IMAS RESPONSE TO CONSULTATION REPORT

Consultation topic:	**MAS Consultation Paper on Proposed Guidelines on Third-Party Risk Management**

Feedback:

Q1. MAS seeks comments on proportional implementation of the Guidelines. Where respondents envisage challenges in observing specific expectations on a proportional basis, respondents are encouraged to propose alternatives to the drafting of the expectations and the rationale for doing so.

IMAS supports MAS' proposal that the extent to which an FI implements the Guidelines should be commensurate with the size and complexity of the FI and the nature and materiality of the relevant third-party arrangement. We encourage MAS to make this principle more operational in the final Guidelines by clarifying that proportionality should apply across key aspects of the framework, including vendor tiering, the depth of due diligence and controls, the frequency of review and monitoring, audit expectations, and the degree of visibility expected over subcontracting chains.

In particular, IMAS believes it would be helpful for MAS to clarify that the more intensive expectations under the Guidelines should primarily be directed at material third-party arrangements, while lighter and more practical controls may be applied to lower-risk or ancillary arrangements. This would help financial institutions focus resources on the most significant dependencies and risk exposures, rather than devoting disproportionate effort to low-risk arrangements that do not warrant the same level of oversight.

IMAS also encourages MAS to clarify that proportionality applies not only at the institution level, but also at the level of individual third-party arrangements, including intragroup arrangements and subcontracting structures. Illustrative examples of how proportionality is expected to operate in practice would be particularly useful to support consistent implementation across the industry.

Finally, we wish to highlight that members also sought clarity on MAS' position on proportionality in relation to:

- For existing material third-party arrangements, where reasonable efforts have been made by a financial institution to renegotiate relevant contracts and the financial institution still fails to secure acceptance by a contractual counterparty in relation to all proposed/revised provisions, will the financial institution be deemed to have satisfy the requirements of the Guidelines;
- Under paragraph 6.22, where certain risks cannot be fully mitigated, can a financial institution, subject to concurrence by second line of defence and senior management and/or the board, choose to accept the risks as long as they fall within the institution's risk appetite;

- Can the relevant provisions and conditions under paragraphs 6.19(a) to (p) be included in operative documents (other than in an agreement or contract) between a financial institution and the relevant service provider?

Hence we suggest an amendment to paragraph 6.22:

"For material third-party arrangements where an FI fails to include any of the provisions or conditions *after making reasonable efforts, the FI should assess and document the associated risks and the adequacy of alternative mitigating measures. In conducting this assessment, the FI should take into account the nature, scale and complexity of its operations, the materiality of the arrangement and the risks posed.* The assessment should be independently reviewed by the second line of defence and, where warranted based on the risk involved, approved by senior management and/or the board."

Q2. MAS seeks comments on the expectations applicable to FIs with a branch or subsidiary under them and which are (i) subject to consolidated supervision by MAS or (ii) owners of a critical information infrastructure.

IMAS agrees with MAS' expectations as stated. This recognises the complexity of business models and business operations occurring on a cross-border basis. More broadly, we support the objective of ensuring that third-party risks are appropriately considered on a consolidated basis where relevant, while recognising that governance structures and oversight models may differ across institutions and groups.

Q3. MAS seeks comments on

i. **the proposed register template to be submitted to MAS;**

ii. **the main categories of third-party services that FIs are currently utilising and monitoring internally, which will be consolidated across the industry for inclusion in the register accordingly[6]; and**

iii. **whether ISO-3166-2 should be used to collect location information[7].**

IMAS supports MAS' objective of improving supervisory visibility over third-party dependencies, concentration risk and material arrangements through the proposed register. However, members have highlighted that the proposed template may be quite operationally intensive, particularly for non-bank financial institutions with global operating models and limited direct visibility over certain downstream arrangements.

IMAS suggests that MAS adopt a risk-based approach to the design of the register, such that the information required remains focused on the data that is most useful from a supervisory and risk management perspective. In particular, IMAS encourages MAS to allow best-efforts reporting where information is not reasonably available, especially in relation to material subcontractors, legacy arrangements, and global service providers that may not be willing or able to provide the full granularity requested.

IMAS also suggests that MAS consider whether a simplified register, or at least a more tailored set of data fields, may be appropriate for non-bank financial institutions. The current template appears more granular than what may be necessary for many asset managers and other non-bank FIs. A more proportionate approach would reduce manual effort and the risk of inaccurate or speculative reporting, while still allowing MAS to monitor material concentration and dependency risks effectively.

On service categories, IMAS would welcome broad but sufficiently relevant categories that can accommodate different FI business models without forcing arrangements into categories that do not fit naturally. For asset managers, for example, more tailored categories may be useful in areas such as fund administration, custody and safekeeping, trade execution and brokerage, market data and pricing, client reporting, cybersecurity services, distribution platforms and digital asset infrastructure.

On location information, IMAS would support a standardised approach that facilitates comparability and concentration monitoring. However, we respectfully suggest that country-level information should be the baseline requirement for all reportable arrangements, while more granular city-level information should only be required for material arrangements or where location-specific risk is particularly relevant. Requiring ISO-3166-2 data across all arrangements may impose significant operational burden without commensurate supervisory benefit.

Q4. MAS seeks comments on the proposed frequency of submission.

IMAS respectfully suggests that the proposed semi-annual submission frequency may be too frequent for non-bank financial institutions. In practice, for many fund management companies, the register is unlikely to change materially within a six-month period, and semi-annual submissions may become a periodic compliance exercise rather than a meaningful risk reporting tool.

Accordingly, IMAS suggests that for non-bank financial institutions, the register be submitted annually or upon MAS' request. This would be more consistent with the current supervisory approach under the existing Outsourcing Guidelines for non-bank FIs and would better balance supervisory visibility with operational practicality. Should MAS nonetheless retain semi-annual reporting, it would be helpful to clarify the relevant submission timelines and whether only material changes are expected to be updated in the interim.

Q5. MAS seeks comments on the proposed responsibilities of board and senior management in managing third-party risk.

IMAS supports the general direction of MAS' proposed governance expectations and agrees that responsibility for the oversight of third-party risk should remain with the FI, its board and senior management, notwithstanding the use of external service providers.

That said, we respectfully encourage MAS to clarify that these expectations are outcomes-focused rather than form-prescriptive. In particular, it would be helpful if the final Guidelines make clear that the board's role is to oversee the overall third-party risk strategy, framework, risk appetite and key material risks, while senior management is responsible for translating those expectations into policies, procedures, controls and escalation processes. This would help ensure that board attention remains focused on strategic and material risk issues rather than detailed operational matters.

IMAS also encourages MAS to recognise that many FIs, particularly those within global groups, already operate established governance structures through which these outcomes are achieved. The final Guidelines should therefore allow firms to leverage existing governance arrangements, provided accountability, oversight and escalation remain clear and effective.
Q6. MAS seeks comments on the proposed expectations on governance, risk management and strategy. IMAS supports MAS' proposal that third-party risk management should be aligned with the FI's broader operational risk management framework and strategy. We agree that third-party risk should not be managed in isolation, and that there should be clear linkages with related disciplines such as technology risk, business continuity, information security and operational resilience. At the same time, IMAS respectfully submits that there should be flexibility in how this alignment is achieved in practice. In many institutions, these risk areas are managed by different functions with distinct policies, procedures and governance forums. For non-bank FIs in particular, full structural or documentary integration across all such areas may not always be practical or proportionate. We therefore suggest that MAS clarify that the key expectation is effective coordination, clear accountability and appropriate information-sharing across functions, rather than requiring a single integrated structure or policy set. Members have also sought greater clarity on what MAS would regard as adequate staffing and resourcing for third-party risk management. IMAS believes the final Guidelines would benefit from confirmation that adequacy of staffing should be assessed having regard to the size, complexity, operating model and risk exposure of the institution, and that smaller firms may continue to rely on appropriately designated staff and group support functions where this remains effective.
Q7. MAS seeks comments on the proposed expectations on risk assessment in the Guidelines. IMAS is broadly supportive of the proposed expectations on risk assessment. We agree that FIs should assess the risks and materiality of third-party arrangements before entering into them, when there are major changes affecting the arrangement, and periodically thereafter as part of the institution's broader risk management and control review processes. In our view, it would be helpful if MAS clarifies that these risk assessments should remain outcomes-based and proportionate in form and methodology. Different institutions may use different risk assessment tools, templates and workflows, and flexibility should be preserved so long as the assessment identifies the relevant risks, determines materiality appropriately, and supports sound risk management and decision-making. To support consistent implementation across the industry, IMAS would also welcome illustrative examples of the key factors or parameters that MAS would expect FIs to consider in identifying materiality and risk, including in relation to data sensitivity, substitutability, concentration risk, operational impact and the role of the service in supporting critical business services.
Q 8. MAS seeks comments on the proposed areas of due diligence in the Guidelines. IMAS supports the proposed due diligence expectations in principle. We agree that due diligence should enable the FI to assess the service provider's ability to deliver the service in a controlled,

resilient and sustainable manner, including in relation to operational capability, governance, controls, information security, business continuity and financial viability.

At the same time, IMAS respectfully encourages MAS to recognise more explicitly that due diligence must be applied in a practical and proportionate manner. In many cases, especially where global providers are involved, bespoke audits, on-site reviews or deep access to internal documentation may not be feasible. IMAS therefore suggests that the final Guidelines expressly recognise independent assurance reports and certifications, such as SOC, ISAE and ISO reports, as acceptable and scalable forms of due diligence and control validation, provided the FI assesses their relevance, scope and timeliness and supplements them where necessary.

IMAS also encourages MAS to provide greater flexibility and clarity for intragroup arrangements and group-managed services. In many global operating models, certain services are managed centrally at group level and the local Singapore entity may have limited ability to impose bespoke local requirements on the relevant intragroup entity. The final Guidelines should therefore make clear that equivalent group-level governance, controls and assurance may be relied upon where they achieve the intended outcomes.

Members have also highlighted that some service providers, particularly in the areas of business continuity and disaster recovery, may not be willing to share detailed plans, test results or internal audit materials due to confidentiality or security considerations. IMAS respectfully suggests that MAS recognise these practical constraints and allow reliance on other forms of independent assurance or appropriate alternative controls where full access is not available.

Q9.MAS seeks comments on the proposed expectations on contracting in the Guidelines.

IMAS supports MAS' proposal that service provider agreements remain an important risk management tool and agrees with the use of a "same effect" standard rather than requiring verbatim adoption of specific language. This is a practical and helpful drafting approach.

However, IMAS respectfully submits that the final Guidelines should more clearly recognise the practical limitations that many FIs face in negotiating contractual terms, especially with large global providers operating on standardised contracts. In practice, provisions relating to direct audit and inspection rights for MAS, broad information rights, detailed data location commitments, or direct cooperation obligations owed to MAS may be difficult to obtain, particularly from service providers headquartered outside Singapore.

In this regard, IMAS suggests that MAS clarify that FIs are expected to make reasonable efforts to negotiate the key contractual protections appropriate to the risks of the arrangement, but that where specific clauses cannot be obtained despite those efforts, the FI may still demonstrate observance of the Guidelines through documented residual risk assessment and appropriate compensating controls. This would better reflect commercial realities while preserving sound oversight.

It would also be helpful for MAS to clarify whether the contracting expectations are intended to apply prospectively, for example to new contracts, renewals and material amendments, rather than requiring immediate remediation of all existing agreements regardless of renewal cycle. This would materially improve the practicality of implementation.

Q10. MAS seeks comments on the proposed expectations on onboarding and ongoing monitoring, particularly in relation to the frequency of due diligence and audit. FIs which prefer more explicit guidance on the appropriate timeline/frequency of due diligence for material third-party arrangements should indicate their view on an appropriate frequency and the reason for the FI's proposed frequency.

IMAS supports MAS' focus on robust onboarding and ongoing monitoring of third-party arrangements. We agree that FIs should monitor service delivery, control effectiveness, material changes, incidents and emerging risks throughout the life cycle of an arrangement.

On the frequency of due diligence and audit, IMAS strongly supports MAS' proposed risk-based approach and does not recommend prescribing uniform timelines across all arrangements. In our view, the frequency of due diligence and independent audit or expert assessment for material third-party arrangements should be commensurate with the risk, complexity and criticality of the arrangement, and should be capable of being approved through an appropriate governance framework, including on a category basis where relevant.

IMAS also respectfully encourages MAS to confirm that independent assurance reports and recognised certifications may be used to satisfy, in whole or in part, the expectation for independent audits or expert assessments, rather than requiring FIs to commission separate audits in every case. This would be particularly important for arrangements involving large global providers and for smaller FIs with limited leverage or resources.

More generally, IMAS suggests that the more intensive monitoring and audit expectations should be focused on material third-party arrangements. Applying the same degree of audit validation to low-risk or non-material arrangements may not be proportionate and could create unnecessary operational burden.

Q11. MAS seeks comments on the proposed expectations on termination.

IMAS supports the principle that FIs should maintain exit plans for material third-party arrangements and be able to terminate such arrangements in a safe and orderly manner where necessary. We agree that appropriate transition planning is an important element of resilience.

At the same time, IMAS respectfully suggests that the final Guidelines recognise that termination should not always be the default or preferred response where issues arise. In some cases, the relevant risks may be more appropriately addressed through remediation, enhanced monitoring, interim controls or contractual enforcement, particularly where immediate termination could itself create operational disruption or customer harm.

For deeply integrated intragroup arrangements, members have also highlighted that exit testing and termination planning may be particularly complex and may need to be approached pragmatically. IMAS therefore encourages MAS to apply the termination expectations in a proportionate and realistic manner, taking into account the materiality of the service, substitutability, and the practical feasibility of transition.

Q12. MAS seeks comments on the scenarios under which an FI should consider whether to terminate the service provider agreement for a third-party arrangement and the circumstances under which MAS may direct an FI to terminate the agreement.

IMAS understands and supports MAS' intent in setting out indicative scenarios in which an FI should consider whether to terminate a service provider agreement. These scenarios provide helpful guidance for internal escalation and decision-making.

Given the significant operational impact that may arise where MAS directs termination, IMAS respectfully suggests that the final Guidelines provide some indication of the usual supervisory process MAS would follow before issuing such a direction in non-emergency situations. Such clarification would assist FIs in incorporating MAS-directed termination scenarios into their exit planning and governance processes more concretely.

More broadly, IMAS encourages MAS to adopt an outcomes-focused approach centred on whether the FI can manage the relevant risks effectively and execute an orderly exit where necessary, rather than requiring overly prescriptive documentation of detailed termination scenarios across all third-party arrangements.

Q13. MAS seeks comments on the proposed expectation for FIs to ensure the service provider notifies the FI in writing prior to the engagement of a material sub-contractor, where possible. Feedback on the inclusion of material sub-contractors in the register of third-party arrangements should be provided in Question 3.

IMAS appreciates the intent of this proposal and agrees that prior notification of material subcontracting can strengthen visibility over supply-chain risk. However, members have highlighted significant practical limitations, particularly where the primary provider is a global service provider or an intragroup entity and the local Singapore FI does not have direct line of sight over downstream subcontracting decisions.

Accordingly, IMAS respectfully suggests that MAS retain and emphasise the existing “where possible” and “to the extent practicable” standard. The final Guidelines should clarify that the FI’s primary obligation is to seek appropriate contractual commitments from the service provider and to manage the resulting risk on a best-efforts basis, rather than being expected to exercise direct control over arrangements beyond its contractual reach.

It would also be helpful if MAS could clarify the intended scope of the notification expectation, including whether it is intended to apply only to first-level material subcontractors or also to downstream subcontracting beyond that level. A more calibrated approach focused on the subcontractors that can materially affect service delivery, confidentiality or resilience would be more practical and risk-aligned.

We also suggest MAS considers if it how it can introduce this as a market standard in Singapore, e.g., by setting clear supervisory expectations for service providers’ notification practices, encouraging standardised subcontractor disclosure/attestation mechanisms, and signalling that persistent non-cooperation may be taken into account in supervisory assessments of affected FIs and providers.

Q14. MAS seeks comments on the proposed guidance on pass through sub-contracting.

IMAS agrees that pass-through subcontracting can reduce transparency and weaken effective oversight by inserting additional layers between the FI and the party ultimately delivering the service. We therefore support MAS’ proposal that such arrangements should be subject to careful risk assessment and appropriate mitigating measures.

At the same time, IMAS respectfully suggests that the final Guidelines recognise that FIs should be able to rely reasonably on the governance, due diligence and oversight processes of the primary service provider in relation to its own subcontractors, especially where the FI does not have direct contractual

rights against those downstream providers and sub-contractors. In our view, the key expectation should be that the primary provider remains contractually responsible and accountable for the performance and risk management of its material subcontractors, supported by appropriate assurance, reporting and escalation mechanisms. Requiring FIs to independently conduct or review due diligence on each material sub-contractor may be operationally burdensome and disproportionate, particularly where the FI does not have a direct contractual relationship with the sub-contractor. Illustrative examples of acceptable mitigants in such cases, such as contractual liability, independent assurance (such as ISAE/SOC reports) covering the supply chain, or enhanced monitoring and reporting, would be helpful.
Q15. MAS seeks comments on the proposed expectation that an FI should take reasonable steps, on a risk proportionate and best effort basis, to ensure that material sub-contractors are held to similar standards as service providers. IMAS supports the objective that material sub-contractors involved in material third-party arrangements should be subject to appropriate standards of control and risk management. However, we respectfully submit that the final Guidelines should more clearly articulate what MAS would regard as "reasonable steps" in practice as there are practical difficulties ie. FI has no direct relationship with sub-contractors, such contractual clauses with the service providers with little to no enforceability with the sub-contractors, but at the same time, places additional legal burden on the service providers. Similar to the response provided to Question 3, this may inadvertently discourage third-party providers from partnering with Singapore-based FIs, thereby reducing the pool of available service providers and potentially impacting the quality of services. In particular, IMAS suggests that the final Guidelines clarify that reasonable steps may include obtaining contractual cascade provisions, assessing the governance and supply-chain controls of the primary service provider, relying on relevant independent assurance (such as ISAE and SOC reports), and applying enhanced oversight to higher-risk arrangements. This would provide a clearer and more practical benchmark for compliance, especially in circumstances where the FI has no direct contractual relationship with the material subcontractor. IMAS does not believe it would be appropriate to imply that FIs must directly impose or enforce equivalent standards on all material subcontractors in the same way as they would on a contracted service provider. A risk-based and best-efforts interpretation is more consistent with commercial reality and the structure of many third-party service chains.
Q16. MAS seeks comments on the proposed expectation of FIs and service providers in relation to adverse developments. IMAS supports the expectation that FIs should notify MAS promptly where an adverse development has widespread impact or materially affects services to customers, and that service providers should cooperate with the FI and MAS during incident management and investigation. To support consistent implementation, IMAS respectfully suggests that MAS clarify how this expectation should be read alongside existing incident reporting and notifiable event frameworks. In particular, it may be helpful for MAS to indicate whether FIs may align the internal criteria used to determine reportability under these Guidelines with those already used under existing MAS

requirements (such as the Guidelines on Individual Accountability and Conduct), rather than having to build separate incident thresholds and reporting frameworks. It would also be helpful if MAS could provide further clarity on the manner and process in which MAS would typically engage with the FI and the third party where there are concerns regarding a service provider's level of cooperation, particularly before more severe outcomes such as a request to terminate or not renew the arrangement are considered.
Q17. MAS seeks comments on the list of "exempted services". Where there are any additional categories of services that may require exemption, respondents should provide the rationale to support their suggestion for these services to be exempted. IMAS supports the retention of a list of exempted services and agrees that certain categories of services may not warrant the full application of the Guidelines. At the same time, members have suggested that the exempted list could be expanded, or at least that the final Guidelines be clear that some categories of relationships may appropriately be subject only to lighter, proportionate oversight rather than the full suite of TPRM expectations. In particular, IMAS encourages MAS to consider whether the following categories merit exemption or more limited treatment: professional advisers such as external legal counsel, auditors and tax advisers; trading counterparties and market infrastructure providers where the relationship is conducted on an arm's-length market basis; basic banking services used by FIs for their own operational purposes; interactions with government or regulatory agencies (such as Commissioner of Stamp Duty); industry associations; and certain one-off or low-risk service providers that do not resemble the outsourcing of internal operational functions. The common feature of many of these relationships is that they are already subject to other forms of legal, regulatory or professional oversight, or do not involve the FI delegating internal operations in a way that creates the same kind of dependency risk. IMAS is not suggesting that such relationships be unmanaged, but rather that they may be more appropriately addressed through existing control frameworks or more proportionate treatment under the final Guidelines.
Q18. MAS seeks comments on other aspects of the Guidelines that have not been covered in earlier questions. IMAS' overarching view is that the final Guidelines should remain principles-based, proportionate and outcomes-focused, with clearer recognition of the different operating models and risk profiles across the financial sector. IMAS believes it would be helpful if MAS could provide clearer guidance on how the proposed Guidelines will interact with existing MAS requirements, including operational risk management expectations, technology risk requirements and other related supervisory frameworks. In particular, as this new Guideline is to replace the existing Outsourcing Guidelines, it would be helpful to FIs if MAS could include some guidance on which parts of the Outsourcing Guidelines are fully superseded or a clear statement on how any overlap with other MAS notices or risk management guidelines should be read. We also believe that it will be helpful if MAS could provide more clarity on the following: * treatment of intragroup services arrangements particularly private cloud solutions, * non-material third party arrangements * MAS' view on the boundary of responsibility between FIs and the Sub-Contractors * for cross-border arrangements, what are MAS' expectations on evidencing of compliance via

contractual terms, data access mechanisms and legal opinions?

Finally, It would also be appreciated if MAS could provide more clarity on the treatment of intragroup arrangements and non-material third-party arrangements, as these areas are especially important for fund management companies. FIs in their usual course of business have many third party arrangements in place. Additional examples of what MAS would regard as material third-party arrangements would also be helpful to support more consistent implementation and enable FIs to manage their resources at the implementation level better.

Q19. MAS seeks comments on the proposed transition period of 6 months.

IMAS notes that the proposed Guidelines have had a significant uplift in terms of scope and coverage compared with the existing Outsourcing Guidelines. Although there is similarity between the 2 topics, the proposed third party risk management guidelines suggest that MAS is trying to move the industry up the maturity ladder on vendor management.

Hence whilst IMAS members recognise the need to have a robust vendor management program in place, they nevertheless highlight that a six month transition period is generally not feasible for the level of governance uplift, operating model changes, and register build required to achieve stable and accurate coverage, particularly for smaller and mid-sized FIs consolidating data across procurement, IT, risk, and business owners.

Our members therefore propose a transition period of at least 18 to 24 months and allow a phased approach (starting with material engagements) to allow a controlled implementation and higher-quality outcomes.

Separately, contractual amendments across all third-party agreements will typically take longer due to renewal cycles and vendor leverage (especially for global providers). Rather than prescribing a fixed timeframe for contractual remediation, we recommend MAS allow contractual updates to occur organically through renewal and renegotiation cycles, supported by interim risk mitigations (e.g., documented exception handling, compensating controls, enhanced monitoring) for material arrangements where immediate contractual changes are not achievable.

Any other comments / remarks:

NIL