

# CONSULTATION PAPER

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## **Revisions to the Guidelines on Corporate Governance for Designated Financial Holding Companies, Banks, Direct Insurers, Reinsurers and Captive Insurers which are incorporated in Singapore**

MAS

Monetary Authority of Singapore

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## 1 Preface

1.1 The Guidelines on Corporate Governance for Designated Financial Holding Companies, Banks, Direct Insurers, Reinsurers and Captive Insurers (“CG Guidelines”)<sup>1</sup>, issued by the Monetary Authority of Singapore (“MAS”), provides guidance on good practices that Financial Institutions (“FIs”) should observe in relation to their corporate governance.

1.2 The CG Guidelines comprise the principles and provisions of the Code of Corporate Governance (“CG Code”), which apply to all FIs within scope, and additional guidelines (“AG”) for locally-incorporated FIs.

1.3 The current CG Guidelines was last revised in April 2013 and contains the 2012 version of the CG Code. In August 2018, the CG Code was revised to reinforce board competencies and place greater emphasis on disclosures of the relationship between remuneration and value creation. There was also more focus on the consideration of the interests of stakeholder groups other than shareholders. MAS intends to revise the CG Guidelines to incorporate the 2018 version of the CG Code (“the 2018 CG Code”). MAS is also proposing revisions to the AGs, taking into account international standards and industry good practices. Some provisions and AGs currently within the CG Guidelines will also be shifted to the Banking (Corporate Governance) Regulations 2005 and the Insurance (Corporate Governance) Regulations 2013, (hereafter, collectively referred to as the “CG Regulations”)<sup>2</sup>.

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<sup>1</sup> The current CG Guidelines uses the term “financial holding companies” as defined by section 2 of the Banking Act (Cap. 19) and regulation 3 of the Insurance (Corporate Governance) Regulations 2013. In the proposed revised CG Guidelines, references to “financial holding companies” will be amended to “designated financial holding companies”. Prior to the commencement of the Financial Holding Companies Act 2013 (“FHC Act”), “designated financial holding company” in the CG Guidelines refers to a company belonging to a class of financial institutions approved as financial holding companies under section 28 of the Monetary Authority of Singapore Act (Cap. 186) (“MAS Act”). Upon the commencement of the FHC Act, “designated financial holding company” in the CG Guidelines refers to a financial holding company designated under section 4 of the FHC Act.

<sup>2</sup> Similarly, the said provisions will also be reflected where relevant in the upcoming Financial Holding Companies (Corporate Governance for Financial Holding Companies of Banks Incorporated in Singapore) Regulations (“BHC CG Regs”) and Financial Holding Companies (Corporate Governance for Financial Holding Companies of Insurance Groups) Regulations (“IHC CG Regs”), which MAS is currently engaging the industry on.

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1.4 The CG Guidelines with the proposed revisions is set out in Annex C of this paper. MAS welcomes comments from FIs and other interested parties on the proposed revisions to the CG Guidelines.

**Please note that all submissions received will be published and attributed to the respective respondents unless they expressly request MAS not to do so. As such, if respondents would like:**

- i. their whole submission or part of it (but not their identity), or**
- ii. their identity along with their whole submission,**

**to be kept confidential, please expressly state so in the submission to MAS. MAS will only publish non-anonymous submissions. In addition, MAS reserves the right not to publish any submission received where MAS considers it not in the public interest to do so, such as where the submission appears to be libellous or offensive.**

1.5 Please submit your comments to the consultation paper by 18 June 2021 at the link below –

<https://form.gov.sg/6094bf42bee1190011699901>

## **2 Compliance Approach**

2.1 Rule 710 of the SGX Mainboard Rules mandates that Mainboard-listed companies must comply with the principles of the 2018 CG Code. A similar rule exists in the Catalist Rules for Catalist-listed companies. Companies listed on the Singapore Exchange are also expected to comply with the provisions that underpin the principles. Variations from the provisions are acceptable to the extent that companies explicitly state and explain how their practices are consistent with the aim and philosophy of the principle in question.

2.2 In a similar vein, MAS will expect locally-incorporated banks, Tier 1 insurers, and designated financial holding companies that own banks or Tier 1 insurers to fully observe the principles of the CG Code contained within the CG Guidelines. Deviations from Principles 11 and 12 under the sub-section “Shareholder Rights and Engagement” of the CG Code are acceptable if they are not relevant in the context of the ownership structure of non-listed FIs. For instance, Principles 11 and 12 may not be relevant to FIs that are wholly-owned by a single parent entity. Where locally-incorporated banks, Tier 1 insurers, and designated financial holding companies which own banks or Tier 1 insurers do not

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observe Principles 11 and 12, this should be explained in their annual reports (for listed FIs) or company websites (for non-listed FIs).

2.3 For Tier 2 insurers<sup>3</sup>, captive insurers<sup>4</sup> and designated financial holding companies which own Tier 2 insurers, MAS does not expect full observance of the principles, but any variation should be explained in their annual reports (for listed FIs) or company websites (for non-listed FIs). All FIs within the scope of the CG Guidelines should also continue to observe or explain variations from the provisions and AGs in their annual reports (for listed FIs) or company websites (for non-listed FIs).

**Question 1.** MAS seeks comments on our expectation for locally-incorporated banks, Tier 1 insurers, and designated financial holding companies which own banks or Tier 1 insurers to fully observe the principles of the CG Code contained within the CG Guidelines, where deviations from Principles 11 and 12 are acceptable if they are not relevant in the context of the ownership structure of non-listed FIs.

### 3 Benchmarking to International Standards and Good Practices

3.1 MAS regularly reviews its regulatory and supervisory framework to ensure that it keeps pace with international standards and good practices. These include:

- a) Basel Committee on Banking Supervision Core Principles for Effective Banking Supervision (“BCBS BCPs”);
- b) International Association of Insurance Supervisors Core Principles (“IAIS ICPs”); and
- c) Financial Stability Board Principles and Standards for Sound Compensation Practices (“FSB P&S”) and its Supplementary Guidance.

Arising from our review, MAS is proposing additions to the AGs in the following key areas.

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<sup>3</sup> The Insurance (Corporate Governance) Regulations 2013 sets out the definitions of a Tier 1 insurer and Tier 2 insurer.

<sup>4</sup> A captive insurer has the same meaning as that defined in the Insurance Act (cap 142).

Role and Responsibilities of the Board of Directors

3.2 The BCBS BCPs and IAIS ICPs expect an elaboration on the roles and responsibilities expected of the Board of Directors. MAS proposes the following additions to the AGs for the FIs as summarised in Table 1.

**Table 1**

New AG No.	
1.8	<ul style="list-style-type: none"> <li>• The Board’s overall role includes providing leadership, as well as approving and overseeing the implementation of the FI’s strategic direction and overall business objectives, taking into account the need to safeguard customers’ interests.</li> </ul>
1.10	<ul style="list-style-type: none"> <li>• In addition to its other responsibilities, the Board’s role (in relation to senior management) is to:               <ul style="list-style-type: none"> <li>○ provide oversight of senior management;</li> <li>○ ensure that the knowledge and expertise of senior management and key persons in control job functions remain appropriate given the FI’s risk profile and nature of the business; and</li> <li>○ ensure that senior management carries out the day-to-day operations in accordance with the FI’s code of conduct and ethics, business objectives and strategies and long-term interests and viability.</li> </ul> </li> </ul>
1.18	<ul style="list-style-type: none"> <li>• The Board should regularly meet with senior management, including key persons in control job functions, to discuss and review, decisions and explanations given in relation to the business.</li> </ul>
1.19	<ul style="list-style-type: none"> <li>• The Board should review the FI’s corporate governance framework, culture and conduct framework, business objectives and strategies on an annual basis, or more frequently as appropriate, to ensure that they remain relevant and effective.</li> </ul>
3.4	<ul style="list-style-type: none"> <li>• The Chairman’s overall role is to lead and ensure the effectiveness of the Board.</li> </ul>
9.3	<ul style="list-style-type: none"> <li>• On the Board’s responsibility to ensure that senior management establishes an adequate risk management system, this risk management system is to be supported by a system of sound internal controls in accordance with the Financial Institution’s risk appetite.</li> </ul>

New AG No.	
10.8, 10.9	<ul style="list-style-type: none"> <li>• On the role of the Audit Committee (“AC”) in relation to the external auditor (“EA”), the AC should:               <ul style="list-style-type: none"> <li>○ understand the EA’s approach to providing reasonable assurance that the financial statements are free from material misstatement; and</li> <li>○ require EAs to promptly communicate to the AC on any relevant matter, in addition to information regarding internal control weaknesses or deficiencies.</li> </ul> </li> </ul>

**Question 2.** MAS seeks comments on the proposed additions to the AGs as set out in Table 1.

### Remuneration Practices

3.3 The CG Guidelines currently require the Board Remuneration Committee (“RC”) of FIs to adopt the FSB P&S in their remuneration policies. The FSB P&S are currently appended in full as an Annex to the CG Guidelines.

3.4 For greater emphasis on their importance, MAS proposes to set out key expectations under the FSB P&S and its Supplementary Guidance as AGs in the CG Guidelines, instead of appending them in an Annex. These are summarised in Table 2 below.

**Table 2**

New AG No.	
6.6	<ul style="list-style-type: none"> <li>• Control functions are involved in the design of remuneration policies, and provide inputs on performance evaluation and remuneration decisions.</li> </ul>
6.7	<ul style="list-style-type: none"> <li>• The RC pays sustained attention to the design and operation of remuneration policies for all employees, with particular attention paid to key management personnel and other material risk takers (“MRTs”).</li> </ul>
6.8	<ul style="list-style-type: none"> <li>• The RC and senior management exercise active oversight and monitor the effectiveness of remuneration policies (i.e. whether policies operate as intended).</li> </ul>

New AG No.	
6.9	<ul style="list-style-type: none"> <li>• FIs conduct an independent annual review of their compensation practices to assess the level of compliance with relevant regulations and guidelines, and submit the review to the Authority upon request.</li> <li>• Foreign-owned FIs can choose to rely on independent annual reviews of the FI's compensation practices against regulations and guidelines issued by the FI's home supervisor (e.g. relying on compensation reviews performed by the parent bank). In doing so, the FI should be able to demonstrate that the requirements and expectations of the home supervisor are consistent with the principles set out in the Authority's regulations and guidelines.</li> </ul>
7.4	<ul style="list-style-type: none"> <li>• The remuneration structures for key management personnel and other MRTs are consistent with the FIs' long-term objectives and financial soundness.</li> <li>• A substantial proportion of key management personnel and other MRTs' remuneration is variable, awarded in a mix of instruments aligned with long-term value creation and subject to deferral arrangements.</li> </ul>
7.5	<ul style="list-style-type: none"> <li>• Guaranteed bonuses are not consistent with sound risk management and can be granted only under exceptional circumstances (e.g. awarded only to new hires and limited to the first year of employment).</li> </ul>
7.6	<ul style="list-style-type: none"> <li>• Financial and non-financial factors consistent with the long-term objectives and financial soundness of the FI, are considered when determining the performance and remuneration of all employees.</li> </ul>
7.7	<ul style="list-style-type: none"> <li>• The performance and remuneration of employees in control job functions are determined independently of the business functions.</li> </ul>
7.8	<ul style="list-style-type: none"> <li>• Remuneration policies for all employees contain ex-ante adjustment mechanisms, to account for all types of risk, including conduct risk.</li> </ul>
7.9	<ul style="list-style-type: none"> <li>• Remuneration policies for key management personnel and other MRTs contain ex-post adjustment mechanisms, to take into consideration risks that are longer-term in nature.</li> </ul>
7.10	<ul style="list-style-type: none"> <li>• The indicative criteria and scenarios that could result in ex-ante or ex-post adjustments to performance and remuneration are set out in the remuneration policies and clearly communicated to employees.</li> </ul>



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**Question 3.** MAS seeks comments on the proposed additions to the AGs in Table 2.

Documentation of Unresolved Concerns of Independent Directors

3.5 Independent directors (as defined in the CG Regulations) are expected to provide independent views to the Board of FIs, as well as to mitigate risks arising from possible conflict of interest situations.

3.6 Given the important role that independent directors play in Board deliberations and decision-making, MAS proposes to require that unresolved concerns of the independent directors, particularly those on the running of the company or a proposed corporate action, be documented in the minutes of meetings of the Board. This expectation is proposed to be included as a new AG 2.9. Such a requirement is already set out in the UK Code of Corporate Governance, administered by the Financial Reporting Council and applicable for all companies with a Premium Listing<sup>5</sup> on the London Stock Exchange.

**Question 4.** MAS seeks comments on the proposal to document the unresolved concerns of independent directors, particularly those on the running of the company or a proposed corporate action.

## **4 Appointment of Non-directors to the Board Risk Committee**

4.1 The Board Risk Committee (“BRC”) of an FI has statutory responsibilities under the CG Regulations for overseeing the establishment and operation of an independent risk management system for the FI, as well as ensuring the adequacy of the risk management function of the FI. To achieve this, FIs are expected to appoint directors with skills and expertise relevant to their business strategy and objectives. However, some FIs have highlighted practical challenges in covering certain specialised risk areas due to a limited pool of suitably qualified director candidates. As an alternative, some FIs have

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<sup>5</sup> FIs with a Premium Listing on the London Stock Exchange include Standard Chartered Plc, Lloyds Banking Group Plc, Barclays Plc, AVIVA Plc, RSA Insurance Group Plc, Prudential Plc.

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turned to engaging subject matter experts (“experts”) on specialised risk types (for example in technology risks or specific target markets) to advise their BRCs.

4.2 MAS notes that formally appointing an expert to the BRC could allow the individual to weigh in more strongly with his or her views, even if he or she is not a director of the bank. As a member of the BRC, such an individual would also be subject to a higher level of public accountability compared to if he or she only contributed to the BRC episodically. To be clear, such individuals would not have the same fiduciary duties as directors and are not elected by shareholders.

4.3 Given the considerations above, MAS proposes a new provision to clarify that an expert, who is not a director, may be appointed as a member of the BRC. This provision is proposed to be included as a new AG 9.9. Such appointments should be on an exceptional basis and non-director experts should not constitute a significant proportion of members in the BRC.

4.4 Any such appointments should be notified to MAS at least 30 days prior to the date of appointment. This is primarily for MAS to gain a better understanding of the scope of responsibilities that the FI intends the individual to have, and how this would be imposed on the non-director. MAS further expects the individual to commit to the appropriate undertakings<sup>6</sup> for proper accountability and to discharge his or her responsibilities as a member of the BRC with due diligence and in the interests of the FI and its customers.

**Question 5.** MAS seeks comments on the following proposals:

- (a) to introduce a new AG on the appointment of a non-director as a member of the BRC;
- (b) such appointment should be notified to MAS at least 30 days prior to the date of appointment;
- (c) the non-director to commit to appropriate undertakings for proper accountability.

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<sup>6</sup> Such undertakings could include duties to keep confidential all information acquired as a BRC member, to exercise due diligence in the discharge of duties, to disclose conflicts of interest, as well as the recourse that the FI can have against the non-director in event that the undertakings are breached.

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## 5 Provisions and Additional Guidelines proposed for inclusion into the CG Regulations

5.1 Several provisions in the 2012 CG Code that were assessed to be important requirements for listed companies were shifted from the CG Code to the SGX Listing Rules (“SGX-LR”) for mandatory compliance in 2018. MAS has conducted a review to identify which of these provisions, as well as other AGs within the current CG Guidelines, constitute expectations that are fundamental to good corporate governance and should therefore be included in the CG Regulations for mandatory compliance by the relevant FIs.

5.2 The CG Regulations currently set out the overall key responsibilities of the various board committees<sup>7</sup>, whereas the key responsibilities of the board are currently contained only in the CG Guidelines. MAS proposes to set out the board of directors’ key responsibilities in the CG Regulations, as follows.

**Table 3**

Key responsibilities of the board of directors
The board is responsible for: (a) setting and overseeing the implementation of the bank’s/insurer’s business objectives and strategies; (b) ensuring that adequate resources are in place for the bank/insurer to meet its business objectives; (c) ensuring that the bank/insurer establishes and maintains a risk management framework to adequately monitor and manage risks; (d) setting an appropriate tone from the top and establishing an organisation culture which supports prudent risk management and safeguarding of customers’ interest, and overseeing the establishment of policies to strengthen these values; (e) reviewing, at least annually, the bank’s/insurer’s business objectives, strategies, and its corporate governance as well as culture and conduct frameworks.



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<sup>7</sup> Reg 30, Reg 33(3), Reg 34(2) and Reg 34A(2) of the Banking CG Regulations sets out the responsibilities of the Nominating Committee, Remuneration Committee, Audit Committee and Risk Management Committee respectively. Reg 12, Reg 16(3), Reg 17(2) and Reg 18(2) of the Insurance CG Regs sets out the responsibilities of the Nominating Committee, Remuneration Committee, Audit Committee and Risk Management Committee respectively.

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5.3 In addition, MAS proposes to include in the CG Regulations, a requirement that the board committees' written terms of reference should clearly set out the authority and duties of the committees. This is similar to the requirement in Rule 210(5)(e) of the SGX-LR.<sup>8</sup> More detailed expectations of the board of directors' responsibilities will continue to remain in the CG Guidelines.

5.4 MAS also proposes to shift the provisions set out in Table 4 (formerly from the 2012 CG Code and shifted to the SGX-LR in 2018) into the CG Regulations, as these are likewise MAS' baseline expectations on corporate governance. These proposals aim to:

- (a) strengthen the oversight of the FI's internal controls and its internal audit function, as well as to provide additional assurance that the Board and AC are fulfilling their responsibilities appropriately;
- (b) strengthen the independence of directors on the Board; and
- (c) increase transparency on the profile of directors on the Board, to enable shareholders and other stakeholders to have a better understanding of the directors' roles and their suitability for such roles.

**Table 4**

**Provisions to be included in the CG Regulations**

The Board comments on the adequacy and effectiveness of the internal controls (including financial, operational, compliance and information technology controls, and risk management systems) in the company's annual report (for listed FIs) or company website (for non-listed FIs).

A statement on whether the AC concurs with the Board's comments is to be provided in the annual report (for listed FIs) or company website (for non-listed FIs)<sup>9</sup>.

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<sup>8</sup> Listing Rule 210(5)(e) states that the issuer must establish one or more committees as may be necessary to perform the functions of an audit committee, a nominating committee and a remuneration committee, with written terms of reference which clearly set out the authority and duties of the committees.

<sup>9</sup> This was not formerly in the 2012 CG Code, but was added to enhance the CG Code provision when the provision was shifted into the SGX-LR.

<b>Provisions to be included in the CG Regulations</b>
The AC comments on whether the internal audit function is independent, effective and adequately resourced in the annual report (for listed FIs) or company website (for non-listed FIs) <sup>10</sup> .
A director is deemed as non-independent if the director or an immediate family member is employed by the Financial Institution or any of its related corporations in the current or any of the past three financial years.
All directors submit themselves for re-nomination and re-appointment at least once every three years. <sup>11</sup>
Names of directors submitted for appointment or re-appointment to be accompanied by details and information <sup>12</sup> to enable shareholders and the Board to make informed decisions.
The Board identifies all directors, including their designations (i.e. independent, non-executive, executive, etc.) and roles (as members or chairmen of the board or board committees) in the annual report (for listed FIs) or company website (for non-listed FIs).

5.5 Further, MAS proposes to extend existing remuneration requirements in the CG Regulations on executive officers to MRTs, and strengthen the RC's ability to ensure that remuneration policies do not create incentives for excessive risk-taking behaviour. The proposed requirements are set out in Table 5. MRTs' decisions or actions could materially impact an FI's risk profile. Given the nature of MRTs' roles, it is important to ensure that their remuneration is aligned with prudent risk taking and consistent with sound risk management principles. It is also important for FIs to have appropriate standards and

<sup>10</sup> The expectation on the AC to comment on the internal audit function was not formerly part of the 2012 CG Code provision, but was added to enhance the CG Code provision when it was shifted into the SGX-LR.

<sup>11</sup> This is already a requirement in Regulation 34 of the Banking Regulations, and will only be a new requirement for insurers once hardcoded in the Insurance (Corporate Governance) Regulations 2013.

<sup>12</sup> For example: date of last re-appointment; name of person; age; country of principal residence; the Board's comments on this appointment (including rationale, selection criteria, and the search and nomination process); whether the appointment is executive, and if so, the area of responsibility; job title; professional qualifications; working experience and occupation(s) during the past 10 years; shareholding interest in the FI and its subsidiaries; relationships between the candidate and the directors, the FI or its 10% shareholders; conflict of interest; and details of other principal commitments, including other directorships.

processes in place to properly identify and subject MRTs to more stringent remuneration requirements.

**Table 5**

Provisions to be included in the CG Regulations
The RC recommends a framework for determining the remuneration of MRTs and the framework should include similar elements and factors as the framework for executive officers <sup>13</sup> .
The RC <sup>14</sup> establishes appropriate criteria to identify MRTs. The criteria should take into account (i) the financial and non-financial risks that the FI is or may be exposed to; and (ii) the materiality of the impact that the employee's decisions or activities could have on the FI's risk profile.
The RC seeks inputs from the relevant committees overseeing control functions (e.g. BRC, AC) when evaluating the remuneration for executive officers <sup>15</sup> and MRTs.

5.6 The existing provisions and AGs that are proposed to be shifted to the CG Regulations, as set out in paragraphs 5.2, 5.4 and 5.5 will temporarily remain in the CG Guidelines until the amendments to the CG Regulations are effected.

**Question 6.** MAS seeks comments on the inclusion of the requirements set out in Tables 3 to 5 and paragraph 5.3 into the CG Regulations.

<sup>13</sup> The current CG Regulations require the remuneration of executive officers to (a) be aligned with the risks that the bank/insurer undertakes in its business; (b) be sensitive to the time horizon of risks; (c) be linked to his/her personal performance, performance of the job function as a whole and overall performance of the bank/insurer; (d) take into account inputs from control functions; and (e) comprise a mix of cash, equity and other forms of incentives.

<sup>14</sup> For foreign bank subsidiaries, Tier 1 and Tier 2 insurer subsidiaries that are not required to have a RC, the Board is responsible for performing the function of the RC.

<sup>15</sup> This is an existing expectation in the CG Guidelines that will be included as a requirement under the CG Regulations.

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## **6 Consequential Amendments and other Amendments to remove duplication**

6.1 As MAS will be updating the CG Guidelines to replace the 2012 CG Code with the 2018 version, consequential amendments arising from the differences in the 2018 CG Code will be necessary to the AGs within the CG Guidelines. These amendments are set out in Tables B1 to B3 of Annex B.

6.2 MAS will also be streamlining the AGs to remove expectations that are already contained within the CG Regulations and MAS' Guidelines on Risk Management. The proposed amendments to the AGs are set out in Table B4 of Annex B.

## **7 General**

7.1 In addition to the areas highlighted above, MAS welcomes comments on other aspects of the CG Guidelines.

**Question 7.** MAS seeks comments on any aspects of the CG Guidelines that have not been covered in the proposed amendments.

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## ANNEX A: LIST OF QUESTIONS

- Question 1.** MAS seeks comments on our expectation for locally-incorporated banks, Tier 1 insurers, and designated financial holding companies which own banks or Tier 1 insurers to fully observe the principles of the CG Code contained within the CG Guidelines, where deviations from Principles 11 and 12 are acceptable if they are not relevant in the context of the ownership structure of non-listed FIs. ....5
- Question 2.** MAS seeks comments on the proposed additions to the AGs as set out in Table 1. ....7
- Question 3.** MAS seeks comments on the proposed additions to the AGs in Table 2. ....9
- Question 4.** MAS seeks comments on the proposal to document the unresolved concerns of independent directors, particularly those on the running of the company or a proposed corporate action.....9
- Question 5.** MAS seeks comments on the following proposals: .....10
- (a) to introduce a new AG on the appointment of a non-director as a member of the BRC .....10
  - (b) such appointment should be notified to MAS at least 30 days prior to the date of appointment .....10
  - (c) the non-director to commit to appropriate undertakings for proper accountability. ....10
- Question 6.** MAS seeks comments on the inclusion of the requirements set out in Tables 3 to 5 and paragraph 5.3 into the CG Regulations. ....14
- Question 7.** MAS seeks comments on any aspects of the CG Guidelines that have not been covered in the proposed amendments.....15



**ANNEX B: CONSEQUENTIAL AMENDMENTS TO THE CG GUIDELINES AND  
REMOVING DUPLICATION WITH THE CG REGULATIONS AND MAS' GUIDELINES  
ON RISK MANAGEMENT**

**Table B1: Provisions shifted from the 2012 CG Code to the SGX Listing Rules, to be  
added back to the CG Guidelines**

New AG no.	Provision to be added back to the Additional Guidelines
1.15	<ul style="list-style-type: none"> <li>• Directors who have no prior experience as a director of listed companies, and directors with no prior experience as a director of an FI should undergo training in areas such as director duties, relevant regulatory and industry-specific knowledge, as appropriate.</li> <li>• As MAS does not prescribe the specific training that directors of Financial Institutions should undergo, we will not make this a requirement in the CG Regulations.</li> </ul>

**Table B2: Amendments made to the Additional Guidelines to update references to  
the CG Code provisions**

AG No.		Amendments made to AGs to update references to the CG Code provisions
Current	New	
4.10, 4.14	<i>[Deleted]</i>	<ul style="list-style-type: none"> <li>• The 2012 CG Code had stated that the Board should adopt guidelines that address the competing time commitments faced when directors serve on multiple boards (Provision 4.4). The current AG 4.10 in our CG Guidelines provides further guidance on the formulation of such guidelines<sup>16</sup>, while AG 4.14 states that the Nominating Committee (“NC”) should disclose any deviation from these guidelines in the annual report (for listed FIs) or company website (for non-listed FIs).</li> <li>• Provision 4.4 is no longer in the 2018 version of the CG Code which we are incorporating into the CG Guidelines. Under the 2018 CG Code, the NC is expected to disclose its “reasoned assessment of the ability of the director to diligently</li> </ul>

<sup>16</sup> E.g. the guidelines should contain guidance on the number of Board memberships, taking into consideration factors such as the complexity of the companies’ operations, risk management systems and controls, and the frequency of Board meetings held.

		<p>discharge his or her duties” where a director holds a significant number of directorships and commitments.</p> <ul style="list-style-type: none"> <li>• Thus, MAS will remove AGs 4.10 and 4.14, in line with the removal of the expectation to have specific guidelines on directors’ time commitment.</li> </ul>
1.11; 7.5	1.11; 6.5	<ul style="list-style-type: none"> <li>• The 2012 CG Code stated that one role of the board is to “set the company’s values and standards (including ethical standards)”. The 2018 CG Code sets this out more broadly, stating that the board “puts in place a code of conduct and ethics, sets appropriate tone-from-the-top and desired organisational culture, and ensures proper accountability within the company”.</li> <li>• Hence, MAS will replace references to corporate values with “code of conduct and ethics” in the AGs, for alignment with the 2018 CG Code provisions.</li> </ul>

**Table B3: Additional Guidelines to be removed as they will be duplicated by the 2018  
CG Code**

AG No.		Additional Guidelines to be removed as they are duplicated by the 2018 CG Code
Current	New	
1.9	<i>[Deleted]</i>	Communication procedures between the Board and board committees, including the expectation for board committees to report to the Board.
2.13; 11.14		The expectation to disclose the key terms of reference and names of the members of the EXCO and BRC in the annual report (for listed FIs) or company website (for non-listed FIs).
12.16		The expectation to establish an internal whistle-blowing policy.

**Table B4: Amendments to streamline the Additional Guidelines to remove duplication with the CG Regulations and MAS' Guidelines on Risk Management**

AG No.		
Current	New	
2.12; 4.9; 7.7; 11.6(h); 12.10	1.14	<ul style="list-style-type: none"> <li>MAS will consolidate the requirement to maintain records of meetings for the board and all board committees in one AG, in place of having separate AGs for each committee.</li> </ul>
11.6(d); 11.11; 13.8(a)	9.4(d); 9.6; 10.13(a)	<ul style="list-style-type: none"> <li>MAS will streamline the risk types mentioned (e.g. subsume underwriting, and country and transfer risk under credit risk), and to add conduct, technology, and money laundering and terrorist financing risks as examples of the risks faced by FIs.</li> <li>Specifically for new AG 9.6, MAS will remove an elaboration on the type of credit risk information to be provided by senior management to Board. This is to remove duplication with MAS' Guidelines on Risk Management Practices – Credit Risk, which contains similar expectations.</li> </ul>
11.7- 11.10 [CRO]	9.10	<ul style="list-style-type: none"> <li>Detailed expectations relating to the Chief Risk Officer ("CRO") role will be removed, as these key expectations are already set out in MAS' Guidelines on Risk Management Practices – Board and Senior Management.</li> <li>The expectation for internal auditors to adopt relevant good practices set out by other international standard setters will be removed, as this expectation is already set out in MAS' Guidelines on Risk Management Practices – Internal Controls.</li> <li>Instead, MAS will have a new AG 9.10, which makes a general reference to the expectation for board and senior management to observe MAS' Guidelines on Risk Management.</li> </ul>
13.15 [IA]	[deleted]	
11.12	9.7	<ul style="list-style-type: none"> <li>The expectation for the BRC to comprise at least three directors, a majority of whom, including the Chairman, are non-executive will be removed, as this is already set out in the CG Regulations.</li> </ul>

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**ANNEX C: PROPOSED GUIDELINES ON CORPORATE GOVERNANCE FOR  
DESIGNATED FINANCIAL HOLDING COMPANIES, BANKS, DIRECT INSURERS,  
REINSURERS AND CAPTIVE INSURERS WHICH ARE INCORPORATED IN  
SINGAPORE**

**INTRODUCTION**

1 The Guidelines on Corporate Governance (“~~t~~The Guidelines”) are relevant to all **designated** financial holding companies<sup>1</sup>, banks, direct insurers, reinsurers and captive insurers (~~“the insurers”~~), which are incorporated in Singapore (collectively the “Financial Institutions”). They provide guidance on **best good** practices that Financial Institutions should observe in relation to their corporate governance.

2 The Guidelines should be read in conjunction with the provisions of the Banking Act (Cap. 19) or the Insurance Act (Cap. 142) as the case may be, the relevant Corporate Governance Regulations issued pursuant to either of the Acts as well as written directions, codes and other guidelines that the Monetary Authority of Singapore (“the Authority”) may issue from time to time<sup>2</sup>.

3 The Guidelines ~~at Annex 1~~ comprise the **Principles and Provisions of the Code of Corporate Governance 2012<sup>1a</sup> 2018** (“Code”) ~~for companies listed on the Singapore Exchange and supplementary principles and~~ **Additional Guidelines** added by the Authority (in italics) ~~have been included by the Authority~~ to take into account the unique characteristics of the business of banking and insurance, given the diverse and complex risks undertaken by these Financial Institutions and their responsibilities to depositors, ~~and~~ policyholders and other customers. ~~The Code has at its core broad Principles of corporate governance.~~

4 The **Principles** set out broadly accepted characteristics of good corporate governance. The **Provisions** that underpin the Principles describe the tenets of good corporate governance and are designed to support compliance with the Principles.

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<sup>1</sup> Prior to the commencement of the Financial Holding Companies Act 2013, “designated financial holding company” refers to a company belonging to a class of financial institutions approved as financial holding companies under section 28 of the Monetary Authority of Singapore Act (Cap. 186). Upon the commencement of the Financial Holding Companies Act 2013, “designated financial holding company” refers to a financial holding company designated under section 4 of the Financial Holding Companies Act 2013.

<sup>2</sup> Upon the commencement of the Financial Holding Companies Act 2013 and the Corporate Governance Regulations issued pursuant to it, designated financial holding companies should read the Guidelines in conjunction with the provisions of those legislation.

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Financial Institutions are required to describe their corporate governance practices with reference to both the Principles and Provisions, and how their practices conform to the Principles.

5 The Authority expects banks<sup>3</sup>, Tier 1 insurers<sup>4</sup>, and certain designated financial holding companies<sup>5</sup> to fully observe these Principles<sup>6</sup>. For Tier 2 insurers, captive insurers<sup>7</sup> and other designated financial holding companies<sup>8</sup>, MAS expects such Financial Institutions to observe the Principles or explain any variation in their annual reports (for listed Financial Institutions) or company websites (for non-listed Financial Institutions).

46 In addition, ~~the Authority expects every Financial Institution to observe the Provisions and the Additional Guidelines at Annex 1 to the fullest extent possible.~~ Variations from the Provisions and Additional Guidelines are acceptable to the extent that Financial Institutions explicitly state and explain how their practices are consistent with the aim and philosophy of the Principle in question. The explanation of variations should be comprehensive and meaningful. Financial Institutions listed on the Singapore Exchange should disclose their corporate governance practices and explain ~~deviations~~ variations from the ~~Guidelines~~ Provisions and Additional Guidelines in their Annual Reports. Financial Institutions that are not listed on the Singapore Exchange should disclose the same on their websites. ~~For ease of reference, the specific principles and guidelines in the Code for disclosure are set out in Annex 2.~~

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<sup>3</sup> In these Guidelines, “bank” refers to a bank incorporated in Singapore.

<sup>4</sup> In these Guidelines, “Tier 1 insurer” and “Tier 2 insurer” have the same meanings as set out in regulation 4(1) of the Insurance (Corporate Governance) Regulations 2013. To avoid doubt, a Tier 1 insurer and a Tier 2 insurer excludes a captive insurer.

<sup>5</sup> This refers to any designated financial holding company which has at least one subsidiary that is a bank or a Tier 1 insurer and where such subsidiary on its own accounts, or together with other subsidiaries that are financial institutions in the aggregate account, for 50% or more of the assets, capital, liabilities or revenue, of the financial holding company, its subsidiaries and any other company or entity treated as part of the financial holding company’s group of companies according to the accounting standards made or formulated by the Accounting Standards Council under Part III of the Accounting Standards Act 2007 and applicable to companies and to foreign companies in respect of their operations in Singapore for the purposes of the Companies Act (Cap. 50). In this footnote, a financial institution means any holding company or any company whose business the conduct of which is regulated or authorised, or subject to oversight, by the Authority under any written law or, if carried on in Singapore, would be regulated or authorised, or subject to oversight, by the Authority under any written law.

<sup>6</sup> Deviations from Principles 11 and 12 under the sub-section “Shareholder Rights and Engagement” of the Code are acceptable if they are not relevant in the context of the ownership structure of non-listed Financial Institutions. Such deviations should be explained in the annual reports (for listed Financial Institutions) or company websites (for non-listed Financial Institutions).

<sup>7</sup> “Captive insurer” has the same meaning as in section 1A of the Insurance Act (Cap. 142).

<sup>8</sup> This refers to any designated financial holding company other than a designated financial holding company mentioned in footnote 5.

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7 The Authority expects every Financial Institution to observe the following principles and standards in a manner commensurate with its size and nature of activities and risk profile:

- (a) Principles and Standards for Sound Compensation Practices<sup>9</sup> issued by the Financial Stability Board;
- (b) Information Paper on Incentive Structures in the Banking Industry issued by the Authority<sup>10</sup>.

In addition, the Authority expects every bank to observe the Corporate Governance Principles for Banks issued by the Basel Committee on Banking Supervision<sup>11</sup>.

### **Rationale for a Corporate Governance Framework for Financial Institutions**

58 ~~In an increasingly complex business environment influenced by globalisation and other rapid changes in the financial sector, good corporate governance is crucial to ensure that the business of a Financial Institution is managed in a safe and sound manner. Weak governance can undermine public confidence in that particular Financial Institution as well as the financial system and markets in which it operates.~~ Corporate governance refers to the set of relationships between a company's board, senior management, shareholders and other stakeholders, which provides the processes and structures through which the objectives of a company are met, and the means of attaining those objectives and monitoring performance. It helps define the way authority and responsibility are allocated and how corporate decisions are made.

69 ~~In Singapore, directors of a company are required to promote the success of the company in the interests of its shareholders as a group. Corporate governance for Financial Institutions is of greater importance given their crucial financial intermediation roles in an economy and the need to safeguard depositors' and policyholders' funds.~~ Good corporate governance is crucial for the business of a Financial Institution to be managed in a safe and sound manner. Relative to other companies, Financial Institutions play a particularly important role in the economy and have an added responsibility of safeguarding customers' funds. Weak governance may not only undermine public confidence in that particular Financial Institution, but the financial system and markets in which it operates as well.

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<sup>9</sup> FSB Principles for Sound Compensation Practices (April 2009), Implementation Standards for the FSB Principles for Sound Compensation Practices (September 2009), Supplementary Guidance to the FSB Principles and Standards on Sound Compensation Practices (March 2018).

<sup>10</sup> Issued in March 2019.

<sup>11</sup> Issued in July 2015.

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## Risk-based Supervision and Corporate Governance

710 The ~~Authority recognises that the~~ Board plays a critical role in the successful operation of a Financial Institution. The Board is chiefly responsible for setting corporate strategy, reviewing managerial performance and maximising returns for shareholders at an acceptable level of risk, while preventing conflicts of interest and balancing competing demands on the Financial Institution. Therefore, the effectiveness of the Board of a Financial Institution is a basic tenet of the Authority's risk-based supervisory approach. While the Board may delegate ~~to Management~~ the responsibility for formulating sound and prudent policies and practices ~~to Management~~, it remains accountable and cannot abrogate its overall responsibility for the Financial Institution. This does not mean however that the Board should assume the role of the Management. Management is accountable to the Board for the day-to-day conduct of the business and affairs of the Financial Institution.

## Cancellation of Guidelines

811 These Guidelines take immediate effect. The Guidelines on Corporate Governance for ~~banks, designated~~ financial holding companies, ~~banks, and~~ direct insurers, ~~reinsurers and captive insurers~~ which are incorporated in Singapore, issued on ~~9 December 2010~~ 3 April 2013, are cancelled.

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## **BOARD MATTERS**

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### **THE BOARD'S CONDUCT OF AFFAIRS**

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#### **Principle:**

- 1 The company is headed by an effective Board which is collectively responsible and works with Management for the long-term success of the company.

#### **Provisions:**

- 1.1 Directors are fiduciaries who act objectively in the best interests of the company and hold management accountable for performance. The Board puts in place a code of conduct and ethics, sets appropriate tone-from-the-top and desired organisational culture, and ensures proper accountability within the company. Directors with conflicts of interest recuse themselves from meetings and decisions involving the issues of conflict.
- 1.2 Directors understand the company's business as well as their directorship duties (including their roles as executive, non-executive and independent directors). Directors are provided with opportunities to develop and maintain their skills and knowledge at the company's expense. The induction, training and development provided to new and existing directors are disclosed.
- 1.3 The Board decides on matters that require its approval and clearly communicates this to Management in writing. Matters requiring board approval are disclosed.
- 1.4 Board committees, including Executive Committees if any, are formed with clear written terms of reference setting out their compositions, authorities and duties, including reporting back to the Board. The names of the committee members, the terms of reference, any delegation of the Board's authority to make decisions, and a summary of each committee's activities are disclosed.
- 1.5 Directors attend and actively participate in Board and board committee meetings. The number of and individual director attendances at such meetings are disclosed. Directors with multiple board representations ensure that sufficient time and attention are given to the affairs of each company.
- 1.6 Management provides directors with complete, adequate and timely information prior to meetings and on an on-going basis to enable them to make informed



decisions and discharge their duties and responsibilities.

1.7 Directors have separate and independent access to management, the company secretary, and external advice where necessary at the company's expense. The appointment and removal of the company secretary is a matter for the Board as a whole.

Additional Guidelines of the Authority (proposed edits tracked in blue)

1.8	<i>The Board's role is to provide leadership, approve and oversee the implementation of the Financial Institution's strategic direction and overall business objectives, and ensure that the necessary resources are in place for the Financial Institution to meet its objectives, taking into account the need to safeguard customers' interests.</i>
1.9 <del>1.8</del>	<i>The Board <del>should</del> discusses and approves the organisational structure of the Financial Institution. This <del>would</del> includes ensuring that adequate corporate governance frameworks and systems are in place across the Financial Institution. In the case of a Group, the Board of the ultimate holding company <del>should</del> refrains from setting up complex structures given the inherent risks of such structures. In the case of a Board of a subsidiary, it is responsible for the corporate governance of the subsidiary and it should ensure that any reliance placed on group-level corporate governance practices are in accordance with the local regulatory requirements.</i>
<del>1.9</del>	<del><i>Where the Board delegates its authority to a board committee as described in Guideline 1.3, the Board should establish communication procedures between the Board and board committees, and also across board committees. This should include requiring board committees to report to the Board on a regular basis.</i></del>
1.10	<i>The Board provides oversight of senior management. <del>The board should also be</del> It is responsible for the appointment and removal of senior management of the Financial Institution. The Board <del>should</del> sets out clearly the roles, responsibilities, accountability, <i>delegated authority</i> and reporting relationships of senior management and key persons in control job functions<sup>1b12</sup>, and <del>has</del> <i>ve</i> these</i>

<sup>1b12</sup> "Control job functions" includes risk ~~control and~~ management, finance, compliance, internal audit, human resources, ~~actuarial~~ and ~~other~~ risk control related operations.

	<p>properly documented. <del>The delegation of authority from the Board to the senior management should be formal and clear.</del> The Board ensures that the knowledge and expertise of senior management and key persons in control job functions are appropriate given the risk profile and nature of the Financial Institution's business. The Board ensures that the senior management carries out the day-to-day operations of the Financial Institution effectively and in accordance with the Financial Institution's code of conduct and ethics, business objectives and strategies, and long-term interests and viability.</p>
1.11	<p><del>As corporate values set</del>—The code of conduct and ethics put in place by the Board <del>are</del> is aimed at promoting and maintaining a high level of professional conduct of the business, <del>and these values</del> the code of conduct and ethics <del>should emphasises</del>, among others, integrity, honesty and proper conduct at all times, both with respect to internal dealings and external transactions, including situations where there are potential conflicts of interest. <del>Such</del> The <del>values</del> code of conduct and ethics <del>should</del> discourages excessive risk taking activities, promotes open discussions and encourages issues to be raised upwards within the organisation where appropriate. The Board <del>should</del> oversees the establishment of policies to strengthen the <del>values</del> organisational culture of the Financial Institution.</p>
1.12	<p>The Board <del>should</del> ensures that senior management formulates policies and processes to promote fair practices and high standards of business conduct by staff. Such policies <del>should</del> address any misrepresentation, in particular, making of false and misleading statements and misconduct by the staff. For an insurer, such policies <del>should</del> also apply to its distribution channels and its claims adjudication.</p>
1.13	<p>There <del>should be</del> are clear complaint handling procedures in place to ensure that all complaints are dealt with professionally, fairly, promptly and diligently. These complaint handling procedures <del>should be</del> are clearly communicated to customers.</p>
1.14	<p>The Board <del>and board committees</del> <del>should</del> maintain records of all its meetings, in particular records of discussions on key deliberations and decisions taken.</p>
1.15	<p>A director who has no prior experience as a director of an issuer listed on the Exchange undergoes training in areas such as accounting and legal knowledge, director duties and how to discharge those duties, as appropriate. A director who has no prior experience as a director of a Financial Institution undergoes training in areas such as relevant regulatory and industry-specific knowledge, as appropriate.</p>

1.16 <del>15</del>	<p><i>In addition to the types of training referred to in <del>Guideline 1.6</del> <a href="#">Additional Guideline 1.15</a>, the Board <del>should</del> develops a continuous professional development programme for all directors to ensure that they are equipped with the appropriate skills and knowledge to perform their roles on the Board and board committees effectively. Such programmes may include providing the directors with a detailed overview and risk profile of the Financial Institution's significant or new business lines and an update on regulatory developments in jurisdictions which the Financial Institution has a presence in. The Board may develop separate programmes for executive directors, non-executive directors, first-time directors and new directors.</i></p>
1.17 <del>16</del>	<p><i>In its disclosure of the induction, orientation and training provided to new and existing directors as referred to in <del>Guideline 1.6</del> <a href="#">Provision 1.2</a>, the Financial Institution <del>should</del> includes an assessment of how these programmes meet the requirements as set out by the Nominating Committee to equip the Board and the respective board committees with relevant knowledge and skills in order to perform their roles effectively.</i></p>
1.18	<p><i>The Board <del>should</del> regularly meets with senior management, including key persons in control job functions, to discuss and review critically the decisions made, information provided and any explanations given by senior management and key persons in control functions, relating to the business and operations of the Financial Institution.</i></p>
1.19	<p><i>The Board reviews the Financial Institution's corporate governance framework, culture and conduct framework, business objectives and strategies on an annual basis, or more frequently as appropriate, to ensure that they remain relevant and effective.</i></p>

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## **BOARD COMPOSITION AND GUIDANCE**

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### **Principle:**

- 2 The Board has an appropriate balance of independence and diversity of thought and background in its composition to enable it to make decisions in the best interests of the company.

### **Provisions:**

- 2.1 An “independent” director is one who is independent in conduct, character and judgement, and has no relationship with the company, its related corporations<sup>13</sup>, its substantial shareholders<sup>14</sup> or its officers that could interfere, or be reasonably perceived to interfere, with the exercise of the director's independent business judgement in the best interests of the company.
- 2.2 Independent directors make up a majority of the Board where the Chairman is not independent.
- 2.3 Non-executive directors make up a majority of the Board.
- 2.4 The Board and board committees are of an appropriate size, and comprise directors who as a group provide the appropriate balance and mix of skills, knowledge, experience, and other aspects of diversity such as gender and age, so as to avoid groupthink and foster constructive debate. The board diversity policy and progress made in achieving the board diversity policy, including objectives, are disclosed.
- 2.5 Non-executive directors and/or independent directors, led by the independent Board Chairman or other independent director as appropriate, meet regularly without the presence of Management. The chairman of such meetings provides feedback to the Board and/or Board Chairman as appropriate.

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<sup>13</sup> The term “**related corporation**”, in relation to the company, has the same meaning as currently defined in the Companies Act, i.e. a corporation that is the company's holding company, subsidiary or fellow subsidiary.

<sup>14</sup> A “**substantial shareholder**” is a shareholder who has an interest in voting shares with attached total votes not less than 5% of the total votes attached to all voting shares in the company, in line with the definitions set out in section 81 of the Companies Act and section 2 of the Securities and Futures Act.

Additional Guidelines of the Authority (proposed edits tracked in blue)

2.69	<i>As stated in Guideline 2.4, <del>the</del> length of service on the Board <del>should also be</del> is taken into consideration when assessing a directors's independence on the Board. The Nominating Committee <del>should</del> assesses annually, regardless of whether the director is close to his ninth year of service, whether the length of service of a director has affected his/her independence. Long-serving directors, in particular those who have served under the same Chairman or CEO, may have certain entrenched interests that impair their ability to act independently. A director is deemed as non-independent if the director or an immediate family member is employed by the FI or any of its related corporations in the current or any of the past three financial years.</i>
2.710	<i>The Board may establish a Board Executive Committee (EXCO) to assist in the discharge of its duties, and to deliberate on matters requiring Board review that arise between full Board meetings. With regard to the representation of independent directors, the composition of the EXCO <del>should</del> mirrors that recommended for the Board in <del>Guidelines Provision 2.1 and</del> 2.2.</i>
2.811	<i>The Board <del>should</del> ensures that the roles and responsibilities of the EXCO are clearly defined. An EXCO <del>should</del> does not have the authority to exercise all of the powers of the Board. The role of the EXCO is to carry out Board functions and not to take on the functions of senior management.</i>
2.12	<i><del>The EXCO should maintain records of all its meetings, in particular records of discussions on key deliberations and decisions taken.</del></i>
2.13	<i><del>If an EXCO is established, the Board should disclose in the Financial Institution's Annual Report the names of the members of the EXCO and the key terms of reference of the EXCO, explaining its role and the authority delegated to it by the Board.</del></i>
2.9	<i>Where the independent directors have concerns, particularly concerns about the running of the company or a proposed corporate action that was not resolved, they ensure that their concerns are recorded in Board minutes.</i>

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## CHAIRMAN AND CHIEF EXECUTIVE OFFICER

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### Principle:

- 3 There is a clear division of responsibilities between the leadership of the Board and Management, and no one individual has unfettered powers of decision-making.

### Provisions:

- 3.1 The Chairman and the CEO are separate persons to ensure an appropriate balance of power, increased accountability, and greater capacity of the Board for independent decision making.
- 3.2 The Board establishes and sets out in writing the division of responsibilities between the Chairman and the CEO.
- 3.3 The Board has a lead independent director to provide leadership in situations where the Chairman is conflicted, and especially when the Chairman is not independent. The lead independent director, if appointed, is available to shareholders where they have concerns and for which contact through the normal channels of communication with the Chairman or Management are inappropriate or inadequate.

### Additional Guidelines of the Authority (proposed edits tracked in blue)

3.4	<p><i>The overall role of the Board Chairman is to lead and ensure the effectiveness of the Board. This includes:</i></p> <ul style="list-style-type: none"> <li><i>(a) promoting a culture of openness and debate at the Board;</i></li> <li><i>(b) facilitating the effective contribution of all directors; and</i></li> <li><i>(c) promoting high standards of corporate governance.</i></li> </ul>
3.5	<p><i>Where a lead independent director is appointed, the roles and responsibilities of the Chairman and the lead independent director <del>should be</del> are clearly defined.</i></p>
3.6	<p><i>The lead independent director <del>should</del> provides some form of independent leadership on the Board, and acts as a sounding board for the Chairman. The lead independent director <del>should, amongst others,</del> leads the independent directors during Board meetings to raise relevant queries and ensure that there is a check and balance between the Board and senior management. The lead independent director <del>should</del> also meets regularly with the other independent directors to assess the performance of the Chairman and senior management.</i></p>

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## **BOARD MEMBERSHIP**

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### **Principle:**

- 4** The Board has a formal and transparent process for the appointment and re-appointment of directors, taking into account the need for progressive renewal of the Board.

### **Provisions:**

- 4.1 The Board establishes a Nominating Committee ("NC") to make recommendations to the Board on relevant matters relating to:
- (a) the review of succession plans for directors, in particular the appointment and/or replacement of the Chairman, the CEO and key management personnel<sup>15</sup>;
  - (b) the process and criteria for evaluation of the performance of the Board, its board committees and directors;
  - (c) the review of training and professional development programs for the Board and its directors; and
  - (d) the appointment and re-appointment of directors (including alternate directors, if any).
- 4.2 The NC comprises at least three directors, the majority of whom, including the NC Chairman, are independent. The lead independent director, if any, is a member of the NC.
- 4.3 The company discloses the process for the selection, appointment and re-appointment of directors to the Board, including the criteria used to identify and evaluate potential new directors and channels used in searching for appropriate candidates.

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<sup>15</sup> The term "**key management personnel**" shall mean the CEO and other persons having authority and responsibility for planning, directing and controlling the activities of the company.

- 4.4 The NC determines annually, and as and when circumstances require, if a director is independent, bearing in mind the circumstances set forth in Provision 2.1 and any other salient factors. Directors disclose their relationships with the company, its related corporations, its substantial shareholders or its officers, if any, which may affect their independence<sup>16</sup>, to the Board. If the Board, having taken into account the views of the NC, determines that such directors are independent notwithstanding the existence of such relationships, the company discloses the relationships and its reasons.
- 4.5 The NC ensures that new directors are aware of their duties and obligations. The NC also decides if a director is able to and has been adequately carrying out his or her duties as a director of the company. The company discloses the listed company directorships and principal commitments<sup>17</sup> of each director, and where a director holds a significant number of such directorships and commitments, it provides the NC's and Board's reasoned assessment of the ability of the director to diligently discharge his or her duties.

*Additional Guidelines of the Authority (proposed edits tracked in blue)*

4.68	<i>In reviewing nominations, the NC <del>should</del>satisfyies itself that each nominee is a fit and proper person, and is qualified for the office taking into account the nominee's track record, age, experience, capabilities, skills and such other relevant factors as may be determined by the NC. In addition, the NC <del>should</del> reviews, on an annual basis, <del>that</del> whether each existing director remains qualified for the office based on these criteria.</i>
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<sup>16</sup> Such relationships include business relationships which the director, his or her immediate family member, or an organisation which the director, or his or her immediate family member is a substantial shareholder, partner, executive officer or director in has with the company or any of its related corporations, and the director's direct association with substantial shareholders in the current and immediate past financial year. Where the director or his immediate family member, or a company where they are a substantial shareholder in, provides to or receives from the company or its subsidiaries any significant payments or material services, the amount and nature of the service is disclosed.

<sup>17</sup> The term "**principal commitments**" includes all commitments which involve significant time commitment such as full-time occupation, consultancy work, committee work, non-listed company board representations and directorships and involvement in non-profit organisations. Where a director sits on the boards of non-active related corporations, those appointments should not normally be considered principal commitments.



4.7	<p><i>The names of the directors submitted for appointment or re-appointment are accompanied by details and information to enable shareholders and the Board to make informed decisions. Such information, which accompanies the relevant resolution, includes:</i></p> <ul style="list-style-type: none"> <li><i>(a) date of last re-appointment;</i></li> <li><i>(b) professional qualifications;</i></li> <li><i>(c) any relationships including immediate family relationships between the candidate and the directors, the Financial Institution or its 10% shareholders;</i></li> <li><i>(d) a separate list of all current directorships in other listed companies;</i></li> <li><i>(e) details of other principal commitments;</i></li> <li><i>(f) any prior experience as a director of a listed issuer or as a director of a financial institution.</i></li> </ul>
4.8	<p><i>All directors submit themselves for re-nomination and re-appointment at least once every three years.</i></p>
4.9	<p><del><i>The NC should maintain records of all its meetings, in particular records of discussions on key deliberations and decisions taken.</i></del></p>
4.10	<p><del><i>When setting the internal guidelines referred to in Guideline 4.4, the NC should include guidance on the number of Board memberships that each director may hold taking into consideration the competing time commitment faced when directors serve on multiple Boards. In establishing the guidance on the time commitment of a director, the NC should also consider factors such as the complexity of the companies' operations, risk management systems and controls and the frequency of Board meetings held.</i></del></p>
4.911	<p><i>The NC <del>should be</del> is charged with the responsibility of developing a framework to identify the skills that the Board collectively needs in order to discharge the Board's responsibilities effectively, taking into account the complexity of the Financial Institution's existing risk profile, business operations and future business strategy.</i></p>
4.1012	<p><i>The NC <del>should</del> assesses, at least on an annual basis, if the Board and the respective board committees lack any skills to perform their roles effectively and identify steps to improve the effectiveness of the Board and the respective board committees.</i></p>

4.1113	<p>The NC <del>should</del> <i>reviews</i> the nominations, and reasons for resignations, of key appointment holders such as directors, CEO, deputy CEO, CFO, chief risk officer (CRO), appointed actuary and certifying actuary of insurers, and relevant senior management staff. In addition, it <del>should</del> <i>ensures</i> that there are adequate policies and procedures relating to the engagement, dismissal and succession of the senior management, and be actively involved in such processes. The Board <del>should</del> <i>discloses</i> the resignation or dismissal of the key appointment holders in the Financial Institution's Annual Report. The Financial Institution <del>should</del> <i>discusses</i> the reasons for the resignation or dismissal of the key appointment holders with the Authority.</p>
4.14	<p><del>The NC should include in its annual assessment a check as to whether there is any deviation from the internal guidelines referred to in Guidelines 4.4 and 4.10 and disclose such deviation (and the explanation for the deviation) in the Financial Institution's Annual Report.</del></p>
4.12	<p><i>The Board identifies all directors, including their designations (i.e. independent, non-executive, executive, etc.) and roles (as members or chairmen of the board or board committees) in the Annual Report (for listed Financial Institutions) or company website (for non-listed Financial Institutions).</i></p>

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## BOARD PERFORMANCE

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### Principle:

- 5 The Board undertakes a formal annual assessment of its effectiveness as a whole, and that of each of its board committees and individual directors.

### Provisions:

- 5.1 The NC recommends for the Board's approval the objective performance criteria and process for the evaluation of the effectiveness of the Board as a whole, and of each board committee separately, as well as the contribution by the Chairman and each individual director to the Board.
- 5.2 The company discloses how the assessments of the Board, its board committees and each director have been conducted, including the identity of any external facilitator and its connection, if any, with the company or any of its directors.

### Additional Guidelines of the Authority (proposed edits tracked in blue)

5.34	<i>The performance criteria proposed by the NC <del>should</del> includes the quality of risk management and adequacy of internal controls, and reflects the responsibility of the Board to safeguard the interests of the <del>depositors and policyholders</del> customers.</i>
5.45	<i>When the NC is deliberating upon the performance of a particular member of the NC, that member <del>should</del> recuses himself/herself from the discussions to avoid conflicts of interest.</i>

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## REMUNERATION MATTERS

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### PROCEDURES FOR DEVELOPING REMUNERATION POLICIES

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#### Principle:

- 6 The Board has a formal and transparent procedure for developing policies on director and executive remuneration, and for fixing the remuneration packages of individual directors and key management personnel. No director is involved in deciding his or her own remuneration.

#### Provisions:

- 6.1 The Board establishes a Remuneration Committee ("RC") to review and make recommendations to the Board on:
- (a) a framework of remuneration for the Board and key management personnel; and
  - (b) the specific remuneration packages for each director as well as for the key management personnel.
- 6.2 The RC comprises at least three directors. All members of the RC are non-executive directors, the majority of whom, including the RC Chairman, are independent.
- 6.3 The RC considers all aspects of remuneration including termination terms to ensure they are fair.
- 6.4 The company discloses the engagement of any remuneration consultants and their independence.

#### Additional Guidelines of the Authority (proposed edits tracked in blue)

<p>6.5 <del>7.5</del></p>	<p>The Board <del>should</del> <i>seeks</i> to ensure that the remuneration policies are in line with the strategic objectives, <i>as well as the <del>and corporate values</del> code of conduct and ethics</i> of the Financial Institution, and do not give rise to conflicts between the objectives of the Financial Institution and the interests of <i>employees <del>individual directors and senior management</del></i>.</p>
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<p>6.6 <del>7.6</del></p>	<p><i>To ensure that remuneration policies do not create incentives for excessive risk-taking behaviour, control job functions are involved in the design of remuneration policies, and provide inputs on performance evaluation and remuneration decisions. The RC <del>should</del> seeks inputs from the board risk committee<sup>8a18</sup> and ensures that remuneration practices do not create incentives for excessive or inappropriate risk-taking behaviour.</i></p>
<p>6.7</p>	<p><i>The RC pays sustained attention to the design and operation of remuneration policies that cover all employees of the Financial Institution, with particular attention to key management personnel and other employees whose actions may have a material impact on the risk exposure of the Financial Institution (“material risk takers”). The additional guidelines on the remuneration structure for key management personnel and other material risk takers are set out in Additional Guidelines 7.4 and 7.9.</i></p>
<p><del>7.7</del></p>	<p><del><i>The RC should maintain records of all its meetings, in particular records of discussions on key deliberations and decisions taken.</i></del></p>
<p>6.8</p>	<p><i>The RC and senior management exercise active oversight and monitor the implementation and effectiveness of remuneration policies. Remuneration outcomes, risk measurements and risk outcomes are reviewed regularly for consistency with the intentions of remuneration policies.</i></p>
<p>6.9</p>	<p><i>The RC ensures that an independent review is conducted annually to assess the compliance of the Financial Institution’s remuneration policies with any relevant regulations and guidelines issued by the Authority or the Financial Institution’s home supervisor. The Financial Institution submits the outcome of the annual review to the Authority upon request. Where the annual reviews are performed against regulations and guidelines issued by the Financial Institution’s home supervisor, the Financial Institution is able to demonstrate that the requirements and expectations of the home supervisor are consistent with the principles set out in the Authority’s regulations and guidelines.</i></p>
<p><del>7.8</del></p>	<p><del><i>In addition to the remuneration matters specified in Principles 7 to 9 of these Guidelines, the RC should ensure that the Financial Institution adopts the Principles for Sound Compensation Practices and Implementation Standards issued by Financial Stability Board. For ease of reference, the specific principles and standards issued by the Financial Stability Board are attached at Annex 3.</i></del></p>

<sup>8a-18</sup> The establishment of the board risk committee and its roles and responsibilities are specified in Additional Guidelines 11.4, 11.8, 11.12 and 11.13 9.1, 9.7, 9.8 and 9.9.

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## LEVEL AND MIX OF REMUNERATION

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### **Principle:**

- 7 The level and structure of remuneration of the Board and key management personnel are appropriate and proportionate to the sustained performance and value creation of the company, taking into account the strategic objectives of the company.

### **Provisions**

- 7.1 A significant and appropriate proportion of executive directors' and key management personnel's remuneration is structured so as to link rewards to corporate and individual performance. Performance-related remuneration is aligned with the interests of shareholders and other stakeholders and promotes the long-term success of the company.
- 7.2 The remuneration of non-executive directors is appropriate to the level of contribution, taking into account factors such as effort, time spent, and responsibilities.
- 7.3 Remuneration is appropriate to attract, retain and motivate the directors to provide good stewardship of the company and key management personnel to successfully manage the company for the long term.

~~No Additional Guidelines from the Authority.~~ Additional Guidelines of the Authority (proposed edits tracked in blue)

7.4	<p><i>The level and structure of remuneration for key management personnel and other material risk takers are consistent with the Financial Institution's long-term objectives and financial soundness.</i></p> <p><i>The following elements and factors are included in the design of their remuneration:</i></p> <ul style="list-style-type: none"><li><i>(a) a substantial proportion of remuneration is variable and paid on the basis of corporate and individual performance;</i></li><li><i>(b) variable remuneration is awarded in a mix of instruments that create incentives aligned with the Financial Institution's long-term value creation and time horizon of risks; and</i></li></ul>
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	<i>(c) at least 40 percent of variable remuneration is subject to deferral arrangements over a period of at least three years. The proportion of variable remuneration that is deferred increases in line with the level of seniority and responsibility of the employee.</i>
7.5	<i>Guaranteed bonuses are not consistent with sound risk management practices. Remuneration policies for all employees restrict the award of such bonuses to new employees and are limited to their first year of employment.</i>
7.6	<i>In determining the performance and remuneration for all employees, the Financial Institution adequately considers both financial and non-financial factors that are consistent with the long-term objectives and financial soundness of the Financial Institution. Non-financial factors include quality of risk management, degree of compliance with laws and regulation, adherence to the code of conduct and ethics of the Financial Institution and fair treatment of customers.</i>
7.7	<i>For employees in control job functions, their performance and remuneration is determined independently of the business functions, and the performance measures are in accordance with their role, so as not to compromise their independence.</i>
7.8	<i>Remuneration policies for all employees contain mechanisms for ex-ante adjustments to remuneration for all types of risk, including risks associated with misconduct that can result in harm to the Financial Institution, customers and other stakeholders. When determining the amount of remuneration to be adjusted, the Financial Institution takes into account all relevant indicators of the severity of the incident or misconduct.</i>
7.9	<i>To effectively accommodate the potentially longer-term nature of risks, including conduct risk, remuneration policies for key management personnel and other material risk takers contain mechanisms and provisions to facilitate ex-post adjustments to variable remuneration after it is awarded or paid. Ex-post remuneration adjustment tools include malus and clawback arrangements<sup>19</sup>.</i>

<sup>19</sup> Malus is a tool which allows the Financial Institution to reduce all or part of any unvested deferred variable remuneration. Clawback is a process under which an employee is required to return ownership of an amount of variable compensation paid in the past or which has already vested, to the Financial Institution under certain conditions.

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7.10	<i>The indicative criteria and scenarios that could trigger ex-ante or ex-post adjustments to performance and remuneration are clearly set out in the remuneration policies and communicated to employees. Indicative criteria and scenarios include cases where there are significant losses or adverse outcomes for customers, or where there is fraud, gross negligence, material failure of risk management controls or breach of regulations.</i>
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## **DISCLOSURE ON REMUNERATION**

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### **Principle:**

- 8 The company is transparent on its remuneration policies, level and mix of remuneration, the procedure for setting remuneration, and the relationships between remuneration, performance and value creation.

### **Provisions:**

- 8.1 The company discloses the policy and criteria for setting remuneration, as well as names, amounts and breakdown of remuneration of:

(a) each individual director and the CEO; and

(b) at least the top five key management personnel (who are not directors or the CEO) in bands no wider than S\$250,000 and in aggregate the total remuneration paid to these top five key management personnel.

- 8.2 The company discloses the names and remuneration of employees who are substantial shareholders, or are immediate family members of a director, the CEO or a substantial shareholder, and whose remuneration exceeds S\$100,000 during the year, in bands no wider than S\$100,000. The disclosure states clearly the employee's relationship with the relevant director or the CEO or substantial shareholder.

- 8.3 The company discloses all forms of remuneration, other payments and benefits, for directors and key management personnel from itself and its subsidiaries. It also discloses details of employee share schemes.

*No Additional Guidelines from the Authority.*

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**ACCOUNTABILITY AND AUDIT**

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**RISK MANAGEMENT AND INTERNAL CONTROLS**

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**Principle:**

- 9 The Board is responsible for the governance of risk and ensures that Management maintains a sound system of risk management and internal controls, to safeguard the interests of the company and its shareholders.

**Provisions:**

9.1 The Board determines the nature and extent of the significant risks which the company is willing to take in achieving its strategic objectives and value creation. The Board sets up a Board Risk Committee to specifically address this if appropriate.

9.2 The Board requires and discloses that it has received assurance from:

- (a) the CEO and the CFO that the financial records have been properly maintained and the financial statements give a true and fair view of the company's operations and finances; and
- (b) the CEO and other such key management personnel who are responsible, regarding the adequacy and effectiveness of the company's risk management and internal control systems.

**Additional Guidelines of the Authority (proposed edits tracked in blue)**

<b>9.3 <del>11.5</del></b>	An effective Board <del>should have</del> <b>has</b> a sound understanding of the business strategy, nature of the business activities of the Financial Institution and their associated risks. It <del>should</del> <b>ensures</b> that senior management has established an adequate risk management system to identify, measure, monitor, control and report those risks. The risk management system <del>should be</del> <b>is</b> supported by a system of sound internal controls, <b>in accordance with the Financial Institution's risk appetite</b> . <del>If necessary, the Board should</del> <b>seeks advice, where necessary, from within the Financial Institution or externally to enable it to discharge its functions properly.</b>
<b>9.4 <del>11.6</del></b>	For the purpose of managing the risks of the Financial Institution, the responsibilities of the Board include, but are not limited to:

	<p>(a) <i>setting the tone from the top, and inculcating an appropriate risk culture throughout the firm;</i></p> <p>(b) <i>overseeing the establishment and operation of an independent risk management system for identifying, measuring, monitoring, controlling and reporting risks on an enterprise-wide basis. In this respect, the Board <del>should</del> requires senior management to highlight any limitations of the risk management system and any uncertainties attached to risk measurement<sup>8b20</sup>. These information <del>should be</del> is incorporated when reporting and managing the risks of the Financial Institution. The appropriateness of the Financial Institution’s remuneration and incentive structure <del>should is</del> also <del>be</del> included in the risk assessment process;</i></p> <p>(c) <i>approving the risk appetite framework, which should be comprehensive and actionable, and linked with the Financial Institution’s business strategy and strategic decision-making and integrated with associated internal processes such as capital planning, funding and liquidity management planning, budgeting, human resource planning, assessing mergers and acquisitions, new products and pricing approval, stress testing, underwriting, claims management, reinsurance, asset-liability matching, investment, recovery and resolution planning and strategic planning;</i></p> <p>(d) <i>ensuring that senior management has established adequate risk management practices for <del>material</del> the financial and non-financial risks which the Financial Institution is or may be exposed to, <del>such as</del> including but not limited to credit, market, <del>underwriting</del>, liquidity, <del>country and transfer risk</del>, <del>interest rate risk</del>, operational, technology, conduct, money laundering and terrorist financing, legal, <del>compliance</del>, <del>fraud</del>, <del>reputational</del>, regulatory, <del>reputational</del>, and <del>operational</del> strategic risks, on a regular basis;</i></p> <p>(e) <i>reviewing the current risk profile, risk tolerance level and risk strategy of the Financial Institution;</i></p>
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<sup>8b20</sup> Limitations of the risk management system and uncertainties attached to risk measurement could be qualitative or quantitative in nature, and include the sensitivity and reasonableness of key assumptions used in the capital assessment and measurement system as well as uncertainties in the precision of risk measures and volatility of exposures.

	<p>(f) ensuring that it obtains a periodic independent assessment of the design and effectiveness of the Financial Institution’s risk governance framework on a regular basis; <i>and</i></p> <p>(g) ensuring that the risk management function has adequate resources and is staffed by an appropriate number of experienced and qualified employees who are sufficiently independent to perform their duties objectively. The risk management function <del>should have</del> <i>has</i> appropriate reporting lines that are independent of business lines; <i>and</i></p> <p><del>(h) maintaining records of all its meetings, in particular records of discussions on key deliberations and decisions taken.</del></p>
<p><del>9.5 11.7</del></p>	<p><del>Depending on the scale, nature and complexity of its business, the Board may appoint a CRO to oversee the risk management function. The CRO should have a reporting line to the Board or board risk committee<sup>8e</sup> and have the right to seek information and explanations from senior management. The CRO and risk management function should have access to information relating to entities within the group that are necessary to identify, measure, monitor, control and report risks on an enterprise wide basis. The Board approved mandate of the risk management function should provide for the participation of the CRO in key decision-making processes and clarity as to their expected role, such as the processes for capital planning, funding and liquidity management planning, assessing mergers and acquisitions, new products and pricing approval, stress testing, underwriting, claims management, reinsurance, asset-liability matching, investment strategy, recovery and resolution planning, material outsourcing, strategic planning and Own Risk Solvency Assessment.</del></p>
<p><del>11.8</del></p>	<p><del>The Board should approve the appointment, remuneration, resignation or dismissal of the CRO. The Board or the board risk committee should have influence over the performance assessment and succession planning of the CRO. The role of the CRO should be distinct from other executive functions and business line responsibilities, and there should be no “double hatting”<sup>8d</sup>.</del></p>

<sup>8e</sup> While the CRO should have a reporting line to the Board or board risk committee, this does not preclude him from having another reporting line to the CEO.

<sup>8d</sup> For instance, the CRO reporting to the CFO or assuming the responsibilities of both the CRO and CFO should be avoided to preserve the independence and effectiveness of both roles.

11.9	<del>The CRO should manage the risk management systems and put in place processes to identify, measure, monitor, control and report risks. The CRO is further responsible for facilitating senior management’s understanding of the various types of risks and the corresponding inter-relationships as well as engaging senior management to develop risk controls and risk mitigation procedures for the operations functions.</del>
11.10	<del>Guidelines 11.7 to 11.9 should apply to any officer who fulfils the role of a CRO regardless of the title assigned to the role.</del>
9.6 11.11	Senior management <del>should</del> provides the Board with information on all <del>potentially material</del> financial and non-financial risks which the Financial Institution is or may be exposed to <del>facing the business</del> (e.g. credit, market, underwriting, liquidity, <del>country and transfer risk, interest rate risk, operational, technology, conduct, money laundering and terrorist financing, legal, compliance, fraud, reputational, regulatory, reputational, and operational-strategic risks</del> ). <del>In relation to credit risk, the information to be provided should includes the condition of the Financial Institution’s asset portfolio, such as concentration, classification of assets, major problem assets, and the level of provisions and reserves, as relevant.</del> The Board <del>should</del> satisfy itself that the information they receive is comprehensive, accurate, complete and timely to enable effective decision-making on the firm’s strategy, risk profile and emerging risks.
9.7 11.12	If the Board establishes a dedicated board risk committee as specified in <del>Guideline Provision 11.4</del> 9.1, <del>the board risk committee should comprise at least 3 directors, a majority of whom, including the Chairman of the board risk committee, should be non-executive directors.</del> The Board <del>it</del> should ensure that the members of the board risk committee are appropriately qualified to discharge their responsibilities. At least 2 members should have the relevant technical financial sophistication in risk disciplines or business experience, as the Board interprets such qualification in its judgment.
9.8 11.13	Where a board risk committee has been established by the Board, the Board may delegate responsibilities for the governance of risk to the board risk committee. In such a case, the roles and responsibilities of the Board and the board risk committee <del>should be</del> are clearly defined.
11.14	<del>A Financial Institution should disclose in its Annual Report the names of the members of the board risk committee as stated in Guideline 11.12 and the key terms of reference of the board risk committee, explaining its role and the authority delegated to it by the Board.</del>

9.9	<p><i>The Financial Institution may appoint a non-director with relevant expertise to the board risk committee, provided that it notifies the Authority at least 30 days prior to the appointment. The non-director should commit to the appropriate undertakings for proper accountability, to ensure that the non-director discharges his or her responsibilities as a member of the board risk committee with due diligence and in the interests of the Financial Institution and its customers.</i></p>
9.10	<p><i>The Board and senior management are to observe the Guidelines on Risk Management issued by the Authority.</i></p>
9.11	<p><i>The Board comments on the adequacy and effectiveness of the internal controls (including financial, operational, compliance and information technology controls, and risk management systems) in the company's Annual Report (for listed Financial Institutions) or company website (for non-listed Financial Institutions).</i></p> <p><i>A statement on whether the Audit Committee concurs with the board's comment is provided in the Annual Report (for listed Financial Institutions) or company website (for non-listed Financial Institutions). Where material weaknesses are identified by the Board or Audit Committee, they are disclosed together with the steps taken to address them.</i></p>

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## **AUDIT COMMITTEE**

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### **Principle:**

10 The Board has an Audit Committee (“AC”) which discharges its duties objectively.

### **Provisions:**

10.1 The duties of the AC include:

- (a) reviewing the significant financial reporting issues and judgements so as to ensure the integrity of the financial statements of the company and any announcements relating to the company's financial performance;
- (b) reviewing at least annually the adequacy and effectiveness of the company's internal controls;
- (c) reviewing the assurance from the CEO and the CFO on the financial records and financial statements;
- (d) making recommendations to the Board on: (i) the proposals to the shareholders on the appointment and removal of external auditors; and (ii) the remuneration and terms of engagement of the external auditors;
- (e) reviewing the adequacy, effectiveness, independence, scope and results of the external audit and the company's internal audit function; and
- (f) reviewing the policy and arrangements for concerns about possible improprieties in financial reporting or other matters to be safely raised, independently investigated and appropriately followed up on. The company publicly discloses, and clearly communicates to employees, the existence of a whistle-blowing policy and procedures for raising such concerns.

10.2 The AC comprises at least three directors, all of whom are non-executive and the majority of whom, including the AC Chairman, are independent. At least two members, including the AC Chairman, have recent and relevant accounting or related financial management expertise or experience.

- 10.3 The AC does not comprise former partners or directors of the company's existing auditing firm or auditing corporation: (a) within a period of two years commencing on the date of their ceasing to be a partner of the auditing firm or director of the auditing corporation; and in any case, (b) for as long as they have any financial interest in the auditing firm or auditing corporation.
- 10.4 The primary reporting line of the internal audit function is to the AC, which also decides on the appointment, termination and remuneration of the head of the internal audit function. The internal audit function has unfettered access to all the company's documents, records, properties and personnel, including the AC, and has appropriate standing within the company.
- 10.5 The AC meets with the external auditors, and with the internal auditors, in each case without the presence of management, at least annually.

Additional Guidelines of the Authority (proposed edits tracked in blue)

<del>12.10</del>	<del>The AC should maintain records of all its meetings, in particular records of discussions on key deliberations and decisions taken.</del>
10.6 <del>12.11</del>	The AC <del>should</del> ensures that the financial statements of the Financial Institutions are prepared in accordance with accounting policies and practices that are internationally accepted.
10.7 <del>12.12</del>	The AC <del>should have</del> has a robust process to discharge its responsibility in recommending for approval the appointment, reappointment, removal and remuneration of the external auditor. The AC <del>should</del> determines the appropriate criteria for selecting the external auditor and <del>should have</del> has policies and procedures to regularly monitor and assess the knowledge, competence, independence and effectiveness of the external auditor.
10.8 <del>12.13</del>	The AC <del>should</del> ensures that the external auditor has unrestricted access to information and persons within the Financial Institution as necessary to conduct the audit. The AC <del>should</del> also understands the external auditor's approach to providing reasonable assurance that the financial statements are free from material misstatements, and reviewing the adequacy of internal controls relevant to the audit.
10.9 <del>12.14</del>	The AC <del>should</del> requires that the external auditors promptly communicate to the AC any information regarding internal control weaknesses, <del>or</del> deficiencies, or any other relevant matters. The AC <del>should</del> ensures that



	<i>significant findings and observations regarding weaknesses are promptly rectified and that this is supported by a formal process for reviewing and monitoring the implementation of recommendations by the external auditors.</i>
<i>10.10 12.15</i>	<i>The AC <del>should</del> establishes a formal policy and structured process which governs its assessment of the independence of external auditor. This <del>should</del> involves a consideration of all relationships between the Financial Institution and the audit firm (including the provision of non-audit services) which could adversely affect the external auditor's actual or perceived independence and objectivity, length of tenure and any safeguards established by the external auditor.</i>
<i>12.16</i>	<i><del>In addition to Guideline 12.7, for sensitive information, the Financial Institution should establish an internal "whistle blowing" policy that offers employees anonymity and other protection from negative consequences.</del></i>
<i>10.11 13.6</i>	<i>The scope of the Internal Auditor's responsibility <del>should be</del> is clear and appropriate for the risks which the Financial Institution is or could be exposed to, including those risks arising from proposed new lines of business or products.</i>
<i>10.12 13.7</i>	<i>The Internal Auditor's responsibilities <del>should</del> include the following:</i> <ul style="list-style-type: none"> <li><i>(a) evaluating the reliability, adequacy and effectiveness of the internal controls and risk management processes of the Financial Institution. In this regard, the Internal Auditor <del>should</del> assesses if business and risk management units are operating according to the risk appetite framework. The Internal Auditor <del>should</del> is also <del>be</del>-aware of whether the Financial Institution's practices are keeping pace with the industry trends or are aligned with best practices and consider such knowledge in conducting their work. The Internal Auditor's overall opinion of internal controls relating to the risk governance framework <del>should be</del> is provided to the AC or the Board annually;</i></li> <li><i>(b) reviewing the internal controls of the Financial Institution to ensure prompt and accurate recording of transactions and proper safeguarding of assets;</i></li> <li><i>(c) reviewing whether the Financial Institution complies with laws and regulations and adheres to established policies, and whether senior management is taking the appropriate steps to address control deficiencies; and</i></li> </ul>

	<p>(d) conducting regular assessments of the internal audit function and audit systems and incorporating needed improvements.</p>
<p>10.13 <del>13.8</del></p>	<p>In carrying out its responsibilities, the Internal Auditor <del>should</del> ensures all material areas of risk and obligation of the Financial Institution are subject to appropriate audit or review over a reasonable period of time. These areas may include those dealing with:</p> <ul style="list-style-type: none"> <li>(a) credit, market, <del>underwriting</del>, liquidity, <del>country and transfer risk</del>, <del>interest rate risk</del>, operational, technology, conduct, money laundering and terrorist financing, legal, <del>compliance</del>, <del>fraud</del>, <del>reputational</del>, regulatory, reputational, and <del>operational</del> strategic risks;</li> <li>(b) accounting and financial policies and whether the associated records are complete and accurate;</li> <li>(c) intra-group transactions, including intra-group risk transfer and internal pricing;</li> <li>(d) the reliability and timeliness of escalation processes and reporting systems, including whether there are confidential means for employees to report concerns or violations and whether these are properly communicated, offer the reporting employee adequate protection from retaliation, and result in appropriate follow up; and</li> <li>(e) the extent to which any non-compliance with internal policies or external legal or regulatory obligations is documented and appropriate corrective or disciplinary measures are taken including in respect of individual employees involved.</li> </ul>
<p>10.14 <del>13.9</del></p>	<p>A Financial Institution may engage third parties to provide independent assessments of its risk management systems and internal control framework as described in <a href="#">Additional Guideline 13.7</a> 10.12(a), but the use of third parties does not absolve the Board or senior management from ultimate responsibility for ensuring the reliability of the independent assessment. A Financial Institution <del>is not</del> <del>should not become</del> overly reliant on third parties to provide expertise that should be developed within its internal audit function.</p>
<p>10.15 <del>13.10</del></p>	<p>In addition to having unfettered access to the AC, the Board, and the senior management where necessary, the Internal Auditor <del>should have</del> has the right to seek information and explanations <a href="#">from the Financial Institution's functions and personnel</a>.</p>

<p>10.16 <del>13.11</del></p>	<p>The Internal Auditor, in its reporting to the AC, <del>should</del> includes, at the minimum:</p> <ul style="list-style-type: none"> <li>(a) the annual or other periodic audit plan, detailing the proposed areas of audit focus;</li> <li>(b) any factors that may be adversely affecting the internal audit function’s independence, objectivity or effectiveness; and</li> <li>(c) material findings from audits or reviews conducted.</li> </ul>
<p>10.17 <del>13.12</del></p>	<p>The AC <del>should</del> ensures that the internal audit function has adequate processes in place for ensuring that recommendations raised in internal audit reports are dealt with in a timely manner. Outstanding exceptions or recommendations <del>should be</del> are closely monitored by the internal audit function and reported to the AC.</p>
<p>10.18 <del>13.13</del></p>	<p>The budget of the internal audit function <del>should be</del> is approved by the AC or the Board.</p>
<p>10.19 <del>13.14</del></p>	<p>In addition to <del>Provision Guideline 13.110.4</del>, the AC <del>should also</del> reviews the reasons for <del>approve</del> the resignation of the head of internal audit. It also ensures that there are adequate policies and procedures relating to the appointment, termination and succession of the head of internal audit, and be actively involved in such processes. The Financial Institution discusses the reasons for the resignation or dismissal of the head of internal audit with the Authority.</p>
<p><del>13.15</del></p>	<p><del>In addition to Guideline 13.4, Financial Institutions should adopt relevant best practices set out by other international standard setters<sup>9a</sup>.</del></p>
<p>10.20</p>	<p>The Audit Committee comments on whether the internal audit function is independent, effective and adequately resourced in the Annual Report (for listed Financial Institutions) or company website (for unlisted Financial Institutions).</p>

<sup>9a</sup> ~~These include the principles in “The internal audit function in banks” issued by the Basel Committee on Banking Supervision in June 2012 and the OECD Guidelines on Insurer Governance (2011).~~

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## **SHAREHOLDER RIGHTS AND ENGAGEMENT**

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### **SHAREHOLDER RIGHTS AND CONDUCT OF GENERAL MEETINGS**

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#### **Principle:**

11 The company treats all shareholders fairly and equitably in order to enable them to exercise shareholders' rights and have the opportunity to communicate their views on matters affecting the company. The company gives shareholders a balanced and understandable assessment of its performance, position and prospects.

#### **Provisions:**

11.1 The company provides shareholders with the opportunity to participate effectively in and vote at general meetings of shareholders and informs them of the rules governing general meetings of shareholders.

11.2 The company tables separate resolutions at general meetings of shareholders on each substantially separate issue unless the resolutions are interdependent and linked so as to form one significant proposal. Where the resolutions are “bundled”, the company explains the reasons and material implications in the notice of meeting.

11.3 All directors attend general meetings of shareholders, and the external auditors are also present to address shareholders' queries about the conduct of audit and the preparation and content of the auditors' report. Directors' attendance at such meetings held during the financial year is disclosed in the company's annual report.

11.4 The company's Articles of Association (or other constitutive documents) allow for absentia voting at general meetings of shareholders.

11.5 The company publishes minutes of general meetings of shareholders on its corporate website as soon as practicable. The minutes record substantial and relevant comments or queries from shareholders relating to the agenda of the general meeting, and responses from the Board and Management.

11.6 The company has and communicates its dividend policy to shareholders.

*No Additional Guidelines from the Authority.*

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## **ENGAGEMENT WITH SHAREHOLDERS**

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### **Principle:**

12 The company communicates regularly with its shareholders and facilitates the participation of shareholders during general meetings and other dialogues to allow shareholders to communicate their views on various matters affecting the company.

### **Provisions:**

12.1 The company provides avenues for communication between the Board and all shareholders, and discloses the steps taken to solicit and understand the views of shareholders.

12.2 The company has in place an investor relations policy which allows for an ongoing exchange of views so as to actively engage and promote regular, effective and fair communication with shareholders.

12.3 The company's investor relations policy sets out the mechanism through which shareholders may contact the company with questions and through which the company may respond to such questions.

*No Additional Guidelines from the Authority.*

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**MANAGING STAKEHOLDERS RELATIONSHIPS**

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**ENGAGEMENT WITH STAKEHOLDERS**

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**Principle:**

13 The Board adopts an inclusive approach by considering and balancing the needs and interests of material stakeholders, as part of its overall responsibility to ensure that the best interests of the company are served.

**Provisions:**

13.1 The company has arrangements in place to identify and engage with its material stakeholder groups and to manage its relationships with such groups.

13.2 The company discloses its strategy and key areas of focus in relation to the management of stakeholder relationships during the reporting period.

13.3 The company maintains a current corporate website to communicate and engage with stakeholders.

*No Additional Guidelines from the Authority.*

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**ADDITIONAL GUIDELINES OF THE AUTHORITY**

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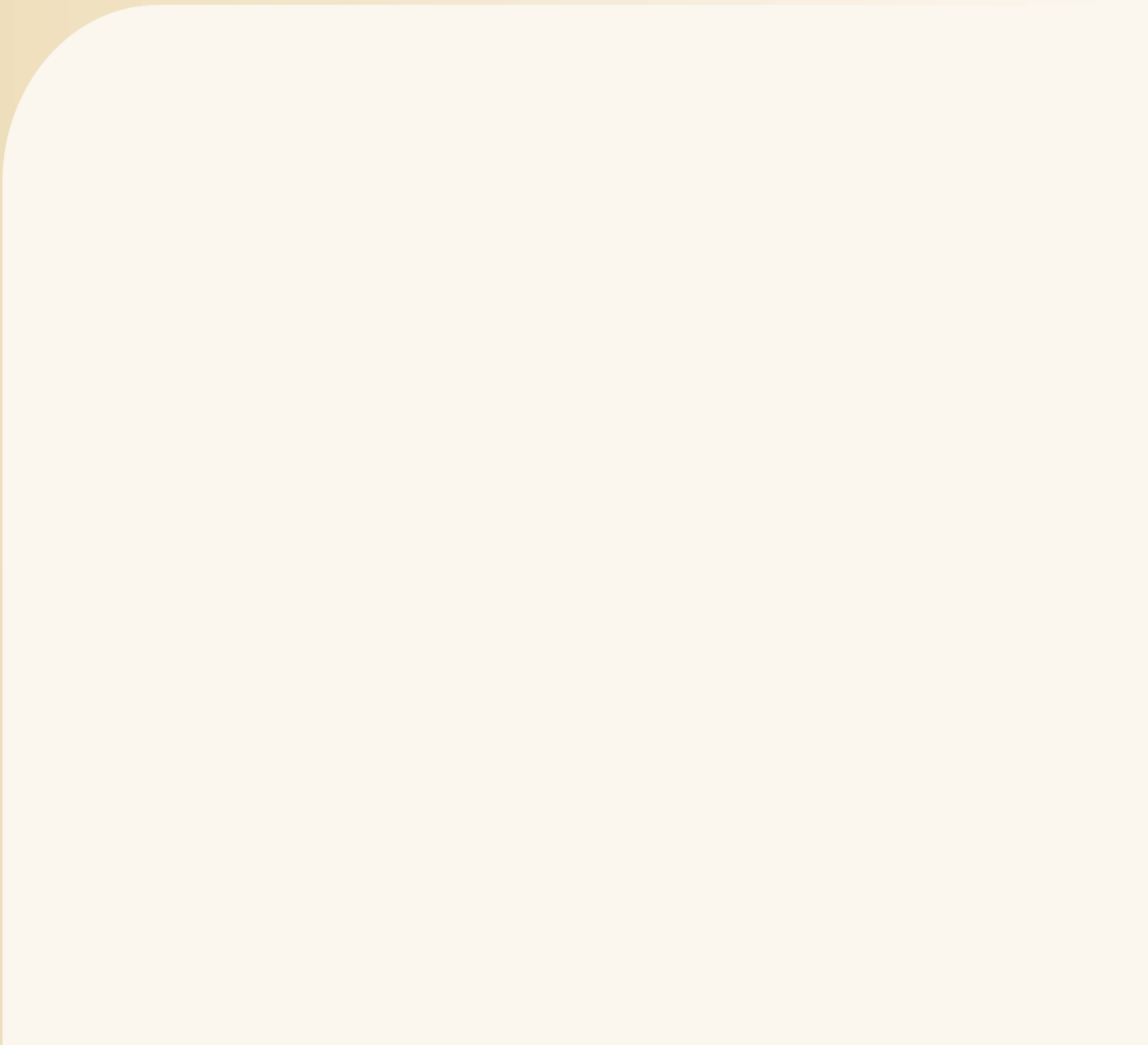
**RELATED PARTY TRANSACTIONS**

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Additional Guideline No.	
14.1 <del>17</del>	The Board <del>should</del> ensures that the Financial Institution’s related party transactions <sup>9b21</sup> are undertaken on an arm’s length basis.
14.2 <del>17.1</del>	The Financial Institution <del>should</del> establishes policies and procedures on related party transactions, which include the definitions of relatedness, limits applied, terms of transactions, and the authorities and procedures for approving, monitoring, and, where necessary, writing off of these transactions.
14.3 <del>17.2</del>	Related party transactions <del>should be</del> are monitored with particular care, and appropriate steps taken to control or mitigate the risks of related party lending. The terms and conditions of such transactions <del>should be</del> are not <del>be</del> more favourable than transactions conducted with non-related parties under similar circumstances.
14.4 <del>17.3</del>	The Board <del>should</del> approves every transaction with a related party and the write-off of related-party exposures exceeding specified amounts or otherwise posing special risks before such transaction occurs. Directors with conflicts of interest <del>should be</del> are excluded from the approval process of granting and managing related party transactions.
14.5 <del>17.4</del>	The AC <del>should</del> reviews all material related party transactions and keeps the Board informed of such transactions, and the findings and conclusions from its review. Material related party transactions <del>should be</del> are disclosed in the Annual Reports (for listed Financial Institutions) or on the company website (for unlisted <del>of the</del> Financial Institutions).

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<sup>9b21</sup> “Related party transaction” means a transfer of resources or obligations between related parties, regardless of whether a price is charged. Related party transactions include transactions with related parties and director and director-related entities. “Related party”, in relation to a Financial Institution, means any of its associates or subsidiaries, its holding company or any subsidiary of its holding company.



Monetary Authority of Singapore