IMAS RESPONSE TO CONSULTATION REPORT

Consultation topic:	**MAS Consultation Paper on Updated Guidelines on Operational Risk Management**

Feedback:
1. **MAS seeks comments on where FIs envisage challenges in observing specific expectations on a proportional basis. Respondents are encouraged to propose specific examples of such challenges, as well as alternative drafting of the expectations.** IMAS welcomes the intention to implement the updated Operational Risk Management Guidelines on a risk-based and proportionate basis for asset managers. However, the concept of proportionality, while appropriate in principle, requires greater clarity, flexibility and operational guidance to be workable across financial institutions with differing operational models. A primary theme is that proportionality should be anchored on outcomes rather than prescriptive structures or tools. Effective operational risk management can be achieved through different organisational arrangements, provided accountability is clear and demonstrable. Particularly, section 2 of the Guidelines should provide more explicit examples or tiering of expectations by size, complexity, or business model to minimise the risk of regulations inadvertently driving convergence toward a one-size-fits-all model. This should help implementation of these requirements at smaller firms. Another key issue is the lack of practical guidance, particularly for smaller or growing firms. IMAS suggests that examples of how proportionality should be assessed in practice, especially for firms with lean teams or limited local presence. There are also practical constraints in implementing certain ORM tools as scenario analysis, benchmarking and external gains/loss data analysis may not always be feasible due to data limitations, lack of industry data sharing, or relevance to specific business models. The concern is that the Guidelines could be interpreted as requiring uniform application of these tools, even where they are not meaningful or practicable. For global financial institutions, the challenge is that operational risk management frameworks are often designed and managed at the group level, with centralised systems, data, and governance. This therefore creates interdependencies between the local entities and their global headquarters. A full local replication of the framework, including shared services, systems, and infrastructure (which respondents acknowledge are key drivers of operational risk) is inefficient and costly. Firms therefore seek confirmation that their global frameworks can be relied on, subject to appropriate local oversight, without needing to build parallel local structures.

Such practical challenges would be exacerbated for smaller Singapore domiciles entities of global FIs, where it would not be proportionate to replicate global frameworks locally or maintain fully dedicated local resources.
2. MAS seeks comments on the proposed expectation for a D-SIB / D-SII to publicly disclose its approach to operational risk management and operational risk exposures, and its code of conduct. We additionally seek views on whether there are other FIs which should be subject to this expectation. Most respondents supported MAS' proposal for **D-SIBs and D-SIIs** to disclose their operational risk frameworks, recognising their systemic importance and the need for greater transparency. However, there was strong consensus that the requirement should **remain limited to these institutions** and not be extended to other financial institutions such as fund managers. The rationale was that operational risk events in such firms are unlikely to have system-wide implications, and therefore do not warrant the same level of public transparency. IMAS therefore suggests MAS clarifies that paragraph 7.1 does not apply to fund managers which are non D-SIBs and D-SIIs. Several firms also highlighted that existing disclosure and oversight mechanisms are sufficient for non-systemically important institutions. In particular, investors and clients of fund management companies already receive relevant information through regulatory product disclosures, onboarding processes, and ongoing reporting arrangements. As such, additional public disclosure requirements were viewed as duplicative, given that adequate transparency is already achieved through existing regulatory and contractual channels. Another key concern raised was the issue of proportionality and cost-benefit balance. Respondents noted that extending such reporting requirements more broadly could impose disproportionate compliance and reputational risks without delivering meaningful benefits to market discipline or financial stability.
3. **MAS seeks comments on Section 7 of the updated ORMG, as well as the proposed amendments to the Guidelines on Risk Management Practices – Internal Controls. Where respondents envisage challenges in observing specific expectations, respondents are encouraged to propose alternatives to the drafting of the expectations and the rationale for doing so.** In line with the response to Q2, IMAS suggests that MAS should clarify that Section 7 applies only to D-SIB and D-DIIs as the operational risk events arising in the asset management industry are unlikely to have system-wide risk implications. Public disclosure of the risk management framework by the fund managers therefore does not bring additional benefit to investors. Further, for fund management entities serving only institutional investors, such information may already be provided by the FMCs to its prospective investors during the due diligence process.
4. MAS seeks comments on the proposed expectations over change management, as set out in Section 6 of the updated ORMG.

IMAS supports MAS' objective of strengthening change management controls, but emphasised that the expectations should be applied proportionately and on a risk-based basis.

The main concern was that, unless clarified, the proposed drafting could be interpreted too broadly, leading firms to apply formal change management processes even to routine or low-risk business-as-usual changes. We therefore urged MAS to focus the requirements on material changes that give rise to substantive incremental operational risk, and to provide further guidance on how materiality should be assessed in practice. We would also highlight the risk of unnecessary duplication where change governance is already embedded within existing product, technology, or business governance frameworks, and appreciate MAS' clarification that operational risk should be integrated into those existing processes rather than requiring a separate standalone framework.

We hope MAS can further clarify how proportionality is to be implemented e.g minimum staffing levels, tools to be used or governance structures required, without duplicating efforts. The framework should be practical, proportionate and focused on material risks.

We would also like to clarify MAS' expectations on the change management process, particularly:

(i) the scope and type of changes that are considered "material incremental operational risks";
(ii) the aspects of governance expected from the implementation or modification of new business processes;
(iii) expectations on well-resourced change management process. (i.e. minimum staffing, tooling or governance structures required);
(iv) for changes initiated and governed at group level, MAS' expectations on the Singapore branches to evidence effective end-to-end change risk assessment without duplicating global governance.

5. MAS seeks comments on the proposed expectations applicable to FIs with branches or subsidiaries under them and, which:

   a. are subject to consolidated supervision by MAS or

   b. are owners of critical information infrastructure.

We appreciate MAS' expectations and have no additional comments.

6. MAS seeks comments on any aspects of the updated ORMG that have not been covered in earlier questions.

IMAS would like to emphasise the need for clarity**,** alignment, and flexibility in the updated ORMG and guard against potential duplication with existing MAS reporting requirements, particularly on notifying "significant developments". Instead of introducing new obligations, we suggest aligning with current frameworks to avoid overlapping or inconsistent reporting.

We also call for flexibility in implementation, especially for global firms. For global firms, frameworks such as the Three Lines of Defence, risk appetite, and scenario analysis are often managed at group level, and duplicating these locally would be inefficient. We would appreciate MAS' confirmation that group frameworks can be leveraged with appropriate local adaptation**.**

Areas which require further guidance include definitions of materiality, risk transfer approaches, benchmarking expectations, and governance responsibilities – these are necessary to ensure consistent and practical implementation.

Finally, concerns were raised around operational burden and proportionality, particularly for forward-looking requirements and quantitative expectations, with firms noting that operational risk is inherently difficult to measure and that requirements should remain practical and risk-based.

7. MAS seeks comments on the proposed transition period of 6 months.

There is broad alignment that a longer transition period of up to 18 months, or a phased approach, would better support effective implementation. Taken together, the industry feedback reflects a consistent concern that while the direction of the proposed guidelines is supported, additional time is necessary to ensure that implementation is robust, well-governed, and sustainable.

The reasons are:

a. Scale and depth of required changes
The proposed revisions are not necessarily limited to policy updates but can involve substantial enhancements to operational risk management (ORM) frameworks. Firms which currently have a less mature ORM framework will need to design and operationalise elements such as risk appetite and tolerance frameworks, control inventories, taxonomy standardisation, thresholds, and strengthened governance and reporting structures. These are structural changes that require time to embed properly across the organisation.

b. Governance and approval processes
Implementation will require internal governance approvals, including board or committee-level oversight. For many firms, particularly those with formal governance structures, these processes are iterative and time-consuming, making a six-month window challenging. Smaller firms which have to enhance their governance framework will require more time to establish and implement the changes required.

c. Global alignment and multi-jurisdictional complexity
Many respondents operate within global frameworks. Changes driven by MAS requirements often need to be aligned with head office policies, approved centrally, and then cascaded across regional entities and subsidiaries. This coordination across jurisdictions adds complexity and extends implementation timelines.

d. Resource constraints and competing priorities
Firms noted that the breadth of changes would require significant resourcing, including potential uplift in capabilities, technology, and data infrastructure. For leaner organisations in particular, competing regulatory and business priorities make it difficult to mobilise resources within a short timeframe.

e. Need for structured and sustainable implementation
Respondents emphasised that a longer or phased transition would reduce execution risk, minimise

control gaps, and allow firms to implement changes in a more orderly and effective manner. A phased approach, where foundational elements are addressed first followed by more complex enhancements, was seen as a practical alternative.

f. **Interdependencies with other regulatory initiatives**
Some firms highlighted the need to align implementation with other ongoing MAS consultations and regulatory developments, which may overlap in scope and require coordinated changes.

Any other comments / remarks: