree with the suggestion for the threshold of less than 20 headcounts to distinguish smaller FIs which MAS will not ordinarily expect to adopt the specific guidance under the five Outcomes. Would also like to suggest for FIs to have the flexibility to determine if the existing home state regulations would suffice to meet the five outcomes without the need to adopt the specific guidance. |
| 7. | RKH Specialty Asia Pacific Pte. Ltd. | **General comments:**<br><br>It is a forward-thinking approach by MAS to include registered insurance brokers as well. This will ensure consistency of accountability throughout the whole chain of insurance/reinsurance business. Additionally, to specifically include registered insurance brokers in the IAC guidelines would also minimise the ambiguity of whether insurance brokers would have to adhere to best practice imposed on other FIs despite previously not being included.<br><br>Along with this inclusion, would it be reasonable to ask MAS if the appointment of senior managers, such as Chief Financial Officer ("CFO") and Chief Risk Officer ("CRO") be applicable to registered insurance brokers moving forward?<br><br>While it is understood that MAS does not intend to introduce additional registration or notification requirements for MRPs, could MAS provide a MRPs' register template for FIs to capture information perceived necessary from MAS' perspective?<br><br>Last but not least, would MAS consider implementing a registry of Compliance Officers employed by FIs approved by MAS, and for these Compliance Officers to have frequent interactions with MAS through training, seminars and conferences? Such actions would provide a |

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| | | perceived importance to the Board and Senior Management, and that Compliance Officers while employed by employers, have certain level of fiduciary duties to the regulator(s).<br><br>**Question 1:** MAS seeks comments on<br>(a) the proposed additional scope of FIs to apply the IAC Guidelines on, as set out in paragraph 2.3; and<br>(b) the proposed headcount threshold of less than 20 as set out in paragraph 2.7, to distinguish smaller FIs which MAS will not ordinarily expect to adopt the specific guidance under the five Outcomes.<br><br>The proposed method of using headcount threshold to determine the size of smaller FIs may not be the most ideal way measurement but is considered reasonable with nuances that all FIs are expected to work towards the five Outcomes. Having said that, would instead suggest smaller FIs to look into providing a roadmap to MAS of how they would adhere or work towards the implementation of IAC over a reasonable period of time – for example, within 3 years.<br><br>Another reason why using headcount threshold may not be effective due to varying organisational structures. Some FIs – regardless small or big – could have a higher percentage of sales headcount, and having most of their corporate services being outsourced. Hence, a registered FI may essentially restricts itself from reaching the magic number of 20 headcount and thus, avoiding the adoption of specific guidance perpetually unless intervention by MAS. |
| 8. | Telecom Equipment Pte. Ltd. and SingCash Pte. Ltd. | **General comments:**<br><br>We reiterate that the list of operations and functions identified is very detailed and would be more relevant to large scale Financial Institutions (FIs). In this regard, we understand that the MAS is contemplating applying the "Guidelines on Individual Accountability and Conduct" (IAC Guidelines) to FIs with a headcount of less than 20. Whilst we welcome this, we believe that the scope and extent of application can be further refined. For example, applying the IAC Guidelines to right-sized organisations should also consider the kind of activity the organisation is involved in etc. We provide more comments below.<br><br>**Question 1:** MAS seeks comments on<br>(a) the proposed additional scope of FIs to apply the IAC Guidelines on, as set out in paragraph 2.3.<br><br>**(i) Payment Service Providers under the Payment Services Act 2019 require more time**<br><br>The MAS proposes that the IAC Guidelines apply to licensees and regulated entities under the Payment Services Act 2019 (PSA) as well as a licensee under the Money Changing and Remittance Business Act |

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| | | (Cap. 137) (MCRBA) and approved Stored Value Facilities (SVFs) holders under the Payment Systems Oversight Act (PSOA).<br><br>Licensees under the MCRBA and the PSOA are being transited into the PSA, but there are still many developments and issues to be finalised, including (without limitation):<br>- the types of licensees that will qualify to be exempted from the PSA – this is the topic of an MAS consultation;<br>- the types of licensees (and their services) that would be required to comply with Anti-Money Laundering and Countering the Financing of Terrorism (AML/CFT).<br><br>We propose that the MAS allows all the relevant Payment Service Providers (PSPs) to be transited fully into the PSA before the MAS considers whether to apply the proposed IAC Guidelines to the licensees.<br><br>We note for example that under the consultation on the Proposed Payment Services Regulations and the ongoing consultation on the Proposed Payment Services Notices on Prevention of Money Laundering and Countering the Financing of Terrorism, licensees and organisations have submitted or are in the process of submitting their comments and feedback. It would be advisable for all these licensees to be transited fully into the PSA and to familiarise themselves with the requirements of the regulatory and licensing framework before imposing the Guidelines on them.<br><br>**(ii) Provide more level playing field between Standard Payment Institutions and Major Payment Institutions under the PSA**<br><br>Notwithstanding this, we note that the consultation on the Proposed Payment Services Regulations and the ongoing consultation on the Proposed Payment Services Notices on Prevention of Money Laundering and Countering the Financing of Terrorism include the following:<br>- to exempt parties from obtaining a Standard Payment institution;<br>- to exempt parties from compliance with the applicable AML/CFT obligations.<br><br>It would appear therefore, that the MAS' proposals will have an effect where many potential PSPs are actually exempt from being subject to the proposed PSA framework. Whilst we recognise the MAS intention to right-size the regulations, we note that by granting these wide ranging exemptions, these exempted parties do not therefore come under the proposed IAC Guidelines. It appears counter intuitive therefore to the MAS objective which is to "strengthen the |

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| | | accountability and standards of conduct across the financial industry….” .[1]<br><br>There is the risk that Major Payment Institutions under the PSA will in fact be subject to a non- level playing field.<br><br>We therefore request that the MAS considers this carefully. Where it is appropriate and timely to apply the IAC Guidelines, these should be imposed on all applicable PSPs under the PSA and not just a select few.<br><br>**Question 1:** MAS seeks comments on<br>(b) the proposed headcount threshold of less than 20 as set out in paragraph 2.7, to distinguish smaller FIs which MAS will not ordinarily expect to adopt the specific guidance under the five Outcomes.<br><br>The proposed headcount threshold appears to be computed at a company level, regardless the function of the staff. This threshold is too low. Even small scale PSPs may have a headcount of more than 20. Rather, one way is to compute the headcount based on functions. Staff performing Non-Core Management Functions (CMFs)[2] should not be counted towards the threshold as their decisions or functions do not affect day-to day-operations. For example, those performing data analysis, marketing, product design, discussions with partners etc do not affect the day-to-day operations. Others, for instance, those that can approve or change the financial rates, service tariffs etc. could be counted.<br><br>**Group / Parent companies**<br>We note the MAS has also touched on how banks and insurance groups may identify senior managers of significant downstream entities in paragraphs 2.19 to 2.21 in its Response to Feedback Received[3]. The MAS may want to give guidelines on how to identify senior managers and include or exclude from the threshold senior managers (in CMFs) who are from the group /parent company. So for example, the PSP requires services from the parent (group), eg IT security. It is not appropriate to designate all the IT security staff from the parent company [which is neither a Payment Service Provider nor an FI] as senior managers of a CMF as the IT security staff serves the parent company and entities under the company. It is only viable and practical to include those whose functions / portfolios are discretely identifiable with the PSP’s business (and whose work function is solely dedicated the PSP or FI’s business activities) who qualify as senior managers. |

[1] para 1.1, Consultation Paper on Guidelines on Individual Accountability and Conduct – Proposed Scope of Application, 6 June 2019

[2] para 5.2 of the Consultation on Guidelines on Individual Accountability and Conduct – Proposed Scope of Application, 26 April 2018 and paragraphs 3.19 to 3.20 of Response to Feedback Received – Proposed Guidelines, 6 June 2019

[3] Response to Feedback Received – Proposed Guidelines, 6 June 2019

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| 9. | The Association of Banks in Singapore | **General comments:**<br><br>These inputs are a collation of feedback from three member banks, and may not represent the collective view of the industry.<br><br>**Question 1:** MAS seeks comments on<br>(a) the proposed additional scope of FIs to apply the IAC Guidelines on, as set out in paragraph 2.3.<br><br>Bank A: We are of the view that the IAC Guidelines, as set out in paragraph 2.3, should apply to proposed additional FIs (as indicated in paragraph 2.3) regulated by MAS.<br><br>**Question 1:** MAS seeks comments on<br>(b) the proposed headcount threshold of less than 20 as set out in paragraph 2.7, to distinguish smaller FIs which MAS will not ordinarily expect to adopt the specific guidance under the five Outcomes.<br><br>Bank B: Our bank is considered a smaller FI in Singapore even though our headcount exceeds 20 – current staff strength at 22 to be specific. Our organisation structure is considered flat with clear reporting lines; business segment head will report to the deputy CEO of the bank, who in turn report to the CEO of the bank. Will MAS consider amending the proposed headcount threshold from less than 20 to less than 30 and/or where the organisation structure is relatively flat with a clear reporting line defined in the organization structure of the bank?<br><br>Bank A: We feel that the proposed headcount threshold of 20 is on the low side as set out in paragraph 2.7. Reasons being:<br>i) The Board of directors and CEO are already directly overseeing most, if not all the functions in smaller FIs.<br>ii) If the local FI is wholly owned by a sizable foreign controlled bank, individual local decision-makers have little discretionary powers and decision making structures are stringent.<br>iii) Complexity of its operation is usually based on its core activities. It will be costly to implement the guidelines for the derived five outcomes and a huge burden for the organisation with less than 50 people.<br><br>We hope MAS will consider increasing the threshold headcount for smaller FIs.<br><br>Bank C: We request MAS to define the term “headcount” to avoid uncertainty in calculating this metric. We also request MAS to clarify what is meant by not ordinarily expecting these smaller FIs to ‘adopt the specific guidance described under the five Outcomes’. As the five Outcomes form the basis of the Guidelines, these smaller FIs should not be subject to the Guidelines – as is being proposed for certain other entities under paragraph 2.4 of the consultation. We view it as |

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| | | problematic if the intention is to exempt these smaller FIs from the 'specific guidance described under the five Outcomes' but still subject them to 'general principles' contained in the Guidelines, as this would create uncertainty as to what these smaller FIs would be expected to comply with. Lastly, when a smaller FI increases in size and exceeds the threshold, there should be a suitable transitional period for compliance. |
| 10. | The Northern Trust Company, Singapore Branch | **Question 1:** MAS seeks comments on<br>(b) the proposed headcount threshold of less than 20 as set out in paragraph 2.7, to distinguish smaller FIs which MAS will not ordinarily expect to adopt the specific guidance under the five Outcomes.<br><br>We agree with the proposed headcount threshold of less than 20 to distinguish smaller FIs. However, we propose an additional criterion be included to distinguish these smaller FIs which need not adopt the IAC Guidelines, for instance, an annual net income threshold (e.g. less than USD 15m).<br><br>Secondly, we would like to propose a new category comprising of medium sized FIs. Medium-sized FIs could be defined as those with 1) a headcount of between 21 and 180, for instance, and 2) an annual net income range (e.g. between USD 15m and USD 25m). For these FIs, we recommend that they are given flexibility to adopt only certain aspects of the five outcomes under the IAC Guidelines, relevant to their business model.<br><br>In addition, there could be potential challenges in assigning an overseas based manager as the accountable senior manager due to data privacy, overlapping accountability regimes in various jurisdictions etc. In this regard, we propose that the accountability responsibilities for such functions in medium sized FIs continue to reside within the local entity (e.g. with the Chief Executive Officer ("CEO") of the local branch instead), particularly, where the CEO can demonstrate day-to day oversight and maintain decision making responsibilities for running the medium-sized FI's on-going operations in Singapore. |
| 11. | Willis Towers Watson Health & Benefits (SG) Pte. Ltd. | **Question 1:** MAS seeks comments on<br>(b) the proposed headcount threshold of less than 20 as set out in paragraph 2.7, to distinguish smaller FIs which MAS will not ordinarily expect to adopt the specific guidance under the five Outcomes.<br><br>Willis Towers Watson Health & Benefits (SG) Pte. Ltd. proposed that the number of headcount should be based on the number of Broking staff and Representatives and not all employees. This is because the 5 outcomes to promote individual accountability of senior managers, strengthen oversight of material risk personnel and reinforce standard of proper conduct among employees appear to stem from the position to better protect customers. Broking staff and Representatives have direct contact with customers and basing the headcount threshold on |

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| | | number of Broking staff and Representatives would be specifically measurable for this purpose.<br><br>In addition, the recommendation is to have all Insurance Brokers be subjected to the same requirement. This is because a smaller company might still be subjected to decision making structures which are equally diverse, consequently, given smaller company is equally capable of serving the same pool of customers thus resulting in potential risk/impact to these customer, thus similar standards and protection ought to be provided to their customers. |
| 12. | Wirecard Asia Holding Pte. Ltd. | **Question 1:** MAS seeks comments on<br>(a) the proposed additional scope of FIs to apply the IAC Guidelines on, as set out in paragraph 2.3.<br><br>Clear accountability and proper conduct are important elements of good governance and sound business practice. Individual accountability is now becoming a focus for various regulatory authorities in the world.<br><br>The clearer direction provided by the proposed IAC Guidelines will bring Singapore in line with global movements in requiring individual accountability as part of corporate governance. Examples of such global movements in this direction include the Australian Banking Executive Accountability Regime), the Hong Kong (the Manager-in-Charge regime), the UK (the Senior Managers and Certification Regime) and the US (guidance on the management of business lines and risk management)[4].<br><br>In order to strengthen Singapore's payment system, it is fitting that licensees and regulated entities under the Payment Services Act also be subject to clear regulatory requirements in respect of individual accountability as part of good corporate governance.<br><br>**Question 1:** MAS seeks comments on<br>**(b)** the proposed headcount threshold of less than 20 as set out in paragraph 2.7, to distinguish smaller FIs which MAS will not **ordinarily expect to adopt the specific guidance under the five Outcomes.**<br><br>With due respect, it is submitted that the proposed headcount threshold of less than 20 persons to qualify as a "smaller" FI (the "Threshold Criteria") should be reduced or done away with. This is based on the following reasoning:<br><br>(i) smaller FIs would also benefit from following the specific guidance under the IAC Guidelines and five Outcomes:<br>• smaller organizations might not have as clearly delineated roles nor as thorough an emphasis on "corporate governance" as |

[4] KPMG paper "Individual accountability – Global regulatory developments in financial services" dated July 2018, page 2

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| | | larger organizations – thus, the importance of emphasizing certain standards, identifying core senior managers and clarifying reporting lines;<br>• arguably, the conduct and fitness of employees performing material risk functions in smaller FIs is particularly critical, given the lack of manpower and the increased responsibility that each person carries;<br>(ii) the proposed threshold number of 20 persons is too high, as organizations with this number of employees would already require a sufficiently clear corporate governance structure to function effectively;<br>(iii) apart from the number of employees, it is submitted that the importance of imposing guidelines on individual accountability and conduct should also be imposed based on the size of the FI's business in terms of monetary value. This would further serve to protect the interests of consumers, where the FIs are heavily reliant on technology. It is therefore proposed that the Threshold Criteria should also be pegged to the FI's annual revenue per year;<br>(iv) structuring the requirement to comply with the IAC Guidelines based on headcount may prompt some organizations to engage in creative measures to artificially avoid the Threshold Criteria;<br>(v) lastly, smaller FIs still play an important part of Singapore's financial ecosystem, and tend to come under less public/media scrutiny – making regulation all the more important. |
| 13. | Xfers Pte. Ltd. | **General comments:**<br>We appreciate MAS giving us the opportunity to voice our feedback to the IAC Guidelines, and we hope MAS will adopt our proposals and feedback in Q1(a)&(b).<br><br>It is unfortunate that MAS is proposing to expand the scope of these IAC Guidelines to previously excluded entities (such as WASVFs and PS Licensees) whom were not originally consulted on the substantive points of the IAC. While we understand that the regulatory landscape changes with time, we urge MAS to consider such expansions in applicability only in the rarest of cases when it is clear that the previously non-applicable entities pose a clear risk that the IAC seeks to address.<br><br>To that end, we strongly urge MAS not to extend IAC Guidelines to every entity under MAS' purview. But if MAS decides to proceed, then to extend it only to the additional entities licensed under the IA and SFA (such as insurance brokers or RFMCs) because these pose the clearest conduct risk that IAC seeks to address, and not to extend it to other entities which do not have similar conduct risks or impacts on the wider financial system (e.g. to exclude WASVFs, PS Act Licensees, MCRBA, CBA). |

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| | | **Question 1:** MAS seeks comments on<br>(a) the proposed additional scope of FIs to apply the IAC Guidelines on, as set out in paragraph 2.3.<br><br>We strongly urge MAS to remove Approved Holders of Widely Accepted Stored Value Facilities and to remove Payment Services Act licensees ("PS Licensees") from IAC application because it is overinclusive and disproportionate to the risks posed by these entities.<br><br>**Explanation:**<br>1. Overinclusive: We urge MAS to remove WASVFs and PS Licensees from IAC guidelines because the main mischief that MAS is trying to address - "misconduct and egregious risk-taking in the financial industry"[5] - are just not applicable or not significant for WASVFs and PS licensees. From our understanding, the main mischiefs are: (a) unethical lending practices (including interest rate fixing); (b) mis-selling of financial products; and (c) egregious risk taking; all of which are either not applicable or not significant for WASVFs or PS Licencees.<br><br>We note also that other similar accountability regimes do not overextend their reach to payment services firms:<br>a. United Kingdom – Payment service providers & e-money issuers[6] do not fall under FCA's Senior Managers and Certification Regime ("SM&CR") as can be seen from the current FCA handbook SYSC 23 Annex 1[7]. Even after the proposed upcoming extension of the SM&CR to solo-regulated firms, benchmark administrators and claims management companies, payment service firms are still out of scope of the SM&CR, as stated in FCA Policy Statement PS18/14 at para 1.9[8], and FCA SM&CR Guide for FCA solo-regulated firms at pg 5[9].<br>b. Hong Kong – Hong Kong's Securities and Futures Commission's Manager-In-Charge regime only applies to firms engaging in investment related activities[10] and does not apply to Stored |

[5] MAS Consultation Paper P009-2018 on Proposed Guidelines on Individual Accountability and Conduct (dated Apr 2018), at para 1.1.

[6] Regulated under the UK's Payment Services Regulations 2017 and the Electronic Money Regulations 2011 respectively

[7] Flowchart to determine whether SM&CR applies to the firm https://www.handbook.fca.org.uk/handbook/SYSC/23/Annex1.html

[8] "1.9 People who don't need to read this document:… Payment Services firms that aren't authorised under FSMA– these firms are out of scope of the SM&CR". https://www.fca.org.uk/publication/policy/ps18-14.pdf

[9] "The SM&CR will apply to all FCA solo-regulated firms authorised under FSMA, as well as EEA and third-country branches….Firms that are not authorised under FSMA (for example Payment Services firms) won't be covered by the SM&CR." https://www.fca.org.uk/publication/policy/guide-for-fca-solo-regulated-firms.pdf at pg 5

[10] Regulated Activities as stated in Schedule 5 of the Securities and Futures Ordinance https://www.elegislation.gov.hk/hk/cap571/sch5

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| | | Value Facility issuers or Retail Payment Systems or Money Service Operators.<br>c. Australia – The Australian Prudential Regulation Authority's Banking Executive Accountability Regime does not apply to general non-cash payment facilities or FX – Remittance dealers (both regulated by Australia Securities & Investment Commission). The BEAR applies to "Authorised Deposit-taking Institutions" which generally includes banks, credit unions and building societies. While a "purchased payment facility" provider is a special class of ADIs, we also note that stored value facility holders can operate without being an ADI if they can obtain authorisation[11] or exemptions[12] from the Reserve Bank of Australia. As such, the BEAR does not apply to remittance providers, payment facilities, and stored value facilities (who obtained RBA authorisation or exemption).<br><br>2. Disproportionate to the risks posed: We agree that PS Licensees should adhere to ethical and fair dealing standards when dealing with customers but imposing the full IAC regime is disproportionate to the potential risk to customers because there are already sufficient customer safeguards in the existing WASVF regime and the upcoming PS Act. Such existing safeguards include the E-Payments User Protection Guidelines, the requirement of safeguarding of funds in transit and funds in storage, and the restrictions of what PS Licensees can do with the funds:<br><br>a. Misconduct Risk: The key misconduct risks (such as unethical lending practices, interest rate fixing and mis-selling of financial products) do not materialise in the case of WASVFs or PS Licensees because they are prohibited from lending customer money[13] and from providing any credit facilities[14]. Additionally, neither a stored value facility "product" nor payment services under the PS Act would be considered as a complicated financial product akin to investment or insurance products that would require strict mis-selling conduct rules.<br><br>b. Egregious risk taking: The key risk of the WASVFs or PS Licensees going insolvent due to egregious risk taking of customer monies is significantly lesser than other FIs like banks and insurers, which are able to use customers' monies to make risky loans (e.g. lending large amounts of money to credit risky borrowers) or risky investments (e.g. investing large amounts of money in complicated, volatile, illiquid instruments with a possibility of capital losses). This egregious risk taking is highly |

[11] Under s. 23 of the Payment Systems (Regulation) Act 1998
[12] Under s. 25 of the Payment Systems (Regulation) Act 1998
[13] PS Act, s. 20(2)
[14] PS Act, s. 20(1)

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| | | unlikely to happen for WASVFs and PS Licensees because the customer money is subject strict safeguarding measures[15], and in practice, the safeguarding institution, in turn, imposes very strict restrictions and limitation on the WASVF's or PS Licensee's use on the safeguarded money.<br><br>c. Current Protections under the PSOA & PS Act: Having considered that the conduct risk that the IAC seeks to address does not materially arise for WASVFs and PS Licencees, we summarise here the various safeguarding measures (including those mentioned above) to urge MAS to consider the totality of the existing protections and that imposing IAC on WASVFs and PS Licensees would be wholly disproportionate:<br>i. Bank undertaking - WASVFs under the PSOA – Customers are protected against the insolvency of a WASVF because of the undertaking of an approved full bank to be fully liable for the stored value[16].<br>ii. Customer money safeguarding measures under PS Act – PS Licensees have strict safeguarding requirements for funds in transit[17] and e-money storage[18].<br>iii. No lending or providing credit under PS Act – PS Licensees are not allowed to lend out any customer money[19] or use the customer money to materially finance its activities[20] or even to grant any credit facilities to individuals in Singapore[21].<br>iv. E-payments User Protection Guidelines – Customer of WASVFs and PS Licensees are further protected because the customer is not liable for any losses resulting unauthorised transactions caused by the acts or omissions of the WASVF or PS Licensee[22] as long as the customer was not "reckless".<br><br>In conclusion, we strongly urge MAS to remove Approved Holders of Widely Accepted Stored Value Facilities and to remove Payment Services Act licensees ("PS Licensees") from IAC application in view of the lower misconduct risk as compared with the disproportionate cost, liability and effort of the IAC regime.<br><br>**Question 1:** MAS seeks comments on<br>**(b)** the proposed headcount threshold of less than 20 as set out in paragraph 2.7, to distinguish smaller FIs which MAS will not ordinarily expect to adopt the specific guidance under the five Outcomes. |

[15] i.e. the bank's undertaking under the current Payment Systems (Oversight) Act, and the additional customer money safeguarding provisions under s. 23 of the PS Act.
[16] PSOA, s. 35(1)
[17] PS Act, s. 23(1) & (2)
[18] PS Act, s. 23(3) & (4)
[19] PS Act, s. 20(2)(a)
[20] PS Act, s. 20(2)(b)
[21] PS Act, s. 20(1)
[22] E Payments User Protection Guidelines, para 5.4

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| | | We urge MAS to consider increasing the number from 20 to 50 because it is more consistent with other government measurements of "small" enterprises, and because it encourages full-time employment in Singapore financial institutions.<br><br>**Explanation:**<br>1. Other governmental measurements of "small" ranges between 50 to 200: For example, in Minister Heng Swee Keat's parliamentary reply[23] his reference to an SME is defined as enterprises with employment size of less than 200 and less than $100m annual sales turnover. This is in line with Enterprise Singapore's eligibility requirements for SME grants.<br><br>Additionally, under the Companies Act, a "small company" is defined one that has not more than 50 employees[24].<br><br>While we understand that these employment numbers are for SMEs in general, we urge MAS to consider that smaller FIs are similarly SMEs in the service industry providing financial services.<br><br>2. Encouraging full-time employment in FIs and minimising outsourcing risk: We are concerned that smaller FIs approaching the 20-man headcount may choose to outsource (key) functions instead of hiring staff to build competencies and capabilities. While this may also happen at the 50-man stage, we think that it is far more common and likely to happen if the threshold is set at such a low number.<br><br>This outcome would be bad for employment stability and the Singapore labour market in the financial industry as a whole, and also introduces additional outsourcing risk (despite having some mitigation after fulfilling the MAS outsourcing guidelines).<br><br>For example, we as a fintech company, may instead choose to outsource certain software development and UI/UX design work to India, China or Indonesia (instead of building up local talent), to the detriment of Singaporean employment and skills development. Additionally, these added headcount do not even materially contribute to the misconduct risk or egregious risk-taking behaviour that this IAC regime seeks to address.<br><br>In conclusion, we urge MAS to revise the small FI headcount upwards from 20 to 50 full-time employees, in line with the broader objective of |

[23] In Paragraph 1 of Minister Heng's parliamentary reply relating to government tender opportunities for local SMEs, available at https://www.mof.gov.sg/Newsroom/Parliamentary-Replies/government-tender-opportunities-for-local-smes

[24] Paragraph 2(b)(iii) of the Thirteenth Schedule of the Companies Act.

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| | | encouraging full-time employment in the financial industry, and to be consistent with other industry measures of a "small" company. |
| 14. | Respondent 1 | **Question 1:** MAS seeks comments on<br>(a) the proposed additional scope of FIs to apply the IAC Guidelines on, as set out in paragraph 2.3.<br><br>We agree with the proposed additional scope of FIs to apply the IAC Guidelines on. We also request that the Guidelines be applied to [*identity removed*] on a group basis. [*identifying information removed]*<br><br>With regard to the exemption for RMOs incorporated outside Singapore set out in paragraph 2.4, we suggest MAS to clarify that the exemption is only for RMOs that are already regulated by a foreign regulator, and the IAC Guidelines would apply if MAS is the primary or only regulator.<br><br>**Question 1:** MAS seeks comments on<br>(b) the proposed headcount threshold of less than 20 as set out in paragraph 2.7, to distinguish smaller FIs which MAS will not ordinarily expect to adopt the specific guidance under the five Outcomes.<br><br>We agree with the proposed headcount threshold of less than 20 to distinguish smaller FIs which MAS will not ordinarily expect to adopt the specific guidance under the five Outcomes. |
| 15. | Respondent 2 | **Question 1:** MAS seeks comments on<br>(a) the proposed additional scope of FIs to apply the IAC Guidelines on, as set out in paragraph 2.3.<br><br>We, as a new RFMC, agree with the proposed as set out in paragraph 2.3 so to encourage a stronger sense of accountability and responsibility in individuals working in the Finance Sector of Singapore. We understand Singapore is an international financial hub thus maintaining our credibility and investors' confidence in Singapore and this sector is of utmost importance.<br><br>**Question 1:** MAS seeks comments on<br>(b) the proposed headcount threshold of less than 20 as set out in paragraph 2.7, to distinguish smaller FIs which MAS will not ordinarily expect to adopt the specific guidance under the five Outcomes.<br><br>Agree with the proposed threshold; reasonable as in any case, we believe IAC should apply, subject to the nature and the complexity of the FI's operations. |
| 16. | Respondent 3 | **Question 1:** MAS seeks comments on<br>(b) the proposed headcount threshold of less than 20 as set out in paragraph 2.7, to distinguish smaller FIs which MAS will not ordinarily expect to adopt the specific guidance under the five Outcomes. |

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| | | 1. We would like to seek clarification from MAS on the definition of "headcount" and which employees need to be included under the definition of "headcount".<br>• For example, should "headcount" only include permanent employees which have signed employment contracts with the local FI? Do we include contract or part time employees, or employees which do not participate in the core business functions e.g. receptionist as part of the "headcount"?<br>• Does the 20 person "headcount" exemption exclude the non-local employed directors who are seated on the board of the local FI?<br>• Should certain overseas employees e.g. Legal / Finance / HR that are based outside of Singapore, but supports local FI be included in the "headcount"?<br><br>2. We noted that under section 2.6-2.8 of the latest consultation paper (CP2), MAS proposes to introduce an exemption from applying the five Outcomes for FIs with "headcount of less than 20". The relevant footnote 11 also states "For an FI that is a holder of a capital markets services licence under section 82(1) of the SFA or a financial adviser licensed under section 6(1) of the Financial Advisers Act, the FI should include the number of local and overseas-based representatives in determining its headcount." With reference to "overseas-based representatives" in the footnote 11, is MAS referring only to licensed overseas-based representatives?<br><br>3. We would like to seek clarification from MAS if there is a grace period to comply with IAC should the "headcount" increase from 19 to 20 subsequently? |