



## Individual Accountability and Conduct Guidelines Consultation Feedback and Extension

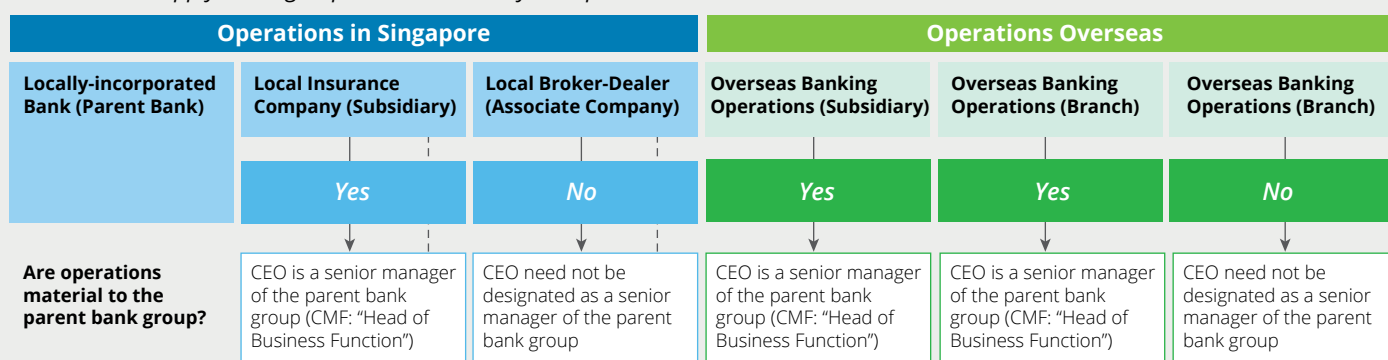
On 06 June 2019, The Monetary Authority of Singapore (“MAS”) responded to feedback pertaining to its Proposed Guidelines on Individual Accountability and Conduct (“IAC”), dated 26 April 2018<sup>1</sup>. MAS simultaneously issued a second consultation paper on a revised scope of application for the proposed guidelines<sup>2</sup>.

The papers provide additional clarity on the MAS’s expectations whilst also addressing the initial feedback received. In particular, MAS has proposed to expand the scope of the IAC guidance to all financial institutions (“FIs”) regulated by the MAS. This expanded group of FIs includes licensed payment institutions and registered fund management companies (“RFMCs”)<sup>3</sup>, among others. MAS has also introduced a bright line (FIs with a headcount of less than 20) for which the guidelines will not apply unless specifically requested by MAS.

MAS’s response to the feedback received provides additional colour to the proposed IAC Guidelines. For the most part, the Authority maintains its outcomes-based approach, which avoids being prescriptive and puts the onus on the FIs to implement the guidelines in a manner that is appropriate for their operations. Initial impressions suggest that MAS has high expectations of FIs, especially for large, diversified FIs with a regional or international presence.

For Singapore-incorporated banks and insurance companies, the guidelines will apply at the group level as well as to individual group entities in Singapore that are licensed by MAS. Significant downstream entities (whether in Singapore or overseas) will be treated as material business functions, and their respective CEOs designated as senior managers of the parent group under the guidelines. However, the guidelines need not be applied at the entity level to significant downstream entities operating in foreign jurisdictions.

*IAC Guidelines apply at the group level to the locally-incorporated bank<sup>4</sup>*



- 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

The guidelines also apply to the branches of foreign-incorporated FIs in Singapore. This is regardless of whether they are already subject to similar accountability regimes imposed by their home jurisdictions (such as those in Australia, Hong Kong or the United Kingdom). An FI may, however, leverage its global activities to find synergies to comply with the Singapore guidelines.

MAS also clarified that the oversight and supervision responsibilities expected of the Board of directors can be fulfilled by a governing body or committee beyond Singapore management for foreign-incorporated FIs. In addition, MAS clarified senior managers as individuals who in substance are principally responsible for the FI's day-to-day operations in Singapore.

This is regardless of whether the individual is employed by the FI in Singapore (paragraph 3.5), is based in Singapore or overseas (paragraph 3.10), or holds a particular job title or reporting line (paragraph 3.15). FIs are advised to avoid a box-filling approach and to determine their core management functions based on their own circumstances.

Where functions that are core to the FI's operations in Singapore have been outsourced, the relevant senior manager should continue to be held responsible for those functions, including oversight of the outsourcing arrangements (paragraph 3.29 – 3.30). Responsibility should also include any part of a trade or transaction that takes place in Singapore, e.g. a trade that is originated overseas but booked in Singapore or vice versa (paragraph 3.32). For senior managers who are based overseas and appointed by Regional/Head office, foreign FIs may rely on the fit and proper assessments of their Regional/Head office if they are satisfied that such assessments are appropriate and sufficient (paragraph 3.54).

Other requirements including, but not limited to, a conduct framework (paragraph 5.3), whistleblowing programmes (paragraph 5.12), compensation structures (paragraph 3.64), handovers (paragraph 3.71) and undertaking of reasonable investigatory or response action (paragraph 3.82) have also been introduced, which add to the complexity of designing and implementing a sufficient response.

Implementation of the IAC Guidelines is expected to include a transitional period of 1 year, with the effective date to be announced in the final guidance.

- 1 <http://www.mas.gov.sg/News-and-Publications/Consultation-Paper/2018/Consultation-Paper-on-Proposed-Guidelines-on-Individual-Accountability-and-Conduct.aspx>
- 2 <http://www.mas.gov.sg/News-and-Publications/Consultation-Paper/2019/Consultation-Paper-on-the-Proposed-Scope-of-Application-of-the-IAC-Guidelines.aspx>
- 3 A full list of applicable institutions is available in paragraph 2.3 of the latest consultation paper.
- 4 Figure 2 from response paper.

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