Banks vs non-bank financial institutions

From 11 December 2024, there will be certain differences between the regimes for banks' material ongoing outsourced relevant services (MOORS) and for non-bank financial institutions' material outsourcing arrangements. The most significant differences are set out by category in the table below.

	New Bank Guidelines	New FIOB Guidelines
Engagement with MAS	Banks must be able to demonstrate to MAS their observance of the expectations in the guidelines.	FIOBs must be able to demonstrate observance of the guidelines, including submitting their outsourcing register to MAS using the template set out in Annex 4 of the New FI Guidelines, at least annually or upon request.
Getting advice on evaluations of customer information risk	When assessing risks relating to safeguarding customer information, if the MOORS involves disclosure of customer information to an overseas service provider, banks must assess whether they should rely on internal counsel or seek independent legal advice.	Not specifically applicable although it could fall under the general risk assessment regarding the confidentiality of customer information.
Policy on continual assessment of service providers	As regards policies on the frequency of reviews, banks may set a specific policy for each MOORS or policies for groups or types of MOORS, so long as the banks ensure that the review frequency is commensurate with the risks posed by the MOORS.	No policy applies. Instead, FIOBs must adopt a risk-based approach.
Outsourcing agreement controls	MAS will consider directing a bank to terminate the contract, or to stop obtaining or receiving the MOORS, when: • The service provider is unable or unwilling to address issues. • The bank fails or is unable to demonstrate a level of understanding of the risk arising from the MOORS. • Adverse developments arise from the MOORS. • MAS is prevented by the service provider from auditing the books, systems and premises of the service provider. • The bank is prevented by the sub-contractor from auditing the books, systems and premises of the service provider. • The bank is prevented from obtaining any record, document, report or information relating to the sub-contracting arrangement. For the purposes of deleting, destroying or rendering unusable information upon termination, banks should go beyond the minimally required customer information to also include non-customer information given to the service provider.	MAS may require an FIOB to modify an outsourced service, make alternative arrangements or reintegrate the outsourced service into the FI where one of the following circumstances arises: • The FIOB fails or is unable to demonstrate a satisfactory level of understanding of the nature and extent of risk arising from the outsourcing arrangement. • The FIOB fails or is unable to implement adequate measures to address the risks arising from its outsourcing arrangement in a satisfactory and timely manner. • Adverse developments arise from the outsourcing arrangement that could impact the FIOB. • MAS' supervisory powers over the FIOB and its ability to carry out its supervisory functions in respect of the FIOB's services, are hindered. • The security and confidentiality of the FIOB's customer information is lowered due to changes in the control environment of the service provider.

	New Bank Guidelines	New FIOB Guidelines
Sub-contracting	Before sub-contracting a MOORS that involves disclosure of customer information, a bank must obtain the written consent of the customer for the bank to disclose the customer information to the sub-contractor. For MOORS, banks must take reasonable steps on a risk-proportionate and best-efforts basis to ensure that sub-contractors are held to similar standards as service providers. Banks should also endeavour to ensure the following: • Where a sub-contracting arrangement involves disclosure of customer information, the sub-contractor is notified in writing of the bank's obligations of confidentiality, and customer information is disclosed only to the extent necessary for the sub-contractor to perform its duties. • Their sub-contracting agreements include: ▶ Provisions on the confidentiality of information ▶ Provisions on MAS being allowed to audit the sub-contractor, and assessing the ability of the sub-contractor to ensure continuity, safeguard confidentiality and guarantee compliance ▶ Provisions requiring that the sub-contractor provides to the bank or MAS any record, document, report or information relating to the MOORS ▶ Provisions requiring that, if the bank no longer receives the MOORS, customer information given to the sub-contractor is destroyed unless an exception is granted.	FIOBs should include clauses making the service provider contractually liable for the performance and risk management practices of its sub-contractor and for the sub-contractor's compliance with the provisions in its agreement with the service provider, including the prudent practices set out in these guidelines.
Monitoring and control of outsourcing arrangements	Banks must put in place measures for effective monitoring of MOORS, including: • A register of outsourcing arrangements • Multi-disciplinary outsourcing management groups • A review of reports on monitoring and control activities of the bank • Comprehensive pre- and post-implementation reviews of new outsourcing arrangements or of any change to existing arrangements	FIOBs must put in place measures for effective monitoring of any material outsourcing arrangement, including: • A register of outsourcing arrangements • Multi-disciplinary outsourcing management groups • Periodic reviews, at least on an annual basis, of all material outsourcing arrangements • A review of reports on monitoring and control activities of the service provider • Comprehensive pre- and post-implementation reviews of new outsourcing arrangements or of any change to existing arrangements

	New Bank Guidelines	New FIOB Guidelines
Audits and inspections	Banks should include, in all their outsourcing agreements for MOORS, clauses that allow them to conduct audits on the service provider and its sub-contractors, whether by its internal or external auditors, or by agents appointed by the bank.Banks must also satisfy themselves that the audit's scope and methodology allow them to determine the ability of the service provider to perform the outsourcing arrangement and the adequacy of the service provider's risk management framework and capabilities. Audit reports should further fulfil the requirements set out in MAS Notices 658 and 1121.	FIOBs should include, in all their outsourcing agreements for material outsourcing arrangements, clauses that allow them to conduct audits, as well as allowing MAS to exercise the FI's contractual rights to access and inspect the service provider. Outsourcing agreements for material outsourcing arrangements should also include clauses that require the service provider to comply with any request from MAS or the FI to submit to MAS any reports on the service provider's security and control measures .
Outsourcing outside Singapore	Overseas authority over banks is not discussed. However, do note obligations under other legislation such as the MAS Act.z	FIOBs should confirm in writing to MAS that they have provided for MAS to have the rights to inspect the service provider and to access the FIOB's and service provider's information, reports and findings related to the outsourcing agreement. FIOBs should notify MAS if any overseas authority seeks access to their customer information or if a situation arises where the rights of access of the FIOB or MAS have been restricted or denied.