

**RESPONSE TO
FEEDBACK RECEIVED**

June 2019

**Proposed Guidelines on
Individual
Accountability and
Conduct**

MAS

Monetary Authority of Singapore

Contents

1	Preface	3
2	Scope of Application and Implementation Approach	4
3	Promoting Individual Accountability of Senior Managers.....	12
4	Strengthening Oversight of Material Risk Personnel.....	34
5	Embedding Standards of Proper Conduct among Employees.....	40
6	Other Outcomes and Guidance	45
7	Other Matters	45
8	Implementation Timeline	46
Annex A	48
Annex C	50

1 Preface

1.1 On 26 April 2018, the Monetary Authority of Singapore (MAS) issued a consultation paper to seek feedback on a proposed set of guidelines to strengthen accountability and standards of conduct across the financial industry. Specifically, the Guidelines on Individual Accountability and Conduct (IAC Guidelines) aim to promote the individual accountability of senior managers, strengthen oversight of employees in material risk functions, and reinforce standards of proper conduct among all employees. The IAC Guidelines set out five Outcomes and specific guidance underpinning each Outcome that financial institutions (FIs) should work towards:

- (i) Outcome 1: Senior managers who have responsibility for the management and conduct of functions that are core to the FI's operations are clearly identified.
- (ii) Outcome 2: Senior managers are fit and proper for their roles, and held responsible for the actions of their staff and the conduct of the business under their purview.
- (iii) Outcome 3: The FI's governance framework is supportive of and conducive to senior managers' performance of their roles and responsibilities. The FI's overall management structure and reporting relationships are clear and transparent.
- (iv) Outcome 4: Employees in material risk functions are fit and proper for their roles, and subject to effective risk governance as well as the appropriate standards of conduct and incentive structure.
- (v) Outcome 5: The FI has a framework that promotes and sustains the desired conduct among all employees.

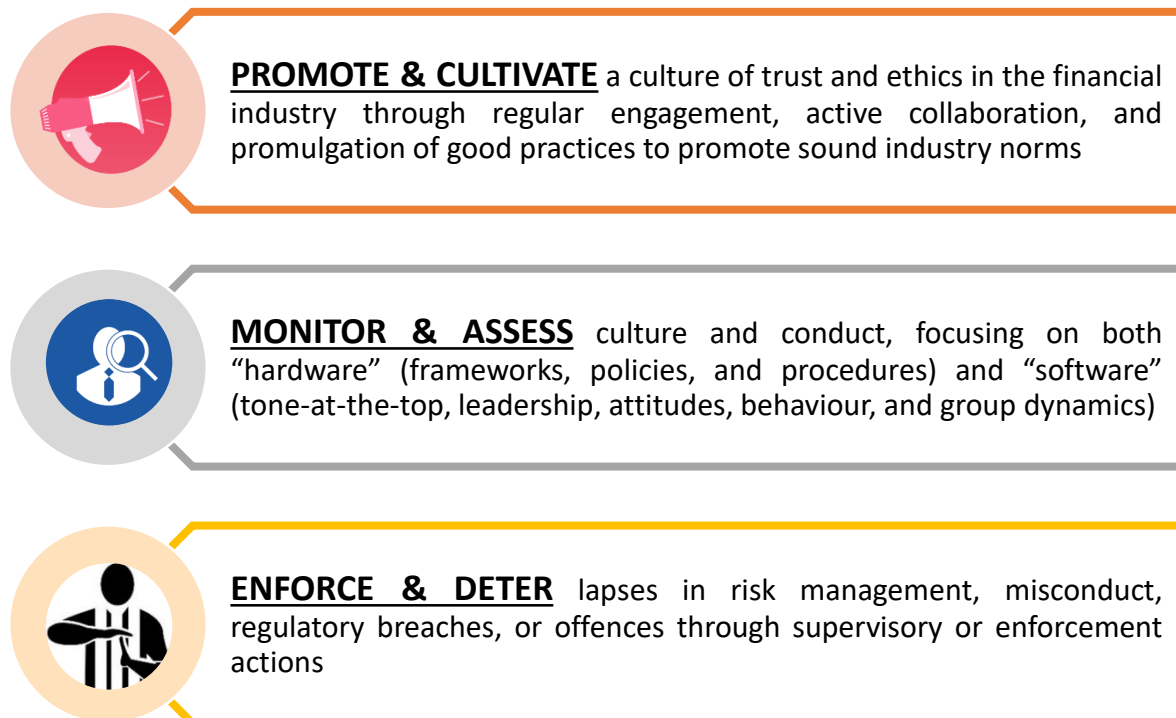
1.2 MAS also explained how the IAC Guidelines are positioned as part of its three-pronged approach towards fostering sound culture and conduct in the financial industry (Figure 1). In particular, the first prong on *promoting and cultivating a culture of trust and ethics through the promulgation of good industry practices* forms the premise of the IAC Guidelines.

1.3 The consultation closed on 25 May 2018. MAS would like to thank all respondents for their feedback and comments.

1.4 MAS has considered carefully the feedback received, and made revisions to the IAC Guidelines where appropriate. The list of respondents is in Annex A, and the full

submissions with the names of respondents can be found in Annex B. Comments that are of wider interest, together with MAS' responses, are set out in this paper.

Figure 1: MAS' three-pronged approach towards culture and conduct



2 Scope of Application and Implementation Approach

2.1 MAS had proposed to apply the IAC Guidelines to the following FIs:

- (i) a bank licensed under section 4(1) of the Banking Act (Cap. 19);
- (ii) a merchant bank approved under section 28(2) of the Monetary Authority of Singapore Act (Cap. 186);
- (iii) a finance company licensed under section 3(1) of the Finance Companies Act (Cap. 108);
- (iv) an insurer licensed under section 8(5) of the Insurance Act (Cap. 142) (IA);
- (v) a foreign insurer operating in Singapore under a foreign insurer scheme established under section 35B of the IA;

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- (vi) an approved exchange under section 8(1) of the Securities and Futures Act (Cap. 289) (SFA);
 - (vii) an approved clearing house under section 51(1)(a) of the SFA;
 - (viii) an approved holding company under section 81W of the SFA¹;
 - (ix) a holder of a capital markets services licence under section 82(1) of the SFA;
 - (x) a financial adviser licensed under section 6(1) of the Financial Advisers Act (Cap. 110); and
 - (xi) a trust company licensed under section 3(1) of the Trust Companies Act (Cap. 186).

2.2 In addition, MAS had proposed to apply the IAC Guidelines on a group basis to locally-incorporated banks and insurers².

Applicability of the IAC Guidelines

2.3 Three respondents proposed to extend the IAC Guidelines to insurance brokers and approved trustees for collective investment schemes. Two others suggested to include registered fund management companies (RFMCs), while one was supportive of excluding RFMCs from scope. There was also one suggestion to extend the IAC Guidelines to all FIs regulated by MAS.

2.4 Several respondents suggested small FIs should be given flexibility in implementing the IAC Guidelines, on the basis that certain specific guidance under the Guidelines are not applicable to them. Respondents highlighted that FIs with small scale

¹ For approved exchanges and approved clearing houses that are operated as a single group, we will apply a single instance of the IAC on the entire group (including the approved holding company). For approved exchanges and approved clearing houses that are run as separate entities, we will apply the IAC severally to the disparate entities in the group (excluding the approved holding company).

² For locally-incorporated banks and insurers that are headquartered in Singapore, this refers to the group including the holding company in Singapore, as well as local and overseas subsidiaries and branches, where applicable. For locally-incorporated subsidiaries of foreign banks and insurers, this refers to the local operations in Singapore and downstream subsidiaries and branches in Singapore and overseas, where applicable.

local operations, flat structures and low employee headcounts could end up with everyone in the organisation, including those in junior positions, designated as senior managers. Respondents expressed concern that the cost of implementing the IAC Guidelines would therefore present a disproportionate burden on small FIs, and reduce competition within the industry.

MAS' Response

2.5 MAS agrees with the feedback to expand the application of the IAC Guidelines to a wider scope of FIs regulated by MAS, given that the underlying principles of clarity in individual responsibilities and proper conduct are applicable across the financial sector. Nevertheless, there may be very limited scenarios where the IAC Guidelines need not be applied, such as in the case of a foreign incorporated recognised market operator which operates in a market overseas, rather than in Singapore, as such an entity conducts no or very few activities in Singapore, and is already subject to the regulation and supervision of a home regulator.

2.6 All FIs are expected to work towards the five Outcomes set out in paragraph 1.1 (i) to (v), which are fundamental to ensuring accountability and upholding high standards of conduct within the FIs. Nevertheless, MAS notes the feedback on the potential disproportionate compliance burden on small FIs and recognises that in smaller FIs, management oversight and control is generally less dispersed, and decision-making structures tend to be less complex. In these FIs, the directors and chief executive officers usually directly oversee most or all functions in the FIs. The accountability is also clearer in these smaller FIs with simple decision-making structures. As such, MAS will not ordinarily expect smaller FIs, such as those with a headcount of less than 20³ to adopt the specific guidance described under the five Outcomes. Nonetheless, smaller FIs can consider adopting parts of the Guidelines as appropriate. For the avoidance of doubt, all the requirements in the relevant legislation administered by MAS on directors and key executives will continue to apply.

2.7 Notwithstanding paragraph 2.6, MAS may still specifically require a smaller FI (e.g. those with a headcount of less than 20) to adopt the specific guidance under any of

³ For FI that is a holder of a capital markets services licence under section 82(1) of the SFA or a financial adviser licensed under section 6(1) of the Financial Advisers Act, the FI should include the number of local and overseas-based representatives in determining its headcount.

the five Outcomes of the IAC Guidelines as necessary, after taking into account factors such as the nature and complexity of the FI's operations.

2.8 MAS' revised proposals on the additional entities to be scoped in under paragraph 2.5 and the calibrated approach for smaller FIs under paragraphs 2.6 and 2.7 are set out in the [Consultation Paper on Guidelines on Individual Accountability and Conduct- Proposed Scope of Application](#) dated 6 June 2019.

Proportionality and MAS' Supervisory and Enforcement Approach

2.9 A few respondents suggested to implement the IAC Guidelines via a tiered approach across various dimensions, including to distinguish between local and foreign FIs, and FIs that serve retail investors and those that only serve accredited or institutional investors, so as to facilitate proportionate implementation.

2.10 Several respondents also sought clarification on MAS' expectations in assessing FIs' implementation of the IAC Guidelines, and requested that FIs be given flexibility in establishing the appropriate policies and procedures. In addition, respondents queried on the implications of the IAC Guidelines on the potential legal liabilities of, and enforcement actions that could be taken against directors, senior managers, and employees of an FI. There were also queries on whether FIs may obtain professional indemnity insurance for senior managers or other employees against financial penalties.

MAS' Response

2.11 MAS considered whether the application of the IAC Guidelines should be tiered across the dimensions outlined in paragraph 2.9. However, proper accountability and conduct are fundamental elements of good governance and sound business practice. Even where FIs only serve non-retail customers or exclusively conduct wholesale market activities, the expectations on fair dealing as well as proper conduct remain relevant.

2.12 The Outcomes-based approach of the IAC Guidelines gives FIs flexibility to establish policies and procedures to achieve the five Outcomes as appropriate to the nature, size, and complexity of their operations. MAS will take a proportionate approach in engaging FIs on their implementation of the IAC Guidelines, and FIs should likewise be ready to demonstrate to MAS how the Outcomes are achieved. FIs should not take a mechanistic or check-list approach towards implementing the IAC Guidelines.

2.13 Where MAS is not satisfied with an FI's implementation of the five Outcomes, MAS may require the FI to put in place additional measures to address the deficiencies noted. MAS may also take these issues into account in its assessment of the FI and the effectiveness of Board and senior management oversight. Should FIs and their Board and senior management demonstrate an inability or unwillingness to take remedial actions, MAS will take appropriate supervisory actions depending on the severity and potential impact of the weaknesses uncovered. In addition, MAS may communicate with the home or host regulators of the FI on the issues of concern.

2.14 The IAC Guidelines do not supersede nor in any way affect existing laws and regulations. Where misconduct, regulatory breaches, or offences have occurred, MAS will take the necessary action against the FI and/or the relevant director, senior manager, or individual.

2.15 On the issue of professional indemnity insurance, in general, FIs should avoid arrangements that undermine the accountability of senior managers, such as insurance or other agreements that have the effect of indemnifying senior managers or other employees against financial penalties for misconduct or other offences.

Group Application for Local Bank and Insurance Groups

2.16 MAS had proposed to apply the IAC Guidelines on a group basis for locally-incorporated banks and insurers. A few respondents sought clarifications on the implications of group application to the locally-incorporated bank or insurer, and asked for additional guidance on how the bank or insurer should identify material subsidiaries and branches.

2.17 There were also some clarifications requested on how the IAC Guidelines apply to downstream FIs of the group that operate in Singapore. Specifically, in respect of *overseas* subsidiaries and branches, respondents asked if each overseas entity is expected to comply with the IAC Guidelines and designate senior managers for the full list of core management functions (CMFs) as set out in Annex C. These respondents were primarily concerned about the extra-territorial implications, should overseas entities be required to comply with the IAC Guidelines while also being subject to the domestic regulatory requirements in those jurisdictions.

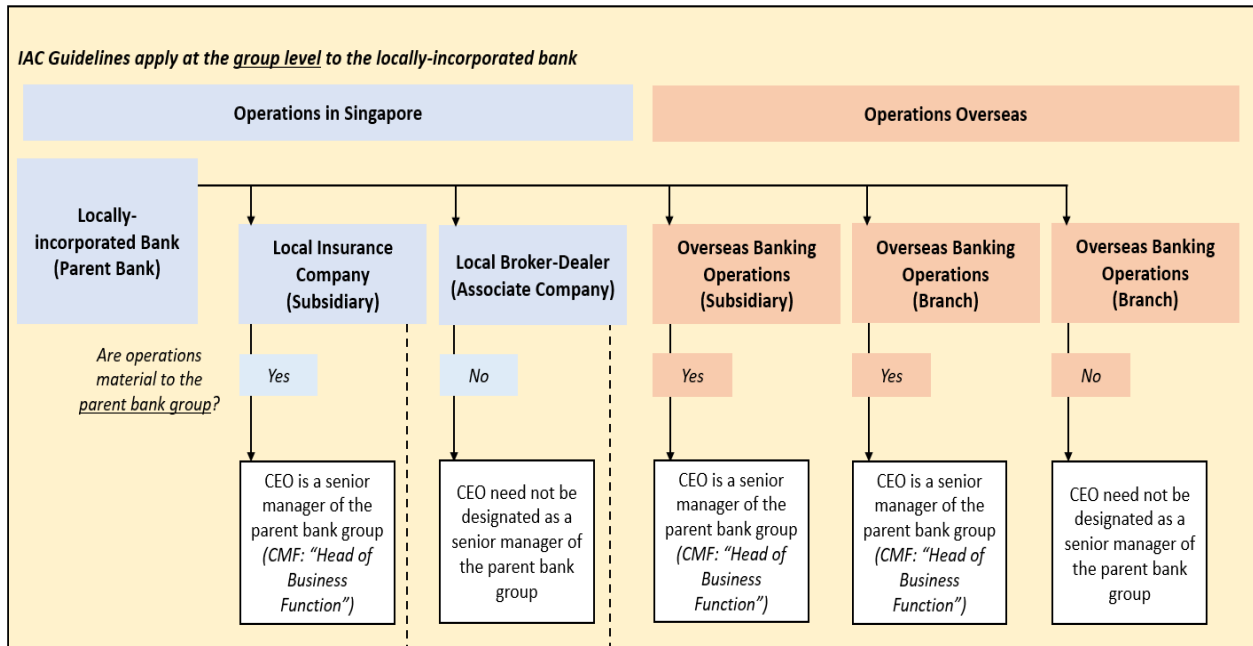
MAS' Response

2.18 For locally-incorporated banks and insurers (the “parent” bank or insurer), group application has two main implications. First, the specification of senior managers’ responsibilities should include their responsibilities in respect of both the operations of the parent bank or insurer and, where relevant, the operations of the group. For example, the responsibilities of the Group Chief Risk Officer should relate to the identification, monitoring, and management of the risks of the parent bank or insurer, as well as the risks across the bank or insurance group.

2.19 Second, material aspects of the group’s operations will normally include significant downstream subsidiaries or other entities (hereafter collectively referred to as “downstream entities”), whether located in Singapore or overseas. The parent bank or insurer may consider a range of metrics in identifying significant downstream entities. Some examples include contribution to the group in terms of assets, profit, revenue, gross premium, or assets under management (AUM), proportion of capital attribution, and/or number of employees, as appropriate to the group’s circumstances. Each significant downstream entity would be considered a “*material business function*” of the parent bank or insurance group. Therefore, the parent bank or insurer should designate the CEO or equivalent of each significant downstream entity as a senior manager, per the definition of the “Head of Business Function⁴”. Figure 2 provides an illustrative example of how the IAC Guidelines apply on a group basis to a parent bank, with regard to the identification of senior managers of significant downstream entities.

⁴ As set out in paragraph 1(h) of Annex C, the “Head of Business Function” refers to any individual who is principally responsible for the management and conduct of a function which undertakes the business activities of the FI, including the activities stipulated with respect to each type of FI under paragraphs 1(h)(i) to 1(h)(xi), as well as “*any other material [business] function*”.

Figure 2: Identification of senior managers of significant downstream entities



- Apart from applying at group level to the parent bank, the IAC Guidelines apply at the entity level to each downstream local FI that is within the scope of application of the IAC Guidelines
- Each entity should implement the appropriate measures to achieve the five Outcomes, including to identify its respective senior managers

2.20 The application of the IAC Guidelines on a group basis to the parent bank or insurer does *not* negate the application of the IAC Guidelines to the downstream FIs of the group that operate in Singapore and are within the scope of application of the IAC Guidelines (the “downstream local FIs”). For these downstream local FIs, the IAC Guidelines continue to apply at the *entity level*. Accordingly, each downstream local FI is responsible for implementing the necessary measures to comply with the IAC Guidelines and achieve the five Outcome⁵. For instance, specifically for Outcome 1, each downstream local FI should identify its respective senior managers, including but not limited to those performing the CMFs listed in Annex C.

2.21 For the avoidance of doubt, apart from the identification of the CEO or equivalent as set out in paragraph 2.19 above, the IAC Guidelines are *not* required to be applied at

⁵ Downstream local FIs with a headcount of less than 20 persons will not be expected apply the specific guidance described under the Outcomes to achieve this. MAS’ proposals on the calibrated approach for smaller FIs can be found in the [Consultation Paper on Guidelines on Individual Accountability and Conduct- Proposed Scope of Application](#) dated 6 June 2019.

the entity level to the significant downstream entities of the group that operate overseas⁶. However, the parent bank or insurer may still choose to adopt the standards set out in the IAC Guidelines in their overseas operations.

Exemption from the IAC Guidelines and Adoption of Group Policies

2.22 Some respondents suggested to exempt FIs and senior managers who are subject to accountability regimes in other jurisdictions from the IAC Guidelines. For example, some respondents felt that senior managers who have responsibility for the FI's operations in Singapore, but are based in the FI's office in the United Kingdom (UK) and subject to the Senior Managers Regime (SMR), should be exempt from the IAC Guidelines. A number of respondents also proposed to deem an FI that is compliant with other jurisdictions' accountability regimes to be likewise compliant with the IAC Guidelines. Senior managers who are required to comply with the SMR in the UK but physically based in Singapore, for instance, should be deemed compliant with the IAC Guidelines.

2.23 Other respondents asked if FIs could rely on or leverage their Regional or Head Office policies to comply with the IAC Guidelines in Singapore.

MAS' Response

2.24 FIs operating overseas, including in jurisdictions such as the UK, Hong Kong, and Australia, may already be subject to requirements or expectations that are similar to those under the IAC Guidelines. Nevertheless, the requirements or expectations in each jurisdiction typically apply only to the FI's operations in those jurisdictions. The IAC Guidelines apply specifically to an FI's operations *in Singapore*.⁷ Therefore, MAS does not consider it necessary to exempt FIs which are subject to similar requirements or expectations overseas, or deem such FIs as compliant with the IAC Guidelines.

2.25 Nevertheless, FIs may apply and adapt the frameworks, policies, and procedures that have been instituted at the Regional or Head Office levels to their Singapore operations, for the purpose of complying with the IAC Guidelines in Singapore. The

⁶ Accordingly, the IAC Guidelines do not affect the local regulatory requirements that each overseas entity of the group has to comply with in the relevant jurisdiction.

⁷ This is with the exception of the locally-incorporated banks and insurers, where the IAC Guidelines apply on a group basis.

specification of senior managers’ responsibilities should reflect their roles in relation to the Singapore operations.

Role of the Board in Overseeing FIs’ Implementation

2.26 The IAC Guidelines set out various expectations of the Board or Head Office, as applicable to the FI’s circumstances, in overseeing the FI’s implementation of the five Outcomes. A few respondents sought clarification on the appropriate governing body for foreign FIs, where oversight of the FI’s operations in Singapore could be the responsibility of Regional Office management or some other committee or body as directed by the Head Office.

MAS’ Response

2.27 MAS appreciates that FIs’ governing bodies may differ, depending on the organisational structure and governance arrangements of the FI or its group. For the purpose of the IAC Guidelines, unless the context requires otherwise, “Board” refers to:

- (i) in the case of an FI incorporated in Singapore, the Board of directors; and
- (ii) in the case of an FI incorporated or established outside Singapore, a governing body or committee beyond local management that is charged with oversight and supervision responsibilities for the FI’s operations in Singapore.

2.28 MAS will adopt the above interpretation of the “Board” in the final IAC Guidelines and the remainder of this consultation response for clarity and consistency.

3 Promoting Individual Accountability of Senior Managers

3.1 MAS had proposed that FIs should identify senior managers who are responsible for functions that are core to the FI’s operations, including but not limited to those performing the CMFs in Annex C, and clearly specify their individual responsibilities. FIs should ensure that senior managers are fit and proper for, and have acknowledged, their roles, and hold them responsible for the actions of their staff and the conduct of the business under their purview, such as through appropriate incentive and consequence management frameworks. The FI’s management and reporting structure should also be

clear and transparent. In addition, FIs should have in place a succession plan to facilitate smooth transition in the senior management team.

3.2 Annex C has been revised to include the CMFs of the expanded scope of FIs that MAS is proposing to include in the [Consultation Paper on Guidelines on Individual Accountability and Conduct- Proposed Scope of Application](#) dated 6 June 2019. The changes are:

- (i) To include under the “*head of business function*”, who is principally responsible for the management and conduct of a function which undertakes the business activities of the financial institution—
 - a. in relation to a registered insurance broker under the Insurance Act, the functions of acting as an insurance broker as defined under section 1A of the Insurance Act, and any other material function;
 - b. in relation to a recognised market operator that is incorporated in Singapore, recognised clearing house that is incorporated in Singapore, licensed trade repository or the Central Depository System under the Securities and Futures Act, as the case may be, the functions involving the creation, sale and marketing of regulated products, regulated activities or membership, and any other material function;
 - c. in relation to a registered fund management company exempted from holding a capital markets services licence under paragraph 5(1)(i) of the Second Schedule to the Securities and Futures (Licensing and Conduct of Business) Regulations, the functions involving the regulated activity of fund management as defined in the Second Schedule of the Securities and Futures Act, and any other material function; and
 - d. in relation to an approved trustee under the Securities and Futures Act, the functions involving acting as a trustee for collective investment schemes which are authorised under the Securities and Futures Act and constituted as unit trusts, and any other material functions.

Definition of Senior Managers

3.3 Several respondents highlighted that senior managers may not necessarily be employees of the FI in Singapore. For example, some FIs may have in place arrangements where senior managers based in and/or employed by the Regional or Head Offices overseas have responsibility for the FI's day-to-day operations in Singapore. A respondent also suggested that the reference to "executive capacity" in the definition of senior managers is not necessary, as "responsibility for the day-to-day management of the FI" should be the primary basis for identifying senior managers. Two other respondents asked if senior managers can be circumscribed to members of an FI's management committee.

3.4 Respondents also observed that the terms "senior managers", "senior management", "executive officers", and "officers" are commonly used in various MAS legislation, notices, and guidelines, and asked if the definitions therein could be aligned.

MAS' Response

3.5 MAS agrees that senior managers may not necessarily be employees of the FI in Singapore. Senior managers who are based overseas can be responsible for the day-to-day operations of the FI in Singapore under a regional or global management arrangement. In this vein, "*responsibility for the day-to-day management of the FI*" provides a consistent basis for identifying senior managers, regardless of their title or physical location. MAS will refine the definition of senior managers to better encapsulate these guiding principles as follows (changes underlined):

"Senior managers" refer to individuals who are employed by, or acting for or by arrangement with, the FI, and are principally responsible for the day-to-day management of the FI.

3.6 Whether a senior manager is a member of the executive or management committee can differ across FIs, depending on the FI's scale, complexity, and governance arrangements. Therefore, MAS does not consider it appropriate to circumscribe the definition of senior managers to members of an FI's executive or management committee.

3.7 MAS recognises that there are various regulations and guidelines that refer broadly to "senior management", and others that define specific roles constituting "senior management". The definitions used are primarily a function of policy intent and hence can be different to address particular risks in a targeted manner. For example, in Notice 643, the definition of "senior management" extends to senior officers' family members, as the intent is to identify person with whom conflicts of interest may arise, and

accordingly subject them to the regulatory requirements governing related party transactions. This is broader than the scope of senior managers under the IAC Guidelines.

Decision-Making Authority of Senior Managers

3.8 Several respondents sought additional guidance on the determination of “decision-making authority” in identifying senior managers, particularly for foreign FIs. These respondents highlighted that decisions on strategic or other matters may be taken at the Regional or Head Office levels while local management has delegated authority, and local management is often also required to report to Regional or Head Office management regarding the FI’s operations in Singapore.

3.9 Some respondents also cited practical constraints in identifying senior managers based in Singapore, such as a local employee base that is relatively junior, or where regional or global governance arrangements result in the centralisation of certain senior management functions in overseas locations. Conversely, a few respondents felt that it would be challenging to designate senior managers based overseas. One respondent was of the view that FIs should only identify and designate senior managers based in Singapore.

MAS’ Response

3.10 As set out in paragraph 3.5 above, senior managers under the IAC Guidelines refer to the individuals who are *principally responsible for managing the FI’s day-to-day operations in Singapore*. In general, if individuals from the Regional or Head Office are directly responsible for running the FI’s day-to-day operations in Singapore and have not delegated such responsibility to local management, the relevant Regional or Head Office individuals should be designated as senior managers of the FI, regardless of their physical location. On the other hand, if the authority for managing the FI’s affairs in Singapore has been delegated to local management, the relevant individuals in Singapore who have been vested with these responsibilities should accordingly be designated as the senior managers.

3.11 MAS appreciates that organisational structures and governance arrangements between the local operations and the Regional or Head Office can differ across FIs. Ultimately, it is for each FI to identify its senior managers who are *in substance* responsible for running the FI’s on-going operations in Singapore. In line with the specific guidance underlying Outcomes 1 and 2, it is not appropriate for FIs to designate individuals based overseas as senior managers if the relevant decision-making authority has in substance

been vested locally. Likewise, FIs should not designate individuals based in Singapore as senior managers if the decisions driving the FI's day-to-day business are effectively taken overseas.

Reporting Lines and Seniority of Senior Managers

3.12 Several respondents highlighted that senior managers may not always have direct reporting lines to the CEO of the FI in Singapore, particularly senior managers who are based in the Regional or Head Offices overseas but have responsibility for the FI's day-to-day operations in Singapore. Hence, a direct reporting line to the CEO should not be mandatory for all senior managers. These respondents suggested that FIs should be allowed to determine the appropriate reporting structure for senior managers.

MAS' Response

3.13 MAS recognises that reporting arrangements may vary across FIs. For example, senior managers who are members of Regional or Head Office management may have direct reporting lines to the FI's governing body at the Regional or Head Office levels. In FIs with a Deputy CEO, certain senior managers may also report directly to the Deputy CEO who has been vested with the relevant authority by the CEO.

3.14 The IAC Guidelines do *not* mandate any particular reporting structure for all FIs. Rather, paragraph 5.3 of the consultation paper provides general guidance to FIs on the identification of individuals as senior managers taking into account *seniority* within the organisation. Reporting hierarchy in relation to the CEO and/or Board, or equivalent, is thus *one* of the factors that FIs should *consider*. In general, the most senior individual (the "relevant individual") with principal responsibility for the day-to-day management of a core function of the FI should also be responsible for reporting to the CEO and/or Board, or equivalent⁸, on matters pertaining to that function. Therefore, the relevant individual, rather than his or her downstream reports, should be designated as the senior manager.

3.15 To illustrate, where an FI has two individuals who respectively manage the FI's operations and information technology (IT), and each individual has a direct reporting line

⁸ This includes reporting to the Deputy CEO where he/she has been vested with the relevant authority for the day-to-day management of the FI in Singapore.

to the CEO, both should be designated as senior managers (i.e. the “Chief Operating Officer (COO)” and “Chief Information Officer (CIO)” CMFs⁹, respectively) under the IAC Guidelines. In contrast, where each of these individuals are junior to and report to a third individual who in turn has ultimate responsibility for reporting directly to the CEO on matters regarding *both* the operations and IT of the FI, it is this third individual who should be designated as a senior manager with responsibility for both the “COO” and “CIO” CMFs.

Identifying Senior Managers Performing CMFs

3.16 Respondents were largely of the view that the list of CMFs is generally representative of the functions performed by senior management in FIs. A few respondents suggested to institute the CMFs as an exhaustive list of senior management functions, so as to promote consistency in the identification of senior managers across FIs.

3.17 On the other hand, most respondents emphasised the need to give FIs flexibility in implementing the list of CMFs, with one suggesting to include “others” as an additional category of CMFs to allow FIs to designate individuals with responsibility for functions other than the stipulated CMFs as senior managers. These respondents also sought clarification on whether FIs must identify a senior manager for each CMF, or if they can determine the applicable CMFs and where necessary deviate from the list of CMFs in identifying their senior managers. Two respondents asked if FIs are expected to create new roles for CMFs that presently do not exist within their organisations.

3.18 Finally, a few respondents asked if the title and definition of each CMF are mandatory designations and responsibilities that the relevant senior manager must have.

MAS’ Response

3.19 The list of CMFs represents core functions relating to the management of an FI’s day-to-day affairs that MAS would normally consider to be performed by senior managers. It provides general guidance and is *not* intended to be exhaustive nor prescribe a particular governance structure for all FIs. FIs differ in organisational structure and complexity, and should determine the CMFs, as well as any other material function(s) that do not fall within the list of CMFs, that are relevant to their circumstances.

⁹ Please refer to paragraphs 1(d) and 1(e) of Annex C for the definitions of CIO and COO.

3.20 MAS expects FIs to ensure that there is clear ownership and accountability of the design, delivery and maintenance of products offered to customers, including sales and transactions processing, post-sale handling and remediation of customers in respect of these products. These responsibilities could reside in one or more CMFs. Where more than one CMF are responsible for the product life cycle, the division of roles and scope of responsibility each CMF is responsible for should be clear and unambiguous.

3.21 Where there are CMFs that presently are not under the purview of any individual within the organisation, FIs should critically assess if the responsibilities in respect of those CMFs, as described in Annex C, might be relevant in the context of the FI's growth strategy, business, or risk profile, and therefore represent potential gaps in management oversight. FIs should accordingly designate senior managers for those CMFs.

3.22 FIs are not precluded from deviating from the list of CMFs, if they have determined that any of the CMFs are not applicable¹⁰ or relevant to their circumstances. In a similar vein, the onus is on FIs to identify other individuals who would be considered senior managers by virtue of their seniority, decision-making authority, and responsibilities, even if the particular function that they manage does not fall within the list of CMFs. For example, MAS notes that FIs generally consider their Deputy CEO and Chief Investment Officer, where these roles are present within their organisations, as senior managers. Ultimately, it is for each FI to demonstrate to MAS that it has achieved the objectives of Outcome 1 in identifying senior managers who are responsible for the day-to-day management of the FI's core functions.

3.23 In identifying senior managers, FIs should look beyond the title of the role set out in Annex C, and consider whether the responsibilities of the relevant individual, *whatever his or her title may be*, reflects in substance the responsibilities described in the definition of each CMF. For the avoidance of doubt, the titles used in the list of CMF are not mandatory designations that FIs must use. Similarly, the definition of each CMF provides broad guidance on the key responsibilities that the particular senior manager may generally be expected to have. These are principles-based and do *not* constitute mandatory responsibilities. FIs should apply the CMF definitions in a manner and to the

¹⁰ There are some CMFs which, by definition, only apply to certain FIs. For example, the "Head of Actuarial" CMF only applies to a licensed insurer or foreign insurer operating in Singapore under a foreign insurer scheme, while the "Chief Regulatory Officer" CMF only applies to an approved exchange, approved clearing house, or approved holding company.

extent that reflects the actual responsibilities of the particular senior manager, in respect of the FI's business.

Responsibility for Multiple CMFs and Shared Responsibility Structures

3.24 Several respondents asked if a senior manager can have responsibility for more than one CMF. On the other hand, a few respondents sought clarification on whether the responsibilities for a CMF can be shared among two or more senior managers, and on the implications that this would have on the accountability of each senior manager.

MAS' Response

3.25 FIs may designate a senior manager to be responsible for more than one CMF. In such cases, FIs should ensure that the senior manager's responsibilities for each of these CMFs are clearly specified, and there is no conflict of interest inherent in or arising from simultaneously performing these CMFs. For example, MAS would not consider it appropriate for the Head of Internal Audit to have responsibility for another CMF, given the centrality of independence to the effectiveness of the internal audit function.

3.26 FIs may also adopt shared responsibility structures where appropriate and justified. Where two or more senior managers share responsibility for a function within the FI, this should not result in a dilution of responsibilities or accountability for that function.

Responsibility for the Management of Outsourced Core Functions

3.27 Respondents sought clarification on the interaction of the IAC Guidelines with the Guidelines on Outsourcing ("Outsourcing Guidelines"), which set out the responsibilities of the Board and senior management for outsourcing arrangements. Two respondents noted that the individuals who are responsible for outsourcing arrangements under the Outsourcing Guidelines may not necessarily be senior managers under the IAC Guidelines. In addition, clarifications were sought on the responsibilities of senior managers in Singapore for outsourcing arrangements that are determined by the FI's Regional or Head office. Separately, three respondents suggested omitting senior managers' responsibilities for outsourced functions from the scope of the IAC Guidelines, and allow these to be addressed as part of the Outsourcing Guidelines instead.

MAS' Response

3.28 As stated in paragraph 5.2.1. of the Outsourcing Guidelines, while an institution may delegate day-to-day operational duties to a service provider, the responsibilities for maintaining effective oversight and governance of outsourcing arrangements, managing outsourcing risks, and implementing an adequate outsourcing risk management framework, continue to rest with the institution, its Board and senior management.

3.29 The IAC Guidelines build on the responsibilities of the Board and senior management as articulated in the Outsourcing Guidelines. Under the IAC Guidelines, FIs should identify senior managers who are responsible for functions that are core to the FI's operations. Senior managers include *but are not limited to* those performing the CMFs in Annex C. Further, as elaborated upon in paragraph 3.14, FIs should designate as a senior manager the *most senior* individual with responsibility for the day-to-day management of the particular core function. Where functions which are core to the FI's operations have been outsourced, whether wholly or partially, the designated senior managers should continue to be held responsible for the management of these core functions. Where functions have been assessed not to be core to the FI's operations, senior managers will not have to be identified for the management of these non-material functions.

3.30 MAS appreciates that for foreign FIs, certain outsourcing arrangements may be determined by the Regional or Head Office. The basis for identifying senior managers under the IAC Guidelines is *responsibility for managing the day-to-day operations of the FI in Singapore*. This includes outsourcing arrangements in respect of the FI's local operations. Where individuals other than local management have been designated as the senior manager for such outsourcing arrangements, FIs should be prepared to substantiate how they have met the expectations on responsibilities for outsourcing arrangements as set out in paragraphs 5.2.3 and 5.2.5 of the Outsourcing Guidelines.

Responsibility for Cross-Border Trades or Transactions

3.31 One respondent highlighted that FIs with global operations may have arrangements that allow either trades originated in Singapore to be booked in another one of the group's entities overseas, or trades originated overseas to be booked in Singapore. Clarification was sought on the expectations regarding senior managers' responsibility for such trades.

MAS' Response

3.32 Senior management responsibility for the FI's day-to-day operations in Singapore should include any part of a trade or transaction that took place in Singapore. This includes trades or transactions that are executed by or booked into the FI in Singapore, even if any other leg such as the origination, structuring, and/or arrangement of the trades or transactions took place overseas, and vice versa. The relevant senior manager with responsibility for the treasury or trading function of the FI in Singapore should ensure that there are appropriate systems and controls in place to manage the risks associated with the origination, structuring, arrangement, and/or booking of any trade or transaction in Singapore.

3.33 The application of the IAC Guidelines to personnel with material authority or risk limits to conduct these cross-border transactions is addressed in paragraph 4.12 below.

"Head of Business Function" CMF

3.34 Respondents sought clarification on whether FIs should designate the Heads of all business functions as senior managers under the IAC Guidelines. One respondent also asked if the direct reports to the Head of Business Function who oversee product or customer lines within that business function should likewise be designated as senior managers, and requested additional guidance on the application of the IAC Guidelines to these downstream reports if otherwise.

MAS' Response

3.35 The definition of the "Head of Business Function" sets out various activities that are commonly conducted by each type of FI to which the IAC Guidelines apply. The stipulated activities provide general guidance and are *not* exhaustive, since FIs, including those from the same sector, may conduct varying scopes of activities and organise their business functions differently.

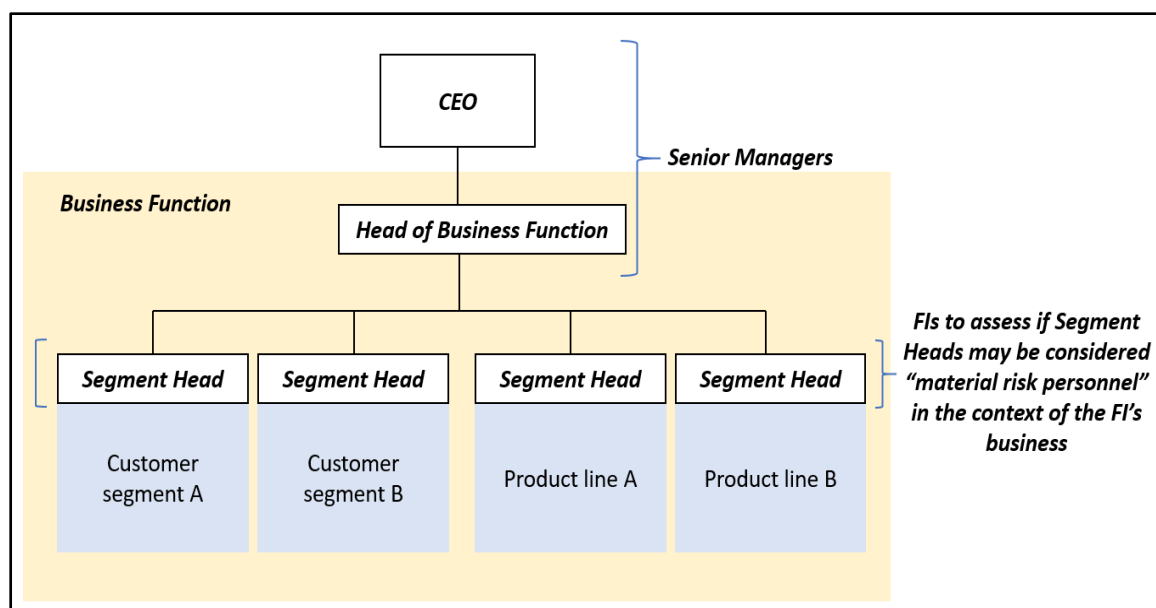
3.36 FIs should designate a senior manager for each of the activities stipulated in the definition of the “Head of Business Function” that apply to their circumstances¹¹. In addition, the definition of the “Head of Business Function” gives FIs the flexibility to identify senior managers who head “*any other material function*” as determined by the FI. FIs may consider various metrics in identifying functions which are material to their business including but not limited to the relative size of a function in terms of its capital consumption, contribution towards the FI’s assets, profit, revenue, gross premium, or AUM, and/or number of employees.

3.37 MAS recognises that it is common for FIs to segment their business functions by market, product, customer, or other functional lines. As set out in paragraph 3.14 above, senior managers under the IAC Guidelines refer to the *most senior* individual with principal responsibility for the business function, and generally have the responsibility to report to the CEO and/or Board on matters pertaining to that function. Where the business function comprises two or more business lines which are headed by different individuals (the “segment heads”) reporting to the Head of Business Function, FIs should consider whether any of these segment heads may be considered “material risk personnel¹² in view of their mandates or decision-making authority, and if so, apply the guidance under Outcome 4. Figure 3 provides an illustrative example.

¹¹ For example, as set out in paragraph 1(h)(iv) of Annex C, insurers licensed under the IA, or foreign insurers operating in Singapore under a foreign insurer scheme established under the IA, as the case may be, should identify as senior managers the individuals who head the functions involving agency and distribution, underwriting, marketing, investment, and any other material function, as applicable to their circumstances.

¹² MAS will replace the term “employees in material risk functions” with “material risk personnel” in the IAC Guidelines, so as to facilitate greater clarity in the intended scope of persons. MAS’ key considerations are set out in paragraph 4.6.

Figure 3: Identification of Head of Business Function



“Head of Human Resources”, “Chief Data Officer”, and “Chief Information Security Officer” CMFs

3.38 A few respondents sought clarifications on the rationale for including the “Head of Human Resources (HR)”, “Chief Data Officer (CDO)”, and “Chief Information Security Officer (CISO)” in the list of CMFs.

MAS’ Response

3.39 HR practices that apply throughout an employee’s lifecycle – from recruitment, to on-boarding, continuous training, performance evaluation, incentives and compensation, promotion, consequence management, and termination – are important in creating the right values and incentives for proper conduct. The inclusion of the Head of HR as a CMF underscores the significance of the HR function in implementing the appropriate policies and procedures to support and promote desired standards of conduct throughout the organisation.

3.40 In addition, FIs are increasingly adopting data analytics and artificial intelligence (AI) in various aspects of their business, risk management, and regulatory compliance. Including the CDO within the list of CMFs reinforces MAS’ expectation that FIs put in place good data governance and effective management oversight to ensure responsible and ethical use of data.

3.41 Information security, including safeguards against cyber threats, is critical given the pervasive use of technology in FIs and the growing sophistication of information security threats. The inclusion of the CISO as a separate CMF from the CIO makes clear that the two are distinct, important functions. While the CIO is generally responsible for implementing the FI's IT infrastructure and managing IT risks, the CISO's responsibilities pertain to information security to protect the FI's information assets¹³ and manage information security breaches. MAS understands that in some FIs, the responsibilities in relation to both the CIO and CISO CMFs may be under the purview of one senior manager. As set out in paragraph 3.26 above, where a senior manager is in charge of more than one CMF, this should not result in a dilution of responsibilities or accountability for that function.

“Head of Compliance” CMF

3.42 Three respondents were of the view that the definition of the “Head of Compliance” could be further clarified. They highlighted that while the compliance function may establish the framework for monitoring and reporting on the FI's compliance with applicable laws and regulations as well as internal policies and procedures, the responsibility for compliance should continue to lie with the front-line business functions. Further, the responsibilities of the Head of Compliance should pertain more specifically to compliance with regulatory requirements under the applicable laws, rather than *all* applicable laws.

MAS' Response

3.43 The role of the Head of Compliance is to manage the internal and regulatory compliance risks faced by the FI. This should include, but not be limited to, establishing the appropriate policies and procedures to ensure employees undergo training on the applicable regulatory requirements and the FI's internal standards of conduct, ongoing monitoring and review of the FI's compliance with regulatory requirements and internal policies, and reporting to the FI's CEO and/or Board on these matters. The responsibilities of the Head of Compliance and compliance function do not in any way diminish or replace

¹³ Information assets include data, hardware, and software.

the responsibility of the business functions, which are the first line of defence, in complying with the applicable regulations and internal policies and procedures.

3.44 MAS notes respondents' comments regarding the scope of responsibilities of the Head of Compliance, and will refine the definition for greater clarity as follows (changes underlined):

“head of compliance”, who is principally responsible for monitoring and managing the financial institution’s compliance with regulatory requirements under the applicable laws and regulations, as well as internal policies and procedures.

“Head of Legal” and “Non-Executive Director” as Additional CMFs

3.45 Several respondents observed that it is common for the Head of Legal to be part of the senior management team, and suggested to include the Head of Legal as a CMF. In contrast, four respondents expressed support for the exclusion of the Head of Legal from the list of CMFs. They were of the view that the Head of Legal is generally not involved in managing FIs' day-to-day operations. Further, including the Head of Legal as a CMF may potentially lead to conflicts of interest and erosion of legal professional privilege.

3.46 Separately, one respondent suggested to include non-executive directors within the list of CMFs, while two other respondents sought confirmation that directors are excluded from the scope of the IAC Guidelines.

MAS' Response

3.47 MAS does not intend to include the Head of Legal as a CMF. As observed by various respondents, the Head of Legal provides advice on legal matters to the FI and its Board and senior management, and is generally not involved in managing the day-to-day operations of the FI.

3.48 As set out in paragraph 5.7 of the consultation paper, the IAC Guidelines apply to executive directors *specifically in respect of their executive roles as senior managers with responsibility for the day-to-day management of the FI's operations.* These management functions are distinct from the roles and responsibilities of the Board in overseeing management and reviewing managerial performance. MAS does not intend to include the roles and responsibilities of (non-executive) directors within the list of CMFs. The roles

and responsibilities of directors are separately set out in other existing legislation and guidelines, as applicable to the relevant FI¹⁴.

Assessments of Senior Managers' Fitness and Propriety

3.49 Respondents sought additional guidance on the frequency and criteria for assessing senior managers' fitness and propriety, in particular whether FIs can rely on the Guidelines on Fit and Proper Criteria ("Fit and Proper Guidelines")¹⁵ for this purpose. Some respondents also asked if self-declaration by senior managers would suffice to assess their fitness and propriety.

3.50 Other respondents sought clarifications on how FIs may determine the fitness and propriety of senior managers based overseas, particularly where the relevant senior managers have been appointed by the Regional or Head Office and local management has no purview over these appointments.

MAS' Response

3.51 In assessing fitness and propriety, FIs may apply the guiding criteria set out in the Fit and Proper Guidelines, and such other factors that the FI determines to be relevant to its circumstances and the particular role. FIs should also ensure that the criteria for assessing senior managers' fitness and propriety are aligned with the expectations that the Board has of senior managers.

3.52 Likewise, it is for FIs to determine the appropriate frequency and approach for assessing senior managers' fitness and propriety on an on-going basis. As a general guide, such reviews should minimally be conducted on an annual basis, or as and when any

¹⁴ These include the various Acts specified under paragraphs 2.1 and 2.3 of the Consultation Paper on Scope of Application of Proposed Guidelines on Individual Accountability and Conduct issued on 6 June 2019, the Banking (Corporate Governance) Regulations 2005, Insurance (Corporate Governance) Regulations 2013, Securities and Futures (Corporate Governance) Regulations 2005, Securities and Futures (Licensing and Conduct of Business) Regulations 2004, Guidelines on Corporate Governance for Financial Holding Companies, Banks, Direct Insurers, Reinsurers and Captive Insurers which are Incorporated in Singapore, Guidelines on Risk Management Practices, and Guidelines on Fair Dealing – Board and Senior Management Responsibilities for Delivering Fair Dealing Outcomes to Customers, as applicable to the relevant FI.

¹⁵ <http://www.mas.gov.sg/~media/MAS/Regulations%20and%20Financial%20Stability/Regulations%20Guidance%20and%20Licensing/Securities%20Futures%20and%20Fund%20Management/Regulations%20Guidance%20and%20Licensing/Guidelines/Guidelines%20on%20Fit%20and%20Proper%20Criteria%20October%202018%20Guideline%20No%20FSGG01.pdf>

matters arise which could have implications on or call into question a senior manager's fitness and propriety.

3.53 FIs should also take reasonable steps to obtain the information that is necessary for assessing senior managers' fitness and propriety, including conducting the appropriate screening and due diligence checks. As suggested by some respondents, self-declarations may be *one* source of information. It is, in turn, also the responsibility of each senior manager to determine if there is any relevant information that he or she ought to disclose, both prior to and over the term of his or her appointment.

3.54 MAS recognises that for foreign FIs, senior managers with responsibilities for the regional and/or group operations, in addition to local responsibilities in Singapore, may be appointed by the Regional or Head Offices, and local management in Singapore may not have direct purview or decision-making authority over these appointments. In such cases, FIs may rely on the assessments conducted by the Regional or Head Office, where the FI is satisfied that such assessments are appropriate and sufficient to determine the senior managers' fitness and propriety.

Specification and Acknowledgement of Responsibilities and Reporting Lines

3.55 Respondents asked for additional guidance on the details that should be included in the specification of each senior manager's responsibilities and what a delineation of reporting relationships entails. In addition, a few respondents clarified on the stage of employment and approach for obtaining senior managers' acknowledgement of their responsibilities, including whether acknowledgement as part of the senior manager's letter of appointment or the annual appraisal process would suffice, or whether MAS would prescribe a regulatory template. Further guidance was also sought on the frequency and timeliness for updating the documentation of senior managers' responsibilities and the FI's overall management structure.

MAS' Response

3.56 As set out in paragraph 5.12 of the consultation paper, MAS does not intend to prescribe regulatory templates nor require submissions from FIs on the roles and responsibilities of senior managers and the FI's overall management structure. It is for each FI to determine the details that should be specified on each senior manager's

responsibilities, so as to most clearly and comprehensively reflect the scope and substance of his or her responsibilities in respect of the FI's operations.

3.57 The delineation of reporting relationships reflects the party or parties to whom each senior manager reports to within the FI and, if applicable, within the group, in respect of the relevant function(s) that he or she is responsible for.

3.58 In acknowledging his or her responsibilities, each senior manager should have sufficient clarity over the duties that this appointment entails. Such acknowledgement should minimally be obtained at the point of appointment of the senior manager, and thereafter, reviewed as and when there are significant changes to the senior manager's responsibilities. The manner in which such acknowledgement is obtained, whether via the senior manager's appointment letter, and subsequently, as part of the annual performance review process or some other form of documentation, can be determined by the FI. Ultimately, FIs should not treat this specification of senior managers' responsibilities and reporting lines as a paper exercise, and should implement this with the objective of strengthening their governance arrangements.

Approval of Senior Managers' Responsibilities and the FI's Overall Management Structure

3.59 Respondents asked if the Board may delegate the authority to approve senior managers' specified responsibilities and the FI's overall management structure to Board committees or regional or country-level governance committees. Three respondents disagreed with the need for such matters to be approved by the Board, as the Board typically delegates the authority for running the FI's day-to-day operations to senior management. In addition, one respondent felt that having to obtain approval for a description of the senior manager's responsibilities before a search for candidates can commence would be inefficient.

MAS' Response

3.60 The Board may delegate the approving authority for senior manager's individual responsibilities and the FI's overall management structure to a Board Committee, or group-, regional- or country-level governance committee, but bears the ultimate responsibility. The Board should establish communication procedures with the relevant committee on matters relating to the governance of the FI's operations in Singapore.

3.61 MAS is of the view that it is appropriate for the Board to approve the specified responsibilities of senior managers and the FI's overall management structure, as it is consistent with the Board's oversight role. While the Board may delegate the authority to manage the FI's day-to-day operations to senior management, the Board remains accountable. The Board's organisational-wide oversight is important in mitigating the risks of gaps in governance, where certain matters may be presumed to be under the purview of a particular senior manager, but has in reality fallen through the cracks.

3.62 The Board or its delegate would only need to approve the roles and responsibilities once, as part of approving the FI's overall management structure, unless there are changes in the management structure subsequently. As the Board will not be expected to approve the job description simply due to changes in personnel, the approval of senior manager's individual responsibilities should not encumber the existing processes that FIs may undertake in searching for candidates to fill senior management positions.

Compensation Frameworks and Performance Criteria for Senior Managers

3.63 Respondents sought additional guidance on the performance criteria that should be considered in determining compensation, including whether there should be key performance indicators (KPIs) tied to conduct and/or compliance with the IAC Guidelines.

MAS' Response

3.64 The compensation framework for senior managers should be designed in a manner that is aligned with the desired conduct outcomes, taking into account both the standards of conduct expected of senior managers as well as the conduct of the business under their purview. The determination of compensation should thus be based on a range of factors, including non-financial KPIs and, where appropriate, the risk management or control lapses, internal audit findings, customer complaints, or other conduct matters relating to the function under his or her purview.

3.65 The compensation framework should also include mechanisms that facilitate adjustments to the variable components of senior managers' compensation for poor conduct or misconduct, where appropriate, whether in the current year or a future period where the impact of such conduct failings has materialised. MAS recognises that qualitative judgement may be involved in assessing conduct and determining the degree of impact that this should have on compensation. FIs should design their incentive

frameworks and structures to adequately consider behavioural and conduct factors, in addition to financial KPIs. Staff's behaviour and conduct should have a strong and impactful influence on compensation and promotion decisions. Ultimately, the compensation framework should provide a means, among other measures which the FI may have in place, to hold senior managers accountable for their conduct.

3.66 MAS' expectations and desired outcomes on the compensation framework for banks and insurers are set out in the March 2019 Information Paper on Incentive Structures in the Banking Industry - Fostering Sound Behaviour and Conduct¹⁶. The information paper also includes key observations and identified areas for improvement based on the following themes: governance over incentive structures, performance evaluation, remuneration frameworks and consequence management. Although applied in the context of banks and insurers, other FIs may take reference from the best practices outlined in the information paper where appropriate.

Succession Planning and Handover Procedures

3.67 Respondents queried on the rationale for and necessity of the guidance on succession planning. Clarifications were sought on whether FIs should consider both internal and external candidates, the time horizon for succession planning, the frequency of review of the succession plan, and whether MAS will mandate specific handover documents.

3.68 Respondents also requested that FIs be given flexibility in implementing their succession plans and handover procedures where identifying pipeline candidates could be challenging. One respondent suggested that FIs should be allowed to manage succession risks through other measures, such as extended notice periods for senior managers, and interim covering arrangements where appropriate.

MAS' Response

3.69 Effective succession planning is critical to organisational stability over the medium- to longer-term. It entails putting in place processes to retain and attract the right talent, by considering means to get the right people with the desired values and cultural

¹⁶ <http://www.mas.gov.sg/~media/Information%20paper%20%20Incentive%20Structures%20in%20the%20Banking%20Industry.pdf>

fit, skillsets, capabilities and experience to fill important roles. Succession planning ensures that transitions of leadership and senior manager positions are well-planned and executed, and minimises potential disruptions to continuity of operations and compromises to effectiveness of internal controls due to changes.

3.70 The time horizon for succession planning and frequency of reviewing the succession plan is dependent on various inter-related factors. These include the FI's organisational complexity and size, the experience and skills required in relation to the FI's business, whether there is an adequate pool of qualified internal candidates or if this has to be supplemented by an external search, and the competitive dynamics of the labour market, among others. Accordingly, it is the responsibility of the Board to institute a succession planning process that best meets the FI's circumstances and needs.

3.71 MAS does not intend to prescribe specific handover documents. A proper handover process serves to ensure that an incoming senior manager has the relevant information to perform his or her role. As handover processes and information are both FI- and role-specific, it is for each FI to establish the relevant handover policies and procedures, and ensure that these are observed by both incoming and outgoing senior managers as far as practicable.

3.72 MAS recognises that it may not always be possible to maintain a steady pipeline of candidates for all senior management roles. Orderly succession and handover may also, from time to time, be constrained by circumstances. As suggested by respondents, FIs should ensure that there are appropriate measures in place to manage succession risks. In line with the Guidelines on Risk Management Practices¹⁷, succession planning should be an active on-going process undertaken by the Board, and integrated within the FI's strategic plans¹⁸.

¹⁷ <http://www.mas.gov.sg/Regulations-and-Financial-Stability/Regulatory-and-Supervisory-Framework/Risk-Management.aspx>

¹⁸ This expectation is set out in paragraph 1.2.10 of the Guidelines on Risk Management Practices – Board and Senior Management.

Regulatory Approval and Notification Requirements for Senior Manager Appointments

3.73 A few respondents asked if MAS will be extending the current regulatory approval regime to the appointment of *all* senior managers performing CMFs, with some expressing concern that this would be onerous. There were also clarifications on whether MAS would introduce new notification or registration requirements for all senior managers. Conversely, some respondents asked if the existing approval requirements that apply to the appointment of certain senior managers such as the CEO will be removed.

MAS' Response

3.74 The current requirements for FIs to seek MAS' approval prior to the appointment of the CEO and other senior managers such as the CFO or Chief Risk Officer, governed by various Acts and subsidiary legislation will remain unchanged.¹⁹ MAS also does not intend to introduce new approval, notification, or registration requirements under the IAC Guidelines for senior manager appointments.

3.75 MAS reiterates that regardless of whether an appointment is subject to regulatory approval, it is the responsibility of FIs to conduct the necessary due diligence prior to appointing senior managers.

Establishment of Management Committees

3.76 Several respondents sought clarification on the management committees that FIs should set up, including whether MAS will require specific types and composition of management committees, or if FIs have the flexibility to establish management committees at the global, regional, or local level with oversight of the day-to-day operations in Singapore.

¹⁹ For example, locally incorporated banks are required to obtain MAS' approval for the appointment of their directors, CEOs, deputy CEOs, CFOs, Chief Risk Officers and Heads of Treasury. FIs should refer to their respective Acts and subsidiary legislation for their approval obligations.

MAS' Response

3.77 MAS does not intend to prescribe specific management committees that FIs are required to set up. FIs would have the flexibility to establish the management committees that would be appropriate to their circumstances. Where these committees exercise decision-making authority over the FI's day-to-day operations in Singapore, their mandates and terms of reference with respect to the FI's local operations should be clearly defined.

3.78 FIs should note that the emphasis on individual accountability does not absolve the collective accountability of management committees and vice versa. Senior managers constituting the committee are collectively accountable for the decisions made by the committee in line with its mandates and terms of reference. It is also the responsibility of each senior manager to raise issues under his or her respective areas and provide constructive challenge at committee meetings, so as to facilitate informed decision-making by the committee collectively.

Delegation of Responsibilities

3.79 Four respondents asked if senior managers can delegate their responsibilities, and in such cases, whether the senior manager remains responsible for the delegated matters.

MAS' Response

3.80 Senior managers may delegate some of their responsibilities to other personnel or committees, but their accountability cannot be delegated. The relevant senior manager should continue to exercise appropriate oversight to ensure that the delegated responsibilities are effectively carried out. This includes establishing the appropriate communication procedures with the personnel to whom, or committee to which, these responsibilities have been delegated.

Senior Managers' Accountability

3.81 Several respondents sought clarification on the extent of senior managers' accountability for the actions of the staff under their purview. Separately, five respondents opined that the IAC Guidelines should apply prospectively from the time that

a senior manager is appointed, such that a newly-appointed senior manager should not be held accountable for the actions and decisions of his or her predecessor.

MAS' Response

3.82 MAS agrees that senior managers should not be held to a presumption of accountability for the actions of their predecessors. In determining whether and to what extent a senior manager might be accountable for misconduct committed by staff under their purview, factors such as the senior manager's consent or level of knowledge of or participation in the misconduct, or whether the senior manager could reasonably be expected to have been aware or to have taken adequate steps to address the issue, should be taken into consideration. FIs should conduct the necessary investigations and, depending on the facts and circumstances of the case, take the appropriate action against the senior manager, including referring the case to MAS or other relevant authorities where necessary.

3.83 Likewise, the determination of senior managers' accountability for the actions and decisions of their predecessors will ultimately depend on the circumstances of the case. For example, where misconduct, a breach, or offence that first occurred during a predecessor's term of appointment continued to be committed into the term of the newly-appointed senior manager, factors such as the newly-appointed senior manager's level of knowledge of the practice and whether he could reasonably have prevented its continued occurrence would be relevant to a determination of accountability.

4 Strengthening Oversight of Material Risk Personnel

4.1 MAS had proposed that FIs should identify individuals who have the authority to make decisions or conduct activities that can significantly impact the FI's safety and soundness, or cause harm to a significant segment of the FI's customers or other stakeholders. FIs should ensure that such personnel are fit and proper, and subject to effective risk governance as well as the appropriate standards of conduct and continuing training in relation to the activities that they undertake. The incentive structure for such personnel should also be consistent with the nature and time horizon of risks and desired conduct outcomes.

Definition and Criteria for Identifying Material Risk Personnel

4.2 Respondents sought additional guidance on the definition of and criteria for identifying employees in material risk functions, including how FIs should assess “materiality” and whether senior managers should also be considered employees in material risk functions. In addition, a few respondents sought clarification if functional units or individual personnel should form the basis for identifying employees in material risk functions. They were concerned that the former would entail designating *all* personnel within a functional unit, including those who are relatively junior, as employees in material risk functions.

4.3 Some respondents also asked if employees in material risk functions can be circumscribed only to employees in risk-taking functions, and exclude those in risk management, control, and support functions.

4.4 Another query raised by several respondents was whether Outcome 4 applied only to employees of the FI who are based in Singapore. In particular, six respondents observed that in groups with cross-border operations, individuals based overseas could either book trades into Singapore or provide coverage for Singapore-booked clients, even if the transactions in question were originated, structured, and/or arranged overseas in another entity of the group. Similarly, individuals based in Singapore might originate, structure, or arrange a transaction locally, but ultimately book the position into one of the group’s overseas entities.

4.5 Finally, four respondents sought clarification on whether representatives regulated under the SFA and FAA may be considered employees in material risk functions, and how the IAC Guidelines interact with the regulatory requirements applicable to such representatives.

MAS’ Response

4.6 Individuals performing material risk functions refer to personnel whose decisions or activities could materially impact an FI’s risk profile. Therefore, it is the *individual*, rather than functional units, that forms the basis for identifying personnel in material risk

functions. For clarity, such individuals will hereafter be referred to as material risk personnel (MRPs). MAS will also adopt this revised terminology in the IAC Guidelines²⁰.

4.7 The IAC Guidelines make a distinction between senior managers, who are subject to the expectations under Outcomes 1 to 3, and MRPs, who are subject to the expectations under Outcome 4. As set out in paragraph 5.15 of the consultation paper, MRPs are individuals *who are not senior managers*, but by virtue of their delegated authority or mandates are nevertheless able to take actions or make decisions that may potentially have significant impact on the FIs' safety and soundness, or cause harm to a significant segment of the FIs' customers or other stakeholders.

4.8 The identification of MRPs is built on two primary considerations – the risks which an FI is exposed to due to the nature, size, and complexity of its business; and the individuals who have the authority to make decisions or conduct activities that could materially impact this risk profile, regardless of whether they are physically based in Singapore or overseas. Accordingly, in identifying MRPs, the Board and senior management of FIs should establish criteria that consider:

- (i) the financial and non-financial risks which the FI is or may be exposed to, including but not limited to credit, market, liquidity, operational, technology, conduct, money laundering and terrorist financing (ML/TF), legal, regulatory, reputational, and strategic risks; and
- (ii) the materiality of the impact that an individual's decisions or activities could have on this risk profile, based on the appropriate quantitative and qualitative indicators.

4.9 FIs should consider a range of indicators in identifying MRPs. This may include *quantitative* indicators such as the authority or mandate to structure, deal in, or approve transactions or trades that give rise to credit, market, or liquidity risk exposures beyond a certain risk limit; responsibility for the investment management of, or advising on, assets

²⁰ Locally-incorporated banks can retain the title "material risk-takers", used in Sub-division 10 of Part XI, Notice 637, or any other title, for such personnel, as long as the ultimate objective of identifying all individuals who can materially impact the bank's risk profile (including individuals in both risk-taking as well as risk management, control, and support functions), by whatever name described, is met. For the avoidance of doubt, the IAC Guidelines do *not* in any way affect the regulatory requirements that locally-incorporated banks have to comply with under Notice 637, including the disclosure requirements under sub-division 10 of Part XI.

beyond a certain size; authority or mandate to underwrite or approve insurance or reinsurance policies, including claims, beyond a certain risk limit; or level of remuneration received²¹, among others. The onus is on FIs' Board and senior management to determine the appropriate materiality thresholds for the quantitative indicators used, based on the nature, scale, and complexity of the FI's activities.

4.10 FIs should also consider *qualitative* indicators such as the authority to make decisions on or approve the development, structuring, or distribution of products and services, development or deployment of new technologies in internal processes or products and services offered to customers, or on-boarding or retention of customers that present higher risks; or privileged rights in relation to the handling or administration of critical infrastructure and systems of the FI, or assets of the FI or its customers, among others.

4.11 The examples of indicators set out in paragraphs 4.09 and 4.10 provide general guidance and are *not* exhaustive. It is ultimately for the Board and senior management to establish criteria for identifying MRPs that are suitable to the FI's circumstances. Such criteria should be applied not only to individuals in front-line risk-taking functions, but also those in risk management, control, or support functions whose mandates over the management of risks, internal controls, or other support activities could likewise impact the FI's risk profile materially.

4.12 Specifically with regard to cross-border transactions and services as raised by several respondents, MRPs should include personnel who have the authority or mandate to conduct or approve the conduct of any part of a trade²² which may have material impact on the risk profile of the FI in Singapore, or provide coverage for a significant segment of the FI's customers in Singapore, regardless of where such personnel are physically located.

4.13 In addition, the direct supervisors of MRPs, as well as the direct supervisors of groups of individuals who may not be considered MRPs but whose activities could collectively have significant impact on the FI's risk profile, should likewise be considered MRPs. This is in view of the supervisors' responsibilities for overseeing the conduct of the

²¹ As some FIs have shared, the level of remuneration received is often correlated to the financial returns which an individual generates, and hence the materiality of the risks that the individual may potentially expose the FI to.

²² This may include originating, structuring, arranging, and/or booking a transaction in Singapore.

business and the activities initiated by personnel under their purview which have the propensity to expose the FI to material risks.

4.14 MAS reiterates that the IAC Guidelines do not in any way affect existing regulatory requirements, including those that apply to representatives regulated under the SFA and FAA. There would likely be certain representatives who, by virtue of the mandates or authority which they have been vested with, are also considered MRPs under the IAC Guidelines. They should accordingly be subject to the specific guidance for MRPs under Outcome 4.

Expectations for MRPs

4.15 Respondents sought additional guidance on the expectations for MRPs, including the criteria and frequency for assessing MRPs' fitness and propriety and whether FIs may apply the Fit and Proper Guidelines²³, as well as the standards that should apply to MRPs. A few respondents also enquired on the rationale for distinguishing between MRPs under Outcome 4 and other employees under Outcome 5.

MAS' Response

4.16 MRPs, by virtue of their mandates and authority, have the capacity to significantly impact the FI's safety and soundness or cause harm to a significant segment of the FI's customers. Commensurate with the nature of MRPs' roles, the Board and senior management should subject MRPs to tighter oversight and higher expectations than other employees.

4.17 In assessing MRPs' fitness and propriety, FIs may apply the guiding criteria set out in the Fit and Proper Guidelines and any other factors that the FI determines to be relevant, giving due regard to the nature and risk implications of the particular mandates or authority vested with the MRP. As a general guide, reviews of fitness and propriety should minimally be conducted on an annual basis, or as and when any matters arise which could potentially affect a MRP's fitness and propriety.

²³ <http://www.mas.gov.sg/~media/MAS/Regulations%20and%20Financial%20Stability/Regulations%20Guidance%20and%20Licensing/Commercial%20Banks/Regulations%20Guidance%20and%20Licensing/Guidelines/Guidelines%20on%20Fit%20and%20Proper%20Criteria%20October%202018%20Guideline%20No%20FSGG01.pdf>

4.18 The onus is ultimately on the Board and senior management to put in place the necessary policies and procedures to govern the activities of MRPs and enforce risk ownership. For instance, the incentive structure for MRPs should be symmetric with risk outcomes and sensitive to the time horizon of risks, and incentivise proper conduct. To this end, the compensation system should include mechanisms for adjustments to compensation arising from the materialisation of risks and realisation of profits and losses over different periods of time, as well as for improper conduct or conduct that causes harm to the FI or its customers, where appropriate.

MRPs in Risk Management and Control Functions

4.19 Three respondents sought additional guidance on the expectations for MRPs in risk management and control functions. In particular, one respondent highlighted that MRPs in risk management and control functions typically would not have the final say on risk-taking nor KPIs linked to revenue, unlike MRPs in risk-taking functions.

MAS' Response

4.20 As set out in paragraph 5.17(iii)(b) of the consultation paper, the Board and senior management should ensure that MRPs in risk management and control functions are accorded the necessary stature and authority. MRPs in risk management and control functions should have the authority to participate in the decision-making processes of business functions, unfettered access to the information necessary to discharge their responsibilities, and sufficient stature to ensure that front-line personnel, including MRPs conducting risk-taking activities, give due regard to and act upon their recommendations.

4.21 MRPs in risk management and control functions should also be suitably trained and possess the relevant experience and expertise with regard to the monitoring and management of the FI's risks and internal control environment.

4.22 In addition, MRPs in risk management and control functions should be independent from the business functions of the FI to ensure proper checks and balances.

4.23 Hence, the compensation structure should be designed in such a way as to minimise potential conflicts of interest and ensure that their independence is not compromised. In general, it is not appropriate for MRPs in risk management and control functions to have KPIs that are linked to revenue or sales.

Register of MRPs

4.24 Two respondents asked if FIs are required to maintain a register of their MRPs. Another asked if MAS would introduce a registration requirement for MRPs, and how this may impact existing notification requirements for the appointment of representatives under the SFA and FAA.

MAS' Response

4.25 The IAC Guidelines do not in any way affect existing regulatory requirements on the appointment of representatives under the SFA and FAA. FIs shall continue to comply with these requirements for those MRPs who are representatives and thus fall within the scope of the applicable regulations²⁴.

4.26 Apart from these, MAS does not intend to introduce additional registration or notification requirements on other MRPs who are not representatives. Nevertheless, as suggested by respondents, FIs should maintain information on their respective MRPs to facilitate oversight of their activities. This could take the form of an internal register, and include information such as the primary activities that the MRP conducts and the relevant authority or mandates that he or she has, records of his or her fitness and propriety and performance reviews, as well as records of any breaches in internal policies or misconduct and on-going investigations or actions taken to address these, among others.

5 Embedding Standards of Proper Conduct among Employees

5.1 MAS had proposed that FIs should have in place a framework that promotes and sustains the desired conduct among employees. The conduct framework should articulate the standards of conduct expected of all employees and be effectively communicated throughout the organisation. Policies and processes should be implemented to ensure regular monitoring and reporting of conduct issues to the Board and senior management. FIs should also establish appropriate incentive and consequence management systems as well as a formalised whistle-blowing channel for employees. In addition, FIs are expected

²⁴ As set out in paragraph 4.14, there may be certain representatives who, by virtue of the activities that they conduct and the mandates or authority that they have been vested with, are also considered MRPs under the IAC Guidelines.

to engage key stakeholders to ensure timely communication of relevant material information, and notify MAS of any material adverse developments that could significantly impact the FI or its customers.

Conduct Framework

5.2 Respondents were generally supportive of the specific guidance underpinning Outcome 5, and agreed with the importance of embedding proper conduct throughout the organisation. Some respondents requested additional guidance on the measures that FIs should implement in establishing a conduct framework, and how the conduct framework should interact with existing policies and procedures that FIs might already have in place in complying with other regulatory requirements. There were also a few clarifications on whether FIs' codes of conduct would suffice in setting out the standards of conduct for employees, how FIs should monitor conduct across the organisation, and whether FIs had flexibility in determining the approach for incorporating feedback from risk and control functions in the incentive framework.

MAS' Response

5.3 The Board and senior management are responsible for determining the FI's desired standards of conduct. They should establish the appropriate framework to enforce these standards and monitor and manage the FI's conduct risks on an on-going basis, to achieve desired standards of conduct. The FI's conduct framework should be integrated with HR processes over the employee life cycle, from hiring and on-boarding, to continuous training, monitoring, performance reviews, incentives and compensation, and consequence management, and eventually, departure or termination.

5.4 Codes of conduct are a common tool for articulating the behavioural expectations of employees. The Board and senior management should ensure that the FI's code of conduct clearly and comprehensively sets out the standards that all employees are held to. The code of conduct should complement the existing policies that the FI may already have in place to guide the conduct of employees in carrying out their day-to-day activities, and/or ensure compliance with the applicable laws and regulations.

5.5 These expectations on conduct should be communicated to employees at the point of hiring and through on-boarding and continuous training programmes, and reinforced through the sharing of lessons learnt where positive behaviour has been observed or misconduct has occurred. The use of actual scenarios and case studies of past events can be particularly useful in illustrating the code of conduct to employees in an

actionable manner. Ultimately, it is critical that employees understand their responsibility to observe these standards of conduct in their day-to-day activities.

5.6 The Board and senior management should also identify the appropriate metrics for monitoring conduct across the organisation. These should include both quantitative and qualitative indicators of positive and negative conduct, as applicable to the FI. Examples of quantitative indicators include completion rates for training programmes, employee turnover, the number of policy or risk limit overrides, new or repeat internal or external audit findings, breaches of internal policies and procedures, misconduct reports, consumer complaints, as well as statistics on compensation adjustments that may be attributable to conduct, among others. FIs should also take into consideration qualitative information such as feedback obtained from employees or other means including whistleblowing channels as elaborated upon in paragraph 5.12 below, reports from the risk management, control, and HR functions, as well as the nature of policy overrides and risk management and control weaknesses, and the timeliness with which these are addressed.

5.7 The Board and senior management should monitor the indicators over time to identify trends and potential conduct risks, assess root causes including the underlying behavioural or cultural drivers, and take the necessary actions to mitigate such conduct risks. On-going monitoring of conduct indicators also serves as a feedback mechanism on the effectiveness of the FI's conduct framework, and the extent to which employees have internalised and put into practise the desired conduct standards.

5.8 In a similar vein, the objective of incorporating risk and control KPIs within the incentive structure of employees is to reinforce, in a tangible way, the expectations on *individual* conduct, and ensure that there is formal assessment of employees' behaviour in carrying out their day-to-day activities. FIs should determine the approach for incorporating feedback from HR, risk management, and control functions, in performance evaluation, compensation, and promotion decisions, as appropriate to the particular employee or groups of employees.

5.9 Effective monitoring and management of conduct risks at both the organization-wide and individual levels is an iterative process. The Board and senior management should regularly review the adequacy and effectiveness of the FI's conduct framework, taking into account any gaps between observed behaviours and the desired standards of conduct.

Whistleblowing Programme

5.10 Respondents sought clarification on the whistleblowing policy that FIs are expected to put in place, including whether FIs may rely on third party service providers to manage an external whistleblowing channel. Separately, there was a query on whether anonymous feedback or complaints may be submitted to MAS.

MAS' Response

5.11 The whistleblowing channel(s) could be internally managed by an independent party or unit within the FI, centralised at the Regional or Head Office level, externally managed by a third party service provider, or a combination of these, as the FI considers appropriate to its circumstances. The underlying premise is to ensure that employees feel safe to raise issues, and there are credible mechanisms to escalate them other than their usual reporting lines.

5.12 FIs should have a formal whistleblowing policy that sets out the availability of these whistleblowing channel(s), process for raising concerns via these channel(s), and procedures that the FI will take in response to whistleblower complaints, including to investigate the concerns raised. FIs should ensure that the whistleblowing policy offers employees anonymity and protection from negative consequences for raising concerns via the whistleblowing channel(s), and that all employees are made aware of the whistleblowing policy.

5.13 To provide greater clarity on the expectations of FIs, MAS will refine the guidance set out in paragraph 5.19(iii)(d) as follows (changes underlined):

“A formalised whistleblowing programme, including the whistleblowing channel(s) available to employees, procedures to ensure anonymity and adequate protection of employees who raise concerns over the FI's policies, practices, or activities via these channel(s), and procedures for handling whistleblower complaints.”

5.14 MAS recognises that legitimate concerns or suspected wrongdoing raised by whistleblowers can be an important source of information in detecting and taking supervisory or enforcement action against misconduct. Where such information is received, MAS reviews all relevant information seriously, and takes further action if necessary.

Notifying MAS of Material Adverse Developments

5.15 Respondents sought additional guidance on the matters that would be considered “material adverse developments”, and the timeline with which the Board and senior management are expected to notify MAS of such developments.

MAS’ Response

5.16 “Material adverse developments” refer to developments, including but not limited to misconduct, lapses in risk management and controls, or breaches in legal or regulatory requirements, that may *significantly impact the FI or its customers*. MAS recognises that the circumstances faced by FIs may vary, and qualitative judgement will be involved in assessing materiality. Factors that FIs should consider include, but are not limited to:

- (i) material impact on the FI’s viability, solvency, liquidity, funding, capital, earnings, risk profile, and/or reputation;
- (ii) material impact on, or compromise of the interests of, the FI’s customers or groups of customers;
- (iii) material impact on the FI’s counterparties or the fair, orderly, and transparent operations of markets;
- (iv) widespread disruption to the FI’s day-to-day business or activities, or ability to continue its operations and the provision of services to customers;
- (v) material impact on the safety and soundness and integrity²⁵ of the Singapore financial system; and
- (vi) ability of the FI to continue complying with the applicable laws, regulatory requirements, business rules, or codes of conduct, whether in Singapore or elsewhere.

²⁵ As set out in the Guidelines for Financial Institutions to Safeguard the Integrity of the Singapore Financial System, FIs have a key role in preserving the integrity of the financial system, and should guard against the use of their operations to facilitate any illegitimate activity.

5.17 The Board and senior management should notify MAS of material adverse developments as soon as practicable.

6 Other Outcomes and Guidance

6.1 Respondents were largely of the view that the five Outcomes were comprehensive. One respondent suggested that FIs should also be encouraged to make public disclosures on their measures to promote individual accountability and conduct, which would serve to raise standards across the industry. Another respondent proposed to impose a range of additional requirements on FIs, including to require the employment letters of senior managers and MRPs to reflect standards of conduct in line with the IAC Guidelines, mandatory annual tests on ethical standards for all employees, annual certification by the Board to MAS on the FI's compliance with the IAC Guidelines, and other matters relating to Board composition and independence, among others.

MAS' Response

6.2 FIs have the flexibility to determine how best to achieve the objectives and spirit of these Outcomes, as appropriate to their circumstances, and should be prepared to demonstrate their adherence to the IAC Guidelines. MAS does not intend to set prescriptive requirements on, nor mandate, specific measures that all FIs have to take to achieve these Outcomes.

6.3 Matters relating to Board composition and independence are separately addressed under MAS' corporate governance regulations and guidelines.

7 Other Matters

Reference Check Requirements

7.1 Five respondents asked if MAS would be introducing reference check requirements for senior managers, MRPs, or other employees, including providing FIs with information sharing templates and the necessary legal safeguards to facilitate information sharing, among others.

MAS' Response

7.2 MAS issued a consultation paper on proposals to mandate reference checks for representatives in July 2018²⁶. Given that employees who are not representatives may also commit various forms of misconduct, MAS is considering extending this reference check requirement to a broader segment of the financial industry beyond representatives. MAS will conduct a separate public consultation on this proposal in due course.

Application of Data Analytics for Surveillance of Conduct

7.3 One respondent sought to better understand MAS' use of data analytics to perform on-going surveillance of FIs' market conduct practices.

MAS' Response

7.4 MAS leverages data analytics to monitor complaints and misconduct reports. Peer group and time series analyses are conducted to identify trends and outliers, which MAS takes into account in on-going supervisory engagement with FIs.

8 Implementation Timeline

8.1 Respondents requested a transitional period to facilitate FIs' implementation of the IAC Guidelines. These respondents shared that governance arrangements, including those between the Singapore operations and the Regional or Head Office of foreign FIs, would have to be reviewed to identify areas requiring enhancement. FIs would also need time to implement measures to supplement their existing policies and procedures in promoting clarity in senior managers' individual responsibilities and strengthening oversight of MRPs.

²⁶ <http://www.mas.gov.sg/~media/MAS/News%20and%20Publications/Consultation%20Papers/Consultation%20Paper%20on%20Revisions%20to%20Misconduct%20Reporting%20Requirements%20and%20Proposals%20to%20Mandate%20Reference%20Checks%20for%20Representatives.pdf>

MAS' Response

8.2 MAS appreciates that FIs may require additional time to conduct internal reviews, and enhance their policies and procedures to achieve the five Outcomes. Considering the feedback received, MAS will implement the IAC Guidelines with a transitional period of 1 year, i.e. 1 year after the IAC Guidelines are published. The effective date will be announced after the conclusion of the public consultation on MAS' revised proposals on the additional entities to be scoped in and the calibrated approach for smaller FIs, mentioned in paragraph 2.8.

8.3 MAS will adopt a consultative approach to assessing FIs' compliance with the IAC Guidelines in the initial phase of implementation. Embedding proper accountability and conduct is an iterative process that should be assimilated with the FIs' business strategies and day-to-day activities. FIs should take ownership of this process and put in place necessary measures to foster the right attitude and behaviour among senior managers, MRPs, and employees in their interaction with customers and other stakeholders.

MONETARY AUTHORITY OF SINGAPORE

6 June 2019

Annex A

**LIST OF RESPONDENTS TO THE CONSULTATION PAPER ON
PROPOSED GUIDELINES ON INDIVIDUAL ACCOUNTABILITY AND CONDUCT**

1. A.M. Best Asia-Pacific (Singapore) Pte Ltd
2. ABS (collation of individual responses from 9 unidentified member banks)
3. Allianz Global Investors Singapore
4. Aon Hewitt Wealth Management Pte Ltd, Aon Singapore Pte Ltd
5. Asia Securities Industry & Financial Markets Association (ASIFMA)
6. Association of Independent Asset Managers Singapore (AIAM)
7. Aviva Ltd
8. Baker & McKenzie.Wong & Leow, who requested for their comments to be kept confidential
9. Bank of Singapore
10. BNP Paribas, who requested for their comments to be kept confidential
11. Chubb Insurance Singapore Limited
12. Citigroup, who requested for their comments to be kept confidential
13. Clifford Chance Pte Ltd
14. Deloitte & Touche, who requested for their comments to be kept confidential
15. Duff & Phelps
16. Eastspring Investments (Singapore) Ltd
17. Fidelity International (FIL Investment Management (Singapore) Ltd)
18. IMAS
19. KPMG Services Pte. Ltd.
20. LIA (collation of individual responses from 8 insurers: AIA, Etiqa, Friends Provident, Manulife, NTUC Income, Swiss Life, Tokio Marine Life, RGA)
21. Liberty Insurance Pte Ltd, who requested for their comments to be kept confidential
22. Lloyd’s of London (Asia) Pte Ltd
23. Lymon Pte Ltd
24. Mizuho Bank Ltd., Singapore branch
25. Moody’s Investors Service Singapore Pte Ltd (“MIS Singapore”)

26. Mr Benoy Philip, Singapore CA
27. MUFG Bank Ltd.
28. Natixis
29. Regulated Deutsche Bank entities in Singapore
30. Regulated entities of the Hongkong & Shanghai Banking Corporation Limited (HSBC) in Singapore, who requested for their comments to be kept confidential
31. REIT Association of Singapore, who requested for their comments to be kept confidential
32. RHT Compliance Solutions
33. Singtel (SingCash Pte Ltd and Telecom Equipment Pte Ltd)
34. St. James's Place (Singapore) Private Limited
35. Standard Chartered Bank, who requested for their comments to be kept confidential
36. State Street Bank and Trust Company
37. Sumitomo Mitsui Banking Corporation Singapore Branch
38. Unicorn Financial Solutions Pte Limited
39. ZICO Capital Pte Ltd
40. Respondent 1 who requested for confidentiality of identity
41. Respondent 2 who requested for confidentiality of identity
42. Respondent 3 who requested for confidentiality of identity
43. Respondent 4 who requested for confidentiality of identity
44. Respondent 5 who requested for confidentiality of identity
45. Respondent 6 who requested for confidentiality of identity
46. Respondent 7 who requested for confidentiality of identity
47. Respondent 8 who requested for confidentiality of identity
48. Respondent 9 who requested for confidentiality of identity
49. Respondent 10 who requested for confidentiality of identity
50. Respondent 11 who requested for confidentiality of identity
51. Respondent 12 who requested for confidentiality of identity
52. Respondent 13 who requested for confidentiality of identity

Nineteen respondents requested for full confidentiality of identity and submission.

Please refer to Annex B for the submissions.

Annex C

CORE MANAGEMENT FUNCTIONS

In these Guidelines, “core management functions” include the following persons, by whatever name described –

- (a) “*chief executive officer*”, who is principally responsible for the management and conduct of the business of the financial institution, including its subsidiaries and branches if any, in accordance with the strategy and risk appetite approved by the Board or Head Office, as applicable;
- (b) “*chief financial officer*” or “*head of finance*”, who is principally responsible for managing the financial resources and financial reporting processes of the financial institution;
- (c) “*chief risk officer*” or “*head of risk*”, who is principally responsible for establishing and implementing the risk management framework to identify, monitor, and manage the risks of the financial institution;
- (d) “*chief operating officer*” or “*head of operations*”, who is principally responsible for managing the day-to-day operations of the financial institution;
- (e) “*chief information officer*”, “*chief technology officer*”, or “*head of information technology*”, who is principally responsible for establishing and implementing the overall information technology strategy, overseeing the day-to-day information technology operations, and managing the information technology risks of the financial institution;
- (f) “*chief information security officer*” or “*head of information security*”, who is principally responsible for the information security strategy and programme of the financial institution, including but not limited to information security policies and procedures to safeguard information assets, information security controls, and the management of information security breaches;
- (g) “*chief data officer*”, who is principally responsible for establishing and implementing the policies, systems, and processes of the financial institution as regard the governance, use, and analysis of data;

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- (h) *“head of business function”*, who is principally responsible for the management and conduct of a function which undertakes the business activities of the financial institution, including –
- (i) in relation to a bank licensed under the Banking Act, the functions involving retail banking, private banking, corporate banking, institutional banking, investment banking, and treasury, and any other material function;
 - (ii) in relation to a merchant bank approved under the MAS Act, the functions involving private banking, corporate banking, institutional banking, investment banking, and treasury, and any other material function;
 - (iii) in relation to a finance company licensed under the Finance Companies Act, the functions involving retail banking, corporate banking, and treasury, and any other material function;
 - (iv) in relation to an insurer licensed under the Insurance Act, or foreign insurer operating in Singapore under a foreign insurer scheme established under the Insurance Act, as the case may be, the functions involving agency and distribution, underwriting, marketing, and investment, and any other material function;
 - (v) in relation to a registered insurance broker under the Insurance Act, the functions of acting as an insurance broker as defined under section 1A of the Insurance Act, and any other material function;
 - (vi) in relation to an approved exchange, recognised market operator that is incorporated in Singapore, approved clearing house, recognised clearing house that is incorporated in Singapore, approved holding company, licensed trade repository or the Central Depository System under the Securities and Futures Act, as the case may be, the functions involving the creation, sale and marketing of regulated products, regulated activities or membership, and any other material function;
 - (vii) in relation to a holder of a capital markets services licence under the Securities and Futures Act, the functions involving any regulated activity specified in the Second Schedule of the Securities and Futures Act, and any other material function;

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- (viii) in relation to a registered fund management company exempted from holding a capital markets services licence under paragraph 5(1)(i) of the Second Schedule to the Securities and Futures (Licensing and Conduct of Business) Regulations, the functions involving the regulated activity of fund management as defined in the Second Schedule of the Securities and Futures Act, and any other material function;
 - (ix) in relation to an approved trustee under the Securities and Futures Act, the functions involving acting as a trustee for collective investment schemes which are authorised under the Securities and Futures Act and constituted as unit trusts, and any other material functions;
 - (x) in relation to a financial adviser licensed under the Financial Advisers Act, the functions involving any regulated activity specified in the Second Schedule of the Financial Advisers Act, and any other material function; and
 - (xi) in relation to a trust company licensed under the Trust Companies Act, the functions involving any trust business specified in the First Schedule of the Trust Companies Act, and any other material function;
- (i) *“head of actuarial”, “appointed actuary”, or “certifying actuary”*, who, in relation to a licensed insurer or foreign insurer operating in Singapore under a foreign insurer scheme, as the case may be, is principally responsible for the actuarial function, including but not limited to the approval of premium rates, valuation of liabilities, computation of protected liabilities relating to policy owners’ protection scheme, financial condition investigation, risk management, investment, and product pricing and development of the insurer;
 - (j) *“head of human resources”*, who is principally responsible for establishing and implementing the financial institution’s employment policies and processes, including on recruitment, on-boarding, continuous training, performance evaluation, compensation, promotion, consequence management, and termination;
 - (k) *“head of compliance”*, who is principally responsible for monitoring and managing the financial institution’s compliance with regulatory

requirements under the applicable laws and regulations as well as internal policies and procedures;

- (l) *“head of financial crime prevention”*, who is principally responsible for establishing and managing the policies, systems, and processes to counter the risks of the financial institution’s involvement in money laundering, terrorism financing, weapons proliferation and sanctions evasion, bribery, and corruption, as well as for filing Suspicious Transactions Reports (STRs)²⁷;
- (m) *“head of internal audit”*, who is principally responsible for ensuring the adequacy and effectiveness of the financial institution’s internal controls, and reporting directly to the Board Audit Committee or the financial institution’s Head Office, as appropriate, on these matters; and
- (n) *“chief regulatory officer”*, who, in relation to an approved exchange, approved clearing house, or approved holding company, as the case may be, is principally responsible for overseeing the regulatory functions and changes to the business rules of the approved exchange, approved clearing house, or approved holding company.

²⁷ STRs are filed with the Suspicious Transactions Reporting Office, which is part of the Singapore Police Force’s Commercial Affairs Department.

