



PwC Straight Away - MAS Outsourcing Notice

Key points to know and actions to take

December 2023

What should I know about the new Outsourcing Notice?

MAS has issued new Notices on Outsourcing (658 and 1121) on 11 December 2023 applicable to Banks and Merchant Banks (MBs) respectively. With the new Notices, MAS 634 and MAS 1108 would be repealed. Banks and MBs are expected to comply with the requirements in the Notice within 12 months (11 December 2024) except for Service Agreements (see section below).

The Outsourcing Guidelines has also been updated specifically for banks to align with the Notice requirements.

The following highlights some of the key requirements which under the Notice become **legally binding**.

All outsourced relevant services:

1. **Outsourcing register** - Maintain an **inventory** of outsourced relevant services to be submitted to MAS **semi-annually or upon request by the authority**.
2. **Group policy** - Banks and MBs incorporated in Singapore must implement a **group policy** relating to outsourced relevant services for its branches.

Material ongoing outsourced relevant services:

1. **Due diligence** - Evaluate service provider's risk management framework, reputation and track record, as well as financial strength and resources (except for intragroup). Where the service is obtained or received outside of Singapore and involves the disclosure of customer information, the service provider must be assessed on certain specific matters.

Furthermore, due diligence is required **prior** to receiving the service, **within 24 months** after receiving the service and subsequently on **a defined frequency as approved by the Board**.

2. **Sub-contracting** - Banks and MBs must obtain **customer consent** where sub-contracting arrangements involve customer information. Sub-contracting arrangement must be assessed **prior to obtaining the sub-contractor's engagement**.
3. **Service agreements - Service agreements** for material ongoing outsourced relevant services (including those contracted by intragroup entities) must include **specific terms** for example protecting the confidentiality and integrity of the information, the Banks and MBs as well as the Authority's right to access and audit, subcontractor and termination requirements.

Banks and MBs must comply with these requirements for any agreements **entered or renewed after 11 December 2023 (inclusive)**.

4. **Protection of customer information** - **Implement adequate measures to protect customer information** that is disclosed to the service provider or its sub-contractor and ensure that the Banks or MBs **notify the service provider** in writing of these requirements to protect customer information.
5. **Independent audit** - Banks and MBs must conduct independent audits on each of its material outsourced relevant services **at least once every three years**, to **assess** the service provider on continuity of service, safeguard of information, manage risk and comply with laws and regulations.

Services provided **intragroup** have to be audited based on a **defined frequency by the Board**. These audit reports must be provided to the Authority upon request.

Key definitions that affect the applicability of the Notice:

1. Outsourced relevant services
2. Ongoing outsourced relevant services
3. Material ongoing outsourced relevant services
4. Sub-contracting arrangement
5. Intragroup
6. Customer information

What should I know about the new Outsourcing Notice? (Con't)

8. **Service termination** - Banks and MBs must consider service termination under certain circumstances. MAS must be notified where service termination is due to the service provider or sub-contractor failing or demonstrated deterioration in its ability, to safeguard information.

Upon termination, **all customer information** from Banks and MBs should be **disposed or rendered unusable** as soon as possible unless **prohibited by law** or in the case of intragroup arrangements, **customer information can only be accessed by the bank**.

9. **Service provider that is an overseas regulated financial institution** - Implement measures **for the Banks or MBs and the Authority to have access** to customer and service information in relation to the provision of the service and to protect customer information accordingly. Establish **written policies and procedures for customer disclosure** by overseas supervisory authorities and **notify MAS of disclosure within 14 working days**.

Outsourced relevant service that involve the disclosure of customer information:

10. Outsourced relevant service that is **not material and not ongoing that involves the disclosure of customer information** requires measures around due diligence, outsourcing agreements, protection of access to customer information and termination of services that **focus on safeguarding of confidentiality and integrity of customer information**.

What should Banks and Merchant Banks do?

All outsourced relevant services:

1. Reassess the scope of third party arrangements based on the definitions in the Notice and the applicability of any current policies to manage these and update the Outsourcing register.

Material ongoing outsourced relevant service:

2. Perform a self-assessment of sufficiency of existing policies and procedures to meet the Notice requirements for material ongoing outsourced relevant services. Some suggested actions are (but not limited to):
 - a. Defining frequency of due diligence and independent audit, including obtaining necessary Board approval.
 - b. Establish protocols to be notified by service providers of sub-contractors and include assessment of risk imposed by sub-contractor to the service before engagement. Consider retrospective assessment and subcontractor involvement in current material ongoing outsourced relevant services.
 - c. Revisit customer consent for disclosure of customer information to sub-contractors.
 - d. Prepare to comply with outsourcing agreement requirements entered or renewed during and/or after the effective date of 11 December 2024.
 - e. Establish process to identify and circumstances that warrant termination, including notification of MAS for specific conditions.
 - f. Establish processes and protocols required with intragroup service providers around service agreements, disclosure of customer information to overseas regulators, independent audits, etc

Outsourced relevant service that involve the disclosure of customer information:

3. Identify and establish processes to manage outsourced relevant services (non-material and non-ongoing) that involve the disclosure of customer information.



How can PwC help you?

1. **Compliance health check** against new Notice requirements
2. **Design and implement Outsourcing (Third Party) risk management framework**, for example: governance structure, policy, standard, procedures, target operating model, RACI, tools and templates, etc
3. **Third Party Risk Managed Service** to support your execution of risk management activities including risk assessment, due diligence, independent assessment, risk reporting, etc

Contact us



Kyra Mattar

Partner, Third Party Risk Leader, PwC Singapore
+65 9735 2506
kyra.mattar@pwc.com



Ong Siou Kee

Director, Third Party Risk, PwC Singapore
+65 9665 4963
siou.kee.ong@pwc.com

<https://www.pwc.com/sg/en/services/risk.html>

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