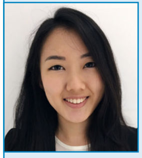
REGIONAL UPDATE
SINGAPORE

Loo & partners LLP
俊昭法律事務所

NEW GUIDELINES ON OUTSOURCING RISK MANAGEMENT



On 27 July 2016, the Monetary Authority of Singapore ("**MAS**") issued new Guidelines on Outsourcing Risk Management ("**Guidelines**") to financial institutions ("**FIs**"), which provide expanded guidance on prudent risk management practices for outsourcing, including cloud services. FIs are expected to adopt a risk-based approach by implementing a sound and responsive risk management framework that is commensurate with the nature of risks in, and the materiality of, its outsourcing arrangements

The Guidelines replaces the existing guidelines and the circular on Information Technology Outsourcing. This update highlights some of its key features:

Scope of Application
The Guidelines now apply to all classes of FIs as defined in section 27A of the MAS Act. Additionally, a Singapore-incorporated FI should apply a group-wide outsourcing risk management framework to ensure branches and corporations under its control (wherever located) observe the Guidelines. FIs are also expected to consider the impact of outsourcing arrangements, by their branches and corporations, on consolidated operations.

Cloud Computing
Cloud services enable on-demand access to shared resources such as servers, storage and network security. Although cloud services can offer cost savings and improve business operations, the risks associated with factors such as data access, confidentiality, integrity and recoverability need to be addressed. FIs should perform the necessary due diligence, apply sound governance and risk management practices, and implement robust access controls to protect customer information.

Revised definition of "material outsourcing arrangement"
An outsourcing arrangement would be deemed material if it is assessed to have a material impact on the FI's customers in the event of unauthorised access or disclosure, loss or theft of customer information. When assessing materiality, FIs should also consider other characteristics such as importance of the business activity to be outsourced, impact on the institution's reputation, brand value and customers, and ability to maintain appropriate internal controls and meet regulatory requirements.

Removal of expectation to pre-notify MAS
FIs are no longer expected to pre-notify MAS of any material outsourcing arrangements. MAS' new approach involves the assessment and monitoring of the robustness of existing outsourcing risk management frameworks. MAS may then require FIs to take additional measures to address any deficiencies, make alternative arrangements or re-integrate an outsourced service.

Effective Date
The Guidelines take immediate effect from 27 July 2016. All FIs have 3 months to carry out self-assessments of outsourcing arrangements against the new regulatory benchmarks and 12 months to remediate deficiencies.

MS. JASSELYN SEET
Legal Associate (Corporate Practice)
T: (65) 6322 2208
F: (65) 6534 0833
E: jasselynseet@loopartners.com.sg

MS. CHOO SONG PING
Legal Associate (Corporate Practice)
T: (65) 6322 2207
F: (65) 6534 0833
E: choosongping@loopartners.com.sg

Loo & Partners LLP
143 Cecil Street, Level Ten, GB Building
Singapore 069542
www.loopartners.com.sg