

MAS Notice XXX

[Date]

NOTICE TO BANKS

Banking Act (Cap. 19)

MANAGEMENT OF OUTSOURCED RELEVANT SERVICES

1. Introduction

1.1 This Notice is issued pursuant to section 47A(2), (4), (6), (7) and (12) of the Banking Act (Cap. 19) [the “Act”] and applies to all banks in Singapore.

1.2 This Notice sets out the requirements that a bank in Singapore has to comply with for the purposes of managing the risks associated with the bank’s outsourced relevant services.

2. Definitions

2.1 For the purpose of this Notice –

“board” means –

(a) in the case of a bank incorporated in Singapore, a board-level committee;
and

(b) in the case of a bank incorporated outside Singapore, a board-level committee, or a management committee or body responsible for the oversight of the branches and offices of the bank located within Singapore;

“customer” has the same meaning as in section 40A of the Act but includes any company which carries on banking business and such other financial institutions as may be designated by the Authority by notice in writing for the purposes of the definition of “customer” in section 40A of the Act;

“customer information”, in relation to a bank, means –

(a) any information relating to, or any particulars of, an account of a customer of the bank, whether the account is in respect of a loan, investment or any other type of transaction, but does not include any information that is not referable to any named customer or group of named customers; or

(b) deposit information;

“deposit information”, in relation to a bank, means any information relating to –

- (a) any deposit of a customer of the bank;
- (b) funds of a customer under management by the bank; or
- (c) any safe deposit box maintained by, or any safe custody arrangements made by, a customer with the bank,

but does not include any information that is not referable to any named person or group of named persons;

“exempted outsourced relevant service” means any outsourced relevant service that is set out in Annex D;

“material ongoing outsourced relevant service” means any ongoing outsourced relevant service where the bank in Singapore has reasonable grounds to believe that –

- (a) any unauthorised disclosure of, access to, collection of, copying of, modification of, use of, disposal of or acts with similar risks done in relation to, any information, held by the service provider or sub-contractor, as the case may be;
- (b) any unauthorised access to the books, systems or premises of the service provider or sub-contractor, as the case may be; or
- (c) a failure by the service provider to provide the relevant service in accordance with the outsourcing agreement,

will materially affect adversely or is likely to materially affect adversely –

- (i) any of the business of the bank referred to in section 30(1) of the Act;
- (ii) the customers or any group of customers, financial soundness or reputation of the bank;
- (iii) the ability of the bank to manage its risks; or
- (iv) the ability of the bank to comply with all laws and regulatory requirements that apply to the bank, whether in Singapore or elsewhere;

“ongoing outsourced relevant service”, in relation to a bank, means an outsourced relevant service that –

- (a) the bank obtains or receives or intends to obtain or receive, for a duration of more than 12 months; or

(b) the bank obtains or receives for a duration of 12 months or less, but where the outsourcing agreement is renewed or extended, or which the bank intends to renew or extend, such that the cumulative duration of the bank obtaining or receiving the relevant service exceeds or will exceed 12 months;

“outsourced relevant service”, in relation to a bank in Singapore, means a relevant service that –

(a) is performed by the bank or was performed by the bank at any time prior to it obtaining or receiving the relevant service;

(b) is commonly performed by banks in Singapore, which includes, but is not limited, to any relevant service set out in Annex A, and excludes any relevant service set out in Annex B; or

(c) is set out in Annex C;

“outsourcing agreement” means –

(a) in the case where the service provider of a bank in Singapore is a branch or office of the bank, written policies and procedures by which the branch or office is to provide an outsourced relevant service; and

(b) in the case where the service provider is any person, a written contract between a bank in Singapore and the person setting out the terms by which the person is to provide the outsourced relevant service;

“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;

“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;

“sub-contracting arrangement” means an arrangement between a service provider and a sub-contractor, or between two sub-contractors, under which the sub-contractor or one of the sub-contractors, as the case may be, agrees to provide the whole or any part of a relevant service to the bank in Singapore;

“sub-contractor”, in relation to a bank in Singapore, means –

- (a) another branch or office of the bank, or any person, that is engaged by a service provider or another sub-contractor, as the case may be, to provide the whole or any part of a relevant service pursuant to a sub-contracting arrangement, where the service provider or sub-contractor is a branch or office of the bank; and
- (b) a branch or office of the bank, or any person, that is engaged by a service provider or another sub-contractor, as the case may be, to provide the whole or any part of a relevant service pursuant to a sub-contracting arrangement, where the service provider or sub-contractor is a person;

“supervisory authority”, in relation to a foreign country or territory, means an authority of the foreign country or territory exercising any function that corresponds to a regulatory function of the Authority under the Act, the Monetary Authority of Singapore Act (Cap. 186) or any of the written laws set out in the Schedule to that Act.

2.2 For the purposes of this Notice, unless the context otherwise requires, a reference to a “branch or office” of a bank includes its head office.

2.3 The expressions used in this Notice shall, except where expressly defined in this Notice or where the context otherwise requires, have the same respective meanings as in the Act.

2.4 A bank in Singapore that obtains or receives any exempted outsourced relevant service does not need to comply with the requirements in this Notice in relation to the exempted outsourced relevant service.

SECTION A. MONITORING AND CONTROL OF OUTSOURCED RELEVANT SERVICES

3. Register of Outsourced Relevant Services

3.1 A bank in Singapore must record in a register, a list of all –

- (a) ongoing outsourced relevant services obtained or received from a service provider; and
- (b) outsourced relevant services obtained or received from a service provider, which involves the disclosure of customer information.

3.2 The bank must ensure that the register is kept updated at all times and submit the register to the Authority semi-annually and at any time upon request by the Authority.

SECTION B. REQUIREMENTS RELATING TO MATERIAL ONGOING OUTSOURCED RELEVANT SERVICES

4. Management of Material Ongoing Outsourced Relevant Services

4.1 A bank in Singapore must –

- (a) implement policies and procedures to identify all material ongoing outsourced relevant services, and assess, manage and monitor any risk to the bank that may arise from obtaining or receiving each of these relevant services;
- (b) maintain effective supervision and monitor the provision of the material ongoing outsourced relevant service, including establishing an appropriate level of approving authorities that is commensurate with the scale and complexity of the material ongoing outsourced relevant service, to approve matters relating to the relevant service;
- (c) establish measures to minimise any disruption to the operations of the bank in the event that the service provider cannot adequately provide the material ongoing outsourced relevant service or where the bank needs to exercise its right to terminate the contract or to stop obtaining or receiving the material ongoing outsourced relevant service;
- (d) implement the measures mentioned in sub-paragraph (c) in the event that the service provider cannot adequately provide the material ongoing outsourced relevant service or where the bank needs to exercise its right to terminate the contract or to stop obtaining or receiving the material ongoing outsourced relevant service;
- (e) keep documentation sufficient to demonstrate compliance by the bank with the requirements in this paragraph; and
- (f) record and keep updated at all times in the register referred to in paragraph 3.1, a list of all material ongoing outsourced relevant services obtained or received by the bank from a service provider.

5. Evaluation of Service Provider for Material Ongoing Outsourced Relevant Services

5.1 For the purposes of section 47A(2)(a) and 47A(4)(a) of the Act, before obtaining or receiving any material ongoing outsourced relevant service, the bank in Singapore must establish a framework for evaluating the ability of the service provider to perform the acts mentioned in section 47A(2)(a)(i)-(v) and 47A(4)(a)(i)-(v), as the case may be. The bank in Singapore must conduct due diligence checks against the framework and be satisfied of the results. The bank in Singapore must ensure that the framework includes an assessment of all of the following matters at the minimum:

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- (a) in the case where the service provider has the same ultimate holding company as defined in section 5A of the Companies Act (Cap. 50) as the bank or is the ultimate holding company of the bank as defined in section 5A of the Companies Act, –
- (i) the service provider’s risk management framework; and
 - (ii) the service provider’s track record in providing similar relevant services;
- (b) in all other cases other than that mentioned in paragraph (a), –
- (i) the service provider’s risk management framework;
 - (ii) the service provider’s reputation and track record in providing similar relevant services; and
 - (iii) the service provider’s financial strength and resources;
- (c) in the case where the material ongoing outsourced relevant service is obtained or received outside Singapore by the bank and involves the disclosure of customer information to the service provider, –
- (i) the risks of the bank not being able to comply with any obligations under any written law that requires it to keep confidential, any of its customer information;
 - (ii) the service provider’s reputation and track record for safeguarding the confidentiality and integrity of customer information in its custody;
 - (iii) the service provider’s ability to ensure that employees who are authorised to access the customer information are subject to confidentiality obligations; and
 - (iv) the measures that the service provider has put in place to safeguard the confidentiality and integrity of customer information of the bank that is in the custody of the service provider, in relation to the provision of the relevant service.

5.2 A bank in Singapore must satisfy itself, on an ongoing basis, of the service provider’s ability to perform the acts mentioned in section 47A(2)(a)(i)-(v) and 47A(4)(a)(i)-(v), as the case may be. The bank must at the minimum:

- (a) perform the due diligence checks mentioned in paragraph 5.1 within 12 months of obtaining or receiving the material ongoing outsourced relevant service, to re-evaluate the ability of the service provider to perform the acts mentioned in section 47A(2)(a)(i)-(v) and 47A(4)(a)(i)-(v);

- (b) within 12 months of obtaining or receiving the material ongoing outsourced relevant service, have in place a policy that –
 - (i) is approved by the board;
 - (ii) determines the frequency by which the bank must perform the due diligence checks mentioned in paragraph 5.1 to re-evaluate the ability of the service provider to perform the acts mentioned in section 47A(2)(a)(i)-(v) and 47A(4)(a)(i)-(v); and
 - (iii) determines the frequency of checks mentioned in sub-paragraph (ii) in a manner that is commensurate with the risk to the bank that may arise from obtaining or receiving the relevant service; and
- (c) implement the policy referred to in paragraph (b) immediately after 12 months of obtaining or receiving the relevant service.

5.3 A bank in Singapore must document the due diligence checks required under paragraphs 5.1 and 5.2 (where applicable) (“Due Diligence Checks”) conducted by it and furnish the documentation to the Authority upon request.

5.4 Notwithstanding paragraphs 5.1 and 5.2, a bank in Singapore may rely on a third party to perform the Due Diligence Checks if all of the following requirements are met:

- (a) the bank is satisfied that the third party it intends to rely on is able to perform the Due Diligence Checks;
- (b) the third party is able and willing to provide to the bank or Authority, upon the bank’s or Authority’s request, as the case may be, any record, document, report or information obtained by the third party with respect to the Due Diligence Checks, and the bank has obtained a written undertaking from the third party to this effect.

5.5 Where a bank in Singapore places reliance on a third party to perform the Due Diligence Checks, the bank must –

- (a) document the basis for its satisfaction that the requirements in paragraph 5.4 have been met;
- (b) obtain from the third party a record, document or report, or information setting out the basis for the third party’s assessment pursuant to the Due Diligence Checks; and
- (c) review the third party’s evaluation of the service provider.

5.6 To avoid doubt, notwithstanding any reliance on a third party in accordance with paragraphs 5.4 and 5.5, the bank in Singapore remains responsible for its obligations mentioned in paragraphs 5.1 to 5.3.

6. Requirements relating to Use of Sub-Contractor for Material Ongoing Outsourced Relevant Services

6.1 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 he is deceased, his appointed personal representative, for it to disclose the customer information to the service provider or the sub-contractor, as the case may be.

6.2 Before obtaining or receiving any material ongoing outsourced relevant service where sub-contracting arrangements are not prohibited under paragraph 6.1 or by the outsourcing agreement, the bank must –

- (a) assess and be satisfied that allowing a sub-contracting arrangement for the material ongoing outsourced relevant service –
 - (i) would not compromise the service provider's ability to provide the relevant service and safeguard the confidentiality and integrity of all information disclosed to, or accessed, collected, copied, modified, used, stored or processed by, the service provider in accordance with the outsourcing agreement; and
 - (ii) would not pose any risks to the bank which it is not prepared, or is unable, to manage, particularly legal, reputational, technological and operational risks;
- (b) where a sub-contracting arrangement involves the disclosure of customer information to a sub-contractor, include a requirement in the outsourcing agreement that the service provider has to ensure all of the following:
 - (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;

- (c) implement policies and procedures approved by its board based on the bank's assessment in paragraph 6.2(a) of the risks that may arise out of any sub-contracting arrangement, to determine whether it is necessary for the bank to include in its outsourcing agreement, a requirement that the service provider ensures that every sub-contractor has written policies and procedures, or enters into a written contract, with the service provider or another sub-contractor (referred to collectively as "sub-contracting agreement"), as the case may be, in order for the bank to adequately manage the risks to the bank arising from the sub-contracting arrangement; and
- (d) if the bank determines that a sub-contracting agreement is required under paragraph (c), determine whether it is necessary for the bank to include in its outsourcing agreement, a requirement that the service provider ensures that a sub-contracting agreement includes any one or more of the following:
- (i) a requirement that the sub-contractor protects the confidentiality and integrity of all information of the bank in its custody, in relation to the provision of the relevant service under the sub-contracting arrangement;
 - (ii) a requirement that the sub-contractor ensures that it and its employees only access, collect, copy, modify, use, store, or process any customer information of the bank to the extent that is necessary for it and its employees to provide the relevant service under the sub-contracting arrangement;
 - (iii) a requirement that the sub-contractor ensures that it 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;
 - (iv) a requirement that the Authority, or an auditor appointed by the Authority, be allowed to audit the books, systems and premises of the sub-contractor for the purposes of determining whether the sub-contractor is properly providing the relevant service under the sub-contracting arrangement and assessing –
 - (A) the ability of the sub-contractor to –
 - (I) ensure continuity of the relevant service under the sub-contracting arrangement;
 - (II) safeguard the confidentiality and integrity of all information in its custody, in relation to the provision of the relevant service under the sub-contracting arrangement; and

- (III) manage its legal, reputational, technological and operational risks arising from the provision of the relevant service under the sub-contracting arrangement; and
- (B) the level of compliance of the sub-contractor with written laws related to the provision of the relevant service under the sub-contracting arrangement;
- (v) a requirement that the sub-contractor, on a request by the bank, directly or through the service provider, provides to the bank or the Authority, or any person appointed by the bank or the Authority, any record, document, report or information relating to the provision of the relevant service under the sub-contracting arrangement;
- (vi) a requirement that if the bank stops obtaining or receiving the relevant service under the sub-contracting arrangement provided by the sub-contractor, the sub-contractor ensures that all records of transactions, documents and information given to the sub-contractor are deleted, destroyed or rendered unusable as soon as possible except where –
 - (A) the sub-contractor is prohibited from doing so by written law or foreign laws, in the case where the relevant service under the sub-contracting arrangement is obtained or received overseas; or
 - (B) in the case where the sub-contractor is a branch or office, 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.

6.3 Where a bank in Singapore allows a material ongoing outsourced relevant service to be sub-contracted, the bank must ensure all of the following:

- (a) the bank is notified within 30 days of the engagement of a sub-contractor;
- (b) the bank has in place policies and procedures to determine if it is necessary for the bank to assess the ability of the sub-contractor to provide the relevant service, and safeguard the confidentiality and integrity of all information disclosed to, or accessed, collected, copied, modified, used, stored or processed by, the sub-contractor;
- (c) the bank implements the policies and procedures in paragraph (b) upon being notified under paragraph (a);
- (d) paragraph 6.2(b) will be complied with in respect of the new sub-contractor.

7. Outsourcing Agreement and Access to Information relating to Material Ongoing Outsourced Relevant Services

7.1 For the purposes of section 47A(2)(b) and 47A(4)(b) of the Act, before obtaining or receiving a material ongoing outsourced relevant service, a bank in Singapore must enter into an outsourcing agreement, which must include all of the following:

- (a) a requirement that the service provider protects the confidentiality and integrity of all information of the bank in its custody, in relation to the provision of material ongoing outsourced relevant service;
- (b) a requirement that the service provider ensures that it and its employees only access, collect, copy, modify, use, store or process any customer information of the bank to the extent that is necessary for it and its employees to provide the material ongoing outsourced relevant service;
- (c) a requirement that the service provider ensures that it and its employees do not disclose any customer information of the bank to any third party unless compelled by law, in which case the service provider must notify the bank as soon as practicable to the extent permitted by law;
- (d) a requirement that the Authority, or an auditor appointed by the Authority, be allowed to audit the books, systems and premises of the service provider for the purposes of determining whether the service provider is properly providing the material ongoing outsourced relevant service and assessing –
 - (i) 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;
- (e) a requirement that the service provider, on a request by the bank, provides to the bank or the Authority, or any person appointed by the bank or the Authority, any record, document, report or information relating to the provision of the material ongoing outsourced relevant service;

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- (f) a requirement that if the bank terminates the contract or stops obtaining or receiving the material ongoing outsourced relevant service provided by the service provider, the service provider ensures that all records of transactions, documents and information given to the service provider are deleted, destroyed or rendered unusable as soon as possible except where –
- (i) 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 obtained or received overseas; or
 - (ii) in the case where the service provider is a branch or office, the record, document or information is stored in a system used by the bank which upon the termination of the outsourcing agreement, can only be accessed by the bank.
- (g) a requirement that the bank may terminate the contract or stop obtaining or receiving the material ongoing outsourced relevant service from the service provider under any of the following circumstances:
- (i) the service provider or a sub-contractor, as the case may be, has failed to safeguard the confidentiality or integrity of information of the bank that is in the custody of the service provider, in relation to the provision of the material ongoing outsourced relevant service;
 - (ii) the service provider or a sub-contractor, as the case may be, has failed to comply with any written law related to the provision of the material ongoing outsourced relevant service and the Authority has directed the bank to terminate the contract or to stop obtaining or receiving the material ongoing outsourced relevant service;
 - (iii) the service provider or a sub-contractor, as the case may be, has undergone or is undergoing a change in ownership, is insolvent, has gone or is going into liquidation or receivership;
 - (iv) there has been a deterioration in the ability of the service provider or a sub-contractor, as the case may be, to provide the material ongoing outsourced relevant service in accordance with the outsourcing agreement or sub-contracting arrangement respectively;
 - (v) the Authority or an auditor appointed by the Authority, is prevented by the service provider from auditing the books, systems and premises of the service provider for any of the purposes mentioned in section 47A(10) of the Act;
 - (vi) where the sub-contracting agreement provides for the matter mentioned in paragraph 6.2(d)(iv), the Authority or any auditor appointed by the Authority, is prevented by the sub-contractor from auditing the books, systems and premises of the sub-contractor for any of the purposes mentioned in paragraph 6.2(d)(iv);

- (vii) the bank, or the Authority, or any person appointed by the bank or the Authority, is prevented by the service provider, from obtaining any record, document, report or information relating to the provision of material ongoing outsourced relevant service;
 - (viii) where the sub-contracting agreement provides for the matter mentioned in paragraph 6.2(d)(v), the bank or the Authority, or any person appointed by the bank or the Authority, is prevented by the sub-contractor from obtaining any record, document, report or information relating to the sub-contracting arrangement;
 - (ix) the bank is prevented by the service provider or a sub-contractor, as the case may be, from assessing the service provider's or the sub-contractor's compliance with the outsourcing agreement or the sub-contracting arrangement, as the case may be;
- (h) a requirement that the service provider does not enter into any sub-contracting arrangement with any sub-contractor unless the sub-contractor has written policies and procedures by which it is to provide the material ongoing outsourced relevant service or there is a written contract between the service provider and the sub-contractor, setting out the terms by which the sub-contractor is to provide the material ongoing outsourced relevant service, where the bank has determined under paragraph 6.2(c) that it is necessary to include such a requirement in order to manage the risk to the bank arising from the sub-contracting arrangement.

7.2 Where a branch or office of a bank in Singapore has entered into an outsourcing agreement on behalf of the bank, the bank must ensure that the terms set out in paragraph 7.1 are included in the outsourcing agreement before obtaining or receiving the material ongoing outsourced relevant service.

8. Protection of Customer Information relating to Material Ongoing Outsourced Relevant Services

8.1 A bank in Singapore that obtains or receives a material ongoing outsourced relevant service from a service provider must implement adequate measures to protect customer information that is disclosed to the service provider or sub-contractor against unauthorised disclosure, access, collection, copying, modification, use, disposal or similar risks. The bank must at the minimum ensure that the measures include all of the following:

- (a) notifying the service provider in writing of –
 - (i) the bank's obligation to keep customer information confidential under the Act and common law;
 - (ii) the service provider's obligation to keep customer information confidential under the Act; and

- (iii) in the case where the material ongoing outsourced relevant service is to be performed outside Singapore, the bank's obligations to protect customer information in accordance with the laws of the place where the material ongoing outsourced relevant service is to be performed;
- (b) ensuring that customer information is disclosed to, or accessed, collected, copied, modified, used, stored or processed by, a service provider and its employees or a sub-contractor and its employees only to the extent that is necessary for the service provider or the sub-contractor, and their respective employees, as the case may be, to provide the material ongoing outsourced relevant service.

9. Audit of Material Ongoing Outsourced Relevant Services

9.1 A bank in Singapore must ensure that independent audits are conducted on each of its material ongoing outsourced relevant services for the purposes mentioned in paragraph 7.1(d) at a frequency that is commensurate with the nature, scope and complexity of the relevant service, and in any case, no longer than once every 3 years.

9.2 A bank in Singapore must submit to the Authority a list of all audits performed in the past 12 months for its material ongoing outsourced relevant services at such frequency as may be specified by the Authority. The bank must provide to the Authority any audit reports requested by the Authority.

10. Termination of Material Ongoing Outsourced Relevant Services

10.1 If any of the circumstances specified in paragraph 7.1(g)(i) to (ix) arise, a bank in Singapore must –

- (a) notify the Authority of the circumstances that have arisen as soon as possible;
- (b) consider whether to exercise its right to terminate the contract or to stop obtaining or receiving the material ongoing outsourced relevant service from the service provider, and document the bank's considerations; and
- (c) exercise its right to terminate the contract or to stop obtaining or receiving the material ongoing outsourced relevant service from the service provider, if the Authority directs the bank to do so, having regard to public interest or the interest of the depositors.

10.2 Upon the termination of the contract relating to a material ongoing outsourced relevant service, the bank must ensure that all records of transactions, documents and information given to the service provider or sub-contractor (where applicable) are removed from the possession of the service provider or sub-contractor, as the case may be, or deleted, destroyed or rendered unusable as soon as possible except where –

- (a) the service provider or sub-contractor, as the case may be, is prohibited from doing so by written law or foreign laws, in the case where the material ongoing outsourced relevant service is obtained or received overseas; or
- (b) in the case where the service provider or sub-contractor is a branch or office of the bank in Singapore, the record, document or information is stored in a system used by the bank which upon the termination of the outsourcing agreement, can only be accessed by the bank.

11. Material Ongoing Outsourced Relevant Services obtained or received from an Overseas Regulated Financial Institution

11.1 For material ongoing outsourced relevant services where the service provider or a sub-contractor is an overseas regulated financial institution, a bank in Singapore must –

- (a) implement measures to ensure that the bank and the Authority (in accordance with the Act) have access to customer information and any record, document, report or information relating to the provision of the service by the service provider;
- (b) unless otherwise approved by the Authority, within 6 months of entering into the outsourcing agreement or such other period approved by the Authority, submit to the Authority a written confirmation by the supervisory authority of the overseas regulated financial institution that –
 - (i) the Authority (in accordance with the Act) will have access to customer information and any record, document, report or information relating to the provision of the material ongoing outsourced relevant service; and
 - (ii) the bank and any person appointed by the bank will be allowed to audit the books of the overseas regulated financial institution for the purposes mentioned in section 47A(10) and submit report of the audit to the Authority; and
- (c) ensure that customer information relating to the material ongoing outsourced relevant service of the bank is adequately protected when accessed by a supervisory authority of the service provider or sub-contractor, as the case may be.

11.2 For the purposes of paragraph 11.1(c), the bank must –

- (a) give the Authority a written undertaking by the supervisory authority of the service provider or sub-contractor, as the case may be that –
 - (i) in the case where the supervisory authority is not the parent supervisory authority of the service provider or sub-contractor, as the case may be, it will not access any customer information of the bank

- that is in the possession of the service provider or sub-contractor (“the Customer Information”); or
- (ii) in the case where the supervisory authority is the parent supervisory authority of the service provider or sub-contractor, as the case may be, it will not access the Customer Information except for the sole purpose of carrying out its supervisory functions and –
 - (A) it is prohibited by laws applicable to it from disclosing the Customer Information to any other person; or
 - (B) it undertakes not to disclose the Customer Information to any other person without the written approval of the Authority unless compelled by law; or
- (b) obtain the approval of the Authority to rely on this paragraph and provide all of the following to the Authority:
- (i) a written set of policies and procedures of the bank for managing requests for Customer Information from the supervisory authority to the bank in Singapore or the service provider or sub-contractor, as the case may be. The bank must ensure that the written policies and procedures at the minimum set out the criteria under which the bank or the service provider or sub-contractor, as the case may be, may disclose the Customer Information to the supervisory authority and how the bank will ensure that it is notified of any requests for Customer Information from the supervisory authority;
 - (ii) a written undertaking to notify the Authority in writing of any disclosure of Customer Information to the supervisory authority, within 14 working days after such disclosure.

SECTION C. REQUIREMENTS RELATING TO OUTSOURCED RELEVANT SERVICES THAT INVOLVE THE DISCLOSURE OF CUSTOMER INFORMATION

12.1 A bank in Singapore which obtains or receives an outsourced relevant service that is a material ongoing outsourced relevant service does not need to comply with the requirements in Section C.

Evaluation of Service Provider relating to Outsourced Relevant Services

12.2 For the purposes of section 47A(2)(a) and 47A(4)(a) of the Act, before obtaining or receiving an outsourced relevant service which involves the disclosure of customer information, to evaluate the ability of the service provider to safeguard the confidentiality and integrity of customer information disclosed to, or accessed, collected, copied, modified, used, stored or processed by, the service provider, a bank in Singapore must conduct due diligence checks to assess and be satisfied of all of the following matters at the minimum:

- (a) the service provider's reputation and track record for safeguarding the confidentiality and integrity of customer information in its custody;
- (b) the service provider's ability to ensure that employees who are authorised to access the customer information are subject to confidentiality obligations;
- (c) the measures that the service provider has put in place to safeguard the confidentiality and integrity of customer information of the bank that is in the custody of the service provider, in relation to the provision of the relevant service.

12.3 A bank in Singapore must satisfy itself, on an ongoing basis, of the service provider's ability to safeguard the confidentiality and integrity of customer information disclosed to, or accessed, collected, copied, modified, used, stored or processed by, the service provider.

12.4 A bank in Singapore must document the due diligence checks required under paragraphs 12.2 and 12.3 and furnish the documentation to the Authority upon request.

12.5 Notwithstanding paragraphs 12.2 and 12.3, a bank in Singapore may rely on a third party to perform the due diligence checks required under paragraphs 12.2 and 12.3 if the bank is satisfied that the third party it intends to rely on is able to perform the due diligence checks.

12.6 Where a bank in Singapore places reliance on a third party to perform the due diligence checks required under paragraphs 12.2 and 12.3, the bank must –

- (a) document the basis for its satisfaction that the requirements in paragraph 12.5 have been met;
- (b) obtain from the third party a record, document or report, or information setting out the basis for the third party's assessment pursuant to the due diligence checks; and
- (c) review the third party's evaluation of the service provider.

12.7 To avoid doubt, notwithstanding any reliance on a third party in accordance with paragraphs 12.5 and 12.6, the bank in Singapore remains responsible for its obligations mentioned in paragraphs 12.2 to 12.4.

Outsourcing Agreement and Access to Information relating to Outsourced Relevant Services

12.8 For the purposes of section 47A(2)(b) and 47A(4)(b), before obtaining or receiving an outsourced relevant service which involves the disclosure of customer information, a bank in Singapore must enter into an outsourcing agreement with the service provider, which must include all of the following:

- (a) a requirement that the service provider protects the confidentiality and integrity of all customer information;
- (b) a requirement that the service provider ensures that the service provider and its employees only access, collect, store, process or use any customer information to the extent that is necessary for the service provider to provide the outsourced relevant service;
- (c) a requirement that the service provider ensures that the service provider and its employees do not disclose any customer information to any third party unless compelled by law, in which case the service provider must notify the bank as soon as practicable to the extent permitted by law;
- (d) a requirement that the service provider, on a request by the bank, satisfies the bank, its auditors, the Authority or any person appointed by the Authority, by the production of such evidence or information as the relevant person may require, that the service provider is in compliance with paragraph (a);
- (e) a requirement that the bank may terminate the contract or stop obtaining or receiving the outsourced relevant service from the service provider under any of the following circumstances:
 - (i) the service provider has failed to safeguard the confidentiality or integrity of the customer information in its custody;
 - (ii) there has been a deterioration in the ability of the service provider to safeguard the confidentiality or integrity of the customer information in its custody.

Protection of Customer Information relating to Outsourced Relevant Services

12.9 A bank that obtains or receives an outsourced relevant service which involves the disclosure of customer information must implement adequate measures to protect such customer information that is disclosed to the service provider against unauthorised disclosure, access, collection, copying, use, modification, disposal or similar risks. The bank must at the minimum ensure that the measures include all of the following:

- (a) notifying the service provider in writing of –
 - (i) the bank's obligation to keep customer information confidential under the Act and common law;
 - (ii) the service provider's obligation to keep customer information confidential under the Act; and
 - (iii) in the case where the outsourced relevant service is to be performed outside Singapore, the bank's obligations to protect customer

information in accordance with the laws of the place where the outsourced relevant service is to be performed;

- (b) ensuring that customer information is disclosed to, or accessed, collected, copied, modified, used, stored or processed by, a service provider and its employees only to the extent that is necessary for the service provider and its employees to provide the outsourced relevant service.

Termination of Outsourced Relevant Services

12.10 If any of the circumstances specified in paragraph 12.8(e) arise, a bank in Singapore must:

- (a) notify the Authority of the circumstances that have arisen as soon as possible;
- (b) consider whether to exercise its right to terminate the contract or to stop obtaining or receiving the outsourced relevant service from the service provider, and document the bank's considerations; and
- (c) exercise its right to terminate the contract or to stop obtaining or receiving the outsourced relevant service from the service provider if the Authority directs the bank to do so, having regard to public interest or the interest of depositors.

12.11 Upon the termination of the contract relating to an outsourced relevant service that involves the disclosure of customer information or when a bank in Singapore stops obtaining or receiving an outsourced relevant service that involves the disclosure of customer information, the bank must ensure that all records of transactions, documents and information given to the service provider are removed from the possession of the service provider or deleted, destroyed or rendered unusable as soon as possible except where –

- (a) the service provider is prohibited from doing so by written law or foreign laws, in the case where the outsourced relevant service is obtained or received overseas; or
- (b) in the case where the service provider is a branch or office of the bank in Singapore, the record, document or information is stored in a system used by the bank which upon the termination of the outsourcing agreement, can only be accessed by the bank.

SECTION D. GROUP POLICY RELATING TO OUTSOURCED RELEVANT SERVICES

13. Group Policy

13.1 A bank incorporated in Singapore must implement a group policy relating to outsourced relevant services to ensure that each of its branches comply with all of the requirements in this Notice, as if it were a bank in Singapore.

SECTION E. EFFECTIVE DATES OF REQUIREMENTS IN THIS NOTICE

14. EFFECTIVE DATES

14.1 This Notice, other than paragraphs 6.2(b), 7.1, 10.2 and 12.8, takes effect on xx [i.e. 12 months after the issuance of the Notice].

14.2 Paragraphs 6.2(b), 7.1, 10.2 and 12.8 take effect on the following dates:

- (a) in the case of a new outsourcing agreement relating to a material ongoing outsourced relevant service entered into on or after [date of issuance of the Notice], the date on which the bank enters into the agreement or [12 months after the date of issuance of the Notice], whichever is later;
- (b) in the case of an existing outsourcing agreement relating to a material ongoing outsourced relevant service is entered into before [date of issuance of Notice], the date on which the bank renews the agreement or [12 months after the date of issuance of the Notice], whichever is later.

14.3 To avoid doubt, in the case of an existing outsourcing agreement relating to a material ongoing outsourced relevant service where –

- (a) prior to [date of issuance of the Notice], the ongoing outsourced relevant service was not a material ongoing outsourced relevant service; and
- (b) on or after [date of issuance of the Notice], the ongoing outsourced relevant service becomes a material ongoing outsourced relevant service,

paragraphs 6.2(b), 7.1, 10.2 and 12.8 take effect on the date on which the bank renews the agreement or [12 months after the date of issuance of the Notice], whichever is later.

RELEVANT SERVICES COMMONLY PERFORMED BY BANKS IN SINGAPORE

1. The following relevant services relating to risk management:
 - (i) processing of applications such as those relating to loan origination and credit cards;
 - (ii) middle and back office operations such as electronic funds transfer (excluding services under 1(x), (xi), (xii) of Annex B), maintaining the register of participants of a collective investment scheme (CIS), sending of accounts and reports to CIS participants, processing of trade orders, trade settlement and risk management;
 - (iii) administration of claims such as loan negotiations, loan processing, collateral management and collection of bad loans;
 - (iv) processing of documents such as cheques, credit card and bill payments, bank statements, other corporate payments and customer statement printing;
 - (v) support services related to archival, storage and destruction of data and records;
 - (vi) manpower management such as payroll processing, benefits and compensation administration, staff appointment, services provided by recruitment agencies, staff augmentation;
 - (vii) software development;
 - (viii) customisation of commercial off-the-shelf (COTS) software;
 - (ix) investment management such as discretionary portfolio management, cash management);
 - (x) calculation of financial benchmarks;
 - (xi) 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;
 - (xii) business continuity and information technology disaster recovery functions and activities;

- (xiii) white-labelling arrangements such as for trading and hedging facilities;
- (xiv) marketing or research conducted in the name of the bank or co-branded with the name of the bank, or where such marketing or research involves the bank's confidential information or customers' information;
- (xv) professional services related to the business activities of the bank including centralised or shared services provided by the bank's regional branches or offices for or on behalf of the bank in Singapore, such as accounting, internal audit, actuarial, compliance or corporate secretariat services;
- (xvi) sanction screening services;
- (xvii) due diligence performed on potential customers.

Annex B

RELEVANT SERVICES THAT ARE EXCLUDED FROM THE DEFINITION OF OUTSOURCED RELEVANT SERVICE

The following are relevant services that are excluded from the definition of “outsourced relevant service” in paragraph 2.1 of the Notice:

1. The following relevant services that require the use of third-party providers because of the characteristics of the service provided:
 - (i) 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;
 - (ii) telecommunication services and public utilities such as electricity, SMS gateway services;
 - (iii) postal services as defined in section 2(1) of the Postal Services Act (Cap. 237A) (“PS Act”) that is provided by any person licensed under section 6 of the PS Act, but excludes express letter service as defined in regulation 2(1) of the Postal Services (Class Licence) Regulations 2005 (“express letter services”) and service of delivery of parcel as defined in section 2(1) of the PS Act (“parcel delivery services”);
 - (iv) market information services such as those provided by Bloomberg, Moody’s and Standard & Poor’s;
 - (v) payment card network infrastructure such as those provided by Visa, MasterCard;
 - (vi) 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;
 - (vii) global financial messaging infrastructure provided by Society for Worldwide Interbank Financial Telecommunication (SWIFT);
 - (viii) correspondent banking services;
 - (ix) services provided by credit bureaus relating to the disclosure and obtaining of credit-related information;

- (x) services provided by MAS such as MASNET, MEPS+;
 - (xi) services provided via payments systems such as those provided via Fast And Secure Transfers (FAST), Interbank GIRO (IBG), NETS EFTPOS, Grabpay or Paypal;
 - (xii) services provided via central addressing system provided via PayNow;
 - (xiii) bill payment services provided by AXS and SAM;
 - (xiv) training on usage and technical support of third-party IT tools (including COTS software) by a vendor who developed the IT tools;
 - (xv) scheduled maintenance of equipment supporting business continuity and information technology disaster recovery such as the provision of uninterruptible power supply;
 - (xvi) discrete advisory services, including services provided under a retainer arrangement, such as the provision of legal opinions, independent appraisals, advisory services by trustees in bankruptcy, loss adjusters and specialised tax advisory services);
 - (xvii) expert assessment or independent consulting for areas where the bank does not have the internal expertise to conduct.
2. The following relevant services relating to introducer arrangements and principal-agent relationships:
- (i) sale of insurance policies by agents on behalf of the bank and ancillary services relating to those sales;
 - (ii) introducer arrangements between the bank and an introducer, where the bank does not have any existing contractual relationship with the person introduced.
3. Statutory audit and independent audit assessments performed by external auditors, which the bank is not legally able to perform.

RELEVANT SERVICES CONSIDERED AS OUTSOURCED RELEVANT SERVICES

1. Public cloud services such as software-as-a-service, platform-as-a-service, infrastructure-as-a-service;
2. Information technology helpdesks services;
3. Data centre operations or data centre facilities management services;
4. Express letter and parcel delivery services;
5. Card embossing services.

EXEMPTED OUTSOURCED RELEVANT SERVICES

1. Relevant services wholly provided by Government Technology Agency (GovTech) or agents appointed by GovTech. The full list of services can be found at <https://www.ndi-api.gov.sg/ndi-products>.
2. Relevant services that are not for the conduct of any businesses referred to in section 30(1) of the Act and where the service provider does not receive, handle or have access to the bank's confidential information or customer information. The following are some examples of such relevant services:
 - (i) training and development other than for risk management purposes;
 - (ii) cleaning, gardening and building maintenance;
 - (iii) travel services;
 - (iv) receptionist services;
 - (v) pantry services including maintenance of vending machines.